

Registered Number 3930041

Sprintlink UK Limited
Annual report and financial statements
for the year ended 31 December 2006

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Sprintlink UK Limited

Annual report and financial statements for the year ended 31 December 2006

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Sprintlink UK Limited

Directors and advisers for the year ended 31 December 2006

Directors

S W Andreasen

Secretary

C R Wunsch (resigned 11 December 2006)

C A Hill (appointed 11 December 2006)

Bankers

Deutsche Bank London

18th Floor,

6 Bishopsgate

London

EC2N 4DA

Solicitors

Simon Quantrill

The Peninsular Business Centre

Wherstead

Ipswich

IP9 2BB

Denton Wilde Sapte

One Fleet Place

London

EC4M 7WS

Auditors

KPMG

Chartered Accountants

1 Stokes Place

Dublin 2

Ireland

Registered Office

Kinnard House

1 Pall Mall East

London

SW1Y 5AU

Sprintlink UK Limited

Director's report for the year ended 31 December 2006

The director presents his report and the audited financial statements of the company for the year ended 31 December 2006

Principal activities

The ultimate parent of the company is Sprint Nextel Corporation, a company registered in the US. The principal activity of the company is the provision of telecommunication services in the United Kingdom.

Review of business

As Sprint Nextel Corporation continues to grow its US domestic and international customers, Sprintlink UK Limited will remain a core backbone to providing telecommunication services.

Sprintlink UK Limited will continue to address challenges and changes within the telecommunications industry, both in the United Kingdom and around the globe. Sprintlink UK Limited will face these challenges with the network and financial assistance of its Sprint Nextel affiliated US and International partners.

Sprintlink UK Limited receives 100% of its funding from parent company Sprint International Holding, Inc. A Letter of Support from Sprint International Holding, Inc. to Sprintlink UK Limited has been issued pledging financial support through 31 March 2009.

Sprintlink UK Limited entered into a transfer pricing agreement with Sprint International Network Company LLC. The agreement is in support of the transfer pricing strategy implemented across all Sprint International entities, including Sprintlink UK Limited. The strategy focuses on providing global services to new and existing multinational customers. The agreement provides a full cost recovery system that will reimburse Sprintlink UK Limited for all expense incurred during the year at a 0% or 4% mark-up (specified by type of expense) that should generally result in a net operating profit in 2006 and future years.

Foreign Exchange Risk

Sprintlink UK does not use foreign exchange hedges or forward contracts relating to currency exposures. Sprintlink UK Limited faces limited foreign exchange risk on accounts receivable and payable balances as the majority of its transactions are in Sterling.

Credit Risk

The company has implemented policies that require appropriate credit checks on potential customers before sales contracts are completed.

Future developments

The director expects the company to have a satisfactory year in 2007.

Sprintlink UK Limited

Director's report for the year ended 31 December 2006 (continued)

Key performance indicators

Given the straight forward nature of the business, the company's director is of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the business

Results and dividends

The result for the year is set out on page 7

The director does not recommend a dividend in respect of the year ended 31 December 2006 (2005 £Nil)

Director

The directors who served during the year and up to the date of this report are as follows

C R Wunsch (resigned 14 June 2007)

M T Hyde (resigned 11 December 2006)

C A Hill (resigned 11 December 2006)

S W Andreasen (appointed 14 June 2007)

Statement of director's responsibilities in respect of the Annual Report and the financial statements

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the director is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The director confirms that he has complied with the above requirements in preparing the financial statements

The director is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 1985. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Sprintlink UK Limited

Director's report for the year ended 31 December 2006 (continued)

Political and charitable donations

The company made no political or charitable contributions during the year

Disclosure of information to the auditors

As far as the director is aware, there is no relevant audit information of which the company's auditors are unaware. The director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
signed on behalf of the Board



S W Andreasen
Director

25 February 2008



KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

Independent auditors' report to the members of Sprintlink (UK) Limited

We have audited the financial statements of Sprintlink (UK) Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, Balance Sheet and the related notes on pages 7 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act, 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of director and auditors

As described in the Statement of Directors' Responsibilities on page 3, the company's director is responsible for the preparation of the Director's report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act, 1985. We also report to you if, in our opinion, the Director's Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Director's Report and consider implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of Sprintlink (UK) Limited
(continued)


Qualified opinion arising from disagreement on accounting treatment.

As disclosed in the basis of preparation note on page 9 the company has not applied the principles of FRS 20 "Share based payments" with respect to options that have been granted to employees of the company over shares in the ultimate parent company. The accounting standard requires that the fair value of options on the grant date are recognised as an employee expense, with a corresponding increase in reserves, over the period in which the options vest.

Opinion

In our opinion except for the matter referred to in the preceding paragraph, the financial statements

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended, and
- have been properly prepared in accordance with the Companies Act, 1985


Chartered Accountants
Registered Auditor

27 February 2008

Sprintlink UK Limited

Profit and loss account for the year ended 31 December 2006

	Note	2006 £	2005 £
Turnover	2	22,563,449	18,902,450
Cost of sales		(13,639,940)	(11,873,253)
Gross profit		8,923,509	7,029,197
Administrative expenses		(8,806,237)	(8,639,157)
Operating profit/(loss)	3	117,272	(1,609,960)
Interest payable and similar charges	5	-	(193)
Interest receivable and similar income	6	1,014,388	1,341,252
Profit/(loss) on ordinary activities before taxation		1,131,660	(268,901)
Tax on profit/(loss) on ordinary activities	7	(18,848)	-
Profit/(loss) for the financial year	14	1,112,812	(268,901)

The above results were derived entirely from continuing operations

There is no difference between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for the year stated above and their historical cost equivalents

There have been no recognised gains and losses attributable to the shareholders other than the results stated above and accordingly, no statement of total recognised gains and losses is shown

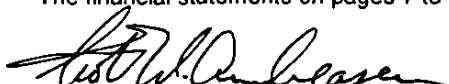
The accompanying notes are an integral part of this profit and loss account

Sprintlink UK Limited

Balance sheet as at 31 December 2006

	Note	2006 £	2005 £
Fixed assets			
Tangible assets	8	3,958,258	3,311,528
		3,958,258	3,311,528
Current assets			
Debtors	9	7,375,561	26,277,484
Cash at bank		2,301,532	1,539,349
		9,677,093	27,816,833
Creditors - amounts falling due within one year	10	(1,647,578)	(3,389,238)
Net current assets		8,029,515	24,427,595
Total assets less current liabilities		11,987,773	27,739,123
Creditors - amounts falling due after more than one year	11	(21,028,232)	(37,892,394)
Net liabilities		(9,040,459)	(10,153,271)
Capital and reserves			
Called up share capital	12	2	2
Profit and loss account	13	(9,040,461)	(10,153,273)
Total shareholders' deficit	14	(9,040,459)	(10,153,271)

The financial statements on pages 7 to 15 were approved by the director on 25 February 2008


S W Andreassen
Director

Sprintlink UK Limited

Notes to the financial statements for the year ended 31 December 2006

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

These financial statements are prepared under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies, which have been applied consistently, are set out below

Going concern

The financial statements have been prepared on a going concern basis. In concluding that it was appropriate to adopt this basis, the director has relied upon the undertaking of the parent company, Sprint International Holdings, Inc. to provide continued financial support to the company for a period not less than 12 months after the date of approval of the financial statements

Turnover

Turnover comprises capacity and installation fees. Capacity fees are recognised as services are rendered to the customer. Installation fees are deferred and amortised over the average life of the service, generally two years

Financial Reporting Standard 1 – Cash Flow Statements (Revised 1996) ("FRS 1")

Under FRS 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows

Network equipment	14-20% per annum
Office equipment	20-33% per annum

Employee benefits – share options

Certain employees of the company are granted share options in the ultimate parent company, Sprint Nextel Corporation. FRS 20 "Share based payments" requires that the fair value of such options is recognised as an employee expense, with a corresponding increase in reserves over the period in which the options vest. The director has decided not to apply the principles of FRS 20 in relation to the share options that the ultimate parent company have granted to employees of Sprintlink UK Limited due to the expense and delay of applying the accounting standard being out of proportion to the benefit of the member

Sprintlink UK Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

1 Accounting policies (continued)

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted

Pension costs

Contributions made by the company to employees' personal pension plans are charged to the profit and loss account in the year in which they accrue. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

Foreign currency

Transactions in foreign currencies are recorded at the average rate of exchange ruling in the month of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. All exchange differences are included in the profit and loss account

Operating leases

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the life of the leases

2 Turnover

	2006	2005
	£	£
Sales to fellow group undertakings	16,835,630	12,811,597
Sales to third parties	5,727,819	6,090,853
	22,563,449	18,902,450

All revenue is generated from the provision of telecommunication services in the United Kingdom

Sprintlink UK Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

3 Operating profit/(loss)

	2006 £	2005 £
Operating profit/(loss) is stated after charging/(crediting)		
Depreciation (note 8)	848,375	832,890
Auditors' remuneration	28,430	28,157
Operating lease rentals		
- land and buildings	635,614	562,180
- other leases	7,732,458	5,087,984
Foreign exchange loss/(gain)	181,134	(125,355)
Profit on disposal of fixed assets	(4,047)	(4,979)

4 Staff costs

The average number of employees (including the executive director) was

	2006 Number	2005 Number
Sales	36	37
Administration	12	13
Production	18	15
	66	65
	£	£
Their aggregate remuneration comprised		
Wages and salaries	4,804,091	4,905,287
Social security costs	605,655	588,634
Pension costs	192,312	159,987
	5,602,058	5,653,908

The company makes contributions to employees' personal pension plans which are charged to the profit and loss account as they accrue. Contributions payable during the year amounted to £192,312 (2005 £159,987). Contributions outstanding at 31 December 2006 amounted to £2,027 (2005 £19,807).

The director did not receive any remuneration in respect of his services to the company (2005 £Nil).

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Notes to the financial statements for the year ended 31 December 2006 (continued)

5 Interest payable and similar charges

	2006 £	2005 £
Other interest	-	193

6 Interest receivable

	2006 £	2005 £
Amounts receivable from group companies	964,828	1,306,704
Deposit interest income	49,560	34,548
	1,014,388	1,341,252

7 Tax on profit/(loss) on ordinary activities

	2006 £	2005 £
Current corporation tax	-	-
Adjustment in respect of previous periods	18,848	-
	18,848	-

The tax assessed for the period varies from the standard rate of corporation tax applicable to the company as explained below

	2006 £	2005 £
Profit/(loss) on ordinary activities before tax	1,131,660	(268,901)
Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 30% (2005 30%)	339,498	(80,670)
Effects of		
Expenses not deductible for tax purposes	29,386	55,753
Capital allowances in excess of depreciation	(571,122)	28,190
Other timing differences	(33,552)	(3,273)
Difference in tax rates on losses carried back	235,790	-
Adjustment in respect of previous periods	18,848	-
	18,848	-

A deferred tax asset amounting to £2,612,998 (2005 £2,956,963) has not been provided for in the financial statements due to uncertainty as to whether the company will generate sufficient profits in future years against which this asset could reverse

Sprintlink UK Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

8 Tangible fixed assets

	Network equipment £	Office equipment £	Total £
Cost			
At 1 January 2006	13,007,661	1,105,983	14,113,644
Additions	1,495,105	-	1,495,105
At 31 December 2006	14,502,766	1,105,983	15,608,749
Accumulated depreciation			
At 1 January 2006	9,840,220	961,896	10,802,116
Charge for the year	775,059	73,316	848,375
At 31 December 2006	10,615,279	1,035,212	11,650,491
Net book value			
At 31 December 2006	3,887,487	70,771	3,958,258
At 31 December 2005	3,167,441	144,087	3,311,528

9 Debtors

	2006 £	2005 £
Amounts falling due within one year		
Trade debtors	2,685,702	1,176,784
Amount owed by group undertakings	3,650,654	23,679,293
Other debtors	315,552	315,551
Prepayments and accrued income	578,478	948,694
VAT recoverable	145,175	157,162
	7,375,561	26,277,484

Amounts owed by group undertakings are trading balances and are due within one year. The interest rate on these balances is at LIBOR plus 1.5%.

Sprintlink UK Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

10 Creditors - Amounts falling due within one year

	2006 £	2005 £
Trade creditors	334,781	53,203
Amount due to group undertakings	869,541	2,381,077
Taxation and Social Security	158,964	166,467
Other creditors	76,939	448,679
Accruals and deferred income	207,353	339,812
	1,647,578	3,389,238

11 Creditors - Amounts falling due after more than one year

	2006 £	2005 £
Amounts due to parent undertaking	21,028,232	37,892,394

The above amounts have no fixed repayment schedule and are non-interest bearing and therefore have been disclosed as amounts due after one year. The company's parent company intends to continue funding the company for a period of not less than one year from the date of these financial statements, to enable the company to continue operations.

12 Called up share capital

	2006 £	2005 £
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Called up, allotted and fully paid		
2 ordinary shares of £1 each	2	2

13 Profit and loss account

	2006 £	2005 £
At 1 January	(10,153,273)	(9,884,372)
Profit/(loss) for the year	1,112,812	(268,901)
At 31 December	(9,040,461)	(10,153,273)

Sprintlink UK Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

14 Reconciliation of movements in shareholders' deficit

	2006 £	2005 £
Profit/(loss) for the year	1,112,812	(268,901)
Net decrease/(increase) in shareholders' deficit	1,112,812	(268,901)
Opening shareholders' deficit	(10,153,271)	(9,884,370)
Closing shareholders' deficit	(9,040,459)	(10,153,271)

15 Ultimate controlling party

The company is a wholly owned subsidiary of Sprint International Holding, Inc , a company incorporated in the USA

The company's ultimate holding company is Sprint Nextel Corporation, a company incorporated in the USA and whose stock is traded on the NASDAQ National Market

Sprint Nextel Corporation is the parent undertaking of the smallest and largest group of which the company is a member and for which group accounts are drawn up

The financial statements of Sprint Nextel Corporation can be obtained from 6200 Sprint Parkway, Mail stop KSOPHF0302-3B124 Overland Park, KS66251, USA

16 Related party transactions

The company undertakes significant transactions with group companies and has taken advantage of the exemption in Financial Reporting Standard No 8 "Related party disclosures" from disclosing transactions with other members of the group headed by Sprint Nextel Corporation

17 Financial commitments

At 31 December 2006 the company had annual commitments under non-cancellable operating leases expiring

	2006			2005		
	Land and buildings £	Other £	Total £	Land and buildings £	Other £	Total £
Within one year	-	14,896	14,896	389,149	222,613	611,762
Between 1 and 2 years	37,790	-	37,790	-	-	-
Between 2 and 5 years	562,500	223,840	786,340	32,150	-	32,150
Over 5 years	-	83,949	83,949	-	90,028	90,028
	600,290	322,685	922,975	421,299	312,641	733,940