



Australian Institute
for Commercialisation

2003-2004 ANNUAL REPORT

DRIVING COMMERCIALISATION OPPORTUNITIES IN THE R&D SECTOR



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THE AUSTRALIAN INSTITUTE FOR COMMERCIALISATION

The Australian Institute for Commercialisation (AIC) is an independent, not-for-profit company dedicated to maximising the economic and social returns from Australian research and development, particularly publicly-funded R&D.

The AIC is a national organisation, established in 2002 with funding from the Queensland Government's 'Smart State' Initiative with the aim of being self-funding by 2007. The AIC enjoys the support of Commonwealth, State and Territory government agencies, industry and the R&D community.

The AIC is a catalyst for the development of Australia's commercialisation capacity. It does not duplicate existing commercialisation services or initiatives, but works with government, research organisations, small business, industry and service providers to help build the networks, scale and linkages needed to drive commercialisation success at the national level.

Working with

- government
- industry groups
- service providers
- research organisations
- start-up companies and small business
- individuals

To identify and grow commercialisation opportunities

- identifying, harnessing and sharing scarce commercialisation resources and know-how at the national level;
- providing commercialisation support and guidance; particularly in the critical early-stages of commercialisation;
- developing and delivering commercialisation education and skills programs;
- facilitating stronger networks and collaboration between the R&D sector and industry;
- assessing and advising on Australia's overall commercialisation performance.

OUR MISSION

To work with Australian research organisations and industry to maximise the returns from Australia's investment in R&D



OUR VISION

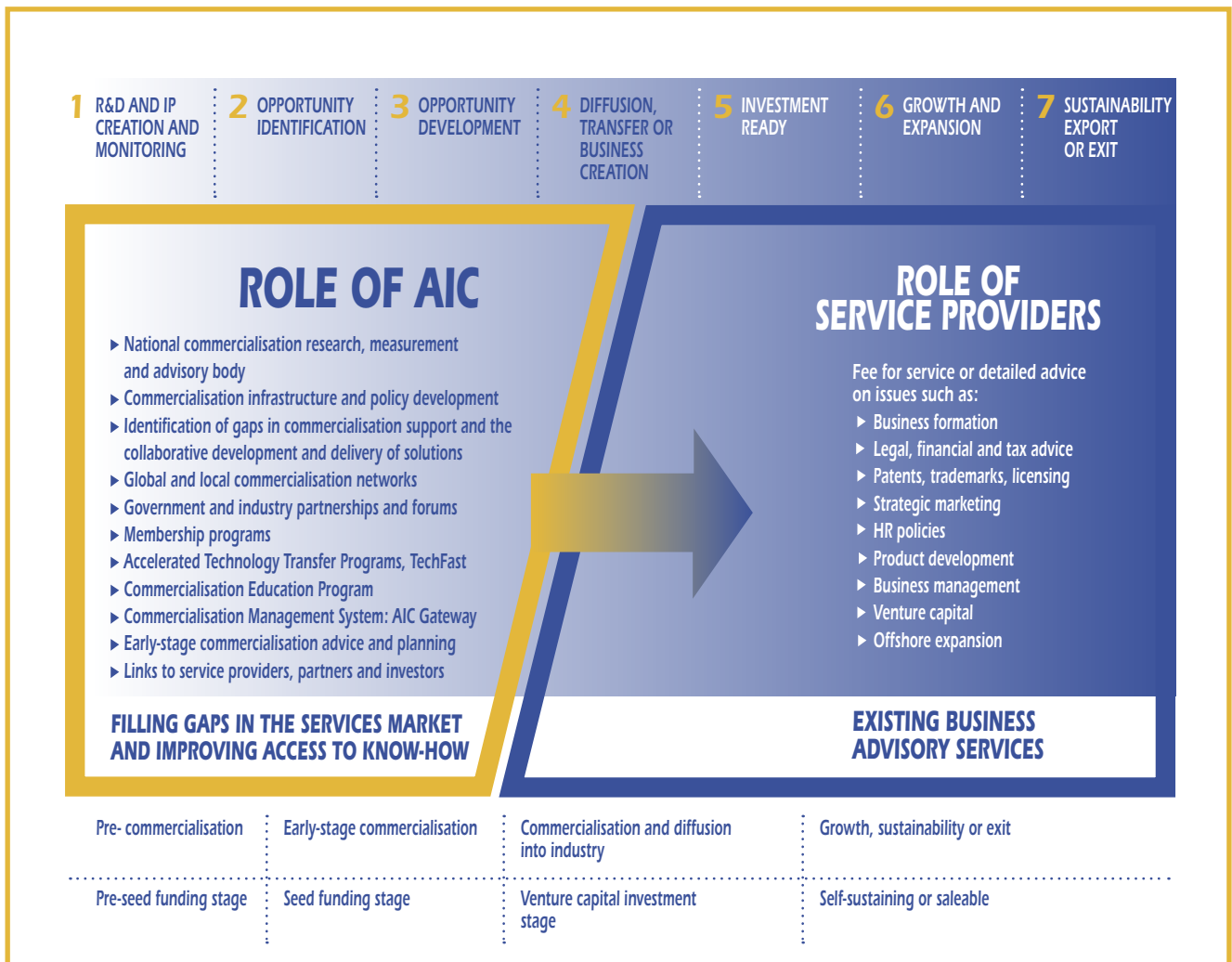
To foster enhanced economic growth, jobs and lifestyles for Australians by improving the commercialisation of Australian R&D



AIC'S ROLE IN THE COMMERCIALISATION LANDSCAPE

The AIC is a catalyst for the development of Australia's commercialisation capacity. It does not duplicate existing commercialisation services or initiatives, but works with others to:

1. address gaps in commercialisation support services
2. build the networks, scale and linkages needed to drive commercialisation success at the national level.



PERIOD OF INTENSIVE GROWTH AND STRATEGIC ALIGNMENT

to ensure that AIC's resources, services and products continue to constructively address fundamental gaps in commercialisation infrastructure and support for R&D-based organisations in Australia.

POLICY AND RESEARCH

to measure commercialisation progress and to address key issues such as the effective management and commercialisation of Australian IP, early-stage funding gaps, and the future structure and commercial orientation of Cooperative Research Centres.

EXPANDED FUNDING BASE

as part of the AIC's aim to be self-funding by 2007.

ESTABLISHED A MEMBERSHIP PROGRAM

as a way of delivering ongoing and tailored commercialisation support to a range of Australian organisations.

DEVELOPED AND LAUNCHED THE AIC GATEWAY

, an on-line Commercialisation Management System that provides R&D-based organisations and government with the information, tools, templates and support to assess and develop commercially-viable ideas, discoveries and technologies.

INTRODUCED AND PILOTED AIC TECHFAST

, a technology transfer program that accelerates the commercialisation and transfer of R&D into industry by incubating new R&D within promising small businesses.

PROVIDED COMMERCIALISATION EDUCATION TO OVER 450 PEOPLE

in the R&D, innovation and commercialisation sectors. Jointly established the Australian Centre for Commercialisation Education with Melbourne University Private.

LAUNCHED EXPATRIATECONNECT

website and matching service to recognise, capture and share the international business expertise of Australian expatriates with Australian organisations seeking to expand into overseas markets.

INTRODUCED MARKET RESEARCH SERVICE

, providing global market intelligence for resource-poor, early-stage commercialisation projects and start-up companies.

ESTABLISHED KEY STATE AND NATIONAL PARTNERSHIPS

with research organisations, industry bodies, government agencies and service providers to facilitate the development and sharing of leading practice in commercialisation throughout Australia.

CHAIRMAN'S REPORT

Australia's economic performance in the past decade and a half has been exceptional. To maintain and enhance this performance requires a concerted effort to raise Australia's business spending on R&D and to greatly improve the efficiency with which publicly-funded R&D is converted into commercial and economic outcomes.

AIC's policy proposals and program activity focus on the conversion process, although we do note that at present the inputs into the conversion process are also below par. For example, Australia's overall spending on R&D at 1.62% of GDP is already lagging well below the OECD average of 2.33%, and some competitor nations are expanding their spending in this area noticeably faster than Australia. R&D spending by business is especially deficient at 0.79% of GDP which ranks Australia 14th in terms of business R&D expenditure as a percentage of industry added value.

As a study sponsored by the AIC in 2003 showed, this deficiency in R&D spending is a major reason why Australia scores a relatively low 17th in the latest measures

of the innovativeness of nations. We consider that Australia's disappointing rating as an innovative nation will, if not quickly corrected, translate into a far lower ranking as a competitive nation.

All commentators are agreed on one thing: when it comes to commercialisation outcomes, public spending on R&D is far less efficient than business spending on R&D, and it is only through business involvement that public spend on R&D can deliver direct economic returns.

Another study commissioned by the AIC in 2003 showed two things. The first is the generally encouraging recent trends (from a low base) in measures of the economic outcomes from public spending on R&D. The second finding was to illustrate the considerable potential gain in exports, jobs and value creation from a continuation and acceleration of these recent improving trends. See *Figure 1*.

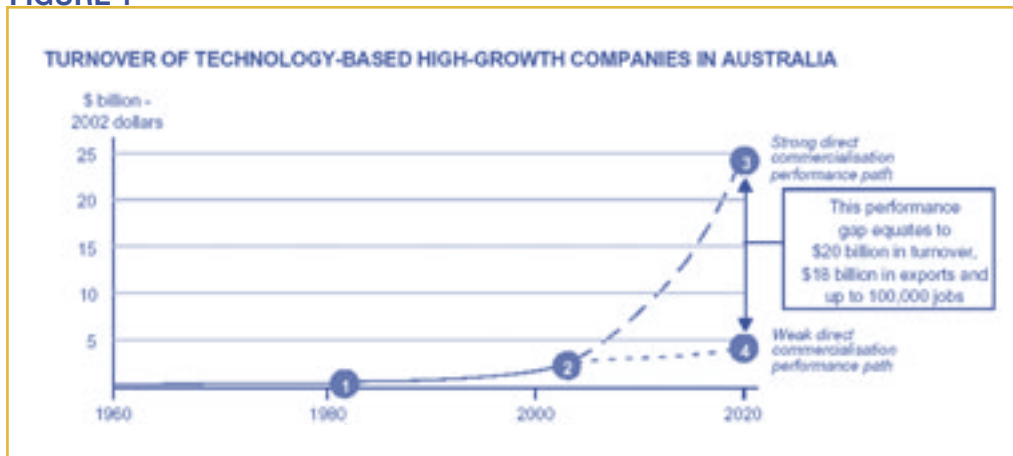
Policy initiatives require continuity and consistency

Policies to encourage innovation take a long time to bear fruit. It is therefore vital that policies be consistent and applied consistently over time. A prime example of a consistent, bipartisan policy in this area is the creation of Cooperative Research Centres (CRCs). The first of these was funded in 1991 and so far around 120 have been created, with some



DR PETER JONSON
AIC Chairman

FIGURE 1



Source: *The Economic Impact of the Commercialisation of publicly-funded R&D in Australia*. The Allen Consulting Group, Sept 2003.

CHAIRMAN'S REPORT (cont.)

71 (in 2004) still operating. The ninth selection round is currently underway. The CRC movement is widely regarded as a great success – its chief characteristic is the way in which it encourages the close interaction of business and research institutions, and there is an increasing focus on achieving commercial outcomes.

The reduction of generous R&D tax concessions in 1996 is an example in which continuity and consistency has not been followed, and it is no coincidence that there was a major reduction in Australia's ratio of business R&D spending to GDP in the wake of this change. However, fostering innovation entails more than providing tax incentives, and more successful initiatives in this area followed under the general heading of Backing Australia's Ability BAA(I). The first such initiative added programs of around \$3 billion over five years, and the announcement in 2004 of a new funding round amounting to \$5.3 billion over the five years from 2005 is very welcome. Particular Federal programs such as Commercialising Emerging Technologies (COMET) and the R&D Start Program are generally regarded as successful and have been maintained and strengthened under BAA (II). Where these programs could be improved however, is in better addressing the innovation system as a whole, and better linking research organisations with industry.

What remains to be done?

Success in economic policy, as in any worthwhile endeavour, requires consistency and continuity, but it also requires willingness to consider weaknesses in existing approaches and improvements to existing policies. It is the AIC's considered judgment that although the barriers to more effective commercialisation are well known, there

is not broad agreement and action to overcome these barriers. We discuss our views on how Australia could do better under three headings.

Connectivity

‘The biggest challenge is to establish stronger linkages between the research sector and business.’

Links need to be strong in both directions: ‘IP push’ from the research agencies and ‘demand pull’ from business. We note the strong efforts of CSIRO and other major research agencies to interact with business; these activities need strong encouragement by the relevant boards of directors.

Universities have established commercialisation offices, but generally they are inadequately staffed, are not regarded as especially important within the academic pecking order, and lack scale. The AIC strongly endorses the establishment of a ‘third stream’ objective – ‘assistance to industry’ – for Australia's universities, following the successful UK example. A separate funding stream will probably be needed for this activity, but we believe that far more could be done with existing resources if universities were willing to pool resources on a regional or disciplinary basis so as to be able to afford far stronger commercialisation efforts with existing funding.

There is considerable ‘reinventing of the wheel’ between commercialisation offices, even at universities located in the same cities. The AIC believes there is a strong case for consolidation to help build scale. It has been put to us that universities could achieve this with existing resources.

CHAIRMAN'S REPORT (cont.)

But we observe that when herding cats, it helps to have a feed bowl.

Research institution commercialisation offices seek to place their research in industry – 'IP push'. Finding ways to overcome market failure in helping industry – especially small and medium enterprises – connect with relevant research, is a separate challenge – 'demand pull'. With Queensland funding, the AIC has already established a program known as TechFast to provide exactly this connectivity. It provides 'market pull' instead of 'technology push' to the current commercialisation system for publicly-funded R&D. This initiative needs replication throughout Australia if we are to significantly raise the efficiency of converting existing public R&D spend into commercial outcomes.

The AIC has also in 2004 established greater connectivity with Australia's many expatriates via our 'ExpatriateConnect' program. Australia's expatriates are often willing to assist in establishing the global market potential of Australian inventions and to facilitate introductions leading to commercial outcomes. This program will require serious funding if it is to achieve its full potential. We note in passing that the serious tax barriers to expat Australians returning home deserve careful analysis and policy response.

Knowledge and skills

'Australia has no strong traditions in turning R&D into business.'

Partly this reflects cultural issues that are gradually being overcome. Australians now need to see this as a worthy activity, as valuable in its own way as the work of a leading scientist, or for that matter, the work of the CEO of a major traditional company. While there are far too few Australians

with experience and skills in the commercialisation of science and technology, many of those with such experience live and work overseas, which is why the links to expats need to be fostered. We have run highly successful 'Bootcamps' for young scientists and technologists, and we have begun to foster the relevant education of company directors. We consider that there is considerable unfinished business in this domain. We also note in passing that there are a number of issues involving incentives, including the taxation treatment of shares and options in start-up enterprises, that deserve attention by government.

The AIC has also developed and provided to its members, tools to assist in the management and evaluation of new, technically-based, ideas and concepts. This too is an area where concentrated attention from leading academic thinkers, company directors and policy-makers could yield large dividends.

Assessment

'There is no general agreement in Australia of the potential value of additional spending on R&D.'

Why else would Australia lag in the international league tables in this area and in R&D spending by business sector in particular? There is also little study on the economic impact to Australia of globalisation, in which many small Australian start-ups must move offshore to attract the larger pools of venture capital required for their growth. We strongly urge that the lack of assessment be remedied by the engagement of the finest academic, business and policy thinkers in this subject.

CHAIRMAN'S REPORT (cont.)

The UK has recently announced a major increase in its programs in this area, and in the UK this initiative is led by the Chancellor of the Exchequer. We believe the Australian Treasury should examine its UK counterpart's decision.

Australia's spending on R&D by business is well behind that in many countries. We ask 'What is it that business leaders in other countries believe that the leaders of Australia's companies do not believe?'

Lord Kelvin once said, 'If you can't measure a process, you can't improve it'. Existing measures of the outcomes of commercialisation focus on numbers of patents and licences, the value of licence income and numbers of spin-out companies. They also suffer from a considerable lag, with outcomes often not observable until many years after the inputs.

‘ We need far more general measures of value-added in this activity. When these are available they will show a highly satisfactory return to Australia's R&D spending so far. They will also show that there is much untapped potential. ’

Spending more on R&D in Australia, and greatly improving the efficiency with which this investment is converted to business outcomes is a major economic policy challenge. Success would provide a noticeable increase in Australia's sustainable rate of growth.

Dr Peter Jonson
Chairman

CEO'S REPORT

At the AIC we use the 'commercialisation' word each day. Yet only last month a leading business luminary pointed out that in all his time working in the US, he had never heard the word used once. He has a point.

In my own experience working in the US and Europe, the equivalent expression would be product development followed by business development. These are natural and implicit processes that companies undertake as part of their normal business. The processes start from a source of ideas, and provided these intersect with a business application and sufficient financial capital, are part of a natural lifecycle for companies to grow and prosper. 'Commercialisation' is indeed a contrived term in some sense, and in Australia at least, has come to represent to most stakeholders a specific form of product and business development, one typically driven by ideas that are sourced from a university, Cooperative Research Centre, or medical research institute. Such ideas are typically still seeking capital and perhaps even a market application.

If commercialisation is in fact a contrived process, why does it need an Institute of its own to encourage and help it to prosper? The answer is in two parts. Firstly, the process is broken. The principal mission of most universities and other research institutions is not to source ideas with immediate business application, and even if it were, it is rarely to set the technology transfer process in motion on their own. Secondly, the innovation system in Australia is not in balance. Our business expenditure on R&D is well below the OECD average, while government expenditure on R&D

(through universities and like institutions) is well above the OECD average. Such a system is therefore bound to rely on 'technology push' rather than 'market pull', and although occasional breakthroughs will result in home runs, efforts to sustainably incubate new technology in the absence of strong business demand will always be difficult. A national body can help highlight what needs to be done, and implement programs to catalyse the right sorts of activities to restore the equilibrium.

A simple SWOT analysis on Australia's innovation system would suggest industry policy should attempt to grow business by exploiting the nation's strength—its strong pool of publicly funded R&D. It should do so by facilitating the process through which ideas are transformed into businesses, by building scale on a national basis, and the soft infrastructure through which the stakeholders in product development can create new wealth. It is the role of the AIC to recommend such policy actions, and to build the soft infrastructure and scale by connecting stakeholders, and to provide the proper tools, skills, and processes to enable this to happen.

‘ In essence the AIC facilitates the triangulation of ideas, finance and business. ’

At the beginning of 2003, the AIC was still a start-up company. During the 2003-2004 fiscal year, the AIC developed a strong portfolio of its own intellectual capital, and an enviable capability and product portfolio to nurture the growth of new opportunities. As 2004 ends the AIC is moving into a more dynamic growth phase, as we ramp up delivery of much-needed services to overcome market failure and to catalyse fresh activity in essential areas. These strategies



DR ROWAN GILMORE
AIC Chief Executive Officer

CEO'S REPORT (cont.)

address the process of converting a technology or piece of intellectual property into an investible business proposition. In essence, the AIC facilitates the triangulation of ideas, finance, and business. The 2004-2005 year will be a crucial period for the AIC as we seek to cement existing relationships, increase our membership base, and ensure that the commercialisation skills and tools we deliver are successfully utilised by organisations. We will further reduce our dependence on direct support from the Queensland Government, by more directly engaging with other important stakeholder segments through our membership program, and in particular with research institutions across the country, SMEs, and service providers.

‘ The 2004-2005 year will be a crucial period... as we seek to cement our existing relationships, increase our membership base and ensure that the commercialisation skills and tools we deliver are successfully utilised by organisations. ’

In last year's annual report, we described the key barriers to commercialisation and implemented a structured program of activities to reduce the fragmentation along the commercialisation pathway, to improve the skills of stakeholders, and to analyse and benchmark the commercialisation process and innovation environment. We refer to these programs as AIC Connect, AIC Know-How, and AIC Assess respectively. In each of these I am pleased to report that we have achieved considerable progress. Elsewhere in this report, the success of our pilot TechFast initiative is described. TechFast promises to help restore balance to the innovation

system by working with technologically-receptive SMEs and assisting them to identify technology within research institutions from across the country to help them grow, and then assisting both parties to transfer the technology. With its 'market pull' and industrial incubation of R&D, this program promises to build linkages and skills, and to help remedy Australia's poor record in industry involvement in R&D. The recent promise of significant new funding from the Federal Government will help us extend this pilot to other States.

Key to building these linkages is for the AIC to draw itself close to every research institution in Australia. We are on the way with our membership program. AIC members are able to access the AIC Gateway (CMS), an on-line system that guides someone with an idea to understand the steps required to transform the technology into an investible proposition. Using a series of questions to prompt gaps in knowledge, the system provides a library of resources and services to fill those gaps so a Commercialisation Plan can be completed. The CMS is well on its way to becoming adopted as the de-facto standard for the commercialisation process. When coupled with AIC education programs such as our highly successful Commercialisation Bootcamp and Negotiating Technology Deals, researchers with an interest in the broader dissemination of their research are better prepared for their quest to attract investment.

Another key event for the AIC during the year was the launch of ExpatriateConnect in London by Australian Nobel Laureate, Professor Peter Doherty. ExpatriateConnect is a matching service that enables Australian start-up companies to seek and identify

CEO'S REPORT (cont.)

expatriates in specified industry sectors overseas who may be willing to assist them in their expansion strategy. With nearly one million Australians resident offshore, this concept has already captured the imagination of a number of States planning to use the product to service companies seeking to qualify opportunities in new markets.

The tasks that the AIC must undertake are immense and challenging. They include providing intellectual input and research into policy suggestions and development; securing the buy-in of stakeholders from across the country, including politicians, bureaucrats, academics, investors and business people; developing new web-based support tools to underpin the commercialisation process; hosting events to connect and enable people with diverging interests to interact; and delivering quality training and advice to support commercialisation planning and subsequent business formation. We have drawn upon the talents of both the AIC Board and staff to achieve this, and their determination, skills, and initiatives are evident in the organisation that the AIC is today. I thank them for what they have achieved to date.

‘ The support of the AIC’s backers, and in particular the Queensland Government, has been vital to the AIC in its development phase. They too should be congratulated for their foresight, vision and commitment. ’

As a closing thought, we should think back to 1976, and the Montreal Olympics. Australia won no gold medals that year. Nearly thirty years later, Australian athletes won a record haul that placed us fourth on the medals table, behind three countries each at least ten times larger. Montreal were the Olympics ‘we had to have’. The Australian Institute for Sport was created the following year. That institute has been able to do for sport what the AIC wants to achieve for R&D commercialisation.

Imagine. If we get it right, new high-growth R&D-based companies being incubated now could produce an extra \$20 billion per year in revenue by 2020, and help wipe out Australia’s trade deficit and create thousands of new jobs.

That would be an Olympian effort. Let’s hope we don’t have to experience a severe economic downturn to learn the importance of building Australia’s capacity to commercialise its knowledge. But rather than just imagine, let’s get behind and drive with the passion of an Olympian, the policies and programs that will propel us there! Thank you for your support.

Dr Rowan Gilmore
CEO



Australian Institute
for Commercialisation

AIC PARTNERS CLIENTS AND PEOPLE



AIC PARTNERS

The AIC is a national facilitator of commercialisation success in Australia.

Its role is to work with others to address the barriers to commercialisation, and in particular, to improve access to best practice commercialisation support, knowledge and skills. By partnering with others the AIC can leverage the support and expertise needed to effect change at the national level.

Partnering to build scale and address gaps in commercialisation support

The AIC has created an ever-growing network of partners in government, industry and the business services industry to build scale and address gaps in commercialisation knowledge, services and support nationally.

Over the past 12 months, the AIC has developed formal partnerships with the Queensland, Tasmanian and New South Wales Governments. It is currently negotiating similar partnerships with the Northern Territory and Western Australian Governments.

The AIC also works closely with industry groups, peak bodies and cluster groups at the local, state and national level. This year the AIC participated in joint initiatives with industry-based organisations such as:

- AusIndustry • The Innovation Exchange
- QMI • Business SA • Australian Industry Group • AusBiotech • Zernike and Brisbane Technology Park • e-Net Limited.

In particular, e-Net Limited is helping the AIC to develop a small business edition of the AIC's Commercialisation Management System, the AIC Gateway, available towards the end of 2004. QMI and Australian Industry Group have

supported the AIC in the development and delivery of its new accelerated technology transfer program, TechFast. Business SA has recently become a partner in the AIC's ExpatriateConnect Program, an on-line service that matches Australian organisations with expatriates or repatriates with international business expertise.

Service providers also play an important role in the activities of the AIC by helping to develop and deliver its commercialisation support services, share best practice and ensure that R&D organisations have access to reliable advice about specialist business issues such as management, finance, law and marketing. This year the AIC worked with service providers such as:

- Faulkner Technologies • BDO Nelson Parkhill Association Limited • Minter Ellison Lawyers • PriceWaterhouseCoopers
- Cullen & Co IP Group • Ashley & Munro Pty Ltd • McCullough Robertson • Gadens Lawyers • Walsh, Halligan and Douglas • Achaeus.

Faulkner Technologies has played a leading role in developing the AIC's on-line Commercialisation Management System (AIC Gateway), as have various service providers who have contributed to the development of the many templates, guides and checklists available through the AIC Gateway.

Partnering to deliver commercialisation training

Another example of how the AIC leverages commercialisation support and expertise through partnering is its work with individuals, specialists and education providers to develop and deliver its successful Commercialisation Education Program. Two key strategic partners in the AIC's Commercialisation Education Program are Melbourne University Private and the Technology Commercialisation Group. This year the AIC and Melbourne University Private established the Australian Centre for Commercialisation Education in Melbourne.

This year the AIC implemented two commercialisation support programs: membership and a number of early-stage commercialisation advisory services.

The AIC Membership Program will be implemented in stages. In early 2004, the AIC introduced its Membership Program for Research Organisations. Over the next six months the AIC will develop and implement two further membership programs for SMEs and individuals. Like the organisational membership program, these programs will provide SMEs and individuals with access to on-line and face-to-face commercialisation support, tools and templates. The SME and Individual Membership Programs will also include discounted access to training and other AIC commercialisation-enabling services, including opportunity assessments and market research and analysis.

Serving our clients

The AIC has been providing ongoing support and advice to organisations involved in commercialisation for two years now. This year saw the formalisation of this support and advice into a number of cost-effective early-stage commercialisation advisory services, including:

- commercialisation opportunity assessments;
- commercialisation planning;
- independent brokerage of projects or partnerships; and
- market research and analysis.

Clients who have benefited from these new services since they were launched in mid 2004 include:

- Australian Livestock Industries Development Corporation (ALIDC)
- BioChip Innovations Pty Ltd
- QlickSmart Pty Ltd
- Tasmanian Government
- Vortex Insect Control Holdings Ltd.



OUR BOARD

Dr Peter Jonson Chair

Dr Peter Jonson is a professional director and economist. He is currently Chair of the Australian Institute for Commercialisation and the CRC for Microtechnology. He is a Director of Village Roadshow Ltd, Sequoia Capital Management Ltd and Pro Medicus Ltd. In 2002 Peter served as Chair of the Biotechnology Centre of Excellence Expert Panel and in 2001 he was Chair of the Major National Research Facilities Committee. Peter was Chair of the Melbourne Institute's Advisory Board from 1992-2002 and is now Chairman Emeritus.

Peter held a number of senior positions as an economist with the Reserve Bank of Australia from 1972-1988. In his commercial career, Peter served as Managing Director and then Chairman of ANZ Funds Management, and Finance Director and then Group Managing Director of Norwich Union Financial Services Ltd. He is a Fellow of the Academy of the Social Sciences in Australia and the Australian Institute of Company Directors. Dr Jonson chairs the AIC Human Resources Committee and the AIC Policy and Best Practice Committee.

Mr Norman Ross Adler AO

Mr Norman Ross Adler (Ross) is currently the Chair of Austrade and Amtrade International Pty Ltd and a Director of the Commonwealth Bank of Australia Ltd. He is a former Director of Telstra Corporation Ltd. He was Managing Director of Santos Ltd and Deputy Managing Director of Australian Paper Manufacturers (now Amcor Ltd), Chairman of Containers Ltd and Brown and Dureau Ltd. He has held many other directorships and senior positions with publicly listed companies,

governmental advisory panels and business and community organisations. Mr Adler is a member of the AIC Policy and Best Practice Committee.

Professor Adrienne Clarke AC

Professor Adrienne Clarke is Laureate Professor at the University of Melbourne. She has held positions as Ambassador for Biotechnology for Victoria, Co-Chair of the Victorian Council for Knowledge, Innovation, Science, and Engineering, and Co-Chair of the Victorian Government's Science, Engineering, and Technology Taskforce. She was Lieutenant Governor of Victoria from 1997-2000. She was appointed an Officer in the Order of Australia in 1991 and a Companion in the Order of Australia in 2004.

Professor Clarke is the immediate Past-President of the International Society for Plant Molecular Biology. She has served on the Prime Minister's Supermarket to Asia Council and is a member of the Trade Policy Advisory Council. She was Chairman of CSIRO 1991-1996 and is a member of the Board of Directors of Woolworths Ltd, WMC Ltd, Fisher Paykel Health Care Ltd and the Committee for Melbourne. Professor Clarke is a member of the AIC Policy and Best Practice Committee.

Professor John Hay AC

Professor John Hay is currently Vice-Chancellor of The University of Queensland, and Chair of the Australian Universities Teaching Committee. He was formerly Chair of the Academic Board at the University of Western Australia, Dean of Arts and Deputy Vice-Chancellor, Monash University and Vice-Chancellor and President of Deakin University. In January 2004 Professor Hay was awarded a Companion in the Order of Australia (AC) in the Australia Day Honours List.

AIC PEOPLE (cont.)

Professor Paul Greenfield

Professor Paul Greenfield (Alternate for Professor John Hay) has been the Senior Deputy Vice-Chancellor, University of Queensland since 1997. He has been a Director of UniQuest since 1993, and Chair of the Technology Working Group Hazardous Wastes Committee since 1995. Professor Greenfield chairs the AIC Education Committee.

Sir Leo Hielscher AC

Sir Leo Hielscher has over fifty years experience in government, banking, finance, domestic and global financial markets, superannuation, and as an independent Company Director. He was the Under Treasurer of Queensland before his appointment as Chairman of the Queensland Treasury Corporation (Advisory Board) in 1988. In 1991, the Advisory Board became the Queensland Treasury Corporation Board and Sir Leo was appointed as inaugural Chairman. Sir Leo is Chairman of Austsafe Ltd, Independent Superannuation Preservation Fund and Chairman of Trustees of the General Douglas MacArthur Memorial Trust.

Sir Leo was awarded an Eisenhower Fellowship in 1973, a Knight Bachelor in 1987, an Honorary Doctorate of Griffith University in 1993, and a Companion in the Order of Australia (AC) in 2004. Sir Leo is a member of the AIC's Human Resources Committee and chairs its Audit and Risk Management Committee.

Mr John Read

John Read has over 20 years experience in commercialising innovation with extensive experience in identifying investee company management, risk analysis, initial public offerings, mergers and acquisitions, and shareholder relations across a broad range of industries. He is Chairman of The Environmental Group and a Director of CVC Private Equity Limited and CVC Sustainable Investments Limited and formerly Director, Commercial and Finance at the CSIRO.

Mr Read is a member of the AIC Human Resources Committee and also chairs the AIC Intellectual Property Committee.

Professor Malcolm Richmond

Professor Malcolm Richmond is a Professorial Fellow of University of Western Australia within the Faculty of Engineering, Science and the Graduate School of Business. He also advises Curtin University on commercialising its research. He has spent much of his career in the mining industry, including six years as Managing Director, Development, Hamersley Iron. Prior to that he held various senior roles in Rio Tinto, including Managing Director (Research and Development), Vice President (Strategy and Acquisitions), and Vice President (Business Planning). He was also General Manager (Commercial) for Hamersley Iron, Deputy Chairman AMIRA, Director SGS Australia and Magnesium International Ltd. Professor Richmond is also a member of the AIC Policy and Best Practice Committee.

Mr Ross Rolfe

Mr Ross Rolfe is currently the Chief Executive Officer of Stanwell Corporation and Chair of the Queensland Manufacturing Institute. He was formerly Director-General of the Queensland Department of State Development and the Queensland Government Coordinator-General. He is a Member of the Construction Queensland Board, the Industrial Suppliers Office (Queensland) Limited Board, the Queensland Advisory Committee for the Committee for Economic Development of Australia and the Council of the Queensland University of Technology and a Director of i.lab Incubator Pty Ltd.

Mr Rolfe is a member of both the AIC Audit and Risk Management and the Human Resources Committees.

Note

Mr Adler, Professor Clarke, Professor Hay, Sir Leo Hielscher, Professor Richmond, and Mr Rolfe are retiring at the end of their two-year term in June 2004.

OUR PEOPLE (cont.)

OUR STAFF

Dr Rowan Gilmore *C Eng BE(Hons) MSEE D SC*
Chief Executive Officer

Mr Garry Butler *M Econ*
Business Development Director

Ms Ruth Drinkwater *BSc MBA*
Product Development Director

Ms Kate Morgan *BA DipEdit*
Marketing and Communications Director

Dr John Kapeleris *BSc(Hons) GradDipMgt MBA*
D Biotech MASM AAIMM MAICD
Regional Commercialisation Director

Ms Anne-Marie Birkhill *BSc(Hons) MBA*
Associate Consultant

Ms Samantha Nixon
Office Manager

Ms Tara Young *BA(Hons) LLB*
Client Services Executive

Ms Lisa Martin *BBioMed Sc MBA(Hons)*
Product Development Executive

Ms Susan Tran *BBus(Hons)*
Research Officer

Ms Yvonne Cochrane
Executive Assistant to CEO

Ms Sally Parcell
Research Assistant/Secretary

Mr Dominic Poon *BBiotech Innov.*
Research Assistant

Ms Gemma Lynch
Receptionist and Administrative Trainee

The qualifications and experience of the AIC's core team span many disciplines and professions including: commercialisation (policy, research and practice), strategic management, entrepreneurialship, business, law, research, policy, science, engineering, education, marketing, business development, product development, client services and corporate administration.

OUR ADVISORS

Dr Robin Batterham AO
Chief Scientist,

Commonwealth of Australia

Professor Peter Andrews
Chief Scientist, Queensland

Mr Mike Hefferan
Executive Director, Queensland Department
of State Development and Innovation

OUR COMMITTEES

Audit & Risk Management

Sir Leo Hielscher AC *Chair,*
Queensland Treasury Corporation (Chair)

Mr Ross Rolfe *CEO,*
Stanwell Corporation Ltd

Mr Mike Hefferan *Executive Director,*
*Department of State Development
and Innovation*

Mr Michael Back *Managing Partner,*
Freehills

Dr Rowan Gilmore *CEO,*
The Australian Institute for Commercialisation

Ms Samantha Nixon *Office Manager,*
The Australian Institute for Commercialisation

Education

Professor Paul Greenfield *Senior Deputy*
Vice-Chancellor, University of
Queensland (Chair)

Ms Pamela Murray-Jones
General Manager National Education,
Australian Institute of Company Directors

Professor Adolf Hanich *Director,*
Australian Graduate School of Entrepreneurs,
Swinburne University

Mr Michael Quinn *Managing Director,*
Innovation Capital Associates Pty Ltd

Professor Edwina Cornish *Deputy Vice-*
Chancellor (Research), University of Adelaide

Professor Sandra Harding *Dean,*
Business School, Queensland University of
Technology

Mr Rob Muir *Director Business*
Development, Australian Nuclear Science and
Technology Organisation

Dr Rowan Gilmore *CEO, The Australian*
Institute for Commercialisation

Ms Ruth Drinkwater *Product*
Development Director, The Australian Institute
for Commercialisation

Intellectual Property

Mr John Read *Director, Continental*
Venture Capital Limited (Chair)

Professor Brad Sherman *Director of*
Australian Centre Intellectual Property in
Agriculture, Centre for IP Research,
Griffith University

Dr Adrian McCullagh *Senior Solicitor,*
Freehills

Professor Andrew Christie *Director*
IPRIA, University of Melbourne

Mr Rob McInnes *Principal,*
Spruson & Ferguson IP Services

Dr Greg Smith *Director, Sciventures*
Investments Pty Ltd

Dr Rowan Gilmore *CEO,*
The Australian Institute for Commercialisation

Ms Ruth Drinkwater
Product Development Director, The Australian
Institute for Commercialisation

Policy and Best Practice

Dr Peter Jonson *Chair,*
Australian Institute for
Commercialisation (Chair)

Mr Ross Adler AO *Chair,*
Amtrade International Pty

Professor Adrienne Clarke AC
Laureate Professor, University of Melbourne

Professor Malcolm Richmond
Professorial Fellow of University of
Western Australia

Dr Robin Batterham AO *Chief Scientist,*
Commonwealth of Australia

Dr Rowan Gilmore *CEO, The Australian*
Institute for Commercialisation

Human Resources

Dr Peter Jonson *Chair, The Australian*
Institute for Commercialisation (Chair)

Sir Leo Hielscher (AC) *Chair,*
Queensland Treasury Corporation

Mr Ross Rolfe *CEO,*
Stanwell Corporation Ltd

Mr John Read *Director,*
Continental Venture Capital Limited

Dr Rowan Gilmore *CEO, The Australian*
Institute for Commercialisation

Ms Samantha Nixon *Office Manager,*
The Australian Institute for Commercialisation

KEY OBJECTIVES AND RESULTS

KEY OBJECTIVES	RESPONSE	RESULTS
<p>Realise a measurable improvement in the rate and quality of new business start-ups from Australian ideas and technologies.</p>	<ul style="list-style-type: none"> • AIC's Education Program • AIC Events • TechFast (Accelerated Technology Transfer Program) • ExpatriateConnect free on-line service connecting expats with Australian business • development and introduction of early-stage assessment and planning services, including a market research service 	<ul style="list-style-type: none"> • average of two AIC commercialisation education courses per month, in partnership with five education partners • over 1600 expatriates and 200 businesses registered with ExpatriateConnect.com • four SMEs engaged in pilot of TechFast program • a growing client base of start-up companies and SMEs using early-stage assessment services
<p>Increase the realisation of value from intellectual property generated from Australian technology and research.</p>	<p>Awareness raising, research and skilling in intellectual property management, valuation and protection through:</p> <ul style="list-style-type: none"> • development of best practice IP management and commercialisation system • AIC Education Programs, including Commercialisation Bootcamps and Negotiating Technology Deals • industry consultation and research into IP practices • development of IP management guides, tools and templates • expert advice through the AIC IP Management Committee • ongoing development of on-line IP registry 	<ul style="list-style-type: none"> • white paper detailing leading IP management and valuation processes • deployment of AIC Gateway into member organisations • more than 20 Commercialisation Bootcamps held • over 100 participants passed through Negotiating Technology Deals course • AIC Gateway launched with on-line tools to manage and assess intellectual property • launch of AussieOpportunities.com, the AIC's public IP portal
<p>Participate in the achievement of a much greater contribution to Australian economic growth through the transformation of research and development into measurable business success.</p>	<ul style="list-style-type: none"> • help connect industry and research by building networks and soft infrastructure through AIC's services, products, workshops, forums and presentations • ongoing media campaign • ongoing commercialisation events and promotion programs 	<ul style="list-style-type: none"> • significant increase in stakeholder awareness and recall of the AIC brand and activities • extensive media coverage, with a spike in activity mid-June 2004. • regular coverage in major dailies and publications such as <i>The Australian</i>, <i>The Australian Financial Review</i> and <i>Business Review Weekly</i> • hosted and participated in 20 commercialisation events, including international events

KEY OBJECTIVES AND RESULTS (cont.)

KEY OBJECTIVES	RESPONSE	RESULTS
<p>Improve the value proposition to all governments and other investors in research and development by assisting to create an environment, culture and processes that increase investment returns.</p>	<ul style="list-style-type: none"> • Membership Program, featuring on-line Commercialisation Management System to guide users through the process of transforming a technology into an investable proposition • involvement with venture capital networks to deliver and promote 'pitching sessions' • development of a market research service to help scope invention and technology potential • promote AIC Education Programs and presentations to change culture • broker opportunities to build networks and partnerships to foster collaboration between industry and the R&D sector 	<ul style="list-style-type: none"> • on-line Commercialisation Management System installed in 12 R&D institutions up to mid 2004 and ongoing • Market Research Service launched and solid client base established • over 450 researchers passed through AIC Commercialisation Bootcamps
<p>Facilitate a strengthened network and improve support mechanisms for researchers, research organisations and service providers in commercialisation.</p>	<ul style="list-style-type: none"> • extensive local and global network of commercialisation specialists, government, industry bodies, business, service providers and research organisations 	<ul style="list-style-type: none"> • in two years, created network of 6900 contacts in commercialisation • quarterly meetings of Innovation Departments from all States • two Blue Sky Forums (industry briefings to R&D community) held • over 30 public presentations by AIC at seminars/public forums • Membership Program launched to build capacity and provide ongoing support and networks • partnered with international networks such as Global Connect, Mid America Commercialisation Corp and Southern Cross Group



Australian Institute
for Commercialisation

ENGAGING WITH OUR STAKEHOLDERS



ENGAGING WITH OUR STAKEHOLDERS

The AIC engages with its stakeholders through partnerships, events, membership programs and commercialisation advice and support services.

ENGAGING GOVERNMENT

The AIC continuously engages with Federal and State Government agencies to establish partnerships and drive good commercialisation policy. It also assists State Government agencies to build and develop their capacity to manage their own R&D commercialisation activities.

Federal Government

At the federal level, senior representatives of key departments have been actively involved in discussions with the AIC about its activities and broader commercialisation policy issues.

At the political level, the AIC engaged with the offices of Federal Ministers responsible for portfolios such as education and training, industry, tourism, science, small business, trade, treasury and foreign affairs, as well as the Minister Assisting the Prime Minister.

Over the past 12 months, the AIC has worked with the Department of Education, Science and Training on two projects. The AIC was commissioned to undertake the 2001 and 2002 surveys of the Commercialisation Performance of Australian Research Organisations.

The AIC also led a project team to investigate the implications of recent legislative changes to the governance of Cooperative Research Centres, including responding with a series of templates designed to fast-track the incorporation of CRCs under the new Act.

The AIC also made a number of submissions on commercialisation and innovation during 2004. These included the National Health and Medical Research Council's investment review of health and medical research and a PMSEIC inquiry into opportunities for growing technology-based SMEs in Australia. CEO of the AIC, Dr Rowan Gilmore, also gave evidence to a Senate Committee Inquiry into Australians living overseas. Dr Gilmore's presentation to the Committee focused on the role of the AIC's ExpatriateConnect initiative in recognising and capturing the international expertise of Australian expatriates and sharing it with the wider Australian business and research communities.

State Governments

The past year has seen the AIC enjoy the ongoing support of State Government departments responsible for education, innovation and state development – areas inextricably linked to R&D commercialisation.

The AIC delivers a range of activities to complement State Government activities in the innovation and commercialisation sectors. For instance, in Queensland over 60 public sector employees attended the AIC's Commercialisation Bootcamps. These Government Bootcamps focused on the commercialisation of public sector IP and 'know-how'.

The Queensland Government is a strong supporter of the AIC, having contributed the funds to establish the AIC in 2002. The New South Wales and Tasmanian Governments have recently entered into formal partnerships with the AIC, and negotiations are underway with the Northern Territory and Western Australian Governments to form similar partnerships over the coming year.

ENGAGING WITH OUR STAKEHOLDERS (cont.)

The major element of the AIC's State Government participation packages is the introduction and development of the AIC Commercialisation Management System (CMS) into State Government agencies involved in research and development.

International government agencies and organisations

There have been several visits and discussions with senior representatives of government and peak bodies from countries such as the United Kingdom, Germany, New Zealand, Vietnam and Malaysia. The purpose of these visits was to explore the models used by the AIC, with a view to adopting similar practices in these countries.

The AIC has also been active within the expatriate community to develop ExpatriateConnect, an on-line matching service to provide Australian organisations with direct access to the international business expertise of Australians living overseas. The AIC worked closely with European-based organisation Southern Cross Group to develop and launch ExpatriateConnect on two continents in June 2004. Nobel Laureate Professor Peter Doherty launched ExpatriateConnect at Australia House in London while the Queensland Premier and Minister for Trade, the Honourable Peter Beattie, MP co-launched the service at BIO2004 in San Francisco.

ENGAGING RESEARCH ORGANISATIONS

Over the past 12 months the AIC has held discussions with over 40 research organisations, including universities, CRCs and specialist research bodies. These discussions have helped shape the AIC's suite of services and its membership program. The AIC is expected to have a research organisation membership base of thirty institutions by the end of 2004.

ENGAGING INDUSTRY

The AIC works closely with industry, regional clusters and the venture capital sector, and other organisations with a specialist interest in innovation and commercialisation. For example, in the last quarter the AIC finalised an agreement with the Australian Industry Group to help identify and pre-select SMEs for the AIC TechFast Program.

ENGAGING SERVICE PROVIDERS

The AIC engages with service providers in two ways: to jointly address gaps in the commercialisation services market; to ensure that research organisations have access to expert advice on specific commercialisation, business, legal or financial issues.

Through its own work with researchers, commercialisation bodies, and start-up companies in the very early stages of commercialisation, the AIC is able to help service providers source opportunities to provide advice or offer capital for commercialisation projects. Conversely, the AIC helps research organisations find appropriate service providers via its on-line Service Providers Directory.

ENGAGING SMEs

The AIC engages with SMEs through events, its education program, and more recently, its early-stage assessment and advisory services and TechFast, an accelerated technology transfer program.

The AIC developed TechFast as a pilot initiative to identify innovative SMEs capable of absorbing new technology, and to assist them to grow through the integration of new technologies, sourced from public research organisations, universities and CRCs. This year four innovative SMEs were identified as potential candidates for the TechFast Program.

AIC CONNECT

The 2003-2004 fiscal year was a period of intense service and product development at the AIC, resulting in the launch of four new services—all designed to connect R&D organisations with commercialisation know-how and expertise.



Professor Peter Andrews, Chief Scientist of Queensland; Penny Delfs, Director, Vortex Insect Control Holdings; and Paul Fennelly, Director General, Department of State Development and Innovation at the AIC's Product Launch, August 2004

AIC Membership Program

Ongoing commercialisation support

AIC introduced its first membership program this year to provide research organisations with the ongoing support, tools and resources needed to successfully commercialise their ideas, discoveries and technologies.

A relatively new offering, membership officially commenced 1 June 2004. AIC's membership program is targeted at universities, CRCs, research institutions and government R&D organisations. The AIC is currently in the process of developing membership packages for SMEs and individuals.



Over 250 people attended the AIC Product Launch, Brisbane, August 2004

Key benefits for members of the AIC include:

- access to the AIC's on-line Commercialisation Management System (the AIC Gateway);
- complimentary places (for the first year) in the AIC public Commercialisation Bootcamp or Workshop Program;
- preliminary commercialisation advice relating to project strategies and management;
- discounted and priority access to global market research;
- introductions to relevant networks and partners; and
- discounted and priority access to all AIC Education Programs.

The first 10 Foundation Member organisations of the AIC are representative of the spectrum of R&D organisations the AIC is dedicated to supporting. They include:

- University of Queensland
- Bureau of Sugar Experimental Stations
- Sugar Research Institute
- James Cook University
- Central Queensland University
- Griffith University
- CRC for Construction Innovation
- CRC for Diagnostics
- Desert Knowledge CRC
- ITEK, University of South Australia

Linking industry and R&D organisations with commercialisation opportunities and expertise.

AIC Membership

TechFast Technology Transfer Program

ExpatriateConnect.com

Aussie Opportunities.com

Commercialisation Service Providers Directory

Global and local commercialisation networks

AIC Associates Network

AIC Partners Network

AIC CONNECT (cont.)

The AIC looks forward to assisting these R&D organisations and many like them through its Membership Program.

T E C H F A S T

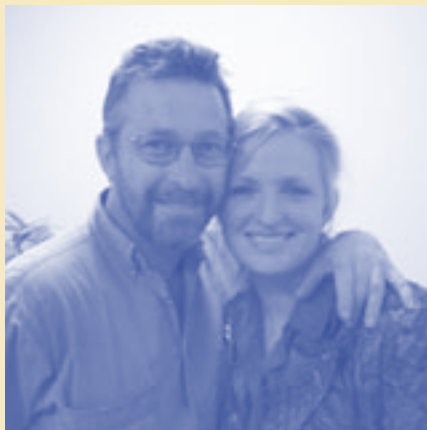
Connecting industry with innovative R&D and technologies

The AIC TechFast Program began in early 2004. TechFast facilitates the transfer and adoption of commercially-viable technologies and know-how from research organisations into established, well-performing technology receptive SMEs. The Program provides tailored service packages to support the diffusion of technology and know-how into SMEs. The Program aims to help these companies become sustainable, faster-growing businesses—and greater contributors to the nation's economic growth.

The aim of the program is to understand the technology needs of SMEs and match these with emerging technologies in the R&D sector. This concept is based on a 'market pull' strategy as opposed to 'technology push' which is a common practice in many publicly-funded research organisations.

The TechFast pilot in Queensland evaluated and reviewed over 36 technology receptive SMEs and shortlisted four to undertake a detailed needs analysis. The small businesses were:

- Genetic Solutions Pty Ltd
- Vortex Insect Control Holdings Ltd
- Alive Technologies Pty Ltd
- Merino Pty Ltd.



Charlie Curnow and Penny Delfs
Directors, Vortex Insect Control Holdings

'Vortex Insect Control Holdings Ltd is a start-up company on a journey through the commercialisation process. We have been operating for over two years in the development of our first product and also in raising private equity seed capital to further develop our business. The process of commercialisation is not an easy journey in Australia. Roughly 14% of products make it onto the Australian market and only 2% of companies raise funds for their much needed working capital.'

'AIC introduced us to the concept of TechFast. As you can imagine we were delighted to find such an organisation existed and relieved that there was a process to assist us on our journey. Three months is not a long time and for Vortex this has been the most progressive three months we have had thanks to the tremendous support and help the TechFast program has brought to our business.'

'TechFast has helped Vortex to travel at warp speed through the links the AIC has helped develop for us based on their knowledge of the research sector and their ability to tap into IP from across the country. The AIC has been able to identify and is assisting in the transfer of technology from a number of universities and a CRC, which is something that Vortex alone could not have done.'

AIC CONNECT (cont.)

Technologies and know-how from research organisations were identified for three of these SMEs during the selection process and Vortex Insect Control Holdings was chosen as the initial pilot.



Bridging the gap between Australian organisations and expatriates

Every individual expat Australian is an asset to Australia, and considering Australia's total population is only 20 million, the collective expertise and experience of the estimated one million Australians living and working overseas is of significant wealth, currently lost to the nation.

While Australia cannot stop its talented citizens from pursuing opportunities overseas, the challenge is to find ways to harness their skills and expertise for the benefit of all Australians.

One solution is the AIC's ExpatriateConnect website which includes an on-line global database and matching service, connecting Australian expatriates with the business and research community in Australia.

The idea for ExpatriateConnect, an initiative of the AIC in collaboration with founding partner the Southern Cross Group (SCG), was born in late 2003 and commenced formal development as a pilot program in March 2004.

Nobel Laureate and former Australian of the Year, Professor Peter Doherty, officially launched ExpatriateConnect at Australia House in London, 9 June 2004 with 450 high-profile Australians, living in the UK and Europe attending the launch. In the same week, the program was announced by Queensland Premier and Minister for Trade, the Right Honourable Peter Beattie, MP at BIO2004 in San Francisco.



Anne McGregor, Co-Founder of Southern Cross Group; Professor Peter Doherty Nobel Laureate; Rowan Gilmore CEO, AIC; and Michael L'Estrange, Australian High Commissioner at ExpatriateConnect Launch, London, 2004

Since its launch ExpatriateConnect has received extensive support both in Australia and overseas with over 1600 people registering in the first two months.

The ExpatriateConnect database continues to grow and a strategy is being developed to build a loyalty and marketing program. The AIC is partnering with State and Territory Governments to establish shopfronts and attract potential sponsors to grow the site even further.

AussieOpportunities.com *Promoting commercialisation opportunities to partners and investors*

AussieOpportunities is an on-line register and matching service that promotes IP with commercial value to potential partners and investors. The concept for a national register of emerging IP came out of a presentation by Nobel Laureate Professor Peter Doherty at the Knowledge Commercialisation Australasia (KCA) Conference in Sydney, March 2003. It was developed and implemented by the AIC and Pacific Capital, in co-operation with KCA.

AussieOpportunities was launched 18 September 2003 by the New South Wales Treasurer and Minister for State



*ExpatriateConnect Launch
at Australia House, London – a glimpse
of the 450 in attendance*

Development the Honourable Michael Egan at the Australian Technology Showcase Patrons Awards.

At June 2004, AussieOpportunities.com had over 150 projects and 550 potential partners registered. The site is also linked to the InnovationXchange's database of research projects to provide greater exposure.

Over the next 12 months the AIC aims to:

- upgrade the presentation of the website and its searching technology;
- integrate the site with the AIC Gateway to allow AIC's members to showcase commercially viable projects, and to increase the number of projects promoted globally through the website; and
- continue to actively promote the site to expand the size of the IP database and generate more matches between organisations with IP and potential investors and partners.

AIC Service Providers Directory *Connecting R&D organisations with commercialisation services*

The AIC's on-line Service Providers Directory currently includes over 150 commercialisation service providers drawn from government, peak bodies,

management and business consulting and the finance and venture capital industries. During the last financial year, the AIC qualified and assessed 30 new service providers. Over the next 12 months the AIC will be expanding the capacity and reach of this database and formally linking service providers with the AIC's membership program.

KEY AIC EVENTS

The AIC Connect program helps to build the industry and peer networks needed to bring about successful commercialisation. One of the ways in which the AIC does this is through its events program. This year the AIC hosted or was a major partner in the following key events.

Blue Sky Forum

October and December 2003

This year the AIC conducted a series of 'Blue Sky Forums' with partner InnovationXchange. Blue Sky Forums are industry briefings for researchers. Leading industry figures from various sectors outlined the challenges facing their industry and the 'blue sky' opportunities available to the R&D community. The aim of these forums is to provide researchers with opportunities to help industry perform better.

The inaugural Blue Sky Forum focused on IT and electrical engineering and was held 31 October, 2003 at the University of Queensland's Innovation Expo, attracting over 40 researchers. A second forum focusing on health sciences and biotech was held in Melbourne 2 December, 2003 at the University of Melbourne.

Deals, Dollars and Disclosures

November 2003

The AIC and the Queensland Government conducted the inaugural 'Deals, Dollars and Disclosures' Forum 26 November

AIC CONNECT (cont.)

2003. These Forums develop researchers' skills in developing and presenting pitches to potential investors. They include 'real-life' one-to-one discussions between researchers and venture capitalists. All four major Australia pre-seed fund managers attended the first forum. The AIC plans to hold more pitching sessions during 2005.

Commercialise 2003

July to November 2003

Early in 2003, the AIC, with the support of the Victorian Department of Innovation, Industry and Regional Development, engaged Dr John Sime from Imperial College in London as its Strategic Adviser on Technology Transfer. During the year, Dr Sime visited Australia several times to participate in the Victorian-sponsored Commercialise 2003 program. He delivered a national series of commercialisation Master Classes to public sector research institutions in Queensland, New South Wales, Victoria, Western Australia, the Northern Territory and South Australia. He also addressed the business community at two boardroom lunches in Brisbane and Sydney. The first was hosted by Sir Leo Hielscher and the second by Warwick Smith from Macquarie Bank. The AIC also held a Commercialisation Workshop in Melbourne in mid-November, attracting around 50 participants from universities, industry, government, and venture capital funds.

National Innovation Festivals

February to May 2004

AIC scheduled seven events as part of the 2004 National Innovation Festival. It was also a key sponsor, along with AusIndustry, the Queensland Department of State Development and the Queensland Department of Innovation, Information and Economy, of the Mackay Festival of Innovation in February. The success of

this event provided the impetus for similar regional celebrations of the National Innovation Festival in Rockhampton and Townsville.

The AIC installed a permanent display stand at the Gold Coast's new Innovation Showcase, which was launched during the 2004 National Innovation Festival. The new facility was launched by the Mayor of Gold Coast City Council, Ron Clarke and the Honourable Joe Hockey, Federal Minister for Small Business and Tourism. The facility is strongly supported by Gold Coast City Council and includes meeting, seminar, conference and trade show facilities.

Selling Out or Cashing In Forum

Innovation Festival May 2004

The AIC hosted a major public forum with industry leaders to discuss the issues,



AIC exhibit at Gold Coast Innovation Showcase

opportunities, challenges and options around the commercialisation of research and innovation in the humanities, social sciences and creative industries. The event was facilitated by Professor Peter Spearrit, well-known social commentator and Director of the Brisbane Institute. Brisbane's creative industries and humanities professionals demonstrated a great deal of support for the forum, with standing room only.

AIC CONNECT (cont.)

This event helped to grow the AIC's participation in the commercialisation of IP emerging from Australia's creative industries.

SMART State Awards

July 2004

This year the AIC sponsored the Science and Technology Award for the Premier of Queensland's 2004 SMART State Awards. Queensland company Opcom won the Award. Opcom is a software and operations research company that has become a world leader in complex

logistics optimisation software for the transport sector. It has combined logistics methodologies and IT to help organisations manage issues such as rail crew management, postal and logistics networks modelling, and public transport journey planning.



Queensland Premier and Minister for Trade, the Honourable Peter Beattie with SMART Science and Technology Awards winners Opcom and AIC's CEO Rowan Gilmore

2 AIC KNOW-HOW

Launch of New Commercialisation Management System: AIC Gateway

In January 2004, the AIC began work on an on-line product that it believed would be Australia's 'one-stop-shop' for leading practice commercialisation knowledge, methods and tools. Six months later it launched the AIC Gateway, and several months later the system was being implemented in over 20 Australian R&D organisations.

Most Australian businesses and government agencies struggle to track or develop their IP well, if at all. An audit of IP policy and practices by the Australian Auditor General in February 2004 concluded that there remains a critical need for:

- greater guidance and support for IP management in organisations;
- more efficient and ethical administration of IP; and
- a new approach to IP management as an issue analogous to other corporate and management tasks, and these are integrated into an organisation's overall strategy and operations.

The AIC's Commercialisation Management System helps to address this gap in Australia's IP management and commercialisation capabilities. The AIC Gateway provides the framework and tools for identifying, valuing, managing and commercialising intellectual property. In particular, it guides organisations through the commercialisation process providing tailored information, tools and templates at each step. The AIC Gateway is a powerful knowledge base that uses leading-edge content management software and includes features such as an IP registry, group communication tools and a task manager.

The system is based on two premises:

- an assessment process that can systematically identify weaknesses in the commercial potential of a new idea, discovery or technology; and
- an on-line repository of tools, guides, templates and other resources to help address these weaknesses.

The AIC Gateway was developed as a core product for AIC to facilitate and deliver best practice in commercialisation methodologies. It is the cornerstone of the AIC's membership programs.

The pilot system was introduced to users—including several universities, CRCs and government agencies—in June 2004 following six months of prototyping, content development and testing. Future plans for the Gateway include developing an SME version, expected to be ready by the end of 2004.

AIC Education Programs *Capability-building for commercialisation professionals*

The AIC was one of the first organisations in Australia to develop a suite of leading-edge commercialisation education courses to help researchers and commercialisation managers develop formal commercialisation skills.

This year, over 450 people passed through the AIC's Commercialisation Education Program, which includes courses such as:

- Introductory Commercialisation Bootcamp™ and Workshops
- Advanced Strategic Business Planning for Commercialisation
- Advance New Product Development Value Chain Mapping
- Negotiating Technology Deals
- Technology Value Estimation
- Start-up Company Fundamentals for Directors and Officers.

Building the capability of research organisations to commercialise their R&D.

AIC Gateway

Professional development and education programs

Early-stage commercialisation support and advice

Market Research for commercialisation projects

Commercialisation library

Visiting Fellows Program

Intern Scholarships

AIC KNOW-HOW (cont.)

AIC EDUCATION HIGHLIGHTS

Commercialisation Bootcamp

- 350 people passed through the AIC's Commercialisation Bootcamps, including PhD students, researchers and administrators
- 30% increase amongst individual participants who, after the program, believed that their research may have commercial potential
- 80% of individuals could identify new opportunities to commercialise their know-how
- 95% increase in the awareness of the level of complexity of the commercialisation process
- 90% increase in awareness amongst individuals on how to prepare and approach commercialisation of their research
- 20% increase in individuals who saw commercial options in their future career path.

‘Once again, thank you very much for running such an interesting, informative and relevant workshop yesterday. The feedback from the attendees has been very positive. ’

Anna Stephens, Commercialisation Officer, Queensland University of Technology

Negotiating Technology Deals

- Melbourne and Brisbane courses oversubscribed.
- Additional courses are being scheduled nationwide and in New Zealand during the latter half of 2004.

‘All IP/technology business managers and companies should be doing this program. This is the best professional development course I have attended in the last few years. ’

Murray Hird, Director, Industry Development Department of Business, Industry and Resource Development, Northern Territory

SPECIALIST MEMBERS' LIBRARY

The AIC's web-enabled library was established in mid-2002 and is the only one of its kind in Australia with a sole focus on commercialisation.

The collection includes over 300 reports, papers, policy updates, commercialisation surveys, web links, and various other Australian and international publications on commercialisation and related issues. The AIC will also be adding a series of commercialisation case studies to the library late 2004.

EARLY-STAGE ADVICE AND SUPPORT

Early-stage feasibility analysis

The AIC has developed an Early-Stage Feasibility Analysis Process to assess new commercialisation opportunities within research organisations.

Opportunities arising out of research outcomes may result in new technology products, or may include new processes or know-how which can be captured to offer increased value to the organisation.

The first step in evaluating a research-based opportunity is to assess its commercial potential. This involves analysing specific risks (of failure) associated with the opportunity's development.

The AIC's Early-Stage Feasibility Analysis guides R&D organisations through the decisions they need to make to develop a successful business plan.

It consists of a series of up to 68 questions covering five main topics that need to be considered when assessing an early-stage opportunity. These areas include:

- technical aspects
- markets
- partners and collaborators
- people
- business and finance.

A report is automatically generated based on the responses and information provided to the series of questions raised. The report includes a gap analysis on issues which need to be addressed to ensure successful commercialisation of the opportunity.

Market research

Market intelligence for commercialisation projects

In June 2004, the AIC established a market research service to provide reliable and in-depth market information and intelligence for early-stage commercialisation projects. Through extensive research and consultations with clients and stakeholders, the AIC identified a significant need for market research to be available to Australian SMEs, government agencies and research organisations.

The AIC combines the use of global knowledge providers with the company's existing internal information warehouse and broad industry networks to ensure accurate and in-depth information is obtained. Where possible the AIC undertakes primary research by engaging key contacts with specific markets or industry sectors. The AIC adds value to market research by sourcing, processing and interpreting the information presented and tailoring the report to meet the client's specific needs.

Since its inception, this service has provided a number of organisations with a realistic and detailed understanding of market factors that need to be resolved in order to successfully commercialise a technology. Market research has assisted in the evaluation of technology and provided reliable data for strategic decision-making processes.

‘The AIC’s comprehensive market research report provided the market intelligence required to formulate dependable marketing plans and strategies. It covered every aspect of our brief and more, a credit to their experience and expertise.’

Michele Cooper, Marketing Manager of QlickSmart

Measuring commercialisation performance to identify gaps, inform policy and provide advice.

Opportunity assessments

Commissioned research

Commercialisation infrastructure and policy advice

Commercialisation surveys and assessments

Benchmarking and commercialisation performance improvement

In the next 12 months, the AIC market research service will continue to develop and expand its range of information resources to ensure the information provided to clients contains up-to-date, reliable and in-depth intelligence. Furthermore, the AIC will be seeking to extend this service to SMEs and government agencies.

MEASURING COMMERCIALISATION PROGRESS

Funding Gap Survey (DITR)

The Federal Department of Industry, Tourism and Resources (DITR) commissioned the AIC to survey investors and start-up companies (non-COMET recipients) seeking early-stage investment to determine whether the anecdotally reported gap in very-early stage commercialisation funding exists. Survey results confirmed a lack of available funding for those seeking commercialisation funding. This restricted the ability of some businesses to fund proof of concept work and to test and evaluate concepts for their potential. Some of the key issues identified by the study include:

- venture capitalists are only investing in 'blockbuster' deals and are not considering those that may offer smaller returns;
- demand for finance below \$2m is unmet by the current financial market;
- inadequate level of expertise available to provide meaningful advice; and
- need to train people to implement plans.

The survey also showed that funding was not the only barrier to early-stage commercialisation projects. Participants also identified a need for training to build the business capabilities of entrepreneurs

and researchers so that they were able to make their early-stage commercialisation projects 'investor-ready'.

The report *Investigating the existence of anecdotally reported innovation funding gap* is available on-line from AIC website and the AusIndustry website.

Commercialisation Performance Outcomes (DEST)

In mid-2003, the Department of Education, Science and Training (DEST) commissioned the AIC to perform the second and third *National Survey of Research Commercialisation*. The report builds on the first survey for 2000 conducted jointly by the Australian Research Council (ARC), the National Health and Medical Research Council (NHMRC), and the Commonwealth Scientific and Industrial Research Organisation (CSIRO) in 2001.

The survey questionnaire form was web-enabled for the first time and extended the scope of the study. For the first time, data was collected directly from CRCs, DSTO, ANSTO and aims to increase the number of medical research institutes involved. In total, 113 and 124 organisations responded to the 2001 survey and the 2002 survey respectively, compared with 50 for the first survey.

The survey identifies and measures the commercialisation performance outcomes of Australia's publicly-funded research organisations and provides a basis for benchmarking Australia's performance against international counterparts. The results for the 2001-2002 survey are yet to be released by the Department of Education, Science and Training.

IMPROVING THE INNOVATION SYSTEM

Cooperative Research Centre Inc Project (DEST)

The Department of Education, Science and Training commissioned the AIC to form a project team of stakeholders to assist in formulating operating documentation for the new round (Round 9) of CRCs. With a team including the CRC Association, CSIRO, Minter Ellison Lawyers, PriceWaterhouse Coopers, members of the university sector, and DEST itself, the AIC consulted broadly to develop best practice processes and documentation for incorporating CRCs.

Through a series of national CRC workshops and extensive consultation with other stakeholders, including the Australian Tax Office, the AIC-led team prepared a series of templates for CRCs to help them comply with their new obligation to operate as incorporated joint ventures. Sample company constitutions, participant agreements, project

agreements, and operating procedures have been prepared, discussed with stakeholders, and are now available to all CRCs on the AIC's web site at: <http://www.ausicom.com>.

Through such collaborative efforts, this project, when completed, should save millions of dollars in legal and accounting fees that would otherwise be required by each CRC seeking to establish itself under the new CRC Guidelines. In addition, the CRC Association now hopes to improve CRC operational performance by developing a toolbox of best practice operational procedures based on the outcome of this project.



Australian Institute
for Commercialisation

FINANCIAL STATEMENTS



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DIRECTORS' REPORT

The Directors present their report together with the financial statements of the Australian Institute for Commercialisation Ltd (AIC) for the year ended 30 June 2004.

DIRECTORS

The Directors of the company in office any time during or since the end of the year are:

Dr Peter Jonson Chair
Sir Leo Hielscher AC
Mr Ross Adler AO
Mr John Read
Professor Adrienne Clarke AO
Professor Malcolm Richmond
Professor Paul Greenfield
Mr Ross Rolfe
Professor John Hay AC.

DIRECTORS' QUALIFICATIONS AND EXPERIENCE

Directors' qualifications, experience and special responsibilities associated with the AIC is summarised below:

Dr Peter Jonson (Chairman)

Appointed Director 08/05/2002

Dr Peter Jonson is a professional director and economist. He is currently Chair of the Australian Institute for Commercialisation and the CRC for Microtechnology. He is a Director of Village Roadshow Ltd, Sequoia Capital Management Ltd and Pro Medicus Ltd. In 2002 Peter served as Chair of the Biotechnology Centre of Excellence Expert Panel and in 2001 he was Chair of the Major National Research Facilities Committee. Peter was Chair of the Melbourne Institute's Advisory Board from 1992-2002 and is now Chairman Emeritus.

Peter held a number of senior positions as an economist with the Reserve Bank of Australia from 1972-1988. In his commercial executive career, Peter served as Managing Director and then Chairman of ANZ Funds Management, Finance Director and then Group Managing Director of Norwich Union Financial Services Ltd. He is a Fellow of the Academy of the Social Sciences in Australia and a Fellow of the Australian Institute of Company Directors. Dr Jonson chairs the AIC Human Resources Committee and also chairs the AIC Policy and Best Practice Committee.

Mr Norman Ross Adler AO

Appointed Director 08/05/2002

Mr Norman Ross Adler (Ross) is currently the Chair of Austrade and Amtrade International Pty Ltd and a Director of the Commonwealth Bank of Australia Ltd. He is a former Director of Telstra Corporation Ltd. He was Managing Director of Santos Ltd and Deputy Managing Director of Australian Paper Manufacturers (now Amcor Ltd), Chairman of Containers Ltd and Brown and Dureau Ltd. He has held many other directorships and senior positions with publicly listed companies, governmental advisory panels and business and community institutions, and organisations. Mr Adler is also a member of the AIC Policy and Best Practice Committee.

Professor Adrienne Clarke AO

Appointed Director 11/06/2002

Professor Adrienne Clarke is Laureate Professor at the University of Melbourne. She has held positions as Ambassador for Biotechnology for Victoria, Co-Chair of the Victorian Council for Knowledge, Innovation, Science, and Engineering, and Co-Chair of the Victorian Government's Science, Engineering, and Technology Taskforce from 1997-1999. She was

DIRECTORS' REPORT (cont.)

Lieutenant Governor of Victoria from 1997-2000. In recognition of her service to science, for applying scientific discovery for economic benefit and for mentoring future leaders, she was appointed an Officer in the Order of Australia in 1991 and a Companion in the Order of Australia in 2004.

Professor Clarke is the immediate Past-President of the International Society for Plant Molecular Biology 1997-1998. Her work as a scientist is in the fields of genetic engineering of plants, and the chemistry of gums and exudates. She has served on the Prime Minister's Supermarket to Asia Council and is a member of the Trade Policy Advisory Council. She was Chairman of CSIRO 1991-1996 and is a member of the Board of Directors of Woolworths Ltd, WMC Ltd, Fisher Paykel Health Care Ltd and the Committee for Melbourne. Professor Clarke is also a member of the AIC Policy and Best Practice Committee.

Professor John Hay AC

Appointed Director 11/06/2002

Professor John Hay is currently Vice-Chancellor of The University of Queensland, and Chair of the Australian Universities Teaching Committee. He was formerly Chair of the Academic Board at the University of Western Australia, Dean of Arts, Monash University, Deputy Vice-Chancellor, Monash University and Vice-Chancellor and President of Deakin University. In January 2004 Professor Hay was awarded a Companion in the Order of Australia in the Australia Day Honours List.

Professor Paul Greenfield

Appointed Alternate Director 11/06/2002

Professor Paul Greenfield (Alternate for Professor John Hay) has been the Senior

Deputy Vice-Chancellor, University of Queensland since 1997. He has been a director of UniQuest since 1993, and Chair of the Technology Working Group Hazardous Wastes Committee since 1995. Professor Greenfield also chairs the AIC Education Committee.

Sir Leo Hielscher AC

Appointed Director 08/05/2002

Sir Leo Hielscher has over fifty years experience in the areas of government, the banking and finance industry, domestic and global financial markets, superannuation industry and as an independent Company Director. He was the Under Treasurer of Queensland for 14 years 1974-1988 before his appointment as Chairman of the Queensland Treasury Corporation (Advisory Board) in 1988. In 1991, the Advisory Board became the Queensland Treasury Corporation Board and Sir Leo was appointed as its inaugural Chairman. Sir Leo is also Chairman of Austsafe Ltd, Independent Superannuation Preservation Fund, a Director of the Australian Institute for Commercialisation, and Chairman of Trustees of the General Douglas MacArthur Memorial Trust.

As a Company Director, Sir Leo has considerable experience at Board level and has been associated with a number of public and private sector Boards. Sir Leo was awarded an Eisenhower Fellowship in 1973, a Knight Bachelor in 1987, an Honorary Doctorate of Griffith University in 1993, and a Companion in the Order of Australia in the General Division in 2004. Sir Leo is also a member of the AIC Human Resources Committee and chairs the AIC Audit and Risk Management Committee.

DIRECTORS' REPORT (cont.)

Mr John Read

Appointed Director 08/05/2002

John Read has over 20 years experience in commercialising innovation with extensive experience in identifying investee company management, risk analysis, initial public offerings, mergers and acquisitions, and shareholder relations across a broad range of industries. He is Chairman of The Environmental Group and a Director of CVC Private Equity Limited and CVC Sustainable Investments Limited and formerly Director, Commercial and Finance at the CSIRO. Mr Read is a member of the AIC Human Resources Committee and also chairs the AIC Intellectual Property Committee.

Professor Malcolm Richmond

Appointed Director 11/06/2002

Professor Malcolm Richmond is a Professorial Fellow of University of Western Australia within the Faculty of Engineering, Science and the Graduate School of Business. He also advises Curtin University on commercialising its research. He has spent much of his career in the mining industry, including a period from 1994-2000 as Managing Director, Development, Hamersley Iron. Prior to that he held various senior roles in Rio Tinto, including Managing Director (Research and Development), Vice President (Strategy and Acquisitions), and Vice President (Business Planning). He was also General Manager (Commercial) for Hamersley Iron, Deputy Chairman AMIRA, Director SGS Australia and Magnesium International Ltd. He is a non-executive Director of Sons of Gwalia. Professor Richmond is also a member of the AIC Policy and Best Practice Committee.

Mr Ross Rolfe

Appointed Director 08/05/2002

Mr Ross Rolfe is currently the Chief Executive Officer of Stanwell Corporation and Chair of the Queensland Manufacturing Institute. He is the former Director-General of the Queensland Department of State Development and former Queensland Government Coordinator-General. He is currently a Member of the Construction Queensland Board, the Industrial Suppliers Office (Queensland) Limited Board, the Queensland Advisory Committee for the Committee for Economic Development of Australia and the Council of the Queensland University of Technology and a Director of i.lab Incubator Pty Ltd. Mr Rolfe is a member of both the AIC Audit and Risk Management Committee and the Human Resources Committee.

Note

The following Directors are retiring at the end of their two-year term in June 2004: Mr Adler, Professor Clarke, Professor Hay, Sir Leo Hielscher, Professor Richmond, and Mr Rolfe. The Chairman and remaining Directors have been reappointed for a further year.

Principal activities

The AIC mission is to work with Australian research institutions and industry to maximise returns from Australia's research and development investment.

The principal objectives of the Company during the financial year supporting the Company mission were to:

- realise considerable improvement in the rate and quality of development of new business start-ups from technology;
- increase the realisation of the value from intellectual property generally;
- participate in the achievement of a much greater contribution to Australian economic growth from the rapid

DIRECTORS' REPORT (cont.)

transformation of research outcomes into business success; and

- improve the value proposition to government and other investors in research in Australia by helping to create an environment, culture and processes that maximise returns for these investments.

Activities to achieve these objectives included projects to improve the connectivity between industry and public research institutions and to catalyse activity in commercialisation (AIC Connect), projects to increase the skills within the commercialisation sector (AIC Know-How), and projects to better understand and measure the commercialisation process (AIC Assess). There were no significant changes in the nature of these activities during the year under review.

Operating result

The deficit from ordinary activities for the year was \$342,611.

The Queensland government has underwritten the establishment of the AIC by \$10 million over five years.

The funding profile reduces over the five year period commencing in 2002. The prior-year surplus carried forward into the second year of operation (2003–04) helped to lower ongoing funding contributions during 2004-2005 as activities ramped up.

Review of operations

The AIC has structured its activities to address three systemic barriers identified by the Company as impediments to improved commercialisation. These are inadequate collaboration, skills, and analysis within the commercialisation

sector. Through an independent, collaborative approach, combined with its national linkages, the AIC is well positioned to tackle these challenges.

Firstly, fragmentation across the commercialisation environment acts as a barrier to success. This is exacerbated by insufficient engagement between the research and business communities. The *AIC Connect* programs provide a platform to establish national and global networks to better coordinate and leverage existing commercialisation activities. It is helping to achieve improved deal flow through economies of scale and better presentation of research as investible propositions.

Secondly, Australia does not have a depth of commercialisation management experience in start-up companies born from R&D. *AIC Know-How* programs partner with universities and industry to deliver professional development courses and develop an improved pool of knowledge on commercialisation practices. The purpose is to improve commercialisation management skills.

Thirdly, there is inadequate measurement and analysis of commercialisation activities. What cannot be measured cannot be managed. Armed with improved information and assessment tools, industry can better allocate resources and government can better formulate public policy. *AIC Assess* will undertake research to enhance decision making.

Dividends

Section 4.1 of the AIC's constitution states that the Directors are prohibited from paying dividends to shareholders.

DIRECTORS' REPORT (cont.)

Significant changes in the state of affairs

In the opinion of the Directors, there have been no significant changes in the state of affairs of the Company that occurred during the financial year under review, or since the balance date, that impact upon its activities or financial outlook, other than as reported herein.

Events subsequent to balance date

There have been no events since the end of the financial year that have or may significantly effect future operations, results or state of affairs.

Likely developments and expected results

A summary of the likely developments to be undertaken during the forthcoming 2004-2005 financial year are to further the establishment of activities associated with the AIC three key program areas in order to improve co-ordination, skills, and analysis within the commercialisation sector. Specific projects include:

- development of the AIC Membership program to encompass additional research organisations and to extend the program to include SMEs, Service Providers, and individuals;
- enhancement of the AIC Commercialisation Management System as a tool to assist researchers prepare their IP for market;
- expansion of the pilot TechFast program to help SMEs identify and incubate technologies located with Australian public research organisations;

- delivery of professional development courses to researchers in both public research institutions and government agencies and provide professional development to managers and directors associated with commercialising research;
- expansion of ExpatriateConnect to better support the identification of international partners necessary for small companies wishing to reach export markets, and to support the associated business practices;
- undertaking further research into assessment of commercialisation outputs with a view to providing policy input and amassing greater commercialisation expertise as a nation; and
- fostering co-operative activities in a fragmented sector.

Share options

There are no share options in existence at this time.

Directors' shareholdings

At the time of publication, no Directors held any beneficial interest in the shares of the Company. All issued shares are held by the Shareholding Minister on behalf of the Queensland Government.

DIRECTORS' REPORT (cont.)

Directors' Board Meeting Attendance Record

During the year AIC Limited held seven meetings of Directors. The attendances of the directors at meetings of the board were:

DIRECTORS	10/7/03	27/8/03	26/11/03	30/1/04 teleconference	25/02/03	8/4/04 teleconference	25/5/04
Dr Peter Jonson	•	•	•	•	•	•	•
Mr Ross Adler	•	•	•	•	•	–	–
Professor Adrienne Clarke	•	•	•	•	•	•	•
Professor Paul Greenfield	–	–	•	–	•	–	–
Professor John Hay	–	–	–	–	–	–	–
Sir Leo Hielscher	•	•	•	•	•	•	•
Mr John Read	–	•	–	•	•	•	•
Professor Malcolm Richmond	•	•	•	•	•	•	•
Mr Ross Rolfe	•	–	•	•	•	•	–

DIRECTORS' REPORT (cont.)

Board Directors' Committee Meeting Record

The AIC Ltd Board have appointed five committees. In each case the membership of these Committees comprises minimum one Director as appointed by the Board. Several of the Committees are assisted in their duties by suitably qualified external advisors. Representatives of management also attend the meetings by invitation and provide a secretariat role.

The specific responsibilities of each of these Committees are as follows.

Audit and Risk Management Committee

The purpose of the committee is to provide advice and recommendations to the Board and assistance to the Chief Executive Officer in matters pertaining to:

- 1.** the adherence to corporate legislation, the constitution of the AIC and other statutory and administrative requirements and guidelines relevant to the legal, efficient and effective operation and good governance of the AIC;
- 2.** (related to 1 above) to ensure that all audit requirements (both external and internal) are undertaken in a timely, professional and thorough manner, and to assist in the implementation of any recommendations resulting from those audits;
- 3.** under the constitution and strategic and operational planning documents, to recommend to the Board and to assist the Chief Executive Officer in the identification and management of corporate and financial risk to the organisation; and
- 4.** other duties, support and advice that the Board may request of the committee on a case-by-case basis.

Education Committee

The Education Committee was established to provide advice and recommendations to the Board and assistance to the Education Project Managers in matters pertaining to:

- 1.** strategic direction and targeting of education and professional development initiatives and support through the AIC – having regard to its overall philosophy and responsibilities, budget and priorities;
- 2.** to assist in and review the development and roll-out of agreed projects in the areas of education and professional development; and
- 3.** to use committee members' networks and linkages to help support and advance the interests of the AIC in this area.

At its May 2004 meeting, the Board renamed this Committee the Products and Services Committee to extend its scope beyond education to oversee all products and services developed by the AIC.

Intellectual Property Committee

The purpose of this committee is to provide advice and recommendations to the Board as well as assistance to the Chief Executive Officer and the Project Development Director in matters pertaining to:

- 1.** the identification of intellectual property (IP) issues inhibiting commercialisation of Australian research and development and recommendation on policies to overcome the inhibiting factors (including providing advice on how these matters may be implemented) as well as provide education, training and associated activities on these matters, whilst having regard to other programs being undertaken by AIC;
- 2.** the identification, valuation, protection, management and ownership of IP developed by the AIC through its activities and dealings – whether that IP be

DIRECTORS' REPORT (cont.)

generated within the AIC or on its behalf or in partnerships with other organisations, contractors and consultants etc – and provide any necessary training and education to be provided in relation to these matters;

3. the identification of background IP provided to the AIC from participating organisations and partners and to ensure that that IP is managed, protected and dealt with in accordance with the agreements with those other organisations;

4. assistance with the resolution of any outstanding issues or problems between AIC partners pertaining to the use of IP

5. providing input and assistance, on a specific project basis, to papers, documents, courses etc that the AIC develops on IP; and

6. other duties, support and advice that the Board may request of the committee in areas pertaining to IP and its use.

Policy and Best Practice Committee

The purpose of this committee is to provide advice and recommendations to the Board and to provide input and assistance to the Chief Executive Officer and the other executives of the AIC as follows:

1. progress of work on established priorities is maintained and, where problems or resource allocation etc arises, to provide input and suggestions as to how the priorities can be re-affirmed and moved forward;

2. to help structure innovative but practical methodologies for the development, verification, promotion and distribution of projects and their outcomes and to provide ideas for the adaptation of those methodologies to specific cases/projects;

3. as projects proceed, to give assistance, positive direction, lateral ideas and input into the management of that project to ensure timely, quality delivery;

4. to use networks and contacts to assist in identifying strategic partners and those who can provide high quality input to projects, case studies etc;

5. read, positively critique and have input into documents and research/project outcomes to ensure highest standards;

6. where contentious policy issues emerge in areas of interest/influence of the AIC, to provide advice regarding the issue, risks, environment etc of the issue and to suggest to the Board an appropriate AIC response; and

7. be alert to the general environment in which AIC operates and to provide suggestions and recommendations on how the AIC should position itself / take action to address the matter.

At its November Meeting, the Board agreed that the functions of this Committee would be assumed by the entire Board, and disbanded the Policy and Best Practice Committee.

Human Resources Committee

The purpose of the committee is to provide advice and recommendations to the Board and assistance to the Chief Executive Officer in matters pertaining to:

1. Human Resources systems, policies and procedures and operations within the AIC to ensure that they represent sound, contemporary practice both for the AIC and for the fostering and development of quality, dedicated staff;

2. consider, on an annual basis, for recommendation to the Board of remuneration levels and related matters; and

3. to assist the Chief Executive Officer where appropriate, on particular issues, grievances etc pertaining to staff management within the organisation.

DIRECTORS' REPORT (cont.)

The attendance of the Directors at meetings of the Committees were:

COMMITTEE	Audit and Risk Management				Education	
	01/07/03	18/08/03 via email	28/01/04	27/04/04	01/07/03 teleconference	11/11/03
Dr Peter Jonson	–	–	–	–	–	–
Mr Ross Adler	–	–	–	–	–	–
Professor Adrienne Clarke	–	–	–	–	–	–
Professor Paul Greenfield	–	–	–	–	•	•
Professor John Hay	–	–	–	–	–	–
Sir Leo Hielscher	•	•	•	•	–	–
Mr John Read	–	–	–	–	–	–
Professor Malcolm Richmond	–	–	–	–	–	–
Mr Ross Rolfe	–	•	•	•	–	–

COMMITTEE	Intellectual Property			Policy and Best Practice	Human Resources
	11/08/03	11/11/03 teleconference	2/06/04	24/04/03	did not meet 2003-04
Dr Peter Jonson	–	–	–	•	–
Mr Ross Adler	–	–	–	•	–
Professor Adrienne Clarke	–	–	–	•	–
Professor Paul Greenfield	–	–	–	–	–
Professor John Hay	–	–	–	–	–
Sir Leo Hielscher	–	–	–	–	–
Mr John Read	•	•	•	–	–
Professor Malcolm Richmond	–	–	–	•	–
Mr Ross Rolfe	–	–	–	–	–

DIRECTORS' REPORT (cont.)

Employee information

Dr Rowan Gilmore was Chief Executive Officer for the entire 2003-2004 year. The company employed twelve permanent staff as at 30 June 2004.

Ethical standards

All Directors, senior executives and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Institution. They are charged with performing their duties in a lawful, objective and professional manner.

To reinforce this requirement, the AIC has a Code of Conduct documented. The Code is a public statement of its corporate business philosophy and clearly enunciates the entity's business ethics and the required standards of conduct by all employees.

Interaction with shareholders

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the Institution's state of affairs. Information is communicated to shareholders as follows:

- The Board ensures that the full annual financial report is available to all shareholders;
- The Board has invited a shareholder representative to act as an advisor to the Board;
- Quarterly Reports to Shareholders;
- The appointment of a Government representative on the Audit and Risk Management Committee;
- The development and distribution of the Strategic Plan;
- Notices of all meetings of shareholders.

Legal Compliance

The Institution is committed and organised to meet its various legal requirements. The Audit and Risk Management Committee has been established to consider and review risk management and compliance practice across the AIC.

Proceedings on behalf of AIC

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

This report is made in accordance with a resolution of the directors.

Dr Peter Jonson

Director

Mr John Read

Director

Dated this 28th day of September 2004

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004

	Note	2004 \$	2003 \$
Revenue from ordinary activities	2	2,210,668	2,679,641
EXPENDITURE			
Depreciation & amortisation	3	42,995	33,848
Computer and web site expenses	3	169,185	135,172
Consultants and contractors expenses	3	538,068	249,389
Legal costs	3	20,253	61,122
Occupancy costs	3	126,524	145,718
Staff costs	3	894,262	321,484
Board Meeting Costs	3	191,150	194,545
Media Promotions	3	111,247	145,923
Travelling costs	3	125,805	91,252
Bad Debts Written Off	3	35,000	–
Staff Recruitment	3	25,738	76,562
Audit Fees	3	26,500	–
Other expenses from ordinary activities	3	246,552	124,339
(Deficit)/Surplus from ordinary activities before income tax		(342,611)	1,100,287
Income tax attributable to (deficit) / surplus from ordinary activities	1(a)	–	–
(Deficit)/Surplus from ordinary activities after income tax		(342,611)	1,100,287
Total changes in equity other than those resulting from transactions with owners as owners attributable to Members to the Australian Institute for Commercialisation Ltd		(342,611)	1,100,287

The above Statement of Financial Performance should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2004

	Note	2004 \$	2003 \$
CURRENT ASSETS			
Cash assets	16(a)	573,639	893,392
Receivables	5	298,208	125,445
TOTAL CURRENT ASSETS		871,847	1,018,837
NON-CURRENT ASSETS			
Plant and equipment	6	212,348	249,721
Intangible assets	7	10,000	10,000
TOTAL NON-CURRENT ASSETS		222,348	259,721
TOTAL ASSETS		1,094,195	1,278,558
CURRENT LIABILITIES			
Payables	8	298,102	160,283
Provisions	9	38,416	17,987
TOTAL CURRENT LIABILITIES		336,518	178,270
TOTAL LIABILITIES		336,518	178,270
NET ASSETS		757,677	1,100,288
EQUITY			
Contributed equity	10	1	1
Retained profit	11	757,676	1,100,287
TOTAL EQUITY		757,677	1,100,288

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2004

	Note	2004 \$	2003 \$
Cash flow from operating activities			
Receipts from Queensland Government		1,720,387	2,250,000
Reimbursement of capital expenditure		–	250,000
Interest Received		26,861	25,600
Fees for Services		255,657	28,596
Payment to Suppliers and Employees		(2,313,094)	(1,436,078)
GST Collected in Revenues		221,891	252,600
GST paid to Suppliers		(139,049)	(135,214)
GST paid to ATO		(84,313)	(48,543)
Net cash provided by operating activities	16(b)	(311,660)	1,186,961
Cash flows from investing activities			
Payment for Property, Plant and Equipment		(8,093)	(283,569)
Payment for Patents and Trademarks		–	(10,000)
Net cash provided by/(used in) investing activities		(8,093)	(293,569)
Net Increase (Decrease) in Cash Held		(319,753)	893,392
Cash at Beginning of Financial Year		893,392	–
CASH AT END OF FINANCIAL YEAR	16(a)	573,639	893,392

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

NOTE 1

Statement of significant accounting policies

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards Urgent Issues Group, Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report is prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

Australian Institute for Commercialisation Limited is a public limited company incorporated under the *Corporations Act 2001*, domiciled and incorporated in Australia.

The following specific accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this financial report:

(a) Income Tax

No provision for income tax has been raised as the company is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

(b) Plant and Equipment

Plant and equipment are carried at cost, less, where applicable, any accumulated depreciation. The carrying amount of property, plant and equipment is reviewed annually by Directors to ensure that it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employed and

subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amount.

All fixed assets are depreciated on a straight line basis over their useful lives commencing from the time the assets are held ready for use.

The depreciation rates used for each class of assets are:

Class of Fixed Assets / Depreciation Rate

Office Equipment	11.25-40.00%
Furniture and Fittings	5.00-20.00%

(c) Revenue

Grant revenue is recognised when received.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(d) GST

All receivable and payables in the Statement of Financial Position are stated inclusive of GST. The net amount of GST receivable from or payable to the Australian Taxation Office at balance date is separately disclosed as either a current asset or a current liability in the Statement of Financial Position.

All other items in the Statement of Financial Position are stated exclusive of GST.

(e) Comparative Figures

Where necessary, comparative figures have been adjusted to be consistent with disclosures in the current year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004 (cont.)

NOTE 2

Revenue from ordinary activities

	2004 \$	2003 \$
General Grant – Queensland Government	1,400,000	2,250,000
Reimbursement of capital expenditure	–	250,000
Fees for Services	185,059	154,041
Reimbursement of operating expenditure	36,361	–
Project Specific Grants – Queensland Government	290,000	–
Project Specific Grants – Other State Governments	272,387	–
Interest	26,861	25,600
	2,210,668	2,679,641

NOTE 3

Expenses from ordinary activities

Depreciation

Plant and Equipment	34,810	28,156
Furniture and Fittings	8,185	5,692
Total	42,995	33,848

Other expenses from ordinary activities

Computer and website expenses	169,185	135,172
Consultants and contractors expenses	538,068	249,389
Legal costs	20,253	61,122
Occupancy costs	126,524	145,718
Staff costs	894,262	321,484
Board Meeting Costs	191,150	194,545
Media Promotions	111,247	145,923
Bad Debts Written Off	35,000	–
Travelling costs	125,805	91,252
Staff Recruitment	25,738	76,562
Audit Fees *	26,500	–
Other expenses from ordinary activities	246,552	124,339
Total	2,510,284	1,545,506

Total expenses from ordinary activities

2,553,279	1,579,354
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* Includes prior year amount of \$13,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004 (Cont)

NOTE 4

Directors' remuneration

(a) Directors' remuneration

Income paid or payable to all Directors of the company by the company and any related parties

Number of Directors whose income from the company or any related parties was within the following bands

\$ 0,000 - \$ 9,999

\$30,000 - \$39,999

\$50,000 - \$59,999

\$100,000 - \$109,999

2004
\$

2003
\$

170,000

224,255

Number

Number

4

4

4

4

1

–

–

1

The names and directors who have held office during the financial year are:

Dr Peter Jonson

Mr Ross Adler

Professor Adrienne Clarke

Professor Paul Greenfield

Professor John Hay

Sir Leo Hielscher

Mr John Read

Professor Malcolm Richmond

Mr Ross Rolfe

No Director has received any additional amounts by way of bonus or non-monetary benefits.

2004
\$

2003
\$

(b) Retirement and superannuation payments (included in amounts disclosed in Note 4(a))

Amounts paid to a superannuation plan for the provision of retirement benefits by:

–the company or any related party for the Directors of the company.

12,600

12,600

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004 (cont.)

NOTE 5

Receivables

	2004	2003
	\$	\$
Trade Debtors	298,208	125,445
Total receivables	298,208	125,445

NOTE 6

Plant and equipment

Office Equipment at Cost	137,139	132,851
Less Accumulated Depreciation	61,632	28,156
	75,507	104,695

Furniture and Fittings at cost	150,718	150,718
Less Accumulated Depreciation	13,877	5,692
	136,841	145,026

Total plant and equipment	212,348	249,721
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Movement schedule

	Office Equipment	Furniture and Fittings	Total
Opening Net Book Value	104,695	145,026	249,721
Additions at Cost	8,093	–	8,093
Disposals at Written Down Value	(2,471)	–	(2,471)
Depreciation for the year	(34,810)	(8,185)	(42,995)
Closing Written Down Value	75,507	136,841	212,348

NOTE 7

Intangible assets

Patents and Trademarks	10,000	10,000
Total intangible assets	10,000	10,000

NOTE 8

Payables

Sundry Creditors	207,684	6,567
GST payable	(5,778)	81,876
PAYG withholding payable	96,196	71,840
Total payables	298,102	160,283

NOTE 9

Provisions

Current

Employee Entitlements	38,416	17,987
Total current provisions	38,416	17,987

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004 (cont.)

NOTE 10

Contributed equity

Fully paid ordinary share

	2004	2003
	\$	\$
	1	1
	1,100,287	–
	(342,611)	1,100,287
	–	–
Closing balance	757,676	1,100,287

NOTE 11

Retained profit

Opening Balance

(Deficit)/Surplus from ordinary activities after income tax

Dividends provided/paid

Closing balance

NOTE 12

Contingent liabilities

The company has no known contingent liabilities at 30 June 2004.

NOTE 13

Segment reporting

The company operates across all Australian states and territories as well as with the federal government. The AIC operates predominantly in the public research institutions sector with interaction with the private sector.

NOTE 14

Financial instruments

(a) Interest Rate Risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The effective weighted average interest rate on the financial asset of cash at bank was 5%.

(b) Credit Risk

The maximum exposure to credit risk is the carrying amount of financial assets, net of any provisions for doubtful debts. The company is not exposed to any significant credit exposure.

(c) Net Fair Values

The net fair values of financial assets equates to their carrying amounts.

NOTE 15:

Commitments for expenditure

Capital expenditure contracted at 30 June 2004 amounted to nil (30 June 2003 nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004 (Cont)

NOTE 16

Reconciliation of cash

(a) Cash Assets

Security Deposits – Rent

Petty Cash Imprest

Cash at Bank

Term Deposit

(b) Reconciliation of Net Cash provided by Operating Activities to (Deficit) / Surplus from ordinary activities after Income Tax

(Deficit)/Surplus from ordinary activities after income tax

Add(Less) Non cash flows

Depreciation

Increase in Provisions

Book value of assets disposed

Changes in assets and Liabilities

Decrease / (Increase) in Receivables

Decrease / (Increase) in Payables

Decrease / (Increase) in Contributed Equity

Net cash provided by operating activities

	2004	2003
	\$	\$
	12,439	12,439
	242	155
	56,814	256,990
	504,144	623,808
	573, 639	893 392
	(342,611)	1,100,287
	42,995	33,848
	20,429	17,987
	2,471	–
	(172,763)	(125,445)
	137,819	160,283
	–	1
	(311,660)	1,186,961

NOTE 17

Economic dependency

In 2003–04, the Company had significant reliance on Queensland's Department of State Development and Innovation to enable it to continue operations and meet its objectives. Going forward, the Company has a funding agreement with the Queensland's Department of State Development and Innovation to 30 June 2007. Financial commitments from Australian States and Territories and the Commonwealth are budgeted to provide project specific funding.

NOTE 18

Future adoption of Australian equivalents to international financial reporting standards

The Financial Reporting Council has determined that all entities preparing general purpose financial statements will apply the Australian Equivalents to International Financial Reporting Standards (IFRS) for reporting periods beginning on or after 1 January 2005.

All Pending Australian Equivalents to IFRS are being progressively reviewed for possible implications on policies, procedures, systems and financial impacts arising from such changes.

To date, the Company has not identified any difference in accounting policies which will arise from the adoption of the Australian Equivalents to IFRS which will materially impact on the financial reports.

Policy decisions made at a whole-of-Government level in relation to the limiting of options in the Australian Equivalent to IFRS could impact on financial reports prepared using these statements.

DIRECTORS' DECLARATION

In the opinion of the Directors of the Australian Institute for Commercialisation Ltd (AIC):

(a) The financial statements and notes, set out on pages 12 to 20, are in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the financial position of the AIC as at 30 June 2004 and of their performance, as represented by the results of their operation and their cash flows, for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) There are reasonable grounds to believe that AIC will be able to pay its debts as and when they become due and payable.

Dr Peter Jonson

Director

Mr John Read

Director

Dated this 28th day of September 2004

INDEPENDENT AUDIT REPORT

To the Members of the Australian Institute for Commercialisation Ltd

SCOPE

The financial report

The financial report of the Australian Institute for Commercialisation Ltd consists of the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, Notes to and forming part of the financial report and directors' declaration for the year ended 30 June 2004.

The Directors' responsibility

The Directors are responsible for the preparation and true and fair presentation of the financial report, the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

As required by law, an independent audit was conducted in accordance with QAO Auditing Standards to enable me to provide an independent opinion whether in all material respects the financial report presents fairly, in accordance with the prescribed requirements.

Audit procedures included:

- examining information on a test/sample basis to provide evidence supporting the amounts and disclosures in the financial report,
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors,
- obtaining written confirmation regarding the material representations made in conjunction with the audit, and
- reviewing the overall presentation of information in the financial report.

Independence

The *Financial Administration and Audit Act 1977* promotes the independence of the Auditor-General and QAO authorised auditors.

The Auditor-General is the auditor of all public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which powers are to be exercised.

The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

INDEPENDENT AUDIT REPORT (cont.)

AUDIT OPINION

In my opinion, the financial report of the Australian Institute for Commercialisation Ltd is in accordance with:

1) *The Corporation Act 2001*, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2004 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

2) other mandatory financial reporting requirements in Australia.

P G SHIPPERLEY, FCPA

*Assistant Auditor General,
Delegate of the Auditor-General,
Queensland Audit Office,
Brisbane*

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