

Department of  
Communications  
Information Technology  
and the Arts

BUILDING ON INFORMATION  
TECHNOLOGY STRENGTHS (BITS)  
INCUBATOR PROGRAM

ANNUAL REPORT 2001–02

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## TABLE OF CONTENTS

FOREWORD .....	1
2001–02 HIGHLIGHTS .....	2
INTRODUCTION .....	3
<i>Background</i> .....	3
<i>Role of the BITS Incubator Program</i> .....	3
<i>Reporting framework</i> .....	4
<i>Intelligent Island Program—incubator component</i> .....	4
2001–02 ACHIEVEMENTS .....	5
<i>Figure 1 – Source of Year 1 and Year 2 Applications by State and Territory</i> .....	5
<i>Figure 2 – Source of Year 1 and Year 2 incubatees by State and Territory</i> .....	6
<i>Figure 3 – Year 2 incubatees by quarter</i> .....	6
<i>Figure 4: Graduates by state (cumulative, 1 July 2000 to 30 June 2002)</i> .....	7
<i>Achievements by Incubatee Companies</i> .....	8
INCUBATOR CENTRE PROFILES .....	10
<i>Allen &amp; Buckeridge Seed Stage Ventures Pty Ltd – New South Wales and Victoria</i> .....	10
<i>Australian Distributed Incubator (ADI) Pty Ltd - Victoria</i> .....	14
<i>BlueFire Group Incubator Pty Ltd – New South Wales</i> .....	19
<i>Entrepreneurs in Residence (EiR) Pty Ltd – Western Australia</i> .....	22
<i>Epicorp Ltd – Australian Capital Territory</i> .....	25
<i>Information City Victoria (ICV) Pty Ltd - Victoria</i> .....	28
<i>inQbator - Queensland</i> .....	31
<i>ITem3 Pty Ltd – New South Wales</i> .....	34
<i>Original IT Investments Pty Ltd – Northern Territory</i> .....	37
<i>Playford Capital Pty Ltd – South Australia</i> .....	40
<i>Intellinc Pty Ltd - Tasmania</i> .....	43
APPENDIX A - INCUBATOR CONTACT DETAILS .....	46

## **FOREWORD**

The Building on Information Technology Strengths (BITS) Incubator Program has now completed its second year of operation. It is encouraging that the program continues to generate substantial interest in the business community, with nearly 2500 applications submitted to the end of the second year. This interest has led to 158 early stage information and communications technology (ICT) businesses being accepted into the ten BITS incubators, and provided with incubation services and seed capital. Over the same period, around \$38 million of private funding has been drawn into either the incubatees, or the incubators themselves.

Although the incubators established under the Program have some differences in their business models, they all play a broader role with incubatee companies than has previously been seen in business incubators schemes in Australia. The BITS incubator centres are able to provide seed capital, as well as expert financial, management, legal and technical advice. In this way, the program is a unique Australian solution to the problems faced by technology companies in their early stages.

In light of the global problems experienced by the ICT industry over the period, the outcomes over the first two years have been impressive. One particularly pleasing aspect is that, despite the limited availability of venture capital for ICT start-ups, private funding flowing into the incubators and their start-ups is of a similar magnitude to the Commonwealth funding.

During the course of the year the Government announced important new taxation laws providing greater incentives for venture capital funds to invest in innovative Australian ideas. These reforms to the taxation system are expected to benefit all areas requiring venture capital, including those start-up companies looking to the BITS incubators for advice and support as they strive to commercialise their technology ideas.

The next two years will be a challenging time for the BITS incubators, however, I look forward to their continued progress. I will watch with interest as the incubatees move through the incubation process, with many emerging as energetic and fast-growing small firms.

**RICHARD ALSTON**  
Minister for Communications,  
Information Technology and the Arts

## 2001–02 HIGHLIGHTS

- The BITS Incubator Program's second year of operation has generated a further:
  - 1051 applications, bringing the total to 2491;
  - 90 companies accepted for incubation, bringing the total for the program to date to 158; and
  - 27 companies graduated, bringing the total to 31 for the first two years of the program.
- The 158 incubatees are spread across all mainland states and territories. The incubatees embrace a diverse cross-section of the ICT industry including software research and development (R&D), software applications for consumer goods, human resources application software and e-commerce.
- The incubators have generated a further \$25 million in private capital in the second year of the program.
  - The first two years of operation have seen just over \$38 million in private investment attracted by the BITS Incubators. Of this, \$35 million has been private co-investment into BITS start-ups, and a further \$3.2 million invested directly into the Incubators.
- During the first two years of the program, a total of \$46.64 million has been drawn down from the Commonwealth BITS Incubator funds.
  - It is encouraging that despite the difficult market conditions the incubators are operating with a high ratio of private funds to Commonwealth funds (0.82:1)

## **INTRODUCTION**

### **Background**

The BITS Incubator Program was announced on 20 June 1999, as a core element of the Commonwealth Government's \$158 million commitment over five years to establish the BITS Program. The other components of the BITS Program are the Advanced Networks Program (\$40 million) and the Intelligent Island Program (\$40 million).

The BITS program seeks to build the strength and competitiveness of Australia's information industries sector by increasing the rate of new small-to-medium sized enterprise (SME) formation in the Australian ICT industry sector and to develop links and networks between participants.

Over the life of the BITS Incubator Program \$76 million is being provided to the incubator centres, with funding to cease on 30 June 2004. Ten incubator centres have been established under the program, with at least one in each mainland State and Territory.

### **Role of the BITS Incubator Program**

The BITS Incubator Program aims to improve the rate of commercialisation of ICT ideas and R&D by establishing incubators to increase the success rate of new business formation in the Australian ICT industries sector. The funding allows incubator managers to assist incubatees at a critical stage of their development when they may not be well served by venture capital markets.

The incubators incorporate a structured business growth program—including access to various types of early stage finance, making use of an experienced Board, management team and advisory panels, providing business coaching and mentoring, and providing firms with channels to markets, including through national and international partnerships. The incubators develop customised business programs for the individual needs of the start-up companies.

Incubators can provide up to \$450 000 in assistance to individual start-up companies in the crucial early years of their development. This assistance may be provided through services, seed funding or a combination of both.

While the incubators are adopting a variety of different business models, they are all taking an equity interest in the incubating firms. The equity is capped at 45 per cent—with a preferred level below 35 per cent.

## **Reporting framework**

The incubator must provide quarterly, annual and final reports to the Commonwealth Government. Each report must include progress and performance against the milestones, performance indicators and objectives specified in the grant deed.

The Incubators' Annual Reports must be independently audited.

## **Intelligent Island Program—incubator component**

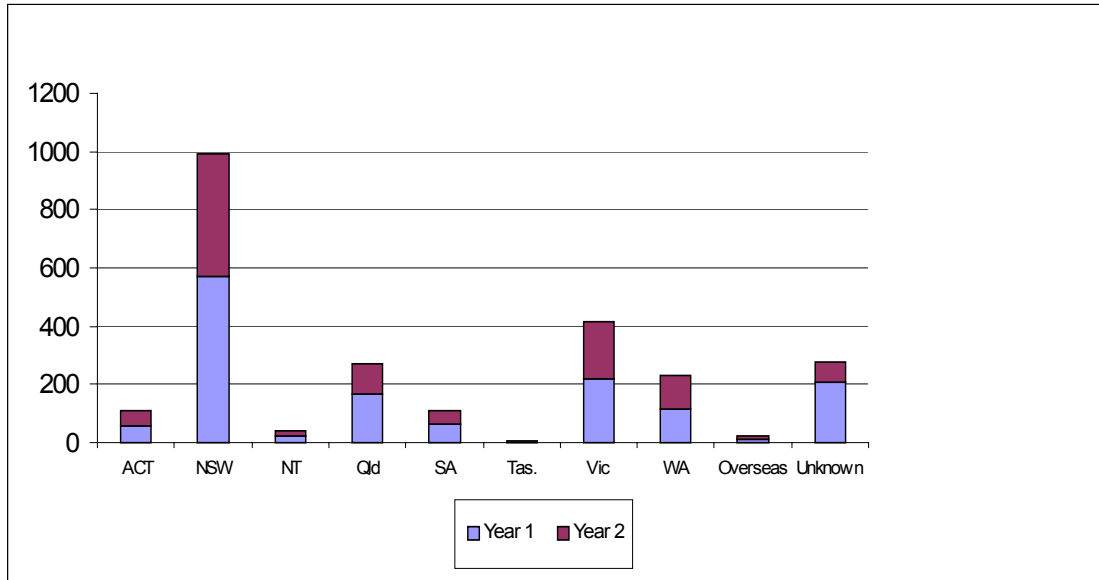
A separate incubator, Intellinc Pty Ltd, has been established in Tasmania as part of the Intelligent Island Program component of the BITS Program. A backgrounder on Intellinc, which commenced operations on 29 May 2001, is provided under the *Incubator centre profiles* section of this report, although the Intellinc statistical data has not been included in the overall results of the ten incubators.

The Intelligent Island program is a joint \$40 million initiative of the Commonwealth and Tasmanian Governments. The funding also includes a range of new projects that will build on the existing ICT industry, Commonwealth and Tasmanian Government initiatives and the research capacity of Tasmania's education sector.

## 2001–02 ACHIEVEMENTS

In the second year of the BITS Incubator Program, 90 companies were accepted for incubation bringing the total for the first two years of operation to 158. The 158 incubatees have been generated from 2474 applications, a conversion rate of six per cent.

**Figure 1 – Source of Year 1 and Year 2 applications by State and Territory**

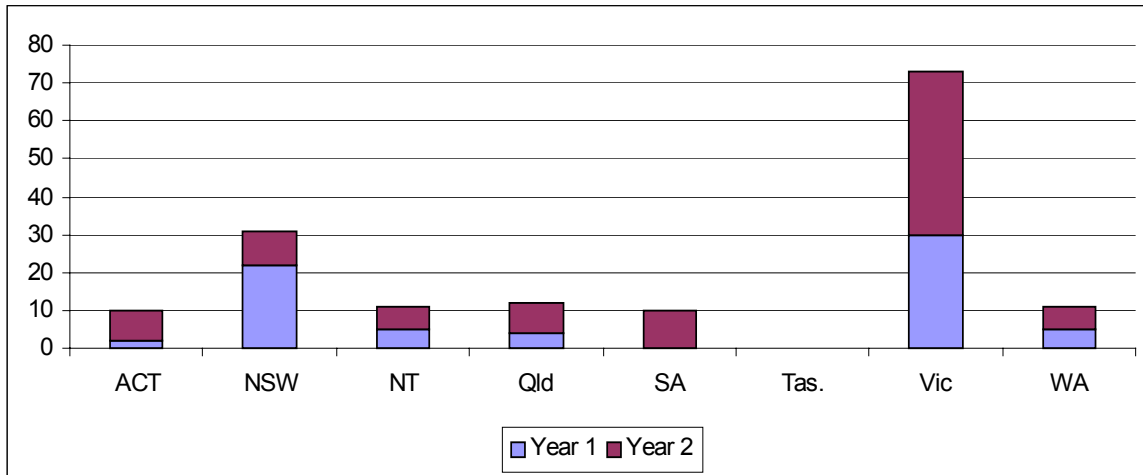


*(Note: Figures 1, 2 and 3 do not include applications and incubatees generated by Intellinc Pty Ltd, the incubator established under the Intelligent Island Program.)*

Of the 2474 applications received in the period to 30 June 2002, over 1400 of these were received in 2000–01. Significantly, more than half of these were received in the first six months of the program, indicating that a sizeable latent demand existed at the time the program commenced.

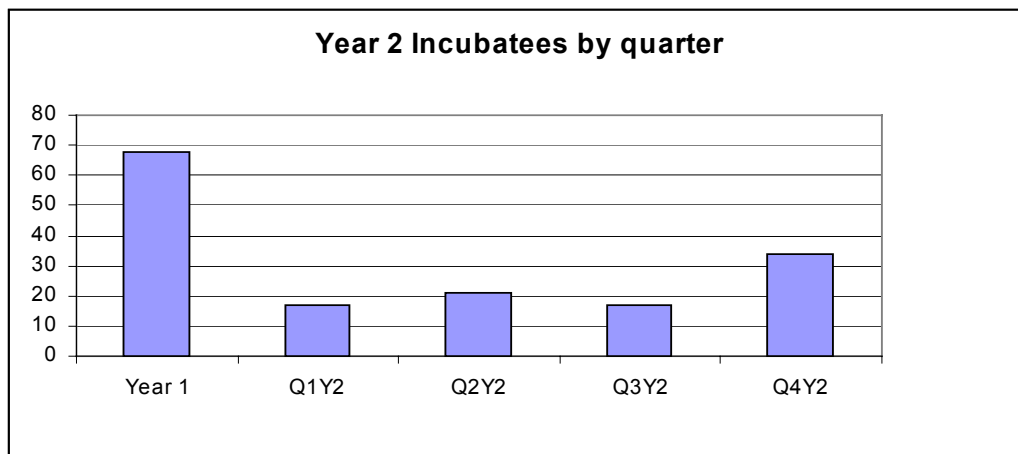
Throughout the first year most incubators routinely refined their application and screening processes to achieve an efficient model for identifying quality dealflow. Although almost 500 fewer applications were evaluated in Year 2, all incubators have reported an increasing quality in their dealflow during the second year.

**Figure 2 – Source of Year 1 and Year 2 incubatees by State and Territory**



Whilst New South Wales continues to be the largest source of applicants, Victoria continues to account for almost half of all incubatees. This is influenced by the fact that the two incubators operating in Victoria have business models that allow for a high volume of throughput in terms of incubatees.

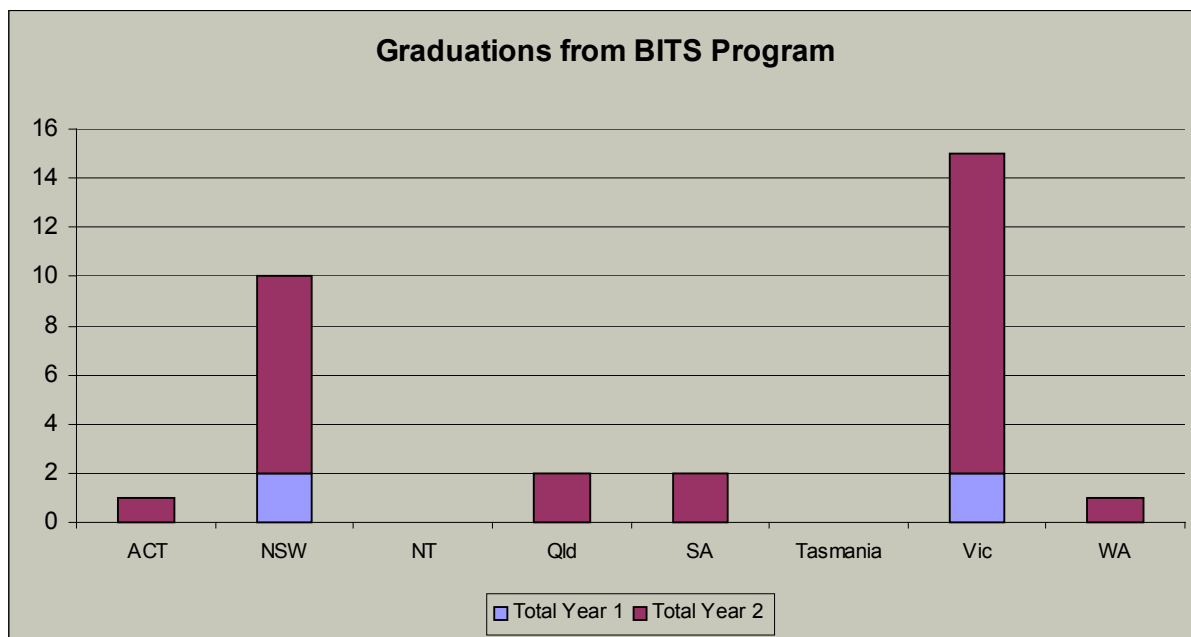
**Figure 3 – Year 2 incubatees by quarter**



During the second year of the program the proportion of applicants that were successful during the year has increased slightly, lifting the overall acceptance rate from five to six per cent. This increase is attributed by two factors—an overall improvement in the quality of applications, especially business plans, and the more realistic valuations of business plans by founders, particularly in relation to the value of the existing intellectual property.

The rate of acceptance by incubators varied according to different models and processes. The overriding objective is for the incubators to make investment decisions along sound commercial lines while still meeting their performance milestones.

**Figure 4—Graduates by State and Territory (cumulative, 1 July 2000 to 30 June 2002)**



A start-up will ‘graduate’ from the BITS incubator when the company has met or exceeded milestones within the funding period agreed with the incubator. Some incubator models require incubatees to complete milestones within a fixed period of time, while others define milestones in terms of stages of business growth—e.g. value or volume of sales and value of turnover.

Victoria has two incubators with a high throughput model based on a fixed period of time resident in the incubator program, and therefore will be expected to generate the greatest number of graduates for the Program. The virtual incubator ADI is headquartered in Victoria but has also graduated a number of New South Wales-based companies from its program.

#### **Market segmentation—incubatees**

The 158 incubatees recruited to the program in the first two years of operation are operating in a diverse range of activities including communications hardware/software, business intelligence tools, life sciences/biotechnology and e-commerce applications. While a large proportion of the incubatees are undertaking ‘software development’, they are servicing a wide range of industry sectors.

#### **External funding**

As was the experience with the first year of the program’s operation, incubators have found the environment for attracting seed capital and co-investment funding for incubatees has continued to be difficult during the 2001–02 financial year. Incubators have reported a more cautious investor outlook since the dot com crash of April 2000, making it particularly difficult for incubators to attract funding into their own operations.

Despite the difficulties, there have been some successes. The first two years of operation have generated just over \$38 million in private investment. Of this, \$35 million has been private co-investment into BITS start-ups, and a further \$3.2 million invested directly into the incubators.

This private sector investment compares favourably to the \$46.64 million of Commonwealth funds that has been drawn down over the same period. Despite the difficult market conditions, the private-to-Commonwealth funds ratio for the first two years of the program to 30 June 2002 is 0.82:1.

### **Revenue streams for incubators**

Although external capital is being drawn into the incubatees, this does not help meet all of the ongoing operational costs of the incubators. The incubators need to either secure investment into the incubator itself, or realise a return from their investments in start-ups by successfully exiting all or part of their investments. The ongoing scarcity of venture capital for ICT start-ups means that incubators have to devote more time and resources to incubatees before they are able to make a successful exit.

This is sharpening the focus of incubators on other sources of revenue and they have continued to explore opportunities for generating external capital into the incubator itself. The need to generate a return on investment from their portfolio of investments will continue to be primary importance to incubators in ensuring their future viability beyond the period of Commonwealth funding.

### **Equity levels**

All incubators have reported taking an equity position in their incubatee companies, ranging between five and 40 per cent. Equity stakes taken by incubators in their incubatees are a result of the negotiation process that is undertaken on a case-by-case basis between the incubator, the incubatee and any other private investors providing seed capital, and ultimately relate to the valuation of the company.

### **Achievements by incubatee companies**

During the year, many incubatees made good progress and some notable achievements were:

- **Vesereo**—an Item3 Pty Ltd incubatee specialising in software for developing collaborative solutions for organisations, their employees, partners and suppliers, won two software awards at the annual Consensus Software Awards. Vesereo was one of nine winners awarded for the innovation, performance and global potential of their software products. The company was also announced as the winner of the IBM Global Potential Award.
- **Xylogy Pty Ltd**—also an Item3 Pty Ltd incubatee whose product is a software tool expected to reduce inefficiencies in the software engineering process, announced a partnership with Raytheon Australia. Xylogy also won the best investment award at the high growth start-up session of the World Congress on Information Technology held in Adelaide early in 2002.

- As part of the announcement of Australia’s fastest-growing technology companies following the results of their *Technology Fast 50-2002* survey, Deloitte Touche Tohmatsu recognised the following two incubator program start-up companies as rising stars in the ICT industry.
  - **Wedgetail Communications Pty Ltd**—an Allen and Buckeridge Seed Stage Ventures incubatee that has created a suite of cryptographic and authentication security software products for the Java and embedded device markets; and
  - **SoundSafety Pty Ltd**—an incubatee with Original IT Investments Pty Ltd developing a hearing conservation program with occupational health and safety applications.
- **Calytrix Technologies**—a Perth software developer with Entrepreneurs in Residence (EiR), signed a deal with the Australian Defence Simulation Office that will provide ten licences for Calytrix’s SIMplicity simulation product, to be used by simulation developers with the Defence Science and Technology Organisation (DSTO).
- With the assistance of Playford Capital Pty Ltd, **DSpace Pty Ltd**—a leading-edge signals processing technologies developer—was successful in raising \$4.5 million of venture capital.

## **INCUBATOR CENTRE PROFILES**

To 30 June 2002, the ten incubators have been provided with a total of \$46.64 million in Commonwealth funds and have invested, along with significant amounts of private investment (\$35 million), in 158 start-up ICT businesses. Details on each of the incubators follows—including brief details on each of their graduate companies and a case study.

In some cases, the graduates described below are from the first year of the program (2000–01).

### **Allen & Buckeridge Seed Stage Ventures Pty Ltd – New South Wales and Victoria**

Overview

**(BITS Incubator Program funding: \$5 million)**

#### **Consortium members:**

- Allen & Buckeridge Pty Ltd

#### **Operations**

With offices in Sydney, Melbourne and Brisbane, A&B Seed Stage Ventures offers start-ups a source of seed capital and strong professional support services. During the year the incubator consolidated its operations and strengthened its ties with its parent company. Its focus is on helping springboard Australian ICT companies into global markets.

In addition to capital, the A&B Seed Stage Ventures team provides incubatee companies with a range of mission critical services, such as:

- business model development and refinement;
- capital raising;
- introductions to potential customers, suppliers and alliance partners;
- senior team recruiting and team building; and
- active governance.

A&B Seed Stage Ventures has been able to draw on the expertise and resources of its parent firm, Allen & Buckeridge, one of Australia's leading venture capital groups. They also provide links to specialist services needed by start-ups, such as lawyers, marketing specialists, executive recruiters and software developers.

The incubator targets a range of business sectors including:

- wireless;
- web services;
- voice and speech recognition;
- photonics;

- infrastructure;
- middleware; and
- mCommerce.

The incubator provides seed-funding and business development services as well as providing entrepreneur training workshops through its Acceler8 best practices business building program. It aims to filter out the best ICT ideas in Australia and develop them to become globally competitive e-businesses.

### Activity levels

	2001–02
Number of applications	249
Number of incubatees	2
Number of graduates	3
Withdrawn	2

#### Definitions (used throughout the report)

**Application:** Application documentation has been provided by a start-up ICT business and evaluation has been completed or is underway. A successful applicant becomes an *Incubatee*.

**Incubatee:** Start-up ICT business approved by Incubator board for investment/provision of services under the program.

**Graduate:** Incubatee that has met or exceeded agreed milestones within the funding period agreed with the incubator.

**Withdrawn:** Incubator services have been withdrawn from incubatee due to failure to meet agreed milestones. The incubatee subsequently withdraws from the program rather than graduates.

### Graduate Summary

#### **Bluefish Wireless**

*www.bluefishwireless.com*

Bluefish provides the wireless data software and network platform to facilitate the building and delivery of applications that require the transfer of data to, and from, handheld devices and the Internet and/or corporate networks. The Bluefish Network can be easily scaled and will incorporate new technologies as they come to market. Bluefish has built a core suite of applications to service the needs of organisations needing to communicate more effectively with their employees and customers. It has achieved success in marketing and selling its products to United States-based customers primarily in tradeshow and higher education industry verticals. The company has established its head office and sales and marketing in San Francisco, California and conducts all development out of its Sydney R&D Office. Bluefish Wireless graduated from the A&B SSV incubator in June 2002.

## **Softgame International**

*www.softgame.com.au*

Softgame manages a wireless gaming platform designed specifically to support SMS applications as well as WAP and GPRS. It is a highly intelligent system that accommodates converging wireless and wireline Internet environments to provide a totally immersive gaming experience. The platform empowers mobile network carriers with a turnkey wireless technology platform and a range of fun, interactive multi-player games that transform their customers' mobile phones into mobile entertainment centres. Softgame is in the final discussions for large-scale fundraising with local and international investors. The company has entered into a joint venture with a Beijing-based wireless content aggregator and developer and it expects to establish a regional sales and marketing office in Asia later this year. Softgame has also established a customer base of 14 mobile carriers or wireless content aggregators who are currently distributing content using the company's technology platform. Softgame graduated from A&B SSV incubator in June 2002.

## **XPertCorp**

*www.xpertcorp.com*

Since 1999, XPertCorp has been designing, developing and deploying Expertise Location and Management (ELM) Solutions for leading corporation in Australia and the United Kingdom. Their customised solutions match queries with targeted expertise. Corporations leverage external

or internal experts to distribute valuable responses to consumers. This interaction delivers strong brand enforcement and revenue opportunities for both the corporation and Experts at the moment that the consumer's query is resolved. Over 30 leading corporations such as ninemsn, the Australian Broadcasting Corporation and EnergyAustralia recognise XPertcorp's leadership in this specialist area. Growth in the business has resulted in XPertCorp now employing a highly experienced team in Australia and the United Kingdom who have a wealth of industry-based expertise in fields as diverse as: media, e-commerce, publishing, broadcasting, banking, software, web-development accounting, education and marketing. XPertCorp graduated from the A&B SSV incubator in June 2001

## **Case Study: Wedgetail Communications**

*www.wedgetail.com*

### **The company and the product**

Wedgetail Communications is a spin-out from the security division of the DSTC CRC located in Brisbane, Australia. Wedgetail is committed to delivering trusted, scalable, world-class security products for all classes of network devices. By scaling its solutions up to the largest high-end server applications and down to platform-constrained wireless and embedded devices, Wedgetail allows its customers to communicate with trust across entire network infrastructures.

The company's principal offerings are public key infrastructure and cryptographic solutions that secure network infrastructure composed of many classes of devices, network applications and protocols, including virtual private networks, electronic transactions, electronic mail, network management software, and Voice-over IP (VoIP).

In May 2002, Wedgetail was awarded the prestigious Rising Star Award in the Australian Deloitte Technology Fast 50 Awards. Wedgetail was recognised for its development and rapid global commercialisation of highly innovative technology by being selected as the 2002 Queensland Rising Star, and then becoming the first overall national winner.

### **The business opportunity**

A requirement for increased security in the electronic communications industry has evolved from the explosive growth of the connected and wireless market and a shift to greater levels of connectivity between independent machines. This in turn has created a need for a special type of security product capable of securing an organisation's corporate applications servers and wireless users—often simultaneously.

As the use of such technology grows, the importance of security increases. In turn, the demand for more secure communications has created opportunities for delivery of new services such as VoIP, shared Internet, data and multimedia services, alarm and safety services, household equipment gateway monitoring and control, content services and e-commerce services.

Wedgetail has a unique position in the market, with its focus on the development of security solutions for all embedded devices that provide these services.

### **The incubation story**

A&BSSV has supported the company in achieving the following milestones:

- establishing an effective channel to the lucrative United States market by assisting in closing distribution deals with major embedded device technology companies i.e. IBM and Wind River;
- establishing a United States office based in San Francisco;
- recruiting a Vice President of Business Development in the United States;
- seconding an experienced technology analyst to work with the company for six months to identify new market and product opportunities and assist in the capital raising process in the United States;
- assisting in the development of an effective intellectual property management strategy;
- providing low cost access to computer hardware used for development through A&B SSV's alliance with Sun Microsystems.

### **The future**

The company has successfully sold its suite of products into major Australian, North American and Japanese based companies—including Australia's Health Insurance Commission, VeriSign, Bolero.net and SONY Corporation. Wedgetail will leverage its early success plans to expand its presence in the United States through the hiring of additional business development executives. The company will also expand its R&D for the development of additional security products and relevant applications, which can be offered to their growing customer base.

## **Australian Distributed Incubator (ADI) Pty Ltd – Victoria**

### **Overview**

**(BITS Incubator Program funding: \$7 million)**

#### **Consortium members:**

- EMERGE CMC Ltd
- Ernst & Young
- Babcock & Brown (via its subsidiary AIDC Ltd)
- Greyhair.com Pty Ltd

#### **Operations**

With offices in Melbourne and Sydney, ADI is available to applicants from all mainland states.

ADI has incubatee companies in New South Wales, Victoria and Queensland. The incubator assists Australian ICT start-ups to rapidly develop the commercial skills and business systems necessary to attract private investors, strategic partners and customers. It does this by delivering a mix of investment and business readiness programs. These programs are structured and feature services including seed funding, mentoring, consulting and other business advisory services.

ADI customises its program to each start-up and utilises the networks, resources, and offices of consortium partners, the offices and facilities of physical incubators and the offices of the start-ups, in combination with online workflow and messaging tools and access to knowledge bases.

Incubatees may choose to receive face-to-face consulting and mentoring sessions at their own premises or at any of the physical offices maintained by the consortium partners.

#### **Activity levels**

	<b>2001–02</b>
Number of applications	166
Number of incubatees	30
Number of graduates	16
Withdrawn	5

#### **Graduate summary**

##### **5<sup>th</sup> Finger**

*www.5thfinger.com*

5th Finger are an SMS marketing specialists whose air-cast™ software application enables corporations to implement one-to-one marketing campaigns via mobile phones and mobile devices. ADI, through its Investment Program, has assisted with a series of business development seminars, pitching sessions, provision of a mentor, contacts into potential

clients, introductions to ADI's technology partners and a cash investment. 5<sup>th</sup> Finger recently won the Mobile Marketing and Advertising Award for best use SMS and television campaign and are managing high volume campaigns for clients such as SnackBrands whose *Austin Powers in Goldmember* promotion which has so far generated over five million SMS messages.

### **Advercast**

Advercast has developed a wireless, in-store television advertising system for large retail chains to broadcast product promotions and company announcements to television screens in their stores. ADI, through its Business Readiness Program, has assisted with a series of business development seminars and strategy sessions for demonstrations to potential clients. The company is in negotiations with a major hardware retail chain.

### **Airoworks**

*www.airoworks.com*

Airoworks has developed high performance wireless networking solutions utilising the IEEE 802.11b standard. ADI, through its Investment Program, has assisted Airoworks with a series of business development seminars, pitching sessions, provision of a mentor, contacts with potential clients, introductions to ADI's technology partners and a cash investment. Airoworks has a patent pending in the field of embedded antenna design and a provisional patent in the field of WLAN tunnelling and encryption.

### **Amnesiac Software**

Amnesiac Software has developed a Paediatric Emergency Management Calculator to assist in the resuscitation needs of infants and children. Its use can also be extended to include adult patients. ADI, through its Business Readiness Program, has assisted with a series of business development seminars, pitching and strategy sessions.

### **Corporate Data Consulting**

*www.corporatedata.com/consulting.html*

Corporate Data Consulting has developed Sentinel IPV (Intelligent Patrol Vehicle)—a system for police cars that provides digital video record and playback capabilities to record pursuits and intercepts including audio, speed and exact location via GPS. ADI, through its Business Readiness Program, has assisted with a series of business development seminars, pitching and strategy sessions.

### **Crawford Consulting**

Crawford Consulting has developed a system combining Bluetooth and the Internet to allow inter-device recognition, data acquisition and remote control of Bluetooth devices. ADI, through its Business Readiness Program, has assisted with a series of business development seminars, pitching and strategy sessions.

**Fitness2Live**

*www.fitness2live.com.au*

Fitness2live offer effective workplace and organisational health solutions, delivered online and offline, that focus on improving individual wellbeing for enhanced organisational productivity. ADI, through its Investment Program, has assisted with a series of business development seminars, pitching sessions, provision of a mentor, contacts into potential clients, introductions to ADI's technology partners and a cash investment. Fitness2Live have recently signed Esanda and Merrill Lynch as corporate customers.

**Hyperion**

*www.hyperion.com*

Hyperion has developed autoSCRIBE—a paperless, electronic alternative to the traditional paper logbook used in company vehicles. ADI, through its Business Readiness Program, has assisted with a series of business development seminars, pitching and strategy sessions.

**L-Tronix**

L-Tronix's product is an electronic personal security device, which prevents the loss or theft of personal effects or luggage while the user is in transit. The product can be utilised for commercial use to monitor movements of its valuable mobile property into and out of its premises. ADI, through its Business Readiness Program, has assisted with a series of business development seminars, pitching and strategy sessions.

**Object Connections**

*www.objectconnections.com*

Object Connections has developed Common Knowledge—a business rules automation platform that allows business experts to represent, maintain and control the business rules used by an organisation's information systems. ADI, through its Investment Program, has assisted with a series of business development seminars, pitching sessions, contacts into potential clients, introductions to ADI's technology partners and a cash investment. Common Knowledge is currently being assessed by two global banks for use as an intelligent intercommodity spread trading system and by a global car manufacturer for a quotation system for their travelling mortgage salesman.

**SeBS**

SeBS is an outsourced IT services provider. ADI, through its Business Readiness Program, has assisted with a series of business development seminars, pitching and strategy sessions. Partners to date include Satyam Computers Ltd and Oracle.

**Sequred**

Sequred has developed an electronic security system to deter the theft of electrical goods. It accomplishes this by rendering stolen electrical appliances inoperable. ADI, through its Investment Program, has assisted with a series of business development seminars, pitching sessions, strategy sessions, introductions to ADI's technology partners and a cash commitment.

### **The Australian Frequent Flyer**

*www.frequentflyer.com.au*

The Australian Frequent Flyer produces Australia's premier online Frequent Flyer resource attracting over 13 000 unique visitors a month. ADI, through its Business Readiness Program, has assisted with a series of business development seminars, pitching and strategy sessions. Their newsletter, the Frequent Flyer Gazette, has about 15 000 opt-in subscribers and in June 2002, they launched Frequent Flyer Business, a new portal addressing the needs of the international frequent flyer business community.

### **The Dramatic Group**

The Dramatic Group is a publisher and distributor of arts industry information and services, via the Internet. ADI, through its Business Readiness Program, has assisted with a series of business development seminars, pitching and strategy sessions. The company's email publications have a readership in excess of 20 000 each week, and more than 60 000 people visit the websites each month. It also recently launched 'Arts Hub'—an online jobs, news and events information service for arts and cultural workers in the United Kingdom.

### **thejobshow.com**

*thejobshow.com/*

thejobshow.com has recently merged with another company to form Careers Fast Track to provide unique education and career-planning programs to the education and private sectors. ADI, through its Business Readiness Program, has assisted with a series of business development seminars, pitching and strategy sessions. Careers Fast Track has been engaged to deliver career planning and development services for over 2000 clients to date in 2002.

### **WIIN Solutions**

WIIN Solutions has developed a web-based project management solution, applicable to organisations running multiple projects. ADI, through its Business Readiness Program, has assisted with a series of business development seminars, pitching and strategy sessions.

### **Case study: Genetraks**

*www.genetraks.com*

#### **The company and the product**

Genetraks has extensive intellectual property in chemical diagnostics tools, which they have developed and patented, relating to bioinformatics for diagnostics and drug development for performance animals, initially for the thoroughbred horse industry. The Genetraks team members are highly qualified with a track record of commercial success.

#### **The business opportunity**

The Genetraks team presented their investment opportunity to ADI on 21 August 2001. The estimated size of the market is \$60 billion globally.

**The incubation story**

After the initial meeting in August 2001, ADI proposed to Genetraks it lead a \$500 000 seed round, and an angel group from Brisbane, O'Kane, Campbell and Associates (OCA) , and a venture capital group, Nanyang, be included.

Due diligence processes, including numerous interviews with vet practices, pathology laboratories, authorities such as the Randwick Equine Centre and the Foursight Group, as well as owners and trainers were conducted over late August and early September. The due diligence pack and investment recommendation was prepared, and on 20 September 2001 the Genetraks team presented their case to ADI's investment committee. They were successful. Three weeks later at the AVCAL conference the deal was agreed and signed. The deal took just over eight weeks from first presentation to signing and first tranche of ADI's investment being deposited into Genetraks account.

Since then, ADI's investment management team has worked with OCA and the founders to help formulate the long-term IT strategy, and with Nanyang's investment team to develop the funding strategy. Their science trials have achieved all milestones and in August 2002 they were awarded a Biotechnology Innovation Fund grant of \$250 000.

**The future**

Genetraks is in the middle of the Series A fundraising with \$1.5 million committed by Nanyang contingent upon achieving the target of \$3 million.

## **BlueFire Group Incubator Pty Ltd – New South Wales**

### **Overview**

**(BITS Incubator Program funding: \$6 million)**

#### **Consortium members:**

- BlueFire Group Pty Ltd
- BlueFire Innovation Pty Ltd

#### **Operations**

The BlueFire Group incubator has strategic alliances with BlueFire Corporation, Blake Dawson Waldron and Sun Microsystems.

The Artarmon-based BlueFire Group Incubator Pty Ltd is a fully integrated technology incubator, and provides a range of services, including:

- technology including hardware, network integration, connectivity, web development, web design and Internet marketing;
- professional services, including legal services, accounting, recruitment, marketing and public relations;
- access to entrepreneurial and managerial talent; and
- access to immediate funding and assistance in subsequent capital raisings.

The BlueFire incubator has developed a number of relationships with service providers to allow new businesses to maximise their chances of success.

The BlueFire Corporation, the sister company of the BlueFire Group Incubator has been providing services to growing companies and entrepreneurs for over four years. BlueFire's network encompasses Australasia and the United States. BlueFire Corporation has a successful and growing business in the network integration and web design market space. It has 30–40 employees and is SME focussed. BlueFire Group Incubator Pty Ltd brings a capital and large corporate alliances dimension to the BlueFire organisation.

#### **Activity levels**

	<b>2001–02</b>
Number of applications	218
Number of incubatees	4
Number of graduates	0
Withdrawn	1

## **Graduate summary**

### **SandwichDirect**

*www.sandwichdirect.com*

SandwichDirect has conceived and developed the concept of a networked group of production and delivery 'cells' to provide Internet connected office workers the ability to create their own gourmet sandwich online.

After being accepted into the BlueFire incubator program at the beginning of 2001, they achieved a number of key milestones:

- migrated the business to the United States and commenced operations in San Francisco;
- raised significant venture capital at increased valuations that have delivered BlueFire a paper profit of three times more than the original investment; and
- refined the business model and business processes and initiated negotiations for a strategic partnership with America's largest privately held food company.

BlueFire's contributions to the business included developing its customer service module; provision of strategic advice; introductions to potential new investors in Australia and in the United States; and introduced SandwichDirect to their legal representatives.

After closing a second round of capital raising, SandwichDirect opened a United States operation, achieved a profitable test cell; and raised \$US5 million. SandwichDirect graduated from the Bluefire incubation program in June 2001.

### **Case study: Industry Wide Networks**

*www.indwide.net*

#### **The company and the product**

Industry Wide Networks (IWN) is a Sydney-based software development company that specialises in business software and solutions targeted at SMEs and larger industry and community systems. The business was founded in 1999 by Dan Hilson and has worked with clients such as Telstra, Westfield and Alphapharm.

#### **The business opportunity**

In addition to the customised solutions that the company currently deploys, they are developing a suite of business software modules that will be offered as an integrated, 'out-of-the-box' offering. This strategy will be activated in a number of key vertical industries (including Health and Retail) in which IWN has already achieved a critical mass of clients and intellectual property.

#### **The incubation story**

IWN was accepted by BlueFire for incubation in June 2002 with a \$450 000 investment that was backed by a further \$300 000 of co-investment in the form of equipment from Sun Microsystems. BlueFire now has a 21 per cent stake with an option to increase to 34 per cent.

BlueFire has moved quickly to create value for and with IWN through the following initiatives:

- joint sales and marketing efforts including cross-referrals from BlueFire and IWN client bases;
- participation in strategy planning sessions aimed at refining the IWN strategic direction;
- acceptance of a board seat with IWN;
- relocation of IWN from its CBD premises onto the BlueFire campus to facilitate greater integration and synergy between the two businesses; and
- introduction of IWN and its key executives to other BlueFire portfolio companies and members of our advisory network.

**The future**

IWN is now a clear pathway to fast growth and the launch of its first generation product. This rollout plan will see additional modules and versions deployed and a number of strategic channel and development partners engaged. IWN is forecasting marginal profits in 2002–03 growing to over \$1 million in 2003–04.

## **Entrepreneurs in Residence (EiR) Pty Ltd – Western Australia**

### **Overview**

**(BITS Incubator Program funding: \$10 million)**

#### **Consortium members:**

- Imago Multimedia Centre Ltd;
- Zernike (Australia) Pty Ltd; and
- Software Engineering Australia (WA) Ltd.

#### **Operations**

EiR (originally Perth Ideas Centre of Technology), established in June 2000, is an ICT incubator that provides seed capital, management expertise, accommodation and mentoring to ICT start-up companies.

Financing can range from \$50 000 to \$400 000 over a two-year period. Co-investment increases the level of investment to a maximum of \$900 000 if required. EiR has close relations with a number of other investors who can provide co-funding in selected circumstances.

Through its own resources and a network of service providers, EiR seeks to attach to the incubator companies experienced professional individuals and organisations to mentor, coach and support in order to accelerate their development. These value-added services include financing, technical and legal advice, and coaching and support from the incubator Network.

The incubator also offers companies housing at Technology Precinct, Bentley. The facilities are situated in the major clusters of ICT companies in Western Australia, offer access to shared and scarce facilities of key member organisations, and are close to technology universities and ICT research groups. For those incubator companies in the new media area, EiR will also seek to co-locate a new residence within a digital media precinct under consideration by State Government.

#### **Activity levels**

	<b>2001–02</b>
Number of applications	82
Number of incubatees	6
Number of graduates	1
Withdrawn	0

## **Graduate summary**

### **Calytrix**

*www.calytrix.com*

Calytrix Technologies graduated from the EiR Program at the end of June 2002, and is now looking for second round funding, to assist its expansion into the United States and Europe. In particular, they are targeting a segment of the United States Defence market. In the 15 months since setting up shop at EiR, Calytrix has attracted a further \$570 000 in grants and secured a total of \$454 000 in additional funding from private and institutional investors.

Calytrix has notched up its second major sale in as many months, signing the Australian arm of global defence, aviation and aerospace giant Boeing up as customer for its flagship SIMplicity product. In June 2002, Calytrix made a sale to the Australian Department of Defence. Combined, both sales are worth in excess of \$250 000. SIMplicity is aimed at the defence simulation industry, enabling developers to assemble simulations in a visual environment before deploying them over a network. This cuts down the amount of code a developer needs to write for the simulation, reducing learning time for new developers and making code easier to use in the future.

Calytrix expect to be cash flow positive within 12 months and to break even within 18 to 24 months.

### **Case study: FreeCargo**

*www.freecargo.com*

#### **The company and product**

FreeCargo Australia Pty Ltd is an online database of Available Freight, which has been specifically designed for the transportation industry. The primary markets for the product are carriers, truckers and forwarders who book, track and trace freight on a users pay per message basis.

FreeCargo is a virtual freight exchange that provides shippers, transporters and carriers with the opportunity to act in a transparent market place offering or buying freight or empty trucks. Enhanced features also allow a track and trace option for users that will significantly reduce operating costs for businesses.

#### **The business opportunity**

FreeCargo is unique in its features and the method of operation in the Australian market. It was designed to increase efficiencies and cost savings in the transport industry. Initial market research has shown strong potential for FreeCargo's application in the Australian freight forwarding market.

#### **The incubation story**

FreeCargo became an investee of EiR in April 2002. EiR is to invest a total of \$300,000 on achievement of a number of milestones.

FreeCargo is the successful result of EiR's international network provided through its shareholder Zernike Australia. Zernike Australia worked closely with EiR to facilitate the

transfer of base technology between Western Australia and the Netherlands. The incubation of FreeCargo has focused on adapting and enhancing the technology and developing a commercial business plan. The European connection continues to assist with building the customer base and linking the markets.

Whilst John Hulme, Managing Director of FreeCargo, brings extensive knowledge in the transport industry and its networks, EiR is actively providing other essential elements such as:

- assistance in establishing the business link with Loginet in the Netherlands;
- market research, marketing and sales strategy;
- establishing the product, support, accounting and billing functions; and
- strategic planning.

### **The future**

FreeCargo will be ready for market release in December 2002.

FreeCargo will enter the South African and New Zealand markets, after establishing itself in the Australia market.

EiR's exit strategy involves FreeCargo's intent to purchase EiR's equity in the company within two years.

## **Epicorp Ltd – Australian Capital Territory**

### **Overview**

**(BITS Incubator Program funding: \$8 million)**

#### **Consortium members:**

- Anutech Pty Ltd
- CSIRO
- University of Canberra
- Australian National University

#### **Operations**

Epicorp Limited (originally Capital Region Technology Business Centre), a not-for-profit company, is the Australian Capital Region's technology incubator. Epicorp is supported by an \$8 million grant under the BITS Incubator Program, a supporting grant from the Australian Capital Territory's Government, and the provision of a building by CSIRO.

Epicorp is co-located with CSIRO and within close proximity of the other member organisations.

Epicorp is well on track to achieving its objectives of:

- creating a strong high technology commercialisation system for the Australian Capital Region, under common ownership and management, involving the Region's research institutions and supported by Government and the private sector;
- drawing together the relevant resources and players in the Region;
- encouraging and supporting the commercialisation of technology and knowledge from the Australian National University, CSIRO, the University of Canberra and industry within the broader Australian Capital Region community; and
- complementing other commercialisation initiatives.

Epicorp is delivering assistance to new-start and spin-off businesses in two ways through:

- the implementation of a tailored Incubator Program designed to assist businesses to commercialise intellectual property; and
- the provision of seed funding to suitable Epicorp incubator businesses.

Epicorp has incorporated a structured business growth program, including access to various types of early stage finance, use of an experienced Board, management team and advisory panels, provision of business coaching and mentoring, and providing firms with channels to product markets, including through national and international partnerships. The facility also provides specialised accommodation services and high-bandwidth Internet access.

## Activity levels

	2001–02
Number of applications	52
Number of incubatees	8
Number of graduates	1
Withdrawn	1

## Graduate summary

### GPSports Systems Pty Ltd

[www.gpsports.com/base\\_bar.jsp](http://www.gpsports.com/base_bar.jsp)

GPSports Systems Pty Ltd has developed a Sport Performance Indicator; a device about the size of a small mobile phone, worn by athletes and fitness enthusiasts, which is associated with Athlete Management System. It is a wireless wearable device, based on Global Positioning System technology, that collects time, speed, distance, positional data, altitude and heart rate information from an athlete, which is in turn downloaded to a PC for evaluation.

GPSports entered the incubator in July 2001 with a product that was 50 per cent developed and no management team. Following continued product development and Epicorp's assistance in building the management team, the Company graduated from the incubator in November 2001—after receiving a \$150 000 grant from the Australian Capital Territory's Government. The incubator program provided assistance with strategic planning, business planning, market definition and grant applications. An Advisory Board of senior people with business and industry experience was established to assist GPSports. A Board of Directors was established and proper governance standards introduced. The company is now embarking on an international tour to investigate possible strategic alliances with companies such as Nielson Kellerman, POLAR and LG who have invited GPSports to demonstrate their technology.

### Case study: Vish Corp

[www.vishcorporation.com](http://www.vishcorporation.com)

#### The company and the product

Vish Corporation Limited (Vish Corp) was founded in 2000 by R. (Vish) Vishwanathan—whose prior background involved both artificial intelligence and software engineering. Prior to the formation of Vish Corp, he helped create some of the largest and innovative systems in Australia—including networks for the Australian Tax Office, lending systems for ANZ, trading systems for the Union Bank of Switzerland and an international document systems for the Department of Foreign Affairs and Trade.

Vish Corp is a software development company creating software for global markets. At present the company has successfully developed two products—the Vishbar Emphasis, which revolutionises the way people recall and distribute web-based information and Vishbar Professional, which provides individuals with their own personal search engine for use on PCs and LAN systems.

The company has only recently gone to market, and has already procured a licensing agreement with the META Group.

### **The business opportunity**

Frustrated by his own inability to find documents quickly, coupled with a desire to highlight and comment on the most important and relevant parts of web documents, Vish set about developing a suite of products that could achieve these functions. After some years of R&D, he has developed a visual annotation technique that allows users to signpost highly relevant web-page information and distinguish it from the background. Its annotations communicate between people, and across time, the nuggets of information that are truly important. In addition to the normal annotations, Vishbar Emphasis has invented a process that directs attention by fading less important content into the background.

The Vishbar Professional product eliminates the current frustration and difficulties people face in finding their documents. It revolutionises communication emphasis by transforming documents and web pages into vehicles for key content. It allows users to forget filing and focus on information by automatically organising information currently scattered over folders and directories. Furthermore, when information is required, it is delivered according to the user's priorities. Essentially, it is a new category of 'personalised search' (encompassing emails, word documents, web pages, excel spreadsheets, pdf documents, etc.).

### **The incubation story**

Vish Corp was accepted into the Epicorp incubator in December 2001, with BITS funding of \$450 000 provided in a co-investment round, which included two venture capital firms. The total amount raised was \$1 150 000.

Vish Corporation has received assistance from Epicorp to:

- recruit key personnel including an interim Operations Manager and more recently a CEO—these appointments were considered critical as the company moved from its traditional R&D status to a commercial enterprise;
- develop solid corporate governance policies;
- develop a commercialisation strategy as the company launches to market;
- establish key contacts which were used in Vish Corp's beta testing program, noting these contacts are now firm prospects; and
- develop the company's forward financing plan.

Vish Corp has only recently released its products to market, with early signs being that the market is receptive as indicated by formal contracts being negotiated with two educational institutions in addition to the META licence.

### **The future**

To assist fund the company's future growth Epicorp has introduced the company to other potential investors and is also assisting with the preparation of a formal Offer Document.

These funds will be used to expand the sales and marketing team and also for further technical development, with an enhanced product anticipated to be market ready by the third quarter of this fiscal year.

## Information City Victoria (ICV) Pty Ltd – Victoria

### Overview

**(BITS Incubator Program funding: \$8 million)**

#### Consortium members:

- Joint Technology Partners
- Melbourne IT
- Photonics RedCentre (a spin off from Australian Photonics)
- University of Ballarat—Greenhill Enterprise Centre
- Ericsson Australia Pty Ltd

#### Operations

ICV is a network of ICT incubators with three roles:

- Information City Melbourne—is the flagship of the network.
- Information City RedCentre—specialises in photonics and communications.
- Information City Ballarat (Greenhill Enterprise Centre)—delivers a regional focus.

ICV was fully operational by December 2000, and so far ten ICT start-up companies have taken positions in the incubator program. These companies have diverse industry backgrounds and are at different stages of business development. ICV has a strong private sector involvement, including Sun Microsystems, Ericsson, Melbourne IT and ES Group Ventures Direct Equity Investments. These partnership networks ensure a high level of advice and expertise across a range of areas supporting the development of start-ups in the ICT industry.

Start-ups selected into the ICV managed physical incubation environment are focussed on:

- software development;
- e-commerce applications; and
- photonics.

ES Group Ventures is the primary funding provider for ICV start-up companies. As well, a range of venture capital and business angels also support early stage ventures that enter the ICV network. Work is ongoing to expand the scope of early stage investors within the ICV network.

#### Activity levels

	<b>2001–02</b>
Number of applications	32
Number of incubatees	16
Number of graduates	2
Withdrawn	8

## **Graduate summary**

### **i3 Media**

*www.i3media.biz*

i3 Media is a specialist consultancy dedicated to making the Internet more accessible to people with disabilities. With a strong understanding of the human side of technology, they assist organisations in meeting the online needs of all users. Their service not only maximises online business potential but also ensures legislative compliance. With an estimated 3.5 million disabled people in Australia and 750 million worldwide, there is a growing demand for ensuring that all people can reap the full benefits of online services.

i3 Media came to the incubator after winning the 2001 business planning competition at Swinburne and attaining the ICV prize for best IT venture. An intense three-month incubation period concluded with the group returning to Swinburne as a going concern.

### **AVNotes.com**

*www.avnotes.com/*

AVNotes is an internationally unique communications suite available on an Internet delivery platform that allows users to login from anywhere and at anytime providing peace of mind for security and backup. Alternatively, users can install AVNotes to their LAN server or PC in a Windows or Unix environment.

AVNotes graduated from the incubator at the end of June but has remained on as a commercial tenant to continue with the development of their business.

### **Case study: PetPack Pty Ltd**

*www.petpack.com.au*

#### **The company and the product**

PetPack is a business providing communication tools for veterinary clinics. The first product is an email newsletter tool. The value proposition to vets is that the tool educates pet owners about better pet care and is a business driver for the vet. PetPack utilises its presence in mass media to add further value. Pet owner feedback has been extremely positive with 93 per cent of pet owners supporting or strongly supporting the concept in a recent client survey.

#### **The business opportunity**

The animal health industry is a \$3.7 billion dollar industry in Australia. The major manufacturers of animal health products do not have a direct communication channel with pet owners. Veterinarians are the best source of advice to pet owners but only see their clients on average once a year or less. This means that currently both the manufacturer and the service provider (veterinarian) lack a channel to effectively communicate/influence pet owners.

This is reflected in extremely low utilisation rates for preventative medicine and treatments (approximately 20 per cent for preventative treatments/medicines and 30 per cent annual vaccination).

PetPack's role is to develop communication channels with pet owners, utilising the vet as the source for quality advice. Improvement in preventative health compliance rates results in higher profits for vets and manufacturers, happier pet owners and healthier, longer lived pets.

### **The incubation story**

PetPack was accepted into the incubator in May 2001 and as it now enters its second year is preparing for graduation. PetPack has taken advantage of incubator services e.g. accounting services, a professional mentor, case management, training seminar, intellectual property protection and access to legal and tax advice. Information City has ten per cent equity in PetPack and to date has invested \$200 000 in cash and in-kind services over the past year.

### **The future**

The PetPack system is now being used by 21 clinics in Victoria and plans are being developed to open new markets in other industry sectors. PetPack will graduate from the incubator in the third quarter of 2002 and establish their corporate offices at South Yarra. PetPack is also in negotiations for first round funding.

## ***inQbator* - Queensland**

### **Overview**

**(BITS Incubator Program funding: \$9.5 million)**

Timsco Pty Ltd is the owner and operator of *inQbator*.

### **Operations**

*InQbator* is not part of a structured consortium, but maintains formal and informal relationships with business mentors, angel investors, venture capital firms, professional service firms, and universities and research organisations to source deal-flow and serve the needs of start-up ventures.

*inQbator*'s program of support for start-ups is designed to generate high-growth companies capable of achieving exceptional valuations in the market. It focuses on bringing venture capital providers and strategic business partners to start-ups early in their development, to enhance their prospects for growth and success.

*inQbator* is based in the Varsity Lakes technology precinct at Robina on the Gold Coast, where high performance IT infrastructure and other resources can be provided to start-ups. *inQbator* also has scope to support start-up companies in their own premises or to host them in facilities operated by other incubators with which it has strategic alliances elsewhere in Australia and, eventually, overseas.

The professional staff of *inQbator* and the directors of Timsco provide Operational and management support, mentoring, business development, relationship building and capital raising services on a day-to-day basis.

A full range of professional services, such as accounting, legal, intellectual property management, recruitment, and marketing are provided by external professional service firms conversant with the needs of technology start-ups, and offer discounts on fees in return for the opportunity to develop long-term relationships with future high-growth companies.

Start-up companies entering *inQbator* provide equity in return for the range of services and facilities provided to them, with the only costs being their rental and a low program overheads fee.

As a result, financial returns to the owners of *inQbator* depend on the value created in their equity stakes, and therefore on the success achieved by the start-up companies. This means that Timsco shares the same incentive structure as the start-ups, and has the same imperative to perform.

### **Activity levels**

	<b>2001–02</b>
Number of applications	91
Number of incubatees	5
Number of graduates	0
Withdrawn	0

## **Case study: HCV Wireless Pty Ltd**

*www.hcv.com.au/company.htm*

### **The company and product**

HCV wireless is a Brisbane-based company founded by electrical engineer, Henry Valk.

Henry was originally consulting in the health industry and required wireless solutions to suit personal area networks. His research lead him to identify the emerging wireless protocol called **Bluetooth™** but he soon realised that there were no tools available to assist the developer fast-track a certified solution.

This lead to his design of BlueMod™, a generic Bluetooth™ single board computer that can be programmed to perform any desired function. BlueMod is marketed as a development system, integration platform or pre-qualified subsystem.

BlueMod includes a development platform and is available complete with universal certification, protocol stack and host processor to run the developer's applications software. It is self-powered, has snap-on connectors to suit different interfaces, is small, lightweight, splash proof and shock proof, and can be easily customised. The snap-on connector accommodates accessories such as switches, GPRS radios, fingerprint recognition devices, transducers, actuators, sensors, cameras, and microphones.

### **The business opportunity**

Initially, HCV's BlueMod product will provide developers with a kit that enables them to implement a wireless-based solution to almost any requirement in a very short period. These developers may be individuals or multi-nationals and may have a focus upon Bluetooth development, development within Linux operating systems or even developers looking for solutions for the growing numbers of personal digital assistants or mobile phones that are Bluetooth enabled.

It is estimated that 60 per cent of mobile phones are now being made with Bluetooth included, and yet they are searching for applications. BlueMod provides the interface to these potential applications.

There is also a significant opportunity in the longer term to convert these early sales into volume manufacturing opportunities within targeted vertical markets that will include BlueMod or derivatives of the product within the end product.

### **The incubation story**

Henry Valk approached inQbator and in August 2001 joined the incubation program and was provided with seed funding of \$400 000 against milestones. This funding and the incubation process has enabled HCV Wireless to establish a corporate structure and business processes, and employ engineering staff to bring the product to market. Through the incubation period HCV has been able to implement a project-management system to deliver product in defined versions.

The product was launched at the North American Bluetooth Congress in San Francisco in December. The company has since used international congresses and trade shows as a

marketing strategy to build product and brand awareness, and has been presented at events in the United States, Europe and Asia. These have lead to early international sales in all these continents and to the identification of significant distribution networks in these regions.

### **The future**

With a proven product, the company now needs to focus upon its sales and marketing capability and expand the initial customer base. This will lead to the need for volume manufacturing of the BlueMod product, probably in Asia, and capital raising to provide working capita. It will also support further product development and entry to the various vertical market opportunities identified as a result of marketing the generic BlueMod product.

## **ITem3 Pty Ltd – New South Wales**

### **Overview**

**(BITS Incubator Program funding: \$7.37 million)**

#### **Consortium members:**

- Iplus Development Pty Ltd
- Lateral Concepts International Pty Ltd
- Software Engineering Australia (NSW) Ltd

#### **Operations**

Item3 is located in St Leonards, New South Wales. The company is an equity investor, funded with a mix of private capital and Commonwealth assistance. Item3 works with start-ups in the ICT industry and with non-ICT firms starting to use ICT as a major business enabler.

Item3 has a rigorous pre-incubation screening and selection system designed to match the incubation process with specific needs of the investee firm. Physical and virtual incubation facilities/systems are available but some investees remain in their own premises.

During incubation, IItem3 delivers a comprehensive, tailored mix of capital, services and infrastructure to its start-ups. IItem3 takes a strong hands-on management role that is underpinned by its experience and understanding of the business development process for high-tech start-up firms. It graduates its investees within a 12–24 month timeframe through a pre-determined process that may include securing follow-on investment, trade sale or sufficient cashflows through product sales.

The IItem3 management team has extensive experience in the fields of technology commercialisation and development of start-up businesses. They are supported by a wide range of professionals in the areas of technology, business development, marketing, finance, intellectual property and law.

IItem3 encourages applications from candidates throughout Australia and has developed methods for delivery of its incubation processes to regional New South Wales and other states without the requirement for relocation to Sydney.

#### **Activity levels**

	<b>2001–02</b>
Number of applicants	103
Number of incubatees	4
Number of graduates	2
Withdrawn	0

## **Graduate summary**

### **MYstaff Pty Limited**

*www.mystaff.com.au*

Mystaff reduces the cost of paper-based HR management systems. It provides a fully developed, world-class HR business solution for the rapidly growing SME market. Using its Employee Communication Management (ECM) technology MYstaff provides a flexible workflow system to carry out the end-to end electronic processing of employee documents related to HR processing.

MYstaff joined the IItem3 incubation program in November 2000, and after 19 months of development, graduated in June 2002. During this period, IItem3's investment of capital, services and infrastructure has enabled the company to re-engineer the MYstaff product, build a management team around the founder Chief Technical Officer, launch the product into the market and install a number of customer reference sites. The company is now in the process of raising additional capital to ramp up sales and explore international channels to market.

### **Xylogy**

*www.xylogy.com*

Xylogy reduces the hidden costs in software engineering projects by providing tools for IT and engineering project management. It has successfully released its first standard product providing an integrated change management and task tracking system for the support of legacy IT systems. In addition to providing a tool to manage the specific functions, it integrates process and procedures with comprehensive metrics. Initial customers include Sydney Water, Raytheon Australia and Sydney Airport Corporation.

Xylogy has now raised an additional \$500 000 of investment over and above the BITS funding. It has also invested over \$600 000 on R&D and is targeting strong sales growth in both Australia and internationally in 2003.

### **Case study: Avolution Pty Ltd**

*www.item3.com.au/news\_24.htm*

#### **The company and the product**

The product, known as *ABACUS*, is a suite of tools that assists in building and evaluating complex computer systems. Its key feature is the provision of methods for evaluating and engineering the 'openness' and 'evolvability' of computer systems. These are critical characteristics that have not previously been measurable or able to be visualised in a model.

The ability to specify, design for and evaluate these characteristics is the subject of several patents. They represent the output of a long term, ongoing R&D program at University of Technology, Sydney (UTS) focused on the engineering of complex systems. Earlier partners in the R&D program included the Royal Australian Navy and the Submarine Corporation.

**The business opportunity**

*ABACUS* has potential in all large IT-user organisations in markets such as defence, telecommunications, infrastructure, airlines and finance.

**The incubation story**

ITem3 recognised the broader commercial application of the technology and established a company with members of the research team. ITem3's Director Investments, Geoff Bowker, is interim CEO for the early development of the business and expects to hand over to a full-time CEO prior to graduation.

Geoff and his research team piloted the technology in Insurance Australia Group (IAG) Information Systems (IS) and successfully demonstrated the technology's potential to aid multi-million dollar management decisions such as platform or product upgrades, product selection and system retirement. The company has now secured substantial product development funding from IAG IS. It is participating in further research with Alcatel and UTS and has won strong customer interest from a number of other major international users and strategic partners.

**The future**

The company is being set up for a trade sale within the next two years. Planning has commenced for sales and marketing. Alliance partnerships are under development and additional commercial staff are being recruited. The company will enter a revenue acceleration phase of incubation during next year.

## **Original IT Investments Pty Ltd – Northern Territory**

### **Overview**

**(BITS Incubator Program funding: \$5 million)**

#### **Consortium members**

- Nexus Energy Limited (formerly eNTITY1 Limited)
- Darwin International Textile Pty Ltd
- Northern Territory University

#### **Operations**

With its offices in the Darwin's central business district, Original IT Investments provides start-up companies with facilities near major business partners and potential venture capitalists.

The company was first incorporated as ITCINT Pty Ltd in June 2000, and renamed Original IT Investments Pty Ltd (Original IT) in June 2001 to better reflect the company's activities.

Original IT's overall approach to commercialising ICT ideas is to develop and graduate start-up firms by providing a range of services (accounting, IT support, legal, financial, management, marketing and R&D) and seed funding. Other support services offered by Original IT include office accommodation and services, mentoring of start up management and communications and promotions services.

The incubator's target is to admit about six start-up companies each year, with at least half of these companies becoming commercially successful enterprises. Original IT is currently supporting five start-up companies.

Original IT has strong business relationships with the following institutions:

- KMPG Chartered Accountants;
- Spamer Lawyer;
- DMR Consulting;
- Deloitte Touche Tohmatsu;
- Westpac Banking Corporation;
- Clayton Utz;
- Ernst & Young;
- Hallmark Computer International;
- IT Solutions NT;
- Hewlett Packard Australia Pty Ltd;
- Northern Territory University;

- Corporate Express;
- Treasury Funds Management; and
- Tsinghua University.

### Activity levels

	2001–02
Number of applications	21
Number of incubatees	6
Number of graduates	0
Withdrawn	4

### **Case study: SoundSafety Pty Ltd**

*www.sound-safety.com/*

#### **The company and the product**

SoundSafety’s innovative product is a hearing conservation management program from detection through to recording and reporting.

The two SoundSafety scientists who developed the product are specialist audiologists recognised as global experts in their field.

#### **The business opportunity**

There is an immense and growing market, nationally and globally, for hearing conservation products and services, but only a few companies who manufacture and distribute products. Current target markets are the mining industry, manufacturing, airports and defence.

Consultancy work has already commenced in mining and airports.

There are work health safety laws in developed countries, including Australia and the United States, which cover exposure to noise in the work place but no tools to back up the law. Soundsafety’s program aims to address this need.

#### **The incubation story**

SoundSafety Pty Ltd was incorporated in July 2001 as a client in Original IT Investments Pty Ltd and has grown as a company to be ready for commercialisation by December 2002—an 18 month period from concept.

The principals (both Directors) of the company were employed as audiologists in the Northern Territory and are committed to a product that aims to minimise the avoidable damage done to human ears by exposure to noise. Along with the development of SoundSafety the company, the two research scientists have learned a range of business skills from strategic planning to contract negotiation to governance.

Original IT Investments owns the 40 per cent equity in SoundSafety Ltd with the remaining equity residing with two Directors.

**The future**

SoundSafety is in the process of setting up a testing and assembly facility for its product. The first batch of Personal Protection Equipment (PPEs) aimed at Australian markets with distribution/licensing deals for the United States, the United Kingdom and Europe being evaluated.

Additional markets in the music industry, construction, and transport are being determined.

## **Playford Capital Pty Ltd – South Australia**

### **Overview**

**(BITS Incubator Program funding: \$10 million)**

#### **Consortium members:**

- The Playford Centre
- Ngapartji Pty Ltd

#### **Operations**

The Playford Centre was established by the South Australian Government and EDS in 1997 and has invested over \$6 million in 24 businesses.

Playford Capital Pty Ltd, a subsidiary of the Playford Centre, commenced business as South Australia, and became a BITS incubator on 10 April 2001. In September 2001, the name was changed to Playford Capital, to better leverage the Playford Centre brand. Still owned jointly by Playford Centre and Ngapartji, Playford Capital will be the brand name used by the Centre for its BITS investments and related activities.

Playford Capital is responsible for the management and administration of the fund with the consortium members providing business development support services to clients. Consortium members act as ‘sponsors’ for incubator clients and meet monthly to discuss management progress, client progress, performance etc.

Playford Capital’s investment funds are sourced from the BITS Incubator Program while their operating expenses are principally met through funding and in kind services provided by the Government of South Australia, EDS Australia, Microsoft, Oracle, Sun Microsystems and Dell.

#### **Activity levels**

	<b>2001–02</b>
Number of applications	37
Number of incubatees	9
Number of graduates	2
Withdrawn	0

#### **Graduate summary**

##### **Simply The Best.com.au Pty Ltd**

*www.simplythebest.com.au*

Simply The Best (STB) has invented a hands-free headset for mobile phones that greatly reduces the amount of radiation conducted from the handset to the head. Independent research commissioned by STB has shown that its RF-Block headset reduces 97 per cent+ of the radiation emitted by mobile phones.

STB required seed capital to develop market channels and to fund initial production. Playford Capital investment is being used for these purposes.

STB have distributors appointed in Australia and overseas and are working to promote the product to encourage pull through these established channels.

### **STAG Pty Ltd**

*www.stagptyltd.com.au*

STAG Software has developed STAGPlus, which bridges the divide between the cost-effective benefits of online trading and access to a powerful technical analysis tool. Whilst this easy-to-use software package is process driven, it is also adaptable to the individuals risk profile or trading style. Traders using it can also quickly validate its assumptions and performance with the inbuilt audit function, access to the technical formulae and up to 20 years historic performance data for some stocks.

Playford Capital has made an initial investment in STAG Software to help distribute the concept model of STAGPlus throughout Australia. Playford has also assisted STAG Software to set up strategic alliances in the IT industry, adding credibility to the STAG Software name and enabling the company to successfully promote the product to its target market.

### **Case study: DSpace Pty Ltd**

*www.dspace.com.au*

#### **The company and the product**

DSpace Pty Ltd was originally established as a specialist satellite-engineering consultancy and subsequently moved into the development of commercial products.

DSpace's key innovation is the integration of turbo coding and other leading-edge signal processing techniques into mobile satellite terminals. These provide significant reductions in power requirements, allowing more reliable transmission, greater coverage for radio systems, smaller antennas and increased battery life.

#### **The business opportunity**

DSpace has designed a device that exploits the large amount of latent communication capacity in many satellites, enabling them to deliver low-cost fast Internet access via satellite.

This has the potential to open up new markets for Internet access including commercial marine and pleasure boats, cars, emergency services, geological survey teams, and remote travelling business users and journalists.

**The incubation story**

Playford assisted DSpace with market research and with preparation of their business plan, investment memorandum and investor pitch. Playford invested \$250 000 against an aggressive set of performance milestones, culminating in demonstration over a live satellite link of DSpace's groundbreaking technology. The investment by Playford enabled DSpace to demonstrate the viability of its world-first satellite communications innovation. This in turn allowed DSpace to secure a subsequent \$5 million investment by a consortium including venture capitalists from Brisbane and Perth together with Playford Capital.

**The future**

DSpace expects to ship the first of their low-cost high-speed satellite access products in late 2002.

## **Intellinc Pty Ltd – Tasmania**

### **Overview**

This incubator is funded separately by the BITS Intelligent Island Program.

### **Consortium members**

- Item3 Pty Ltd
- KPMG (Tasmania)
- University of Tasmania

Hobart headquartered Intellinc, Tasmania's \$8 million ICT incubator, a part of the Intelligent Island Program, signed the Grant Deed on 29 May 2001. Intellinc was officially launched on 24 August 2001 and announced its first incubatee, Giftspeak Pty Ltd, on 9 October 2001.

Designed to complement Tasmania's existing ICT infrastructure, Intellinc is a management services incubator providing incubatees with a personalised combination of management systems, using physical and virtual facilities and infrastructure. This enables Intellinc to service all Tasmanian cities and regional centres.

Intellinc operates by providing office space, equipment, mentoring assistance and capital to businesses just getting started and will work with start-ups in the ICT industry and with non-ICT firms using ICT as a major business enabler. Intellinc will also take an equity position in its incubatee companies, backing its judgement on the soundness of their proposal.

Intellinc will incubate its client companies for up to two years under one of two incubation systems. In the first system, Intellinc takes primary responsibility for business development by allowing the founder to remain focused on further technological development. In the second system, Intellinc supports entrepreneurs in their business by assisting them to source technology on an as-needed basis.

Through KPMG Tasmania and IItem3, Intellinc has established a number of strategic alliances with local, national and international firms. These alliances bring finance, information technology infrastructure, intellectual property support, recruitment and training services to Intellinc.

The University of Tasmania is contributing its state-wide R&D capability, expertise and training facilities and making a facility available to house the incubator adjacent to its Sandy Bay campus.

Intellinc expects to incubate between five to seven new clients a year, with up to 12 companies in a steady state of incubation.

### **Activity levels**

	<b>2001–02</b>
Number of applications	57
Number of incubatees	6
Number of graduates	0
Withdrawn	0

### **Case study: SmartVisit Solutions Pty Ltd**

*www.intellinc.com.au/investment/svs.htm*

#### **The company and the product**

Smartvisit Solutions (SVS) is developing smart solutions for the tourism industry by:

- developing tourism products that improve the impact of destination marketing; and
- providing solutions to the travel trade that improve their market intelligence and the efficiency of their operations.

The company introduced the **seesydneycard** (*www.seesydneycard.com*) in October 2001 and expanded it to **See Sydney & Beyond Smartvisit™ Card** in May 2002. The **See Tasmania Smartvisit™ Card** (<http://www.seetasmaniacard.com>) was launched in November 2002.

#### **The business opportunity**

The company's core business is focused around the creation of tourism destination products and creating technology that will automate processes within the tourism industry.

Destination marketing products

- Providing visitors with unlimited and free entry into attractions/points of interest and other benefits.
- Providing co-operative marketing programs.
- Providing tailored, branded, single price smartcard products.

Transaction processing services

- Focussed on replacing a paper based administration and payment process with a fully integrated electronic and automated system.
- Utilises smartcard technology to capture sales, transaction and customer data.

#### **The incubation story**

SVS commenced operation during 2001 and was introduced into incubation in April 2002. Intellinc and ITem3 have actively worked with SVS to provide a range of tailored services including:

- provision of office accommodation, infrastructure and support services in Hobart;
- IT strategy and operational support;
- assistance with the establishment of programs, procedures and corporate governance standards;
- strategic advice and direction; and
- introduction of networks and strategic partners within Tasmania, including State Government, Tasmania's Department of Tourism, IT developers and tourism operators.

Intellinc and ITem3 have committed \$450 000 to assist SVS in its development stage.

**The future**

The business is developing leading-edge technology that is at the forefront of world-wide tourism. The company represents an opportunity to develop and provide a technology solution for export to a very large world wide tourism industry.

SVS released the See Tasmania Card in November 2002 and See Cards are in the planning stage for other destinations.

New releases of the SVS Automated Operating System will also occur late in 2002, coinciding with the introduction of SVS integrated automatic processing system between SVS, sales agents, tourist attractions and consumers.

## APPENDIX A – INCUBATOR CONTACT DETAILS

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