

Q&A – IRIS Legal, June 2009

Dear All,

I am writing to inform you formally of both the departure of IRIS Legal MD Tony Bromfield recently and that I will personally be taking on this important role until such time as a suitable successor can be found.

The reason for Tony's departure was of a personal nature. I and the team thank him for his contribution and wish him well, as I know many of you do. Over the last eighteen months I have come to know the Legal business, its customers, management team and employees well and feel that I am best placed to head the division in the interim to ensure we maintain momentum.

We have a very clear strategy that remains unchanged, we are committed to the Legal Enterprise market and have a strong, experienced team with which to deliver it, many of whom you have known for years.

We recognize that our plans have taken longer than we originally anticipated to complete, but during this period we have gained a much better understanding of the needs of you as our customers, which has given us the opportunity to explore, as your technology partner, the best way to meet those needs. Both I and the team remain totally committed to ensure that we achieve this and that we continue to communicate with you regularly as we progress.

I want to take this opportunity to communicate with you directly regarding your understandable concerns and to reassure you of IRIS Legal's importance to the Group and to reaffirm our commitment to both you and to the UK & Irish Legal sectors.

There a number of questions I've been asked already and I thought it would help you to have this short Q&A. If you have any further questions or concerns please contact me via legal@iris.co.uk and I will endeavor to respond to them, alternatively you can contact any of the Senior Management team who will be happy to help.

Thank you



Martin Leuw
Group Chief Executive

1. How is IRIS Legal performing?

IRIS Legal completed FY2009 (the year to 30th April 2009) with revenues of over £22.2m, with profits before tax of £3m. We have acquired 282 new customers in the last 12 months and are investing in excess of 16% of our revenues back into R&D.

With a customer base of more than 5,000 law firms, barristers' chambers and coroners' offices, IRIS Legal Solutions is the largest provider of software and services to partnerships in the UK and Ireland.

Our annual customer retention rate over the past year has been 95%, which during the current economic climate and with the impact of the conveyancing market on solicitors practices, compares extremely well with the industry average.

Our size and customer base in the market makes us unique and with the strong support and commitment of the IRIS Group, which is the largest private software house in the UK, with revenues of over £120m and a customer base of 60,000, we are excellently positioned to become even more successful.

IRIS is majority owned by Hellman & Friedman, one of the most established global Private Equity houses, with over \$10 billion under management. The funding we put in place in 2007 to invest in the business is repayable no earlier than 2015 and included a significant acquisition facility (£75m), part of which has been used to acquire OPSIS, Alpha Law and the contracts of AM Systems (the Alpha Law reseller based in Northern Ireland), thus reaffirming our commitment to the Legal sector.

IRIS LEGAL PORTFOLIO

2. What is the ILE Roadmap post 1.9 in October?

We are currently working on the next release of the IRIS Law Enterprise (ILE) roadmap. Our aim is to allow scope within each release for the enhancement requests of our early adopters. We also plan to schedule smaller and much shorter releases in order that we can deliver functionality more regularly from late 2009 into 2010. We will be discussing this with the ILUA User Group committee this month and will publish a further update for customers in advance of the ILUA User Conference in October.

3. What is happening with ILB?

There is a defined roadmap in place for IRIS Law Business (ILB). Customer feedback on this product has been excellent and we are keen to take it forward as it is a functional, stable and well liked product.

Feedback from our customers has been that they love the modern "look and feel" of ILB, want an "out of the box" package which runs on an SQL database, do not need the sophistication of ILE, but do need

some of the functionality within ILE to support the needs of their practice. A good example of this is enhanced Credit Control, where because of the recession, many practices require this functionality within ILB but do not necessarily need the full functionality of ILE.

In response to the needs of our customers, we are therefore increasing functionality into ILB in order to provide an affordable way for our customers to bridge the gap between the two products.

4. How has IRIS improved the quality of ILB?

12 months ago, ILB was not as stable and fully functional as it is today. However, we spent 6+ months doing stabilization and bug-fixing and we are now reaping the benefits of that process. This is an important point as the lessons learnt from this will help us with ILE.

5. What new modules are planned for the IRIS Law portfolio?

Those of you who have seen the ILUA conference agenda will note that we are planning to announce some new product modules at the conference which can be used across the IRIS law product suite. All but one of these is in the very early stages of the product management process. The business cases for their development and the value they could deliver to our customers are due to be presented at the IRIS Product Review Board later this month. The modules are centred round web enablement for customers. Further details will be made available if and when the board approves them. The module which has already been approved is a Business Intelligence module which can be used across the IRIS Law suite. This will be shown at the October ILUA User conference.

6. What are our plans for Laserform?

IRIS Laserform continues to perform strongly. Monthly new forms releases continue to be developed and this year we have approximately 70 new company forms that come into force in October. These should be of great use to both our existing customer base and our new clients.

We have new releases of the three core Laserform products, Laserform V9, LFormInet and ESubmissions coming out in June. These product releases are the first to go through the full IRIS product development cycle benefiting from IRIS QE. They will provide an opportunity for users on older legacy versions to upgrade to the current version which contains many more time and efficiency saving features.

In addition to current products, product management is using the new product management process to define a business case for a next generation web-based Laserform product. Further news will be made available following the approval of plans by the IRIS product review board taking place later this month.

7. What are our plans for OPSIS and AlphaLAW?

Customers of both OPSIS and AlphaLAW are very happy with their software and IRIS has a large number of very satisfied users with these products. Our intention is to continue to enhance and support these products for existing customers and sell them to new customers where the functionality (e.g. Immigration) very closely matches customer needs. There are roadmaps in place for both suites of products.

SOLICITOR MIGRATIONS

8. What is the status of ILE migrations?

To date, we have signed up around 40 new ILE customers. 21 of these are now “live” but as with any new software there needs to be a period of time for us to understand and improve the user experience to ensure we meet and exceed customer expectations. You may want to compare the situation we experienced with ILB just over 12 months ago, where following a period of constantly adding functionality into product, we needed to implement a period of stabilization and bug-fixing in order to ensure product quality and establish customer confidence in their product. This was highly successful and we now have a large number of customer reference sites for ILB.

The Professional Services team is working hard to complete the installation of this next batch of ILE customers. We currently have a backlog of work, so we have decided to take no new ILE installations until the current ones are nearing completion. We estimate this to be October to coincide with the release of version 1.9, which adds further functionality combined with the correct balance of customer enhancements and bug-fixes.

9. What are our current plans for Solicitor migrations tooling?

The creation of the migration tooling to automate key parts of the data migration process has taken longer and been more challenging than originally anticipated. However we now know considerably more about both the way our customers are storing their data and their expectations about what data needs to be converted. A team, led by Sarah Vodden in Product Management is updating our specifications to create a series of Migration Tooling modules. These will then be developed by IRIS and made available to Professional Services to deploy. A full road map is being created for this work and should be available within the next 6-8 weeks.

IRIS Legal

10. If IRIS Legal is performing well, why are we making redundancies?

As you will be aware from our previous communications, we took the decision, over a year ago, to run IRIS Legal as one business along functional lines, and now have heads of R&D, Product Management,

Marketing, Customer Service, Professional Services, Sales (Solicitors, Barristers, Scotland & Ireland), Finance and HR. http://legal-software.iris.co.uk/about_iris_legal/management_team.aspx

The IRIS Legal business has an excellent combination of experienced people both from the original businesses as well as an influx of new talent to the team. This change has resulted in some office consolidation and team combination, which coupled with the economic downturn, has meant that some roles have had to be made redundant as we need to be able to achieve the scale economies to continuously re-invest in the business and its products. There are currently approximately 300 employees in the IRIS Legal Business Unit so it is important that the redundancies are considered in this context.

11. Does the reduction in staff through redundancy mean that there will be a loss of domain knowledge, specifically for the “legacy” products?

In considering roles for redundancy, IRIS has taken the need to retain core competencies and experience in all our supported software applications into careful consideration. IRIS is extremely confident that we have the skill sets required to meet the needs of all our customers and wish to reassure customers that there is no cause for concern.

IRIS and its commitment to the Legal Enterprise market

12. Is it true that IRIS only knows about “shrink-wrapped” software?

We remain totally committed to the Legal Enterprise market and have considerable experience across the IRIS Group of large complex enterprise packages in other areas of the business, as well as the shrink wrapped software which IRIS is also very well known for. IRIS’s knowledge of complex markets such as Not for Profit, ERP, major business and enterprise markets means that we have the knowledge and experience of dealing with large companies (on projects running into the hundreds of thousands of pounds) and the critical business solutions they require to run their organizations. Our sector specialism specifically enables us to reinforce this. The requirements of Enterprise level law firms are fully understood and appreciated by IRIS. The changing requirements of the UK legal sector to more customer centric environments are similar to those experienced by our other divisions and their clients. The IRIS Legal team is ideally placed to leverage the knowledge of their colleagues as they build solutions that will take your firms forward.

IRIS and the ILUA

13. What is IRIS’s relationship with the ILUA?

IRIS is delighted to work alongside users, and is especially keen to work with ILUA. An effective and independent user group provides an important role in the design, management and development of its

software. User feedback is essential to IRIS, especially with new products, upgrades and migrations. Working co-operatively with users is one of the hallmarks of a successful software company, and the ILUA is amongst the best User Groups in the industry.

14. How will IRIS support the ILUA Conference & Sub Groups meetings ?

IRIS is very keen to be present at the ILUA annual Conference in October 2009, and also the various subgroup meetings that are held throughout the year. We recognise the value of these events not only for users, but also for IRIS to meet with our user base, and have regular dialogues with them.

15. Who should join the ILUA ?

Whilst it is a matter for every firm, IRIS recommends that users should join the ILUA. There is a relatively modest annual cost and the benefits, in our view, make it money well spent.

16. ACUA had an Escrow Agreement, does this still apply ?

The Escrow Agreement for our AIM products is still in existence and held by the ILUA. Iris Group are in discussions with ILUA Committee about the security of our ILE software.