Harrington Group Limited

ABN 18 001 285 230

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Date:	30 September 2003
Message to:	Company Announcements Office
Company/Title:	Australian Stock Exchange Limited
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Announcement follows re Annual Report 30 June 2003

HARRINGTON GROUP LIMITED

(A.B.N. 18 001 285 230)

And Controlled Entity

Annual Report

30 June 2003

HARRINGTON GROUP LIMITED AND CONTROLLED ENTITY
ACN 001 285 230

REPORT OF THE DIRECTORS – 30 JUNE 2003

Your Directors present their report on the company and its controlled entities for the financial year ended 30 June 2003.

Directors

The names of directors in office at any time during or since the end of the year are:

Mr. Michael Ivkovic (resigned 22.1.03)
Mr. Michael B. Silver
Mr. Garry A. Williams (resigned 5.3.03)
Mr. Lindsay Sanford (appointed 22.1.03, resigned 10.7.03)
Mr. William B. Tien (appointed 14.2.03, resigned 22.6.03)
Mr. Anthony Silver (appointed 16.7.03)
Mr. Francesco Canturi (appointed 29.9.03)

The directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activities

During the year the principal activities of the economic entity, constituted by Harrington Group Limited and the entity it controlled, consisted of:

(a) The growing of Pinus Radiata and licensing of land for Pinus Radiata Plantation, and
(b) The design, manufacture and supply of material handling systems

Results for the Year:

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
Operating profit (loss) after income tax	(945,668)	(739,658)	(534,343)	(174,668)

Dividends

No dividends have been paid or proposed since the last Director's Report dated 11 October 2002.

Review of Operations

Consolidated Group Loss for the twelve months ended 30 June 2003 was $945,668 compared to a loss of $739,658 for the previous twelve months.

Advance Conveyors Pty Ltd experienced a significant drop in sales from $4,082,357 in the previous year to $2,428,118 in the year ended 30 June 2003. This resulted in a net loss of $317,402 compared to a loss of $308,913 in the previous year. It should be noted that the loss in the current year included a gain of $369,002 being a debt forgiven by the parent entity. This amount is also included in the parent entity as a loss.

The parent entity also experienced additional costs in consultants fees incurred in the preparation for the sale of forestry assets.

This result was disappointing and reflected the general lack of activity in the conveyor manufacturing industry during the last 6 months of calendar year 2002. As a consequence overheads at Advance Conveyors Pty Ltd have been reduced by $200,000, which is substantially less than the previous year. The Company is now in a better position to take advantage of the increased work that is available now that the general level of activity in this sector of the industry has increased.

Advance Conveyors and for that matter, the conveyor manufacturing industry in general, experienced a pick up in demand during the first six months of calendar year 2003. A good pipeline of identified opportunities translated into sales of $1,394,454 for the six months ended 30 June 2003. This compared to total sales of $1,133,664 for the previous six-month period.

Recent initiatives to improve overall productivity and further rationalize overhead costs should enable Advance Conveyors to capitalize on the current market conditions.

Slow but satisfactory progress continues to be made with respect to the disposal of Harrington's forestry interests at Burraga, Lawson, Lithgow and Jenolan. Unexpected delays with the relevant councils has results in the timetable for the sale being pushed out to the fourth quarter of calendar year 2003.

Earlier this year Harrington entered into negotiations to secure the exclusive distribution rights for the Luxlite range of lighting products for Australia and Oceania. Following an extensive due diligence process the company decided not to pursue this opportunity.

The working capital requirements of the Group were in part addressed earlier this year with the issue of 1,700,000 ordinary shares raising $149,000. A further 3,300,000 shares were issued in September 2003 raising an additional $132,000. Following a recent review of the company's growth aspirations and ongoing working capital requirements it is likely that we will do a one for one rights issue. This issue will be fully underwritten.

Significant Changes

Apart from the matters mentioned above and elsewhere in this report were no significant changes during the year.

Matters Subsequent to the End of the Financial Year

Except for the matters discussed above no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operation, or the state of affairs of the economic entity, in subsequent financial years.

Likely Development

The directors are actively pursuing opportunities to expand the company by acquisition.

Information on Directors

MICHAEL B. SILVER	*Executive Chairman*
Qualifications	B.Sc.Eng (Hons), M.I.E. (Aust)
Experience	Extensive public company and international corporate experience including a strong background in capital finance raisings. Directly involved and responsible for commissioning and developing many engineering and mining projects both in Australia and Overseas. Has held positions as Chairman, Managing Director and Chief Executive Officer and has been instrumental in the direction of many listed public companies in Australia, Canada and USA.

Interest in Shares	Indirect interest 8,926,316
Special Responsibilities	Audit Committee
ANTHONY SILVER	*Director*
Qualifications	BSc (Maths and Computer Science)
Experience	Senior Software Engineer and Analyst Programmer at various high profile companies.
Interest in Shares	Nil
Special Responsibilities	Audit Committee
FRANCESCO CANTURI	*Director*
Qualifications	Company Director
Experience	Innovative administrator and marketer with experience in a range of industries including new boutique finance procurement specializing in the funding of construction and development, prestige real estate development and the manufacturing and retailing of diamond and gold jewellery.
Interest in Shares	Nil
Special Responsibilities	Nil

The number of directors meetings attended by each of the directors of the Company during the financial year were:

	Director Meetings		Audit Committee	
	Attended	Held	Attended	Held
Mr. M. B. Silver	5	6	1	1
Mr. L. Sanford	1	1	-	-
Mr. M.J. Ivkovic	5	5	1	1
Mr. G. A. Williams	6	6	-	-
Mr. W. Tien	-	-	-	-
Mr. A. Silver	-	-	-	-
Mr. F. Canturi	-	-	-	-

Directors' and Executives' Remuneration

The company's policy for determining the nature and amount of remuneration to directors and senior executives of the company is as follows:

The remuneration structure for senior executives seeks to emphasise payment for results through providing various reward schemes, for example the incorporation of incentive payments based on the achievement of sales and profit targets. The remuneration for directors is reviewed by the Chairman and discussed with the Board of Directors when appropriate. Remuneration for the period is as follows:

(a) Directors

Parent Entity	Salary/Fees $	Directors Fees $	Vehicle Allowance $	Total $
M. B. Silver	-	18,000	-	18,000
G. Williams	-	12,242	-	12,242
M.J. Ivkovic	40,000	10,065	-	50,065
L. Sanford	-	7,984	-	7,984
W. Tien	-	6,833	-	6,833
Total Parent	**40,000**	**55,124**	**-**	**95,124**
Controlled Entity				
M.J. Ivkovic	-	-	8,429	8,429
Consolidated	**40,000**	**55,124**	**8,429**	**103,553**

Note: Directors fees and retirement allowances were accrued but not paid except in the case of Mr. G. Williams where fees were partially paid.

(b) Executives ($100,000 and over) other than as included in Directors above:

Controlled Entity

	Salary $	Superannuation $	Vehicle Allowance $	Total $
A.K. Brain	110,000	9,900	2,630	122,530

Audit Committee

The company has an audit committee comprising two executive directors. They are responsible for maintaining a Code of Corporate Conduct for the economic entity, and to give the board additional assurance with respect to the quality and reliability of the information provided. The audit committee is responsible for the appointment of the external auditor.

Corporate Governance Statement

The directors of Harrington Group Limited aspire to the very highest standards of corporate governance.

A description of the company's main corporate governance practices is set out below. It should be kept in mind that at this stage of the company's development the level of corporate governance demanded is not the same as that required by a larger corporation. When new businesses are acquired these practices will be implemented accordingly. Unless otherwise stated, all these practices were in place for the entire year.

The Board of Directors

The Board of Directors takes the ultimate responsibility for corporate governance and operates in accordance with the following broad principles:

- the Board should comprise between 3 and 10 directors
- directors shall have power at any time to appoint any other suitably qualified person subject to election at the next following annual general meeting
- the Chairman should be either an executive or non-executive director
- there is no firm policy yet established for the period directors will serve
- the Board should comprise directors with a broad range of skills and experience
- directors, with the exception of the managing director, are re-elected by rotation at each annual general meeting

Details of any committees established, or not established are set out hereunder.

At the date of signing of the directors' report the board consisted of one executive director and two non-executive directors. Mr. M.J. Ivkovic was appointed Managing Director on 18 July 2001 and resigned on 22 January 2003. Mr. W.B. Tien was appointed Managing Director on 14 February 2003 and subsequently resigned on 22 June 2003. The Company's Chairman, Mr. M.B. Silver has been fulfilling the Managing Director's role since Mr. Tien's resignation. The non-executive directors are on call at any time and at regular formal directors meetings to discuss any matters, which may arise from time to time. Details of the directors are set out in the directors' report under the heading "Information on Directors".

Directors are initially appointed by the full Board, subject to election by shareholders at the next annual general meeting.

Chairman

The Chairman of the Board may either be an executive or non-executive director who is elected by the full Board.

Managing Director

The Managing Director is an executive director who is appointed by the full Board.

Executive Directors

The performance of executive directors is reviewed by the Board. A Nomination Committee will be formed in due course.

Non-Executive Directors

The performance of non-executive directors is reviewed by the Board on an ongoing basis. Any director whose performance is considered unsatisfactory is asked to resign.

Independent Professional Advice

Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice. At the date of this Statement the matter of reimbursement of any such expenditure has not been finalised. When new businesses are acquired this matter will be readdressed. In the interim all directors are encouraged to actively participate in all decision making processes and are given every opportunity to have their opinion heard and respected on all matters.

Nomination Committee

A Nomination Committee has not yet been formed. This Committee will be initiated at the appropriate time in the company's development as discussed above.

Remuneration Committee

A Remuneration Committee has not yet been formed. The directors are of the opinion that this type of committee is not yet warranted. At the appropriate time this matter will be addressed.

The Audit Committee consists of the following executive directors:

M.B. Silver (Chairman and Managing Director)
A. Silver (Non-executive Director)

The main responsibilities of the audit committee are to:

- review and report to the Board on the annual report and financial statements
- provide assurance to the Board that it is receiving adequate, up to date and reliable information
- assist the Board in reviewing the effectiveness of the organisation's internal control environment covering:
  - effectiveness and efficiency of operations
  - reliability of financial reporting
  - compliance with applicable laws and regulations

The committee is also charged with the responsibilities of recommending to the Board the appointment, removal and remuneration of the external auditors, and reviewing the terms of their engagement, and the scope and quality of their audit.

In fulfilling its responsibilities the committee receives regular monthly financial statements.

The committee reports informally to the full Board either on an ad-hoc basis or at regular directors meetings.

Risk Assessment and Management

The Board of Harrington Group accepts the importance of the principles of Risk Assessment and Management. At this stage of the Company's development the Board has delayed implementing a formal strategy on this matter. When activity in the company has developed to an appropriate level the Board will implement more formal risk assessment strategies.

Directors and Employees Trading in Securities

The company's policy regarding directors and employees trading in its securities is set by the Board of Directors. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

Ethical Standards

While the Board has not yet adopted a formal code of Ethical Standards (because of the stage of the development of the company) it does informally subscribe to the highest standards of integrity and professionalism under the following main headings:

- professional conduct
- compliance with laws and regulations
- customer relations
- supplier relations
- the environment, and
- conflicts of interest

Shares Issued

On 16 September 2002 a share placement of 1,000,000 was effected at 10 cents per share raising $100,000 for working capital and on 11 April 2003 a further placement of 700,000 was effected at 7 cents per share raising $49,000 for working capital. Subsequent to the end of the financial year, on 2 September 2003, a share placement was effected whereby 3,300,000 shares were issued at 4 cents raising $132,000 for working capital.

No share options were issued during the year. There are no options on issue.

Subsequent to the end of the financial year directors resolved to recommend to shareholders at the annual general meeting that a rights issue be approved whereby not less than $1,000,000 be raised at a share price of not less than 4 cents per share to raise additional working capital for the Company. This proposed issue will be fully underwritten and an Underwriting Agreement has been signed by Axis Financial Group (Australia) Limited to that effect.

Environmental Issues

The economic entity's operations are not subject to any significant environmental regulations.

Directors' Benefits

Since 30 June 2002, no director of the Company has received or become entitled to receive a benefit (other than Directors' Remuneration included in Note 5 of the accounts and interest on loans included in Note 25 of the accounts) by reason of a contract made or proposed by the Company or a related corporation with the Directors or with a firm of which he has a substantial financial interest other than as disclosed below

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Directors' and Executive Officers' Indemnification

Since the year ended 30 June 2002, the Company has paid no insurance premiums in respect of directors' and officers' liability. The cover for this insurance expired on 19 March 2003 and has not been renewed.

Proceedings on Behalf of the Company

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 the proceedings.

Signing of Annual Report and Directors Declaration

Due to one non-executive director currently being overseas on business the Board has approved by resolution that Mr. Michael B. Silver be authorized to sign the Directors Report and Directors Declaration.

Signed in accordance with a resolution of directors.

Signed at Sydney this 30 th day of September 2003.

Michael B. Silver
Director

RH&A

Richard Hill & Associates
Chartered Accountants &
Business Advisers

Directors

Richard L.S. Hill
B.Comm.F.C.A.

Richard O. Collings
A.C.A (N.Z)

Stuart Nettleton
CPA, MBA,
BEng(Hons), MEngSc
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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF HARRINGTON GROUP LIMITED

Scope

We have audited the financial report of Harrington Group Limited for the year ended 30 June 2003 comprising the Statutory Statements of Financial Position, Performance and Cashflows, accompanying notes and Declaration of Directors. The financial report included the consolidated financial statements of the consolidated entity comprising Harrington Group Limited and the entities it controlled at the year's end or from time to time during the financial year. The Company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to prevent a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion the financial report of Harrington Group Limited is in accordance with:

a) the Corporations Law including:

   (i) giving a true and fair view of the Company and consolidated entity's financial position as at 30 June 2003 and of the performance for the year ended on that date; and

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

b) other mandatory professional reporting requirements.

Without qualification to the opinion expressed above, attention is drawn to the following matter. As noted under the Directors' Declaration and note 29 to the financial statements, the ability of the Company and of its subsidiaries to continue as going concerns and meet their administration commitments is dependent upon the Company and its subsidiaries completing the underwritten rights issue referred to in note 29 to the financial statements and/or commencing profitable operations.

RICHARD HILL & ASSOCIATES

North Sydney
30 September 2003

Richard Hill & Associates Pty Ltd
A.C.N. 003 304 023 A.B.N. 66 003 304 023
Level 8, 157 Walker Street, North Sydney NSW 2060
PO Box 92, North Sydney NSW 2059 Australia

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DECLARATION BY DIRECTORS

The Directors of the company declare that:

1. The financial statements comprising the Statements of Finance Performance, Position and Cash Flows, and accompanying notes, are in accordance with the Corporations Act 2001 and:

    (a) comply with Accounting Standards and the Corporations Regulations 2001; and

    (b) give a true and fair view of the financial position as at 30 June 2003 and of the performance for the year ended on that date of the company and the consolidated entity.

2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Michael B. Silver
Director

Dated at Sydney this 30th day of September 2003.

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STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2003

	Note	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Revenues from ordinary activities	2	2,627,718	4,217,542	157,452	372,923
Raw materials and consumables used		(1,357,700)	(2,370,740)	-	-
Employee benefits expense		(818,014)	(825,852)	-	-
Depreciation and amortisation expense	3	(65,163)	(73,381)	(793)	(840)
Borrowing cost expense	3	(103,485)	(95,527)	(17,168)	(16,655)
Other expenses from ordinary activities		(1,229,024)	(1,591,700)	(673,834)	(530,096)
Profit/(loss) from ordinary activities before income tax		(945,668)	(739,658)	(534,343)	(174,668)
Income tax expense relating to ordinary activities	4	-	-	-	-
Net profit/(loss) attributable to members of the parent entity	21	(945,668)	(739,658)	(534;343)	(174,668)
Transfer from reserves		-	-	-	-
Decrease in asset revaluation reserve	20	(51,243)	(47,856)	(51,243)	(47,856)
Total changes in equity other than those resulting from transactions with owner as owners		(996,911)	(787,514)	(585,586)	(222,524)
Basic earnings per share (cents per share)	8	(2.8)	(3.0)		-

(The accompanying notes form part of this financial report)

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STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2003

	Note	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Current Assets					
Cash assets	9	51,157	42,075	21,994	6,785
Receivables	10	322,573	534,955	13,608	45,233
Inventories	11	250,872	267,925	-	-
Other financial assets	12	-	300,000	-	300,000
Total Current Assets		624,602	1,144,955	35,602	352,018
Non-Current Assets					
Inventories	11	335,978	321,901	335,978	321,901
Investments	13(c)	7,820	71,850	6,280	68,550
Property, plant and equipment and forestry assets	14	209,293	304,561	91,169	143,205
Intangible assets	15	38,507	47,342	-	-
Total Non-Current Assets		591,598	745,654	433,427	533,656
Total Assets		1,216,200	1,890,609	469,029	885,674
Current Liabilities					
Payables	16	1,142,112	1,012,860	212,094	187,216
Interest-bearing liabilities	17	10,596	226,984	10,596	210,813
Provisions	19	79,418	79,807	50,000	50,000
Total Current Liabilities		1,232,126	1,319,651	272,690	448,029
Non-Current Liabilities					
Interest-bearing liabilities	17	525,962	264,682	239,962	44,682
Provisions	18	23,137	23,390	-	-
Total Non-Current Liabilities		549,099	288,072	239,962	44,682
Total Liabilities		1,781,225	1,607,723	512,652	492,711
Net Assets		(565,025)	282,886	(43,623)	392,963
Shareholder's Equity					
Contributed Equity	19	5,292,398	5,143,398	5,292,398	5,143,398
Reserves	20	85,801	137,044	85,801	137,044
Retained profits	21	(5,943,224)	(4,997,556)	(5,421,822)	(4,887,479)
Total Shareholders Equity		(565,025)	282,886	(43,623)	392,963

(The accompanying notes form part of this financial report)

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STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2003

	Note	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Cash Flows from Operating Activities					
Receipts from customers		2,647,943	4,618,958	69,248	39,490
Payments to suppliers and employees		(3196,304)	(5,209,634)	(244,646)	(344,602)
Interest received		5,522	39,464	4,612	35,145
Interest paid		(103,485)	(92,104)	(17,168)	(13,232)
Other income		74,063	39,494	14,000	-
Net cash inflow from operating activities	27b	(572,261)	(603,822)	(173,954)	(283,199)
Cash Flows from Investing Activities					
Payment for purchase of shares		-	(117,850)	-	(114,550)
Proceeds from sale of shares		95,586	16,000	85,650	16,000
Proceeds from sale of plant and equipment		8,000	40,227	-	-
Payment for building, plant and equipment		-	(11,000)	-	-
Payment for intellectual property		(20,303)	(56,810)	-	(1,890)
Net cash inflow/(outflow) from investing activities		83,283	(129,433)	85,650	(100,440)
Cash Flows from Financing Activities					
Issue new shares		149,000	429,973	149,000	429,973
Proceeds from borrowings		261,280	464,682	195,280	244,682
Proceeds from convertible note		300,000	-	300,000	
Convertible note issue		-	(300,000)	-	(300,000)
Loan to controlled entity		-	-	(340,550)	-
Repayment of borrowings		(212,003)	(63,923)	(200,000)	-
Net cash (outflow)/inflow from financing activities		498,277	530,732	103,730	374,655
Net increase/(decrease) in cash held		9,299	(202,523)	15,426	(8,984)
Cash at the beginning of the financial year		31,262	233,785	(4,028)	4,956
Cash at the end of the financial year	27a	40,561	31,262	11,398	(4,028)

(The accompanying notes form part of this financial report)

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NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2003

Note 1: Summary of Significant Accounting Policies

The financial report is a general purpose financial report and has been prepared in accordance with applicable Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the economic entity of Harrington Group Limited and controlled entity, and Harrington Group Limited as an individual parent entity. Harrington Group Limited is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Principles of Consolidation

A controlled entity is any entity controlled by Harrington Group Limited. Control exists where Harrington Group Limited has the capacity to dominate the decision-making in relation to the financial and operating activities of another entity so that the other entity operates with Harrington Group Limited to achieve the objectives of Harrington Group Limited. A list of controlled entities is contained in Note 13 to the financial statements.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Outside interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report

(b) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads where applicable. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of averages cost.

(c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair values less, where applicable, any accumulated depreciation.

(i) Freehold land and buildings are measured on the fair value basis, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. It is the policy of the economic entity to have an independent valuation every three years, with annual appraisals being made by directors.

The revaluation of freehold land and buildings has not taken account of the potential capital gains tax on assets acquired after the introduction of capital gains tax.

(ii) Self Generating and Regenerating Assets

It is the policy of the economic entity to have annual appraisals made by directors. The carrying amounts of self-generating and regenerating assets are reviewed periodically by directors to ensure they are not in excess of the recoverable amounts from these assets. The recoverable amounts are assessed on the basis of the expected net cash flows, which will be received from the assets employment and subsequent disposal. In determining the recoverable amount the expected net cash flows pertaining to growing timber have been discounted to their present values. Any movement in the annual valuation of these assets will be reflected in the profit and loss account.

(iii) Licensed Land

Licensed land is valued at directors' or independent valuation at three yearly intervals based on the recoverable amounts relating to long term contracts for the use of a portion of the company's freehold land for afforestation purposes. The recoverable amount is assessed on the basis of the expected net cash flows discounted to their present values. Licence fees are brought to account as income over the term of the Licence Agreement as they fall due. If licensed land is forfeited by the licensee, the growing timber thereon is brought to account as growing timber.

(iv) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the economic entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability. Lease payments received reduce the liability.

(v) Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The cost of fixed assets constructed within the economic entity includes the cost of material, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2003

(d) **Property, Plant and Equipment (cont.)**

(vi) The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	4%
Plant and equipment and forestry assets	5 - 22.5%
Leased plant and equipment	25 - 33 %

(e) **Investments**

Shares in listed companies held as current assets are valued by directors at those shares' market value at each balance date. The gains or losses, whether realized or unrealized, are included in profit from ordinary activities before income tax.

Non-current investments are measured on the cost basis. The carrying amount of non-current investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for listed investments or the underlying net assets for other non-listed investments.

The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

(f) **Intangibles**

(i) Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Both purchased goodwill and goodwill on consolidation are amortised on a straight line basis over the period of 20 years. The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

(ii) Intellectual Property

Intellectual Property is recorded at cost and is amortised on a straight line basis over the period of 3 years. The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

(g) **Income Tax**

The economic entity adopts the liability method of tax effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise during the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

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Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of these benefits is based on the assumptions that no adverse change will occur in income tax legislation and the anticipation that the economic will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(h) Unearned Revenue

Unearned revenue is only brought to account for the current financial year. Non-current unearned revenue is brought to account over the life of the contract based on the interest rate implicit in the contract.

(i) Cash

For the purpose of the statement of cash flows, cash includes:

- cash on hand and on call deposits with banks or financial institutions, net of overdrafts; and
- investments in money market instruments with less than 14 days to maturity.

(j) Comparative Figures

Where necessary figures are adjusted to conform with the changes in presentation of the current period.

(k) Employee Entitlements

Provision is made for the company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries and annual leave, which will be settled after one year, have been measured at their nominal amount. Other employee entitlements payable later than one year have not been measured at the present value of the estimated future cash outflows as the amounts involved are not material. Contributions are made by the company to an employee superannuation fund and are charged as expenses when incurred.

(l) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to the customers.

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

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

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Note 2: Revenue

	Note	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Operating Activities					
- sales		2,428,118	4,082,358	-	-
- interest received	2(a)	5,522	39,464	4,612	35,145
- other revenue		59,098	8,162	28,077	6,394
- management fees		-	-	-	-
- net foreign exchange gain		281	731	-	-
- license fees		28,763	30,600	28,763	30,600
		2,521,782	4,161,315	61,452	72,139
Non-Operating Activities					
- proceeds on disposal of property, plant and equipment		105,936	56,227	96,000	16,000
- debt forgiven		-	-	-	284,784
		105,936	56,227	96,000	300,784
Total Revenue		2,627,718	4,217,542	157,452	372,923
(a) Interest Revenue from:					
- other persons		5,522	39,464	4,612	35,145
Total Interest Revenue		5,522	39,464	4,612	35,145

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Note 3 – Profit /(Loss) from Ordinary Activities

	Note	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Profit/(Loss) from ordinary activities before income tax has been determined after:					
(a) Expenses					
Cost of Sales		2,226,475	3,672,534	-	-
Borrowing costs:					
- other persons		96,826	95,527	10,509	16,655
- ultimate parent entity		6,659	-	6,659	-
Total Borrowing costs		103,485	95,527	17,168	16,655
Depreciation and amortisation of non-current assets:					
- plant and equipment		32,273	46,132	793	840
- amortisation of leased plant and equipment		3,852	17,781	-	-
- amortisation intellectual property		29,038	9,468	-	-
Total Depreciation and Amortisation		65,163	73,381	793	840
Bad and doubtful debts:					
- trade debtors		12,294	(83,370)	2,145	(43,969)
Rental expense on operating lease:					
- minimum lease payments		94,106	123,686	910	10,885
Finance charges on capitalized leases		793	4,075	-	-
Write down of listed investments to recoverable amount		16,780	30,000	16,020	30,000
(b) Revenue and Net Gains					
Net gain/(loss) on disposal of non-current assets:					
- property plant and equipment		(5,054)	-	-	-
- investments		16,020	-	15,800	-
Foreign currency translation gains		281	731	-	-

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	Economic Entity		Parent Entity	
	2003 $	2002 $	2003 $	2002 $
(c) Significant Revenue and Expenses				
The following revenue and expense items are relevant in explaining the financial performance:				
Related parties debts forgiven	-	-	(340,550)	284,784
Total Significant Items	-	-	(340,550)	284,784
Note 4 – Income Tax				
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:				
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2002, 30%)	(283,700)	(221,897)	(160,303)	(52,400)
Add:				
Tax effect of:				
- non deductible depreciation and amortisation	11,107	6,489	-	-
- asset write down/(write up)	11,914	(5,503)	11,686	(5,503)
- loss on sale of assets	-	949	-	-
- other non-allowable items	1,553	425	498	101
- debt forgiven	19,641	-	130,342	(85,435)
	(239,485)	(219,537)	(17,777)	(143,237)
Less:				
Tax effect of:				
- employee provision	(193)	(4,013)	-	-
- lease payments and depreciation	95	386	-	-
- doubtful debt provisions	3,142	(24,094)	644	(12,166)
- provision for non-recovery of loan		-	(28,177)	28,177
Tax losses not brought to account	(236,441)	(247,258)	(45,310)	(127,226)
Income tax expense/(benefit) attributable to profit/(loss) from ordinary activities before tax	-	-	-	-
Future income tax benefit not brought to account consists of:				
- timing differences	-66,590	54,951	-130,730	28,435
- tax losses	1,687,674	777,996	633,827	323,629
	1,621,084	832,947	503,097	352,064

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Note 5: Remuneration and Retirement Benefits

	Note	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
(a) Directors' Remuneration					
Income paid or payable to all directors of each entity in the economic entity by the entities of which they are directors and any related parties		103,553	172,504		
Income paid or payable to all directors of the parent entity by the parent entity and any related parties				95,124	164,000
Number of parent entity directors whose income from the parent entity and any related parties was within the following bands:		No.	No.	No.	No.
$0 - $9999		2	-	2	-
$10,000 - $19,999		2	1	2	1
$50,000 - $59,999		1	-	1	-
$60,000 - $69,999		-	1	-	1
$70,000 - $79,999		-	-	-	1
$80,000 - $89,999		-	1	-	-

The names of parent entity directors who have held office during the financial year are:

Mr. Michael J. Ivkovic	(Resigned 22.1.03)
Mr. Gary A. Williams	(Resigned 5.3.03)
Mr. Lindsay Sanford	(Appointed 22.1.03, Resigned 10.7.03)
Mr. W.B. Tien	(Appointed 14.2.03, Resigned 22.6.03)

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Note 5: Remuneration and Retirement Benefits (continued)

	Note	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
(b) Executive Remuneration					
Remuneration received or due and receivable by executive officers of the economic entity, from entities in the economic entity and any related entities for management of the affairs of the economic entity whose remuneration is $100,000 or more		122,530	-	-	-
Remuneration received or due and receivable by the executive officers of the parent entity, from the parent entity and any related parties for management of the affairs of the parent entity and its subsidiaries, whose income is $100,000 or more		-	-	-	-
The number of executives whose income was within the following bands:		No.	No.	No.	No.
$120,000 – 129,999		1	-	-	-

Note 6: Auditor's Remuneration

Remuneration of the auditor of the parent entity for:				
- auditing or reviewing the financial report	20,000	73,623	8,140	49,540
- other services	13,969	-	13,969	15,000

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Note 7: Dividends
No dividends were paid during the financial period

	Note	Economic Entity 2003 $	2002 $	Parent Entity 2003 $	2002 $
Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and franking credits that may be prevented from distribution in subsequent financial years.		2,796,066	2,796,066	2,739,521	2,739,521
Note 8: Earnings per share					
Weighted average number of ordinary shares outstanding during the year used in calculations of basic earnings per share.		35,141,696	23,920,036		

Diluted earnings per share has not been disclosed as it is not materially different from basic earnings per share.

Note 9: Cash Assets					
Cash at bank and in hand		51,157	42,075	21,994	6,785

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Note 10: Receivables

	Note	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Current					
Trade debtors		336,386	486,149	6,017	16,743
Provision for doubtful debts		(43,831)	(36,366)	-	(860)
		292,555	449,783	6,017	15,883
Other debtors		30,018	85,172	7,591	29,350
		322,573	534,955	13,608	45,233
Non-Current					
Amounts receivable from:					
- controlled entity		-	-	-	93,923
- provision for non-recovery		-	-	-	(93,923)
		-	-	-	-

Note 11: Inventories

	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Current				
Raw materials and stores	206,875	236,863	-	-
Work in progress	5,392	9,541	-	-
Finished goods	31,022	17,227	-	-
Stock in transit	7,583	4,294	-	-
	250,872	267,925	-	-
Non-current				
Self-Generating and Regenerating Forests				
- at directors' valuation 30.6.2002	-	321,901	-	321,901
- at director's valuation 30.6.2003	335,978	-	335,978	-
	335,978	321,901	335,978	321,901

Plantations	2003 hectares	2002 hectares	2003 hectares	2002 hectares
Softwood – Pinus Radiata				
Opening balance 1 July	238	224	238	224
Disposal by sale	-	-	-	-
Transfer from licensees	20	14	20	14
Closing balance 30 June	258	238	258	238

	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Opening balance 1 July	321,901	303,558	321,901	303,558
Disposal by sale	-	-	-	-
Transfer from licensees	14,077	18,343	14,077	18,343
Closing balance 30 June	335,978	321,901	335,978	321,901

Following a review by directors at 30 June 2003 supported by external valuations, it was decided to leave forestry assets at existing values.

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Note 12: Other Financial Assets

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
Current				
Convertible note	-	300,000	-	300,000

Note 13: Investments

(a) **Controlled entity** and its contribution to consolidated loss

	Country of Incorporation	Percentage Owned		Contribution to Consolidated Loss	
		2003	2002	2003	2002
		%	%	$	$
Parent Entity					
Harrington Group Limited	Australia	-	-	(317,402)	(80,745)
Subsidiary Entity					
Advance Conveyors Pty Ltd	Australia	100	100	(534,343)	(658,913)
Harrington Technologies Ltd	Australia	100	100	-	-
				(851,745)	(739,658)
		Eliminations		(93,923)	-
				(945,668)	(739,658)

(b) Investment in Controlled Entity

Name of Entity	Country of Incorporation	Class of Shares	Equity holding		Cost of Parent Entity's Investment	
			2003	2002	2003	2002
			%	%	$	$
Advance Conveyors P/L	Australia	Ordinary	100	100	2,614,491	2,614,491
		Preference	100	100	2,614,491	2,614,491
					5,228,982	5,228,982
Harrington Technologies Ltd	Australia	Ordinary	100	-	2	-
					5,228,984	5,228,982
Less: Dividends received from pre-acquisition profit					1,432,632	1,432,632
					3,796,352	3,796,350
Less: Provision for diminution of investment					3,796,352	3,796,350
					-	-

(c) **Acquisition of Controlled Entity:**

Name of entity:	Harrington Technologies Limited
Date of acquisition:	28 February 2003
Percentage acquired:	100%
Cost of acquisition:	$2.00
Goodwill on consolidation:	Nil

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Note 13: Investments (continued)

(d) Investments	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Listed public companies at market value 30.6.03	7,820	65,250	6,280	65,250
Unlisted companies at cost 30.6.03	-	6,600	-	3,300
	7,820	71,850	6,280	68,550

Note 14: Property, Plant and Equipment and Forestry Assets

	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Plant and Equipment				
- at cost	-	-	22,594	22,594
- at directors valuation 1.7.2001	153,390	195,419	-	-
	153,390	195,419	22,594	22,594
Accumulated depreciation	(32,273)	(46,131)	(19,601)	(18,808)
	121,117	149,288	2,993	3,786
Plant Equipment under Finance Leases	-	34,490	-	-
Accumulated amortisation	-	(18,636)	-	-
	-	15,854	-	-
Total Plant and Equipment	121,117	165,142	2,993	3,786
Forestry Assets				
Freehold Land				
- at directors' valuation 30.6.2002	51,754	49,589	51,754	49,589
Licensed Land				
- at directors' valuation 30.6.2002	-	89,830		89,830
- at directors' valuation 30.6.2003	36,422	-	36,422	-
	36,422	89,830	36,422	89,830
Total Forestry Assets	88,176	139,419	88,176	139,419
Total Property Plant and Equipment	209,293	304,561	91,169	143,205

Note 14: Property, Plant and Equipment and Forestry Assets(continued)

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the financial year. Asset valuations on forestry assets and plant and equipment by directors were carried out, supported by external advice as to expected market values.

Economic Entity:	Plant & Equipment	Leased Plant & Equipment	Forestry Land	Forestry Licensed Land	Total
Balance at the beginning of year	149,288	15,854	49,589	89,830	304,561
Additions	17,157	-	-	-	17,157
Disposals	(13,055)	(12,002)	-	-	(25,057)
Revaluation decrements	-	-	2,165	(53,408)	(51,243)
Depreciation expense	(32,273)	(3,852)	-	-	(36,125)
Carrying amount at the end of the year	121,117	-	51,754	36,422	209,293

Parent Entity:	Plant & Equipment	Leased Plant & Equipment	Forestry Land	Forestry Licensed Land	Total
Balance at the beginning of year	3,786	-	49,589	89,830	143,205
Revaluation increments/(decrements)	-	-	2,165	(53,408)	(51,243)
Depreciation expense	(793)	-	-	-	(793)
Carrying amount at the end of the year	2,993	-	51,754	36,422	91,169

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Note 15: Intangible Assets

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
Intellectual Property	47,342	56,810	-	-
Adjusted Cost	20,203	-	-	-
	67,545	56,810	-	-
Accumulated Amortisation	(29,038)	(9,468)	-	-
	38,507	47,342	-	-

Intellectual Property comprises the cost value of the technical drawings of all standard designs of the controlled entity Advance Conveyors Pty Ltd. Intellectual Property is amortised over 3 years commencing 1.1.2002.

Note 16: Payables

Current				
Unsecured liabilities				
Trade creditors	591,449	735,886	182,972	157,898
Sundry creditors and accrued expenses	550,663	276,974	29,122	29,318
	1,142,112	1,012,860	212,094	187,216

Note 17: Interest Bearing Liabilities

Current				
Unsecured liabilities				
Bank overdrafts	10,596	10,813	10,596	10,813
Other loan	-	200,000	-	200,000
	10,596	210,813	10,596	210,813
Secured liabilities				
Lease liabilities	-	16,171	-	-
	10,596	226,984	10,596	210,813

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Note 17: Interest Bearing Liabilities (continued)

	Note	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Non-Current					
Secured liabilities					
Other loans		525,962	264,682	239,962	44,682
(a) Total current and non-current secured liabilities:					
Other loans		525,962	264,682	239,962	44,682
Lease liabilities	24	-	16,171	-	-
		525,962	280,853	239,962	44,682
(b) The carrying amounts of non-current assets pledged as security for other loans are:					
First mortgage over forestry assets		64,682	44,682	64,682	44,682
Floating charge over assets		461,280	220,000	175,280	-
		525,962	264,682	239,962	44,682

(c) Lease liabilities are secured by a charge over the underlying plant and equipment

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Note 18: Provisions

	Note	Economic Entity 2003	Economic Entity 2002	Parent Entity 2003	Parent Entity 2002
		$	$	$	$
Current					
Employee entitlements		79,418	79,807	50,000	50,000
Non-Current					
Employee entitlements		23,137	23,390	-	-
(a) Aggregate employee entitlement liability		102,555	103,197	50,000	50,000
		No.	No.	No.	No.
(b) Number of employees at year end		15	13	-	-

Note 19: Contributed Equity

	Economic Entity 2003	Economic Entity 2002	Parent Entity 2003	Parent Entity 2002
35,897,312 (2002: 34,197,312) fully paid ordinary shares	5,292,398	5,143,398	5,292,398	5,143,398
(a) Ordinary shares - number	No.	No.	No.	No.
Opening Balance 1.7.02	34,197,312	14,898,656	34,197,312	14,898,656
Share Placement 10.7.01 @ 4 cents per share	-	2,200,000	-	2,200,000
Rights Issue 5.2.02 @ 2 cents per share	-	17,098,656	-	17,098,656
Share Placement 16.9.02 @ 10 cents per share	1,000,000	-	1,000,000	-
Share Placement 11.4.03 @ 7 cents per share	700,000	-	700,000	-
Balance 30.6.03	35,897,312	34,197,312	35,897,312	34,197,312
(b) Ordinary shares – value	$	$	$	$
Opening Balance 1.7.02	5,143,398	4,713,425	5,143,398	4,713,425
Share Placement 10.7.01	-	88,000	-	88,000
Rights Issue 5.2.02	-	341,973	-	341,973
Share Placement 16.9.02	100,000	-	100,000	-
Share Placement 11.4.03	49,000	-	49,000	-
Balance 30.6.03	5,292,398	5,143,398	5,292,398	5,143,398

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Note 20: Reserves

	Note	Economic Entity		Parent Entity	
		2003	2002	2003	2002
		$	$	$	$
Asset revaluation reserve					
Balance as at start of financial year		137,044	184,900	137,044	184,900
Revaluation decrement on change in directors valuation of forestry assets		(51,243)	(47,856)	(51,243)	(47,856)
Balance as at end of the financial year		85,801	137,044	85,801	137,044

The asset revaluation reserve records revaluations on non-current assets.

Note 21: Retained Profits

Retained profits at the beginning of the financial year	(4,997,556)	(4,257,898)	(4,887,479)	(4,712,811)
Net profit/(loss) attributable to members of the parent entity	(945,668)	(739,658))	(534,343)	(174,668)
Retained profits at the end of the financial year	(5,943,224)	(4,997,556)	(5,421,822)	(4,887,479)

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Note 22: Capital and Leasing Commitments

	Note	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
(a) Finance Lease Commitments					
Payable:					
- not later than 1 year		-	16,964	-	-
Minimum lease payments		-	16,964	-	-
Future finance charges		-	(793)	-	-
Total Lease Liability	17	-	16,171	-	-

Finance leases cover motor vehicles for various terms and interests rates

(b) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

	Economic Entity 2003 $	Economic Entity 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Payable:				
- not later than 1 year	7,766	31,975	-	910
	7,766	31,975	-	910

Operating (Property)
Leases have the following terms:

(i) Non-cancellable terminating on 31 July 2003, with an option to renew the lease for a further 6 months. To date this option has not been taken up.

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Note 23: Statement of Operations by Segments

	Total Revenue		Profit from Ordinary Activities After Income Tax attributed to Shareholders		Total Assets		Total Liabilities	
	2003 $	2002 $	2003 $	2002 $	2003 $	2002 $	2003 $	2002 $
(a) Industrial Segments								
Materials handling								
- external customers	2,549,606	4,129,403	(686,404)	(374,129)	747,171	1,098,858	1,268,573	1,208,935
- other segments	369,002	350,000	369,002	65,216	-	-	-	-
Forestry operations								
- external customers	78,112	88,139	(193,793)	(365,529)	469,029	885,674	512,652	492,711
- other segments		284,784	(340,550)	190,861	-	-	-	-
Eliminations	(369,002)	(634,784)	(93,923)	(256,077)	-	(93,923)	-	(93,923)
	2,627,718	4,217,542	(945,668)	(739,658)	1,216,200	1,890,609	1,781,225	1,607,723
(b) Geographic Segments								
- Australian external	2,627,718	4,217,542	(945,668)	(739,658)	1,216,200	1,890,609	1,781,225	1,607,723

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of accounts payable, employee entitlements, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

Business Segment

Materials handling division manufactures gravity and powered conveyors and associated spare parts for use in a range of industries throughout Australia.

Forestry operations cover the growing of Pinus Radiata and licensing of land for Pinus Radiata Plantation.

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Note 24: Financial Instruments

	Weighted Average Effective Interest Rate		Floating Interest Rate $		Fixed Interest Rate Maturing Within Year $		Fixed Interest Rate Maturing 1 to 5 Years $		Over 5 Years $		Non-interest Bearing $		Total $	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Financial Assets:														
Cash	1.5	2.4	50,950	41,768	-	-	-	-	-	-	207	307	51,157	42,075
Receivables	-	-	-	-	-	-	-	-	-	-	322,573	550,688	322,573	550,688
Total Financial Assets			50,950	41,768	-	-	-	-	-	-	322,780	550,995	373,730	592,763
Financial Liabilities:														
Bank loans and overdrafts	-	-	10,596	10813	-	-	-	-	-	-	-	-	10,596	10,813
Other Loans	18.53	16.73	-	-	-	200,000	525,962	264,682	-	-	-	-	525,962	464,682
Trade and sundry creditors	-	-	-	-	-	-	-	-	-	-	1,142,112	986,802	1,142,112	986,802
Lease liabilities	-	7.0	-	-	-	16,171	-	-	-	-	-	-	-	16,171
Total financial liabilities			10,596	10,813	-	216,171	525,962	264,682	-	-	1,142,112	986,802	1,678,670	1,478,468

Note 24: Financial Instruments (continued)

(a) Credit risk exposure

Credit risk is the risk that counter parties to a financial asset will fail to discharge their obligations, causing the economic entity to incur a financial loss.

Financial instruments on the Statement of Financial Position

The credit risk exposure of the economic entity to financial assets, excluding investments in shares, which have been recognised on the Statement of Financial Position, is generally the carrying amount, net of any provisions for doubtful debts.

The economic entity attempts to minimize the credit risk exposure on trade debtors by undertaking transactions with a large number of customers and counter parties in various sectors.

(b) Net fair values of financial assets and liabilities

Financial instruments on the Statement of Financial Position

The carrying amounts of cash, cash equivalents and non-interest bearing monetary financial assets and liabilities (e.g. accounts receivable and payable) approximate net fair value. The carrying amounts and net fair values of financial assets and liabilities at balance date are as stated in the Statement of Financial Position's as presented.

Note 25: Related Parties

Apart from the details disclosed in this note, no director has entered into contracts with the company since the end of the previous financial year.

Effective 1 July 2001 the company entered into an agreement with Woodwell Pty Ltd (a company associated with Mr. M. J. Ivkovic) for the provision of management services. Woodwell Pty Ltd is entitled to $60,000 per annum.

During the financial period, Sustainable Resource Development Corporation Pty Ltd, a company associated with Mr. Michael B. Silver, provided the company with loan funds of $179,071 at an interest rate of 12% per annum.

Directors Transactions as Shareholders

- Number and class of shares acquired or disposed in the period.

(a) Sustainable Resource Development Corporation Pty Ltd a company associated with Mr. M. B. Silver

- Acquired	Nil	ordinary shares	(2002, 14,025,816)

(b) Associated with Mr. W.B. Tien

Square Triangles Pty Ltd

- Acquired	200,000 ordinary shares	(2002, Nil)
- Disposed	192,000 ordinary shares	(2002, Nil)

W.B. Tien

- Acquired	370,000 ordinary shares	(2002, Nil)
- Disposed	157,800 ordinary shares	(2002, Nil)

The Belloc Family Trust

- Acquired	720,000 ordinary shares	(2002, Nil)

Note 25: Related Parties (continued)

- Number and class of shares held at the reporting date.

  (a) Sustainable Resource Development Corporation Pty Ltd a company associated with Mr. M.B. Silver
  -8,926,312 ordinary shares (2002, 14,025,816)

Directors Transactions as Shareholders

- Number and class of shares acquired or disposed in the period.

  (a) Sustainable Resource Development Corporation Pt Ltd, a company associated with Mr. M.B. Silver
  -acquired NIL ordinary shares (2002, 14,025,816).
  -sold 5,099,550 ordinary shares (2002, NIL).

- Number and class of shares held at the reporting date:

  (a) Sustainable Resource Development Corporation Pty Ltd a company associated with Mr. Silver.
  -8,926,316, ordinary shares (2002, 14,025,816).

Wholly-owned Group

The wholly-owned group consists of Harrington Group Limited and wholly-owned controlled entities Advance Conveyors Pty Ltd and Harrington Technologies Limited.

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Note 26: Reconciliation of Operating Profit after Income Tax to Net cash Flow inflow from Operating Activities

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$

(a) For the purposes of the statements of cash flows, cash includes cash on hand and in banks net of bank overdrafts.

Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the relevant items in the Statement of Financial Position as follows:

	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Cash on hand	207	307	7	107
Cash at bank	50,950	41,768	21,987	6,678
Bank overdraft	(10,596)	(10,813)	(10,596)	(10,813)
Cash as per statement of cash flows	40,561	31,262	11,398	(4,028)
(b) Operating (loss) after income tax	(945,668)	(739,658)	(534,343)	(174,668)
Depreciation and amortisation	65,163	73,381	793	840
Bad and doubtful debts	9,610	(83,730)	1,285	(43,969)
Provision for non-recovery of loan	-	-	-	93,923
Provision for employee entitlements	(642)	36,625	-	50,000
(Profit)/Loss on sale of assets (net)	(31,556)	45,731	(47,400)	30,000
Debt forgiven	65,471	-	340,550	(284,784)
Write down/ (write up) forests	(14,077)	(18,343)	(14,077)	(18,343)
Accrued Directors' Fees	38,909	-	38,909	-
Sundry items	-	-	16,020	-
Sub total	(812,790)	(685,994)	(198,263)	(347,001)
Change in operating assets and liabilities				
(Increase)/decrease in term trade debtors	147,618	260,959	8,581	46,830
Decrease/(increase) in other debtors	55,154	101,219	29,759	(11,924)
Decrease/(increase) in inventories	17,053	187,183	-	-
(Decrease)/increase in controlled entity	-	-	-	142,786
(Decrease)/Increase in trade creditors and accruals	20,704	(467,189)	(14,031)	(113,890)
Net cash inflow/(outflow) from operating activities	(572,261)	(603,822)	(173,954)	(283,199)

Note 27: Superannuation Commitment

The economic entity participated in industry sponsored superannuation plans during the year at the rate of 9% for each employee.

Note 28: Company Details

The registered office and principal place of business of the parent company is:
Harrington Group Limited
352 Horsley Rd
Milperra NSW 2214

The registered office and principal place of business of the controlled entity is:
Advance Conveyors Pty Ltd
352 Horsely Road
Milperra NSW 2214

Note 29: Subsequent Events

On 2 September 2003 a share placement was effected whereby 3,300,000 ordinary shares were issued at 4 cents per share raising $132,000 for the purposes of additional working capital.

Directors have resolved to recommend to shareholders at the annual general meeting that a rights issue be approved whereby not less than $1,000,000 be raised at a share price of not less than 4 cents per share to raise additional working capital for the Company. This proposed issue will be fully underwritten and an Underwriting Agreement has been signed by Axis Financial Group (Australia) Limited to that effect.

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STATEMENT OF SHAREHOLDING AS AT 24 SEPTEMBER 2003

Major Shareholders Fully Paid Ordinary Shares

SHAREHOLDERS	Number of shares held	% Holding
Sustainable Resource Development Corporation Pty Ltd	8,926,316	24.87
Shinewin Nominees Limited	4,720,000	13.15
Forestbrook Pty Ltd	4,450,000	12.40
Paloma Enterprises Pty Limited	2,800,000	7.80
Fair Choice Limited	1,716,360	4.78
Molby Investments Ltd	1,645,000	4.58
Mr Joseph Maxim Goldberg	1,294,000	3.60
Baymist Corporation Pty Ltd	1,000,000	2.79
Mr Raydon Ayers Lines	887,192	2.47
Moby Investments Limited	700,000	1.95
Mr Andrew Geoffrey Egan & Mrs Cecilia Egan (Egan Executive S/Fund A/C)	516,400	1.44
William Joseph Carpenter and Margaret Esther Carpenter	306,720	0.85
The Way Development Pty Ltd	275,000	0.77
Yelldine Holdings Pty Ltd	256,885	0.72
Ms Giin Ee Lau	250,000	0.70
Bestrawl Pty Ltd (JB Family Fund A/C)	200,000	0.56
Otira Pty Ltd (Alf Lee Unit Fund A/C)	200,000	0.56
Tobinill Pty Ltd	200,000	0.56
Mr Rui Lin Wang	200,000	0.56
Zephyr Pty Ltd (A Branicki Super Fund A/C)	200,000	0.56
	30,743,873	85.67

Percentage held by 20 largest shareholders 90.17%

Distribution of Shareholdings

1 - 1,000	11
1,001 - 5,000	343
5,001 - 10,000	74
10,001 - 100,000	67
100,001 - and over	26
	521
Number with less than a marketable parcel:	429

Substantial Shareholders	%	Number of shares held
Sustainable Resource Development Corporation Pty Ltd	24.87	8,926,316
Shinewin Nominees Limited	13.15	4,720,000
Forestbrook Pty Ltd	12.40	4,450,000
Paloma Enterprises Pty Limited	7.80	2,800,000
	58.22	20,896,316

Stock Exchange Listing – Listing has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited.

All holders of ordinary shares have equal voting rights

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CORPORATE DIRECTORY

DIRECTORS

Michael B. Silver B.Sc. Eng (Hons)
Chairman

Anthony Silver, BSc.
Director

AUDITORS

Richard Hill & Associates
Sydney

BANKERS

National Australia Bank, Sydney
Macquarie Bank Limited, Sydney

SOLICITORS

Mallesons Stephen Jaques
Sydney

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 3, 60 Carrington Street
Sydney NSW 2000

REGISTERED OFFICE

352 Horsley Rd
Milperra NSW 2214
Telephone (02) 9772 4499
Facsimile (02) 9771 4659

PRINCIPAL OFFICE

352 Horsley Rd
Milperra NSW 2214
Telephone (02) 9772 4499
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