A Symbol of Excellence

ICON plc and Subsidiaries
Year ended 31 December 2007

Annual Report

Registered number 145835

established
& global.

Directors' Report and Consolidated Financial Statements

Contents

ICON plc and Subsidiaries

Directors and Other Information

Directors	Dr. John Climax (Chairman of the Board) (4) Peter Gray (Chief Executive Officer) (4) Dr. Ronan Lambe (Irish – Non-executive) (4) Thomas Lynch (British – Non-executive) (1) (2) (3) Edward Roberts (British – Non-executive) (1) (2) (3) Shuji Higuchi (Japanese – Non-executive) Dr. Bruce Given (American – Non-executive) (1) (2) (3)
	(1) Member of Audit Committee *(2) Member of Compensation Committee* *(3) Member of Nomination Committee* *(4) Member of Executive Committee*
Secretary	Ciaran Murray
Registered office	South County Business Park Leopardstown Dublin 18
Auditors	KPMG Chartered Accountants 1 Stokes Place St. Stephens Green Dublin 2
Bankers	Allied Irish Banks plc International Corporate Banking Bankcentre Dublin 4
	PNC Bank 1035 Virginia Drive Fort Washington PA 19034 USA
	Bank of Ireland Baggot Street Dublin 2
	Citibank Canada Square Canary Wharf London E14 5LB United Kingdom
Solicitors	A & L Goodbody 25 – 28 North Wall Quay IFSC Dublin 1
	Cahill Gordon Reindel & Co 80 Pine Street New York

Directors' Report

The Directors present their report and audited consolidated and company financial statements of ICON plc ("the Company") and its subsidiary undertakings ("the Group") for the year ended 31 December 2007.

Principal activities, business review and future developments

The Group is a contract research organization ("CRO"), providing outsourced development services on a global basis to the pharmaceutical, biotechnology and medical device industries. The Group specializes in the strategic development, management and analysis of programs that support Clinical Development - from compound selection to Phase I-IV clinical studies. The Group believes that it is one of a small number of CRO's with the capability and expertise to conduct clinical trials in all major therapeutic areas on a global basis.

The Group operates offices in 67 locations in 36 countries worldwide.

On 12 July 2007, the Company acquired 100% of the common stock of DOCS International, a European based clinical research staffing organization, for a cash consideration of €29.5 million ($40.6 million). DOCS International operates in eight European countries and focuses on the training and supply of contract and permanent clinical research personnel to the pharmaceutical and biotech industry. Offices were acquired as a result of the acquisition of DOCS International in Manchester and Cambridge, UK; Munich and Berlin, Germany; Paris, France; Amsterdam, Netherlands; Stockholm, Sweden; Helsinki, Finland; Copenhagen, Denmark; and Warsaw, Poland.

On 10 July 2006, the Company acquired 100% of the common stock of Ovation Healthcare Research 2 Inc. ("Ovation"), based in Illinois, USA, for an initial cash consideration of US$6.6 million, excluding costs of acquisition. Working capital provisions were built into the acquisition contract requiring the potential payment of additional deferred consideration up to a maximum of US$1.4 million. On 27 October 2006, US$0.18 million was paid to the former shareholders of Ovation in full and final settlement of the working capital provisions.

In 2008, the Group looks forward to increasing its geographic presence through the addition of new offices and expanding the scale and range of its services. A review of performance during the year is included in the Operating and Financial Review section of the Directors' Report.

The Company's primary listing for its shares is the NASDAQ market. The Company also has a secondary listing on the Irish Stock Exchange and, accordingly, is not subject to the same ongoing regulatory requirements as those which would apply to an Irish company with a primary listing on the Irish Stock Exchange, including the requirement that certain transactions require the approval of shareholders. For further information, shareholders should consult their own financial adviser.

International Financial Reporting Standards

These Consolidated and Company financial statements (together "the financial statements") for the year ended 31 December 2007 are prepared in accordance with IFRS as adopted by the EU and meet the reporting requirements pursuant to Irish Company Law and the Irish Stock Exchange Listing Rules.

Results and dividends

The results for the year are as shown on page 35 of these financial statements. The Directors do not propose the payment of a dividend for the year.

Directors' Report (continued)

Risks and uncertainties

The Group is dependent on the continued outsourcing of research and development by the pharmaceutical, biotechnology and medical device industries.

The Group is dependent upon the ability and willingness of the pharmaceutical, biotechnology and medical device companies to continue to spend on research and development and to outsource the services that the Group provides. The Group is therefore subject to risks, uncertainties and trends that affect companies in these industries. ICON has benefited to date from the tendency of pharmaceutical, biotechnology and medical device companies to outsource clinical research projects. Any downturn in these industries or reduction in spending or outsourcing could adversely affect the business. For example, if these companies expanded upon their in-house clinical or development capabilities, they would be less likely to utilize the Group's services. In addition, if governmental regulations were changed, they could affect the ability of ICON's clients to operate profitably, which may lead to a decrease in research spending and therefore this could have a material adverse effect on the business.

ICON depends on a limited number of clients and a loss of or significant decrease in business from them could affect its business.

The Group has in the past and may in the future derive a significant portion of its turnover from a relatively limited number of clients. A loss of, or a significant decrease in business from any one or more of such clients could have a material adverse effect on its business. During the year ended 31 December 2007, 30% of turnover was derived from the Group's top five clients. During 2007, no client contributed more then 10% of turnover. During the year ended 31 December 2006, 35% of turnover was derived from the Group's top five clients. During 2006, no client contributed more then 10% of turnover.

If ICON's clients discontinue using its services, or cancel or discontinue projects, revenue will be adversely affected and ICON may not receive these clients' business in the future or may not be able to attract new such clients.

The Group's clients may discontinue using its services completely or cancel some projects either without notice or upon short notice. The termination or delay of a large contract or of multiple contracts could have a material adverse effect on our revenue and profitability. Historically, clients have cancelled or discontinued projects and may in the future cancel their contracts with ICON for reasons including:

- the failure of products being tested to satisfy safety or efficacy requirements;
- unexpected or undesired clinical results of the product;
- a decision that a particular study is no longer necessary;
- poor project performance, insufficient patient enrolment or investigator recruitment; or
- production problems resulting in shortages of the drug.

If ICON loses clients, it may not be able to attract new ones, and if ICON loses individual projects, it may not be able to replace them.

ICON competes against many companies and research institutions that may be larger or more efficient than it is. This may preclude ICON from being given the opportunity to bid, or may prevent it from being able to competitively bid on and win new contracts.

The market for Contract Research Organizations (CROs) is highly competitive. The Group primarily competes against in-house departments of pharmaceutical companies and other CROs including Covance Inc., i3 Research (United Health Group Incorporated), Kendle International Inc., MDS Inc., Omnicare Inc., PARAEXEL International Corporation, Pharmaceutical Product Development Inc., PharmaNet Development Group Inc., PRA International Inc. and Quintiles Transnational Corporation. Some of these competitors have substantially greater capital, research and development capabilities and human resources than ICON does. As a result, they may be selected as preferred vendors of the Group's clients or potential clients for all projects or for significant projects, or they may be able to price projects more competitively than ICON. Any of these factors may prevent the Group from getting the opportunity to bid on new projects or prevent it from being competitive in bidding on new contracts.

The Group's results are dependent upon a number of factors and can fluctuate from period to period.

The Group's results of operations in any period can fluctuate depending upon, among other things, the number and scope of ongoing client projects, the commencement, postponement, variation and cancellation or termination of projects in the period, the mix of revenue, cost overruns, employee hiring and other factors. The turnover in any period is directly related to the number of employees and the percentage of these employees who were working on projects and billed to the client during that period. The Group may be unable to compensate for periods of underutilization during one part of a fiscal period by augmenting revenues during another part of that period. The Group believes that operating results for any particular period are not necessarily a meaningful indication of future results.

The Group's Central Laboratory segment has been loss making in the past and may experience losses in the future.

The Group's central laboratory has experienced a period of underperformance in the past number of years. This business segment returned to profitability for the year ended 31 December 2006 and remained profitable during the year ended 31 December 2007. To maintain this profitability the Group requires continued strong levels of new business awards and economies of scale in the usage of both resources and lab inputs. If ICON does not achieve continued momentum in winning new business and if these economies are not sustained, then the central laboratory may return to a loss making position in the future.

Approximately 84% of turnover is earned from long-term fixed-fee contracts. The Group would lose money in performing these contracts if the costs of performance exceed the fixed fees for these projects.

Approximately 84% of turnover is earned from long-term fixed-fee contracts. The Group has in the past and will continue to bear the risk of cost overruns under these contracts. If the costs of performing these projects exceed the fixed fees for these projects, (for example if ICON under prices these contracts), if there are significant cost overruns or if there are unanticipated delays under these contracts, ICON's business, financial condition and operating results could be adversely affected.

If the Group fails to attract or retain qualified staff, its performance may suffer.

ICON's business, future success and ability to expand operations depends upon its ability to attract, hire, train and retain qualified professional, scientific and technical operating staff. The Group competes for qualified professionals with other CROs, temporary staffing agencies and the in-house departments of pharmaceutical, biotechnology and medical device companies. Although the Group has not had any difficulty attracting or retaining qualified staff in the past, there is no guarantee that it will be able to continue to attract a sufficient number of clinical research professionals at an acceptable cost.

Failure to comply with the regulations of the U.S. Food and Drug Administration and other regulatory authorities could result in substantial penalties and/or loss of business.

The U.S. Food and Drug Administration, or FDA, and other regulatory authorities inspect the Group from time to time to ensure that it complies with their regulations and guidelines, including environmental and health and safety matters. In addition, ICON must comply with the applicable regulatory requirements governing the conduct of clinical trials in all countries in which it operates. If the Group fails to comply with any of these requirements it could suffer:

- the termination of any research;
- the disqualification of data;
- the denial of the right to conduct business;
- criminal penalties; and
- other enforcement actions.

Directors' Report (continued)

The Group's exposure to exchange rate fluctuations could adversely affect its results of operations.

The Group derived approximately 50% of its consolidated turnover in the year ended 31 December 2007 from operations outside of the United States. The Group's financial statements are presented in U.S. dollars. Accordingly, changes in exchange rates between the U.S. dollar and other currencies in which it reports local results, including the pound sterling and the euro, will affect the translation of a subsidiary's financial results into U.S. dollars for purposes of reporting consolidated financial results.

In addition, contracts with clients are sometimes denominated in currencies other than the currency in which the Group incurs expenses related to such contracts. Where expenses are incurred in currencies other than those in which contracts are priced, fluctuations in the relative value of those currencies could have a material adverse effect on the results of operations. This risk is partially mitigated by clauses in certain of our contracts which allow for price renegotiation with our clients if changes in the relative value of those currencies exceed predetermined tolerances. We regularly review our currency exchange exposure and on occasion hedge a portion of this exposure using forward exchange contracts.

Liability claims brought against the Group could result in payment of substantial damages to plaintiffs and decrease Group profitability.

ICON contracts with physicians who serve as investigators in conducting clinical trials to test new drugs on their patients. This testing creates the risk of liability for personal injury to or death of patients. Although investigators are generally required by law to maintain their own liability insurance, ICON could be named in lawsuits and incur expenses arising from any professional malpractice actions against the investigators with whom it contracts. To date, the Group have not been subject to any liability claims that are expected to have a material effect on it.

Indemnifications provided by ICON's clients against the risk of liability for personal injury to or death of patients vary from client to client and from trial to trial and may not be sufficient in scope or amount or the providers may not have the financial ability to fulfill their indemnification obligations. Furthermore, ICON would be liable for its own negligence and that of its employees.

In addition, the Group maintains an appropriate level of worldwide Professional Liability/Error and Omissions Insurance. The amount of coverage ICON maintains depends upon the nature of the trial. ICON may in the future be unable to maintain or continue its current insurance coverage on the same or similar terms. If it is liable for a claim that is beyond the level of insurance coverage, it may be responsible for paying all or part of any award.

The Group may lose business opportunities as a result of health care reform and the expansion of managed care organisations.

Numerous governments, including the U.S. government and governments outside of the U.S., have undertaken efforts to control growing health care costs through legislation, regulation and voluntary agreements with medical care providers and drug companies. If these efforts are successful, pharmaceutical, biotechnology and medical device companies may react by spending less on research and development and therefore this could have a material adverse effect on the Group's business.

For instance, in the past the U.S. Congress has entertained several comprehensive healthcare reform proposals. The proposals were generally intended to expand healthcare coverage for the uninsured and reduce the growth of total healthcare expenditures. While the U.S. Congress has not yet adopted any comprehensive reform proposals, members of Congress may raise similar proposals in the future. ICON is unable to predict the likelihood that healthcare reform proposals will be enacted into law.

Directors' Report (continued)

In addition to healthcare reform proposals, the expansion of managed care organisations in the healthcare market may result in reduced spending on research and development. Managed care organisations' efforts to cut costs by limiting expenditures on pharmaceuticals and medical devices could result in pharmaceutical, biotechnology and medical device companies spending less on research and development. If this were to occur, the Group would have fewer business opportunities and its revenues could decrease, possibly materially.

The Group may lose business as a result of changes in the regulatory environment.

Various regulatory bodies throughout the world may enact legislation which could introduce changes to the regulatory environment for drug development and research. The adoption and implementation of such legislation is difficult to predict and therefore could have a material adverse effect on the Group's business.

The Group may not be able to successfully develop and market or acquire new services.

The Group may seek to develop and market new services that complement or expand its existing business or expand its service offerings through acquisition. If ICON is unable to develop new services and/or create demand for those newly developed services, or expand its service offerings through acquisition, its future business, results of operations, financial condition, and cash flows could be adversely affected.

ICON relies on third parties for important services.

The Group depends on third parties to provide it with services critical to its business. The failure of any of these third parties to adequately provide the needed services could have a material adverse effect on its business.

ICON may make acquisitions in the future, which may lead to disruptions to its ongoing business.

The Group has made a number of acquisitions and will continue to review new acquisition opportunities. If it is unable to successfully integrate an acquired company, the acquisition could lead to disruptions to the business. The success of an acquisition will depend upon, among other things, the Company's ability to:

- assimilate the operations and services or products of the acquired company;
- integrate acquired personnel;
- retain and motivate key employees;
- retain customers; and
- minimise the diversion of management's attention from other business concerns.

Acquisitions of foreign companies may also involve additional risks, including assimilating differences in foreign business practices and overcoming language and cultural barriers.

In the event that the operations of an acquired business do not meet ICON's performance expectations, it may have to restructure the acquired business or write-off the value of some or all of the assets or goodwill of the acquired business.

The Group relies on its interactive voice response systems to provide accurate information regarding the randomisation of patients and the dosage required for patients enrolled in the trials.

ICON develops and maintains computer run interactive voice response systems to automatically manage the randomisation of patients in trials, assign study drug, and adjust the dosage when required for patients enrolled in trials it supports. An error in the design, programming or validation of these systems could lead to inappropriate assignment or dosing of patients which could give rise to patient safety issues, invalidation of the trial, liability claims against the Company or all three.

Directors’ Report (continued)

The Group relies on various control measures to mitigate the risk of a serious adverse event resulting from healthy volunteer Phase I trials.

ICON conducts healthy volunteer Phase I trials in the UK including first-into-man trials for new clinical entities in the UK and the US. Due to the experimental nature of these studies, serious adverse events may arise. The Group mitigates such events by following Good Clinical Practice and ensuring appropriately trained and experienced clinical physicians are managing these trials and that internal Standard Operating Procedures and client protocols are rigorously adhered to. ICON also ensures that a signed contract is in place with the client in advance of clinical dosing with appropriate indemnifications and insurance coverage. The Group maintains its own no-faults clinical trial insurance. Following internal review and submission, an Independent Ethics committee, approves the study protocol and appropriate approval is obtained from the UK regulatory body.

Operating and Financial Review

The following table sets forth for the periods indicated certain financial data as a percentage of turnover and the percentage change in these items compared to the prior period, being the key performance indicators used by management. The trends illustrated in the following table may not be indicative of future results.

	Year ended 31 December 2007	Year ended 31 December 2006	
	As a percentage of turnover		Percentage change in period
Turnover	100%	100%	38.4%
Direct costs	56.3%	56.4%	38.3%
Other operating expenses	32.9%	33.4%	36.6%
Operating profit	10.7%	10.2%	45.4%

Year ended 31 December 2007 compared to Year ended 31 December 2006

Turnover increased by $175.1 million, or 38.4%, from $455.6 million to $630.7 million. Turnover in the United States, Europe and the Rest of World increased by 18.7%, 71.2% and 35.0% respectively. In the year ended 31 December 2007, turnover from the central laboratory business increased by 13.3%, from $47.2 million, to $53.5 million, while the clinical research segment improved by 41.3%, from $408.4 million to $577.2 million, over the prior period. This increase in turnover has resulted from a combination of increased business from existing clients, business won from new clients, increased use of outsourcing by the pharmaceutical, biotechnology and medical device industries and an underlying increase in research and development spending.

Direct costs increased by $98.3 million, or 38.3%, from $257.0 million to $355.3 million. Direct costs as a percentage of net revenue decreased from 56.4% in the year ended 31 December 2006 to 56.3% for the year ended 31 December 2007. The primary reason for the increase in direct costs was the increase in personnel related costs of $86.3 million resulting from the increase in direct headcount of over 1,100 employees. The remainder of the increase resulted primarily from increased laboratory and consulting expenses.

Other operating expenses increased by $55.6 million, or 36.6%, from $152.0 million to $207.6 million. As a percentage of turnover, other operating expenses, decreased from 33.4% in the year ended 31 December 2006 to 32.9% for the year ended 31 December 2007. The increase in other operating costs is primarily driven by increased personnel costs of $22.0 million principally driven by the increased levels of both administrative and operations infrastructure staff to support expanding operations and revenue growth. In addition to these personnel costs there were additional rental charges of $4.9 million from further office openings in 2007, increased professional, legal and accounting costs of $4.5 million, increased information technology costs of $3.8 million, an increase of $4.7 million in relation to realised and unrealised foreign exchange loss and increased temporary staff and recruitment costs of $6.6 million.

Year ended 31 December 2007 compared to Year ended 31 December 2006 (continued)

Operating profit increased by $21.2 million, or 45.4%, from $46.6 million to $67.8 million. As a percentage of turnover, operating profit increased from 10.2% for the year ended 31 December 2006 to 10.7% for the year ended 31 December 2007.

The year ended 31 December 2007, saw a continued improvement in the performance of the central laboratory business, with results improving from an operating profit of 3.3% for the year ended 31 December 2006, to an operating profit of 7.0% for the year ended 31 December 2007. The central laboratory constitutes approximately 8.5% of our business revenues for the year ended 31 December 2007. Operating margins for our clinical research segment increased to 11.1% in the year ended 31 December 2007, from 11.0% for the year ended 31 December 2006.

Financing income was $5.1 million and $4.4 million for the year ended 31 December 2007 and the year ended 31 December 2006 respectively. Financing cost for the year ended 31 December 2007 was $2.3 million, an increase of $1.5 million on the year ended 31 December 2006.

Our provision for income taxes increased from $11.3 million for the year ended 31 December 2006, to $15.4 million for the year ended 31 December 2007. ICON plc's effective tax rate for the year ended 31 December 2007 was 21.8% compared with 22.5% for the year ended 31 December 2006. The effective tax rate is principally a function of the distribution of pre-tax profits in the territories in which the Group operates.

Liquidity and capital resources

The CRO industry generally is not capital intensive. Since its inception, the Group has financed its operations and growth primarily with cash flows from operations, net proceeds of $49.1 million raised in its initial public offering in May 1998, net proceeds of $44.3 million raised in its public offering in August 2003 and borrowings of $94.8 million received during the year ended 31 December 2007, used to finance the acquisition of DOCS International and the expenditure on the company's head office expansion. The aggregate amount of employee compensation, excluding stock compensation expense, paid by ICON and its subsidiaries for the years ended 31 December 2007 and 31 December 2006, amounted to, $382.7 million, and $274.6 million respectively. The Group's principal operating cash needs are payment of salaries, office rents, travel expenditures and payments to investigators. Investing activities primarily reflect capital expenditures for facilities, information systems enhancements, the purchase of short-term investments and acquisitions.

The Group's clinical research and development contracts are generally fixed price with some variable components and range in duration from a few weeks to several years. Turnover from contracts is generally recognised as income on the basis of the relationship between time incurred and the total estimated contract duration or on a fee-for-service basis. The cash flow from contracts typically consists of a down payment of between 10% and 20% paid at the time the contract is entered into, with the balance paid in instalments over the contract's duration, or in some cases on the achievement of certain milestones. Accordingly, cash receipts do not correspond to costs incurred and revenue recognised on contracts.

As of 31 December 2007 our working capital was $173.4 million, compared to $152.1 million at 31 December 2006. The most significant influence on our operating cash flow is revenue outstanding, which comprises accounts receivable and unbilled revenue, less payments on account. The dollar values of these amounts and the related days revenue outstanding can vary due to the achievement of contractual milestones and the timing of cash receipts. The number of days revenue outstanding was 66 days at 31 December 2007 and 53 days at 31 December 2006.

Net cash provided by operating activities was $43.0 million in the year ended 31 December 2007 compared with $50.5 million in the year ended 31 December 2006.

Net cash used in investing activities was $120.9 million in the year ended 31 December 2007, compared with $55.3 million in the year ended 31 December 2006. The increase in net cash used in the year ended 31 December 2007, over the year ended 31 December 2006 is due principally to the continued construction of the new head office building located in Dublin, Republic of Ireland, the Company's continued investment in its global infrastructure and information technology systems to support its ongoing expansion, and the acquisition of DOCS International in July 2007.

Liquidity and capital resources (continued)

Net cash provided by financing activities was $96.4 million in the year ended 31 December 2007, compared with $7.7 million in the year ended 31 December 2006. We received $89.8 million in net borrowings, $5.3 million on the exercise of share options and $1.5 million in income tax benefits from the exercise of share options during the year ended 31 December 2007.

As a result of these cash flows, cash and cash equivalents increased by $18.5 million in the year ended 31 December 2007 compared to $2.9 million in the year ended 31 December 2006. Total borrowings at 31 December 2007, amounted to $94.8 million.

On 3 July 2003, the Company entered into a facility agreement (the "Facility Agreement") for the provision of a term loan facility of $40 million, multi-currency overdraft facility of $5 million and revolving credit facility of $15 million (the "Facilities") with The Governor and Company of the Bank of Ireland and Ulster Bank Ireland Limited (the "Banks"). The Company's obligations under the facilities are secured by certain composite guarantees and indemnities and pledges in favour of each of the banks. On 9 July 2007, ICON plc entered into a five year committed multi-currency facility agreement for €35 million ($51.1 million) with The Governor and Company of the Bank of Ireland. This facility replaces the facilities negotiated in July 2003. The current facility bears interest at an annual rate equal to the reference rate of EURIBOR plus a margin. On 10 July 2007, the Company drew down €29.5 million ($43.0 million) of the facility to fund the acquisition of DOCS International. On 15 October 2007, the remaining €5.5 million ($8.0 million) of the facility was drawn down to cover head office expansion in Ireland.

On 17 October 2007, a credit facility was negotiated with Allied Irish Banks plc for €30 Million ($43.8 million). This facility is structured as an uncommitted facility and interest is calculated at the EUR interbank rate plus a margin. The facility is secured by the same composite guarantees and indemnities in place for the Bank of Ireland committed facility. The facility was fully drawn on 31 December 2007. The funds were used to refinance overdraft facilities which were in place to finance the expenditure to date on the head office expansion. On 8 January 2008, the uncommitted facility with Allied Irish Banks plc was increased to €50 million ($72.9 million). All terms of this facility remain the same. The facility is due to be reviewed on 31 October 2010.

The average margin payable on the above mentioned facilities is 0.65 percent.

The current available overdraft facility with Allied Irish Banks plc is €2 million ($2.9 million). The applicable interest rate when utilised is the bank's prime rate and is repayable on demand if the Company defaults under its obligations as specified in the loan agreement. As of 31 December 2007 the facility was undrawn and available.

On 12 July 2007, the Company acquired 100% of the common stock of DOCS International, a European based clinical research staffing organisation, for a cash consideration of $40.6 million (€29.5 million), excluding costs of acquisition. DOCS International operates in eight European countries and focuses on the training and supply of contract and permanent clinical research personnel to the pharmaceutical and biotech industry.

On 10 July 2006, the Group acquired 100% of the common stock of Ovation Healthcare Research 2 Inc. ("Ovation"), based in Illinois, USA, for an initial cash consideration of $6.6 million, excluding costs of acquisition. Working capital provisions were built into the acquisition contract requiring the potential payment of additional deferred consideration up to a maximum of $1.4 million. On 27 October 2006, $0.18 million was paid to the former Shareholders of Ovation in full and final settlement of the working capital provisions.

Financial Risk Management

The Group's financial instruments comprise bank borrowings, cash and current asset investments. The main purpose of these financial instruments is to raise working capital for the Group's operations and to fund the cost of new acquisitions. The Group may from time to time enter into derivative transactions to minimise its exposure to interest rate fluctuations and foreign currency exchange rates. The Group does not undertake any trading activity in financial instruments.

Directors' Report (continued)

Inflation

Inflation had no material impact on the Group's operations during the period.

Currency rate risk

Details of currency rate risks faced by the Group are set out in note 23 to the financial statements. The risk is managed whenever possible by matching foreign currency income and expenditures.

Interest rate risk

Details of interest rate risk and an analysis of the Group's interest rate profile are set out in note 23 to the financial statements.

Credit risk

Details of credit risk faced are set out in note 23 to the financial statements.

Liquidity risk

Details of liquidity risk are set out in note 23 to the financial statements.

Directors, secretary and their interests

On 23 January 2006, Mr. Brian O'Dwyer resigned as Company Secretary and was replaced by Mr. Ciaran Murray.

Details of Directors' interests in the Group's shares are set out in the Report on Directors' Remuneration on pages 18 to 22.

Save as shown on pages 20 and 21, no Director had any disclosable interest in shares of the Group at the beginning or end of the financial year that was significant in relation to the business of the Group

Directors' service contracts

Details of Directors' service contracts are set out in the Report on Directors' remuneration on pages 18 to 19.

Significant shareholdings

In addition to the interests of Directors disclosed in the Report on Directors' Remuneration, the Company has been notified of the following shareholdings in excess of 3% of the issued share capital of the Company at 31 March 2008:

Name	%	Number of Shares
FMR LLC	13.2%	3,817,165
Neuberger Berman LLC	6.1%	1,762,591
AXA	4.4%	1,275,210
Eagle Asset Management Inc	3.9%	1,142,330
Wasatch Advisors, Inc.	3.4%	998,802
Lord Abbett & Co. LLC	3.3%	953,673

Directors' Report (continued)

Subsidiary undertakings

The information required by the Companies Act, 1963 in relation to subsidiary undertakings is presented in note 30 to the financial statements.

Political donations

The Group made no disclosable political donations in the period.

Share capital

The share capital of the Company is €2,400,000 divided into 40,000,000 Ordinary Shares of 6 euro cent each. Holders of ordinary shares will be entitled to receive such dividends as may be recommended by the Board of Directors of the Company and approved by the shareholders and/or such interim dividends as the Board of Directors of the Company may decide. On liquidation or a winding up of the Company, the par value of the ordinary shares will be repaid out of the assets available for distribution among the holders of the Company's American Depositary Shares ("ADSs") and ordinary shares not otherwise represented by American Depositary Receipts ("ADRs"). Holders of ordinary shares have no conversion or redemption rights. On a show of hands, every holder of an ordinary share present in person at a general meeting of shareholders, and every proxy, shall have one vote, for each ordinary share held with no individual having more than one vote.

On 29 September 2006, ICON's shareholders approved a bonus issue of ordinary shares (the "Bonus Issue") to shareholders of record as of the close of business on 13 October 2006 (the "Record Date"). The Bonus Issue provided for each shareholder to receive one bonus ordinary share for each ordinary share held as of the Record Date, effecting the equivalent of a 2-for-1 stock split. The Bonus shares were issued on 16 October 2006 to Ordinary Shareholders and on 23 October 2006 to holders of ADSs. NASDAQ adjusted the trading price of ICON's ADSs to effect the Bonus Issue prior to the opening of trading on 24 October 2006. All outstanding ordinary share amounts referenced in the consolidated financial statements and the notes thereto have been retrospectively restated to give effect to the Bonus Issue as if it had occurred as of the date referenced. The share option grants were impacted by the above bonus issue in a similar manner to normal stock and as the stock price was halved, the number of shares doubled, as such the fair value remained unchanged.

Change of control provisions in significant agreements

The Company has certain banking facilities which require repayment of the facility in the event that the Company becomes controlled by any person or persons acting in concert by whom it was not controlled at the date the facility was entered into. Furthermore the Company has certain capital grant agreements with the Irish government agency Enterprise Ireland whereby the Company covenants that the controlling interest in the Company will not change without Enterprise Ireland's prior written consent which will not be unreasonably withheld.

Additionally, the Company's share option plans contain change in control provisions which allow potentially for the acceleration of the exercisability of outstanding options in the event that a change in control occurs with respect to the Company. Other potential consequences for outstanding share options of a change in control following a takeover bid include the assumption of outstanding awards by the surviving company, if not ICON, or the substitution of options on its stock or that of its parent.

Amendment of the Company's Articles of Association

The Company's Articles of Association may be amended by a special resolution passed by the shareholders at an annual or extraordinary general meeting of the Company. A special resolution is passed at a meeting if not less than 75% of the members who vote in person or by proxy at the meeting vote in favour of the resolution.

Corporate governance statement

In May 1998, ICON plc obtained a primary listing on the US NASDAQ and a secondary listing on the Irish Stock Exchange ("ISE"). The Company is committed to the highest standards of corporate governance and compliance consistent with best practice. The Company has reviewed the revised Combined Code on Corporate Governance issued in June 2006 ("the 2006 Combined Code") and subsequently adopted by the London and Irish Stock Exchanges. The Board has reviewed the 2006 Combined Code and it is the Company's policy to apply all of the relevant principles of the revised code.

Board

The Board comprises two executive and five non-executive Directors at the date of this report. The Board considers the non-executive Directors, excluding Dr Ronan Lambe, to be independent, notwithstanding the granting of share options to them which is considered appropriate given the work that they undertake on behalf of the Company. The non-executive Directors bring independent judgement to bear on issues of strategy, performance, resources, key appointments and standards. The Company considers all of its non-executive Directors to be of complementary expertise. The Board meets regularly throughout the year and all Directors have full and timely access to the information necessary for them to discharge their duties. There is a formal schedule of matters reserved to the Board for consideration and decision including approval of strategic plans, financial statements, annual budgets, acquisitions, material capital expenditures, appointment of professional advisors and review of the effectiveness of the Group's system of internal controls, thereby maintaining control of the Group and its future direction. The Directors have access to the advice and services of the Company Secretary and may seek external independent professional advice where required. Certain other matters are delegated to Board committees, as detailed below. The Group maintains an appropriate level of insurance cover in respect of legal action against its Directors. All Board committees report to the Board. Membership of the committees is set out on page 2.

The Group does not have an internal audit department but regularly evaluates the requirements for one. Areas of risk normally investigated by an internal audit department are in the main covered by the Board at present either as a whole or within the various Board Committees. The Directors have confirmed that they currently do not consider it necessary to establish an internal audit department.

Performance Evaluation

The Board intends to commence an internal evaluation of its performance during the financial year ended 31 December 2008. The Board will review the performance of the Board Committees and the Chairman will conduct a performance evaluation of individual Directors. The non-executive Directors, led by the Senior Independent Director, will meet and evaluate the performance of the Chairman, taking into account the views of the executive Directors. The Board, through the Compensation Committee, engages in succession planning and in so doing considers the strength and depth, and levels of knowledge, skills and experience necessary to achieve its objectives. The Board normally meets at least four times each year. During the year ended 31 December 2007, the Board met on four occasions. The attendance record of individual Directors at Board meetings is set out in the table on page 14. Additional meetings, to consider specific issues, are held as and when required. The Board has delegated some of its responsibilities to Board Committees. There are four permanent committees. These are the Audit Committee, the Compensation Committee, the Nomination Committee and the Executive Committee. Each committee has been charged with specific responsibilities and each has written terms of reference that are reviewed periodically. Membership of the Board Committees is set out on page 2. Attendance at committee meetings is set out in the table on page 14. Minutes of Committee meetings are circulated to all members of the Board.

The Company Secretary is available to act as secretary to each of the Board Committees if required.

Performance Evaluation (continued)

The Audit Committee comprises Thomas Lynch, Edward Roberts and Dr. Bruce Given and meets a minimum of four times a year. It reviews the quarterly and annual financial statements and the effectiveness of the system of internal control and approves the appointment and removal of the external auditors. It monitors the adequacy of internal accounting practices and addresses all issues raised and recommendations made by the external auditors. It pre-approves on an annual basis, the audit and non-audit services provided to the Company by its external auditors. Such annual pre-approval is given with respect to particular services. The committee, on a case by case basis, may approve additional services not covered by the annual pre-approval, as the need for such services arises. The Audit Committee reviews all services which are provided by the external auditors quarterly to review the independence and objectivity of the external auditors taking into consideration relevant professional and regulatory requirements so that these are not impaired by the provisions of permissible non-audit services. The Chief Financial Officer and the external auditors normally attend all meetings of the committee and have direct access to the Committee Chairman at all times. Thomas Lynch is considered by the Company to have the relevant financial expertise as is required by the 2006 Combined Code.

The Compensation Committee comprises Thomas Lynch, Edward Roberts and Dr. Bruce Given. This committee determines, within agreed terms of reference, the Company's policy on compensation of executive officers and specific remuneration packages for each of the executive Directors, including pension rights.

The Nomination Committee comprises Thomas Lynch, Edward Roberts and Dr. Bruce Given. It is responsible for the selection of candidates who may be suitable for nomination as Directors and for the presentation of such selection to the Board. It also proposes the membership composition of Board committees. The Committee uses the services of independent consultants, where appropriate, to facilitate the search for candidates suitable for nomination as non-executive Directors.

The Executive Committee comprises Dr. John Climax, Peter Gray, Dr. Ronan Lambe and Ciaran Murray, the Group's Chief Financial Officer. Established in March 2005, this committee is responsible for the management of the Company in intervals between meetings of the Board and exercises business judgement to act in what the committee members reasonably believe to be in the best interest of the Company and its shareholders. All powers exercised by the Executive Committee are ratified at board meetings. This committee convenes as often as it determines to be necessary or appropriate.

Directors' Attendance Table

Board and Committee Meetings	**Board**	**Audit**	**Compensation**	**Nomination**	**Executive**
Held during the year ended 31 December 2007:					
Director	*Number of meetings attended / number of meetings eligible to attend*				
Dr. John Climax	4/4*	-	-	-	9/13
Peter Gray	4/4	-	-	-	11/13*
Dr. Ronan Lambe	4/4	-	-	-	8/13
Thomas Lynch	4/4	5/5	2/2*	2/2*	-
Edward Roberts	4/4	5/5*	2/2	2/2	-
Shuji Higuchi	4/4	-	-	-	-
Dr. Bruce Given	4/4	5/5	2/2	2/2	-

** Denotes Committee Chairman*

Directors’ Report (continued)

Chairman

The Chairman, Dr. John Climax, is responsible for the efficient and effective working of the Board. He has no other significant commitments outside the Company and there has been no change in this position during the period. He ensures that the Board agendas cover the key issues confronting the Group and that briefing papers are circulated to Board members in advance of meetings allowing them full and timely access to the information necessary to enable them to discharge their duties. Dr. Climax is available to shareholders who may have concerns that cannot be addressed through the Chief Executive Officer. The Chairman makes himself available to the non-executive Directors without the executive Directors present.

Company Secretary

The appointment and removal of the Company Secretary is a matter for the Board. All Directors have direct access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that applicable rules and regulations are complied with and that Board procedures are observed.

Senior Independent Director

This position is held by Mr. Edward Roberts. Mr. Roberts is available to shareholders should they have any concerns where contact through the normal channels of Chairman or Chief Executive Officer has failed to resolve or for which such contact is inappropriate.

Induction and development

An induction program is arranged for all new Directors. This covers the major trading activities of the Company as well as the roles and responsibilities of Directors. All Directors are informed of relevant corporate and compliance developments as they arise.

Communications with shareholders

Communications with shareholders are given high priority and there is regular dialogue with individual institutional shareholders other than during closed periods, as well as general presentations at the time of the announcement of the annual and interim results. It is intended that institutional shareholders be given an opportunity to meet new non-executive Directors when they are appointed. The Company’s Annual General Meeting affords individual shareholders the opportunity to question the Chairman, the Board, and Board Committee Chairmen. In addition, the Company responds throughout the year to letters from shareholders on a wide range of issues.

The Company’s website, www.iconclinical.com, provides the full text of annual and interim reports together with all relevant press releases.

Directors’ remuneration

The report on Directors’ remuneration is set out on pages 18 to 22.

Appointment and replacement of the Directors of the Company

At each annual general meeting of the Company one third of the Directors who are subject to retirement by rotation, rounded down to the next whole number if it is a fractional number, shall retire from office, but if there is only one Director who is subject to retirement by rotation then he shall retire. The Directors to retire by rotation shall be those who have been longest in office since their last appointment or reappointment but as between persons who became or were last reappointed Directors on the same day those to retire shall be determined (unless they otherwise agree among themselves) by lot. A Director who retires at an annual general meeting may be reappointed, if willing to act. Dr John Climax and Mr Edward Roberts will be eligible for retirement at the next annual general meeting and will seek reappointment.

Directors' Report (continued)

Appointment and replacement of the Directors of the Company (continued)

The Company by ordinary resolution may appoint a person to be a Director either to fill a vacancy or as an additional Director. The Directors may appoint a person who is willing to act to be a Director, either to fill a vacancy or as an additional Director, provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles of Association of the Company as the maximum number of Directors. A Director so appointed shall hold office only until the next following annual general meeting and shall not be taken into account in determining the Directors who are to retire by rotation at the meeting. If not re-appointed at such annual general meeting, such Director shall vacate office at the conclusion thereof.

Powers of the Company's Directors

The business of the Company is managed by the Directors who may exercise all the powers of the Company which are not required by the Companies Acts 1963 to 2006 or by the Articles of Association of the Company to be exercised by the Company in general meeting. A meeting of Directors at which a quorum is present may exercise all powers exercisable by the Directors. The Directors may delegate (with power to sub-delegate) to any Director holding any executive office and to any committee consisting of one or more Directors, together with such other persons as may be appointed to such committee by the Directors, provided that a majority of the members of each committee appointed by the Directors shall at all times consist of Directors and that no resolution of any such committee shall be effective unless a majority of the members of the committee present at the meeting at which it was passed are Directors.

Subject to the provisions of the Companies Acts 1963 to 2006 the Company may purchase any of its shares. Every contract for the purchase of, or under which the Company may become entitled or obliged to purchase shares in the Company shall be authorised by a special resolution of the Company. The Company may cancel any shares so purchased or may hold them as treasury shares or issue them as ordinary shares.

Internal control

With regard to the guidance for Directors on internal control, "Internal Control: Guidance for Directors on the Combined Code (the Turnbull guidance)", the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, that has been in place for the period under review and up to the date of approval of the annual report and financial statements, and that this process is reviewed by the Board and accords with the guidance.

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The organisation structure of the Group under the day-to-day direction of its Chief Executive Officer is clear. Defined lines of responsibility and delegation of authority have been established within which the Group's activities can be planned, executed, controlled and monitored to achieve the strategic objectives which the Board has adopted for the Group.

The Board has reviewed the effectiveness of the system of internal control. In particular, it has reviewed the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed.

Management are responsible for the identification and evaluation of significant risks applicable to their areas of business together with the design and operation of suitable internal controls. As part of this identification process, management have identified a number of risks which could materially adversely affect the business financial condition or results of operations. These are detailed on pages 4 to 8. These risks are assessed on a continual basis.

Directors' Report (continued)

Internal control (continued)

A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability. These procedures are relevant across Group operations and provide for successive assurances to be given at increasingly higher levels of management and, finally, to the Board. The executive Directors report to the Board significant changes in the business and external environment which affect the significant risks identified. The Company has a comprehensive process for reporting financial information to the Board. The Chief Financial Officer provides the Board with quarterly financial information which includes key performance indicators. Where areas for improvement in the system are identified, the Board considers the recommendations made by the Audit Committee.

Compliance statement

The Board confirms that the Company has complied with the relevant principles of the 2006 Combined Code during the year ended 31 December 2007 and to the date of this report, except for a formal policy for regular evaluation of the Board Committees, individual Directors and the Chairman has yet to be put in place and also that non-executive Directors are in receipt of share options which has been deemed appropriate by the board.

Going concern

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Post balance sheet events

Details of post balance sheet events are set out in note 28 to the financial statements.

Books of account

The Directors believe that they have complied with the requirements of Section 202 of the Companies Act, 1990 with regard to books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The books of account of the Company are located at the registered office.

Auditors

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

On behalf of the Board

Dr. John Climax	Peter Gray
Director	*Director*

Report on Directors' Remuneration

Composition and terms of reference of the Compensation Committee

The Compensation Committee of the Board is chaired by Thomas Lynch and its other members are Edward Roberts and Dr. Bruce Given. The committee determines, within agreed terms of reference, the Group's policy on compensation of executive Officers and specific remuneration packages for each of the executive Directors, including pension rights.

Remuneration policy

The Group's policy on senior executive remuneration aims to ensure that remuneration packages are competitive so that individuals are appropriately rewarded relative to their responsibility, experience and value to the Group. In setting remuneration levels the committee takes into consideration the remuneration practices of other international companies of similar size and scope.

Non-executive Directors' remuneration

Non-executive Directors are remunerated by way of Directors' fees, details of which are disclosed in note 7 to the financial statements. Non-executive Directors are also eligible for participation in the share option scheme. Non-executive Directors are not eligible for performance related bonuses and no pension contributions are made on their behalf with the exception of Dr. Ronan Lambe. The Board of Directors as a whole sets non-executive remuneration.

Executive Directors' and Officers' remuneration

The basic salaries of executive Directors and Officers are reviewed annually. The elements of the remuneration package for executive Directors and Officers are basic salary and employment related benefits, pension, annual bonus and participation in the share option scheme. No fees are payable to executive Directors.

Employment related benefits comprise company car and health benefits. Annual bonuses are subject to agreement between the Group and each Director and are calculated by reference to annual basic salaries based on the Group's business related objectives.

Pensions

The Group makes pension contributions to a defined contribution pension scheme at rates ranging from 10% to 20% of individual executive Director's basic salary.

Transactions with Directors

Transactions with Directors are disclosed in note 27 to the financial statements.

Compensation of Directors

Details of Directors' remuneration are disclosed in note 7 to the financial statements.

Directors' and Executive Officers service agreements and letters of engagement

Dr. John Climax

Dr. John Climax, one of the Company's co-founders, has served as an Executive Director since June 1990 and Chief Executive Officer of the Company from June 1990 to October 2002. He was appointed Chairman of the Board in November 2002. The service agreement with Dr. Climax is terminable on 12 months notice by either party. He is entitled to receive a bonus to be agreed by the Committee. He is entitled to receive a pension contribution, company car and medical insurance cover for himself and his dependants. He has previously been granted and holds at 31 December 2007 42,000 ordinary share options at exercise prices ranging from U.S.$14.00 to U.S.$42.50 per share. His service agreement requires him to devote his full time and attention to his duties for the Company excepting certain non-executive positions authorized by the Board. The agreement includes post termination clauses including non-disclosure, non-competition and non-solicitation provisions.

Mr. Peter Gray

Mr. Peter Gray has served as the Chief Executive Officer since November 2002. He served as the Chief Operating Officer of the Company from June 2001 to November 2002 and as an Executive Director of the Company since June 1997. The service agreement with Mr. Gray is terminable on 12 months notice by either party. He is entitled to receive a bonus to be agreed by the Committee. He is also entitled to receive a pension contribution, company car and medical insurance cover for himself and his dependants. He has previously been granted, and holds at 31 December 2007, 42,000 ordinary share options at exercise prices ranging from U.S.$14.00 to U.S.$42.50 per share. His service agreement requires him to devote his full time and attention to his duties for the Company excepting certain non-executive positions authorized by the Board. The agreement includes certain post termination clauses including non-disclosure, non-competition and non-solicitation provisions.

Dr. Ronan Lambe

Dr. Ronan Lambe, one of the Company's co-founders, served as Chairman of the Company from June 1990 to November 2002 and is currently a non-Executive Director of the Company. Dr. Lambe's previous service agreement entitled him to receive a bonus to be agreed between himself and the Company. He was also entitled to receive a pension contribution, a company car and medical insurance cover for himself and his dependants. He has previously been granted, and holds at 31 December 2007, 17,000 ordinary share options at exercise prices ranging from U.S.$14.00 to U.S.$42.50 per share. Dr. Ronan Lambe is not considered an independent non-executive director as defined in the combined code.

Mr. Ciaran Murray

Mr. Ciaran Murray has served as the Chief Financial Officer since October 2005. The service agreement with Mr. Murray is terminable on 12 months notice by either party. He is entitled to receive a bonus to be agreed by the Committee. He is also entitled to receive a pension contribution, a company car and medical insurance cover for himself and his dependants. He has previously been granted, and holds at 31 December 2007, 47,000 ordinary share options at exercise prices ranging from U.S.$20.84 to U.S.$42.50 per share. His service agreement requires him to devote his full time and attention to his duties for the Company excepting certain non-executive positions authorized by the Board. The agreement includes certain post termination clauses including non-disclosure, non-competition and non-solicitation provisions.

Mr. Thomas Lynch

The arrangements with Mr. Lynch, a non-Executive Director of the Company, provide for the payment to him of Director fees of U.S.$55,000 per annum plus reasonable expenses properly incurred in carrying out his duties for the Company. He has previously been granted, and holds at 31 December 2007, 6,600 ordinary share options at exercise prices ranging from U.S.$14.00 to U.S.$42.50 per share.

Mr. Edward Roberts

The arrangements with Mr. Roberts, a non-Executive Director of the Company, provide for the payment to him of Director fees of U.S.$65,000 per annum plus reasonable expenses properly incurred in carrying out his duties for the Company. He has previously been granted, and holds at 31 December 2007, 12,000 ordinary share options at exercise prices ranging from U.S.$14.00 to U.S.$42.50.

Mr. Shugi Higuchi

The arrangements with Mr. Higuchi, a non-Executive Director of the Company, provide for the payment to him of Director fees of U.S.$40,000 per annum plus reasonable expenses properly incurred in carrying out his duties for the Company. He has previously been granted, and holds at 31 December 2007, 9,000 ordinary share options at exercise prices ranging from U.S$17.20 to U.S.$42.50

Dr. Bruce Given

The arrangements with Dr. Given provide for the payment to him of Director fees of U.S.$45,000 per annum plus reasonable expenses properly incurred in carrying out his duties for the Group. He was previously granted, and holds at 31 December 2007, 6,000 ordinary share options at an exercise price ranging from U.S$17.20 to U.S.$42.50.

Report on Directors' Remuneration (continued)

Directors' and secretary's interests in shares and share options

Directors and employees participate in the share option scheme. Grants of share options are at the market price of the Company's shares on the date of grant.

The Directors and Secretary who held office at 31 December 2007 had the following interests, all of which were beneficial, other than as stated, in the shares and share options of the Company or other Group companies at those dates:

		Interest at 26 May 2008		**Interest at 31 December 2007**		Interest at 31 December 2006	
Name of Director	**Name of company and description of shares**	Number of shares	Options	**Number of shares**	**Options**	Number of shares	Options
Dr. John Climax	ICON plc						
	Ordinary Shares €0.06	1,553,784	47,000	**1,553,784**	**42,000**	1,953,784	36,000
	Holmrook Limited						
	"A" Ordinary Shares €0.634869	200	-	**200**	**-**	200	-
Dr. Ronan Lambe	ICON plc						
	Ordinary Shares €0.06	367,940	18,000	**367,940**	**17,000**	888,940	16,000
	Holmrook Limited						
	"B" Ordinary Shares €0.317435	400	-	**400**	**-**	400	-
Peter Gray	ICON plc						
	Ordinary Shares €0.06	222,144	49,000	**270,040**	**42,000**	316,440	36,000
	Holmrook Limited						
	"C" Ordinary Shares €0.126974	1,000	-	**1,000**	**-**	1,000	-
Ciaran Murray	ICON plc						
	Ordinary Shares €0.06	-	54,000	**-**	**47,000**	-	39,000
	Holmrook Limited						
	"H" Ordinary Shares €0.0126973	10,000	-	**10,000**	**-**	10,000	-
Thomas Lynch	ICON plc						
	Ordinary Shares €0.06	2	7,600	**2**	**6,600**	2	13,000
Edward Roberts	ICON plc						
	Ordinary Shares €0.06	8,002	8,000	**7,002**	**12,000**	8,002	13,000
Dr. Bruce Given	ICON plc						
	Ordinary Shares €0.06	-	7,000	**-**	**6,000**	-	4,000
Shuji Higuchi	ICON plc						
	Ordinary Shares €0.06	-	10,000	**-**	**9,000**	-	7,000

Directors' and secretary's interests in shares and share options (continued)

Further details regarding the above options at 31 December 2007 are as follows:

ICON plc	Options	Exercise price	Grant date	Expiry date
John Climax	10,000	US$14.50	11 January 2002	11 January 2010
	10,000	US$14.00	21 January 2003	21 January 2011
	10,000	US$17.75	4 February 2004	4 February 2012
	6,000	US$22.00	3 February 2006	3 February 2014
	6,000	US$42.50	16 February 2007	16 February 2015
Ronan Lambe	6,000	US$14.50	11 January 2002	11 January 2010
	3,000	US$14.00	21 January 2003	21 January 2011
	3,000	US$17.75	4 February 2004	4 February 2012
	2,000	US$17.20	24 February 2005	24 February 2013
	2,000	US$22.00	3 February 2006	3 February 2014
	1,000	US$42.50	16 February 2007	16 February 2015
Peter Gray	10,000	US$14.50	11 January 2002	11 January 2010
	10,000	US$14.00	21 January 2003	21 January 2011
	10,000	US$17.75	4 February 2004	4 February 2012
	6,000	US$22.00	3 February 2006	3 February 2014
	6,000	US$42.50	16 February 2007	16 February 2015
Ciaran Murray	30,000	US$20.84	17 January 2006	17 January 2014
	9,000	US$22.00	3 February 2006	3 February 2014
	8,000	US$42.50	16 February 2007	16 February 2015
Edward Roberts	3,000	US$14.00	21 January 2003	21 January 2011
	3,000	US$17.75	4 February 2004	4 February 2012
	2,000	US$17.20	24 February 2005	24 February 2013
	2,000	US$22.00	3 February 2006	3 February 2014
	2,000	US$42.50	16 February 2007	16 February 2015
Thomas Lynch	600	US$14.00	21 January 2003	21 January 2011
	1,200	US$17.75	4 February 2004	4 February 2012
	1,200	US$17.20	24 February 2005	24 February 2013
	1,600	US$22.00	3 February 2006	3 February 2014
	2,000	US$42.50	16 February 2007	16 February 2015
Bruce Given	2,000	US$17.20	24 February 2005	24 February 2013
	2,000	US$22.00	3 February 2006	3 February 2014
	2,000	US$42.50	16 February 2007	16 February 2015
Shuji Higuchi	3,000	US$17.75	4 February 2004	4 February 2012
	2,000	US$17.20	24 February 2005	24 February 2013
	2,000	US$22.00	3 February 2006	3 February 2014
	2,000	US$42.50	16 February 2007	16 February 2015

Thomas Lynch exercised 8,400 options on 11 May 2007 and 16,000 options on 15 March 2006. The market price of the Company's shares on these dates was US$46.64 and US$23.49 respectively. Edward Roberts exercised 3,000 options on 11 May 2007 and 8,000 options on 8 March 2006. The market price of the Company's shares on these dates was US$46.64 and US$22.87 respectively. No other Directors or the Secretary exercised options during the year ended 31 December 2007 or the year ended 31 December 2006.

Report on Directors' Remuneration (continued)

The share price during the year ended 31 December 2007 moved in the range of US$36.68 to US$64.79 (year ended 31 December 2006: in the range of US$20.50 to US$40.36). The share price at 31 December 2007 was US$61.86 (at 31 December 2006 US$37.70).

On behalf of the Compensation Committee

Thomas Lynch
26 May 2008

Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and have elected to prepare the Company financial statements in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Acts 1963 to 2006.

The Group and Company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and performance of the Group and Company; the Companies Acts 1963 to 2006 provide in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that its financial statements comply with the Companies Acts 1963 to 2006. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and Company and to prevent and detect fraud and other irregularities.

Under applicable law and the requirements of the Listing Rules issued by the Irish Stock Exchange regulations, the Directors are also responsible for preparing a Directors' Report and reports relating to Directors' remuneration and corporate governance that comply with that law and those Rules.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Dr. John Climax
Director

Peter Gray
Director

Independent Auditors' Report to the Members of ICON plc

We have audited the Group and Company financial statements (the "financial statements") of ICON plc for the year ended 31 December 2007 which comprise of the Group Income Statement, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements, the Group and Company Statements of Recognised Income and Expense and the related notes on pages 42 to 93. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 193 of the Companies Act 1990. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, in the case of the Company as applied in accordance with Company Acts 1963 to 2006, are set out in the Statement of Directors' Responsibilities on page 23.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with IFRSs as adopted by the EU, and in the case of the Company as applied in accordance with the provisions of the Companies Acts 1963 to 2006, and have been properly prepared in accordance with the Companies Acts 1963 to 2006 and Article 4 of the IAS Regulation. We also report to you our opinion as to: whether proper books of account have been kept by the Company; whether at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the Company balance sheet is in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law or the Listing Rules of the Irish Stock Exchange regarding Directors' remuneration and Directors' transactions is not disclosed and, where practicable, include such information in our report.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Irish Stock Exchange, and we report if it does not. We are not required to consider whether the Directors' statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report and the Report on Directors' Remuneration. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

Independent Auditors' Report to the Members of ICON plc (continued)

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 Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2007 and of its profit for the year then ended;
- the Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Acts 1963 to 2006, of the state of the Company's affairs as at 31 December 2007; and
- the financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2006 and Article 4 of the IAS Regulation.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The Company balance sheet is in agreement with the books of account.

In our opinion the information given in the Directors' report is consistent with the financial statements.

The net assets of the Company, as stated in the Company balance sheet, are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2007 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.

KPMG
Chartered Accountants
Registered Auditors
Dublin, Ireland

26 May 2008

Statement of Accounting Policies

Basis of preparation

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) that are adopted by the European Union (EU) that are effective at 31 December 2007. The Directors have elected to prepare the Company financial statements in accordance with IFRS as adopted by the EU and as applied in accordance with the Companies Acts 1963 to 2006.

These Group and Company financial statements are presented in U.S. dollars and all values are rounded to the nearest thousand (US$ '000), except where otherwise indicated, being the reporting currency of the Group. They are prepared on the historical cost basis, except for the measurement at fair value of share options. The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. These estimates and judgments are reviewed on an ongoing basis. Actual results may differ from those estimates. Accounting policies are applied consistently with the prior year.

Statement of compliance

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS"), and the individual financial statements of the Company ("Company Financial Statements") have been prepared and approved by the Directors in accordance with EU IFRSs as applied in accordance with the Companies Acts 1963 to 2006. In accordance with Companies Acts 1963 to 2006, a company that publishes its Group and Company financial statements together, can take advantage of the exemption in Section 148(8) of the Companies Act 1963 from presenting to its members a Company income statement and related notes that form part of the approved Company financial statements.

The International Accounting Standards Board and the International Financial Reporting Interpretations Committee ("IFRIC") have issued the following standards and interpretations which have not yet been adopted by the Company or Group:

- IFRS 3 *Business Combinations (January 2008)* (effective 1 July 2009)
- IFRS 8 *Operating Segments* (effective 1 January 2009)*
- Amendment to IFRS 2 *Share-based Payment* – "Vesting Conditions and Cancellations" (effective 1 January 2009)
- Amendment to IAS 1 *Presentation of Financial Statements* (effective 1 January 2009)
- Amendment to IAS 23 *Borrowing Costs* (effective 1 January 2009)
- Amendment to IAS 27 *Consolidated and Separate Financial Statements* (effective 1 July 2009)
- Amendment to IAS 32 *Financial Instruments: Presentation/1AS 1 Presentation of Financial Statements* – "Puttable Financial Instruments and Obligations Arising on Consolidation" (effective 1 January 2009)
- IFRIC Interpretation 11 *Group and Treasury Share Transactions* (effective 1 January 2008)*
- IFRIC Interpretation 12 *Service Concession Arrangements* (effective 1 January 2008)
- IFRIC Interpretation 13 *Customer Loyalty Programmes* (effective 1 January 2009)
- IFRIC Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective 1 January 2008)

* Endorsed by the EU

The Group does not anticipate that the adoption of most of these standards and interpretations will have a material effect on its financial statements on initial adoption, however, the group are still assessing the impact of the adoption of IFRS 8.

Statement of Accounting Policies (continued)

Basis of consolidation

The Group financial statements consolidate the financial statements of ICON plc and its subsidiaries. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. Financial statements of subsidiaries are prepared for the same reporting year as the Company and where necessary, adjustments are made to the results of subsidiaries to bring their accounting policies into line with those used by the Group. The Group will continue to prepare the statutory, individual financial statements of subsidiary companies under GAAP applicable in their country of incorporation but adjustments have been made to the results and financial position of such companies to bring their accounting policies into line with those of the Group.

All inter-company balances and transactions, including unrealised profits arising from inter-group transactions, have been eliminated in full. Unrealised losses are eliminated in the same manner as unrealised gains except to the extent that there is evidence of impairment.

Foreign currency translation

The presentation currency of the Group and Company is US dollars (US$). The functional currency of the Company is Euros. The Company financial statements have been presented in US dollars as the vast majority of the Company's investors are domiciled in the United States. Results and cash flows of non-dollar denominated undertakings are translated into dollars at the actual exchange rates at the transaction dates or average exchange rates for the year where this is a reasonable approximation. The related balance sheets are translated at the rates of exchange ruling at the balance sheet date. Goodwill and fair value adjustments arising on acquisition of a foreign operation are regarded as assets and liabilities of the foreign operation, are expressed in the functional currency of the foreign operation and are recorded at the exchange rate at the date of the transaction and subsequently retranslated at the applicable closing rates. Adjustments arising on translation of the results of non-dollar undertakings at average rates, and on the restatement of the opening net assets at closing rates, are dealt with in a separate translation reserve within equity.

Transactions in currencies different to the functional currencies of operations are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the rate of exchange at the balance sheet date. All translation differences are taken to the income statement. In addition long term inter company balances where repayment is not foreseen are treated as part of the net investment and exchange difference are included in the Statement of Recognised Income and Expense.

The principal exchange rates used for the translation of results, cash flows and balance sheets into US dollars were as follows:

	Average		**Year end**	
	Year to 31 December 2007	Year to 31 December 2006	**31 December 2007**	31 December 2006
Euro 1:US$	**1.37397**	1.25149	**1.45890**	1.31371
Pound Sterling 1:US$	**1.99507**	1.83186	**1.98517**	1.95030

On disposal of a foreign operation, accumulated currency translation differences, together with any exchange differences on foreign currency borrowings that provide a hedge of the net investment are recognised in the income statement as part of the overall gain or loss on disposal; the cumulative currency translation differences arising prior to the transition date have been set to zero for the purposes of ascertaining the gain or loss on disposal of a foreign operation subsequent to 1 June 2004.

Statement of Accounting Policies (continued)

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and any provisions for impairment losses.

Depreciation is calculated to write off the original cost of property, plant and equipment less its estimated residual value over its expected useful lives on a straight line basis. The estimated useful lives applied in determining the charge to depreciation are as follows:

	Years
Buildings	40
Computer equipment	4
Office furniture and fixtures	8
Laboratory equipment	5
Motor vehicles	5

Leasehold improvements are amortised using the straight-line method over the estimated useful life of the asset or the lease term, whichever is shorter.

Residual values and useful lives of property, plant and equipment are reviewed and adjusted if appropriate at each balance sheet date. Assets acquired under finance leases are depreciated over the shorter of their useful economic life and the lease term.

On disposal of property, plant and equipment the cost and related accumulated depreciation and impairments are removed from the financial statements and the net amount, less any proceeds, is taken to the income statement.

The carrying amounts of the Group's property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment, where such an indicator exists an impairment review is carried out. An impairment loss is recognised whenever the carrying amount of an asset or its cash generation unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset is recorded at a revalued amount in which case it is firstly dealt with through the revaluation reserve with any residual amount being transferred to the income statement.

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the replaced item can be measured reliably. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Leased Assets – as lessee

Finance leases, which transfer to the Group substantially all the risks and benefits of ownership of the leased asset, are capitalised at the inception of the lease at the fair value of the leased asset or if lower the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between the finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement as part of finance costs.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

Statement of Accounting Policies (continued)

Investments in subsidiaries - company

Investments in subsidiary undertakings are stated at cost less provision for impairment in the Company's balance sheet. Loans to subsidiary undertakings are initially recorded at fair value in the Company balance sheet and subsequently at amortised cost using an effective interest rate methodology.

Business combinations

The purchase method of accounting is employed in accounting for the acquisition of subsidiaries by the Group. The Group has availed of the option to restate business combinations which occurred prior to the transition date of 1 June 2004. The Group has chosen to restate all business combinations which occurred on or after 1 June 2001 and accordingly goodwill has not been amortised from this date but has been carried forward at its net book value and has been subject to impairment testing in accordance with IAS 36 Impairment of Assets.

The costs of a business combination are measured as the aggregate of the fair value at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued in exchange for control together with any directly attributable costs. Deferred expenditure arising on business combinations is determined through discounting the amounts payable to their present value at the date of exchange. The discount element is reflected as an interest charge in the income statement over the life of the deferred payment. In the case of a business combination all the identifiable assets, liabilities and contingent liabilities of the acquiree are measured at their provisional fair values at the date of acquisition. Adjustments to provisional values allocated to such assets and liabilities are made within 12 months of the acquisition date and reflected as a restatement of the acquisition balance sheet. Goodwill represents the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Goodwill

Goodwill on acquisitions is initially measured at cost, less impairments.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the proportion of the cash-generating unit retained.

Goodwill written off to reserves under Irish GAAP prior to 1998 has not been reinstated and will not be included in determining any subsequent profit or loss on disposal.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill relating to acquisitions from 1 June 2001 and the deemed cost of goodwill carried in the balance sheet at 1 June 2001 is not amortised. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment

The carrying amounts of the Group's assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An estimate of the recoverable amount of goodwill is carried out at each balance sheet date.

An impairment loss is recognised in the income statement whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then, to reduce the carrying amount of other assets in the unit on a pro rata basis.

Statement of Accounting Policies (continued)

Impairment (continued)

The recoverable value of assets, other than receivables carried at amortised cost and short term receivables, is the greater of their net selling price and value in use. Value in use is assessed by discounting estimated future cash flows of the asset to their present value or discounting the estimated future cash flows of the cash generating unit where the asset does not generate independent cash flows. Estimated cash flows are discounted using a pre tax discount rate reflecting current market estimates of the time value of money and the risks specific to the asset.

The recoverable amount of receivables carried at amortised cost is calculated by discounting the present value of estimated future cash flows of the asset to their present value, discounted at the original effective interest rate. Receivables with a short duration of less than six months are not discounted.

Impairment losses in respect of receivables carried at amortised cost are reversed if subsequent increases in the recoverable amount of the asset can be related objectively to an event occurring after the impairment loss was recognised.

Impairment losses in respect of other assets, other than goodwill, are reversed if there has been a change in the estimates used to determine recoverable amount. Impairment losses are reversed only to the extent that the carrying amount of the asset does not exceed the carrying value that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Impairment losses in respect of goodwill are not reversed.

Intangible assets

Other intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets, currently estimated as follows:

	Years
Acquired workforce	2
Computer software	4
Customer relationships	2.7

Inventories

Inventories, which comprise laboratory inventories, are stated at the lower of cost and net realisable value. Cost in the case of raw materials comprises the purchase price and attributable costs, less trade discounts. Cost in the case of work in progress and finished goods, comprises fixed labour, raw material costs and attributable overheads. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

Trade and other receivables

Trade receivables, which generally have 30 to 90 day terms, are recognised and carried at original invoice amount less an allowance for any estimated shortfall in receipt. An estimate of estimated shortfall in receipt is made when there is objective evidence that a loss has been incurred. Impairment losses are written off when identified.

Current asset investments – available for sale

Financial instruments held are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the statement of recognised income and expense. The fair value of financial instruments classified as available-for-sale is their market price at the balance sheet date.

Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments with initial maturities of three months or less and is stated at cost, which approximates market value.

Statement of Accounting Policies (continued)

Government grants

Government grants received that compensate the Group for the cost of an asset are recognised in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions attaching to it. Such grants are recognised in the income statement on a systematic basis over the useful economic life of the asset.

Grants that compensate the Group for expenses incurred are recognised in the income statement on a systematic basis in the same periods in which the expenses are incurred provided that the Group meets all the conditions for receipt of the grant.

Under grant agreements amounts received may become repayable in full or in part should certain circumstances specified within the grant agreements occur, including downsizing by the Company, disposing of the related assets, ceasing to carry on its business or the appointment of a receiver over any of its assets. The Company has not recognised any such loss contingency having assessed as remote the likelihood of these events arising.

Interest bearing loans and borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Provisions

A provision is recognised in the balance sheet when the Group has a present or legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Employee benefits

(a) Pension and other post-employment benefits

Obligations for contributions to defined benefit contribution pension plans are recognised as an expense in the income statement as service is received from the relevant employees.

The Group's net obligation in respect of a defined benefit pension plan operated by a UK subsidiary for certain UK employees is calculated separately by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of plan assets deducted. The discount rate used is the yield at the balance sheet date on AAA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. Return on the scheme assets are recorded in the interest income line in the Group income statement while interest on the scheme liabilities are recorded in the interest expense line. When benefits of a plan are improved, the portion of the increased benefit relating to the past service by employees is recognised as an expense in the income statement on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

Statement of Accounting Policies (continued)

Employee benefits (continued)

All actuarial gains and losses as at 1 June 2004, the date of transition to IFRSs, have been recognised and adjusted against retained earnings. Actuarial gains and losses arising after this date are recognised immediately in the Statement of Recognised Income and Expenditure.

(b) Share-based payments

Share-based payments comprise of options to acquire ordinary shares in the Company granted to the Directors and other employees of the Group based on service and non-market performance conditions such as term of employment and individual performance. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the Directors and other employees become unconditionally entitled to the options. The fair value of options granted is measured using a binomial lattice model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

Revenue recognition

The Company primarily earns revenues by providing a number of different services to its customers. These services include clinical trials management, biometric activities, imaging consulting and laboratory services. Contracts range in duration from a number of months to several years.

Clinical trials management revenue is earned on the basis of the relationship between time incurred and the total estimated duration of the trial. Biometrics revenue is recognised on a fee-for-service method on the basis of the number of units completed in a period as a percentage of the total number of contracted units. Imaging revenue is recognised on a fee-for- service basis. Consulting revenue is recognised on a fee-for-service basis as the related service is performed. Laboratory service revenue is recognised on a fee-for-service basis. The Company accounts for laboratory service contracts as multiple element arrangements, with contractual elements comprising laboratory kits and laboratory testing, each of which can be sold separately. Fair values for contractual elements are determined by reference to objective and reliable evidence of their fair values. Non-refundable set-up fees are allocated as additional consideration to the contractual elements based on the proportionate fair values of each of these elements. Revenues for contractual elements are recognised on the basis of the number of deliverable units completed in the period.

Contracts generally contain provisions for renegotiation in the event of changes in the scope, nature, duration, volume of services or conditions of the contract. Renegotiated amounts are recognised as revenue by revision to the total contract value arising as a result of an authorised customer change order. Provisions for losses to be incurred on contracts are recognised in full in the period in which it is determined that a loss will result from performance of the contractual arrangement.

The difference between the amount of revenue recognised and the amount billed on a particular contract is included in the balance sheet as unbilled revenue. Normally, amounts become billable upon the achievement of certain milestones, in accordance with pre-agreed payment schedules included in the contract or on submission of appropriate billing detail. Such cash payments are not representative of revenue earned on the contract as revenues are recognised over the period in which the specified contractual obligations are fulfilled. Amounts included in unbilled revenue are expected to be collected within one year and are included within current assets. Advance billings to customers, for which revenue has not been recognised, are recognised as payments on account within current liabilities.

In the event of contract termination, if the value of work performed and recognised as revenue is greater than aggregate milestone billings at the date of termination, cancellation clauses ensure that the Company is paid for all work performed to the termination date.

Statement of Accounting Policies (continued)

Subcontractor costs

Subcontractor costs comprise investigator payments and certain other costs which are reimbursed by clients under terms specific to each contract and are deducted from gross turnover in arriving at net turnover. Investigator payments are accrued based on patient enrolment over the life of the contract. Investigator payments are made based on predetermined contractual arrangements, which may differ from the accrual of the expense. Payments to investigators in excess of the accrued expense are classified as prepayments and accrued expenses in excess of amounts paid are classified as accruals.

Direct costs

Direct costs consist of compensation and associated employee benefits for project-related employees and other direct project related costs.

Operating leases-as lessee

Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease. Lease incentives are recognised over the term of the lease as an integral part of the total lease expense.

Financing costs

Financing costs comprise interest payable on borrowings calculated using the effective interest rate method, finance charges on finance leases, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement.

Financing income

Interest income is recognised in the income statement as it accrues, using the effective interest rate method and includes interest receivable on funds invested.

Derivative financial instruments

Derivatives are carried at fair value at the balance sheet date and changes in fair value are taken to the income statement. The Group had no derivative financial instruments during the period or the preceding year.

Income tax

The tax expense in the income statement represents the sum of the tax currently payable and deferred tax.

Tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using rates that have been enacted or substantially enacted at the balance sheet date.

Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity.

Deferred income tax is provided, using the liability method, on all differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes except those arising from non-deductible goodwill or on initial recognition of an asset or liability which affects neither accounting nor taxable profit. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is expected to be realised or the liability to be settled.

Deferred tax assets are recognised for all deductible differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

Statement of Accounting Policies (continued)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit would be available to allow all or part of the deferred income tax asset to be utilised.

Earnings per ordinary share

Basic earnings per share is computed by dividing the net profit for the financial period attributable to ordinary shareholders by the weighted average number of ordinary shares in issue that ranked for dividend during the financial period.

Diluted earnings per share is computed by dividing the profit for the financial period attributable to ordinary shareholders by the weighted average number of ordinary shares in issue after adjusting for the effects of all potential dilutive ordinary shares that were outstanding during the financial period.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those other segments. The Group has identified the business segments as the primary segments and the geographical segments as the secondary segments.

Group Income Statement

for the year ended 31 December 2007

	Note	**Year ended 31 December 2007 US$'000**	Year ended 31 December 2006 US$'000
Gross turnover		**867,473**	649,826
Subcontractor costs		**(236,751)**	(194,229)
Turnover	*1*	**630,722**	455,597
Direct costs		**(355,322)**	(257,009)
Other operating expenses		**(207,641)**	(151,976)
Operating profit		**67,759**	46,612
Financing income	*3*	**5,069**	4,360
Financing expense	*4*	**(2,333)**	(855)
Profit before taxation	*2*	**70,495**	50,117
Income tax expense	*5*	**(15,353)**	(11,297)
Profit for the year		**55,142**	38,820
Attributable to:			
Equity holders of the Company	*22*	**54,955**	38,592
Minority interest		**187**	228
Profit for the year		**55,142**	38,820
Earnings per ordinary share			
Basic	*6*	**1.91**	1.36
Diluted	*6*	**1.84**	1.33

On behalf of the Board

Dr. John Climax
Director

Peter Gray
Director

Group Balance Sheet

as at 31 December 2007

	Note	**31 December 2007 US$'000**	31 December 2006 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	**117,683**	59,328
Intangible assets – goodwill and other	*11*	**155,426**	101,606
Other non-current assets	*12*	**6,634**	2,759
Deferred tax assets	*5*	**18,840**	9,232
Total non-current assets		**298,583**	172,925
Current assets			
Inventories	*13*	**2,591**	2,624
Accounts receivable	*14*	**129,865**	108,216
Unbilled revenue		**144,661**	89,977
Other current assets	*15*	**15,535**	16,420
Current asset investments	*16*	**41,752**	39,822
Cash and cash equivalents	*17*	**76,881**	63,039
Current taxes receivable		**5,497**	-
Total current assets		**416,782**	320,098
Total assets		**715,365**	493,023
EQUITY			
Share capital	*21*	**2,127**	2,100
Share premium	*21*	**132,643**	127,498
Options reserve	*22*	**33,347**	16,293
Other reserves	*22*	**7,422**	7,422
Foreign currency translation reserve	*22*	**19,296**	7,401
Retained earnings	*22*	**221,560**	161,229
Attributable to equity holders	*22*	**416,395**	321,943
Minority interest	*22*	**1,309**	1,122
Total equity		**417,704**	323,065
LIABILITIES			
Non-current liabilities			
Deferred government grants and other liabilities	*18*	**2,622**	1,333
Bank credit lines and loan facilities	*20*	**51,062**	-
Deferred tax liabilities	*5*	**596**	599
Total non-current liabilities		**54,280**	1,932
Current liabilities			
Accounts payable		**13,459**	9,691
Payments on account		**96,553**	90,394
Accrued and other liabilities	*18*	**70,741**	51,956
Bank credit lines and loan facilities	*20*	**43,767**	5,000
Current tax payable		**18,861**	10,985
Total current liabilities		**243,381**	168,026
Total liabilities		**297,661**	169,958
Total equity and liabilities		**715,365**	493,023

On behalf of the Board

Dr. John Climax
Director

Peter Gray
Director

Group Statement of Recognised Income and Expense

for the year ended 31 December 2007

	Note	**Year ended 31 December 2007 US$'000**	Year ended 31 December 2006 US$'000
Items of income and expense recognised directly in equity			
Currency translation differences	*22*	**11,895**	12,123
Actuarial gain/(loss) recognised on defined benefit pension scheme	*8*	**5,376**	(376)
Net income recognised directly in equity		**17,271**	11,747
Profit for the financial year		**55,142**	38,820
Total recognised income and expense for the year		**72,413**	50,567
Attributable to:			
Equity holders of the Company		**72,226**	50,339
Minority interests		**187**	228
Total recognised income and expense for the year		**72,413**	50,567

Group Statement of Cash Flows

for the year ended 31 December 2007

	Year ended 31 December 2007 US$'000	Year ended 31 December 2006 US$'000
Profit for the financial year	**55,142**	38,820
Adjustments to reconcile net income to net cash generated from operating activities:		
Loss on disposal of property, plant and equipment	**396**	15
Depreciation	**13,431**	9,483
Amortisation of intangible assets	**5,577**	5,466
Amortisation of grants	**(117)**	(113)
Stock compensation expense	**7,277**	5,420
Finance income	**(5,069)**	4,360
Finance expense	**2,333**	(855)
Defined benefit pension costs	**766**	822
Income tax expense	**15,353**	(11,297)
Operating cash inflow before changes in working capital	**95,089**	52,121
Increase in accounts receivable	**(11,390)**	(32,893)
Increase in unbilled revenue	**(52,231)**	(24,178)
Decrease in other current assets	**2,852**	3,362
Increase in other non current assets	**(2,140)**	-
Increase in accounts payable	**2,343**	1,343
Increase in inventory	**(75)**	(750)
Increase in payments on account	**4,220**	35,605
Increase in accrued and other liabilities	**14,184**	12,317
Increase in non current other liabilities	**1,394**	-
Cash provided by operations	**54,246**	46,927
Income taxes (paid)/recovered	**(13,425)**	9,315
Employer contribution defined benefit pension scheme	**(457)**	(2,287)
Interest received	**4,093**	(3,625)
Interest paid	**(1,491)**	122
Net cash inflow from operating activities	**42,966**	50,452
Investing activities		
Purchase of property, plant and equipment	**(64,123)**	(31,516)
Purchase of intangible assets	**(11,267)**	-
Purchase of subsidiary undertakings and acquisition costs	**(41,150)**	(7,017)
(Bank overdraft)/cash acquired with subsidiary undertakings	**(2,400)**	341
Deferred payments in respect of historic acquisitions	**-**	(96)
Sale of short term investments	**14,824**	3,008
Purchase of short term investments	**(16,754)**	(20,021)
Net cash used in investing activities	**(120,870)**	(55,301)
Financing activities		
Drawdown of bank loan facilities	**89,829**	112
Tax benefit from the exercise of share options	**1,466**	1,109
Proceeds from exercise of share options	**5,298**	6,679
Share issuance costs	**(126)**	(84)
Repayment of lease liabilities	**(109)**	(114)
Net cash provided by financing activities	**96,358**	7,702
Net increase in cash and cash equivalents	**18,454**	2,853
Effect of exchange rate changes	**(4,612)**	677
Cash and cash equivalents at start of year	**63,039**	59,509
Cash and cash equivalents at end of year	**76,881**	63,039

Company Balance Sheet

as at 31 December 2007

	Note	**31 December 2007 US$'000**	31 December 2006 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*29(a)*	**1,555**	5,029
Intangible assets	*29(b)*	**36**	4,362
Investment in subsidiaries	*29(c)*	**339,886**	187,586
Deferred tax asset	*29(d)*	**5,009**	101
Total non-current assets		**346,486**	197,078
Current assets			
Other current assets	*29(e)*	**2,970**	3,491
Cash and cash equivalents		**312**	13,145
Total current assets		**3,282**	16,636
Total assets		**349,768**	213,714
EQUITY			
Share capital	*29(g)*	**2,127**	2,100
Share premium	*29(g)*	**132,643**	127,499
Options reserve	*29(g)*	**33,347**	16,293
Other reserves	*29(g)*	**7,422**	7,422
Functional currency translation reserve	*29(g)*	**16,052**	(8,402)
Retained earnings	*29(g)*	**56,108**	53,144
Attributable to equity holders		**247,699**	198,056
Total equity		**247,699**	198,056
LIABILITIES			
Non-current liabilities			
Bank credit lines and loan facilities	*20*	**51,062**	-
Deferred government grants	*29(f)*	**-**	1,170
Total non-current liabilities		**51,062**	1,170
Current liabilities			
Accounts payable		**204**	2,569
Accrued and other liabilities	*29(f)*	**5,969**	6,044
Bank credit lines and loan facilities	*20*	**43,767**	5,000
Current taxes payable		**1,067**	875
Total current liabilities		**51,007**	14,488
Total liabilities		**102,069**	15,658
Total equity and liabilities		**349,768**	213,714

On behalf of the Board

Dr. John Climax
Director

Peter Gray
Director

Company Statement of Recognised Income and Expense

for the year ended 31 December 2007

	Year ended 31 December 2007 US$'000	Year ended 31 December 2006 US$'000
Items of income and expense recognised directly in equity		
Currency translation differences	**24,454**	(2,819)
Net income /(expense) recognised directly in equity	**24,454**	(2,819)
Profit for the year	**2,964**	1,556
Total recognised income/expense for the year	**27,418**	(1,263)
Attributable to:		
Equity holders of the Company	**27,418**	(1,263)

Company Statement of Cash Flows

for the year ended 31 December 2007

	Year ended 31 December 2007 US$'000	Year ended 31 December 2006 US$'000
Profit for the financial year	**2,964**	1,556
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**263**	1,111
Amortisation of intangible assets	**8**	2,033
Amortisation of grants	**-**	(113)
Stock compensation expense	**728**	1,030
Interest on intercompany loans	**(3,240)**	(4,256)
Finance income	**-**	162
Finance expense	**-**	(2)
Income tax expense	**147**	559
Profit on disposal of property, plant and equipment	**-**	(8,621)
Operating cash inflow/(outflow) before changes in working capital	**870**	(6,541)
Increase in amount due from subsidiary undertakings	**-**	(144)
(Increase)/decrease in other current assets	**(3,567)**	866
Increase in accounts payable and accrued and other liabilities	**6,889**	1,599
Cash provided/(used) by operations	**4,190**	(4,220)
Interest received	**-**	2
Interest paid	**-**	(158)
Income taxes paid	**-**	-
Net cash inflow/(outflow) from operating activities	**4,190**	(4,376)
Investing activities		
Disposal of property, plant and equipment	**-**	23,545
Purchase of computer software	**(10)**	-
Purchase of property, plant and equipment	**(1,246)**	(7,165)
Net cash (used in)/provided by investing activities	**(1,256)**	16,380
Financing activities		
Drawdown of bank loan facilities	**89,829**	145
Long term advances to subsidiary undertakings	**(110,845)**	(11,149)
Proceeds from exercise of share options	**5,298**	6,679
Share issuance costs	**(126)**	(84)
Net cash used in financing activities	**(15,844)**	(4,409)
Net (decrease)/increase in cash and cash equivalents	**(12,908)**	7,595
Effect of exchange rate changes	**75**	281
Cash and cash equivalents at start of year	**13,145**	5,269
Cash and cash equivalents at end of year	**312**	13,145

Notes to Group and Company Financial Statements

1. Segmental information

The Group operates predominantly in the contract clinical research industry providing a broad range of clinical research and integrated product development services on a global basis for the pharmaceutical and biotechnology industries. The Group also has a central laboratory segment primarily based in New York, USA. This, together with laboratory services based in Dublin, form the central laboratory segment information disclosed below. The primary format for segment reporting is business segments and the secondary format is geographical segments.

The Group's areas of operation outside of Ireland principally include the United States, the United Kingdom, Germany, France, Spain, Italy, The Netherlands, Sweden, Denmark, Finland, Latvia, Lithuania, Hungary, Poland, Czech Republic, Romania, Ukraine, Russia, Israel, Australia, New Zealand, Canada, Argentina, Brazil, Peru, Chile, Mexico, South Africa, India, Japan, Singapore, Hong Kong, Taiwan, Thailand, South Korea and China.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Inter-segment revenue is not material.

Business segment information

	Clinical Research		**Central Laboratory**		**Total**	
	Year ended 31 December 2007 US$'000	Year ended 31 December 2006 US$'000	**Year ended 31 December 2007 US$'000**	Year ended 31 December 2006 US$'000	**Year ended 31 December 2007 US$'000**	Year ended 31 December 2006 US$'000
Turnover						
External turnover	**577,210**	408,367	**53,512**	47,230	**630,722**	455,597
Segment result						
Operating profit	**64,029**	45,047	**3,730**	1,565	**67,759**	46,612
Financing income					**5,069**	4,360
Financing expense					**(2,333)**	(855)
Income tax					**(15,353)**	(11,297)
Profit for the year					**55,142**	38,820
Other segment information						
Depreciation and amortisation	**17,194**	13,609	**1,814**	1,340	**19,008**	14,949
Capital expenditure	**71,776**	29,175	**3,874**	2,538	**75,650**	31,713
Share based compensation	**6,668**	4,382	**609**	1,038	**7,277**	5,420
Segment assets and liabilities						
Segment assets	**623,374**	398,801	**40,562**	28,272	**663,936**	427,073
Unallocated assets*					**51,429**	65,950
Total assets					**715,365**	493,023
Segment liabilities	**180,745**	140,525	**14,847**	13,775	**195,592**	154,300
Unallocated liabilities*					**102,069**	15,658
Total liabilities					**297,661**	169,958

*Unallocated assets represent those of ICON Plc of $9.7 million (2006: $26.1 million) and surplus cash balances invested in liquid resources of $41.8 million (2006: $39.8 million). Unallocated liabilities represent those of ICON Plc of $102.1 million (2006: $15.6 million).

Notes to Group and Company Financial Statements (continued)

1. Segmental information (continued)

Geographical segment information

	Europe		United States		Rest of World		Total	
	Year ended 31 December 2007 US$'000	Year ended 31 December 2006 US$'000	**Year ended 31 December 2007 US$'000**	Year ended 31 December 2006 US$'000	**Year ended 31 December 2007 US$'000**	Year ended 31 December 2006 US$'000	**Year ended 31 December 2007 US$'000**	Year ended 31 December 2006 US$'000
External revenue	**278,854**	162,896	**316,049**	266,175	**35,819**	26,526	**630,722**	455,597
Segment Assets	**312,610**	152,737	**323,410**	259,390	**27,916**	14,946	**663,936**	427,073
Unallocated Assets*							**51,429**	65,950
Total Assets							**715,365**	493,023
Capital expenditure	**55,111**	17,927	**15,727**	10,905	**4,812**	2,881	**75,650**	31,713

* Unallocated assets represent those of ICON Plc of $9.7 million (2006: $26.1 million) and surplus cash balances invested in liquid resources of $41.8 million (2006: $39.8 million). Unallocated liabilities represent those of ICON Plc of $102.1 million (2006: $15.6 million).

2. Profit before taxation

Profit before taxation is stated after charging the following:

	Year ended 31 December 2007 US$'000	Year ended 31 December 2006 US$'000
Auditors' remuneration:		
Audit fees (1)	**2,075**	1,076
Audit related fees (2)	**418**	99
Tax fees (3)	**429**	162
Total fees	**2,922**	1,337
Directors' emoluments		
Fees	**205**	150
Other emoluments and benefits in kind	**2,572**	2,137
Pension contributions	**127**	94
Stock compensation expense	**398**	194
Total Directors' emoluments	**3,302**	2,575
Amortisation of intangible assets	**5,577**	5,466
Depreciation of property, plant and equipment	**13,431**	9,483
Operating lease rentals:		
Premises	**28,315**	14,290
Motor vehicles	**5,495**	3,599
Plant and equipment	**1,951**	1,462

(1) Audit fees include annual audit fees for ICON plc and subsidiaries.

(2) Audit related fees principally consist of fees for financial due diligence services and fees for audit of financial statements of employee benefit plans.

(3) Tax fees are for tax compliance and tax consultation services.

For additional information regarding Directors' shareholdings, share options and compensation, please refer to the Report on Directors' Remuneration and note 7 – Payroll and related benefits.

3. Finance income

	Year ended 31 December 2007 US$'000	Year ended 31 December 2006 US$'000
Finance income:		
Interest receivable	**4,141**	3,767
Defined benefit pension – expected return on plan assets	**928**	593
	5,069	4,360

All of the above relates to items not at fair value through profit or loss.

4. Finance expense

	Year ended 31 December 2007 US$'000	Year ended 31 December 2006 US$'000
Finance expense:		
Interest on bank overdraft and credit facilities	**1,379**	72
Finance lease interest	**24**	53
Defined benefit pension-interest cost	**930**	730
	2,333	855

All of the above relates to items not at fair value through profit or loss

5. Income tax expense

The components of the current and deferred tax expense for the years ended 31 December 2007 and 2006 were as follows:

	Year ended 31 December 2007 US$'000	Year ended 31 December 2006 US$'000
Current tax expense:		
Current year	**17,250**	16,097
(Over)/under provided in prior years	**(97)**	1,438
	17,153	17,535
Deferred tax credit:		
Origination and reversal of temporary differences	**(1,940)**	(6,238)
(Over)/under provided in prior years	**140**	-
Total income tax expense in the income statement	**15,353**	11,297

5. Income tax expense (continued)

The total tax expense of U.S.$15.4 million and U.S.$11.3 million for the years ended 31 December 2007 and 31 December 2006 respectively, reflects tax at standard rates on taxable profits in the jurisdictions in which ICON operates, foreign withholding tax and the availability of tax losses.

The deferred tax credit of U.S.$1.8 million for the year ended 31 December 2007 and the deferred tax credit of U.S.$6.2 million for the year ended 31 December 2006, relate to deferred tax arising in respect of net operating losses and temporary difference in capital items, certain goodwill and the timing of the deduction of share option schemes for tax purposes. No deferred tax asset has been recognised on the defined benefit pension scheme.

A reconciliation of the expected tax expense, computed by applying the standard Irish tax rate to income before tax to the actual tax expense, is as follows:

	Year ended 31 December 2007 US$'000	Year ended 31 December 2006 US$'000
Profit before tax	**70,495**	50,117
Irish standard tax rate	**12.5%**	12.5%
Taxes at Irish standard tax rate	**8,812**	6,265
Reversal of prior year (under)/over provision in respect of current foreign taxes	**43**	1,438
Foreign and other income taxed at higher rates	**5,996**	8,991
Non deductible expenses	**344**	660
Other	**76**	56
Losses for which no benefit has been recognised	**82**	847
Recognition of benefit for previous period losses and credits	**-**	(6,960)
Tax expense on profit for the year	**15,353**	11,297

5. Income tax expense (continued)

The net deferred tax asset at 31 December 2007 was as follows:

	31 December 2007 US$'000	31 December 2006 US$'000
Deferred taxation liabilities:		
Property, plant and equipment	**1,253**	1,188
Goodwill and related assets	**4,274**	2,742
Other intangible assets	**439**	-
Other	**46**	41
Accruals to cash method adjustment	**352**	684
Total deferred taxation liabilities	**6,364**	4,655
Less: offset against deferred tax assets	**(5,768)**	(4,056)
Deferred tax liability disclosed on balance sheet	**596**	599
Deferred taxation assets:		
Net operating losses carried forward	**1,974**	2,650
Accrued expenses and payments on account	**6,007**	4,002
Property, plant and equipment	**614**	695
Deferred compensation	**471**	370
Stock compensation expense	**15,542**	5,456
Other	**-**	115
Total deferred taxation assets	**24,608**	13,288
Less: offset against deferred tax liabilities	**(5,768)**	(4,056)
Deferred tax asset disclosed on balance sheet	**18,840**	9,232
Net deferred taxation asset	**18,244**	8,633

5. Income tax expense (continued)

The movement in temporary differences during the year ended 31 December 2007 and 2006 was as follows:

	Balance 1 January 2007 US$'000	Acquired US$'000	Recognised in Income US$'000	Recognised in Equity US$'000	Balance 31 December 2007 US$'000
Deferred taxation liabilities:					
Property, plant and equipment	1,188	-	65	-	1,253
Goodwill on acquisition	2,742	-	1,532	-	4,274
Accruals to cash method adjustment	684	-	(332)	-	352
Other intangible assets	-	501	(62)	-	439
Other	41	-	5	-	46
Total deferred taxation liabilities	**4,655**	**501**	**1,208**	**-**	**6,364**
Deferred taxation assets:					
Net operating loss carry forwards	2,650	-	(676)	-	1,974
Accrued expenses and payments on account	4,002	-	2,005	-	6,007
Property, plant and equipment	695	-	(81)	-	614
Deferred compensation	370	-	101	-	471
Stock compensation expense	5,456	-	1,774	8,312	15,542
Other	115		(115)	-	-
Total deferred taxation assets	**13,288**	**-**	**3,008**	**8,312**	**24,608**
Net deferred taxation asset	**8,633**	**(501)**	**1,800**	**8,312**	**18,244**

	Balance 1 January 2006 US$'000	Recognised in Income US$'000	Recognised in Equity US$'000	Balance 31 December 2006 US$'000
Deferred taxation liabilities:				
Property, plant and equipment	1,659	(471)	-	1,188
Goodwill on acquisition	1,865	877	-	2,742
Accruals to cash method adjustment	359	325	-	684
Other	687	(646)	-	41
Total deferred taxation liabilities	**4,570**	**85**	**-**	**4,655**
Deferred taxation assets:				
Net operating losses carry forwards	674	1,976	-	2,650
Accrued expenses and payments on account	2,077	1,925	-	4,002
Property plant and equipment	258	437	-	695
Stock compensation expense	899	2,112	2,815	5,826
Other	242	(127)	-	115
Total deferred taxation assets	**4,150**	**6,323**	**2,815**	**13,288**
Net deferred taxation (liability)/asset	**(420)**	**6,238**	**2,815**	**8,633**

5. Income tax expense (continued)

Unrecognised deferred tax assets

At 31 December 2007, non-US subsidiaries had operating loss carry-forwards for income tax purposes that may be carried forward indefinitely, available to offset against future taxable income, if any, of approximately $10.5 million (31 December 2006: $5.2 million).

At 31 December 2007, ICON Laboratory Inc., a U.S. subsidiary had net operating loss carryforwards for U.S. Federal and State income tax purposes, available to offset against future taxable income if any of approximately $7.9 million for U.S. Federal and $10.0 million for State income tax, which expire between 2009 and 2026 (31 December 2006: $10.0 million for US Federal and $11.9 million for State Income Tax).

Of the $7.9 million U.S. Federal and $10.0 million State net operating losses, approximately $6.5 million and $8.6 million respectively (31 December 2006: approximately $9.3 million and $11.2 million) will be available for offset against future taxable income, if any, of future accounting periods. The subsidiary's ability to use the remaining net operating loss carry forward of $1.5 million for Federal and State taxes is limited to $0.1 million per year due to the subsidiary experiencing a change of ownership in 2000, as defined by Section 382 of the Internal Revenue Code of 1986, as amended.

Certain of the deferred tax assets relating to net operating losses have not been recognised to the extent that it is considered unlikely that a benefit will be received in the future.

In total, the Group has unrecognised deferred tax assets at 31 December 2007 of $4.97 million and $3.84 million at 31 December 2006. The Company has not recognised the remaining deferred tax assets because it believes that it is more likely than not that the losses and other deferred tax assets will not be utilised given their history of operating losses.

Unrecognised deferred tax liabilities

At 31 December 2007 and 31 December 2006 respectively, there were no recognised or unrecognised deferred tax liabilities for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries. The Group is able to control the timing of the reversal of the temporary differences of its subsidiaries and it is probable that these temporary differences will not reverse in the foreseeable future.

6. Earnings per share

The following table sets forth the computation for basic and diluted net earnings per share for the year ended 31 December 2007:

	31 December 2007 US$'000	31 December 2006 US$'000
Numerator computations		
Basic and diluted earnings per share		
Profit for the financial year	**55,142**	38,820
Profit attributable to minority interest	**(187)**	(228)
Profit attributable to equity holders	**54,955**	38,592

6. Earnings per share (continued)

	31 December 2007	31 December 2006
	Number of Shares	
Denominator computations		
Weighted average number of ordinary shares outstanding - basic	**28,705,272**	28,314,985
Effect of dilutive potential ordinary shares	**1,234,168**	620,863
Weighted average number of ordinary shares outstanding - diluted	**29,939,440**	28,935,848

	31 December 2007 US$	31 December 2006 US$
Earnings per Share		
Basic earnings per ordinary share	**1.91**	1.36
Diluted earnings per ordinary share	**1.84**	1.33

The Company had 591,000 anti-dilutive shares in issue at 31 December 2007 (31 December 2006: 72,000).

7. Payroll and related benefits

The aggregate payroll costs of employees of the Group for the year ended 31 December 2007 was as follows:

	Year ended 31 December 2007 US$'000	Year ended 31 December 2006 US$'000
Wages and salaries	**344,363**	247,333
Social welfare costs	**25,982**	18,219
Pension costs for defined contribution pension schemes	**11,912**	8,265
Pension costs for defined benefit pension schemes	**766**	822
Share-based payment*	**7,277**	5,420
Total charge to income	**390,300**	280,059
Actuarial (gains)/losses recognised on defined benefit pension scheme	**(5,376)**	376
Total payroll and related benefit costs	**384,924**	280,435

** IFRS 2 Share- Based Payments requires that the fair value of options is calculated and amortised over the vesting period of the related option. A compensation expense of US $7.3 million was recognised in respect of the year ended 31 December 2007. The compensation expense for the year ended 31 December 2006 was $5.4 million.*

7. Payroll and related benefits (continued)

The average number of employees, including Executive Directors, employed by the Group for the year ended 31 December 2007 was as follows:

	Year ended 31 December 2007	Year ended 31 December 2006
Marketing	**132**	123
Administration	**956**	502
Clinical research processing	**3,682**	2,710
Laboratory	**305**	238
Total	**5,075**	3,573

Directors' remuneration

Information in relation to the Directors' shareholdings and share options is included in the Report on Directors' Remuneration on pages 18 to 22.

The aggregate remuneration, including pension contributions, paid to or accrued for all Directors for the year ended 31 December 2007 was US$3,301,803 (year ended 31 December 2006: US$2,574,373). Remuneration of individual Directors is as follows:

Summary compensation table - Year ended 31 December 2007

Name	Year	Salary/Fees	Company pension contribution	All other compensation	Subtotal	Subtotal	Share-based payments	Total compensation
		Euro (€)	Euro (€)	Euro (€)	Euro (€)	USD ($)	USD ($)	USD ($)
Dr. John Climax	2007	540,280	46,056	433,097	1,019,433	1,430,381	107,471	1,537,852
Peter Gray	2007	400,000	40,600	357,919	798,519	1,120,308	107,471	1,227,779
Dr. Ronan Lambe	2007	104,394	4,163	3,903	112,460	148,402	27,093	175,495
Thomas Lynch	2007	42,285	-	-	42,285	55,000	38,577	93,577
Edward Roberts	2007	50,542	-	-	50,542	65,000	35,040	100,040
Shuji Higuchi	2007	31,050	-	-	31,050	40,000	38,182	78,182
Dr. Bruce Given	2007	35,014	-	-	35,014	45,000	43,878	88,878
Total		**1,203,565**	**90,819**	**794,919**	**2,089,303**	**2,904,091**	**397,712**	**3,301,803**

*The pension contributions above represent contributions paid by the Company to a defined contribution pension scheme.

Notes to Group and Company Financial Statements (continued)

7. Payroll and related benefits (continued)

Summary compensation table - Year ended 31 December 2006

Name	Year	Salary/Fees	Company pension contribution	All other compensation	Subtotal	Subtotal	Share-based payments	Total compensation
		Euro (€)	Euro (€)	Euro (€)	Euro (€)	USD ($)	USD ($)	USD ($)
Dr. John Climax	2006	491,164	14,988	385,036	891,188	1,126,348	49,600	1,175,948
Peter Gray	2006	349,388	35,535	273,937	658,860	832,250	49,600	881,850
Dr. Ronan Lambe	2006	147,349	24,981	46,192	218,522	272,175	20,700	292,875
Thomas Lynch	2006	28,027	-	-	28,027	35,000	20,700	55,700
Edward Roberts	2006	40,039	-	-	40,039	50,000	20,700	70,700
Shuji Higuchi	2006	24,024	-	-	24,024	30,000	18,500	48,500
Dr. Bruce Given	2006	28,027	-	-	28,027	35,000	13,800	48,800
Total		**1,108,018**	**75,504**	**705,165**	**1,888,687**	**2,380,773**	**193,600**	**2,574,373**

*The pension contributions above represent contributions paid by the Company to a defined contribution pension scheme.

8. Retirement Benefit Obligations

The Group operates a number of defined contribution and defined benefit pension schemes. The Group accounts for pensions in accordance with IAS 19 *Employee Benefits* ("IAS 19").

(i) Defined Contribution Schemes

Certain employees of the Group are eligible to participate in a defined contribution plan (the "Plan"). Participants in the Plan may elect to defer a portion of their pre-tax earnings into a pension plan, which is run by an independent party. The Group matches each participant's contributions typically at 6% of the participant's annual compensation. Contributions to this plan are recorded, as a remuneration expense in the Group Income Statement. Contributions for the year ended 31 December 2007 and year ended 31 December 2006 were U.S.$7,424,000 and U.S.$4,837,000 respectively.

The Group's United States operations maintain a retirement plan (the "U.S. Plan") that qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Participants in the U.S. Plan may elect to defer a portion of their pre-tax earnings, up to the Internal Revenue Service annual contribution limit. The Company matches 50% of each participant's contributions; each participant can contribute up to 6% of their annual compensation. Contributions to this U.S. Plan are recorded, in the year contributed, as an expense in the Group Income Statement. Contributions for the year ended 31 December 2007 and year ended 31 December 2006 were U.S.$4,488,000 and U.S.$ 3,428,000 respectively.

(ii) Defined Benefit Plans

One of the Group's subsidiaries, Medeval Group Limited, which was acquired by the Group in 2003, operates a defined benefit pension plan in the United Kingdom for its employees, which is now closed to new members. The plan is managed externally and the related pension costs and liabilities are assessed in accordance with the advice of a professionally qualified actuary. Plan assets at 31 December 2007 and 31 December 2006 consist of units held in independently administered funds. The most recent valuation of plan obligations was carried out as at 1 September 2004 using the projected unit credit method and updated on an appropriate basis at 31 December 2007.

8. Retirement Benefit Obligations (continued)

The principal actuarial assumptions used for the purpose of the actuarial valuations were as follows:

Financial assumptions

	31 December 2007	31 December 2006
Discount rate	**5.80%**	5.00%
Return on plan assets	**7.10%**	6.80%
Inflation rate	**3.40%**	3.30%
Future pension increases	**3.30%**	2.90%
Future salary increases	**4.50%**	4.80%

Mortality assumptions

The mortality assumptions adopted at 31 December 2007 imply the following life expectancies at age 62 (2006: 62):

	31 December 2007	31 December 2006
Male currently age 40	**25.1 years**	26.3 years
Female currently age 40	**27.9 years**	28.8 years
Male currently age 62	**23.9 years**	26.3 years
Female currently age 62	**26.8 years**	28.8 years

Amounts recognised in the Consolidated Balance Sheet at 31 December 2007 in respect of defined benefit pension schemes are as follows:

	31 December 2007 US$'000	31 December 2006 US$'000
Present value of benefit obligations	**(15,216)**	(17,816)
Fair value of plan assets	**15,470**	13,092
Present value of net plan assets/(obligations)	**254**	(4,724)
Historical Actuarial gains/losses		
Experience adjustments on plan assets	**654**	583
Experience adjustments on plan liabilities	**-**	-
Effects of changes in demographic and financial assumptions underlying the present value of plan liabilities	**4,722**	(959)
Total	**5,376**	(376)

Cumulative net actuarial gains reported in the Statement of Recognised Income and Expense from the date of transition, 1 June 2004, to 31 December 2007 amounted to US$2.30 million (31 December 2006: net loss of US$3.08 million; 31 December 2005: net loss of US$2.70 million).

8. Retirement Benefit Obligations (continued)

Amounts recognised in periodic pension cost in the Group Income Statement during the year ended 31 December 2007 in respect of defined benefit pension schemes were are follows:

	Year ended 31 December 2007 US$'000	Year ended 31 December 2006 US$'000
Current service cost	**766**	685
Interest cost	**930**	730
Expected return on plan assets	**(928)**	(593)
Net periodic pension cost	**768**	822

The actual return on plan assets amounted to US$1.582 million (2006: US$1.218 million).

Changes in the net deficit of the plan during the period were as follows:

	Year ended 31 December 2007 US$'000	Year ended 31 December 2006 US$'000
Net deficit in scheme at start of year	**(4,724)**	(5,151)
Movement in year		
Current service cost	**(766)**	(685)
Contributions paid	**457**	2,287
Other finance expense, net	**(2)**	(135)
Actuarial gain/(loss)	**5,376**	(376)
Foreign exchange rate changes	**(87)**	(664)
Net asset/(deficit) in scheme at end of year	**254**	(4,724)

Changes in the present value of defined benefit obligations of the plan are as follows:

	Year ended 31 December 2007 US$'000	Year ended 31 December 2006 US$'000
Projected benefit obligation at start of year	**17,816**	13,243
Service cost	**766**	685
Interest cost	**930**	730
Plan participants' contributions	**227**	216
Actuarial gain/(loss)	**(4,722)**	1,015
Benefits paid	**(50)**	(74)
Foreign exchange rate changes	**249**	2,001
Projected benefit obligation at end of year	**15,216**	17,816

Notes to Group and Company Financial Statements (continued)

8. Retirement Benefit Obligations (continued)

Changes in the fair value of the plans' assets during the year ended 31 December 2007 were as follows:

	Year ended 31 December 2007 US$'000	Year ended 31 December 2006 US$'000
Fair value of plan assets at start of year	**13,092**	8,092
Expected return on plan assets	**928**	635
Actuarial gain on plan assets	**654**	583
Employer contribution	**457**	2,287
Plan participants' contributions	**227**	216
Benefit paid	**(50)**	(74)
Foreign exchange movements	**162**	1,353
Fair value of plan assets at end of year	**15,470**	13,092

The fair value of plan assets at 31 December 2007 and 31 December 2006 is analysed as follows:

	31 December 2007 US$'000	31 December 2006 US$'000
Unit funds	**15,470**	13,092

The plan's assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by the Group

The underlying asset split of the funds at 31 December 2007 and 31 December 2006 was as follows:

	31 December 2007	31 December 2006
Equities	**63%**	59%
Bonds	**20%**	26%
Property	**12%**	12%
Cash	**5%**	3%

The assets of the scheme are invested in a unitised with profits policy. The expected long-term rate of return on assets of 7.1% was calculated on the assumption of the following returns for each asset class:

	31 December 2007	31 December 2006
Equities	**7.6%**	7.7%
Bonds	**6.0%**	5.1%
Property	**7.1%**	7.7%
Cash	**4.8%**	4.0%

8. Retirement Benefit Obligations (continued)

The expected rate of return on equities and property have been determined by setting an appropriate risk premium above gilt/bond yields having regard to market conditions at the balance sheet date. The expected long term return on cash is equal to bank base rates at the balance sheet date. The expected return on bonds is determined by reference to UK long dated gilt and bond yields at the balance sheet date.

The history of the Group's defined benefit pension scheme is as follows:

	31 December 2007 US$'000	31 December 2006 US$'000	31 December 2005 US$'000	31 May 2005 US$'000
Present value of benefit obligations	**(15,216)**	(17,816)	(13,243)	(11,323)
Fair value of plan assets	**15,470**	13,092	8,092	7,354
Present value of net plan assets/(obligations)	**254**	(4,724)	(5,151)	(3,969)
Actuarial gain/(loss)	**5,376**	(376)	(1,795)	(910)

In accordance with the transitional provisions for the amendment to IAS 19 in December 2004, the disclosures in the above table are determined prospectively from 1 June 2004 to 31 May 2005 reporting period.

The Group expects to contribute approximately $0.4 million of normal contribution to the defined benefit pension scheme for the year ended 31 December 2008.

9. Share Options

On 15 January 1998, the Company adopted the 1998 Long Term Incentive Plan (the "Incentive Plan") pursuant to which the Board of Directors (or a committee thereof) granted options to officers and other employees of the Company or its subsidiaries for the purchase of Ordinary Shares. The option prices were determined by the Board of Directors (or a committee thereof), but option prices were not less than one hundred percent (100%) of the fair market value of the Ordinary Shares on the date the option is granted. On the same date, the Company adopted the 1998 Consultant Option Plan (the "Consultant Plan") pursuant to which the Board of Directors (or a committee thereof) granted options to consultants (such as part-time employees or outside Directors) of the Company or its subsidiaries (the "Consultants") for the purchase of Ordinary Shares.

An aggregate of 3.0 million Ordinary Shares were reserved for issuance under the Incentive Plan and the Consultant Plan, subject to adjustments to reflect changes in the Company's capitalisation. Further, the aggregate number of Ordinary Shares issued pursuant to options awarded under the Consultant Plan and the Incentive Plan may not exceed 10% of the outstanding shares, as defined in the plans, at the time of the grant unless the Board of Directors expressly determined otherwise. The Incentive Plan expired on 14 January 2008 and no further options may be granted under this plan.

On 17 January 2003, the Company adopted the Share Option Plan 2003, or the 2003 Plan, pursuant to which the Compensation Committee of the Board may grant options to employees of the Company or its subsidiaries for the purchase of ordinary shares. Each grant of an option under the 2003 Plan will be evidenced by a Stock Option Agreement between the optionee and the Company. The exercise price will be specified in each Stock Option Agreement, however option prices will not be less than 100% of the fair market value of an ordinary share on the date the option is granted.

9. Share Options (continued)

An aggregate of 3.0 million ordinary shares have been reserved under the 2003 Plan; and, in no event will the number of ordinary shares that may be issued pursuant to options awarded under the 2003 Plan exceed 10% of the outstanding shares, as defined in the 2003 Plan, at the time of the grant. Further, the maximum number of ordinary shares with respect to which options may be granted under the 2003 Plan during any calendar year to any employee shall be 200,000 ordinary shares.

Share option awards are granted with an exercise price equal to the market price of the Company's ordinary shares at date of grant. Share options typically vest over a period of five years from date of grant and expire eight years from date of grant. Share options with a shorter vesting period have been granted to certain key employees of the Company. These options vest subject to the Company achieving certain specific EPS target levels. Further details are set out in Note 27.

On 29 September 2006, ICON's shareholders approved a bonus issue of ordinary shares (the "Bonus Issue") to shareholders of record as of the close of business on 13 October 2006 (the "Record Date"). The Bonus Issue provided for each shareholder to receive one bonus ordinary share for each ordinary share held as of the Record Date, effecting the equivalent of a 2-for-1 stock split. The Bonus shares were issued on 16 October 2006 to Ordinary Shareholders and on 23 October 2006 to holders of American Depositary Shares ("ADSs"). NASDAQ adjusted the trading price of ICON's ADSs to effect the Bonus Issue prior to the opening of trading on 24 October 2006. All outstanding ordinary share and option amounts referenced in the consolidated financial statements and the notes thereto have been retrospectively restated to give effect to the Bonus Issue as if it had occurred as of the date referenced.

Set out below is a summary of the total number of options outstanding and number of options available to grant under each plan as at 31 December 2007:

	Outstanding		**Available to Grant**	
	31 December 2007	31 December 2006	**31 December 2007**	31 December 2006
1998 Long Term Incentive Plan	**885,601**	657,756	**325,919**	725,134
2003 Stock Option Plan	**1,602,462**	1,664,096	**1,133,088**	1,217,476
Total	**2,488,063**	2,321,852	**1,459,007**	1,942,610

The 1998 Long Term Incentive Plan expired on 14 January 2008 and no further options may be granted under this plan

9. Share Options (continued)

The total number of share options outstanding and exercisable at 31 December 2007 are as follows:

	Number of Options *	Weighted Average Exercise Price *
Outstanding at 31 May 2005	2,576,484	$15.10
Exercised	(237,992)	$8.04
Forfeited	(74,200)	$16.19
Outstanding at 31 December 2005	2,264,292	$15.75
Granted	818,502	$23.16
Exercised	(481,668)	$13.87
Forfeited	(279,274)	$16.64
Outstanding at 31 December 2006	2,321,852	$18.61
Granted	625,715	$42.51
Exercised	(317,392)	$16.69
Forfeited	(142,112)	$24.54
Outstanding at 31 December 2007	2,488,063	$24.53
Exercisable at 31 December 2007	679,114	$19.36

*Comparative figures have been amended to reflect the Bonus Issue which took place with an effective date of 13 October 2006

At 31 December 2007, the range of exercise prices and weighted average remaining contractual life of outstanding and exercisable options was as follows:

	Options Outstanding			Options Exercisable	
Range Exercise Price US$	Number of Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price US$	Number of Shares	Exercise Price US$
$10.63	10,060	1.08	$10.63	10,060	$10.63
$13.25	16,000	1.92	$13.25	16,000	$13.25
$14.00	192,416	3.08	$14.00	121,858	$14.00
$14.50	76,500	2.08	$14.50	76,500	$14.50
$17.20	605,500	5.17	$17.20	115,708	$17.20
$17.75	344,536	4.17	$17.75	147,145	$17.75
$20.84	30,000	6.08	$20.84	-	$20.84
$22.00	552,751	6.17	$22.00	129,543	$22.00
$34.60	12,000	6.67	$34.60	2,400	$34.60
$35.99	58,000	6.08	$35.99	10,000	$35.99
$42.50	587,775	7.17	$42.50	49,900	$42.50
$43.51	1,225	7.33	$43.51	-	$43.51
$45.20	1,000	7.67	$45.20	-	$45.20
$53.77	300	7.83	$53.77	-	$53.77
$10.63 -$53.77	2,488,063	5.47	$24.53	679,114	$19.36

9. Share Options (continued)

The overall weighted average fair value of share options granted by the Company during the year ended 31 December 2007 was $17.61 based on the following grants:

Grant Date	Number of Shares	Weighted Average Share price
12-Feb-07	623,190	$42.50
23-Apr-07	1,225	$43.51
27-Aug-07	1,000	$45.20
22-Oct-07	300	$53.77
	625,715	$42.51

The overall weighted average fair value of share options granted by the Company during the year ended 31 December 2006 was $14.27 based on the following grants:

Grant Date	Number of Shares	Weighted Average Share price
17-Jan-06	30,000	$20.84
03-Feb-06	716,502	$22.00
21-Aug-06	12,000	$34.60
01-Nov-06	60,000	$35.99
	818,502	$23.16

The weighted average share price of share options granted by the Company during the year ended 31 December 2007 and 2006 was $42.51 and $23.16 respectively.

The fair values of options granted during the year ended 31 December 2007 and the year ended 31 December 2006 were calculated using a binomial option-pricing-model, using the following assumptions:

	Year ended 31 December 2007	Year ended 31 December 2006
Weighted average share price	**$42.51**	$23.16
Weighted average exercise price	**$42.51**	$23.16
Expected volatility (1)	**40%**	45%
Expected dividend yield	**-**	-
Risk-free rate	**4.7%**	4.7%
Rate of forced early exercise	**10% p.a.**	10% p.a.
Minimum gain for voluntary early exercise	**25% of exercise price**	33% of exercise price
Rate of voluntary early exercise at minimum gain	**60% per annum**	50% per annum

(1) Expected volatility has been determined based upon the volatility of the Company's share price over a period which is commensurate with the expected term of the options granted.

9. Share Options (continued)

Operating profit for the year ended 31 December 2007, is stated after charging $7.3 million in respect of non-cash stock compensation expense. Non-cash stock compensation expense for the year ended 31 December 2007, has been allocated to direct costs and other operating expenses as follows:

	Year Ended 31 December 2007 US$'000	Year Ended 31 December 2006 US$'000
Direct costs	**4,010**	2,986
Other operating expenses	**3,267**	2,434
Total compensation costs	**7,277**	5,420

10. Property, Plant and Equipment

Group	**Land US$'000**	**Buildings US$'000**	**Leasehold improvements US$'000**	**Computer equipment US$'000**	**Office furniture & fixtures US$'000**	**Laboratory equipment US$'000**	**Motor vehicles US$'000**	**Total US$'000**
Cost								
At 1 January 2007	3,580	27,711	5,851	36,916	24,586	8,523	157	107,324
Additions	-	30,730	5,657	10,366	15,708	1,895	-	64,356
Disposals	-	(9)	(50)	(51)	(951)	(15)	(35)	(1,111)
Acquisitions	-	-	403	221	-	-	-	609
Reclassification from Intangible Assets	-	-	-	(339)	(6)	441	-	96
Foreign currency adjustment	520	4,199	982	1,993	1,126	335	4	9,174
At 31 December 2007	**4,100**	**62,631**	**12,843**	**49,106**	**40,463**	**11,179**	**126**	**180,448**
Depreciation								
At 1 January 2007	-	1,777	3,985	23,749	13,019	5,380	86	47,996
Charge for year	-	508	1,900	6,423	3,263	1,324	13	13,431
Eliminated on disposals	-	-	(156)	(33)	(671)	(8)	(4)	(872)
Reclassification from Intangible Assets	-	-	-	(25)	-	(42)	-	(67)
Foreign currency adjustment	-	213	163	1,116	524	259	2	2,277
At 31 December 2007	**-**	**2,498**	**5,892**	**31,230**	**16,135**	**6,913**	**97**	**62,765**
Net book value								
At 31 December 2007	**4,100**	**60,133**	**6,951**	**17,876**	**24,328**	**4,266**	**29**	**117,683**
At 31 December 2006	3,580	25,934	1,866	13,167	11,567	3,143	71	59,328

10. Property, Plant and Equipment (continued)

Total asset cost at 31 December 2007 includes US$1,043,000 (31 December 2006: US$1,058,000) relating to assets held under finance leases. Related accumulated depreciation amounted to US$869,000 (31 December 2006: US$643,000). Buildings include an asset under construction on which US$23 million has been spent and on which no depreciation has been charged.

Group	Land US$'000	Buildings US$'000	Leasehold improvements US$'000	Computer equipment US$'000	Office furniture & fixtures US$'000	Laboratory equipment US$'000	Motor vehicles US$'000	Total US$'000
Cost								
At 1 January 2006	3,431	12,469	5,446	28,848	19,835	6,818	120	76,967
Additions	-	13,438	-	6,972	3,689	1,004	37	25,140
Disposals	-	-	(15)	(566)	(145)	(4)	-	(730)
Acquisitions	-	-	-	243	127	-	-	370
Foreign currency adjustment	149	1,804	420	1,419	1,080	705	-	5,577
At 31 December 2006	**3,580**	**27,711**	**5,851**	**36,916**	**24,586**	**8,523**	**157**	**107,324**
Depreciation								
At 1 January 2006	-	1,295	2,911	18,959	10,318	3,799	57	37,339
Charge for year	-	327	918	4,771	2,346	1,092	29	9,483
Eliminated on disposals	-	-	-	(566)	(145)	(4)	-	(715)
Foreign currency adjustment	-	155	156	585	500	493	-	1,889
At 31 December 2006	**-**	**1,777**	**3,985**	**23,749**	**13,019**	**5,380**	**86**	**47,996**
Net book value								
At 31 December 2006	**3,580**	**25,934**	**1,866**	**13,167**	**11,567**	**3,143**	**71**	**59,328**
At 31 December 2005	3,431	11,174	2,535	9,889	9,517	3,019	63	39,628

Total asset cost at 31 December 2006 included US$1,058,000 (31 December 2005: US$654,000) relating to assets held under finance leases. Related accumulated depreciation amounted to US$643,000 (31 December 2005: US$346,000).

Notes to Group and Company Financial Statements (continued)

11. Intangible assets – goodwill and other

Group	Computer Software US$'000	Customer Relationships US$'000	Acquired Workforce US$'000	Goodwill US$'000	Total US$'000
Cost:					
At 1 January 2006	24,624	-	250	82,240	107,114
Additions	4,582	-	-	-	4,582
Acquisitions	33	-	-	9,005	9,038
Settlement of contingency consideration*	-	-	-	(2,404)	(2,404)
Disposals	(274)	-	-	-	(274)
Foreign exchange movement	2,169	-	-	3,885	6,054
At 1 January 2007	31,134	-	250	92,726	124,110
Additions	11,294	-	-	-	11,294
Acquisitions	375	2,035	-	42,081	44,491
Disposals	(159)	-	-	-	(159)
Reclassification to Property, Plant & Equipment	(96)	-	-	-	(96)
Foreign exchange movement	2,899	120	-	3,081	6,100
31 December 2007	**45,447**	**2,155**	**250**	**137,888**	**185,740**
Accumulated amortisation:					
At 1 January 2006	16,600	-	134	-	16,734
Amortised in the period	5,350	-	116	-	5,466
Disposals	(274)	-	-	-	(274)
Foreign exchange movement	578	-	-	-	578
At 1 January 2007	22,254	-	250	-	22,504
Amortised in the year	5,232	345	-	-	5,577
Disposals in the year	(29)	-	-	-	(29)
Reclassification to Property, Plant & Equipment	67	-	-	-	67
Foreign exchange movement	2,180	15	-	-	2,195
At 31 December 2007	**29,704**	**360**	**250**	**-**	**30,314**
Net book value					
At 31 December 2007	**15,743**	**1,795**	**-**	**137,888**	**155,426**
At 31 December 2006	8,880	-	-	92,726	101,606

*This amount relates to the settlement of an earn-out provision of US$2,500,000 on which a settlement payment of US$96,000 was paid during 2006 in relation to the acquisition of Globomax.

11. Intangible assets – goodwill and other (continued)

Goodwill acquired through business combination activity is allocated to cash generating units for the purposes of impairment testing based on the business segment into which the business combination will be assimilated. The cash generating units represent the lowest level within the Group at which the associated goodwill is monitored for internal management purposes and are not larger than the primary and secondary segments determined in accordance with IAS 14 *Segment Reporting*. A total of four cash generating units have been identified and these are analysed between the Group's two business segments as follows:

	CGU's	**2007 US$'000**	2006 US$'000
Clinical Research –Europe	1	**77,228**	32,065
Clinical Research - USA	1	**60,660**	60,661
Clinical Research – ROW	1	**-**	-
Central Laboratory	1	**-**	-
	4	**137,888**	92,726

The recoverable amount of each of the four cash generating units is based on a value in use computation. This is determined based upon the present value of expected future cash flows for each cash generating unit for a period of five years forward from date of review. Key assumptions used in determining expected future cash flows include management's estimate of future profitability, replacement capital expenditure requirements, trade working capital investment needs and tax considerations. Management's estimates are based upon past experience and expected growth rates for the industry. Management has assumed an expected growth rate in revenues of 10% and an expected growth rate in costs of 5%. At the end of the five year period terminal values for each CGU, based on a price earnings ratio of 12, are used in the calculations. The cashflows and terminal values are discounted using a discount rate of 11.50%. Where the recorded goodwill is greater than the recoverable amount for a particular cash generating unit an impairment charge is recorded. At the year end no reasonable change made in assumptions could result in an impairment.

Acquisition of DOCS International B.V.

On 12 July 2007, the Company acquired 100% of the common stock of DOCS International ("DOCS"), a European based clinical research staffing organization, for a cash consideration of $40.6 million (€29.5 million), excluding costs of acquisition.

The following table summarizes the fair values of the assets acquired and the liabilities assumed at the date of acquisition.

	US$'000
Property, plant and equipment	609
Intangible asset – computer software	375
Intangible asset – customer relationships	2,035
Deferred taxation	501
Goodwill	42,081
Other current assets	7,459
Bank overdraft	(2,400)
Current liabilities	(9,510)
Purchase Price	41,150

Notes to Group and Company Financial Statements (continued)

11. Intangible assets – goodwill and other (continued)

	US$'000
Cash payment	40,568
Acquisition costs	582
Purchase Price	41,150

The acquisition of DOCS, if completed on 1 January 2007, would have resulted in turnover and profit for the year for ICON plc for the year ended 31 December 2007 as follows:

	US$'000
Turnover	645,527
Profit for the year	55,424

Acquisition of Ovation

On 10 July 2006, the Company acquired 100% of the common stock of Ovation Healthcare Research 2 Inc. ("Ovation"), based in Illinois, USA, for an initial cash consideration of U.S.$6.6 million, excluding costs of acquisition. Working capital provisions were built into the acquisition contract requiring the potential payment of additional deferred consideration up to a maximum of U.S.$1.4 million. On 27 October 2006, $0.18 million was paid to the former shareholders of Ovation in full and final settlement of the working capital provisions.

The following table summarizes the fair values of the assets acquired and the liabilities assumed at the date of acquisition.

	US$'000
Property, plant and equipment	384
Goodwill	9,005
Cash	341
Other current assets	4,381
Current liabilities	(6,952)
Long term liabilities	(124)
Purchase Price	7,035

	US$'000
Cash payment	6,780
Acquisition costs	255
Purchase Price	7,035

Acquisition of Acquired Workforce – Biomines Research Solutions Private Limited

On 1 December 2004, the Company acquired the workforce of Biomines Research Solutions Private Limited, ("Biomines"), based in Chennai, India, for a cash consideration of U.S.$250,000. The workforce is engaged in the business of clinical trial data management and statistical analysis services and has been transferred to the Company's existing Indian operation.

The cost of the acquired workforce is being amortised over 24 months in line with the life of the non-compete service contracts of the acquired employees.

12. Other non-current assets

	31 December 2007 US$'000	31 December 2006 US$'000
Lease prepayments	**6,634**	2,759

Other non-current assets include lease deposits paid in respect of certain premises leased by the Group. Lease deposits are refundable on expiry of the related leases.

13. Inventories

	31 December 2007 US$'000	31 December 2006 US$'000
Laboratory inventories	**2,591**	2,624

14. Accounts receivable

	31 December 2007 US$'000	31 December 2006 US$'000
Accounts receivable	**130,184**	108,454
Less amounts provided for doubtful debts	**(319)**	(238)
Accounts receivable, net	**129,865**	108,216

Movement on the accounts receivable impairment provision during the year was as follows:

	31 December 2007 US$'000	31 December 2006 US$'000
Accounts Receivable Impairment Provision:		
Balance at start of year	**238**	670
Amounts used during the year	**(664)**	(1,116)
Additional amounts provided during the year	**745**	684
Balance at end of year	**319**	238

Notes to Group and Company Financial Statements (continued)

15. Other current assets

	31 December 2007 US$'000	31 December 2006 US$'000
Prepayments	**9,364**	8,952
Other receivables	**5,917**	7,468
Retirement benefit net plan assets	**254**	-
Total	**15,535**	16,420

16. Current asset investments

	31 December 2007 US$'000	31 December 2006 US$'000
At start of year	**39,822**	22,809
Additions	**16,754**	20,021
Disposals	**(14,824)**	(3,008)
At end of year	**41,752**	39,822

17. Cash and cash equivalents

	31 December 2007 US$'000	31 December 2006 US$'000
Cash at bank and in hand	**71,741**	23,217
Short term deposits	**5,140**	39,822
Cash and cash equivalents	**76,881**	63,039

18. Accrued and other liabilities

	31 December 2007 US$'000	31 December 2006 US$'000
Non-current other liabilities:		
Deferred government grants (note 19)	**1,179**	1,170
Finance lease obligations	**49**	163
Other non current liabilities	**1,394**	-
Total	**2,622**	1,333

Notes to Group and Company Financial Statements (continued)

18. Accrued and other liabilities (continued)

	31 December 2007 US$'000	31 December 2006 US$'000
Current accrued and other liabilities:		
Accrued liabilities	**27,936**	24,856
Accrued employee bonus	**36,341**	18,460
Accrued social welfare cost	**3,961**	2,131
Lease accruals	**2,257**	1,493
Deferred government grants (note 19)	**125**	118
Retirement benefit obligations	**-**	4,724
Finance lease obligations	**121**	174
Total	**70,741**	51,956

19. Deferred government grants

	31 December 2007 US$'000	31 December 2006 US$'000
At beginning of year	**1,288**	1,269
Amortised during the year	**(117)**	(113)
Foreign exchange movement	**133**	132
At end of year	**1,304**	1,288
Current	**125**	118
Non-current	**1,179**	1,170

20. Bank credit lines and loan facilities

	31 December 2007 US$'000	31 December 2006 US$'000
Current provisions		
Current maturities	**43,767**	5,000
Non-current maturities	**51,062**	-
Total bank credit lines and loan facilities	**94,829**	5,000

20. Bank credit lines and loan facilities (continued)

On 3 July 2003, ICON plc entered into a facility agreement (the “Facility Agreement”) for the provision of a term loan facility of $40 million, multi-currency overdraft facility of $5 million and revolving credit facility of $15 million (the “Facilities”) with The Governor and Company of the Bank of Ireland and Ulster Bank Ireland Limited (the “Banks”). Our obligations under the facility were secured by certain composite guarantees and indemnities and pledges in favour of the banks. On 9 July 2007, ICON plc entered into a five year committed multi-currency facility agreement for €35 million ($51.1 million) with The Governor and Company of the Bank of Ireland. This facility replaces the facilities negotiated in July 2003. The current facility bears interest at an annual rate equal to the reference rate of EURIBOR plus a margin. On 10 July 2007, the Company drew down €29.5 million ($43.1 million) of the facility to fund the acquisition of DOCS International. On 15 October 2007, the remaining €5.5 million ($8 million) of the facility was drawn down to cover head office expansion in Ireland.

On 17 October 2007, a credit facility was negotiated with Allied Irish Banks plc for €30 million ($43.8 million). This facility is structured as an uncommitted facility and interest is calculated at the EUR interbank rate plus a margin. The facility is secured by the same composite guarantees and indemnities in place for the Bank of Ireland committed facility. The facility was fully drawn at 31 December 2007. The funds were used to refinance overdraft facilities which were in place to finance the expenditure to date on the head office expansion. On 8 January 2008, the uncommitted facility with Allied Irish Banks was increased to €50 million ($72.9 million). All terms of this facility remain the same. The facility is due to be reviewed on October 31, 2010.

The average margin payable on the above mentioned facilities is 0.65 per cent.

The current available overdraft facility with Allied Irish Banks plc is €2 million ($2.9 million). The applicable interest rate when utilised is the bank’s prime rate and is repayable on demand if the Company defaults under its obligations as specified in the loan agreement. This facility was undrawn and available as at 31 December 2007.

21. Share capital

Group and Company

Authorised share capital:	**No. of Ordinary Shares**
Ordinary shares of par value €0.06	40,000,000

	31 December 2007 US$’000	31 December 2006 US$’000
Allotted, called up and fully paid		
28,835,244 (31 December 2006: 28,517,852) ordinary shares of €0.06 each	**2,127**	2,100

	31 December 2007 US$’000	31 December 2006 US$’000
Issued, fully paid share capital		
At beginning of year	**2,100**	2,063
Employee share options exercised	**27**	37
At end of year	**2,127**	2,100

21. Share capital (continued)

Holders of Ordinary shares will be entitled to receive such dividends as may be recommended by the board of Directors of the Company and approved by the shareholders and/or such interim dividends as the board of Directors of the Company may decide. On liquidation or a winding up of the Company, the par value of the Ordinary Shares will be repaid out of the assets available for distribution among the holders of the Company's American Depository Shares ("ADSs") and Ordinary Shares not otherwise represented by ADSs. Holders of Ordinary Shares have no conversion or redemption rights.

During the year ended 31 December 2007, 317,392 options were exercised by employees for total proceeds of US$5.3 million. During the year ended 31 December 2006, 481,668 options were exercised by employees for total proceeds of US$6.7 million.

On 29 September 2006, ICON's shareholders approved a bonus issue of ordinary shares (the "Bonus Issue") to shareholders of record as of the close of business on 13 October 2006 (the "Record Date"). The Bonus Issue provided for each shareholder to receive one bonus ordinary share for each ordinary share held as of the Record Date, effecting the equivalent of a 2-for-1 stock split. The Bonus shares were issued on 16 October 2006 to Ordinary Shareholders and on 23 October 2006 to holders of American Depositary Shares ("ADSs"). NASDAQ adjusted the trading price of ICON's ADSs to effect the Bonus Issue prior to the opening of trading on 24 October 2006. All outstanding ordinary share amounts referenced in the consolidated financial statements and the notes thereto have been retrospectively restated to give effect to the Bonus Issue as if it had occurred as of the date referenced.

	31 December 2007 US$'000	31 December 2006 US$'000
Share premium		
At beginning of year	**127,498**	120,940
Employee share options exercised	**5,271**	6,642
Shares issue costs	**(126)**	(84)
At end of year	**132,643**	127,498

22. Capital and reserves

	Number of shares	Share Capital US$'000	Share Premium US$'000	Options Reserve US$'000	Other Reserves US$'000	Currency Reserve US$'000	Retained Earnings US$'000	Total US$'000	Minority Interest US$'000	Total US$'000
Balance at 1 January 2006	28,036,184	2,063	120,940	6,948	7,422	(4,722)	123,013	255,664	894	256,558
Recognised income and expense:										
Net income	-	-	-	-	-	-	38,592	38,592	228	38,820
Foreign currency translation	-	-	-	-	-	12,123	-	12,123	-	12,123
Employee benefits			-	-	-	-	(376)	(376)	-	(376)
Total recognised income and expense	-	-	-	-	-	12,123	38,216	50,339	228	50,567
Share-based payment	-	-	-	5,420	-	-	-	5,420	-	5,420
Exercise of share options	481,668	37	6,642	-	-	-	-	6,679	-	6,679
Share issue costs	-		(84)	-	-	-	-	(84)	-	(84)
Tax benefits on exercise of options	-	-	-	3,925	-	-	-	3,925	-	3,925
Balance at 31 December 2006	28,517,852	2,100	127,498	16,293	7,422	7,401	161,229	321,943	1,122	323,065
Recognised income and expense:										
Net income	-	-	-	-	-	-	54,955	54,955	187	55,142
Foreign currency translation	-	-	-	-	-	11,895	-	11,895	-	11,895
Employee benefits	-	-	-	-	-	-	5,376	5,376	-	5,376
Total recognised income and expense	-	-	-	-	-	11,895	60,331	72,226	187	72,413
Share-based payment	-	-	-	7,277	-	-	-	7,277	-	7,277
Exercise of share options	317,392	27	5,271	-	-	-	-	5,298	-	5,298
Share issue costs	-	-	(126)	-	-	-	-	(126)	-	(126)
Tax benefits on exercise of options	-	-	-	9,777	-	-	-	9,777	-	9,777
Balance at 31 December 2007	28,835,244	2,127	132,643	33,347	7,422	19,296	221,560	416,395	1,309	417,704

22. Reserves (continued)

Reserve Descriptions

Other Reserves

The Group has recognised a non-distributable reserve of US$1.39 million in accordance with agreements made between the Group and Enterprise Ireland, an Irish government agency. In 2005 the Group also recognised a share-based compensation charge of US$6.03 million being the fair value of outstanding ordinary shares transferred to Mr Peter Gray, Chief Executive Officer, by founding Directors, Dr. John Climax and Dr. Ronan Lambe.

Option Reserve

The Option Reserve is used to account for share-based payments. The fair value of share-based payments is expensed to the income statement over the period the related services are received, with a corresponding increase in equity. As at 31 December 2007, the Group has recognised a cumulative charge for share-based payments of US$19.5 million. The Group has also recognised a cumulative credit of US$13.8 million in reserves for the current and deferred tax effects of the realised and unrealised tax benefits relating to the exercise of employee share options in excess of related cumulative compensation expense.

Currency Reserve

The currency reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign currency denominated operations of the Group since 1 June 2004.

Retained Earnings

In addition to the profit/loss for the financial period the Group also recognises the actuarial gain/loss on the defined benefit pension scheme in this reserve. In 2007 the Group recognised an actuarial gain of US$5.4 million on the defined benefit pension scheme (31 December 2006: actuarial loss of US$0.4 million).

23. Financial Instruments

The Group is exposed to various financial risks in the normal course of the business. The Group's financial instruments typically comprise investment securities, short term receivables, cash, bank borrowings and payables. The main purpose of these financial instruments is to provide finance for the Group's operations.

The Group has exposure to the following risks from its use of financial instruments.

- credit risk
- liquidity risk
- market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

23. Financial Instruments (continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises in respect of current asset investments, cash and cash equivalents, unbilled revenue and accounts receivable.

The Group invests significant cash balances, which are classified as current asset investments, on a short term basis. In order to manage credit risk the Group only transacts with counterparties that are major financial institutions. Funds may be invested in the form of floating rate notes and medium term minimum “AA-” rated corporate securities. The aggregate amount and duration of exposure to any one counterparty is reviewed on a regular basis. The maximum exposure arising in the event of default by any counterparty is the carrying value of the amount invested. Details of the Group’s current asset investments as at 31 December 2007 are set out in note 16.

The Group manages credit risk in respect of customers by ensuring credit procedures, including evaluation of all new customers and ongoing account monitoring, are in place. During the year ended 31 December 2007, revenue was earned from over 400 clients, including all of the top 20 pharmaceutical companies as ranked by 2006 revenues. During the year ended 31 December 2007, approximately 30% of turnover was derived from the Group’s top five clients. In the year ended 31 December 2007 no client contributed more then 10% of turnover. During the year ended 31 December 2006, 35% of turnover was derived from the top five clients. In the year ended 31 December 2006, no client contributed more than 10% of turnover. The Group does not believe that credit risk in respect of these customers is significant. Details of the Group’s accounts receivable balances as at 31 December 2007, including impairment losses thereon, are set out in note 14. The Group constantly monitors its exposure to impairment of its unbilled revenue and accounts receivable balances by regularly reviewing and managing the number of days revenue outstanding. The number of days revenue outstanding was 66 days at 31 December 2007 and 53 days at 31 December 2006.

The maximum exposure to credit risk for accounts receivable and unbilled revenue at the reporting date by geographic region was:

	Carrying Amount 2007 US$’000	Carrying Amount 2006 US$’000
Accounts receivable		
Europe	**45,474**	27,504
United States	**79,684**	79,264
Rest of World	**4,707**	1,448
Total	**129,865**	108,216
Unbilled revenue		
Europe	**52,813**	26,990
United States	**82,466**	58,318
Rest of World	**9,382**	4,669
Total	**144,661**	89,977

23. Financial Instruments (continued)

The maximum exposure to credit risk for accounts receivable and unbilled revenue at the reporting date by type of customer was:

	Carrying Amount 2007 US$'000	Carrying Amount 2006 US$'000
Accounts receivable		
Clinical research	**113,184**	92,614
Central laboratory	**16,681**	15,602
Total	**129,865**	108,216

	Carrying Amount 2007 US$'000	Carrying Amount 2006 US$'000
Unbilled revenue		
Clinical research	**143,809**	89,125
Central laboratory	**852**	852
Total	**144,661**	89,977

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's liquidity risk arises from the repayment of short term debt and other obligations as they fall due. The Group minimises liquidity risk by ensuring that sufficient cash balances and committed bank lines of credit are available to meet repayments and other liabilities as they fall due.

The following table sets out details of the maturity of the Group's financial liabilities into the relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date:

31 December 2007

	Carrying Amount US$'000	**Contractual Cashflows US$'000**	**6 mths or less US$'000**	**6-12 mths US$'000**	**1-2 years US$'000**	**2-5 years US$'000**	**More than 5 years US$'000**
Bank credit lines & facilities	(94,829)	(94,829)	(43,767)	-	(12,765)	(38,297)	-
Finance lease liabilities	(170)	(170)	(59)	(59)	(28)	(24)	-
Accounts payable	(13,459)	(13,459)	(13,459)	-	-	-	-
Other liabilities	(71,889)	(71,889)	(71,889)	-	-	-	-
	(180,347)	(108,347)	(129,174)	(59)	(12,793)	(38,321)	-

23. Financial Instruments (continued)

31 December 2006

	Carrying Amount US$'000	Contractual Cashflows US$'000	6 mths or less US$'000	6-12 mths US$'000	1-2 years US$'000	2-5 years US$'000	More than 5 years US$'000
Bank credit lines & facilities	(5,000)	(5,000)	(5,000)	-	-	-	-
Finance lease liabilities	(337)	(337)	(86)	(86)	(118)	(47)	-
Accounts payable	(9,691)	(9,691)	(9,691)	-	-	-	-
Other liabilities	(46,940)	(46,940)	(46,940)	-	-	-	-
	(61,968)	(61,968)	(61,717)	(86)	(118)	(47)	-

Details of the Group's borrowings are set out in note 20 to the Group financial statements.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holding of financial instruments. The principal market risks to which the Group is exposed include foreign currency risk and interest rate risk. The Group uses derivative financial instruments and interest rate instruments solely to hedge exposure to these market risks but does not enter into these instruments for trading or speculative purposes. The Company had no interest rate instruments or derivative financial instruments as at 31 December 2007 and 31 December 2006.

Foreign Currency Risk

Although domiciled in Ireland, the Group reports its results in U.S. dollars. As a consequence the results of non-U.S. based operations, when translated into U.S. dollars, could be affected by fluctuations in exchange rates between the U.S. dollar and the currencies of those operations.

In addition to translation exposures, the Group is also subject to transaction exposures because the currency in which contracts are priced can be different from the currencies in which costs relating to those contracts are incurred. The Group's operations in the United States are not materially exposed to such currency differences as the majority of revenues and costs are in U.S. dollars. However, outside the United States the multinational nature of the Group's activities means that contracts are usually priced in a single currency, most often U.S. dollars, Euros or pounds Sterling, while costs arise in a number of currencies, depending, among other things, on which of the Group's offices provide staff for the contract, and the location of investigator sites. Although many such contracts benefit from some degree of natural hedging due to the matching of contract revenues and costs in the same currency, where costs are incurred in currencies other than those in which contracts are priced, fluctuations in the relative value of those currencies could have a material effect on the results of the Group's operations. The Group regularly reviews currency exposures and hedges a portion of these, using forward exchange contracts, where they are not covered by natural hedges.

23. Financial Instruments (continued)

The following table sets out the Group's transaction risk in relation to financial assets and liabilities at the balance sheet date:

Year ended 31 December 2007

	U.S. Dollar US$'000	Sterling US$'000	Euro US$'000	Other US$'000	Total US$'000
Accounts receivable	10,625	2,536	11,103	1,067	25,331
Unbilled revenue	17,558	13,226	3,689	3,404	37,877
Cash and cash equivalents	2,215	335	614	9	3,173
	30,398	16,097	15,406	4,480	66,381

Year ended 31 December 2006

	U.S. Dollar US$'000	Sterling US$'000	Euro US$'000	Other US$'000	Total US$'000
Accounts receivable	3,835	861	3,419	1,139	9,254
Unbilled revenue	10,735	8,234	2,563	2,301	23,833
Cash and cash equivalents	2,508	1,727	362	9	4,606
	17,078	10,822	6,344	3,449	37,693

The following significant exchange rates applied during the year:

	Average Rate		Closing Rate	
US$ 1 equals	**2007**	2006	**2007**	2006
Euro	**1.37397**	1.25149	**1.45890**	1.31371
Pound Sterling	**1.99507**	1.83186	**1.98517**	1.95030

The Group believes that a 10% strengthening or weakening of the US Dollar against the Euro and Sterling from the 31 December 2007 rates based on the underlying currencies as per the above table would have increased profit by $0.5 million or decreased profit by $0.5 million.

Interest Rate Risk

The Group finances its operations through a mixture of shareholders' funds, borrowings and working capital. The Group borrows in desired currencies at both fixed and floating rates of interest. In general the Group borrows at floating rates of interest but may borrow at fixed rates depending on rates available. The Group determines the level of borrowings at fixed rates of interest having regard to current market rates and future trends. At 31 December 2007, the Group had borrowings totalling €65 million ($94.8 million), all at floating rates of interest. Details of the Group's borrowings are set out in note 20 to the consolidated financial statements.

The Group is also exposed to interest rate risk in respect of current asset investments and cash on deposit. The Group invests significant cash balances, which are classified as current asset investments, on a short term basis. These funds may be invested in the form of floating rate notes and medium term minimum "AA-" rated corporate securities. The composition of the Group's investment portfolio is monitored on an ongoing basis having regard to current market rates and future trends in order to minimise exposure to interest rate risk.

The sensitivity analysis below represents the hypothetical change in our interest income/(expense) based on an immediate 1% movement in market interest rates.

23. Financial Instruments (continued)

Year ended 31 December 2007	As Reported US$'000	1% Increase in Market Interest Rate US$'000	1% Decrease in Market Interest Rate US$'000
Interest Income	5,069	6,255	3,883
Income Expense	(2,333)	(2,717)	(1,949)

Year ended 31 December 2006	As Reported US$'000	1% Increase in Market Interest Rate US$'000	1% Decrease in Market Interest Rate US$'000
Interest Income	4,360	5,388	3,330
Income Expense	(855)	(876)	(834)

Fair Values

The fair value of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	31 December 2007		31 December 2006	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
	US$'000	**US$'000**	US$'000	US$'000
Accounts receivable	**129,865**	**129,865**	108,216	108,216
Unbilled revenue	**144,661**	**144,661**	89,977	89,977
Current asset investments	**41,752**	**41,752**	39,822	39,822
Cash and cash equivalents	**76,881**	**76,881**	63,039	63,039
Other receivables	**12,551**	**12,551**	10,227	10,227
	405,710	**405,710**	311,281	311,281
Accounts payable	**(13,459)**	**(13,459)**	(9,691)	(9,691)
Finance lease liabilities	**(170)**	**(170)**	(337)	(337)
Bank credit lines & facilities	**(94,829)**	**(94,829)**	(5,000)	(5,000)
Other liabilities	**(71,889)**	**(71,889)**	(46,940)	(46,940)
	180,347	**180,347**	61,968	61,968

The carrying values of accounts receivable, less impairment provision, unbilled revenue and accounts payable are assumed to be approximate to their fair values due to the short term nature of these balances.

Current asset investments are stated at fair value, with any resultant gain or loss recognised in the statement of recognised income and expense. The fair value of current asset investments is their market price at the balance sheet date.

The fair value of bank credit lines and facilities and finance lease obligations for disclosure purposes is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

23. Financial Instruments (continued)

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to ensure availability of sufficient capital to sustain future development of the business and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the Group is monitored on an ongoing basis to ensure achievement of these objectives.

24. Lease commitments

The Company has several non-cancellable operating leases, primarily for facilities, that expire over the next 10 years. These leases generally contain renewal options and require the Company to pay all executory costs such as maintenance and insurance. The Company recognised $35.8 million for the year ended 31 December 2007 and $19.4 million for the year ended 31 December 2006. Future minimum rental commitments for operating leases with non-cancellable terms are as follows:

	31 December 2007 US$'000	31 December 2006 US$'000
Less than one year	**37,370**	26,137
Between one and two years	**31,194**	22,534
Between two and three years	**27,079**	21,180
Between three and four years	**20,528**	19,073
Between four and five years	**18,603**	15,689
More than five years	**50,296**	56,099
Total	**185,070**	160,712

The Group has obligations under finance leases for certain items of property, plant and equipment as follows:

	31 December 2007 US$'000	31 December 2006 US$'000
Less than one year	**137**	201
Between one and five years	**62**	184
More than five years	**-**	5
Total gross payment	**199**	390
Less future finance charges	**(29)**	(53)
Total	**170**	337

Property, plant and equipment at 31 December 2007 includes assets acquired under finance leases with an original cost of US$1,043,000 and related accumulated depreciation of US$869,000. Property, plant and equipment at 31 December 2006 included assets acquired under finance leases with an original cost of US$1,058,000 and related depreciation of US$643,000.

Notes to Group and Company Financial Statements (continued)

25. Commitments and contingencies

(a) Capital commitments

The following capital commitments for the purchase of property, plant and equipment and building construction had been authorised by the Directors at 31 December 2007:

	31 December 2007 US$'000	31 December 2006 US$'000
Contracted for	**35,337**	50,677
Not-contracted for	**5,478**	9,983
Total	**40,815**	60,660

(b) Guarantees

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. The Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under that guarantee.

The company has guaranteed the liabilities referred to in Section 5 (c) (ii) of the Companies (Amendment) Act, 1986 in respect of the financial year ending 31 December 2007 for the subsidiary companies listed below. These subsidiaries are availing of the exemption under Section 17 of the Companies (Amendment) Act, 1986 not to file statutory financial statements.

- ICON Clinical Research Property Holdings (Ireland) Limited
- ICON Clinical Property Development (Ireland) Limited
- ICON Clinical Property Holdings Limited
- ICON Clinical Property Development Limited
- ICON Clinical Research Limited
- Holmrook Limited
- Shelbourne Data Management Limited

(c) Contractual obligations

The following represents Group contractual obligations and commercial commitments as at 31 December 2007:

		Payments due by period			
	Total	**Less than 1 year**	**1 to 3 years**	**3-5 years**	**More than 5 years**
			US$ in millions		
Finance lease obligations	0.2	0.1	0.1	-	-
Bank credit lines and facilities	94.8	43.8	25.5	25.5	-
Operating lease commitments	185.1	37.4	58.3	39.1	50.3
Capital commitments	40.8	35.1	5.7	-	-
Total	320.9	116.4	89.6	64.6	50.3

25. Commitments and contingencies (continued)

(c) Contractual obligations (continued)

The Group expects to spend approximately US$15 million in fiscal 2008 on further investments in information technology, the expansion of existing facilities and the addition of new offices and expects to increase this level of spending in subsequent years. The Group believes that it will be able to fund additional foreseeable cash needs for the next twelve months from cash flow from operations and existing cash balances. In the future, the Group may acquire businesses to enhance service offerings and global presence. Any such acquisitions may require additional external financing and the Group may, from time to time, seek to obtain funds from public or private issues of equity or debt securities. There can be no assurance that such financing will be available on terms acceptable to the Group.

26. Litigation

The Company is not party to any litigation or other legal proceedings that the Company believes could reasonably be expected to have a material adverse effect on the Company's business, results of operations and financial position.

27. Related Parties

(i) Transactions with Directors and Executive Officers

The total compensation of the Directors and Executive Officers for the years ended 31 December 2007 and 2006 was as follows:

	Year ended 31 December 2007 US$'000	Year ended 31 December 2006 US$'000
Salary and fees	**1,950**	1,381
Bonus	**872**	739
Other benefits	**567**	167
Pension contributions	**160**	94
Share-based-payment*	**620**	194
Total	**4,169**	2,575

On 16 February 2007, 29,000 share options, with an exercise price of $42.50, were granted to the Directors and Executive Officers of the Company. These options will vest between 2008 and 2012.

On 2 March 2006, 37,000 share options, with an exercise price of $22.00, were granted to the Directors and Executive Officers of the Company. These options vest between 2007 and 2011.

On 17 January 2006, 30,000 share options, with an exercise price of $20.84, were granted to an executive officer of the Company. These options will vest between 2009 and 2014, subject to the Company's diluted earnings achieving $2.10 per share. If the Company does not achieve diluted earnings of $2.10 per share before 16 January 2014, the option grant expires.

27. Related Parties (continued)

(ii) Other Related Party Transactions

As at 31 December 2007, Amarin Investment Holding Limited (a company controlled by Mr. Thomas Lynch), and Sunninghill Limited (a company controlled by Dr. John Climax) held 10.7 million and 9.4 million shares respectively in Amarin Corporation plc ("Amarin"). These respective holdings equate to approximately 7.7% and 6.8% respectively, of Amarin's issued share capital. Thomas Lynch also serves as Chairman and Chief Executive Officer of Amarin. Amarin Corporation plc ("Amarin") is a neuroscience company focused on the research, development and commercialization of drugs for the treatment of central nervous system disorders. During the fiscal year ending 31 May 2005, Amarin contracted ICON Clinical Research Limited (a wholly owned subsidiary of ICON), to conduct a clinical trial on its behalf. The total potential value of this study is $7 million. During the year ended 31 December 2007, the Company recognized $2.2 million of revenue relating to the Amarin contract. At 31 December 2007, $1.5 million was outstanding to be received from Amarin on this trial.

As at 31 December 2007, Dr. John Climax and Dr. Ronan Lambe held 4.47% and 4.19% respectively of the issued share capital of NuPathe Inc. ("NuPathe"). NuPathe is a specialty pharmaceutical company specializing in the acquisition and development of therapeutic products in the area of neuroscience. Dr. Climax also serves as a non-executive Director and chairman of the compensation committee on the Board of NuPathe. During the year ending 31 December 2006, NuPathe engaged ICON Clinical Research Limited (a wholly owned subsidiary of ICON), in consulting and clinical trial related activities. During the year ended 31 December 2007, the Company recognized $0.1 million relating to the NuPathe contract. As at 31 December 2007, $0.1 million was due from NuPathe.

Prior to 25 June 2007, Dr. Bruce Given served as the President and Chief Executive Officer of Encysive Pharmaceuticals Inc. ("Encysive"). Encysive is a biopharmaceutical company specializing in the development and commercialization of synthetic, small molecule compounds. As of 31 December 2007, Dr. Bruce Given's holdings in Encysive was less than 0.1% of the issued share capital. During the year ending 31 December 2006, Encysive engaged ICON Clinical Research Limited (a wholly owned subsidiary of ICON), in consulting and clinical trial related activities. The total potential contract value of this study is $0.8 million. During the year ending 31 December 2007, ICON recognized a total of $0.1 million of revenue in relation to these activities.

As of 31 December 2007, Dr. Ronan Lambe held 1.4 million shares in AGI Therapeutics Limited ("AGI"), a specialty pharmaceutical company focused on developing drug therapies for gastrointestinal diseases and disorders. This holding equates to approximately 2.13% of AGI's issued share capital. In January 2006, Dr. Ronan Lambe was appointed a non-executive Director of AGI and took up the position of non-executive Chairman from February 2006. ICON is engaged in conducting a series of clinical trials on behalf of AGI. During September 2004, AGI contracted ICON Clinical Research Limited (a wholly owned subsidiary of ICON), to conduct a clinical trial on its behalf. The total potential value of this study is $2.8 million. During the year ended 31 December 2006, the Company recognized $0.5 million of revenue relating to the AGI contract. No revenue was recognized during the year ended 31 December 2007. At 31 December 2006, $0.4m was outstanding to be received from AGI on this trial. There were no amounts outstanding as at 31 December 2007.

28. Post Balance Sheet Events

On 11 February 2008, the Company acquired 100% of the ordinary share capital of Healthcare Discoveries Inc. ("Healthcare Discoveries"), a Texas based Phase I business, for an initial cash consideration of approximately $11.0 million, excluding costs of acquisition. Further consideration of up to $10.0 million may become payable during the year ended 31 December 2008, if certain performance milestones are achieved.

On 4 February 2008, an uncommitted credit facility was negotiated with Citibank N.A, for $30 million. Interest is calculated at the London Interbank Market rate plus a margin. On 31 March 2008, $12.0 million of this facility was drawn, primarily to fund the acquisition of Healthcare Discoveries.

There have been no other material events since the balance sheet date requiring disclosure in the financial statements.

29. Notes to the Company financial statements

(a) Property, Plant and Equipment

	Leasehold improvements US$'000	Computer equipment US$'000	Office furniture & fixtures US$'000	Total US$'000
Cost				
At 1 January 2007	965	8,649	2,365	11,979
Additions	320	243	683	1,246
Transfers to group company*	(965)	(8,215)	(2,192)	(11,372)
Foreign currency adjustment	6	79	56	141
At 31 December 2007	**326**	**756**	**912**	**1,994**
Depreciation				
At 1 January 2007	93	5,245	1,612	6,950
Charge for year	14	158	91	263
Transfers to subsidiary company	(93)	(5,132)	(1,585)	(6,810)
Foreign currency adjustment	1	26	9	36
At 31 December 2007	**15**	**297**	**127**	**439**
Net book value				
At 31 December 2007	**311**	**459**	**785**	**1,555**
At 31 December 2006	872	3,404	753	5,029

* During the year ended 31 December 2007 the Company transferred certain operating assets and liabilities, together with associated capital grants, to another group company.

	Land US$'000	Building US$'000	Leasehold Improvements US$'000	Computer equipment US$'000	Office furniture & fixtures US$'000	Total US$'000
Cost						
At 1 January 2006	3,550	9,320	863	6,525	1,956	22,214
Additions	-	5,627	8	1,345	186	7,166
Disposals	(3,632)	(15,628)	-	-	-	(19,260)
Foreign currency adjustment	82	681	94	779	223	1,859
At 31 December 2006	**-**	**-**	**965**	**8,649**	**2,365**	**11,979**
Depreciation						
At 1 January 2006	-	1,277	57	3,787	1,247	6,368
Charge for year	-	127	13	754	217	1,111
Disposals in the year	-	(1,468)	-	-	-	(1,468)
Foreign currency adjustment	-	64	23	704	148	939
At 31 December 2006	**-**	**-**	**93**	**5,245**	**1,612**	**6,950**
Net book value						
At 31 December 2006	**-**	**-**	**872**	**3,404**	**753**	**5,029**
At 31 December 2005	3,550	8,043	806	2,738	709	15,846

29. Notes to the Company financial statements (continued)

(b) Intangible assets

	Computer Software US$'000
Cost:	
At 1 January 2006	17,436
Additions	1,395
Foreign exchange movement	1,973
At 31 December 2006	20,804
Additions	20
Transfers to subsidiary company	(20,776)
Foreign exchange movement	5
At 31 December 2007	**53**
Accumulated amortisation:	
At 1 January 2006	11,479
Arising during the year	2,033
Foreign exchange movement	2,930
At 31 December 2006	16,442
Arising during the year	8
Transfers to related company	(16,436)
Foreign exchange movement	3
At 31 December 2007	**17**
Net book value:	
At 31 December 2007	**36**
At 31 December 2006	4,362

29. Notes to the Company financial statements (continued)

(c) Investment in subsidiaries

	Investment in Subsidiary Undertakings US$'000	Long Term Advances to Subsidiary Undertakings US$'000	Total US$'000
Cost:			
At 1 January 2006	62,472	102,364	164,836
Additions	45	144	189
Imputed interest on long term intercompany loans	-	4,256	4,256
Share based payments	1,030	-	1,030
Foreign exchange movement	6,116	11,159	17,275
At 31 December 2006	69,663	117,923	187,586
Additions	27,446	86,158	113,604
Imputed interest on long term intercompany loans	-	3,240	3,240
Deferred tax on imputed interest	(4,416)	-	(4,416)
Tax benefit on exercise of options	-	9,777	9,777
Share based payments	6,549	-	6,549
Foreign exchange movement	4,492	19,054	23,546
At 31 December 2007	**103,734**	**236,152**	**339,886**

(d) Deferred taxation

The net deferred tax asset at 31 December 2007 was as follows:

	31 December 2007 US$'000	31 December 2006 US$'000
Deferred taxation liabilities:		
Property, plant and equipment	**-**	-
Goodwill and related assets	**-**	-
Accruals to cash method adjustment	**-**	-
Total deferred taxation liabilities		-
Deferred taxation assets:		
Net operating losses carried forward	**-**	-
Accrued expenses and payments on account	**491**	-
Property, plant and equipment	**102**	101
Deferred compensation expense	**-**	-
Loans to subsidiaries	**4,416**	-
Other	**-**	-
Total deferred taxation assets	**5,009**	101
Net deferred taxation asset	**5,009**	101

29. Notes to the Company financial statements (continued)

(d) Deferred taxation (continued)

The movement in temporary differences during the year ended 31 December 2007 and year ended 31 December 2006 was as follows:

	Balance 1 January 2007 US$'000	Transferred to Group Company US$'000	Investment in Subsidiary Undertakings US$'000	Recognised in Income US$'000	Balance 31 December 2007 US$'000
Deferred taxation liabilities:					
Property, plant and equipment	-	-	-	-	-
Goodwill on acquisition	-	-	-	-	-
Accruals to cash method adjustment	-	-	-	-	-
Total deferred taxation liabilities	**-**	**-**	**-**	**-**	**-**
Deferred taxation assets:					
Net operating loss carry forwards	-	-	-	-	-
Accrued expenses and payments on account	-	-	-	491	491
Property plant and equipment	101	(344)	-	345	102
Deferred compensation expense	-	-	-	-	-
Loans to subsidiaries	-	-	4,416	-	4,416
Other	-	-	-	-	
Total deferred taxation assets	**101**	**(344)**	**4,416**	**836**	**5,009**
Net deferred taxation asset	**101**	**(344)**	**4,416**	**836**	**5,009**

	Balance 1 January 2006 US$'000	Transferred to Group Company US$'000	Investment in Subsidiary Undertakings US$'000	Recognise in Income US$'000	Balance 31 December 2006 US$'000
Deferred taxation liabilities:					
Property, plant and equipment	-	-	-	-	-
Goodwill on acquisition	-	-	-	-	-
Accruals to cash method adjustment	-	-	-	-	-
Total deferred taxation liabilities	**-**	**-**	**-**	**-**	**-**
Deferred taxation assets:					
Net operating losses carry forwards	-	-	-	-	-
Accrued expenses and payments on account	-	-	-	-	-
Property, plant and equipment	257	-	-	(156)	101
Deferred compensation expense	-	-	-	-	-
Loans to subsidiaries	-	-	-	-	-
Other	-	-	-	-	-
Total deferred taxation assets	**257**	**-**	**-**	**(156)**	**101**
Net deferred taxation asset	**257**	**-**	**-**	**(156)**	**101**

29. Notes to the Company financial statements (continued)

(d) Deferred taxation (continued)

At 31 December 2007 and 31 December 2006 the Company had no operating loss carryforwards for income tax purposes and no deferred tax assets that have not been recognised.

(e) Other Current Assets

	31 December 2007 US$'000	31 December 2006 US$'000
Prepayments	**535**	1,706
Other receivables	**2,435**	1,785
Total	**2,970**	3,491

(f) Accrued and Other Liabilities

	31 December 2007 US$'000	31 December 2006 US$'000
Non-current liabilities:		
Deferred government grants (see note 29 (a))	**-**	1,170

	31 December 2007 US$'000	31 December 2006 US$'000
Current liabilities:		
Accruals	**5,368**	4,203
Accrued social welfare cost	**601**	681
Deferred government grants	**-**	1,160
Total	**5,969**	6,044

29. Notes to the Company financial statements (continued)

(g) Capital and reserves

	Number of shares	Share Capital US$'000	Share Premium US$'000	Options Reserve US$'000	Other Reserves US$'000	Currency Reserve US$'000	Retained Earnings US$'000	Total US$'000
Balance at 1 January 2006	28,036,184	2,063	120,940	6,948	7,422	(5,583)	51,588	183,378
Recognised income and expense:								
Net income	-	-	-	-	-	-	1,556	1,556
Foreign currency translation	-	-	-	-	-	(2,819)	-	(2,819)
Total recognised income and expense	-	-	-	-	-	(2,819)	1,556	1,263
Share-based payment	-	-	-	5,420	-	-	-	5,420
Exercise of share options	481,668	37	6,642	-	-	-	-	6,679
Share issue costs	-	-	(84)	-	-	-	-	(84)
Tax benefits on exercise of options	-	-	-	3,925	-	-	-	3,925
Balance at 31 December 2006	28,517,852	2,100	127,498	16,293	7,422	(8,402)	53,144	198,055
Recognised income and expense:								
Net income	-	-	-	-	-	-	2,964	2,964
Foreign currency translation	-	-	-	-	-	24,454	-	24,454
Total recognised income and expense	-	-	-	-	-	24,454	2,964	27,418
Share-based payment	-	-	-	7,277	-	-	-	7,277
Exercise of share options	317,392	27	5,271	-	-	-	-	5,298
Share issue costs	-	-	(126)	-	-	-	-	(126)
Tax benefits on exercise of options – note 29 (c)	-	-	-	9,777	-	-	-	9,777
Balance at 31 December 2007	28,835,244	2,127	132,643	33,347	7,422	16,052	56,108	247,699

As permitted by section 148(8) of the Companies Act 1963, the Company has not presented its own income statement. The profit for the financial year retained by the Company amounted to US$2,964,000 (2006: US$1,556,000).

29. Notes to the Company financial statements (continued)

(h) Payroll and Related Benefits

The aggregate payroll costs of employees of the Company for the year ended 31 December 2007 was as follows:

	Year ended 31 December 2007 US$'000	Year ended 31 December 2006 US$'000
Wages and salaries	**12,882**	18,280
Social welfare costs	**1,802**	2,154
Pension costs for defined contribution pension schemes	**276**	446
Share-based payment	**728**	1,030
Total	**15,688**	21,910

Certain employees of the Company are eligible to participate in a defined contribution plan (the "Plan"). Participants in the Plan may elect to defer a portion of their pre-tax earnings into a pension plan, which is run by an independent party. The Company matches each participant's contributions typically at 6% of the participant's annual compensation. The Company also makes contributions for executive Director's at rates ranging from 10% to 20% of individual executive Director's basic salary. Contributions to this plan are recorded, as a remuneration expense in the Company Income Statement. Contributions for the year ended 31 December 2007 and the year ended 31 December 2006 were U.S.$276,000 and U.S.$446,000.

The average number of employees, including executive Directors, employed by the Company for the year ending 31 December 2007 was as follows:

	Year ended 31 December 2007	Year ended 31 December 2006
Marketing	**1**	23
Administration	**45**	75
Clinical research processing	**174**	312
Total	**220**	410

(i) Related Parties

The Company entered into the following transactions with subsidiary companies during the period:

	Year ended 31 December 2007 US$'000	Year ended 31 December 2006 US$'000
Income Statement:		
Expenses recharged to subsidiary companies	**6,549**	1,030
Interest charged to subsidiary companies	**3,240**	4,256
Total	**9,789**	5,286

29. Notes to the Company financial statements (continued)

(i) Related Parties

Cash Flow:

Repayment of intercompany trading balances	**-**	(144)
Long term advances to subsidiary companies	**(110,845)**	(11,149)
Total	**(110,845)**	(11,293)

Directors and Executive Officers of the Parent Company are the same as those for the Group. For information on transactions with Directors and Executive Officers see note 27 to the Group financial statements, and for information on remuneration see note 7.

(j) Commitments and Contingencies

The Parent Company has no commitments or contingencies.

(k) Litigation

The Parent Company is not party to any litigation or other legal proceedings that the Company believes could reasonably be expected to have a material adverse effect on the Company's business, results of operations and financial position.

(l) Financial Assets and Risk Management

The Company is exposed to various financial risks in the normal course of the business. The Company's financial instruments typically comprise, cash, bank borrowings and accounts payable. The main purpose of these financial instruments is to provide finance for the Company's operations. The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk, and foreign exchange risk.

Credit risk
Credit risk is the risk that of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk in respect of the Company arises on balances due from group companies. As such, the Company has assessed the exposure to credit risk as low.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's liquidity risk arises from the repayment of short term debt and other obligations as they fall due. The Company minimises liquidity risk by ensuring that sufficient cash balances and committed bank lines of credit are available to meet repayments and other liabilities as they fall due.

The following table sets out details of the maturity of the Company's financial liabilities into the relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date:

31 December 2007

	Carrying Amount US$'000	Contractual Cashflows US$'000	6 mths or less US$'000	6-12 mths US$'000	1-2 years US$'000	2-5 years US$'000	More than 5 years US$'000
Bank credit lines & facilities	(94,829)	(94,829)	(43,767)	-	(12,765)	(38,297)	-
Accounts payable	(204)	(204)	(204)	-	-	-	-
Accruals and other liabilities	(5,969)	(5,969)	(5,969)	-	-	-	-
	(101,002)	(101,002)	(49,940)	-	(12,765)	(38,297)	-

29. Notes to the Company financial statements (continued)

(l) Financial Assets and Risk Management (continued)

31 December 2006

	Carrying Amount US$'000	Contractual Cashflows US$'000	6 mths or less US$'000	6-12 mths US$'000	1-2 years US$'000	2-5 years US$'000	More than 5 years US$'000
Bank credit lines & facilities	(5,000)	(5,000)	(5,000)	-	-	-	-
Accounts payable	(2,569)	(2,569)	(2,569)	-	-	-	-
Accruals and other liabilities	(4,884)	(4,884)	(4,884)	-	-	-	-
	(12,453)	(12,453)	(12,453)	-	-	-	-

Foreign currency risk

While the functional currency of the Company is Euro, the Company reports its results in U.S. dollars. As a consequence while the results, when translated into U.S. dollars, could be affected by fluctuations in exchange rates against the U.S. dollar, there are no amounts with a foreign currency risk at year end.

Interest Rate Risk

The Company finances its operations through a mixture of shareholders' funds, borrowings and working capital. The Company borrows in desired currencies at both fixed and floating rates of interest. In general the Company borrows at floating rates of interest but may borrow at fixed rates depending on rates available. The Company determines the level of borrowings at fixed rates of interest having regard to current market rates and future trends. A one percent increase in market interest rates would have decreased the profit of the Company for the year by U.S.$384,000. A one percent decrease in market interest rates would have increased the profit of the Company for the year by U.S.$384,000.

Fair Values

The fair value of the Company's financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	31 December 2007		31 December 2006	
	Carrying Amount US$'000	**Fair Value US$'000**	Carrying Amount US$'000	Fair Value US$'000
Cash and cash equivalents	**312**	**312**	13,145	13,145
Other current assets	**2,970**	**2,970**	3,491	3,491
	3,282	**3,282**	16,636	16,636
Bank credit lines & facilities	**(94,829)**	**(94,829)**	(5,000)	(5,000)
Accounts payable	**(204)**	**(204)**	(2,569)	(2,569)
Accruals and other liabilities	**(5,969)**	**(5,969)**	(6,044)	(6,044)
	(101,002)	**(101,002)**	(13,613)	(13,613)

The carrying values of accounts payable are assumed to be approximate to their fair values due to the short term nature of these balances. The fair value of bank credit lines and facilities and finance lease obligations for disclosure purposes is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Notes to Group and Company Financial Statements (continued)

30. Subsidiary Undertakings

As at 31 December 2007 the Group had the following principal subsidiary undertakings:

Name	Registered Office	Proportion held by group
ICON Clinical Research (UK) Limited	Concept House 6, Stoneycroft Rise Chandlers Ford Eastleigh Hampshire, SO53 3LD, England	100% *
ICON Clinical Research Inc.	212 Church Road North Wales Pennsylvania PA 19454 U.S.A.	100%
ICON Clinical Research Limited	South County Business Park Leopardstown Dublin 18	100% *
ICON Japan K.K.	310, 3-11-25, Hasune Itabashi-ku Tokyo Japan	100% *
ICON Clinical Research GmbH	Heinrich-Hertz Strasse 26 D-63225 Langen Germany	100% *
ICON Clinical Research Pty Limited	Level 2, Suite 201 2-4 Lyon Park Road North Ryde Sydney N.S.W. 2113 Australia	100% *
ICON Clinical Research S.A.	Av. Fondo de la Legua (B1609JEB) San Isidro Provincia de Buenos Aires Argentina	100%
ICON Clinical Research SARL	20, rue Troyon, 92310 Sevres, France	100%
ICON Clinical Research Pte	1 International Business Park, #03-01A, The Synergy, Singapore 609917, Republic of Singapore	100%

30. Subsidiary undertakings (continued)

ICON Clinical Research Israel Limited	6 Haba’al Shem Tov st., North Industrial Area Lod 71289, POB 1114 Lod 71100, Israel	100%
ICON Central Laboratories, Inc.	123 Smith Street, Farmingdale, New York 11735, U.S.A.	100%
Medeval Limited	Skelton House, Manchester Science Park, Lloyd Street North, Manchester M15 6SH, England	100%
ICON Contracting Solutions, Inc.	345 Park Avenue, New York 10154-2099, U.S.A.	100%
ICON Clinical Research (Canada) Inc.	7405, Transcanada Highway, Suite 300, Montreal H4T 1Z2, Canada	100%
ICON Development Solutions, Inc.	7250, Parkway Drive, Suite 430, Hanover, MD 21076, U.S.A	100%
ICON Clinical Research Kft.	Szepvolgy ut 39, Szepvolgy Irodapark, 1037 Budapest, Hungary.	100%
ICON Clinical Research Espana S.L	World Trade Centre, Edifico Sur, ZA Planta, Muelle de Barcelona, 08039-Barcelona, Spain	100%
Beacon Bioscience, Inc.	4259 W. Swamp Road Suite 410 Doylestown, PA 18901-1033 U.S.A	70%

30. Subsidiary undertakings (continued)

ICON Clinical Research India Private Ltd.	123/124 7th Floor Ispahani Centre Uttamar Gandi Salai Nungambakkan Chennai 600034 India	100%
ICON Clinical Research Mexico S.A. de CV	AV. Insurgentes Sur 1898 – Piso 14 Colonia Florida (01020) Mexico DF Mexico	100%
ICON Pesquisas Clinicas LTDA	Avenida Paulista No. 2300 Andar Pilotis-sal 03100-300 Bela Vista Sao Paulo SP Brazil	100%
Ovation Healthcare Research 2, Inc.	600 Central Avenue, Suite 265, Highland Park, IL 60035	100%
ICON Chile Limitada	Huerfanos 770, piso 4, oficina 402, Santiago, Chile	100%
ICON Clinical Reserach Korea Yuhan Hoesa	30th Floor ASEM Tower, 159-1, Samsung-dong, Kangnamku, Seoul, Korea	100%
DOCS International	Handelsweg 53 1181 ZA Amstelveen The Netherlands	100%
ICON Clinical Research Peru SA	Edificio Real Seis Av. Victor A. Belaunde 147 Via Principal 140-Piso, Ofs 713 y 715 San Isidro-Lima 27 Peru	100%
ICON Clinical Research (New Zealand) Ltd.	Level 27, PwC Tower 188 Quay Street Auckland New Zealand	100%

30. Subsidiary undertakings (continued)

ICON Clinical Research S.R.L.	3rd Floor 133-137 Calea Floreasca 1st District Bucharest Romania	100%
ICON Clinical Research LLC	4th Floor St. Poleva, 24 Kiev Ukraine, 03056	100%
ICON Clinical Research S.R.O.	2nd Floor Building 9 V Parku 2335/20 Prague 4 Czech Republic	100%

* held directly

31. Approval of financial statements

The Board of Directors approved these financial statements on 26 May 2008.

Reconciliation between IFRS and US Accounting Principles

The financial statements of the Group set out on pages 26 to 93 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU IFRS"), which differ in certain significant respects from those applicable in the U.S. ("U.S. GAAP"). The material differences as they apply to the Company's financial statements are as follows:

(a) Financial statement format

The format of the financial statements and certain note disclosures differ under U.S. GAAP from those under EU IFRS. The Company prepared a U.S. Securities and Exchange Commission Form 20-F Transition Report which was made available on request to all shareholders in August 2006. The financial statements included in such Form 20-F are prepared in accordance with U.S. GAAP.

(b) Merger with PRAI

The Group accounts for business combinations under EU IFRS in accordance with the IFRS 3 *Business Combinations*. As permitted by IFRS 1 *First Time Adoption of International Financial Reporting Standards* the Group has only restated business combinations from 1 June 2001 onwards. Business combinations prior to this date have not been restated. In addition, goodwill has no longer been amortised since 1 June 2001, but rather is tested annually for impairment. U.S. GAAP adopts different criteria to EU IFRS for establishing the method of accounting to be adopted for business combinations. On 28 January 2000, the Group completed a transaction with Pacific Research Associates Inc. ("PRAI"), a company specialising in data management, statistical analysis and medical and regulatory consulting based in San Francisco, USA. The merger with PRAI was accounted for using acquisition accounting principles in accordance with EU IFRS whilst U.S. GAAP required that the merger be accounted for using the pooling-of-interest method of accounting. U.S. GAAP pooling-of-interest accounting has resulted in a number of adjustments. Most significantly

(i) the Group's historic US GAAP financial statements have been restated to reflect the combined results of ICON and PRAI;

(ii) the costs of the merger were expensed for U.S. GAAP purposes and included in the cost of acquisition for IFRS;

(iii) goodwill arising on IFRS has been amortised over its expected useful life up to 31 May 2001. No goodwill arose on the merger under U.S. GAAP;

(iv) the tax charge arising on the conversion of PRAI from an S-Corporation to a C-Corporation is treated as a pre acquisition charge under IFRS.

(c) Defined benefit pension scheme

Under IFRS the Company is required to recognise net scheme assets and liabilities of defined benefit pension schemes it operates. Actuarial gains and losses associated with such schemes are recognised directly against retained earnings through the Group Statement of Recognised Income and Expense. Under U.S. GAAP an additional minimum pension liability relating to the excess of any unfunded accumulated benefit obligation over recognised prior service cost must be included within other accumulated comprehensive income. This amount is amortised to the consolidated statement of operations over the remaining service life of the scheme participants under US GAAP. The excess is not amortised under IFRS and accordingly the Group has not recognised the amortisation credit of $44,000 recorded in 2007 under US GAAP.

Reconciliation between IFRS and US Accounting Principles (continued)

(d) Non-cash stock compensation expense

IFRS requires that the fair value of share-based payments be expensed to the income statement over the period the related services are received, with a corresponding increase in equity. In the year ending 31 December 2007, the Company has accounted for share-based payments under U.S. GAAP in accordance with SFAS 123 R, which also requires that the fair value of share-based payments be expensed to the income statement over the period the related services are received, with a corresponding increase in equity. There is a difference in recorded expense because firstly different periods are in scope for both treatments due to the different effective dates under both standards and secondly due to different models used to calculate the fair value of options. Under US GAAP the Black-Scholes model has been used for the calculation of the expense whereas under IFRS this model is not the preferred model to be used and as such the binomial model is used.

(e) Deferred tax assets

IFRS requires that the fair value of share-based payments, including share options issued to employees, be expensed to the income statement over the period the related services are received, with a corresponding increase in equity. Under U.S. tax law the Group receives a tax deduction when U.S. employee share options are exercised. This deduction is measured as the intrinsic value of the share options at the date the options are exercised. Therefore, the tax deduction generally arises in different amounts and in different periods from compensation cost recognised in the financial statements.

Under US GAAP, SFAS 109 *Accounting for Income Taxes*, the Company has recognised a deferred tax asset for the cumulative amount of compensation cost recognised in the financial statements for options that will result in a future tax deduction. A deferred tax asset is also recognised under IFRS for options that will result in a future tax deduction. However, under IAS 12 *Income Taxes* if the tax deduction available in future periods is not known at the end of the period it is estimated based on information available at the end of the period. As the tax deduction is dependent upon the Company's share price at the exercise date, the measurement of the deductible temporary difference is based on the Company's share price at the end of the period. Where the amount of the estimated future tax deduction exceeds the amount of the related cumulative remuneration expense, the deferred tax associated with the excess is recognised directly in equity. Under IFRS at 31 December 2007 the Company has recognised a deferred tax asset of US$15.5 million (31 December 2006: US$5.5 million) for share options that will result in a future tax deduction when exercised.

(f) Forward-looking statements

To the extent any statements made in this annual report deal with information that is not historical, these statements are necessarily forward-looking. As such, they are subject to the occurrence of many events outside of ICON's control and are subject to various risk factors that would cause our results to differ materially from those expressed in any forward-looking statement. The risk factors are described on pages 4 to 8 and include, without limitation, the inherent risk of dependence on pharmaceutical and biotechnology industries and certain clients, termination or delay of large contracts, risk of cost overruns, the risk of clinical outcomes, regulatory risks, and market competition.

Reconciliation between IFRS and US Accounting Principles (continued)

The following is a summary of the material adjustments to profit and shareholders' equity, which would be required had the financial statements been prepared in accordance with U.S. GAAP.

(i) Effect on profit for the financial year

	Year ended 31 December 2007 US$'000	Year ended 31 December 2006 US$'000
Profit for the financial year attributable to equity holders as stated under IFRS	**54,955**	38,592
US GAAP adjustments:		
Non-cash stock compensation expense under IFRS	**7,277**	5,420
Non-cash stock compensation expense under U.S. GAAP	**(5,748)**	(4,066)
Additional pension costs on defined benefit scheme	**(44)**	(15)
Deferred tax adjustments on share-based payments	**(686)**	(1,584)
Deferred tax adjustments on property, plant and equipment	**209**	(43)
Net income as stated under U.S. GAAP	**55,963**	38,304
Basic earnings per Ordinary Share under U.S. GAAP	**U.S.$1.95**	U.S.$1.35
Diluted earnings per Ordinary Share under U.S. GAAP	**U.S.$1.88**	U.S.$1.33

(f) Forward-looking statements (continued)

(ii) Effect on shareholders' equity

	31 December 2007 US$'000	31 December 2006 US$'000
Shareholders' equity as stated under IFRS	**416,395**	321,943
US GAAP adjustments:		
Goodwill arising on merger with PRAI	**(15,010)**	(15,010)
Amortisation of PRAI goodwill	**1,001**	1,001
Net deficit on defined benefit pension scheme	**-**	-
Deferred tax adjustments on share-based payments	**(13,986)**	(4,989)
Deferred tax adjustments on property, plant and equipment	**-**	(207)
Shareholders' equity as stated under U.S. GAAP	**388,400**	302,738