



Stone and Chalk Limited

ABN 29 603 489 229

Annual Report 2020-21



Table of Contents

Chair's Statement	3
Company Overview	4
The Year in Review	6
Impacts of the Covid-19 Pandemic	7



1. Chair's Statement

The Australian startup ecosystem has continued to show incredible resilience in the face of significant adversity. The arrival and subsequent spread of the COVID-19 pandemic from early 2020 onwards has had a substantial impact on the Australian community and economy.

Except for a small group of ventures supporting the pandemic response, and those in related sectors such as cyber security, most Stone & Chalk residents and alumni have experienced considerable impact to their business models and significant declines in revenue. However, residents and alumni continue to adapt to the ever-changing conditions, demonstrating determination and courage through their resilience and innovation. Despite the difficult circumstances, several of our residents achieved successful capital raises and continued to grow.

Two of our largest residents, Nano and BeforePay, graduated from the Sydney Startup Hub. When they joined, both organisations had less than five employees. At graduation, they had increased their footprint to 62 and 32 employees respectively. Both organisations had significant capital raises during the financial year. Resident Paytron also commenced with two employees and has grown to 20 employees, raising over \$4 million over the course of their journey.

During these difficult and uncertain times, Stone & Chalk continued to work closely with the Australian Government. Partnerships with government remain a strategic imperative for the organisation, as evidenced by the announcement of the merger with the Australian Cyber Security Growth Network – the Australian Government funded not-for-profit growing Australia's cyber security industry.

Furthermore, we opened a dedicated space industry hub, co-located with the Australian Space Agency, at Lot Fourteen in our Adelaide Innovation Hub.

Our acquisition in the previous financial year of Ribit from CSIRO's Data61 also provided workforce development capability that enabled us to work with the Victorian Government to develop the Pivott platform, matching job seekers with opportunities in the startup sector.

Throughout the year, we have continued to develop our ecosystem, including joining several key government taskforces and working groups, to advocate for small business and shape the startup and scale-up landscape.

The year ahead will no doubt bring further challenges and be full of uncertainty and ambiguity. But we are also confident there will be emerging opportunities. Our commitment at Stone & Chalk is to continue to shape the future, bringing together the best in the ecosystem to support Australia's most innovative companies and drive employment, productivity, and positive outcomes for the nation.

Leona Murphy
Chair, Stone and Chalk Limited



2. Company Overview

We identify, nurture, connect and propel those who are seeking to solve the world's most pressing business and social challenges. We are committed to being a catalyst for domestic and international commercial success, targeting emerging technology startups and scale-ups and offering curated communities and flagship programs.

We have established a rapidly growing Impact Network™, with both national and international reach across all emerging tech industries, driving growth and strong commercial outcomes. It encompasses:

1. our emerging tech founders;
2. our corporate and government partners; and
3. our select group of mentors, subject matter experts and investors.

To be successful, we want to become the trusted 'go-to' in Australia for all stakeholders – whether it is to invest, win customers, attract talent or solve complex problems.

Our Impact Network™ is a curated network of corporate, industry and government partners, influencers, stakeholders, founders and subject matter experts that coalesce under the Group's brand.

Impact Network™ positions us as the landscape orchestrator – from the initial crafting and creation of the network to the facilitation of the important connections within it. We are the facilitator, shaper, agent and crafter – with oversight across all touchpoints, stakeholders and determinants of growth. Being a participant in our Impact Network™ gives access to this whole landscape of opportunities.

We continue to provide awareness of our 5-pillar value proposition for our residents, providing:

- access to customers,
- access to capital,
- access to talent,
- access to expertise, and
- access to community.

Stone & Chalk has continued to evolve the value proposition for partners, including corporate and government organisations. We continue to enable organisations to deliver effective innovation outcomes through the harnessing of both internal expertise and external technologies. We help equip teams with the awareness, skills, insights and impetus to solve real business and customer problems with the latest emerging technologies. We leverage our extensive corporate innovation experience to identify culture and process blockers, and our deep startup/scale-up experience to source the most promising solutions to deliver lasting value.



Through strategic guidance, support in the design, and direct involvement in the execution of partnership engagement plans, we offer support to make a tangible difference in a company's innovation and venturing maturity through:

- diagnostic assessments;
- board and leadership coaching;
- mindset, culture and capability uplift programs and coaching;
- startup/scale-up and emerging technology readiness;
- skills, education and training;
- scouting, identification and brokering of mutually beneficial partnerships and collaborations;
and
- piloting and integration of solutions.

3. The Year in Review

Expansion through a merger

During the year, Stone & Chalk merged with the Australian Cyber Security Growth Network (also known as AustCyber – an Australian Government funded Industry Growth Centre), through a Deed of Integration executed on 5 February 2021.

Under this Deed, AustCyber became a wholly controlled subsidiary of Stone & Chalk Limited, whereby its previous Members, Mr Douglas Elix AO and Mr Adrian Turner, also Co-Chairs of AustCyber, resigned and Stone & Chalk Limited became the sole Member with the Member holding a supermajority voting right. The required notifications to ASIC were prepared and lodged in March 2021.

The merger was a strategic move to achieve increased scale and national impact for both organisations. Almost every part of Australia's economy is digitally geared, and the impact of the global pandemic has accelerated the digitisation of businesses, large organisations, and governments. The speed at which this has occurred has brought both significant risk and great opportunity.

The COVID-19 pandemic has highlighted the need for domestic capability in critical areas, particularly with regards to technology. We have seen that these vulnerabilities affect a wide range of industries and our daily lives. This touches everything from the integrity of our goods and services, like food and water, to producing high-growth companies that provide meaningful work opportunities, and national security entities that are tasked with protecting Australia's interests. All of which supports our sovereign industrial capability.

It is both the risk to, and opportunity for, Australia that has brought Stone & Chalk and AustCyber together. Our shared purpose is to identify, select, nurture, and propel emerging technology companies which are strategically significant to Australia's national interest.

Our merged company is driving sophisticated growth programs, ensuring competitive capabilities in areas such as cyber security, space, defence, fintech, health and critical infrastructure. Our work will help further Australia's national interest by focusing on national and economic security. Furthermore, this will all be delivered within a financially sustainable business model.

The integration also helps both organisations:

- achieve their strategic goal to establish a sovereign investment fund;
- accelerate their ability to respond to industry need for sophisticated growth programs;
- provides Stone & Chalk with an extended national footprint, along with deeper relationships with the federal government; and
- assists AustCyber to successfully transition from a government-funded Industry Growth Centre to a revenue driven service provider.

A new three-year business strategy has been developed in order to position the Group of companies to take advantage of emerging opportunities within the market and in Australia's recovery from the COVID-19 pandemic.



Impacts of the COVID-19 pandemic

All three Stone and Chalk hubs (with Adelaide to a lesser extent) were impacted by COVID-19 lockdowns and significant attrition in residents over these periods and beyond.

We are grateful for the assistance provided by the NSW, VIC and SA governments over this time, who provided various levels of rent abatement to assist our residents. This included securing rental relief at our three Innovation Hub locations in Sydney, Melbourne and Adelaide, which was passed onto residents in the form of discounted and deferred rental.

Stone & Chalk was also eligible for Federal Government assistance through the JobKeeper, Payroll Tax Relief and Cash Flow Boost programs.

Deepening of partnerships with government

Throughout the year, we strengthened relationships with the Australian Government to drive increased industry development and enhanced job creation opportunities, capital investment in startups and scale-ups, and retained benefit for the nation. This was done through partnerships with the:

- Commonwealth of Australia – Cyber Security Industry Growth Centre (AustCyber)
- ACT Government – Cyber Security Innovation Node in Canberra (AustCyber)
- Queensland Government – Cyber Security Innovation Node in Brisbane (AustCyber)
- South Australian Government – Innovation Hub at Lot14 (Stone & Chalk); Cyber Security Innovation Node in Adelaide (AustCyber)
- Sunshine Coast Regional Council – Cyber Security Innovation Node in Maroochydore (AustCyber)
- NSW Government – Sydney Startup Hub (Stone & Chalk); Cyber Security Innovation Node in Sydney (AustCyber)
- Tasmanian government – Cyber Security Innovation Node in Launceston (AustCyber)
- Townsville City Council – Cyber Security Innovation Node in Townsville (AustCyber)
- Victorian Government – Innovation Hub (Stone & Chalk)
- Western Australian Government – Cyber Security Innovation Node in Joondalup (AustCyber)



4. ANNEX A: Directors Report (see separate document)
5. ANNEX B: General Purpose Financial Report
6. ANNEX C: Auditor's Completion Report
7. ANNEX D: AustCyber's Annual Report 2020-21



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