



Capital for Colleagues Case Study

Computer Application Services Limited



Overview

Computer Application Services (CAS) is a software company based in Edinburgh, Scotland. Currently 22 strong, with plans to increase to 30 in the next two to three years. The team develops, sells and supports Workpro case management software. CAS also supports two niche services to the Ministry of Defence; noise monitoring on a number of Army training ranges and managing training activities at RAF Spadeadam.

Until the team moved to employee ownership in 2014, case management clients were exclusively members of the UK Ombudsman community managing housing, local government and legal complaints.

Investment to develop Workpro as a product has resulted in applications for employee relations casework and regulated financial complaints, both new markets for CAS.

New government and corporate clients are added to the UK client base almost monthly with recent wins extending overseas to Brussels, Cayman Islands, Toronto and potentially Arizona where a new nuclear regulations application will be piloted. Building CAS via a new recurring revenue model promotes sustainability of the business which in turn enhances value as well as job security.

The Story Behind the Company

The growth of PCs required people who understood how to make them produce duty rosters, control machinery, store records and so on. Originally a technology transfer unit from Edinburgh's Heriot Watt University (circa 1969), Computer Application Services were offered by CAS to meet these new demands. Reportedly Scotland's first software house, CAS became a valuable revenue stream for the University until its move to become a business.

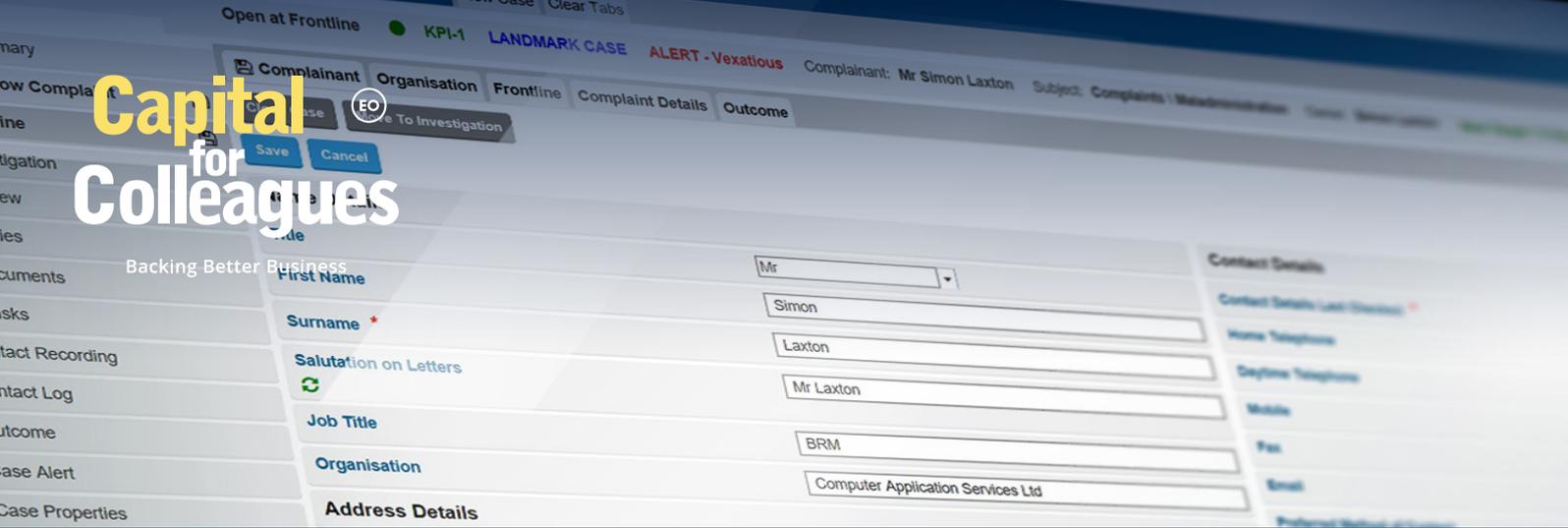
The business was bought out by managers in 1987, the University retaining 15%. For 25 years, despite remaining small, it was a good corporate citizen, paying its way, making profits, returning dividends.

Coinciding with the MD and his wife wishing to retire in 2013, a number of commercial and technological challenges converged on CAS. The age of "austerity" saw 37% budget cuts for some government clients and a new technology threatened to become a major risk.

With no succession plan, the only option appeared to be a sale to an AIM listed PLC. When that fell through, the company engaged a consultant who had formerly led an attempted management buyout of the business where he had been managing director. Assessing CAS's strengths and situation, he identified employee ownership as a suitable model for CAS going forward, and accepted the position as Chief Executive Officer of CAS to lead the transition and take the organisation in to growth.

CAS became an employee owned company in January 2014.

Continues overleaf...



Employee Ownership Structure

An Employee Benefit Trust (EBT) holds 59% of the company's shares on behalf of employees. The CEO holds 26% and the Chairman 15%.

The Chairman and CEO can sell their shares externally if they wish, but shares which originate from within the Trust must be sold either to a fellow CASTodian or the Trust, should an employee leave.

Currently all employees hold options to buy shares at HMRC agreed discounted rates. This allows key personnel to hold additional shares or options. Options will be crystallised ahead of a return to dividends being paid.

An employee elected director attends board meetings and is one of three Trustees of the EBT.

C4C's Role

Capital for Colleagues (C4C) provides Cash, Confidence, Consultation.

While shifting to the recurring revenue model, early income from new clients doesn't necessarily cover the cost of on-boarding them, especially if they represent a new application in a new sector. Annual subscriptions provide an operationally profitable model, with C4C cash bridging any initial gap, while renewable licence fees accumulate.

Confidence because CAS comes under extreme scrutiny by some prospective new clients. C4C has stood behind CAS, demonstrating that backing is in place to meet project demands.

Consultation may come from Castlefield, C4C's JV partner, but is also evident from contributions from C4C's investment director at board meetings. He is participative and supportive, not passive.

All of the above combines to demonstrate C4C's commitment to investee businesses and the principles of Employee Ownership.

Culture

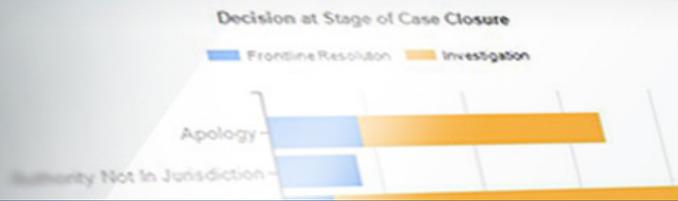
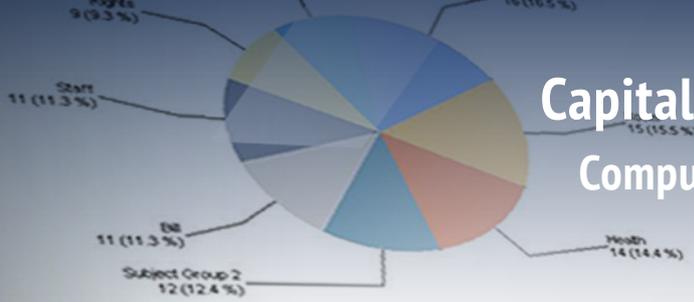
CAS employee owners are referred to as CASTodians. These CASTodians have created their own culture and formalised this by working to a set of ACCORDS.

Accountability, Collaboration, Commercial awareness, Openness to change, Respect, Delivery focussed, Solution focussed.

VIP (values in practice) awards are made based on peer group nominations and assessment.

Capital for Colleagues Case Study

Computer Application Services Limited



Key Successes:

Key achievements include:

- Retaining original clients and gaining their buy-in to “new” CAS
- Securing new clients in strategically targeted new markets including regulated financial complaints and employee relations casework
- Winning new business overseas, in most cases with additional follow up opportunities
- Accumulating sales via a recurring revenue portfolio, thus securing sustainability
- Engaging more CAStodians in more decisions and responsibilities, again promoting sustainability and preparing for succession
- Creating a solid foundation on which the sustainable future can be built

Project manager and employee director, Irma MacLachlan sums it up best when she says:

Being an employee owner is like owning rather than renting your home. If the shower leaks, you want to fix it to stem any damage. And when you make improvements, you hope that one day you will realise their value. In the meantime, it makes for a nice place to live. The same approach makes for a great place to work.

Contact Details:



Product website: workpro.com
Company website: casltd.com



Ken Naismith



Ken.Naismith@casltd.com



Computer Application Services Limited
Quantum Court
Heriot-Watt Research Park South
Edinburgh
EH14 4AP



0131 449 7071



Backing Better Business

8th Floor, 111 Piccadilly, Manchester, M1 2HY

T: 0161 464 3260

E: info@capitalforcolleagues.com

W: capitalforcolleagues.com