

Directors

The Board of IAWS Group, plc consists of three executive directors and ten non-executive directors.

(a) Chairman

Denis Lucey (69) was appointed Chairman of the Group on 31 August 2005. Prior to that appointment he was Senior Independent Director. He is a former Chief Executive of Dairygold Co-operative Society Limited and is a director of a number of unlisted companies.

(b) Executive directors

Owen Killian (53) was appointed Chief Executive Officer on 1 October 2003. He has held senior executive positions with the Group since its flotation. In 1997 he was appointed Chief Operations Officer where he played a key role in the development of strategy, in particular in relation to growth opportunities in the food sector provided by lifestyle change. He became Head of Food in 2001 concentrating on the generation of efficiencies derived from the integration of all food logistical and marketing operations.

Patrick McEniff FCMA MBA (38) is Chief Financial Officer. He was appointed to the Board on 27 October 2004. He has been with the Group since 1989. He qualified as an accountant in 1991 while working with the Group and has filled several senior positions, most recently as Finance Director of the IAWS Lifestyle Foods business.

Hugo Kane (47) is Chief Executive of IAWS Food Group. He was appointed to the Board on 1 September 2004. He has over 20 years experience in the food industry, joining Cuisine de France in 1993 as Operations Director. He was appointed Managing Director of Cuisine de France in 2001.

(c) Non-executive directors

Denis Buckley (60) is Chairman of Kerry Group plc, Kerry Co-operative Creameries Limited, One51 Limited and Irish Agricultural Wholesale Society Limited.

Beatrice Dardis M.A. (61) is a social scientist. She has researched rural industrialisation and the role of women in farming.

J. Brian Davy (64) is Chairman of Davy Stockbrokers. He is a former director of the Irish Stock Exchange and of Arnotts plc. He is Deputy Chairman of the Executive Committee of the National Maternity Hospital Holles Street and is a director of several unquoted companies.

Noreen Hynes B.Comm. FCA (53) joined the Board on 15 March 2004. She is Managing Director of Aquarius Properties Abroad and previously held senior management positions with Irish Distillers, Coal Distributors and ICL. She is a former member of the Council of the Institute of Chartered Accountants in Ireland.

Philip Lynch (60) is a former Chairman and executive director of the Group. He is Chief Executive of One51 Limited and Irish Agricultural Wholesale Society Limited and is a director of C&C Group plc, Coillte Teo and FBD Holdings plc.

David Martin FCMA (62) is a former executive director of the Group. He is a director of The Irish Auditing And Accounting Supervisory Authority, the Dormant Accounts Board and a number of unlisted companies.

William G. Murphy B.Comm. (61) is a director of Glanbia plc and a former Deputy Managing Director of Glanbia and a former director of Irish Agricultural Wholesale Society Limited. He is a director of a number of unlisted companies.

Patrick Wall MB MVB MSc MBA (51) joined the Board on 21 July 2004. He is Associate Professor of Public Health in University College Dublin (UCD). He is Chairman of the Management Board of the European Food Safety Authority and a member of the Food Safety Advisory Board of Numico and a non-executive director of Luxcel Biosciences. Previous positions held by Professor Wall include Adjunct Professor of Food Safety in UCD, Chief Executive of The Food Safety Authority of Ireland and Consultant in the U.K. National Health Service.

Paul N. Wilkinson M.A. (Oxon) (61) is Senior Independent Director. He previously held senior management positions with Unilever plc, Grand Metropolitan plc and RHM plc. He is a director of Thorntons plc and a number of unlisted companies.

Directors' report

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 July 2006. These are the Group's first consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The key areas of impact on the financial statements arising from the transition to IFRS are set out in detail in note 33 to the Group financial statements.

Principal activity and business review

The Group's principal activities comprise the manufacture and distribution of convenience food as well as the manufacture and distribution of agri and nutrition products. Through its subsidiaries, associates and joint venture, the Group has manufacturing, trading and distribution operations based in the Republic of Ireland, the United Kingdom, Continental Europe, the United States of America and Canada.

During the year under review, the Group continued to expand and develop its core activities. A detailed review of the performance of the Group is included in the Chairman's statement and the Review of business operations.

The directors consider the state of affairs of the Company and the Group to be satisfactory.

A list of the Company's significant subsidiaries, associates and joint venture is set out on pages 113 to 114.

Principal risks and uncertainties

The Board and senior management have invested significant time and resources in identifying specific risks across the Group, and in developing a culture of balanced risk minimisation. To facilitate this, the Group has formal risk assessment processes in place through which risks and mitigating controls are thoroughly evaluated. These processes are driven by business unit management, who are best placed to identify the significant ongoing and emerging risks facing their businesses. The outputs of these risk assessment processes are subject to various levels of review, up to and including Board level. Risks identified and associated mitigating controls are also subject to audit as part of health and safety and operational/financial audit programmes.

The risks identified fall broadly into four categories: strategic/commercial, operational, systems and financial. Some of the most significant strategic/commercial risks facing the Group include the impact of unforeseen changes in food

consumption patterns or changes in Government legislation regarding the composition of food products, and the potential impact of competitor activity. The Group addresses these by focussing on research and development and product innovation to ensure that customer and consumer requirements are being anticipated and met on a continuing basis. The Group also closely monitors emerging changes to regulations or legislation on an ongoing basis. The attainment of the highest level of product quality and customer service are also core to reducing the impact of these risks.

As a group that has grown both organically and through acquisitions, IAWS Group, plc faces risks and challenges associated with managing growth, and ensuring that processes around acquiring and integrating new businesses are robust. The management of major capital projects is also a key area of risk for the business. There is substantial experience within the Group of managing growth, and in successfully integrating acquired businesses. There is also strong project management capability with a track record of success in this area. Financial, commercial and operational due diligence is performed both by external consultants and in-house experts in advance of all new acquisitions. The integration of new acquisitions and the delivery of major project initiatives is carefully managed and controlled.

Operational risks facing the Group include issues associated with product contamination and general food scares affecting relevant products. A further operational risk to the Group, in common with most companies, is the risk of failure to address increasing compliance requirements particularly in the areas of health and safety, emissions and effluent control. These types of risks are mitigated through the establishment of thorough hygiene and health and safety systems, environmental /discharge controls, auditing of supplier facilities and ensuring product traceability.

The loss of a significant manufacturing/operational site through natural catastrophe or act of vandalism represents another risk that could, potentially, have a material impact on the Group. As a result, emphasis is given to ensuring that site security measures at all Group locations are robust. In addition, the Board is satisfied that significant management attention is given to the development of comprehensive operational disaster recovery plans.

Similarly, a significant IT system failure could adversely impact on operations. As a result, IT disaster recovery plans and system backup processes are implemented.

Directors' report (continued)

The Group has a track record of attracting and retaining high quality senior management and staff internationally. The Group is cognisant of cultural differences across the markets in which the business operates, and has put in place management teams with the skills and local knowledge to trade successfully in the Group's markets. As a result, the Group faces risks associated with the potential loss of key management personnel. The Board addresses these risks through incentivisation and retention initiatives, in addition to robust succession planning.

As a multinational Group with substantial operations and interests outside the euro-zone, IAWS Group, plc is subject to the risk of adverse movements in foreign currency exchange rates. Exposures are managed through matching foreign currency investments with foreign currency borrowings and through the use of foreign currency contracts. Financial risk management objectives and policies are identified in the Financial review, and in note 22 to the Group financial statements on pages 81 to 84.

Results for the year

The results for the year are set out in the Group income statement on page 47. Profit for the financial year before dividends was €99,129,000 (2005: €94,636,000).

Dividends

An interim dividend of 6.71 cent per share amounting to €8,441,000 was paid on ordinary shares. The directors recommend a final ordinary dividend of 6.78 cent per share subject to the shareholders' approval. The total dividend for the year amounts to 13.49 cent per ordinary share, an increase of 13.5% from last year.

Future developments

The Group will continue to pursue new developments and unlock shareholder value, through both organic growth and acquisitions.

Research and development

The Group, through its extensive laboratory and testing facilities, pursues ongoing research and development programmes directed towards the development of new value added products.

Accounting records

The directors believe that they have complied with the requirement of Section 202 of the Companies Act, 1990 with regard to books of account by employing personnel with appropriate expertise and by providing adequate resources to the finance function. The books of account of the Company are maintained at the Company's registered office at 151 Thomas Street, Dublin 8.

Corporate governance

Statements by the directors in relation to the Group's application of corporate governance principles and compliance with the provisions of the Combined Code on Corporate Governance are set out on pages 35 to 38.

Corporate social responsibility

The Group views corporate social responsibility as an integral part of the organisation's culture. In all matters the Group strives to ensure it is acting in the best interests of all related parties and stakeholders.

Directors' and Secretary's interests

Details of the directors' and Company Secretary's interests in share capital and share options are set out in the Report on directors' remuneration on pages 39 to 43.

Substantial holdings

As at 25 September 2006 the directors have been notified of the following shareholding which amounts to 3% or more of the Company's issued ordinary share capital:

	Number of shares	%
FMR Corporation/ Fidelity International Limited	17,649,053	13.99

Post balance sheet events

There have been no significant events since the year-end which would require disclosure in the financial statements.

Directors

Mr. P. Lynch retired as Chairman on 31 August 2005 and Mr. D. Lucey was appointed Chairman on that date.

Directors' report (continued)

Directors (continued)

Mr. J. C. Moloney (deceased) retired on 30 January 2006.

Mr. P. McEniff, Mr. H. Kane and Dr. P. Wall retire by rotation in accordance with the Articles of Association and, being eligible, offer themselves for re-election. Mr. D. Buckley, Mr. J. B. Davy, Mr. P. Lynch, Mr. D. Martin and Mr. W. G. Murphy, having served more than nine years as directors retire, and offer themselves for re-election as recommended by the 2003 Combined Code. None of these non-executive directors has a service contract with any Group company.

There were no other changes in directors during the year.

Going concern

The directors have a reasonable expectation, having made appropriate enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Auditor

In accordance with Section 160(2) of the Companies Act, 1963, the auditor, KPMG, Chartered Accountants, will continue in office.

On behalf of the Board

D. Lucey
Director

O. Killian
Director

25 September, 2006