



Theta Systems Limited  
**ANNUAL REPORT**

April 2010 – March 2011



# Contents

About Theta .....	2
Chair and Chief Executive's Report.....	3-5
Performance .....	3
2010-11 Highlights .....	4-5
Our People .....	5
Our Company .....	6
Looking Forward.....	6
Customers .....	7
Practices .....	8-11
Governance.....	12
Giving Back.....	13

*We create  
smart  
technology  
solutions.*

*You get  
sustainable  
results.*



## About Theta

Founded in 1995, Theta is an Auckland based information technology consultancy. We have a staff of more than 80 experienced professionals and provide services to customers throughout New Zealand and Australia.

We work across many industry sectors, helping organisations to select, implement, enhance, maintain and integrate systems.

The company is organised into specialist **Practices** or **Centres of Excellence**, headed up by experienced managers.

Our attitude is **customer first** and we regard our people as our greatest asset.

# Chair and Chief Executive's Report

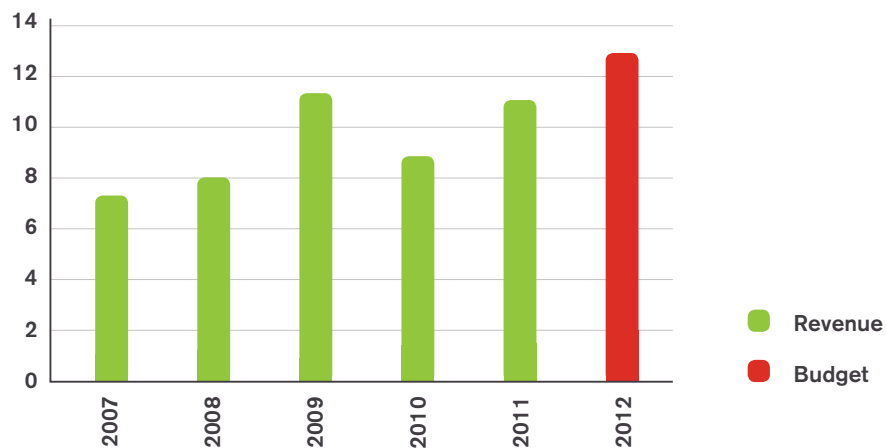
## PERFORMANCE

### A year of overachievement in tough times

2010-11 was a strong year for Theta in a challenging economic environment dominated by the global financial crisis and earthquakes in Canterbury. An ambitious revenue target was set at 15% above the 2009-10 result and both management and board are delighted to have surpassed this goal.

We appreciate the continued support from our loyal customers who rely on us to create smart technology solutions that generate sustainable results. The biggest of these are Genesis Energy and the Southern Cross Healthcare Group - with Southern Cross Travel Insurance coming on board this year.

Revenue (\$M) 2007 – 2012



We exceeded our expectations across all measures. Our revenue was up 23% on 2009-10, largely attributable to the net gain of 12 clients. Notably we gained three new MS Dynamics NAV customers as this part of our business becomes even more established. Costs were prudently controlled and the result was a solid profit growth.

Daily revenue gradually increased throughout the year from \$39,000 to \$47,000. Our strategy of retaining our skilled staff by utilising them on internal projects in the challenging business environment of 2009-10 allowed us to seamlessly deliver this increased workload.

### Expanding the business

Financially the company is in a robust position with no external debt, making us well able to fund growth. We have laid the foundation for expansion beyond normal organic growth and expect this to begin to bear fruit during the 2011-12 year.

### Emerging brands

In 2010-11 the main source of growth has been our two largest practices, which have emerged this year as strong brands in their own right. **Theta Software** is the biggest and together with faster growing **Theta BI** (Business Intelligence) they account for more than 60% of our business.

# Chair and Chief Executive's Report continued...

## Streetside@Theta

With growth across the business we made a decision to secure additional space in Theta House, dubbed Streetside@Theta.

## Geographic diversification and acquisition

During the year we added two staff in Wellington and are developing relationships with local customers and complementary businesses. We are currently working on two possible acquisitions.



*Streetside@Theta is home to Theta Software and Sales*

## 2010-11 HIGHLIGHTS

### Project highlights

Building on work we've already done at electricity meter provider Metrix we're now part way through a new Microsoft BizTalk Server integration project to support smart meter services and the electronic activation, reading, disconnection and reconnection of meters.

This year Southern Cross Travel Insurance (SCTI), an online travel insurer, also selected Theta Software as a key supplier of core systems. Our first project with SCTI, the support and modernisation of their suite of websites, is already delivering increased reliability – a critically important factor to a company that does 80% of its business in NZ online. We're also at the beginning of an 18-month project to replace their legacy policy administration system with a bespoke solution that will deliver tight integration between online and back office systems, cost and time savings and competitive advantage.

### Microsoft technologies

Microsoft technologies play an increasingly important role across all areas of our business and we have approximately 20 Microsoft specialists.

Within Theta Software we now have a specialist BizTalk team. .NET development work is also on the increase, and our innovative Windows Mobile application for VirCom EMS earned us a finalist nomination for the Microsoft Supreme Award - Business Impact Solution of the Year in the 2010 Microsoft Partner Awards.

We have one of the most experienced Microsoft Dynamics NAV implementation teams in New Zealand and Theta BI has recently featured in a Microsoft case study for its work with boutique hotel chain Heritage Hotels.

Our IT Systems Management practice manages SQL servers for five customers and has helped eight customers make the transition to Microsoft's cloud offering, Microsoft Online Services.

As part of our ongoing development of Microsoft capability we continued to re-certify our staff in the 2010-11 year, earning us Microsoft Silver Certified Partner status.

### Moving to the cloud delivers scalability and reliability

Internally, we've continued our strategic focus on outsourcing core business systems to the cloud. Following our switch to MS Online Services for email, we've replaced our bespoke time and project management system with IT business management platform Autotask. It's the key system we use to run our business; managing support and service desk requirements, projects, time recording and billing.

## Chair and Chief Executive's Report continued...

Continuing the cloud theme we have signed up with New Zealand company Sonar 6 for the provision of their award winning HR performance management system.

Both systems allow us to scale without fuss and pay as we grow rather than making a large capital outlay.

### Website and online advertising generate new leads

Our website continues to grow, with unique visitors up 118% on last year. The site ranks particularly well for specific, less widely used technologies such as PowerBuilder and Liferay Portal, bringing in unsolicited business and new clients in those areas. Our increased focus on the use of Google ads is also delivering new business – with particular success in sales of Microsoft Online Services.

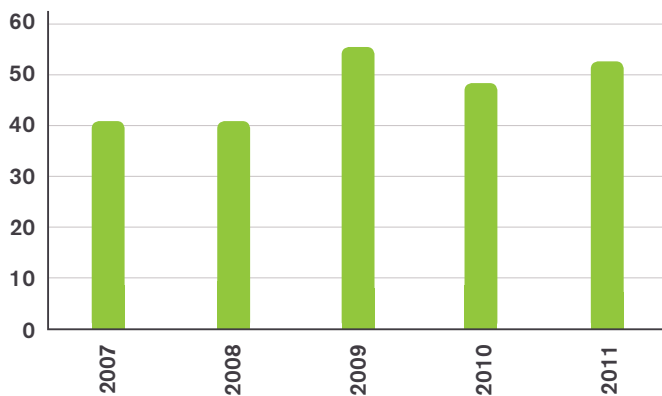
## OUR PEOPLE

It's time proven, especially for service companies, that you are only as good as your people. Our people are our core asset and are the key to our reputation throughout the IT industry as a high quality partner with experienced staff and specialist skills.

To ensure our excellent service we are committed to objectively and consistently measuring, managing and developing our staff, and this work is already being supported in the new financial year by the rollout of Sonar 6 HR performance management system.

Our wide network of associates and permanent staff have remained loyal to the company and its clients throughout a challenging year and this has worked to everyone's advantage. The mix of core staff and associates provided project flexibility and the ability to access specific expertise for the benefit of our customers.

### Average FTEs 2007 – 2011



We have a staff of more than 80 of which around 75 are billable. Our billing staff numbers increased to an average of 54 full time equivalents (FTEs) in the year ending March 2011, where one FTE is defined as 225 days billed.

We are particularly proud of the response of everyone at Theta to the Canterbury earthquakes donating over \$8,000 and assisting a Christchurch-based IT consulting firm.

# Chair and Chief Executive's Report continued...

## OUR COMPANY

At the October Annual Shareholder Meeting a number of changes to Theta's constitution were made. These included a change in board composition, so that independent directors make up more than 50% of the board, and enabling the issue of shares to facilitate the growth of the company. Theta has a robust strategic planning cycle, a dedicated and capable management team, and good monitoring and reporting to the board and shareholders.

## LOOKING FORWARD

In the year ahead we plan to further grow the business and invest in:

- Increased capacity in marketing and customer relationship management
- Development of our Wellington and Australian presence
- Innovation, especially mobile and cloud technologies
- Partnering both as a reseller and a provider of services

With a strong balance sheet Theta has the ability to grow organically and by acquisition where sound opportunities arise.



**Susan Paterson, Chair, and Rob Lee, CEO**

# Customers

## What customers say about us...

*"It's very hard to be only "satisfied" when everyone at Theta is so helpful in all their different roles - and when our project was quite difficult!"*

**Sue Christie,**  
Reservations Development  
and Yield Manager,  
Heritage Hotels

*"Theta work hard to ensure we as the customer are happy and satisfied with their service. They are approachable and easy to get hold of when required."*

**Debbie Hollows,**  
Southern Cross Travel Insurance

*"Theta, with their understanding of our business, systems and data quickly delivered a robust solution that is easy to use."*

**Peter McComish,**  
Energy Delivery Manager,  
Genesis Energy

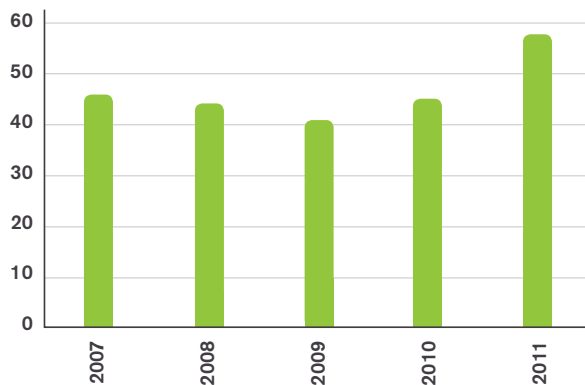
In 2010-11 we created smart technology solutions for 57 customers – including 12 new customers.

Customer satisfaction remained consistent across all areas of service, with slight increases in the account management and service delivery areas. An impressive 95% of respondents to our annual customer satisfaction survey would recommend our services to others.

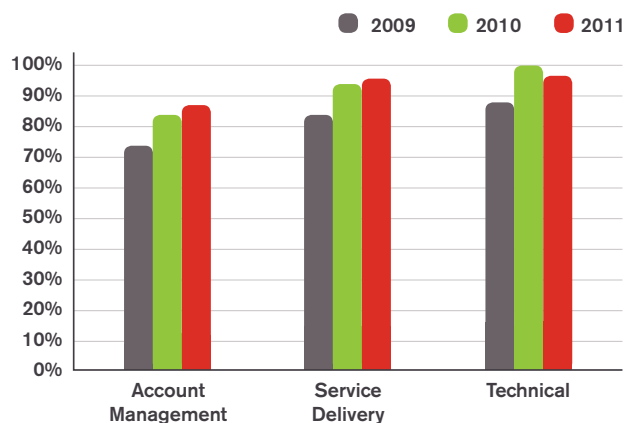


**Kevin Fong**  
Sales Manager

## Customer numbers 2007 – 2011



## Customers satisfied or extremely satisfied with performance





# Practices



**Andrew Taylor**  
Head of Theta  
Software



**Gary Blumgart**  
Head of Theta BI and  
responsible for Project  
Management Office



**Matt Owen**  
Head of Utilities  
Centre of Excellence



**Joerg Rau**  
Enterprise Planning  
Practice Manager



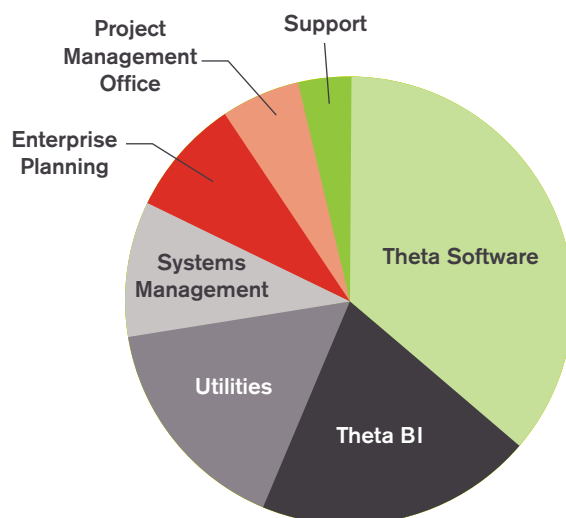
**Steve Ashby**  
Responsible for  
Systems Management  
and Support practices

Theta is organised into six specialist practices supported by project management services. The two largest practices, Theta BI and Theta Software, have become brands in their own right and we regard Utilities as a Centre of Excellence with deep sector knowledge. We use many popular technologies, both proprietary and open source. Our partnerships include:

- Microsoft Silver Certification
- QlikView implementer
- WhereScape developer
- IBM
- Oracle

Skill sets in the various practices often overlap. We take a “best fit” approach to practice members and attribute the revenue they generate to the practice they belong to.

## 2010–11 Revenue by practice





## Practices continued...

### Theta Software

Theta Software creates bespoke web, mobile, desktop and cloud solutions, and integrates new and existing systems using best-of-breed technology.

We are focused on delivering the right solution for customers - as comfortable working with the latest Microsoft products as with best-of-breed open source toolsets. Our specialist language skills include Microsoft .NET, Java, Oracle PL/SQL and PowerBuilder.

During the year we've greatly increased our Microsoft capability with significant work at both Southern Cross Travel Insurance and Metrix. Both customers use Microsoft solutions - Southern Cross Travel Insurance for their websites and Metrix for their integration solution. Southern Cross Healthcare remains the largest of the 34 customers we worked with during the year.

Theta Software accounted for 39% of Theta's revenue and 35% of margin for the 2010-11 financial year. A total of 38 different consultants worked in the practice during the year, with an average team size of around 24. All figures are up on the previous year and reflect the increase in work with our two new customers, Southern Cross Travel Insurance and Metrix.

Our investment in the integration space means we now have a team of five Microsoft BizTalk Server specialists - one of the largest teams in the Auckland market. We expect our dual strategy of Microsoft and Open Source to continue to yield good business in the future. Cloud computing and mobile platforms are other important trends for the practice.

During the year Andrew Taylor, Head of Theta Software, was appointed to the advisory board of **Localist**, the new local media service from New Zealand Post.

As a start-up with no legacy systems to integrate and update, it has implemented cloud technology throughout the business. Andrew, the advisory board's technology specialist, has been involved in technology selection, IT governance, and vendor management.



*Localist, the new local media service from New Zealand Post*

### Theta BI

2010-11 was a year of growth for Theta BI, seeing an increase in work with our existing customers, a broadening of our customer base, growing awareness of our brand, and nine new consultants joining our team of business intelligence and data warehousing specialists.

We have significant projects under way for Fletcher Aluminium, Ports of Auckland, Telecom and TrustPower. Five customers now use QlikView, and it will remain an important focus in the year ahead. Two of those five, Stevenson and Perry Investment Management, are new in 2010-11.

Theta BI is now recognised as a provider of high-quality people and services in New Zealand. We have strengthened our partnership with data warehousing software company WhereScape and have formed a resource pool for the benefit of both companies. We plan to secure preferred BI partner status with key customers, and become the default BI vendor of choice for New Zealand companies. We are expanding our Wellington presence, and expect to deliver more cloud-based BI solutions in the year ahead.

Other important trends for Theta BI include Agile BI, in-memory analytics, mobile BI solutions and social networking BI.

## Practices continued...

### Energy Consulting

The Utilities Centre of Excellence works with energy sector clients to provide smart solutions in areas of energy trading, energy risk, power generation, business intelligence and business-to-business integration. Our customers include organisations in New Zealand and Australia involved in generation, distribution, retail and risk.

In the last year work for our main Australian customer Lacima, who develop and sell energy risk management systems, recommenced after a period of low activity. The practice has grown by one, and billable time increased by approximately 16% on the previous year. One practice member is now based in Wellington as part of the establishment of the Theta Wellington office.

The outlook for 2011-12 is positive. We plan to grow the practice by at least one more consultant, and win additional business in Australia. We continue to focus on supporting our customers where industry changes are taking place. Examples are the ongoing rollout of smart metering and the usage of the data being collected, changes in generation asset ownership, and the possible partial sale of state-owned enterprises including three energy companies.



### Enterprise Planning

Our team of four Microsoft Dynamics NAV specialists provided support and development services for seven customers in 2010-11 helping them all successfully prepare for a smooth transition to the increased GST rate introduced in October.

Just before Christmas we completed a NAV campaign in partnership with Microsoft resulting in two new customers. Both run on the new Role Tailored Client (RTC) of Microsoft Dynamics NAV 2009 R2. Theta is one of the first partners in New Zealand using this advanced version.

We have developed a series of add-ons to extend the capabilities of Microsoft Dynamics NAV:

- Advanced Landed Cost - precise accounting for costs associated with importing goods
- Consignment Management - streamlined parcel management, from labelling, manifests and dangerous goods to tracking of shipments and costs
- EFT - electronic funds transfer, remittance advice and reporting
- QlikView Connector - flexible, intuitive business intelligence for advanced reporting and analysis

We were pleased to make some early sales of these add-ons, which are now internationally registered in Microsoft's Order Central. Combined, these add-ons make a great package for distribution companies, and we will focus on this market in the year ahead.

We are also working to grow our Microsoft Dynamics NAV customer base above ten during 2011-12.

The dedicated Oracle FMS team completed a highly successful upgrade to Oracle Financials R12 at Port Taranaki where we met a tight timeframe and came in under budget, much to the customer's delight. We continue to support several clients and with our successful upgrade experience are well positioned to benefit anyone wishing to upgrade.

## Practices continued...

### Systems Management

2010-11 was a year of solid growth for the Systems Management practice. The team grew from 4 to 6 people and now has a broader skill set that includes general infrastructure consulting capability. Importantly we have grown our skills around the increasingly prevalent Microsoft SQL Server.

We have added more managed service contracts around database and environment support and this continues to be our core focus. We have also picked up more onsite secondment roles, which improves our revenue stream, leads to better visibility at customer sites and inevitably brings other opportunities.

Standout achievements include continued success at Unitec, where we have contributed heavily to a complex and lengthy Oracle upgrade; the integration of Southern Cross Travel Insurance support; SQL Server support at Auckland International Airport; the delivery of the Oracle technical DBA elements of the Financials upgrade at Port Taranaki and the high level of uptime achieved for core Theta business systems.

Systems monitoring is at the core of this practice's toolset and services. We recently migrated to Nagios, a comprehensive enterprise-level monitoring product. Being open source it is very cost effective and most of our monitored clients are now ported. Nagios XI will offer additional opportunities with improved functionality and reporting capabilities such as customer portals.

### Support

The service desk team grew by one this year and continues to deliver great outcomes. We have maintained our high levels of delivery and customer satisfaction while managing around 5500 tickets to resolution.

Genesis Energy is still our largest ticket management customer. Their feedback remains very positive in terms of overall ticket management and SLA achievement, with the service desk team playing an integral part in that delivery.

Southern Cross Travel Insurance is a new and significant customer this year. We collaboratively tuned our processes to make sure the transition to Theta support went smoothly, and ticket management is now well integrated.

Internally we managed the successful transition to cloud-based IT business management platform Autotask and made sure there was no significant impact to our customers. In the year ahead we plan to utilise more of Autotask's features to introduce additional services and efficiencies.

### Project Management Office

Our Project Management Office (PMO) practice expanded in the last year with 3 project managers and a project administrator working full time to lead and support customers' program and project initiatives.

We managed 227 projects for over 30 customers with budgets totalling almost \$7 million. Our well-defined methodology incorporates best practice, is tailored to meet customer needs, and includes an agile approach where required. Two consultants are now trained and certified as ScrumMasters, and improving our agile approach is an ongoing focus.



Customer feedback has been positive, with some projects exceeding expectations and very few issues reported. Increasingly, the value our PMO can add to a project is being recognised, and we expect the practice to continue to grow in the year ahead.

# Governance

## BOARD OF DIRECTORS



**Susan Paterson**



**Bob Gray**



**Matt Owen**



**Lee Benson**

Theta is a privately owned company with four main shareholders. The shareholders elect the board. Directors are elected based on the value they bring to the board. Each is experienced in business and provides value by contributing to corporate governance matters, conceptual thinking and strategic planning. The directors play an important part in providing support and guidance to management to enable them to increase the profitable growth of Theta in the years ahead.

Theta's constitution requires 50% or more of the directors to be independent. The board is currently made up of two independent directors, Bob Gray and chair Susan Paterson, and two executive directors, Matt Owen and Lee Benson.

In 2010-11 there were 6 board meetings and 2 strategic planning sessions with the following attendance:

	Meetings Attended
Susan Paterson	8
Lee Benson	8
Bob Gray	8
Matt Owen	8

The board has a policy of annual evaluation of individual and board performance. Any issues identified are discussed and action taken to improve on those areas.

### Director independence

For a director to be considered independent, he or she must not be an executive and must have no disqualifying relationship with the company.

### Ethics and managing risk

The board is committed to the highest standards of ethical conduct and provides employees and representatives with clear guidelines on those standards.

The board has overall responsibility for the company's system of risk management. Financial statements are prepared monthly and are reviewed by the board to monitor management's performance against budget goals and objectives and the board requires managers to identify and respond to risk exposures.

# Giving Back

Each year the staff and management of Theta contribute to the community in many ways. During the past year we participated in the following:

- **Auckland City Mission's Christmas Appeal**
- **Loud Shirt Day**, supporting the treatment of child hearing disorders by cochlear implant or hearing aid to enable them to listen and speak
- **Daffodil Day for the Cancer Society**
- The staff organised a Red and Black BBQ to raise funds for the **Salvation Army Christchurch Earthquake Appeal**, and inspired by their generous donations Theta owners doubled every dollar raised bringing the total to just over \$8,000
- We also helped out Christchurch-based IT consulting firm Clarus, whose offices were in the worst affected 'red zone'. We offered them desk space, subcontracted one of their consultants, and contacted our customers to help find work for others in the difficult post-earthquake months.

