



**2013
2014**

annual report

 **theta**



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Susan Paterson Chair & **Rob Lee** CEO

exceeding expectations

2013-14 was another outstanding year for Theta, delivering 29% growth in revenue – well ahead of target.

Against the backdrop of a strengthening economy, we have seen a freeing up of investment decisions and more projects initiated. Performance across all areas of the business exceeded our already high expectations. Revenue was up 30-35% across Theta Software and Theta BI, our two largest practices, and in the fast growing ERP area – now our third largest practice – revenue

was 61% ahead of the previous year. Company-wide, revenues have doubled since the 2010-11 financial year, with profits up almost 50% over the same three-year period. We've gained 41 new customers, taking the total number of active customers to 151, and broadened our customer base for increased resilience. 50% of revenue now comes from six customers, up from just two in 2012.



Susan Paterson Chair & **Rob Lee** CEO

exceeding expectations



Theta is now well established in Wellington, with a growing team and customer base, including several government and public sector organisations. Revenues in this region have more than tripled in the two years since our acquisition of Wellington-based BI specialists Prophesy. We anticipate even stronger growth in the southern region, and will open a Christchurch office in the 2014/15 year to support work with increasing numbers of South Island customers.

Our growing Auckland team has also meant changes this year, with Theta Software moving into

an adjoining, chandelier-clad space we call “The Ballroom.”

Along with physical expansion, structural changes made this year have built capacity for future growth. We have added management depth with four new Practice Leads across Theta BI and Theta Software, and adopted a shared services model that encompasses legal, financial, HR, property, commercial, systems and project services led by newly appointed Commercial Manager and Company Secretary Paul Young. And bringing recruitment in-house gives us the ability to scale fast.



Susan Paterson Chair & **Rob Lee** CEO

exceeding expectations

products and partnerships

In last year's annual report we dubbed 2013/14 the year of the product. Strong partnerships with vendors including Microsoft, IBM, and QlikView have been the foundation for achieving our ambitious goal of doubling product revenue.

And in a fantastic finish to the year, we had our best performance yet at the Microsoft New Zealand Partner Awards. Reflecting strong growth in Microsoft BI this year

we took top honours in the business intelligence category. We were also named finalists in the two other categories we entered: Windows Azure Solution and ERP Partner of the Year. It's great to see our talented teams recognised in this way, for the quality of their work and the strength of partnerships with both vendors and customers.

coming up

The year ahead will see further evolution of Theta's research and innovation programme,

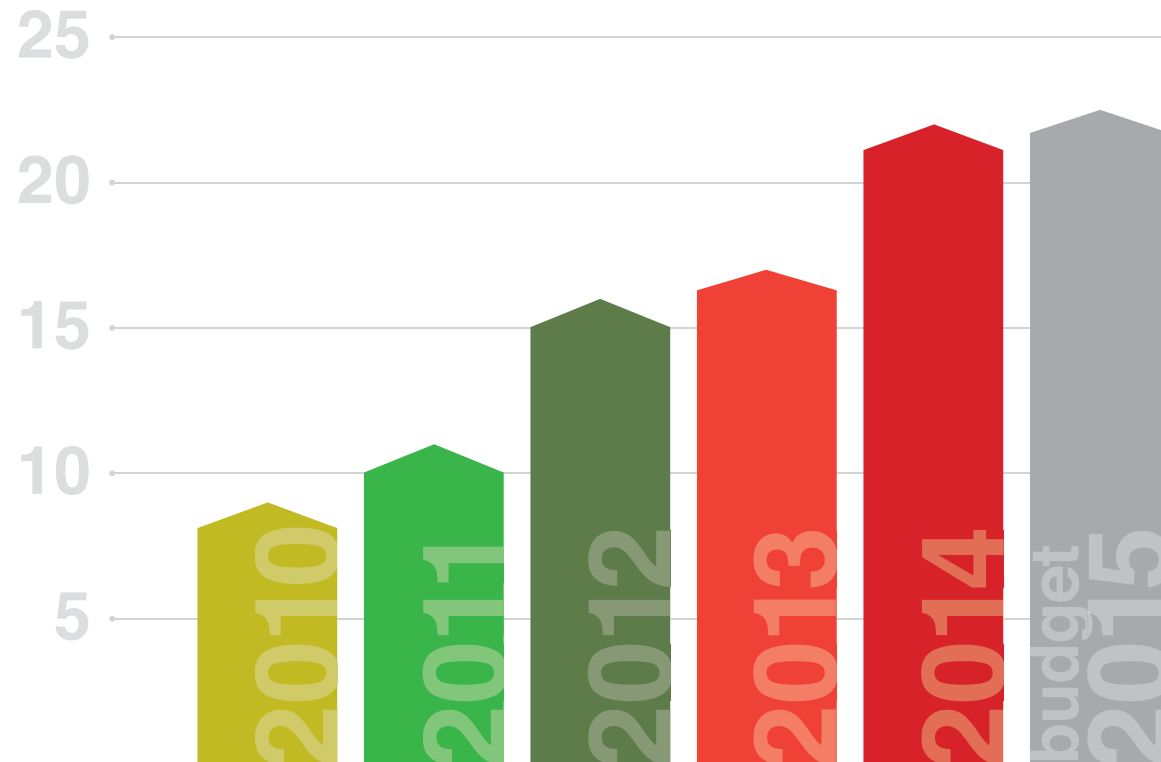
and the establishment of an investment panel, selection criteria and milestones, backed by substantial investment, to support our goal of again doubling product revenues. And by 2016 we expect annuity income to contribute 30% of total revenue.

Complementing our own product development pipeline, new product partnerships include RAMCO, a cloud based ERP system and IBM's Maximo Asset Management System. Cloud, mobile,

integration and big data are persistent market trends, and we are well placed to deliver projects across these areas.

With the groundwork for growth in place, no external debt and a strong balance sheet, we are soundly positioned to again fund expansion by acquisition. We expect to see the benefits of that by 2015/16 results, with steady growth in the interim.

Susan Paterson Chair
and **Rob Lee** CEO



revenue
\$ million

2010-2015



project highlight

7

award winning BI



helping NZ organisations become world class

Craigs Investment Partners is one of New Zealand's largest investment advisory and management firms. Information is the company's lifeblood. Craigs worked with Theta to develop and implement a business intelligence strategy and roadmap to centralise data from disparate sources, ensure data integrity and automate manual data processes. The resulting data warehouse, self-service reporting and

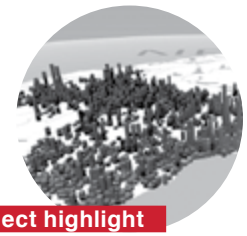
intuitive dashboards, built using the Microsoft BI suite, provide easy access to critical customer and investment information. This project won the Business Intelligence category at the Microsoft New Zealand Partner Awards 2013.





This is a ground breaking and innovative project. The vision we have is to give people access to all of our data and give them sensible ways to view and chart the data, or look at it on a map. It's giving much wider access to a much wider set of data than anyone else is doing. We want other organisations to use this platform and we have designed it so that it can easily be shared and extended.

Robert Body, IT Manager, Otago Regional Council



project highlight

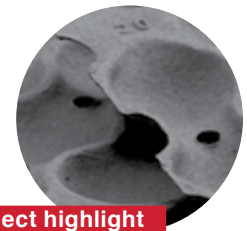
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liberating information

Otago Regional Council (ORC) collects and maintains a broad range of data on behalf of ratepayers. ORC wanted to publish this data in an open format using an economic and

scalable solution, and worked with Theta to create an Open Data Platform in the cloud using Microsoft Windows Azure technologies. This project was one of three

finalists in the Windows Azure Solution category of the Microsoft New Zealand Partner Awards 2013, and was highlighted by Microsoft in the TechEd 2013 Keynote address.



project highlight

9

innovation & automation

“
Theta is very capable and “fits” our size and approach to work. Joerg obviously fits the technical bit and David has been great in helping develop a path from our functional spec requirements. We have a track record now with your company and have seen delivery on promises made.

Mike Sanko, Hawk Packaging Limited

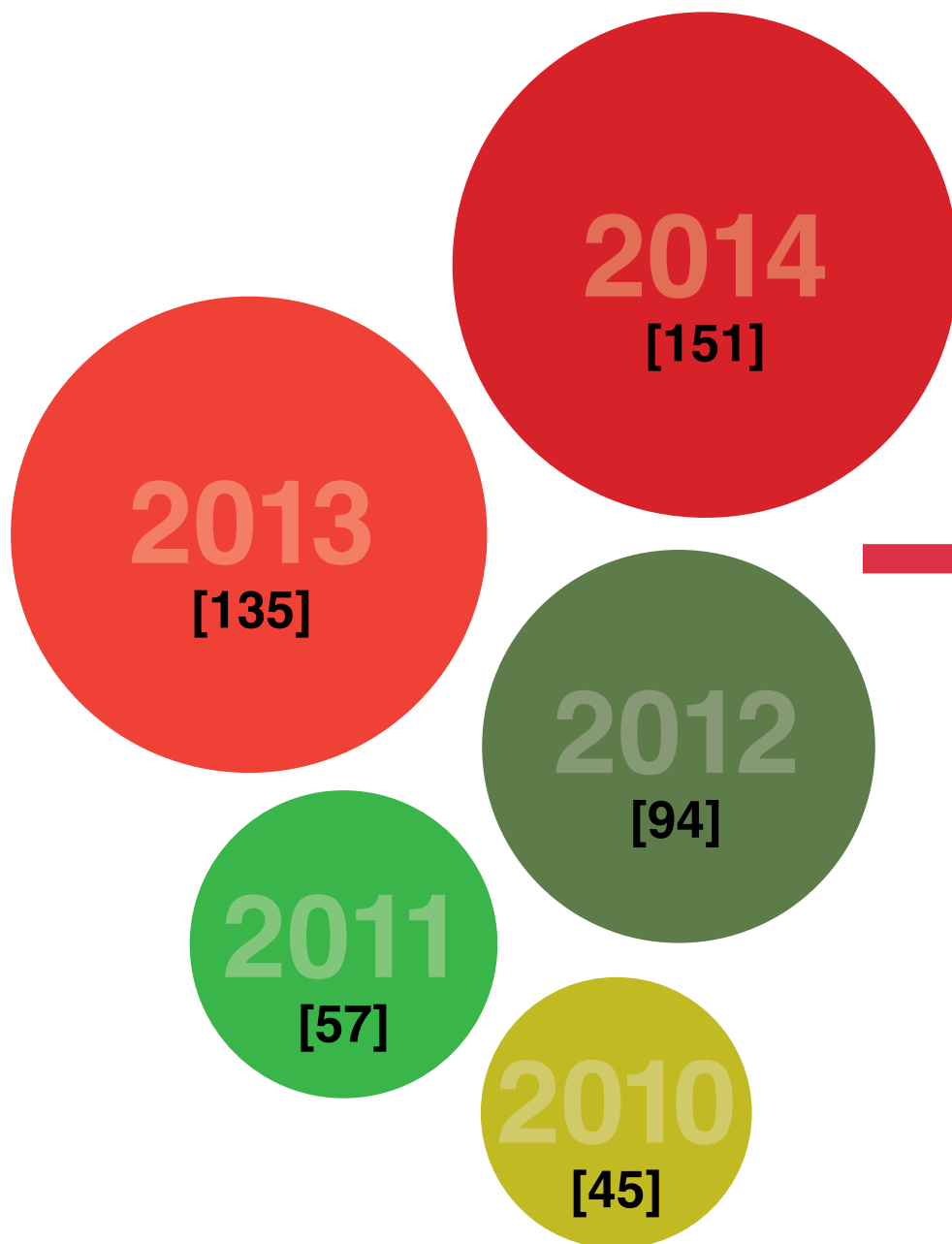
ERP upgrades support business expansion

Hawk Packaging, a moulded fibre packaging manufacturer, is a small business with big ideas. It's been great to help them deliver those big ideas through ERP system improvements. An upgrade to Microsoft Dynamics NAV 2013 provided new functionality, web access and a more intuitive user

interface, and was integrated with a new manufacturing plant programmable controller (PLC). We rolled out a wireless warehouse management system using barcode scanners to provide automated production and inventory management processes. And a customer consignment stock solution

using the native Microsoft Dynamics NAV 2013 web client allows customers to see and update the consumption of consignment stock live and online. This automates in real time a previously manual process that could take days to complete, providing a great value-add to Hawk's customers.

our customers



In 2013-2014 we created smart technology solutions for 151 customers* – including 41 new customers. This represents a net gain of 16. We have made two new appointments to the account management team to support this growth.

Customer satisfaction with our service delivery and technical performance remained above 90%. And our Net Promoter Score, measuring likelihood of customers recommending us to others, is a strong score of 30.



Theta provides an excellent service. As experts they have a thorough understanding of the Addons System and they are always available to help with advice on technical feasibility as well as being proactive in providing improvements.

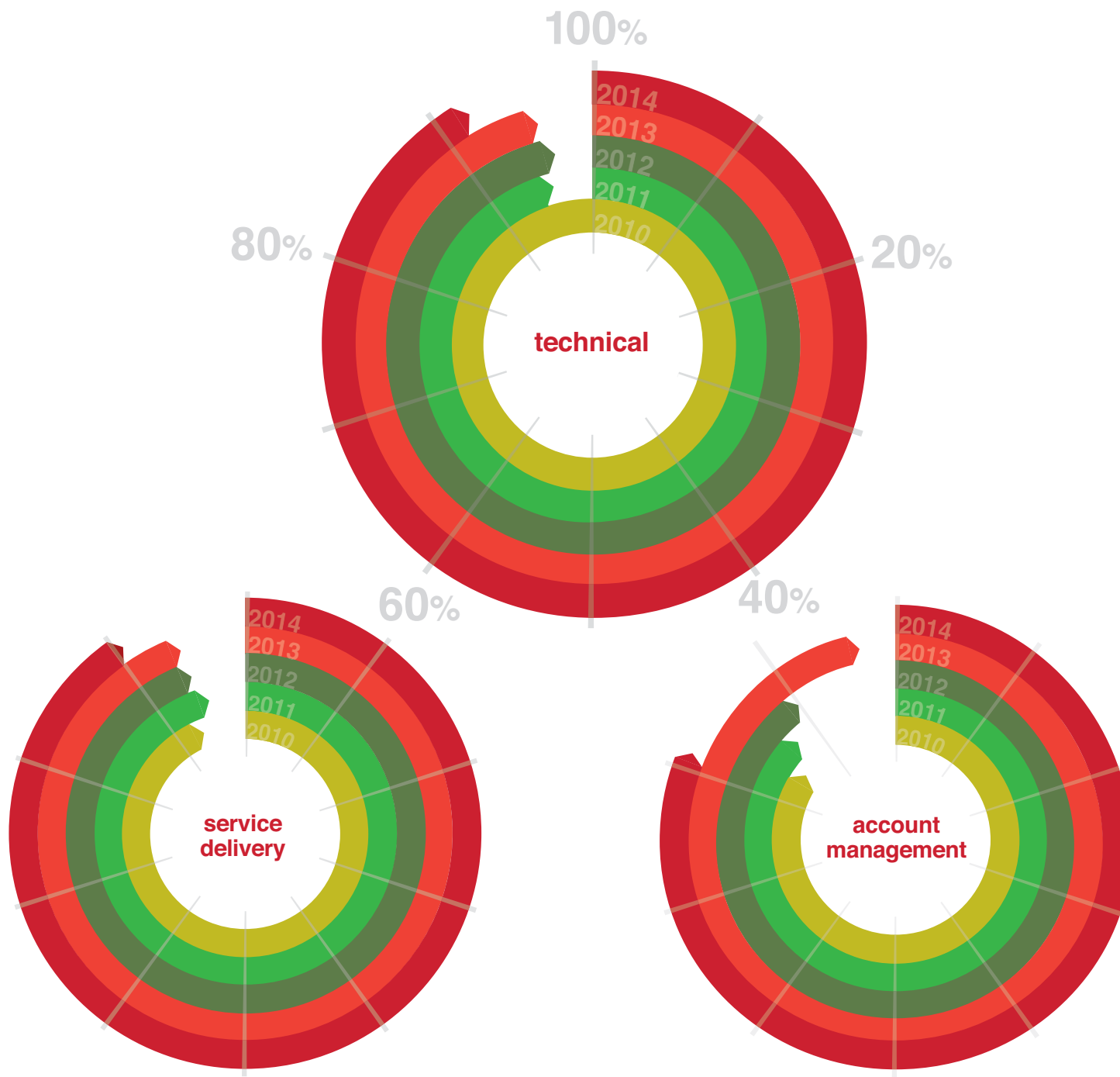
Rebecca Flint, Southern Cross Health Society

*Customers contributing to this count were billed at least once during the last financial year.

measuring performance ¹¹

customers satisfied or very satisfied with performance

2010-2014





people power

**Our talented people bring aptitude and
commitment to everything we do**

Supporting Theta's strong growth this year, average consulting FTEs[†] are up 20%, and at year-end we had 135 staff. Key appointments and investment in all teams,

particularly at the senior and specialist level, ensure that we continue to deliver smart solutions and sustainable results for our customers.

global citizens

We're a diverse bunch. At last count we've hired the best and brightest from 31 different nations, with Antarctica the only continent not represented! We think this is a real advantage, and certainly helps us look at problems from a range of perspectives.

passionate in play

When not delivering great technology solutions for customers, we keep busy and active. In the last year, as well as participating in the CureKids Great Adventure Race, Theta teams competed in the Wellington half marathon, Round the Bays, and topped the Wellington Floorball (indoor hockey) league, and the Theta Lions indoor cricket team has just made its Auckland debut.

[†] One consulting full time equivalent is defined as 248 days billed



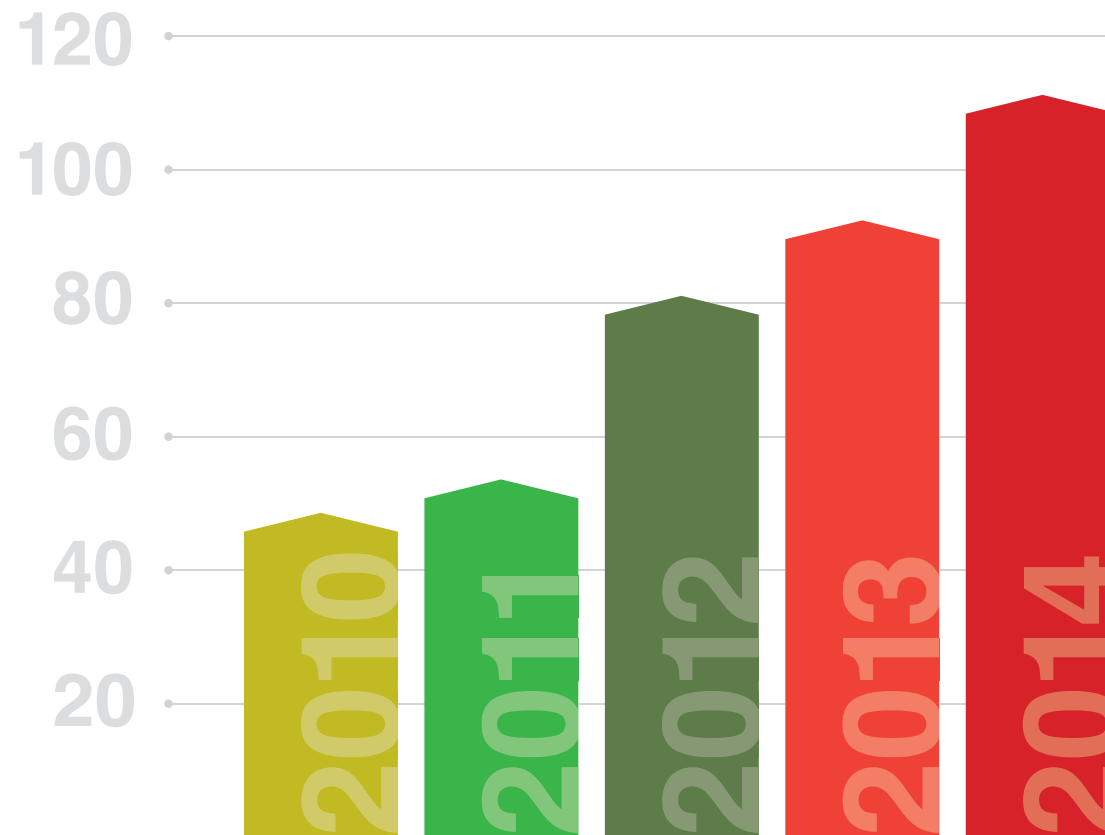
diverse perspectives

13

Theta employees
hail from all over
the world

31
nations

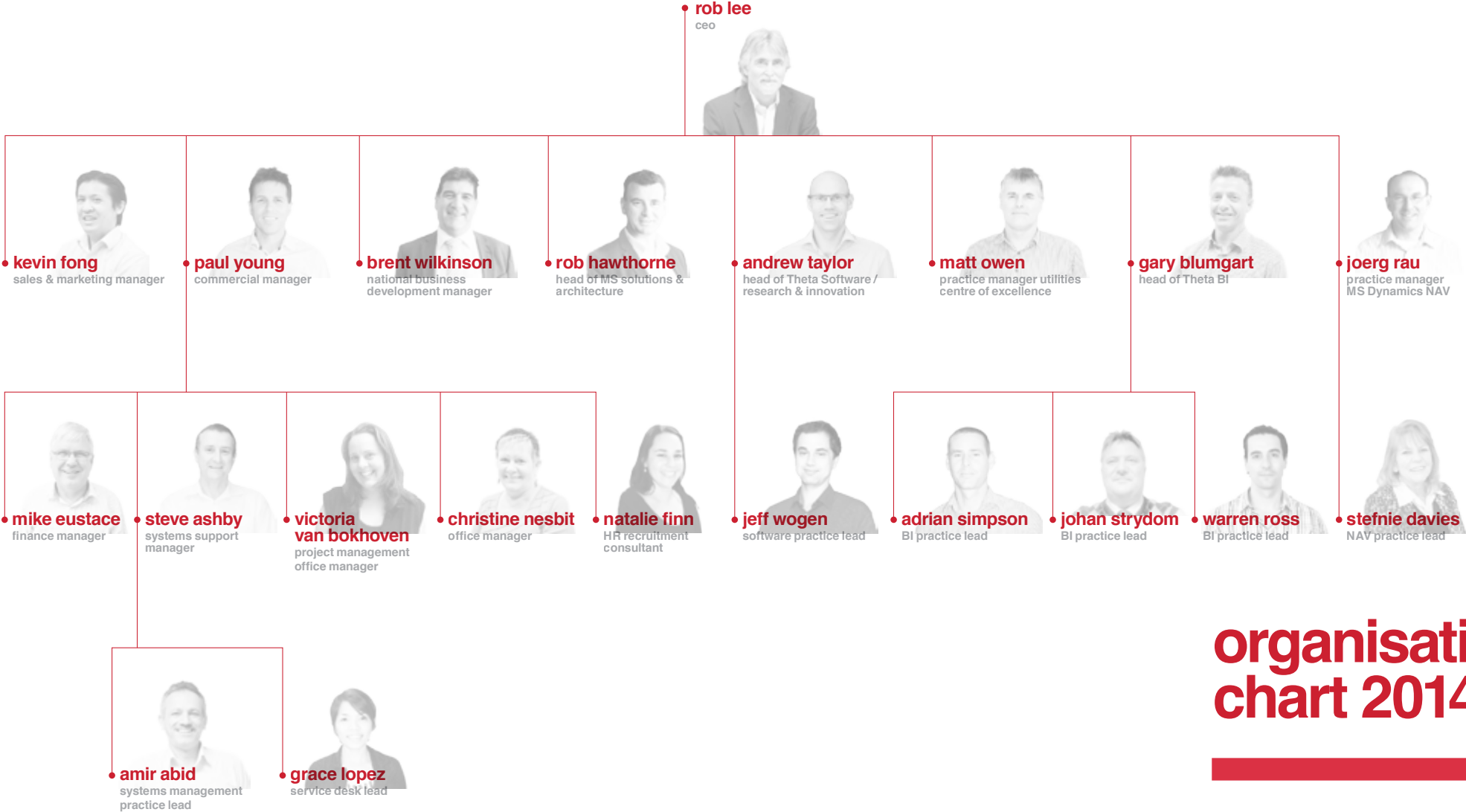
Australia Brazil Bulgaria China Denmark England Fiji France Germany
Hong Kong Hungary India Iraq Malaysia Mexico New Zealand
Philippines Poland Romania Russia Samoa Scotland Serbia Singapore
Slovakia South Africa Spain Sri Lanka USA Zambia Zimbabwe



consulting¹⁴ FTEs

average number of
full time equivalents
per year

2010 - 2014



organisation chart 2014



Wagner Silvera
Principal Architect
- Integration

Wagner is a highly regarded and sought-after integration architect, specialising in complex BizTalk solutions, and is one of only a handful of Microsoft Virtual Technical Solutions Professionals (v-TSPs) in NZ. He has architected award-winning solutions and has worked with Microsoft directly on BizTalk product development. His technical skills range from distributed and Service Oriented Architecture design, to database design and implementation, software development methodologies and systems integration.



Christine Nesbit
Office Manager

Christine was one of Theta's first permanent employees, and has supported Theta's growth and development in her seven years here. She's a big part of the fabric of the organisation, and takes great care to ensure that the Theta experience is a positive one for all. Her responsibilities include many of our internal systems and processes – the things that keep the business running smoothly. And she's a stellar organiser, putting in the hours (often after hours) to deliver great company events.



Adrian Simpson
Theta BI
Practice Lead

Adrian was this year appointed BI Practice Lead, and in this role draws on more than a decade's experience designing and developing large and complex business intelligence solutions across many different sectors. With plenty of knowledge and expertise to guide his team, his focus is on quality and best practice to ensure successful project delivery and customer satisfaction.

people power



I enjoy being part of the culture at Theta as it supports growth and excellence. It's great to have a chance to contribute to that outside of the office too, by giving all as a racer and support crew member for the CureKids race.

Adrian Simpson, Theta BI Practice Lead



active contribution

**challenging ourselves
for the kids**

For the third year running, we competed in the CureKids Great Adventure Race. CureKids is hugely worthwhile charity, and the race – which this year raised more than \$300,000 for

research into potentially fatal childhood diseases - is always a highlight of the Theta year. The whole company again got behind our team's efforts, as support crew and fundraisers.

Our team of four came seventh overall, won the IT Cup and most importantly raised more than \$14,000 for CureKids. Team Theta was also awarded the "Spirit of the Race" trophy – an award usually given to an individual, who through their attitude and approach to the entire CureKids event embodies the CureKids ethos. Theta was singled out for a fantastic fundraising effort, the way the whole company gets involved, the huge training effort

(including great training blogs) and our "never give in" attitude – clearly demonstrated in this race by a huge comeback from 21st place at the first transition, after an early navigation error, to 7th at the finish line.

During the past year we also supported:

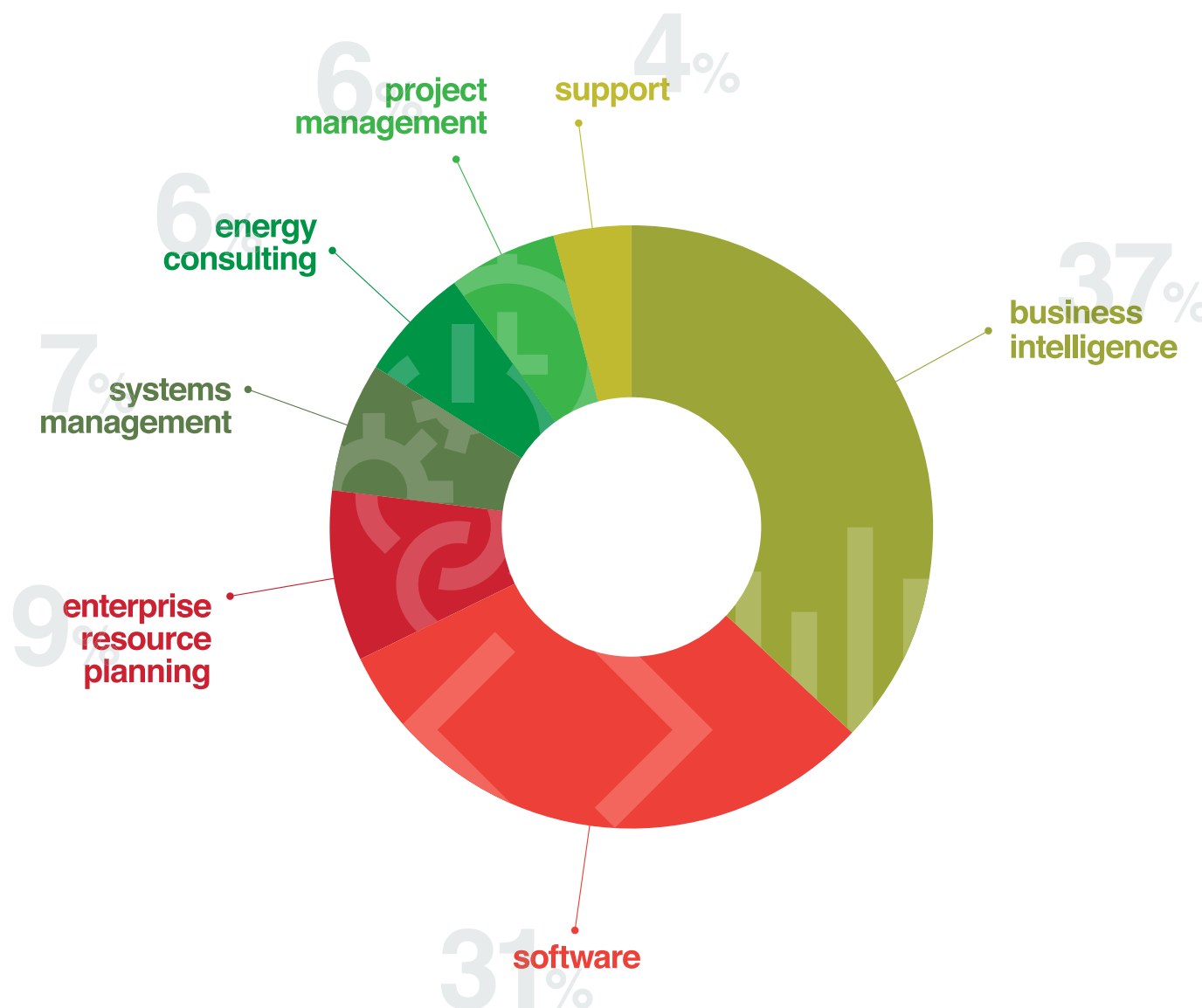
- The Red Cross to support relief efforts in the Philippines after Typhoon Haiyan
- Daffodil Day for Cancer Society

revenue by practice

Theta is organised into six specialist practices supported by project management services.

2013-2014

Skill sets in the various practices are complementary, and practices often work together to deliver different components of a project.





business intelligence

growth, expansion, products

2013 was another successful year for Theta BI, with strong growth in both Auckland and Wellington, and an expansion of our Christchurch customer base too. Our revenue was up 35% on the previous year, and accounted for 37% of Theta's total revenue and 35% of margin. A significant

highlight was winning the Microsoft New Zealand BI Partner of the Year Award. Like many of our 100+ Microsoft BI projects last year, the winning business intelligence and data warehouse solution for Craigs Investment Partners used Microsoft's powerful data visualisation tool PowerView via

SharePoint for easy intuitive access to critical information.

We have also seen increased customer demand for SAP Business Objects, and recently added BI360 to our product offering. We launched and have completed the first implementations of our own data quality tool, VeraciData, and anticipate strong interest in this tool as organisations increasingly recognise the importance of monitored, validated data.

Our team continues to grow, and we have recently

appointed two Practice Leads in Auckland and one in Wellington to ensure continued service excellence as we scale.

Theta BI's customer base has expanded this year too. Ministry of Health, TVNZ, Office of the Auditor General, Wright Express and Invacare have joined our stable of customers, while we have continued to deliver significant BI projects for existing customers ANZ Wealth, Fulton Hogan, Ports of Auckland, Genesis Energy and KiwiRail.



software development

20

integration, cloud, mobile, design

Theta Software had a busy year, with revenue up 30% on last year and many great integration, cloud and mobile projects delivered. Revenue accounted for 31% of company revenue and 28% of margin for the 2013-14 financial year. Our team grew by 8 to 41.

Our Microsoft integration team delivered significant projects for Z Energy, Metrix and Ports of Auckland, and

continues to grow with more staff planned for the new year.

The development of an Open Data Platform for Otago Regional Council, which uses Microsoft Azure cloud technology to deliver council data to external users, further enhanced our cloud credentials. This project was highlighted by Microsoft in the TechEd 2013 Keynote address and was a finalist in the Microsoft New

Zealand Partner Awards in the Azure Solution category.

In the mobile arena, our mobile auditor app for PMP Print Ltd successfully pushed the bounds of HTML5 technology, combining it with device libraries to support GPS, local storage and offline operation - while remaining device-portable.

Theta's Wellington presence has brought new opportunities as part of a critical programme of work for Ministry of Health. We are also now a member of the Microsoft development services panel for the Ministry of Business, Innovation and

Employment, and expect this to lead to increased Microsoft-based development work in Wellington.

Our Java team has grown during the year. As well as work for Orion Health and Ministry of Health, we developed a new KiwiSaver portal for a major bank, which has a Java front-end and .NET back-end - a perfect fit for our multi-disciplinary team.

A newly appointed in-house designer, delivering high-end visual and interaction design across all technical solutions, rounds out the offering.



enterprise resource planning

revenue increase of

61%

Results were well beyond expectation, with revenue up 61% on last year, exceeding an already ambitious budget by 30%.

Microsoft Dynamics NAV contributed 50% of Theta's overall product revenue in the

last financial year – again well ahead of budget.

Our customer numbers doubled, with 25 of our 30 ERP customers using Microsoft Dynamics NAV. As a result our experienced NAV team has also doubled to 12.

Our growth and ongoing success saw us recognised as one of only two finalists in the ERP category of the 2013 Microsoft New Zealand Partner Awards, following up our 2011 win in this category.

A key factor in our success is Theta's Extended Pack for Microsoft Dynamics NAV, which

adds components tailored to the requirements of New Zealand's import and distribution companies. We have seen strong growth in customers in this sector.

Partnerships also help us to provide specific solutions to meet the needs of our Microsoft Dynamics NAV customers. The document capture solution from Continia - an end-to-end solution for scanning, data extraction (OCR), registration and archiving of all documents within a company – is the latest example of these.



energy consulting

specialist services for the energy sector

Our Energy Centre of Excellence works with organisations across all areas of the energy sector, from generation and distribution to retail and risk. Our customers include Genesis Energy, Mighty River Power, Vector, TrustPower, Counties Power, Metrix and VirCom EMS.

In the New Zealand energy market, change remains a constant. Recent examples include the partial float of three electricity sector SOEs,

and increasing retail use of advanced meter data. Energy retailers now source half hourly data from multiple advanced metering providers, driving systems integration work at a number of our customers. And with the overall flattening of energy demand growth in New Zealand there is now increased focus on the accuracy of demand and price forecasting - an area we are looking at in 2014.



systems management and support

managed service contracts revenue

+40%

Growth in this area reflects trends across the wider business, with systems management revenue up 15% on last year. We have also appointed a new Practice Lead and a Wellington-based Service Delivery Manager, have expanded our team, and added more infrastructure

and application support skills to meet customer demand.

Managed service contract revenue is up 40%, with new contracts from Foodstuffs, NZ Funds, SkyTV, Craigs IP and Fulton Hogan contributing to growth. BI aligned contracts are up again this year, increasing demand for the BI support skillset – including Microsoft SQL and related technologies (SSIS, SSRS and SSAS). We have doubled our annuity services in the last two years, and as our ERP practice expands we are experiencing considerable growth in the area of NAV support too.

Overall customer satisfaction remains high, with monthly reporting achieving the agreed level of service all year.

We are migrating more of Theta's core services to the cloud, and developing skills in this area to meet the growing cloud demand.

Key Theta platforms and services remained reliable and stable through the year with almost no downtime. We are investing further in core monitoring and customer online reporting, and provisioning more office space in Auckland to accommodate growth.



project — management

200

active projects at any one time

The Project Management Office (PMO) has grown to a team of ten, led by a PMO Manager – a role created in 2013.

The team of eight project managers, a project coordinator and a senior business analyst supports a portfolio of approximately 200 active projects at any one time across all areas of the business.



governance²⁵

strategy support and guidance

Theta is a privately owned company with 12 shareholders. Shareholders elect Board members 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.

During the year, Matt Owen, Lee Benson and Bob Gray completed their terms as directors. Matt Owen and Bob Gray were re-elected, and Andrew Taylor, Head of Theta Software, was elected an executive director. Susan Paterson remains Chair of the Board, and Terry Allen continues to serve as an independent director.

governance

meetings In the financial year of 2013 -14 there were eight board meetings, two board/management planning/update sessions and two shareholders meetings.

	board meetings	board & management planning meeting	shareholders meetings
Susan Paterson*	8	2	2
Lee Benson [to 23 Oct 13]	4	1	2
Bob Gray*	7	2	2
Matt Owen	8	2	2
Terry Allen*	8	2	2
Andrew Taylor [from 23 Oct 13]	4	2	2

*current independent directors

director independence

Theta's constitution requires 50% or more of the directors to be independent. 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.

All directors are members of the Institute of Directors to ensure that they keep current with governance best practice.

boardWide
Member of the Institute of Directors



smart solutions sustainable results

Founded in 1995, Theta is an information technology consultancy with offices in Auckland and Wellington. Our team of 135 experienced professionals provide services to a growing number of customers throughout New Zealand, Australia and the UK.

We work across all major industry sectors, helping organisations to select, implement, enhance, maintain and integrate systems. Theta is organised into specialist Practices, led by experienced managers. Our

services encompass software development, integration, business intelligence (BI), data warehousing, database and system administration, energy consulting, enterprise resource planning and project management. We also cover most areas in between.

Theta is committed to sustainable business practices. In managing operations and choosing suppliers we aim to select options where environmental impact can be reduced.

ngā mihi

Auckland +64 9 356 7227

Wellington +64 4 470 7717

enquiries@theta.co.nz

www.theta.co.nz

