



Our new Chairman assesses a year of transition for Misys and outlines clear priorities for the Company going forward.

Misys generated revenue of £953m and operating profit of £56m this year. Our cash generation continued to be strong, with cash flow from operations of £76m and net debt of £95m. We continued to return cash to shareholders by buying back a total of 12m shares in the year. Adjusted earnings per share for the year were 14.3p. The Board recommends a final dividend of 4.49p per share, bringing the full year dividend to 7.18p.

The Board

We acknowledge that in recent years Misys has not delivered the value that shareholders are entitled to expect. When I took over the Chairmanship this year from Kevin Lomax it became my job to lead the Board, enabling him to focus on running the business as Chief Executive. I now manage the Board and our relationships with investors and it is the Board that makes the final decision on all key Company issues, and ensures proper mechanisms are in place to manage, protect and maximise the Company's value for shareholders.

The separation of roles clarified responsibilities and accountabilities at

Board level and was an essential first step in the process of delivering greater shareholder value.

But it was only one of many actions taken during the year to position Misys for sustained, profitable long-term growth in our core markets. We have continued to invest to capitalise on higher growth market segments, for example. This has included more organic product development, the acquisition of complementary solutions and the realignment of our businesses to match market opportunities.

We are in two strong market sectors, both of which have potential for real growth. Product investment remains core to our strategy: in the last year, in our continuing businesses, we again increased investment in product development to nearly £90m.

We made a number of other changes to the composition of the Board this year, adding two new independent non-executive Directors. In October 2005 the Company appointed John Ormerod as a non-executive Director and Chairman of the Audit Committee, and in November he became senior independent Director. John was Practice Senior Partner at Deloitte in London and serves on audit committees at

Gemalto International and HBOS. In November the Company appointed John King as a non-executive Director. John has more than 30 years' experience in the US healthcare industry and now serves on the Audit, Remuneration and Nomination Committees of Misys. Both Ian Dyson and Bob Ingram stood down from the Board and we thank them for their commitment during their time with the Company. Tony Alexander will be retiring from the Board at the close of the Annual General Meeting this year and we thank him for his strong contribution and commitment during his many years with Misys.

Banking

Misys has a strong, established position in the international banking market. This offers excellent growth opportunities as we expect financial services institutions to continue to increase spending with third party software vendors. Our challenge is to compete in the most valuable segments of this market while increasing operating margin.

During the year we reorganised our Banking business to respond to market developments and to capitalise on our strengths. This has

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Our cash generation continued to be strong

created a streamlined and more efficient organisation which is better aligned with its customers. We have now established two new business units, Core Banking and Treasury & Capital Markets ('TCM'). The success of TCM is an indication of what Misys can achieve with the right products and the right organisational structures. The combination of our Retail and Wholesale operations in the new Core Banking unit provides the right foundation for future growth and will realise cost savings, much of which will be invested in the business.

Structural change is testing for any business, but Banking is now well positioned with a clear focus and a more coherent offering to customers and I have been impressed by the commitment of people here to making changes quickly and effectively.

Healthcare

In the United States, healthcare is the largest component of the country's economy and spending on it is expected to continue to increase. Misys has a strong presence in this market as a supplier of IT solutions to physicians, hospitals and other care givers. This is a valuable and sustainable market with growth driven by rising costs, limited clinical capacity, quality concerns and increasing patient demand for treatment.

The case for investment in IT to reduce costs and raise quality is widely recognised and we are well positioned to benefit from care providers' further investment in software solutions. Market demand, our increased investment in our core products

and our strong relationships with existing customers provide us with a firm foundation from which to pursue new opportunities for growth. Our commitment to excellence and customer service has been underlined through the year with numerous awards and increased industry recognition for key products.

People

The quality of our products and processes and the calibre of the people working here are vital to our performance. Misys employees have great passion for their products and solutions and I want to thank everyone in the Company for their commitment in the last year.

Getting full value from our assets

This year we streamlined the Company's portfolio by selling our General Insurance business. The sale was completed on 5 May 2006, producing gross proceeds of approximately £183m and profit after tax of £172m. The sale underlines the Company's ability to execute a major transaction successfully, at the right value.

With Sesame, our UK financial adviser support services business, we decided to end our discussions with potential purchasers as their offers did not match the value of the business. Sesame is a strong business with good prospects – a leader in its market. We recognise that we are not its natural owners and remain committed to selling at a time when we can get good value for shareholders.

Looking ahead

I believe there is great scope for us to improve our financial performance by maintaining prudent cost control, finding new efficiencies and establishing ourselves in the higher growth market segments. We continue to refine key performance indicators for the business around customer satisfaction, product quality, sales growth and total shareholder return which will help us better measure performance.

This has been a year of transition for Misys: the actions taken and the plans put in place have better positioned the Company to deliver long-term shareholder value. The whole Board is focused on the need to deliver the value shareholders rightly expect.

At the present time we are in an offer period for the Company, which may or may not lead to an actual bid. The Independent Committee of the Board, comprising all of the non-executive Directors and led by myself, is conducting a disciplined process to ensure equal access for all interested parties. We will evaluate any offer that may come forward and recommend whatever course of action we judge will deliver best value to shareholders.



Sir Dominic Cadbury
Chairman, Misys plc