

Siemens Magnet Technology Limited

Directors' report and financial statements

Registered number 2342055

September 30, 2007

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Siemens Magnet Technology Limited

DIRECTORS' REPORT AND FINANCIAL STATEMENTS **For the year ended September 30, 2007**

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Siemens Magnet Technology Limited

DIRECTORS' REPORT

For the year ended September 30, 2007

The directors present their directors' report and the financial statements of the company for the year ended September 30, 2007

PRINCIPAL ACTIVITIES

With over 600 employees, Siemens Magnet Technology Limited is a world leader in the design and manufacture of superconducting magnets for Magnetic Resonance Imaging (MRI) body scanners

BUSINESS REVIEW

General business overview – Statement of Income

The operational performance during 2007 demonstrates strong management and employee commitment to a number of strategic initiatives aimed at improving operational productivity

Revenue from continuing operations was £152.7m (2006 £164.1m) Revenue declined by 7% compared to prior year but despite this, operating profit grew to £6.1m compared to £0.4m in 2006 The primary reason for the improvement in operating profit was the increase in gross margin from 7.0% in 2006 to 11.2% in 2007 as a result of tighter cost control

A capital injection made by the parent company in 2006 strengthened the company's balance sheet by enabling the repayment of loans to other group companies and improved net income by eliminating interest expense (2006 £2.4m)

The improved performance in 2007 is in line with the expectations of the directors and reflects the ongoing trading performance of the company The outlook for the company's products remains positive in 2008

The company made a profit from continuing operations before tax of £5.9m compared to a loss from continuing operations before tax of £2.3m in 2006 Profit for the financial year was £3.9m (2006 £1.9m loss)

The directors work closely with the company's management team to anticipate risks from economic or global factors and plan accordingly The company's strategy is to maximise return for the shareholders with a combination of internal growth and operational profitability

General business review – Balance Sheet

The balance sheet showed an overall increase in total equity of £14.2m to £18.5m principally due to the impact of the actuarial gains during 2007 of £14.6m in the two defined benefit pension schemes Total assets fell by £7.7m primarily due to a decrease in deferred tax assets following the reduction in the pension deficits Payment of funding contributions to the pension schemes of £7.2m further reduced non current liabilities

Principal risks and uncertainties

The company has implemented a coordinated set of risk management and control systems, including strategic planning and management reporting, to help anticipate, measure, monitor and manage its exposure to risk Risks which the company faces include price and product competition, loss of supply of product components, raw material price volatility, changes in the regulatory and legal environment and credit and interest rate risks Further information on these risks, and their potential impact, can be found in the Siemens AG Annual Report for 2007

Siemens Magnet Technology Limited

DIRECTORS' REPORT

For the year ended September 30, 2007

Analysis of financial key performance indicators

Revenue from continuing operations decreased by 7% against prior year to £152.7m. This decrease reflects increased pressure within the medical imaging market, particularly in the key geographic market of the United States where a curtailment in government reimbursement to hospitals for out-patient imaging procedures has led to increased price and product competition.

Operating profit increased by £5.7m to £6.1m in 2007. This was primarily as a result of robust strategic programs aimed at improving operational productivity.

Cash generated from Operations The company measures cash generated from operations as a key performance indicator. Cash generated from operations was £7.6m in 2007 compared to £12.5m in 2006. In 2006, there was a significant reduction in inventory levels due to tighter inventory management, while inventory has remained at a similar level in 2007. Additionally, the company contributed £7.2m to its defined benefit pension schemes in 2007 compared to £5.0m in 2006.

DIVIDENDS

The directors have not recommended a dividend (2006: £nil).

RESEARCH AND DEVELOPMENT

The company continues to invest in research and development in the UK. During the year, the company spent £6.6m (2006: £7.1m) on research and development.

INVESTMENTS

Details of investments are disclosed in note 16.

DIRECTORS

The directors who served the company during the year were as follows:

H O G Dombrowe

D Kleinschmidt

A Kaendl (resigned on June 30, 2007)

D H W Lehne (appointed on May 30, 2007)

C Klaussner

W A Maerzendorfer

None of the directors holding office at September 30, 2007 had notified a beneficial interest in any contract to which the company or its subsidiary undertakings were a party during the financial year.

POLICY AND PRACTICE ON THE PAYMENT OF CREDITORS

It is the company's policy to negotiate terms with its suppliers in all sectors and to ensure that they know the terms on which payment will take place when the business is agreed. It is our policy to abide by these terms.

Creditor days at September 30, 2007 were 19 days (2006: 24 days).

Siemens Magnet Technology Limited

DIRECTORS' REPORT

For the year ended September 30, 2007

FINANCIAL INSTRUMENTS

The company's financial risk management objectives and policies, and the exposure to market risk, credit risk and liquidity risk are set out in note 24 to the accounts

POST BALANCE SHEET EVENTS

There were no significant reportable post balance sheet events

The company has adopted the following three Siemens AG group policies

EQUAL OPPORTUNITIES

The company is committed to equal opportunities for all, free from discrimination and harassment. Siemens values the contribution of all employees. All job applicants and employees, customers, visitors or contractors will receive equal treatment regardless of sex, race, disability, sexual orientation, religion or belief, age, colour, marital status, trade union membership, nationality or ethnic or national origins.

Within Siemens applicants and employees will be recruited, selected, trained and promoted on objective grounds, i.e. on the basis of their abilities. Wherever possible, we will assist disabled employees to enable them to work for the company and maximise their contribution and performance.

EMPLOYEE PARTICIPATION

The Directors continue to encourage employee participation within the company. The Siemens Leadership Framework and Management Development Programmes underpin the various methods for encouraging the open and participative style of management and communication that has been introduced in recent years; these include team briefings, intranet information and notices, staff forums and employee elections to the company Employee Consultative Committee, the Siemens Europe Committee and the European Works Council. We encourage suggestions and innovations for improving business performance through the "Top+ Board", business suggestion schemes and the staff dialogue process.

ENVIRONMENTAL

As a leading global company, Siemens has a responsibility to comply with the highest ethical and legal standards whilst protecting the environment and benefiting society as a whole. There are a number of initiatives, such as the Siemens corporate responsibility award, to recognise and honour those individuals and employee teams whose projects highlight our commitment to making the world a better place.

POLITICAL AND CHARITABLE DONATIONS

Charitable donations amounting to £5,243 (2006: £6,298) were made during the year.

There were no political donations during the year (2006: £nil).

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that so far as they are aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all steps that ought to have been taken as director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Siemens Magnet Technology Limited

DIRECTORS' REPORT

For the year ended September 30, 2007

AUDITOR

In accordance with section 379A of the Companies Act 1985, the company has decided to dispense with the laying of reports and accounts before members in a general meeting, the annual appointment of auditors and the holding of annual general meetings and accordingly KPMG Audit plc will therefore continue in office

Signed by order of the board of directors



GT Gent
Company Secretary

Approved by the directors on February 27th, 2008

Registered office
Faraday House
Sir William Siemens Square
Frimley
Camberley
GU16 8QD

Siemens Magnet Technology Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

For the year ended September 30, 2007

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable laws.

The financial statements are required by law to present fairly the financial position and the performance of the company. The Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

Arlington Business Park

Theale

Reading RG7 4SD

United Kingdom

Report of the independent auditors to the members of Siemens Magnet Technology Limited

We have audited the financial statements of Siemens Magnet Technology Limited for the year ended September 30, 2007 which comprise the Statement of Income, the Balance Sheet, the Statement of Recognised Income and Expense, the Statement of Cash Flows and the related notes. 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 directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 5.

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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 Directors' Report and consider the 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.

Report of the independent auditors to the members of Siemens Magnet Technology Limited (*continued*)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRS as adopted by the EU, of the state of the company's affairs as at September 30, 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

10 March , 2008

Siemens Magnet Technology Limited

STATEMENT OF INCOME

For the years ending September 30, 2007 and 2006 (in thousands of £)

	<i>Notes</i>	2007	2006
Continuing operations			
Revenue		152,748	164,108
Costs of goods sold and services rendered		(135,658)	(152,544)
		<hr/>	<hr/>
Gross profit		17,090	11,564
Research and development expenses		(6,566)	(7,090)
Marketing and distribution expenses		(2,612)	(2,965)
Administrative expenses		(1,561)	(1,103)
Other operating (expense), net		(231)	-
		<hr/>	<hr/>
Operating profit	5	6,120	406
Financial (expense), net	8	(208)	(2,665)
		<hr/>	<hr/>
Profit / (loss) from continuing operations before tax		5,912	(2,259)
Tax	9	(2,005)	332
		<hr/>	<hr/>
Profit / (loss) for the financial year		3,907	(1,927)
		<hr/>	<hr/>

Siemens Magnet Technology Limited

STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the years ending September 30, 2007 and 2006 (in thousands of £)

	2007	2006
Actuarial gain / (loss) in respect of defined benefit pension schemes	14,624	(4,352)
Change in deferred tax (liability) / asset / on actuarial gain / (loss)	(4,365)	1,306
Liability recognised in the Siemens Benefit Scheme at September 30, 2006	-	(3,700)
Deferred tax asset on liability recognised in the pension scheme at September 30, 2006	-	1,110
	<hr/>	<hr/>
Net income / (expense) recognised directly in equity, net of tax	10,259	(5,636)
Profit / (loss) for the year	3,907	(1,927)
Prior year adjustment	-	(13,441)
	<hr/>	<hr/>
Total income / (expense) recognised in equity	14,166	(21,004)

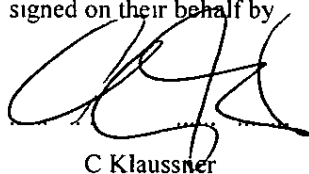
Siemens Magnet Technology Limited

BALANCE SHEET

As at September 30, 2007 and 2006 (in thousands of £)

	Notes	2007	2006
ASSETS			
Current assets			
Cash and cash equivalents		-	20
Trade and other receivables	10	7,740	9,653
Current financial assets	11	96	251
Inventories	12	14,076	12,923
Corporation tax receivables		-	1,628
Other current assets	13	8,712	8,260
Total current assets		30,624	32,735
Non-current assets			
Intangible assets	14	84	205
Property, plant and equipment	15	8,715	9,695
Deferred tax assets	9	3,217	8,559
Pension plans and similar assets	20	903	-
Total assets		43,543	51,194
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables and other current liabilities	17	16,261	19,926
Current financial liabilities	18	272	89
Corporation tax payable		299	-
Current provisions	19	1,604	1,627
Total current liabilities		18,436	21,642
Non-current liabilities			
Pension plans and similar commitments	20	6,565	25,176
Total liabilities		25,001	46,818
Equity			
Share capital	21, 22	47,000	47,000
Retained earnings	22	(28,458)	(42,624)
Total equity		18,542	4,376
Total liabilities and equity		43,543	51,194

These financial statements were approved by the board of directors on February 27th, 2008 and were signed on their behalf by



C Klausner

Siemens Magnet Technology Limited

CASH FLOW STATEMENT

For the years ended September 30, 2007 and 2006 (in thousands of £)

	2007	2006
<u>Cash flows from operating activities</u>		
Profit / (loss) for the year	3,907	(1,927)
Adjustments to reconcile profit /(loss) to cash provided		
Depreciation, amortisation and impairment	3,329	3,649
Taxes	2,005	332
Pension charge in income statement	2,304	3,550
Interest expense, net	208	2,665
Other non-cash (income) / expense	(7,159)	(283)
Operating profit before changes in working capital and provisions	4,594	7,986
Changes in current assets and liabilities		
Decrease / (increase) in trade and other receivables	1,913	(4,213)
(Increase) / decrease in inventories	(1,153)	8,824
Decrease / (increase) in other current assets	1,336	(2,617)
(Decrease) / increase in trade payables and other current liabilities	(4,694)	3,443
(Decrease) / increase in current provisions	(23)	205
Decrease / (increase) in deferred tax assets and/or increase / (decrease) in corporation tax payable	5,641	(1,120)
Cash generated from Operations	7,614	12,508
Taxes reimbursed	1,021	2,725
Pension contributions paid	(7,194)	(4,971)
Net cash provided by operating activities	1,441	10,262
<u>Cash flows from investing activities</u>		
Additions to non-current assets	(2,460)	(2,530)
Proceeds from sales of property, plant and equipment	152	97
Net cash (used in) investing activities	(2,308)	(2,433)
<u>Cash flows from financing activities</u>		
Proceeds from new share capital subscribed	-	44,000
Change in financing from other group companies	1,055	(49,162)
Interest paid	(208)	(2,665)
Net cash provided by / (used in) financing activities	847	(7,827)
Net (decrease) / increase in cash and cash equivalents	(20)	2
Cash and cash equivalents at the beginning of the year	20	18
Cash and cash equivalents at the end of the year	-	20

Siemens operates a cash pooling facility across its worldwide group. Cash balances generated by entities are passed to Siemens AG and companies are able to draw down on these facilities if required. Therefore, apart from any accounts held with local banks, amounts invested with /drawn down from the Siemens AG accounts are shown as a balance with other group companies. Changes in the balances on these facilities are included in Net cash provided by / (used in) financing activities.

Siemens Magnet Technology Limited

NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2007 and 2006 (in thousands of £)

1. Basis of presentation

The accompanying financial statements present the operations of Siemens Magnet Technology Limited (the 'company') and have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRS'). These are the company's first financial statements under IFRS. The effects of the adoption of IFRS on the financial position, results of operations and cash flows of Siemens Magnet Technology Limited as presented herein are described below.

The company has prepared and reported its financial statements in Great British Pounds (GBP) (in thousands of £). Siemens Magnet Technology Limited is a company incorporated in the UK with activities predominantly in the field of design, manufacture and sale of magnets and associated electronics for use in whole body magnet resonance imaging.

The company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group. In these financial statements, the term 'group' refers to all companies for whom the ultimate parent undertaking is Siemens AG, a company incorporated in Germany.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS balance sheet at October 1, 2005 for the purposes of the transition to Adopted IFRS.

Transition to adopted IFRS

The company applied IFRS 1, *First-time Adoption of International Financial Reporting Standards* in making the transition to IFRS with effect from October 1, 2005. An explanation of how the transition to Adopted IFRS has affected the reported financial position, financial performance and cash flows of the company is provided below. IFRS 1 requires that all IFRS standards and interpretations that are effective for the first IFRS financial statements for the year ended September 30, 2007, be applied consistently and retrospectively for all fiscal years presented. However, this standard provides exemptions and exceptions to this general requirement in specific cases. The company has applied no exemptions.

Changes in presentation of the financial statements

The presentation of the financial statements has been modified to comply with the requirements of IAS 1, *Presentation of financial statements*. Certain balances reported under UK GAAP in 2006 have been reclassified to present information consistently with Siemens AG reporting in accordance with IFRS for the years ending 2007 and 2006.

Measurement convention

The financial statements are prepared on the historical cost basis except that derivative financial instruments, assets and liabilities are stated at their fair value.

Siemens Magnet Technology Limited

NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2007 and 2006 (in thousands of £)

Reconciliation of equity and net income from UK GAAP to IFRS

The following reconciliation describes the effect of major differences between UK GAAP and IFRS on the Equity as of September 30, 2006 and in the opening balance sheet as of October 1, 2005 as well as on the net income for 2006

	<i>Explanatory note</i>	Balance Sheet for the year ended September 30, 2006	Opening balance sheet as of October 1, 2005
Equity under UK GAAP		4,160	(32,390)
Effect of transition to IFRS.			
Net book value of patents	<i>a</i>	150	219
Financial instruments	<i>b</i>	160	241
Deferred taxes	<i>c</i>	(94)	(140)
Total adjustments		216	320
Equity under IFRS		4,376	(32,070)
			Year ended September 30, 2006
Net loss under UK GAAP			(1,824)
Effect of transition to IFRS			
Amortisation of patents	<i>a</i>		(69)
Financial instruments	<i>b</i>		(80)
Deferred taxes	<i>c</i>		46
Total adjustments			(103)
Net loss under IFRS			(1,927)

a Amortisation of patents

Patents are depreciated using the straight-line method over their respective estimated useful lives. Under UK GAAP patents were not capitalised.

Adjustments made in this respect increased the amount shown for patents under IFRS by £150,000 as of September 30, 2006 and by £219,000 as of October 1, 2005 respectively. The effect on net income was a decrease of £69,000 in fiscal year 2006.

b Financial instruments

Under IFRS derivative financial instruments such as foreign currency exchange contracts are measured at fair value as at the balance sheet date with the change in fair value being charged to net income. Formerly under UK GAAP the contracts were de-recognised.

Adjustments made in this respect increased the amount shown for financial instruments under IFRS by £161,000 as of September 30, 2006 and by £241,000 as of October 1, 2005 respectively. The effect on net income of revaluing the foreign currency exchange contracts to reflect fair value was a decrease of £80,000 in fiscal year 2006.

Siemens Magnet Technology Limited

NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2007 and 2006 (in thousands of £)

c Deferred taxes

The adjustments from both the amortisation of patents and from the revaluation of foreign currency exchange contracts resulted in additional temporary differences between the carrying amount of assets in the financial statements and their tax basis

Compared to UK GAAP, adjustments made in respect of these differences decreased the amount of deferred taxes reflected in equity under IFRS by £94,000 as of September 30, 2006 and by £140,000 as of October 1, 2005 respectively. Additional deferred taxes recognised in income on these differences amounted to £46,000 in fiscal year 2006.

2. Summary of significant accounting policies

Group reorganisations — Purchases of trade and assets from other Siemens companies are accounted for at fair value. Any differences between the fair value of the net equity acquired and the consideration paid, if any, is recognised as goodwill.

Revenue recognition — Revenue is recognised for product sales when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the risks and rewards of ownership have been transferred to the customer, the amount of revenue can be measured reliably, and collection of the related receivable is reasonably assured. Revenues from service transactions are recognised as services are performed.

Research and development costs — Costs of research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are expensed as incurred.

Costs for development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, are capitalised if all of the following criteria are met: development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the company intends, and has sufficient resources, to complete development and to use or sell the asset. Such capitalised costs are included in *Other intangible assets* as other internally generated intangible assets. Other development costs are expensed as incurred. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses with an amortisation period of generally three to five years.

Other intangible assets — Other intangible assets consist of software and other internally generated intangible assets, patents, licenses and similar rights. The company amortises intangible assets with finite useful lives on a straight-line basis over their respective estimated useful lives to their estimated residual values. Estimated useful lives for software, patents, licenses and other similar rights generally range from three to five years. Intangible assets which are determined to have indefinite useful lives are not amortised, but instead tested for impairment at least annually.

Property, plant and equipment — Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. If the costs of certain components of an item of property, plant and equipment are significant in relation to the total cost of the item, they are accounted for and depreciated separately. Depreciation expense is recognised using the straight-line method over the estimated useful life of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Factory and office buildings	20 to 50 years
Other buildings	5 to 10 years
Technical machinery & equipment	5 to 10 years

Impairment of property, plant and equipment and other intangible assets with finite useful lives — The company reviews property, plant and equipment and other intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by the comparison of the carrying amount of the asset to the recoverable amount, which is the higher of the asset's value in use and its fair value less costs to sell. If such assets are considered to be impaired, the impairment to be recognised is measured by the amount by which the carrying amount of the assets exceeds their recoverable amount. If the fair value cannot be determined, the assets' value in use is applied as their recoverable amount. The assets' value in use is measured by discounting their estimated future cash flows. If there is an indication that the reasons which

Siemens Magnet Technology Limited

NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2007 and 2006 (in thousands of £)

caused the impairment no longer exist, the company would consider the need to reverse all or a portion of the impairment

The company's property, plant and equipment and other intangible assets to be disposed of are recorded at the lower of carrying amount or fair value less costs to sell and depreciation is ceased

Tax — Tax comprises current and deferred tax. Tax is recognised in the Statement of Income except to the extent it relates to items recognised directly in Equity. Current tax is the expected tax payable on the income for the year, using the rates enacted or substantively enacted at the balance sheet date, and any adjustments to the tax payable in respect of previous years.

The company applies IAS 12, Income Taxes. Under the asset and liability method of IAS 12, deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The effect on deferred tax assets and liabilities of a change in tax laws is recognised in the income statement, unless related to items directly recognised in equity, in the period the new laws are substantively enacted. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Cash and cash equivalents — The company considers all highly liquid investments with less than three months maturity from the date of acquisition to be cash equivalents. Cash and cash equivalents are measured at cost.

Investments — Investments are stated at their historic cost to the company less, where appropriate, provisions for any permanent or temporary diminution in value.

Inventories — Inventory is valued at the lower of acquisition or production cost or net realisable value, cost being generally determined on the basis of a weighted average or first-in, first-out method. Production costs comprise direct material and labour and applicable manufacturing overheads, including depreciation charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Provisions — A provision is recognised when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are recognised at present value by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Provisions for onerous contracts are measured at the lower of the expected cost of fulfilling the contract and the expected cost of terminating the contract.

Pension costs and other post-retirement benefits —

Defined contribution plan — The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period and represents the full extent of the company's liability.

Defined benefit plans — Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (or deficit) is recognised in full to the extent that it is available to the company. The movement in the scheme surplus or deficit is split between operating charges and finance items, which are charged to the statement of income, and actuarial gains and losses which are charged to the statement of recognised income and expense.

The company participates in the *Siemens Benefits Scheme* and the *Siemens Magnet Technology Pension Scheme*, which provide benefits based on final pensionable pay. The assets of the schemes are held separately from those of the company. International Accounting Standard No 19 (IAS 19) has been followed throughout the financial statements.

At September 30, 2006 Siemens Plc undertook an exercise to allocate the assets and liabilities of the Siemens Benefits Scheme to the individual companies that participate in the scheme. From this date, each participating company was responsible for funding their respective existing pension liabilities and any future benefits which accrue. With effect from September 30, 2006, the company was therefore no longer

Siemens Magnet Technology Limited

NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2007 and 2006 (in thousands of £)

able to utilise the multi-employer exemption available in IAS19. The corresponding net pension scheme liability in respect of the company was therefore recorded in the balance sheet as at September 30, 2006.

Derivative financial instruments – Derivative financial instruments, such as foreign currency exchange contracts, are measured at fair value. Derivative instruments are classified as held for trading. Changes in the fair value of derivative financial instruments are recognised periodically in net income.

Share-based payments – The company participates in equity-settled share-based payment plans established by its ultimate holding company, Siemens AG. In accordance with IFRS 2, the fair value of awards is measured at grant date and the compensation expense is recognised in net income over the period during which the employees become unconditionally entitled to the awards. Siemens uses a Black-Scholes option pricing model to determine the fair value of its share-based payment plans. A small number of the company's directors and senior managers are eligible for stock awards under the plans. The full disclosures required under IFRS 2 in respect of the share-based payment plans for all Siemens companies in the UK have been made in the statutory accounts of Siemens plc (company registration number 727817).

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended September 30, 2007, and have not been applied in preparing these financial statements. Those standards that have relevance to the company are mentioned below.

IAS 1, Presentation of Financial Statements (IAS 1) IAS 1 replaces IAS 1, Presentation of Financial Statements (revised in 2003), as amended in 2005. The revision is aimed at improving users' ability to analyse and compare the information given in financial statements. IAS 1 sets overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. The new standard is effective for the company's 2010 financial statements with early adoption being permitted. The company will determine the expected effect of the revised IAS 1 and determine an adoption date.

IFRS 7, Financial Instruments Disclosures This standard requires extensive disclosures about the significance of financial instruments for an entity's financial position and results of operations, and qualitative and quantitative disclosures on the nature and extent of risks arising from financial instruments. It combines disclosure requirements from IAS 32, Financial Instruments Presentation, and IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and adds new disclosure requirements. The standard is effective for the company's 2008 financial statements. The company has not yet determined the potential effect of the standard.

Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the cost of that asset. The revised IAS 23 will become mandatory for the company's 2010 financial statements and will constitute a change in accounting policy for the company. In accordance with the transitional provisions the company will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 will become mandatory for the company's 2009 financial statements, with retrospective application required. The company has not yet determined the potential effect of the interpretation.

3. Management estimates and judgments

Certain of these accounting policies require critical accounting estimates that involve complex and subjective judgments and the use of assumptions, some of which may be for matters that are inherently uncertain and susceptible to change.

Trade and other receivables – The allowance for doubtful accounts involves significant management judgment and review of individual receivables based on individual customer creditworthiness, current economic trends and analysis of historical bad debts on a portfolio basis.

Siemens Magnet Technology Limited

NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2007 and 2006 (in thousands of £)

Pension plans and similar commitments — Pension benefit costs and benefits are determined in accordance with actuarial valuations, which rely on key assumptions including discount rates and expected return on plan assets. For all pension plans, asset values are based upon the fair value of plan assets at the balance sheet date. This value is the basis for the determination of the return on plan assets. The discount rate assumptions reflect the rates available on high-quality fixed-income investments of appropriate duration at the balance sheet date. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation, and future estimates of long-term investment returns. Other key assumptions for pension and other post-employment benefit costs and benefits are based in part on current market conditions. Pension and related other post-employment benefit costs or benefits could change due to variations in these underlying key assumptions.

Provisions — Significant estimates are involved in the determination of provisions related to contract losses, warranty costs and legal proceedings. Such estimates are subject to change based on new information over the passage of time.

4. Acquisitions

The company acquired the trade and net liabilities of the following group company during 2007

	Date of Acquisition	Segment
Siemens Molecular Imaging Limited	October 1, 2006	Medical

On October 1, 2006, the net liabilities of the company were acquired by Siemens Magnet Technology Limited as shown below

	2007
Property, plant and equipment	152
Trade and other receivables	160
	<hr/>
	312
	<hr/>
Current liabilities	(1,029)
	<hr/>
Consideration Received	(717)
	<hr/>

For the year ended September 30, 2007 the above net identifiable assets and liabilities are the fair values. Consideration has been settled through balances held with this group company.

The results of the acquired operation, in the year of acquisition, since the date of the acquisition is as follows

	2007
Operating profit	199
	<hr/>

Siemens Magnet Technology Limited

NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2007 and 2006 (in thousands of £)

5. Operating profit

Operating profit has been arrived at after charging

	2007	2006
Staff costs (see note 6)	(27,415)	(27,319)
Depreciation of property, plant and equipment	(3,208)	(3,378)
Amortisation of software licences and patents	(121)	(270)
Amounts payable to the auditors and their associates in respect of audit of financial statements pursuant to legislation	(42)	(55)

Segmental information is presented in the consolidated accounts of the company's ultimate parent company, Siemens AG

6. Staff numbers and costs

	2007	2006
Wages and salaries	22,538	21,815
Social security costs	2,303	1,939
Expenses relating to pension plans and employee benefits	2,574	3,565
	<u>27,415</u>	<u>27,319</u>

Expenses relating to pension plans and employee benefits include service cost for the period Expected return on plan assets and interest cost are included in *Financial income, net*

The average number of employees (including executive directors) during 2007 and 2006 was 643 and 681 respectively (based on continuing operations) Part-time employees are included on a proportionate basis rather than being counted as full units The employees were engaged in the following activities

	2007	2006
Manufacturing and services	464	544
Research and development	119	75
Sales and marketing & administration	60	62
	<u>643</u>	<u>681</u>

7. Directors' Emoluments

The directors' aggregate emoluments in respect of qualifying services were

	2007	2006
Emoluments paid	304	255

The above emoluments were paid to the directors directly by Siemens Magnet Technology Limited The aggregate of emoluments of the highest paid director were £139,356 (2006 £138,290)

Two further company directors, D Kleinschmidt and W Maerzendorfer, are remunerated by Siemens AG, and one of the company directors, H O G Dombrowe, is remunerated by Siemens plc Where appropriate, their emoluments are disclosed in the financial statements of Siemens AG and Siemens plc respectively

Siemens Magnet Technology Limited

NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2007 and 2006 (in thousands of £)

8. Financial (expense), net

	2007	2006
Interest income / (expense), net	24	(2,395)
Expense for pension plans and similar commitments, net	(232)	(270)
Financial (expense), net	(208)	(2,665)

The total amounts of interest income/expense were as follows

Interest income / (expense), net		
Interest income	163	-
Interest expense	(139)	(2,395)
Interest income / (expense), net	24	(2,395)
Other income / (expense), net	24	(2,395)

Other interest income (expense), net includes interest income and expense primarily related to corporate debt and interest income on corporate assets

The components of *Expense for pension plans and similar commitments, net* were as follows

	2007	2006
Expected return on plan assets	3,612	2,300
Interest cost	(3,844)	(2,570)
Expense for pension plans and similar commitments, net	(232)	(270)

Service cost for pension plans and similar commitments are allocated among functional costs (cost of goods sold and services rendered, research and development expenses, marketing, selling and general administrative expenses)

Siemens Magnet Technology Limited

NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2007 and 2006 (in thousands of £)

9. Taxes

	2007	2006
Current Tax		
UK corporation tax	-	1,021
Adjustment for prior year	(1,028)	606
	<u>(1,028)</u>	<u>1,627</u>
Deferred Tax		
UK corporation tax	(1,654)	(275)
Adjustment for prior year	857	(1,020)
Effect of reduced tax rate on closing position	(180)	-
	<u>(2,005)</u>	<u>332</u>
Tax expense		
	<u>(2,005)</u>	<u>332</u>

The current tax expense includes adjustments recognised for current tax of prior periods in the amount of (£1,028,000) and £606,000 in fiscal year 2007 and 2006, respectively. The deferred tax expense includes adjustments recognised for deferred tax of prior periods in the amount of £857,000 and (£1,020,000) in 2007 and 2006 respectively.

Of the deferred tax expense in fiscal year 2007 and the deferred tax expense in 2006, (£1,654,000) and (£275,000), respectively, relate to the origination and reversal of temporary differences.

Deferred tax assets and liabilities are measured at the average tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been acted or substantially enacted at the balance sheet date.

The rate of corporation tax in the UK is to be reduced from 30% to 28% with effect from April 1, 2008. The change in rate was substantially enacted by the House of Commons on June 26, 2007 by the passing of a bill to approve the Finance Act 2007.

UK deferred tax assets and liabilities have therefore been calculated at either 29% or 28% depending on whether the timing differences will reverse before or after September 30, 2008. The impact of the reduced tax rate on closing deferred tax assets and liabilities is shown as a separate component of the deferred tax charge for the year.

For years ended September 30, 2007 and 2006, the company was subject to UK corporation tax at a base rate of 30%. Tax expense differs from the amounts computed by applying statutory UK tax rates (30% for years ended September 30, 2007 and 2006) as follows:

	2007	2006
Profit / (loss) from continuing operations before tax	5,912	(2,259)
Tax charge at UK standard rate (30%)	(1,774)	678
Increase / (decrease) in taxes resulting from		
Non-deductible losses and expenses	116	68
Reduction in corporation tax rate	(180)	-
Tax-free gains from sales of businesses	3	-
Under / (over) provided in prior years – deferred tax	857	(1,020)
Under / (over) provided in prior years – current tax	(1,028)	606
	<u>(2,005)</u>	<u>332</u>
Total tax (charge)/credit for the year		
	<u>(2,005)</u>	<u>332</u>

Siemens Magnet Technology Limited

NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2007 and 2006 (in thousands of £)

Deferred income tax assets and liabilities on a gross basis are summarised as follows

	2007	2006
Assets:		
Property, plant and equipment	1,565	374
Pension plans and similar commitments	1,652	7,553
Tax loss and credit carry forwards	-	725
Deferred tax assets	3,217	8,652
Liabilities:		
Other intangible assets	-	(45)
Receivables	-	(48)
Deferred tax liabilities	-	(93)
Total deferred tax assets, net	3,217	8,559

In assessing the realisability of deferred tax assets, management considers to which extent it is probable that the deferred tax asset will be realised. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax loss carry forwards become deductible.

As of September 30, 2007 the company had £4,291k of gross tax loss carry forwards. These losses were acquired by the company from Siemens Molecular Imaging Limited on October 1, 2006.

10. Trade and other receivables

	2007	2006
Trade receivables from sales of goods and services	2,359	2,798
Other receivables from group companies	5,381	6,855
	7,740	9,653

11. Current financial assets

	2007	2006
Financial instruments	96	251

Siemens Magnet Technology Limited

NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2007 and 2006 (in thousands of £)

12. Inventories

	2007	2006
Raw materials and supplies	1,812	2,279
Work in process	11,663	9,862
Finished goods and products held for resale	595	705
Advances to suppliers	6	77
	<hr/>	<hr/>
	14,076	12,923
	<hr/>	<hr/>

13. Other current assets

	2007	2006
Other tax receivables	7,277	6,599
Prepaid expenses and accrued income	147	1,358
Receivables from suppliers	1,217	38
Other	71	265
	<hr/>	<hr/>
	8,712	8,260
	<hr/>	<hr/>

Siemens Magnet Technology Limited

NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2007 and 2006 (in thousands of £)

14. Intangible assets

	Software licenses	Patents	Total Intangible assets
Cost			
At October 1, 2005	600	346	946
Additions	6	-	6
	<hr/>	<hr/>	<hr/>
At September 30, 2006	606	346	952
	<hr/>	<hr/>	<hr/>
At October 1, 2006	606	346	952
At September 30, 2007	606	346	952
	<hr/>	<hr/>	<hr/>
Amortisation			
At October 1, 2005	350	127	477
Charge for the year	201	69	270
	<hr/>	<hr/>	<hr/>
At September 30, 2006	551	196	747
	<hr/>	<hr/>	<hr/>
At October 1, 2006	551	196	747
Charge for the year	52	69	121
	<hr/>	<hr/>	<hr/>
At September 30, 2007	603	265	868
	<hr/>	<hr/>	<hr/>
<u>Net book value</u>			
At September 30, 2005 and October 1, 2005	250	219	469
	<hr/>	<hr/>	<hr/>
At September 30, 2006 and October 1, 2006	55	150	205
	<hr/>	<hr/>	<hr/>
At September 30, 2007	3	81	84
	<hr/>	<hr/>	<hr/>

The estimated amortisation expense of *Intangible assets* for the next five years is as follows

Fiscal Year

2008	(72)
2009	(12)
2010	-
2011	-
2012	-
Thereafter	-

Siemens Magnet Technology Limited

NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2007 and 2006 (in thousands of £)

15. Property, plant and equipment

	Advances to supplier & construction in progress	Technical machinery & equipment	Furniture and office equipment	Total Property plant & equipment
Cost				
At October 1, 2005	2,062	11,131	7,911	21,104
Additions	1,001	926	597	2,524
Acquisitions through business	-	-	-	-
Disposals	(259)	(474)	(443)	(1,176)
Transfers	(1,768)	1,977	(209)	-
At September 30, 2006	1,036	13,560	7,856	22,452
At October 1, 2006	1,036	13,560	7,856	22,452
Additions	-	2,082	378	2,460
Acquisitions through business	-	-	152	152
Disposals	-	(890)	(802)	(1,692)
Transfers	(575)	458	117	-
At September 30, 2007	461	15,210	7,701	23,372
Accumulated depreciation and impairment				
At October 1, 2005	-	7,756	2,351	10,107
Charge for the year	-	2,422	956	3,378
Disposals	-	(332)	(396)	(728)
Transfers	-	(2,398)	2,398	-
At September 30, 2006	-	7,448	5,309	12,757
At October 1, 2006	-	7,448	5,309	12,757
Charge for the year	-	2,275	933	3,208
Impairment loss	-	-	-	-
Disposals	-	(699)	(609)	(1,308)
At 30 September 2007	-	9,024	5,633	14,657
Net book value				
At September 30, 2005 and October 1,	2,062	3,375	5,560	10,997
At September 30, 2006 and October 1,	1,036	6,112	2,547	9,695
At September 30, 2007	461	6,186	2,068	8,715

Siemens Magnet Technology Limited

NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2007 and 2006 (in thousands of £)

16. Investments

The company set out below is a subsidiary undertaking and participating interest as at September 30, 2007. The shareholdings were £100 throughout the year ended September 30, 2007. There were no additions to, disposals of, or provisions for investments during the year ended September 30, 2007.

Directly held:	Proportion of ordinary equity and voting rights held	Nature of Business
Siemens Magnet Technology Pension Trustee Limited (formerly Oxford Magnet Technology Pension Trustee Limited)	100% (ordinary equity) 0% (voting rights)	Trustee of the Siemens Magnet Technology Pension Fund

17. Trade payables and other current liabilities

	2007	2006
Amounts due to group companies	411	1,683
Trade payables	7,023	9,860
Other tax liabilities	5,717	4,936
Bonus obligations	2,329	1,644
Other employee related costs	609	876
Payroll and social security taxes	25	7
Other	147	920
	<u>16,261</u>	<u>19,926</u>

Other employee related costs primarily include accruals for severance payments, holiday accruals and overtime provision.

18. Current financial liabilities

	2007	2006
Derivative financial instruments	272	89
	<u>272</u>	<u>89</u>

19. Current provisions

Provisions changed during 2007 as follows

	2007
Balance at beginning of year	1,627
Additions	1,561
Usage	(1,020)
Reversals	(564)
	<u>1,604</u>
Balance at end of year	1,604

All current provisions relate to warranty provisions.

Siemens Magnet Technology Limited

NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2007 and 2006 (in thousands of £)

20 Pension plans and similar commitments

Siemens Magnet Technology Limited participates in the *Siemens Benefits Scheme* which comprises both defined benefit and defined contribution plans and also participates in the *Siemens Magnet Technology defined benefit plan*

SIEMENS BENEFITS SCHEME

Defined contribution plan

The company commenced a defined contribution pension plan from January 1, 2003. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £502,000 (2006: £285,000).

Defined benefit plan

The company participates in the scheme which provides benefits based on final pensionable pay.

At September 30, 2006, an exercise was undertaken to allocate the assets and liabilities of the Siemens Benefits Scheme to the individual companies that participate in the scheme. The companies' shares of liabilities were based on scheme membership data regarding benefits accrued. Assets were allocated in the same proportion of the total scheme assets as the liabilities. Each participating company is responsible for funding their respective existing pension liabilities and any future benefits which accrue. The corresponding net pension scheme liability in respect of the company was therefore recorded in the balance sheet as at September 30, 2006. The company's share of the scheme is analysed below.

Movement in the company's share of the funded status during the year:

	2007
Company's share of the funded status of the scheme at beginning of year	(3,700)
Current service cost	(1,218)
Contributions paid	1,689
Interest cost	90
Actuarial Gain	4,042
	<hr/>
Company's share of the funded status of the scheme at the end of the year - surplus	903

For the year ended September 30, 2007, the pension scheme asset is recognised in full. The movement in the scheme deficit to a scheme asset is split between operating charges and finance items, which are charged to the statement of income, and actuarial gains and losses, which are charged to the statement of recognised income and expense (SORIE).

The numbers shown in this disclosure have been based on calculations carried out by a qualified independent actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the Scheme at September 30, 2007. The Scheme's assets are stated at their market values at September 30, 2007.

The disclosures which follow are for the whole Siemens Benefit Scheme.

Regular employer contributions to the defined benefit section of the Scheme in 2007/2008 are estimated to be £160m.

A proportion of the employee contributions are substituted in a salary sacrifice arrangement by higher employer contributions. For the purposes of these disclosures, these higher employer contributions have been offset from the service cost as have expected Age Related Rebates. They have also been excluded from the estimate of next year's employer contributions set out above. An allowance for scheme expenses and PPF levies is made in the service cost prior to September 30, 2007, after which this will be offset against the expected return on assets.

Siemens Magnet Technology Limited

NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2007 and 2006 (in thousands of £)

The valuation used for IAS 19 disclosures has been based on a full assessment of the liabilities of the Siemens Benefits Scheme (SBS) as at June 30, 2007. The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method.

The defined benefit sections of the Scheme are largely closed to new entrants. It should therefore be noted that under the projected unit method that is required under IAS 19 the current service cost will increase as the members of the Scheme approach retirement.

With effect from January 1, 2008 the majority of the active membership of the Scheme will move to the defined contribution section of the Scheme for future service.

The main financial assumptions used by the independent qualified actuaries to calculate the liabilities under IAS 19 are set out below.

Main financial assumptions

	September 30, 2007 % p.a.	September 30, 2006 % p.a.
Inflation	3.1	2.8
Rate of general long-term increase in salaries*	4.0	3.7
Rate of increase to pensions in payment		
— inflation capped at 5%	3.1	2.8
— inflation capped at 3%	2.6	2.5
Discount rate for scheme liabilities	6.0	5.0

* There is a promotional scale on top of this assumption.

Mortality Assumptions

The post-retirement mortality assumptions used in valuing the liabilities of the Siemens Benefits Scheme were based on the standard tables PMA92 and PFA 92 for males and females respectively as published by the Institute and Faculty of Actuaries. These were then adjusted by projecting them forward for calendar year 2026 (for future pensioners) and 2016 (for current pensioners) with an allowance for medium cohort improvement factors. On this basis, the life expectancy assumed at September 30, 2007 for a male pensioner then aged 65 was expected to be about 21.6 years, and for a female pensioner then aged 65 about 24.5 years. Based on the assumed mortality improvements, the life expectancy for a future male pensioner aged 65 is expected to have increased to 22.3 years and for a female aged 65 years is expected to have increased to 25.1 years.

Expected return on assets

	Value at September 30, 2007	Value at September 30, 2006
Equities	931,800	849,700
Property	255,600	228,900
Fixed Interest Gilts	-	216,700
Index Linked Gilts	-	250,900
Corporate bonds	697,800	145,000
Other / Cash	148,100	60,200
Total market value of assets	2,033,300	1,751,400

At September 30, 2007, none of the scheme assets related to self-investment.

Siemens Magnet Technology Limited

NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2007 and 2006 (in thousands of £)

The company employs a building block approach in determining the rate of return on SBS pension assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the benchmark asset allocation for the SBS. The total overall expected rate of return for 2006 and 2007 was 6.7% per annum.

Reconciliation of funded status to balance sheet

	Value at September 30, 2007	Value at September 30, 2006
Fair value of scheme assets	2,033,300	1,751,400
Present value of funded defined benefit obligations	2,051,300	2,192,500
	<u>(18,000)</u>	<u>(441,100)</u>
Present value of unfunded defined benefit obligations	-	-
Past service costs not yet recognised in balance sheet	-	-
	<u>(18,000)</u>	<u>(441,100)</u>
Liability recognised on the balance sheet		

Analysis of income statement charge

	Year ending September 30, 2007	Year ending September 30, 2006
Current service cost	75,000	75,600
Interest cost	110,900	100,100
Expected return on plan assets	(121,200)	(104,300)
Past service cost	-	-
Curtailment gain	(3,000)	-
Settlement cost	-	-
	<u>61,700</u>	<u>71,400</u>
Expense recognised in the income statement		

Siemens Magnet Technology Limited

NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2007 and 2006 (in thousands of £)

Changes to the present value of the defined benefit obligation during the year

	Year ending September 30, 2007	Year ending September 30, 2006
Opening defined benefit obligation/Present value of scheme liabilities	2,192,500	1,977,600
Current service cost	75,000	75,600
Interest cost	110,900	100,100
Plan participants' flexed contributions	12,400	8,100
Plan participants non-flexed contributions	3,600	9,900
National Insurance rebates	2,200	5,900
Actuarial (gains) / losses on scheme liabilities*	(266,400)	66,100
Net benefits paid out	(57,200)	(45,200)
Administration expenses paid	(5,800)	(5,600)
Net (decrease) in liabilities from disposals	(13,400)	-
Net increase in liabilities from acquisition	500	-
Curtailments	(3,000)	-
	<hr/>	<hr/>
Closing defined benefit obligation/Present value of scheme liabilities	2,051,300	2,192,500
	<hr/>	<hr/>

* Includes changes to the actuarial assumptions

Changes to the fair value of scheme assets during the year

	Year ending September 30, 2007	Year ending September 30, 2006
Opening fair value of scheme assets	1,751,400	1,474,500
Expected return on assets	121,200	104,300
Actuarial gains / (losses) on scheme assets	2,900	75,200
Contributions by the employer	215,500	124,300
Plan participants' flexed contributions	12,400	8,100
Plan participants' non-flexed contributions	3,600	9,900
National Insurance rebates	2,200	5,900
Net benefits paid out	(57,200)	(45,200)
Administration expenses paid	(5,800)	(5,600)
Net increase in assets from acquisitions	500	-
Net (decrease) in assets from disposals	(13,400)	-
	<hr/>	<hr/>
Closing fair value of scheme assets	2,033,300	1,751,400
	<hr/>	<hr/>

Siemens Magnet Technology Limited

NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2007 and 2006 (in thousands of £)

Actual return on plan assets

	Year ending September 30, 2007	Year ending September 30, 2006
Expected return on scheme assets	121,200	104,300
Actuarial gain on scheme assets	2,900	75,200
	<hr/>	<hr/>
Actual return on scheme assets	124,100	179,500
	<hr/>	<hr/>

Analysis of amounts recognised in SORIE

	Year ending September 30, 2007	Year ending September 30, 2006
Total actuarial gains	269,300	9,100
Cumulative amount of gains / (losses) recognised in SORIE	242,400	(26,900)

THE SIEMENS MAGNET TECHNOLOGY PENSION SCHEME

Defined benefit plan

The company participates in this scheme which provides benefits based on final pensionable pay

Siemens Magnet Technology Limited is the Principal Employer of the scheme. The whole of the scheme is included in the company's financial statements.

The movement in the funded position of the scheme is split between operating charges and finance items, which are charged to the statement of income, and actuarial gains and losses, which are charged to the SORIE.

The numbers shown in this disclosure have been based on calculations carried out by a qualified independent actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the Scheme at September 30, 2007. The Scheme's assets are stated at their market values at September 30, 2007.

Regular employer contributions to the Scheme in 2007/2008 are estimated to be £7,800,000.

A proportion of the employee contributions are made via a salary sacrifice arrangement. For the purposes of these disclosures, these notional employee contributions have been excluded from the service cost. They have also been excluded from the estimate of next year's employer contributions set out above. An allowance for scheme expenses and PPF levies is made in the service cost prior to September 30, 2007, after which this will be offset against the expected return on assets.

The valuation used for IAS 19 disclosures has been based on a full assessment of the liabilities of the Siemens Magnet Technology Pension Scheme as at September 30, 2007.

The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method.

With effect from January 1, 2008 the majority of the active membership of the Scheme will move to the defined contribution section of the Siemens Benefits Scheme for future service.

Actuarial gains and losses have been recognised in the period in which they occur, (but outside the profit and loss account), through the SORIE.

The main financial assumptions used by the independent qualified actuaries to calculate the liabilities under IAS 19 are set out below.

Siemens Magnet Technology Limited

NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2007 and 2006 (in thousands of £)

Actuarial assumptions

Main financial assumptions

	September 30, 2007 % p.a.	September 30, 2006 % p a
Inflation	3.1	2.8
Rate of general long-term increase in salaries*	4.0	3.7
Rate of increase to pensions in payment		
— inflation capped at 5%	3.1	2.8
— inflation capped at 3%	2.6	2.5
Discount rate for scheme liabilities	6.0	5.0

* There is a promotional scale on top of this assumption

Mortality Assumptions

The post-retirement mortality assumptions used in valuing the liabilities of the Siemens Magnet Technology Retirement Benefits Scheme were based on the standard tables PMA92 and PFA 92 for males and females respectively as published by the Institute and Faculty of Actuaries. These were then adjusted by projecting them forward for calendar year 2027 (for future pensioners) and 2017 (for current pensioners) with an allowance for medium cohort improvement factors. On this basis, the life expectancy assumed at September 30, 2007 for a male pensioner then aged 65 was expected to be about 21.6 years, and for a female pensioner then aged 65 about 24.5 years. Based on the assumed mortality improvements, the life expectancy for a future male pensioner aged 65 is expected to have increased to 22.3 years and for a female aged 65 years is expected to have increased to 25.1 years.

Expected return on assets

	Value at September 30, 2007	Value at September 30, 2006
Equities	25,131	21,630
Corporate bonds	14,562	15,062
Other / Cash	4,332	-
	<hr/>	<hr/>
Total market value of assets	44,025	36,692
	<hr/>	<hr/>

At September 30, 2007, none of the fair value of scheme assets related to self-investment

The company employs a building block approach in determining the rate of return on the Siemens Magnet Technology Pension Scheme pension assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the benchmark asset allocation. The total overall expected rate of return for 2006 and 2007 was 6.7% per annum.

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NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2007 and 2006 (in thousands of £)

Reconciliation of funded status to balance sheet

	Value at 30 September 2007	Value at 30 September 2006
Fair value of scheme assets	44,025	36,692
Present value of funded defined benefit obligations	50,590	58,168
Liability recognised on the balance sheet	(6,565)	(21,476)

Analysis of income statement charge

	Year ending 30 September 2007	Year ending 30 September 2006
Current service cost	854	992
Interest cost	2,914	2,570
Expected return on plan assets	(2,592)	(2,300)
Expense recognised in income statement	1,176	1,262

Changes to the present value of the defined benefit obligation during the year

	Year ending September 30, 2007	Year ending September 30, 2006
Opening defined benefit obligation/Present value of scheme liabilities	58,168	51,314
Current service cost	854	992
Interest cost	2,914	2,570
Plan participants' contributions	263	276
Transfers in	-	-
Actuarial (gains) / losses on scheme liabilities*	(9,840)	4,115
Net benefits paid out	(1,769)	(1,099)
Closing defined benefit obligation/Present value of scheme liabilities	50,590	58,168

* Includes changes to the actuarial assumptions

Siemens Magnet Technology Limited

NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2007 and 2006 (in thousands of £)

Changes to the fair value of scheme assets during the year

	Year ending September 30, 2007	Year ending September 30, 2006
Opening fair value of scheme assets	36,692	32,769
Expected return on assets	2,592	2,300
Actuarial gains / (losses) on scheme assets	742	(237)
Contributions by the employer	5,505	2,683
Plan participants' contributions	263	276
Net benefits paid out	(1,769)	(1,099)
Closing fair value of scheme assets	44,025	36,692

Actual return on plan assets

	Year ending September 30, 2007	Year ending September 30, 2006
Expected return on scheme assets	2,592	2,300
Actuarial gain / (loss) on scheme assets	742	(237)
Actual return on scheme assets	3,334	2,063

Analysis of amounts recognised in SORIE

	Year ending September 30, 2007	Year ending September 30, 2006
Total actuarial gains / (losses)	10,582	(4,352)
Cumulative amount of gains / (losses) recognised in SORIE	6,230	(4,352)

21. Share Capital

Authorised Share Capital	2007	2006		
47,000,000 ordinary shares of £1 each	47,000	47,000		
	2007	2006		
Allotted, called up and fully paid:	Number	Value	Number	Value
Ordinary shares of £1 each	47,000	47,000	47,000	47,000

Siemens Magnet Technology Limited

NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2007 and 2006 (in thousands of £)

22. Reconciliation of Shareholders' Funds and movement on Reserves

	Share capital	Retained earnings	Total shareholders' funds
Balance brought forward October 1, 2005	3,000	(35,060)	(32,060)
Net actuarial (loss) in the year	-	(3,045)	(3,045)
Other recognized (losses) in the year	-	(2,592)	(2,592)
New equity share capital subscribed	44,000	-	44,000
(Loss) for the year	-	(1,927)	(1,927)
Balance at September 30, 2006	47,000	(42,624)	4,376
Net actuarial gain in the year	-	10,259	10,259
Profit for the year	-	3,907	3,907
Balance at September 30, 2007	47,000	(28,458)	18,542

23. Commitments and contingencies

As of September 30, 2007 future payment obligations under non-cancellable operating leases are as follows

<u>Year</u>	
2008	1,457
2009	1,457
2010	1,454
2011	1,447
2012	1,447
Thereafter	9,044

Total operating rental expense for the years ended September 30, 2007 and 2006 was £1,457,000 and £1,462,000 respectively

Siemens Magnet Technology Limited

NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2007 and 2006 (in thousands of £)

24. Additional disclosures on financial instruments

This section gives a comprehensive overview of the significance of financial instruments for the company and provides additional information on balance sheet items that contain financial instruments

The following table presents the carrying amounts of each category of financial assets and liabilities

	2007	2006
Financial assets		
Cash and cash equivalents	-	20
Financial receivables from group companies	5,377	6,842
Derivative financial instruments	96	251
	<u>5,473</u>	<u>7,113</u>
Financial liabilities		
Other financial liabilities measured at amortised cost	(411)	(1,683)
Derivative financial instruments	(272)	(89)
	<u>(683)</u>	<u>(1,772)</u>
	<u>4,790</u>	<u>5,341</u>

The following table presents the fair values and carrying amounts of financial assets and liabilities measured at cost or amortised cost

	2007		2006	
	Fair value	Carrying amount	Fair value	Carrying amount
Financial assets measured at cost or amortised cost				
Cash and cash equivalents	-	-	20	20
Current financial assets	5,473	5,596	7,093	7,093
	<u>5,473</u>	<u>5,596</u>	<u>7,113</u>	<u>7,113</u>
Financial liabilities measured at cost or amortised cost				
Current financial liabilities	683	683	1,772	1,772
	<u>683</u>	<u>683</u>	<u>1,772</u>	<u>1,772</u>

The fair values of cash and cash equivalents, current receivables, trade payables, other current financial liabilities approximate their carrying amount largely due to the short-term maturities of these instruments

Receivables are evaluated by the company based on parameters such as interest rates, specific country risk factors, and the individual creditworthiness of the customer and the risk characteristics of the financial project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As of September 30, 2007 and 2006, the carrying amounts of such receivables, net of allowances, approximate their fair values

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NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2007 and 2006 (in thousands of £)

Foreign currency exchange risk management

The company's international operations expose it to foreign-currency exchange risks in the ordinary course of business. The company makes use of derivative financial instruments to mitigate or eliminate certain of those exposures. The fair value derivative financial instruments are as follows:

	2007		2006	
	Asset	Liability	Asset	Liability
Foreign currency exchange contracts	96	272	251	89

Credit risk

The company is exposed to credit risk in connection with its external sales. Credit risk is defined as an unexpected loss in cash and earnings if the customer is unable to pay its obligations in due time. Credit evaluations and ratings are performed on all customers with an exposure or requiring credit beyond a defined limit.

Concerning trade receivables and other receivables, as well as other receivables included in *Other financial assets* that are neither impaired nor past due, there were no indications as of September 30, 2007, that defaults in payment obligations will occur.

Foreign currency exchange rate risk

Transaction risk and currency management

The company does not borrow or invest in foreign currencies on a speculative basis.

The company defines foreign currency exposure generally as balance sheet items in addition to firm commitments which are denominated in foreign currencies, as well as foreign currency denominated cash inflows and cash outflows from anticipated transactions for the following six months.

Siemens Magnet Technology Limited

NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2007 and 2006 (in thousands of £)

The tables below show the net foreign exchange transaction exposure by major currencies as of September 30, 2007 and 2006

	September 30, 2007			
	USD	EUR	Other	Total
Gross balance sheet exposure	950	198	(282)	866
<i>Thereof Financial assets</i>	950	198	-	1,148
<i>Thereof Financial liabilities</i>	-	-	(282)	(282)
Gross exposure from firm commitments and anticipated transactions	(11,209)	(6,870)	7,262	(10,817)
Foreign exchange transaction exposure	(10,259)	(6,672)	6,980	(9,951)
Economically hedged exposure	10,320	4,460	(5,112)	9,668

	September 30, 2006			
	USD	EUR	Other	Total
Gross balance sheet exposure	(428)	(1,111)	128	(1,411)
<i>Thereof Financial assets</i>	-	-	128	128
<i>Thereof Financial liabilities</i>	(428)	(1,111)	-	(1,539)
Gross exposure from firm commitments and anticipated transactions	(8,723)	(7,805)	7,700	(8,828)
Foreign exchange transaction exposure	(9,151)	(8,916)	7,828	(10,239)
Economically hedged exposure	7,494	6,303	(6,356)	7,441

25. Related party transactions

The following transactions were carried out with related parties 'Group companies' refers to all companies for whom the ultimate parent undertaking is Siemens AG, but excludes the company's immediate parent undertaking Transactions, if any, with the company's immediate parent undertaking are disclosed separately below

Trading Transactions

(a) During the year, the company entered into the following transactions with related parties

	Sales of goods and commission		Other services sold and costs passed on to group companies		Purchases of goods		Other services purchased and costs		Other costs passed on by group companies	
	Year ended 2007	Year ended 2006	Year ended 2007	Year ended 2006	Year ended 2007	Year ended 2006	Year ended 2007	Year ended 2006	Year ended 2007	Year ended 2006
Parent Company	9	-	19	3	9	60	3,175	5 827	27,486	25,957
Other group companies	134,780	141,903	7,281	4,739	1,131	1,185	6,169	2,730	114	-

Sales of goods to related parties were made at the company's agreed transfer prices which are set at market price levels and are derived from a cost-plus approach Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties The amounts outstanding are unsecured and will be settled in cash

Siemens Magnet Technology Limited

NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2007 and 2006 (in thousands of £)

(b) Year end balances arising from sales/ purchases of goods

	Amounts owed by related parties		Amounts owed to related parties	
	2007	2006	2007	2006
Parent company	-	-	-	-
Other group companies	4	13	-	-

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

(c) Year end balances arising from loans to / from related parties

	Amounts owed by related parties		Amounts owed to related parties	
	Year ended 2007	Year ended 2006	Year ended 2007	Year ended 2006
Other group companies	5,381	6,855	411	1,683

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debt in respect of the amounts owed by related parties.

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the company, is set out below in aggregate as specified in IAS 24 *Related Party Disclosures*.

	2007	2006
Short-term employee benefits	877	724
Post-employment benefits	115	155
	<u>992</u>	<u>879</u>

Directors' transactions

No such transactions occurred in 2006 or 2007 which require disclosure under the requirements of schedule 6 of the Companies Act and IAS 24, with the directors or other key management personnel.

26. Subsequent events

There were no subsequent events impacting the financial statements as presented in this report.

Siemens Magnet Technology Limited

NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2007 and 2006 (in thousands of £)

27. Ultimate parent undertaking

The ultimate parent undertaking is Siemens AG, incorporated in Germany. Siemens AG is the only group undertaking of which the company is a member for which group accounts are prepared. Copies of the group accounts are available on the internet at www.siemens.com/annualreport or may be obtained from

Siemens AG
Wittelsbacherplatz 2
D-80333 Munich
Germany

The immediate parent undertaking is Siemens plc, a company incorporated in England and Wales