

AVON RUBBER QUEST LIMITED**DIRECTORS' REPORT**

Directors: S.F.Drew
R.Karn
D.C.Mock

Secretary: C L Martin LL.B.
Registered Office: Manvers House
Kingston Road
Bradford-on Avon
Wiltshire

The directors present the annual report and audited financial statements of the company for the year ended 30 September 2000

No dividends have been paid or proposed.

**1. PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

During the year the company acted as a Qualifying Employee Share Ownership Trust.

2. DIRECTORS

None of the directors had a beneficial interest in the shares of the company.

The beneficial interest of the following director in the shares of the holding company Avon Rubber p.l.c. were as follows:

	At the beginning of the year		At the end of the year	
	Ordinary	Preference	Ordinary	Preference
S.F.Drew	526	-	586	-

Under the Group Savings Related Share Option Schemes the following director holds options to subscribe for ordinary shares of £1 each in Avon Rubber p.l.c. as follows:

	Number of options at 03.10.99	Granted during the period	Exercised during the period	Number of options at 30.09.00	Exercise price (£)	Exercisable during
D.C.Mock	425	-	-	425	3.67	2002
	205	-	-	205	3.80	2003
	467	-	-	467	5.01	2005
	448	-	-	448	4.52	2004
S.F.Drew	813	-	-	813	4.52	2004

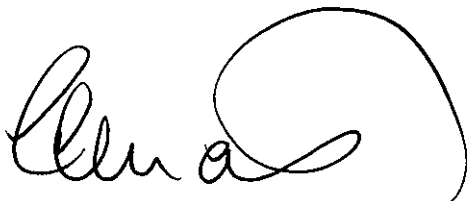
Under the Executive Share Incentive Scheme 1996, a full description of which is given in the report and accounts of the ultimate controlling party Avon Rubber p.l.c, Mr S.F.Drew bought a total of 60 shares as part of his annual bonus for the 1998/9 financial year.

The maximum number of shares comprised in the conditional awards to Mr S.F.Drew under this scheme outstanding at the end of the year are as follows:

Total granted to date	Granted 2000	Granted 1999	Granted 1998
1,899	180	1,239	480

3. AUDITORS

A resolution to re-appoint the auditors, PricewaterhouseCoopers, will be proposed at the annual general meeting.

A handwritten signature in black ink, appearing to read 'C L Martin', with a large, sweeping loop at the end.

By order of the board
C L Martin, Secretary
Bradford-on Avon, Wiltshire


14 December 2000

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- a) Select suitable accounting policies and then apply them consistently;
- b) Make judgements and estimates that are reasonable and prudent;
- c) State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- d) Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.



By order of the board
C L Martin, Secretary
Bradford-on Avon, Wiltshire

14 December 2000

REPORT OF THE AUDITORS TO THE MEMBERS OF AVON RUBBER QUEST LIMITED

We have audited the financial statements on pages 5 to 9, which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

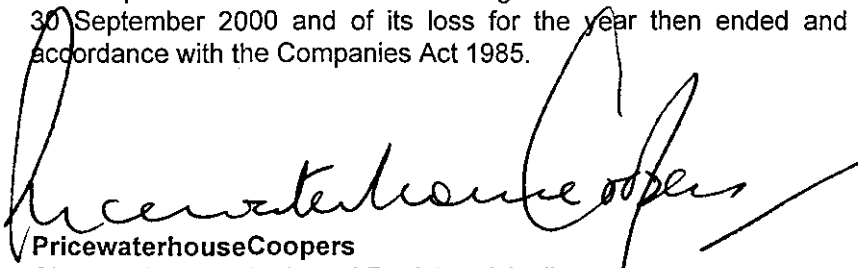
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 September 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Bristol

14 December 2000

AVON RUBBER QUEST LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDING 30 SEPTEMBER 2000

	2000	1999
	£	£
Other operating income (note 2)	-	-
Administrative expenses	37	198
Tax charge	1	-
Retained loss for the year	<u>(38)</u>	<u>(198)</u>

All of the Company's activities are generated from continuing activities.

The Company has no recognised gains or losses other than the result for the period.

There is no difference between the result stated above and that calculated on an historical cost basis.

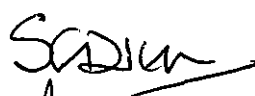
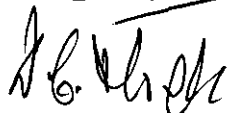
AVON RUBBER QUEST LIMITED

BALANCE SHEET

AS AT 30 SEPTEMBER 2000

	2000 £	1999 £
FIXED ASSETS		
Investment in Avon Rubber p.l.c. (note 3)	303,203	742,111
CURRENT ASSETS		
Cash at Bank	1,716	-
CREDITORS		
Amounts falling due within one year (note 4)	<u>(179,764)</u>	<u>(136,701)</u>
NET CURRENT LIABILITIES	(178,048)	(136,701)
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>125,155</u>	<u>605,410</u>
CREDITORS		
Amounts falling due after more than one year (note 4)	<u>(125,380)</u>	<u>(605,597)</u>
NET ASSETS	<u><u>(225)</u></u>	<u><u>(187)</u></u>
CAPITAL AND RESERVES		
Share capital (note 5)	1	1
Profit and loss account (note 6)	(226)	(188)
EQUITY SHAREHOLDERS' FUNDS	<u><u>(225)</u></u>	<u><u>(187)</u></u>

These financial statements were approved by the board of directors on 14 December 2000 and were signed on its behalf by:



} Directors
}

AVON RUBBER QUEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below:

Basis of Accounting

The financial statements have been prepared in accordance with the historical cost convention.

Investments

Investments are held at cost less amounts written off to reflect any permanent diminution in value.

Cash Flow Statement

The company has not presented a cash flow statement as it has taken advantage of the exemption conferred by FRS1 (revised).

Accounting Period

The company's accounting period ends on the Saturday nearest to 30 September each year. The period ended 30 September 2000 consists of 52 weeks. (1999: 52 weeks)

Deferred Income

Deferred income represents contributions received from the parent company, Avon Rubber plc, in respect of that company's obligation to satisfy its outstanding share options under the group Save As You Earn scheme. Deferred income is recognised in the profit and loss account in order to match the charge arising on either the disposal of shares in Avon Rubber plc to satisfy these share options, or changes in the valuation of those shares.

Exchange Rates

Assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange at the balance sheet date or the rate of exchange at which the transaction is contracted to be settled in the future.

2. OTHER OPERATING INCOME

	2000 £	1999 £
Balance of deferred income	437,123	562,156
Loss on disposal of fixed asset investment	(1,267)	(562,156)
Impairment of fixed asset investment	(435,856)	-
	-	-

3. INVESTMENTS

	£
Cost:	
At 3 October 1999	742,111
Disposals	(3,052)
	<hr/>
At 30 September 2000	739,059
	<hr/>
Provision for diminution in value	
At 3 October 1999	-
Charge for the year	435,856
	<hr/>
At 30 September 2000	435,856
	<hr/>
Net Book Value	
At 30 September 2000	303,203
At 2 October 1999	742,111

Investments at 30 September 2000 represent 136,578 shares (1999:137,044) in Avon Rubber p.l.c., a company listed on the London Stock Exchange.

4. CREDITORS

	2000	1999
	£	£
Amounts falling due within one year:		
Deferred income	179,764	136,670
Bank overdraft	-	31
	<hr/>	<hr/>
	179,764	136,701
	<hr/>	<hr/>
Amounts falling due after more than one year:		
Deferred income	125,380	605,597
	<hr/>	<hr/>

5. SHARE CAPITAL

	2000	1999
	£	£
Authorised: 100 Ordinary shares of £1 each	100	100
	<hr/>	<hr/>
Allotted, called up and fully paid		
1 ordinary £1 share	1	1
	<hr/>	<hr/>

6. RESERVES

	2000 £	1999 £
At the beginning of the period	(188)	10
Loss for the period	(38)	(198)
At the end of the period	<u>(226)</u>	<u>(188)</u>

7. EMPLOYEES

Other than the directors listed on page 1 the company has no employees.

Directors' remuneration

There were no directors' emoluments paid by the company. The services of the directors to the company are of a non executive nature and their emoluments are deemed to be wholly attributable to their services to the company paying their emoluments.

8. RELATED PARTIES

The company has taken advantage of the dispensation permitted under FRS8, Related Party Transactions, not to disclose transactions or balances with other group companies.

9. CONTROLLING PARTY

The immediate and ultimate controlling party is Avon Rubber p.l.c. incorporated in Great Britain and registered in England and Wales. Copies of the consolidated financial statements may be obtained from Avon Rubber p.l.c., Manvers House, Kingston Road, Bradford on Avon, Wiltshire.