

ICON plc and Subsidiaries

## **Annual Report 2008**

Registered number 145835

# More than just numbers.

As a global organisation, our foundations  
are built on our people and our services.

# Directors' Report and Consolidated Financial Statements

## Contents

	Page
Directors and Other Information	2
Directors' Report	3
Report on Directors' Remuneration	20
Statement of Directors' Responsibilities	25
Independent Auditors' Report	26
Statement of Accounting Policies	28
Group Income Statement	38
Group Balance Sheet	39
Group Statement of Recognised Income and Expense	40
Group Statement of Cash Flows	41
Company Balance Sheet	42
Company Statement of Recognised Income and Expense	43
Company Statement of Cash Flows	44
Notes to Group and Company Financial Statements	45
Reconciliation between IFRS and US Accounting Principles	103

## 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)  
Thomas Lynch (British – Non-executive) (1) (2) (3)  
Edward Roberts (British – Non-executive) (1) (2) (3)  
Dr. Bruce Given (American – Non-executive) (1) (2) (3)  
Prof. Dermot Kelleher (Irish – Non-executive)

*(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. Stephen's Green  
Dublin 2

### Bankers

Citibank  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

Allied Irish Banks plc  
International Corporate Banking  
Bankcentre  
Dublin 4

Bank of Ireland  
Baggot Street  
Dublin 2

PNC Bank  
1035 Virginia Drive,  
Fort Washington,  
PA 19034  
USA

### 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”), a public limited company incorporated in the Republic of Ireland, and its subsidiary undertakings (“the Group”) for the year ended 31 December 2008.

## **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 71 locations in 38 countries worldwide.

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.

On 11 February 2008, the Company acquired 100% of the common stock of Healthcare Discoveries Inc., for an initial cash consideration of \$10.9 million, excluding costs of acquisition. Healthcare Discoveries, located in San Antonio, Texas, is engaged in the provision of Phase I clinical trial management services.

On 14 November 2008, the Company acquired 100% of the common stock of Prevalere Life Sciences Inc. (“Prevalere”), for an initial cash consideration of \$36.8 million, excluding costs of acquisition. Prevalere, located in Whitesboro, New York, is a leading provider of bioanalytical and immunoassay services to pharmaceutical and biotechnology companies.

On 1 July 2004, the Company acquired 70% of the common stock of Beacon Biosciences Inc. (“Beacon”), a leading specialist CRO, which provides a range of medical imaging services to the pharmaceutical, biotechnology and medical device industries, for an initial cash consideration of \$9.9 million, excluding costs of acquisition. On 31 December 2008, the remaining 30% of the common stock was acquired by the Company for \$17.4 million, excluding costs of acquisition.

In 2009, 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.

## **International Financial Reporting Standards**

These Consolidated and Company financial statements (together “the financial statements”) for the year ended 31 December 2008 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 38 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.

***The current economic and financial downturn may have a material adverse effect on the Group's results.***

Many of the world's largest economies and financial institutions currently face extreme financial difficulty, including a decline in asset prices, liquidity problems and limited availability of credit. It is uncertain how long this downturn will last, but many countries are concerned that their economies may enter a deep and prolonged recession. Such difficult economic times may have a material adverse effect on the Group's revenues, results of operations, financial condition and ability to raise capital.

***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 2008, 29% of turnover was derived from the Group's top five clients. During the year ended 31 December 2007, 30% of turnover was derived from the Group's top five clients. No client contributed more than 10% of turnover during the years ended 31 December 2008 and 31 December 2007.

***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 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 turnover 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 enrollment 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.

## Directors' Report (continued)

***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 turnover, cost overruns, employee hiring and other factors. Turnover in any period is directly related to the number of employees and the percentage of these employees who were working on projects billable 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.

***Approximately 71% 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 71% 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 it is unable to negotiate change orders with its clients.

***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.

***ICON is highly dependent on information technology. If the Group's systems fail or are unreliable its operations may be adversely impacted.***

The efficient operation of ICON's business depends on its' information technology infrastructure and management information systems. The Group's information technology infrastructure includes both third party solutions and applications designed and maintained internally. Since the Group operates on multiple platforms, the failure of its' information technology infrastructure and/or management information systems to perform could severely disrupt business and adversely affect the results of operation. In addition, the Group's information technology infrastructure and/or management information systems are vulnerable to damage or interruption from natural or man-made disasters, terrorist attacks, computer viruses or hackers, power loss, or other computer systems, Internet telecommunications or data network failures. Any such interruption could adversely affect business and the results of operations.

***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 56% of its consolidated turnover in the year ended 31 December 2008 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 the Group's contracts which allow for price renegotiation with clients if changes in the relative value of those currencies exceed predetermined tolerances. ICON regularly reviews its currency exchange exposure and on occasion hedge a portion of this exposure using forward exchange contracts when appropriate.

### ***Funding of research and development activities of the biotechnology sector***

The emergence of the Biotechnology sector and the increasing number of highly technical drugs being developed by these companies has resulted in increased funding for research and development in recent years. Much of this funding was aimed at small biotechnology companies who do not derive turnover from the sale of other product lines and are dependent on external funding and investment to support their research activities. The current global downturn has reduced the availability of funding to support research and development activities which may reduce the number of treatments in Phase II-III clinical trials in future years. As many of these companies are dependent on the CRO industry to manage their trials the reduction in funding may impact demand for such activities.

### ***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.

From time to time, the Group is asked to act as the legal representative of a client in certain jurisdictions where the client does not itself have a legal entity but where legislation requires it to do so. As ICON believes that acting as legal representative of clients might expose the Group to a higher risk of liability, there is an entity within the ICON Group designated to provide this service in relevant jurisdictions subject to certain preconditions being met. The preconditions relate to obtaining protections such as specific insurance and indemnities from the client to cover the nature of the exposure.

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 fulfil 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.

## Directors' Report (continued)

### ***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.

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.



## Directors' Report (continued)

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.

### ***Failure to raise sufficient finance may affect our ability to sustain future development of the business***

The Group has financed its operations and growth since inception 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 net borrowings of \$105.4 million. Although the Group has not had difficulty in raising finance in the past, there is no guarantee that we will be able to raise sufficient capital, at an appropriate cost to the Company, to sustain future development of the 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.

### ***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 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 relevant 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.

	<b>Year ended 31 December 2008</b>	<b>Year ended 31 December 2007</b>	
	<b>As a percentage of turnover</b>		<b>Percentage change in period</b>
Turnover	100%	100%	37.2%
Direct costs	56.7%	56.3%	38.1%
Other operating expenses	33.4%	32.9%	39.2%
Operating profit	9.9%	10.7%	26.3%

## Directors' Report (continued)

### **Year ended 31 December 2008 compared to Year ended 31 December 2007**

Turnover increased by \$234.5 million, or 37.2%, from \$630.7 million to \$865.2 million. Turnover in the United States, Europe and the Rest of World increased by 20.0%, 48.3% and 102.2% respectively. In the year ended 31 December 2008, turnover from the central laboratory business increased by 32.9%, from \$53.5 million, to \$71.1 million, while the clinical research segment improved by 37.6%, from \$577.2 million to \$794.1 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 \$135.4 million, or 38.1%, from \$355.3 million to \$490.7 million. Direct costs as a percentage of net revenue increased from 56.3% in the year ended 31 December 2007 to 56.7% for the year ended 31 December 2008. The primary reason for the increase in direct costs was the increase in personnel related costs of \$120.7 million resulting from an additional number of project related employees of over 990 (2007: 1,100). The remainder of the increase resulted primarily from laboratory and consulting expenses.

Other operating expenses increased by \$81.4 million, or 39.2%, from \$207.6 million to \$289.0 million. As a percentage of turnover, other operating expenses increased from 32.9% in the year ended 31 December 2007 to 33.4% for the year ended 31 December 2008. The increase in absolute terms is primarily driven by increased personnel costs of \$34.5 million principally driven by administrative and operations infrastructure staff to support expanding operations and revenue growth. In addition to these personnel costs there were additional rental charges of \$7.5 million from further office openings in 2008, increased professional, legal and accounting costs of \$5.4 million, increased utility costs of \$5.5 million, an increase of \$4.3 million in relation to support and maintenance costs and realised and unrealised foreign exchange losses of \$8.7 million. These losses arise on the revaluation of monetary assets and liabilities throughout the year and foreign exchange losses recognised on long term intercompany loans settled during the period, which were previously charged directly to reserves.

Operating profit increased by \$17.8 million, or 26.3%, from \$67.8 million to \$85.6 million. As a percentage of turnover, operating profit decreased from 10.7% for the year ended 31 December 2007 to 9.9% for the year ended 31 December 2008.

Operating margins for our central laboratory business decreased from 7.0% for the year ended 31 December 2007 to 6.7% for the year ended 31 December 2008. The central laboratory constitutes approximately 8.2% of our business revenues for the year ended 31 December 2008. Operating margins for our clinical research segment decreased from 11.1% for the year ended 31 December 2007 to 10.2% in the year ended 31 December 2008. The decrease in operating margins during the year ended 31 December 2008 were as a result of the additional foreign exchange losses charged to the income statement following the settlement of long term intercompany loans during the period.

Financing income was \$4.0 million and \$5.1 million for the year ended 31 December 2008 and the year ended 31 December 2007 respectively. Financing expense for the year ended 31 December 2008 was \$5.0 million, an increase of \$2.7 million on the year ended 31 December 2007.

The provision for income taxes increased from \$15.4 million for the year ended 31 December 2007, to \$19.9 million for the year ended 31 December 2008. ICON plc's effective tax rate for the year ended 31 December 2008 was 23.6% compared with 21.8% for the year ended 31 December 2007. The effective tax rate is principally a function of the distribution of pre-tax profits in the territories in which the Group operates.

## Directors' Report (continued)

### 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 net borrowings of \$105.4 million. The aggregate amount of employee compensation, excluding stock compensation expense, paid by ICON and its subsidiaries for the years ended 31 December 2008 and 31 December 2007, amounted to \$528.5 million, and \$382.7 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 current asset 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 2008 working capital was \$166.7 million, compared to \$173.4 million at 31 December 2007. 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 70 days at 31 December 2008 and 66 days at 31 December 2007.

Net cash provided by operating activities was \$81.3 million in the year ended 31 December 2008 compared with \$43.0 million in the year ended 31 December 2007. The increase in cash provided from operating activities arises primarily from an increase in the underlying operating profitability, excluding non-cash charges, of the Group during the year.

Net cash used in investing activities was \$117.4 million in the year ended 31 December 2008, compared with \$120.9 million in the year ended 31 December 2007. Net cash used in investing activities for the year ended 31 December 2008 arose principally from capital expenditure and the purchase of subsidiary undertakings. Capital expenditure for the year ended 31 December 2008 amounted to \$67.9 million, and included expenditure on the expansion of the Group's facility in Dublin, Republic of Ireland, together with continued investment in global infrastructure and information technology systems to support ongoing expansion. Cash paid for the purchase of subsidiary undertakings during the year ended 31 December 2008 amounted to \$49.5 million, and included the acquisitions of Healthcare Discoveries in February 2008 and Prevalere Life Sciences in November 2008.

Net cash provided by financing activities was \$22.3 million in the year ended 31 December 2008, compared with \$96.4 million in the year ended 31 December 2007. An additional \$10.0 million in net borrowings was received in the year ended 31 December 2008, \$8.5 million received on the exercise of share options and \$4.1 million received in income tax benefits arising from the exercise of share options. During the year ended 31 December 2007, \$89.8 million in net borrowings was received, \$5.3 million received from the exercise of share options and \$1.5 million received in income tax benefits arising from the exercise of share options.

## Directors' Report (continued)

### Liquidity and capital resources (continued)

As a result of these cash flows, cash and cash equivalents decreased by \$13.8 million in the year ended 31 December 2008 compared to an increase of \$18.5 million in the year ended 31 December 2007. Net debt at 31 December 2008 amounted to \$4.3 million, comprising cash and cash equivalents of \$58.4 million, current asset investments of \$42.7 million less bank credit lines and loan facilities of \$105.4 million. Net cash at 31 December 2007 amounted to \$23.9 million, comprising cash and cash equivalents of \$76.9 million, current asset investments of \$41.8 million less bank credit lines and loan facilities of \$94.8 million.

On 9 July 2007, the Group entered into a five year committed multi-currency facility agreement for €35 million (\$48.9 million) with The Governor and Company of the Bank of Ireland. The Group's obligations under the facility are secured by certain composite guarantees, indemnities and pledges in favour of the bank. The facility bears interest at an annual rate equal to the EURIBOR plus a margin. On 10 July 2007, the Company drew down €29.5 million (\$41.2 million) of the facility to fund the acquisition of DOCS International. On 15 October 2007, the remaining €5.5 million (\$7.7 million) of the facility was drawn down to fund expenditure on the expansion of the Group's facility in Dublin, Republic of Ireland.

On 2 January 2009, an additional four year committed credit facility was negotiated with The Governor and Company of the Bank of Ireland for \$25 million. The facility bears interest at LIBOR plus a margin and is secured by certain composite guarantees, indemnities and pledges in favour of the bank.

On 17 October 2007, a credit facility was negotiated with Allied Irish Banks plc for €30 Million (\$41.9 million). This facility was structured as an uncommitted facility and interest was calculated at the EUR interbank rate plus a margin. The facility was 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 expansion of the Dublin facility. On 8 January 2008, the uncommitted facility with Allied Irish Banks plc was increased to €50 million (\$69.9 million).

On 22 December 2008, committed credit facilities were negotiated with Allied Irish Bank plc for \$75 million. The facilities comprise a one year Euro facility of approximately €20 million (\$28.0 million), with the balance comprising a three year US dollar facility. The Euro facility bears interest at EURIBOR plus a margin and the US dollar facility bears interest at LIBOR plus a margin. Both facilities are secured by certain composite guarantees and pledges in favour of the bank. These facilities replace the uncommitted facilities negotiated on 8 January 2008. \$28.4 million of these facilities were used to fund the acquisition of Prevalere with the remaining balance used to refinance the previous drawn uncommitted facilities.

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. \$12.0 million of this facility was drawn down in February 2008, primarily to fund the acquisition of Healthcare Discoveries. On 30 September 2008, the \$12.0 million previously drawn down was repaid in full. At 31 December 2008, this facility remained un-drawn and available to the Company.

The average margin payable on the above mentioned facilities is 1.70 percent.

On 11 February 2008, the Company acquired 100% of the common stock of Healthcare Discoveries Inc., for an initial cash consideration of \$10.9 million, excluding costs of acquisition. Healthcare Discoveries, located in San Antonio, Texas, is engaged in the provision of Phase I clinical trial management services. Certain performance milestones were built into the acquisition agreement requiring payment of additional consideration of up to \$10.0 million if these milestones were achieved during the year ended 31 December 2008. No amounts have been accrued at 31 December 2008, as these have not been achieved.

## Directors' Report (continued)

### **Liquidity and capital resources (continued)**

On 14 November 2008, the Company acquired 100% of the common stock of Prevalere Life Sciences Inc. ("Prevalere"), for an initial cash consideration of \$36.8 million, excluding costs of acquisition. Prevalere, located in Whitesboro, New York, is a leading provider of bioanalytical and immunoassay services to pharmaceutical and biotechnology companies. Certain performance milestones were built into the acquisition agreement requiring potential additional consideration of up to \$8.2 million if these milestones are achieved during the years ended 31 December 2008 and 2009. Additional consideration of \$5.0 million has been accrued at 31 December 2008, in respect of the milestones for the year ended 31 December 2008. No amounts have been accrued for amounts potentially payable in respect of the milestones for the year ended 31 December 2009.

On 1 July 2004, the Company acquired 70% of the common stock of Beacon Biosciences Inc. ("Beacon"), a leading specialist CRO, which provides a range of medical imaging services to the pharmaceutical, biotechnology and medical device industries, for an initial cash consideration of \$9.9 million, excluding costs of acquisition. On 31 December 2008, the remaining 30% of the common stock was acquired for \$17.4 million, excluding costs of acquisition. Certain performance milestones were built into the acquisition agreement for the remaining 30% of Beacon requiring potential additional consideration of up to \$3.0 million if these milestones are achieved during the year ended 31 December 2009. At 31 December 2008, no amounts have been accrued in respect of the potential additional consideration.

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.

### **Financial Risk Management**

The Group's financial instruments comprise bank borrowings, finance lease obligations, cash and current asset investments. The main purpose of these financial instruments is to raise working capital for the Group's operations, to fund the cost of new acquisitions and fund the expansion of the Group's facility in Dublin, Republic of Ireland. 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.

#### ***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 24 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 24 to the financial statements.

#### ***Credit risk***

Details of credit risk faced are set out in note 24 to the financial statements.

#### ***Liquidity risk***

Details of liquidity risk are set out in note 24 to the financial statements.

## Directors' Report (continued)

### Directors, secretary and their interests

On 27 May 2008, the Board appointed Professor Dermot Kelleher a Director of the Company. In accordance with the Articles of Association, Professor Dermot Kelleher was elected a Director of the Company at the Company's Annual General Meeting on 21 July 2008. On 20 February 2009, Shuji Higuchi resigned as a Director of the Company.

Details of Directors' interests in the Group's shares are set out in the Report on Directors' Remuneration on pages 20 to 24.

Save as shown on pages 22, 23 and 24, 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 20 to 22.

### 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 2009:

Name	%	Number of Shares
Neuberger Berman LLC	7.3%	4,284,080
FMR LLC	6.9%	4,069,350
Select Equity Group, Inc.	5.7%	3,349,633
William Blair Capital Management LLC	5.0%	2,899,629
Wells Capital Management, Inc	4.3%	2,539,873
Fidelity Low Priced Stock Fund	3.4%	2,000,000
AllianceBernstein LP	3.4%	1,994,280
Lord Abbett & Co. LLC	3.3%	1,917,786
Wellington Management Co. LLP	3.3%	1,910,270
Eagle Asset Management, Inc.	3.2%	1,873,605
Fred Alger Management, Inc.	3.2%	1,852,221

### Subsidiary undertakings

The information required by the Companies Act, 1963 in relation to subsidiary undertakings is presented in note 31 to the financial statements.

### Political donations

The Group made no disclosable political donations in the period.

## Directors' Report (continued)

### Share capital

The share capital of the Company is €6,000,000 divided into 100,000,000 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 21 July 2008, the Company's shareholders approved a bonus issue of ordinary shares (the "Bonus Issue") to shareholders of record as of the close of business on 8 August 2008 (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, affecting the equivalent of a 2-for-1 stock split. The Bonus shares were issued on 11 August 2008, to Ordinary Shareholders and on 12 August 2008, to holders of American Depositary Shares ("ADSs"). NASDAQ adjusted the trading price of ICON's ADSs to affect the Bonus Issue prior to the opening of trading on 13 August 2008. All outstanding ordinary share and share option amounts, including share option amounts, referenced in the following consolidated financial statements and the notes thereto have been retrospectively restated to give effect to the Bonus Issue as if had occurred as of the date referenced.

### 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 of 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.



# Directors' Report (continued)

## **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 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 2008, the Board met on four occasions. The attendance record of individual Directors at Board meetings is set out in the table on page 16. 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 16. 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.

## **Board Committees**

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.



## Directors' Report (continued)

### Board Committees (continued)

The Executive Committee comprises Dr. John Climax, Peter Gray 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

Held during the year ended 31 December 2008:

<i>Director</i>	<i>Board</i>	<i>Audit</i>	<i>Compensation</i>	<i>Nomination</i>	<i>Executive</i>
Dr. John Climax	4/4*	-	-	-	19/19
Peter Gray	4/4	4/4	-	-	19/19*
Dr. Ronan Lambe	4/4	4/4	-	-	-
Thomas Lynch	4/4	4/4	4/4*	4/4*	-
Edward Roberts	4/4	4/4*	4/4	4/4	-
Shuji Higuchi	4/4	-	-	-	-
Dr. Bruce Given	4/4	4/4	4/4	4/4	-
Prof. Dermot Kelleher	2/2	-	-	-	-

\* Denotes Committee Chairman

### 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.

# Directors' Report (continued)

## **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.iconplc.com](http://www.iconplc.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 20 to 24.

## **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. Ronan Lambe and Mr. Peter Gray will be eligible for retirement at the next annual general meeting and will seek reappointment.

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.

## Directors' Report (continued)

### **Powers of the Company's Directors (continued)**

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.

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 2008 and to the date of this report, except for;

- a formal policy for regular evaluation of the Board Committees, individual Directors and the Chairman, which has yet to be put in place,
- Non-executive Directors are in receipt of share options which has been deemed appropriate by the Board, and
- Certain Non-executive Directors have been in office for greater than 9 years. However, the Board considers these Non-executive Directors to be independent.

## Directors' Report (continued)

### **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 29 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 maintained 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  
*Director*

Peter Gray  
*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. 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 28 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 a Director since June 1990 and Chief Executive Officer 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 2008, 94,000 ordinary share options at exercise prices ranging from \$7.00 to \$35.33 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.

## Report on Directors' Remuneration (continued)

### *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 2008, 98,000 ordinary share options at exercise prices ranging from \$7.00 to \$35.33 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. 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 2008, 108,000 ordinary share options at exercise prices ranging from \$10.42 to \$35.33 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. Edward Roberts*

Mr. Edward Roberts has served as a non-Executive Director of the Company since February 1998. The arrangements with Mr. Roberts provide for the payment to him of Director fees of \$65,000 per annum (2008: \$65,000) plus reasonable expenses properly incurred in carrying out his duties for the Company. He has previously been granted, and holds at 31 December 2008, 16,000 ordinary share options at exercise prices ranging from \$8.60 to \$35.33.

### *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. The arrangements with Dr. Lambe provide for the payment to him of Director fees of \$40,000 (2008: \$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 2008, 36,000 ordinary share options at exercise prices ranging from \$7.00 to \$35.33 per share. Dr. Ronan Lambe is not considered an independent non-executive director as defined in the combined code.

### *Mr. Thomas Lynch*

Mr. Thomas Lynch has served as a non-Executive Director of the Company since January 1996. The arrangements with Mr. Lynch provide for the payment to him of Director fees of \$65,000 per annum (2008: \$55,000) plus reasonable expenses properly incurred in carrying out his duties for the Company. He has previously been granted, and holds at 31 December 2008, 15,200 ordinary share options at exercise prices ranging from \$7.00 to \$35.33 per share.

### *Dr. Bruce Given*

Dr. Bruce Given has served as an outside director of the Company since September 2004. The arrangements with Dr. Given provide for the payment to him of Director fees of \$50,000 per annum (2008: \$45,000) plus reasonable expenses properly incurred in carrying out his duties for the Group. He was previously granted, and holds at 31 December 2008, 14,000 ordinary share options at an exercise price ranging from \$8.60 to \$35.33.

### *Mr. Shuji Higuchi*

Mr. Shuji Higuchi served as a non-Executive Director of the Company from September 2004 to February 2009. The arrangements with Mr. Higuchi provided for the payment to him of Director fees of \$40,000 per annum plus reasonable expenses properly incurred in carrying out his duties for the Company. He had previously been granted, and held at 31 December 2008, 20,000 ordinary share options at exercise prices ranging from \$8.60 to \$35.33. Mr Higuchi resigned as a Director of the Company on 20 February 2009.

## Report on Directors' Remuneration (continued)

### *Professor Dermot Kelleher*

Professor Dermot Kelleher has served as an outside director of the Company since May 2008. The arrangements with Professor Kelleher, a non-Executive Director of the Company, provide for the payment to him of Director Fees of \$40,000 per annum (2008: \$35,000). He has previously been granted, and holds at 31 December 2008, 6,000 ordinary share options at an exercise price of \$36.04.

### **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 2008 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:

Name of Director	Name of company and description of shares	Interest at 30 April 2009		Interest at 31 December 2008		Interest at 31 December 2007	
		Number of shares	Options	Number of shares	Options	Number of shares	Options
Dr. John Climax	ICON plc						
	Ordinary Shares €0.06	3,107,568	144,000	<b>3,107,568</b>	<b>94,000</b>	3,107,568	84,000
Peter Gray	Holmrook Limited						
	"A" Ordinary Shares €0.634869	200	-	<b>200</b>	-	200	-
Ciaran Murray	ICON plc						
	Ordinary Shares €0.06	444,288	148,000	<b>444,288</b>	<b>98,000</b>	540,080	84,000
Edward Roberts	Holmrook Limited						
	"C" Ordinary Shares €0.126974	1,000	-	<b>1,000</b>	-	1,000	-
Dr. Ronan Lambe	ICON plc						
	Ordinary Shares €0.06	-	125,000	-	<b>108,000</b>	-	94,000
Thomas Lynch	Holmrook Limited						
	"H" Ordinary Shares €0.0126973	10,000	-	<b>10,000</b>	-	10,000	-
Dr. Bruce Given	ICON plc						
	Ordinary Shares €0.06	16,004	18,000	<b>16,004</b>	<b>16,000</b>	14,004	24,000
Shuji Higuchi	ICON plc						
	Ordinary Shares €0.06	725,380	38,000	<b>725,380</b>	<b>36,000</b>	735,880	34,000
Dr. Bruce Given	Holmrook Limited						
	"B" Ordinary Shares €0.317435	400	-	<b>400</b>	-	400	-
Thomas Lynch	ICON plc						
	Ordinary Shares €0.06	4	17,200	<b>4</b>	<b>15,200</b>	4	13,200
Dr. Bruce Given	ICON plc						
	Ordinary Shares €0.06	-	16,000	-	<b>14,000</b>	-	12,000
Shuji Higuchi	ICON plc						
	Ordinary Shares €0.06	-	20,000	-	<b>20,000</b>	-	18,000

## Report on Directors' Remuneration (continued)

Name of Director	Name of company and description of shares	Interest at 30 April 2009		Interest at 31 December 2008		Interest at 31 December 2007	
		Number of shares	Options	Number of shares	Options	Number of shares	Options
Prof. Dermot Kelleher	ICON plc Ordinary Shares €0.06	-	8,000	-	<b>6,000</b>	-	-

Further details regarding the above options at 31 December 2008 are as follows:

ICON plc	Options	Exercise price	Grant date	Expiry date
John Climax	20,000	\$7.25	11 January 2002	11 January 2010
	20,000	\$7.00	21 January 2003	21 January 2011
	20,000	\$8.88	4 February 2004	4 February 2012
	12,000	\$11.00	3 February 2006	3 February 2014
	12,000	\$21.25	16 February 2007	16 February 2015
	10,000	\$35.33	26 February 2008	26 February 2016
Peter Gray	20,000	\$7.25	11 January 2002	11 January 2010
	20,000	\$7.00	21 January 2003	21 January 2011
	20,000	\$8.88	4 February 2004	4 February 2012
	12,000	\$11.00	3 February 2006	3 February 2014
	12,000	\$21.25	16 February 2007	16 February 2015
	14,000	\$35.33	26 February 2008	26 February 2016
Ciaran Murray	60,000	\$10.42	17 January 2006	17 January 2014
	18,000	\$11.00	3 February 2006	3 February 2014
	16,000	\$21.25	16 February 2007	16 February 2015
	14,000	\$35.33	26 February 2008	26 February 2016
Edward Roberts	2,000	\$8.88	4 February 2004	4 February 2012
	4,000	\$8.60	24 February 2005	24 February 2013
	4,000	\$11.00	3 February 2006	3 February 2014
	4,000	\$21.25	16 February 2007	16 February 2015
	2,000	\$35.33	26 February 2008	26 February 2016
Ronan Lambe	12,000	\$7.25	11 January 2002	11 January 2010
	6,000	\$7.00	21 January 2003	21 January 2011
	6,000	\$8.88	4 February 2004	4 February 2012
	4,000	\$8.60	24 February 2005	24 February 2013
	4,000	\$11.00	3 February 2006	3 February 2014
	2,000	\$21.25	16 February 2007	16 February 2015
	2,000	\$35.33	26 February 2008	26 February 2016
Thomas Lynch	1,200	\$7.00	21 January 2003	21 January 2011
	2,400	\$8.88	4 February 2004	4 February 2012
	2,400	\$8.60	24 February 2005	24 February 2013
	3,200	\$11.00	3 February 2006	3 February 2014
	4,000	\$21.25	16 February 2007	16 February 2015
	2,000	\$35.33	26 February 2008	26 February 2016
Bruce Given	4,000	\$8.60	24 February 2005	24 February 2013
	4,000	\$11.00	3 February 2006	3 February 2014
	4,000	\$21.25	16 February 2007	16 February 2015
	2,000	\$35.33	26 February 2008	26 February 2016



## Report on Directors' Remuneration (continued)

<b>ICON plc</b>	<b>Options</b>	<b>Exercise price</b>	<b>Grant date</b>	<b>Expiry date</b>
Shuji Higuchi	6,000	\$8.88	4 February 2004	4 February 2012
	4,000	\$8.60	24 February 2005	24 February 2013
	4,000	\$11.00	3 February 2006	3 February 2014
	4,000	\$21.25	16 February 2007	16 February 2015
	2,000	\$35.33	26 February 2008	26 February 2016
Prof. Dermot Kelleher	6,000	\$36.04	27 May 2008	27 May 2016

On 29 February 2008, Mr Edward Roberts sold 8,000 ordinary shares at an average price of \$33.78 per share. On 6 March 2008 he exercised 10,000 share options. The market value of the Company's Ordinary shares on the date of exercise was \$33.58.

On 8 May 2008, Mr Peter Gray sold 95,792 ordinary shares at an average price of \$36.50 per share.

On 12 September 2008, Dr. Ronan Lambe sold 10,500 ordinary shares at an average price of \$40.95 per share.

The share price during the year ended 31 December 2008 moved in the range of \$15.97 to \$44.00 (year ended 31 December 2007: in the range of \$18.34 to \$32.40). The share price at 31 December 2008 was \$19.69 (at 31 December 2007 \$30.93).

### **On behalf of the Compensation Committee**

Thomas Lynch  
30 April 2009

# 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 International Financial Reporting Standards ("IFRS") 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;
- state that the financial statements comply with the IFRSs as adopted by the EU, and in the case of the Company, as applied in accordance with the Companies Acts 1963 to 2006; 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.

Under applicable law and the requirements of the Listing Rules issued by the Irish Stock Exchange, the Directors are also responsible for preparing a Directors' Report and reports relating to directors' remuneration and corporate governance that comply with the law and those Rules. In particular, in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 (the Transparency Regulations), the directors are required to include in their report a fair review of the business and a description of the principal risks and uncertainties facing the group and the company and a responsibility statement relating to these and other matters, included below.

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 the financial statements comply with the Companies Acts 1963 to 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. 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.

## **Responsibility Statement, in accordance with the Transparency Regulations**

Each of the directors, whose names and functions are listed on page 2 confirm that, to the best of each person's knowledge and belief:

- the Group financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities and financial position of the Group at 31 December 2008 and its profit for the year then ended;
- the Company financial statements, prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Acts 1963 to 2006, give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2008; and
- the directors' report contained in the Annual Report includes a fair view of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

## **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 2008 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 (notes 1 to 32). 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 25.

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 have been properly prepared in accordance with the Companies Acts 1963 to 2006 and, in the case of the Group financial statements, 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 2008 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 2008;
- the Group financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2006 and Article 4 of the IAS Regulation; and
- the Company financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2006.

## **Other Matters**

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 2008 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 Auditor*

*Dublin, Ireland*

30 April 2009

# 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 2008. 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 (\$'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 at date of grant 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*/IAS 1 *Presentation of Financial Statements* – "Puttable Financial Instruments and Obligations Arising on Consolidation" (effective 1 January 2009) \*
- IFRIC Interpretation 13 *Customer Loyalty Programmes* (effective 1 July 2008) \*
- Improvements to IFRS (effective 1 January 2009) \*

\* 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.

## 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 (\$). The functional currency of the Company is Euros. The Company financial statements have been presented in US dollars as a large number 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 intercompany 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 2008	Year to 31 December 2007	31 December 2008	31 December 2007
Euro 1:\$	1.47688	1.37397	1.39800	1.45890
Pound Sterling 1:\$	1.88552	1.99507	1.46280	1.98517

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:

	<b>Years</b>
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. Lease incentives are recognised over the term of the lease as an integral part of the total lease expense.

## 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 cost of a business combination is measured as the aggregate of the fair values 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. Where a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the amount of the estimated adjustment is included in the cost at the acquisition date if the adjustment can be reliably measured. Any changes to this estimate in subsequent periods are reflected in goodwill.

The assets, liabilities and contingent liabilities of businesses acquired are measured at their fair values at the date of acquisition. In the case of a business combination which is completed in stages, the fair values of the identifiable assets, liabilities and contingent liabilities are determined at the date of each exchange transaction. When the initial accounting for a business combination is determined provisionally, any subsequent adjustments to the provisional values allocated to the identifiable assets, liabilities and contingent liabilities are made within twelve months of the acquisition date and presented as adjustments to the original acquisition accounting.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised, excluding goodwill, together with the share of income and expenses attributable to the interests they hold. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

### **Goodwill**

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets – goodwill and other'.

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 post 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.



## Statement of Accounting Policies (continued)

### Impairment of non financial assets

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.

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:

	<b>Years</b>
Computer software	4-8
Customer relationships	2-11
Volunteer list	6

### 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.

## Statement of Accounting Policies (continued)

### **Trade and other receivables**

Trade and other receivables, which generally have 30 to 90 day terms, are initially measured at fair value and are thereafter measured at amortised cost using the effective interest rate method less any provision for impairment. A provision for impairment of trade receivables is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Impairment losses, and any subsequent recovery of such losses, are recognised in the income statement within 'other operating expenses'.

### **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 are stated at cost, which approximates market value.

### **Trade payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

### **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.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

## Statement of Accounting Policies (continued)

### 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.

### Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new share or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the company's share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

### Employee benefits

#### **(a) Pension and other post-employment benefits**

Certain companies within the Group operate defined contribution pension plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions to defined contribution pension plans are expensed as incurred.

The Company operates, through a subsidiary, a defined benefit pension plan for certain of its United Kingdom employees. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

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 the defined benefit pension plan 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. Returns 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, were 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 and restricted share units 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 total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example profitability, sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. 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.

## Statement of Accounting Policies (continued)

### **Revenue recognition (continued)**

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.

### **Reimbursable expenses**

Reimbursable expenses 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 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.

### **Direct costs**

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

### **Financing expense**

Financing expense comprises 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 at the year end or at the preceding year end.

### **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 2008

	Note	Year ended 31 December 2008 \$'000	Year ended 31 December 2007 \$'000
<b>Gross turnover</b>		<b>1,209,451</b>	867,473
Reimbursable expenses		<b>(344,203)</b>	(236,751)
<b>Turnover</b>	1	<b>865,248</b>	630,722
Direct costs		<b>(490,667)</b>	(355,322)
Other operating expenses		<b>(289,006)</b>	(207,641)
<b>Operating profit</b>		<b>85,575</b>	67,759
Financing income	3	<b>4,004</b>	5,069
Financing expense	4	<b>(4,959)</b>	(2,333)
<b>Profit before taxation</b>	2	<b>84,620</b>	70,495
Income tax expense	5	<b>(19,944)</b>	(15,353)
<b>Profit for the year</b>		<b>64,676</b>	55,142
<b>Attributable to:</b>			
Equity holders of the Company	23	<b>64,483</b>	54,955
Minority interest		<b>193</b>	187
<b>Profit for the year</b>		<b>64,676</b>	55,142
<b>Earnings per ordinary share</b>			
Basic	6	<b>1.11</b>	0.96
Diluted	6	<b>1.06</b>	0.92

## On behalf of the Board

Dr. John Climax  
Director

Peter Gray  
Director

# Group Balance Sheet

as at 31 December 2008

	Note	31 December 2008 \$'000	31 December 2007 \$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	150,162	117,683
Intangible assets – goodwill and other	11	215,141	155,426
Other non-current assets	13	6,482	6,634
Deferred tax assets	5	10,223	18,840
<b>Total non-current assets</b>		<b>382,008</b>	298,583
<b>Current assets</b>			
Inventories	14	3,357	2,591
Accounts receivable	15	210,535	129,865
Unbilled revenue		141,727	144,661
Other current assets	16	27,868	15,535
Current taxes receivable		10,616	5,497
Current asset investments	17	42,726	41,752
Cash and cash equivalents	18	58,378	76,881
<b>Total current assets</b>		<b>495,207</b>	416,782
<b>Total assets</b>		<b>877,215</b>	715,365
<b>EQUITY</b>			
Share capital	22	4,921	2,127
Share premium	23	138,227	132,643
Options reserve	23	28,123	33,347
Other reserves	23	7,422	7,422
Foreign currency translation reserve	23	1,280	19,296
Retained earnings	23	294,153	221,560
<b>Attributable to equity holders</b>	23	<b>474,126</b>	416,395
<b>Minority interest</b>	23	-	1,309
<b>Total equity</b>		<b>474,126</b>	417,704
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred government grants and other liabilities	19	3,266	2,622
Bank credit lines and loan facilities	21	65,186	51,062
Deferred tax liabilities	5	6,144	596
<b>Total non-current liabilities</b>		<b>74,596</b>	54,280
<b>Current liabilities</b>			
Accounts payable		17,505	13,459
Payments on account		121,935	96,553
Accrued and other liabilities	19	129,801	70,741
Bank credit lines and loan facilities	21	40,193	43,767
Current tax payable		19,059	18,861
<b>Total current liabilities</b>		<b>328,493</b>	243,381
<b>Total liabilities</b>		<b>403,089</b>	297,661
<b>Total equity and liabilities</b>		<b>877,215</b>	715,365

## 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 2008

	<i>Note</i>	<b>Year ended 31 December 2008 \$'000</b>	Year ended 31 December 2007 \$'000
<b>Items of income and expense recognised directly in equity</b>			
Currency translation differences	<i>23</i>	<b>(18,016)</b>	11,895
Actuarial (loss)/gain recognised on defined benefit pension scheme	<i>8</i>	<b>(955)</b>	5,376
Net income recognised directly in equity		<b>(18,971)</b>	17,271
Profit for the financial year		<b>64,676</b>	55,142
Total recognised income and expense for the year		<b>45,705</b>	72,413
<b>Attributable to:</b>			
Equity holders of the Company		<b>45,512</b>	72,226
Minority interests		<b>193</b>	187
Total recognised income and expense for the year		<b>45,705</b>	72,413

# Group Statement of Cash Flows

for the year ended 31 December 2008

	Year ended 31 December 2008 \$'000	Year ended 31 December 2007 \$'000
<b>Profit for the financial year</b>	<b>64,676</b>	55,142
<b>Adjustments to reconcile net income to net cash generated from operating activities</b>		
Loss on disposal of property, plant and equipment	256	396
Depreciation	19,833	13,431
Amortisation of intangible assets	7,895	5,577
Amortisation of grants	(126)	(117)
Stock compensation expense	8,652	7,277
Finance income	(4,004)	(5,069)
Foreign exchange adjustment on long term loans settled	10,977	-
Finance expense	4,959	2,333
Defined benefit pension costs	(437)	766
Income tax expense	19,944	15,353
<b>Operating cash inflow before changes in working capital</b>	<b>132,625</b>	95,089
Increase in accounts receivable	(83,816)	(11,390)
Decrease/(increase) in unbilled revenue	2,168	(52,231)
(Increase)/decrease in other current assets	(18,852)	2,852
Increase in other non current assets	(39)	(2,140)
Increase in accounts payable	3,150	2,343
Increase in inventory	(766)	(75)
Increase in payments on account	26,404	4,220
Increase in accrued and other liabilities	43,899	14,184
Increase in non current other liabilities	17	1,394
<b>Cash provided by operations</b>	<b>104,790</b>	54,246
Income taxes paid	(21,026)	(13,425)
Employer contribution to defined benefit pension scheme	(428)	(457)
Interest received	2,909	4,093
Interest paid	(4,963)	(1,491)
<b>Net cash inflow from operating activities</b>	<b>81,282</b>	42,966
<b>Investing activities</b>		
Purchase of property, plant and equipment	(55,393)	(64,123)
Purchase of intangible assets	(12,489)	(11,267)
Purchase of subsidiary undertakings and acquisition costs	(49,540)	(41,150)
Cash/(bank overdraft) acquired with subsidiary undertakings	549	(2,400)
Sale of short term investments	14,026	14,824
Purchase of short term investments	(15,000)	(16,754)
Grant received	400	-
<b>Net cash used in investing activities</b>	<b>(117,447)</b>	(120,870)
<b>Financing activities</b>		
Drawdown of bank credit lines and loan facilities	58,925	94,829
Repayment of bank credit lines and facilities	(48,927)	(5,000)
Tax benefit from the exercise of share options	4,060	1,466
Proceeds from exercise of share options	8,516	5,298
Share issuance costs	(138)	(126)
Repayment of lease liabilities	(99)	(109)
<b>Net cash provided by financing activities</b>	<b>22,337</b>	96,358
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(13,828)</b>	18,454
Effect of exchange rate changes	(4,675)	(4,612)
Cash and cash equivalents at start of year	76,881	63,039
<b>Cash and cash equivalents at end of year</b>	<b>58,378</b>	76,881

# Company Balance Sheet

as at 31 December 2008

	Note	31 December 2008 \$'000	31 December 2007 \$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	30(a)	1,927	1,555
Intangible assets	30(b)	45	36
Investment in subsidiaries	30(c)	335,440	339,886
Deferred tax asset	30(d)	1,676	5,009
<b>Total non-current assets</b>		<b>339,088</b>	346,486
<b>Current assets</b>			
Other current assets	30(e)	3,819	2,970
Current taxes receivable		210	-
Amounts due from subsidiary undertakings		96,399	-
Cash and cash equivalents		444	312
<b>Total current assets</b>		<b>100,872</b>	3,282
<b>Total assets</b>		<b>439,960</b>	349,768
<b>EQUITY</b>			
Share capital	30(g)	4,921	2,127
Share premium	30(g)	138,227	132,643
Options reserve	30(g)	28,123	33,347
Other reserves	30(g)	6,071	7,422
Functional currency translation reserve	30(g)	33,924	16,052
Retained earnings	30(g)	112,646	56,108
<b>Attributable to equity holders</b>		<b>323,912</b>	247,699
<b>Total equity</b>		<b>323,912</b>	247,699
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank credit lines and loan facilities	21	65,186	51,062
<b>Total non-current liabilities</b>		<b>65,186</b>	51,062
<b>Current liabilities</b>			
Accounts payable		684	204
Accrued and other liabilities	30(f)	9,619	5,969
Bank credit lines and loan facilities	21	40,193	43,767
Current taxes payable		366	1,067
<b>Total current liabilities</b>		<b>50,862</b>	51,007
<b>Total liabilities</b>		<b>116,048</b>	102,069
<b>Total equity and liabilities</b>		<b>439,960</b>	349,768

## 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 2008

	<b>Year ended 31 December 2008 \$'000</b>	Year ended 31 December 2007 \$'000
<b>Items of income and expense recognised directly in equity</b>		
Currency translation differences	<b>17,872</b>	24,454
Net income recognised directly in equity	<b>17,872</b>	24,454
Profit for the year	<b>55,187</b>	2,964
Total recognised income for the year	<b>73,059</b>	27,418
<b>Attributable to:</b>		
Equity holders of the Company	<b>73,059</b>	27,418

# Company Statement of Cash Flows

for the year ended 31 December 2008

	Year ended 31 December 2008 \$'000	Year ended 31 December 2007 \$'000
<b>Profit for the financial year</b>	<b>55,187</b>	2,964
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation	495	263
Amortisation of intangible assets	18	8
Stock compensation expense	779	728
Interest on intercompany loans	(1,888)	(3,240)
Dividend received from subsidiary undertaking	(56,500)	-
Finance expense	4,097	-
Income tax expense	850	147
<b>Operating cash inflow before changes in working capital</b>	<b>3,038</b>	870
Increase in other current assets	(185)	(3,567)
Increase in accounts payable and accrued and other liabilities	5,071	6,889
Decrease in income taxes payable	(342)	-
<b>Cash provided by operations</b>	<b>7,582</b>	4,190
Interest paid	(1,127)	-
Income taxes paid	(815)	-
<b>Net cash inflow from operating activities</b>	<b>5,640</b>	4,190
<b>Investing activities</b>		
Purchase of computer software	(34)	(10)
Purchase of property, plant and equipment	(1,119)	(1,246)
<b>Net cash used by investing activities</b>	<b>(1,153)</b>	(1,256)
<b>Financing activities</b>		
Drawdown of bank credit lines and loan facilities	58,925	94,829
Repayment of bank credit lines and loan facilities	(48,927)	(5,000)
Decrease/(increase) in amounts due from subsidiary undertakings	93,687	(110,845)
Dividends received from subsidiary undertaking	56,500	-
Purchase of shares in subsidiary undertaking	(172,639)	-
Proceeds from exercise of share options	8,516	5,298
Share issuance costs	(138)	(126)
<b>Net cash used in financing activities</b>	<b>(4,076)</b>	(15,844)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>411</b>	(12,908)
Effect of exchange rate changes	(279)	75
Cash and cash equivalents at start of year	312	13,145
<b>Cash and cash equivalents at end of year</b>	<b>444</b>	312

# 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, India and Singapore, 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 Kingdom, United States, Germany, Australia, Argentina, France, Italy, Japan, Israel, Singapore, Canada, Sweden, The Netherlands, Latvia, Russia, Lithuania, Poland, South Africa, India, Hong Kong, Taiwan, Mexico, Brazil, Hungary, Spain, Thailand, South Korea, China, Chile, New Zealand, Denmark, Finland, Peru, Czech Republic, Ukraine, Romania and Colombia.

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 2008 \$'000	Year ended 31 December 2007 \$'000	Year ended 31 December 2008 \$'000	Year ended 31 December 2007 \$'000	Year ended 31 December 2008 \$'000	Year ended 31 December 2007 \$'000
<b>Turnover</b>						
External turnover	<b>794,133</b>	577,210	<b>71,115</b>	53,512	<b>865,248</b>	630,722
<b>Segment result</b>						
Operating profit	<b>80,827</b>	64,029	<b>4,748</b>	3,730	<b>85,575</b>	67,759
Financing income					<b>4,004</b>	5,069
Financing expense					<b>(4,959)</b>	(2,333)
Income tax					<b>(19,944)</b>	(15,353)
<b>Profit for the year</b>					<b>64,676</b>	55,142
<b>Other segment information</b>						
Depreciation and amortisation	<b>25,481</b>	17,194	<b>2,247</b>	1,814	<b>27,728</b>	19,008
Capital expenditure	<b>63,104</b>	71,776	<b>8,607</b>	3,874	<b>71,711</b>	75,650
Share based compensation	<b>7,956</b>	6,668	<b>696</b>	609	<b>8,652</b>	7,277
<b>Segment assets and liabilities</b>						
Segment assets	<b>764,337</b>	623,374	<b>62,031</b>	40,562	<b>826,368</b>	663,936
Unallocated assets*					<b>50,847</b>	51,429
<b>Total assets</b>					<b>877,215</b>	715,365
Segment liabilities	<b>268,668</b>	180,745	<b>18,373</b>	14,847	<b>287,041</b>	195,592
Unallocated liabilities*					<b>116,048</b>	102,069
<b>Total liabilities</b>					<b>403,089</b>	297,661

\*Unallocated assets represent those of ICON Plc of \$8.1 million (2007: \$9.7 million) and surplus cash balances invested in liquid resources of \$42.7 million (2007: \$41.8 million). Unallocated liabilities represent those of ICON Plc of \$116.0 million (2007: \$102.1 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 2008 \$'000	Year ended 31 December 2007 \$'000	Year ended 31 December 2008 \$'000	Year ended 31 December 2007 \$'000	Year ended 31 December 2008 \$'000	Year ended 31 December 2007 \$'000	Year ended 31 December 2008 \$'000	Year ended 31 December 2007 \$'000
External revenue	<b>413,664</b>	278,854	<b>379,140</b>	316,049	<b>72,444</b>	35,819	<b>865,248</b>	630,722
Segment assets	<b>349,109</b>	312,610	<b>452,108</b>	323,410	<b>25,151</b>	27,916	<b>826,368</b>	663,936
Unallocated assets*							<b>50,847</b>	51,429
Total assets							<b>877,215</b>	715,365
Capital expenditure	<b>44,752</b>	55,111	<b>21,774</b>	15,727	<b>5,185</b>	4,812	<b>71,711</b>	75,650

\*Unallocated assets represent those of ICON Plc of \$8.1 million (2007: \$9.7 million) and surplus cash balances invested in liquid resources of \$42.7 million (2007: \$41.8 million).

## Notes to Group and Company Financial Statements (continued)

### 2. Profit before taxation

Profit before taxation is stated after charging the following:

	<b>Year ended 31 December 2008 \$'000</b>	Year ended 31 December 2007 \$'000
<b>Auditors' remuneration:</b>		
Audit fees (1)	<b>1,835</b>	2,075
Audit related fees (2)	<b>403</b>	418
Tax fees (3)	<b>1,171</b>	429
<b>Total fees</b>	<b>3,409</b>	2,922
<b>Directors' emoluments</b>		
Fees	<b>266</b>	205
Other emoluments and benefits in kind	<b>2,888</b>	2,572
Pension contributions	<b>147</b>	127
Stock compensation expense	<b>418</b>	398
<b>Total Directors' emoluments</b>	<b>3,719</b>	3,302
Amortisation of intangible assets	<b>7,895</b>	5,577
Depreciation of property, plant and equipment	<b>19,833</b>	13,431
<b>Operating lease rentals:</b>		
Premises	<b>35,855</b>	28,315
Motor vehicles	<b>7,424</b>	5,495
Plant and equipment	<b>2,359</b>	1,951

(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.



## Notes to Group and Company Financial Statements (continued)

### 3. Finance income

	<b>Year ended 31 December 2008 \$'000</b>	Year ended 31 December 2007 \$'000
<b>Finance income:</b>		
Interest receivable	<b>2,881</b>	4,141
Foreign exchange gain on bank loans	<b>60</b>	-
Defined benefit pension – expected return on plan assets	<b>1,063</b>	928
	<b>4,004</b>	5,069

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

### 4. Finance expense

	<b>Year ended 31 December 2008 \$'000</b>	Year ended 31 December 2007 \$'000
<b>Finance expense:</b>		
Interest on bank overdraft and credit facilities	<b>4,078</b>	1,379
Finance lease interest	<b>27</b>	24
Defined benefit pension-interest cost	<b>854</b>	930
	<b>4,959</b>	2,333

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

### 5. Income tax expense

The components of the current and deferred tax expense for the years ended 31 December 2008 and 2007 were as follows:

	<b>Year ended 31 December 2008 \$'000</b>	Year ended 31 December 2007 \$'000
<b>Current tax expense:</b>		
Current year	<b>16,245</b>	17,250
Over provided in prior years	<b>(429)</b>	(97)
	<b>15,816</b>	17,153
<b>Deferred tax charge/(credit):</b>		
Origination and reversal of temporary differences	<b>3,787</b>	(1,940)
Under provided in prior years	<b>341</b>	140
<b>Total income tax expense in the income statement</b>	<b>19,944</b>	15,353

## Notes to Group and Company Financial Statements (continued)

### 5. Income tax expense (continued)

The total tax expense of \$19.9 million and \$15.4 million for the years ended 31 December 2008 and 31 December 2007 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 charge of \$4.1 million for the year ended 31 December 2008 and the deferred tax credit of \$1.8 million for the year ended 31 December 2007, relate to deferred tax arising in respect of net operating losses and temporary differences 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:

	<b>Year ended 31 December 2008 \$'000</b>	Year ended 31 December 2007 \$'000
Profit before tax	<b>84,620</b>	70,495
Irish standard tax rate	<b>12.5%</b>	12.5%
Taxes at Irish standard tax rate	<b>10,578</b>	8,812
Reversal of prior year (under)/over provision in respect of current foreign taxes	<b>(88)</b>	43
Foreign and other income taxed at higher rates	<b>6,933</b>	5,996
Non deductible expenses	<b>520</b>	344
Other	<b>507</b>	76
Losses for which no benefit has been recognised	<b>1,494</b>	82
<b>Tax expense on profit for the year</b>	<b>19,944</b>	15,353

## Notes to Group and Company Financial Statements (continued)

### 5. Income tax expense (continued)

The net deferred tax asset at 31 December 2008 and 31 December 2007 was as follows:

	<b>31 December 2008 \$'000</b>	31 December 2007 \$'000
<b>Deferred taxation liabilities:</b>		
Property, plant and equipment	<b>5,667</b>	1,253
Goodwill and related assets	<b>5,112</b>	4,274
Other intangible assets	<b>1,219</b>	439
Other	<b>1,008</b>	46
Accruals to cash method adjustment	<b>546</b>	352
Total deferred taxation liabilities	<b>13,552</b>	6,364
Less: offset against deferred tax assets	<b>(7,408)</b>	(5,768)
	<b>6,144</b>	596
<b>Deferred taxation assets:</b>		
Net operating losses carried forward	<b>3,690</b>	1,974
Accrued expenses and payments on account	<b>6,746</b>	6,007
Property, plant and equipment	<b>260</b>	614
Deferred compensation	<b>737</b>	471
Stock compensation expense	<b>6,177</b>	15,542
Other	<b>21</b>	-
Total deferred taxation assets	<b>17,631</b>	24,608
Less: offset against deferred tax liabilities	<b>(7,408)</b>	(5,768)
	<b>10,223</b>	18,840
<b>Net deferred taxation asset</b>	<b>4,079</b>	18,244

## Notes to Group and Company Financial Statements (continued)

### 5. Income tax expense (continued)

The movement in temporary differences during the year ended 31 December 2008 and 2007 was as follows:

	Balance 1 January 2008 \$'000	Acquired \$'000	Recognised in Income \$'000	Recognised in Equity \$'000	Balance 31 December 2008 \$'000
<b>Deferred taxation liabilities:</b>					
Property, plant and equipment	1,253	-	4,382	32	5,667
Goodwill on acquisition	4,274	-	827	11	5,112
Accruals to cash method adjustment	352	-	194	-	546
Other intangible assets	439	922	(217)	75	1,219
Other	46	-	962	-	1,008
<b>Total deferred taxation liabilities</b>	<b>6,364</b>	<b>922</b>	<b>6,148</b>	<b>118</b>	<b>13,552</b>
<b>Deferred taxation assets:</b>					
Net operating loss carry forwards	1,974	-	1,716	-	3,690
Accrued expenses and payments on account	6,007	-	843	(104)	6,746
Property, plant and equipment	614	-	(332)	(22)	260
Deferred compensation	471	-	266	-	737
Stock compensation expense	15,542	-	(494)	(8,871)	6,177
Other	-	-	21	-	21
<b>Total deferred taxation assets</b>	<b>24,608</b>	<b>-</b>	<b>2,020</b>	<b>(8,997)</b>	<b>17,631</b>
<b>Net deferred taxation asset</b>	<b>18,244</b>	<b>(922)</b>	<b>(4,128)</b>	<b>(9,115)</b>	<b>4,079</b>

  

	Balance 1 January 2007 \$'000	Acquired \$'000	Recognised in Income \$'000	Recognised in Equity \$'000	Balance 31 December 2007 \$'000
<b>Deferred taxation liabilities:</b>					
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
<b>Total deferred taxation liabilities</b>	<b>4,655</b>	<b>501</b>	<b>1,208</b>	<b>-</b>	<b>6,364</b>
<b>Deferred taxation assets:</b>					
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)	-	-
<b>Total deferred taxation assets</b>	<b>13,288</b>	<b>-</b>	<b>3,008</b>	<b>8,312</b>	<b>24,608</b>
<b>Net deferred taxation asset</b>	<b>8,633</b>	<b>(501)</b>	<b>1,800</b>	<b>8,312</b>	<b>18,244</b>

## Notes to Group and Company Financial Statements (continued)

### 5. Income tax expense (continued)

#### Unrecognised deferred tax assets

At 31 December 2008, 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 \$21.5 million (31 December 2007: \$10.5 million).

At 31 December 2008, 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 \$8.6 million for U.S. Federal and \$6.9 million for State income tax, which expire between 2009 and 2028 (31 December 2007: \$7.9 million for US Federal and \$10.0 million for State Income Tax).

Of the \$8.6 million U.S. Federal and \$6.9 million State net operating losses, approximately \$7.2 million and \$5.4 million respectively (31 December 2007: approximately \$6.5 million and \$8.6 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 \$1.4 million and \$1.5 million respectively 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 2008 of \$5.90 million and \$4.97 million at 31 December 2007. 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 2008 and 31 December 2007 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 2008:

	<b>31 December 2008 \$'000</b>	31 December 2007 \$'000
<b>Numerator computations</b>		
<i>Basic and diluted earnings per share</i>		
Profit for the financial year	<b>64,676</b>	55,142
Profit attributable to minority interest	<b>(193)</b>	(187)
Profit attributable to equity holders	<b>64,483</b>	54,955

## Notes to Group and Company Financial Statements (continued)

### 6. Earnings per share (continued)

	<b>31 December 2008</b>	31 December 2007
	<b>Number of Shares</b>	
<b>Denominator computations</b>		
Weighted average number of ordinary shares outstanding - basic	<b>58,245,240</b>	57,410,544
Effect of dilutive potential ordinary shares	<b>2,573,720</b>	2,468,336
Weighted average number of ordinary shares outstanding - diluted	<b>60,818,960</b>	59,878,880
	<b>31 December 2008</b>	31 December 2007
	<b>\$</b>	<b>\$</b>
<b>Earnings per Share</b>		
Basic earnings per ordinary share	<b>1.11</b>	0.96
Diluted earnings per ordinary share	<b>1.06</b>	0.92

The Company had 1,219,170 anti-dilutive shares in issue at 31 December 2008 (31 December 2007: 591,000).

### 7. Payroll and related benefits

The aggregate payroll costs of employees of the Group for the year ended 31 December 2008 was as follows:

	<b>Year ended 31 December 2008</b>	Year ended 31 December 2007
	<b>\$'000</b>	<b>\$'000</b>
Wages and salaries	<b>455,557</b>	344,363
Social welfare costs	<b>57,599</b>	25,982
Pension costs for defined contribution pension schemes	<b>14,871</b>	11,912
Pension costs for defined benefit pension schemes	<b>(643)</b>	766
Share-based payment*	<b>8,652</b>	7,277
<b>Total charge to income</b>	<b>536,036</b>	390,300
Actuarial losses/(gains) recognised on defined benefit pension scheme	<b>955</b>	(5,376)
<b>Total payroll and related benefit costs</b>	<b>536,991</b>	384,924

\* 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 \$8.7 million was recognised in respect of the year ended 31 December 2008. The compensation expense for the year ended 31 December 2007 was \$7.3 million.

## Notes to Group and Company Financial Statements (continued)

### 7. Payroll and related benefits (continued)

The average number of employees, including Executive Directors, employed by the Group for the year ended 31 December 2008 was as follows:

	<b>Year ended 31 December 2008</b>	Year ended 31 December 2007
Marketing	<b>163</b>	132
Administration	<b>1,127</b>	956
Clinical research processing	<b>4,871</b>	3,682
Laboratory	<b>391</b>	305
<b>Total</b>	<b>6,552</b>	5,075

#### **Directors' remuneration**

Information in relation to the Directors' shareholdings and share options is included in the Report on Directors' Remuneration on pages 20 to 24.

The aggregate remuneration, including pension contributions, paid to or accrued for all Directors for the year ended 31 December 2008 was \$3,719,300 (year ended 31 December 2007: \$3,301,803). Remuneration of individual Directors is set out on page 55.

# Notes to Group and Company Financial Statements (continued)

## 7. Payroll and related benefits (continued)

### Summary compensation table - Year ended 31 December 2008

Name	Salary Euro (€)	Company pension contribution		Performance related compensation		All other compensation		Subtotal		Share-based payments		Directors Fees		Total compensation	
		Euro (€)	Euro (€)	Euro (€)	Euro (€)	Euro (€)	Euro (€)	Euro (€)	Euro (€)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	
John Climax	600,000	50,000	405,000	62,280	1,117,280	1,558,240	109,298	-	1,667,538						
Peter Gray	496,500	49,300	387,500	43,380	976,680	1,358,863	129,140	-	1,488,003						
Ronan Lambe	-	-	-	80,000	80,000	118,151	28,147	40,000	186,298						
Thomas Lynch	-	-	-	-	-	-	33,084	55,000	88,084						
Edward Roberts	-	-	-	-	-	-	33,084	65,000	98,084						
Shuji Higuchi	-	-	-	-	-	-	33,084	40,000	73,084						
Bruce Given	-	-	-	-	-	-	30,631	45,000	75,631						
Dermot Kelleher	-	-	-	-	-	-	21,578	21,000	42,578						
<b>Total</b>	<b>1,096,500</b>	<b>99,300</b>	<b>792,500</b>	<b>185,660</b>	<b>2,173,960</b>	<b>3,035,254</b>	<b>418,046</b>	<b>266,000</b>	<b>3,719,300</b>						

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

### Summary compensation table - Year ended 31 December 2007

Name	Salary Euro (€)	Company pension contribution		Performance related compensation		All other compensation		Subtotal		Share-based payments		Directors Fees		Total compensation	
		Euro (€)	Euro (€)	Euro (€)	Euro (€)	Euro (€)	Euro (€)	Euro (€)	Euro (€)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	USD (\$)	
John Climax	540,280	46,056	378,000	55,097	1,019,433	1,430,381	107,471	-	1,537,852						
Peter Gray	400,000	40,600	320,000	37,919	798,519	1,120,308	107,471	-	1,227,779						
Ronan Lambe	104,394	4,163	-	3,903	112,460	148,402	27,093	-	175,495						
Thomas Lynch	-	-	-	-	-	-	38,577	55,000	93,577						
Edward Roberts	-	-	-	-	-	-	35,040	65,000	100,040						
Shuji Higuchi	-	-	-	-	-	-	38,182	40,000	78,182						
Bruce Given	-	-	-	-	-	-	43,878	45,000	88,878						
<b>Total</b>	<b>1,044,674</b>	<b>90,819</b>	<b>698,000</b>	<b>96,919</b>	<b>1,930,412</b>	<b>2,699,091</b>	<b>397,712</b>	<b>205,000</b>	<b>3,301,803</b>						

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



## Notes to Group and Company Financial Statements (continued)

### 8. Retirement Benefit Obligations

The Group operates a number of defined contribution schemes and a defined benefit pension scheme. 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 2008 and year ended 31 December 2007 were \$10,372,000 and \$7,424,000 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 2008 and year ended 31 December 2007 were \$4,499,000 and \$4,488,000 respectively.

#### (ii) Defined Benefit Plans

One of the Group's subsidiaries, Medieval Group Limited, which was acquired by the Group in 2003, operates a defined benefit pension plan in the United Kingdom for certain of 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 2008 and 31 December 2007 consist of units held in independently administered funds. The most recent valuation of plan obligations was carried out as at 1 September 2007 using the projected unit credit method and updated on an appropriate basis at 31 December 2008.

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

#### Financial assumptions

	<b>31 December 2008</b>	31 December 2007
Discount rate	<b>6.40%</b>	5.80%
Return on plan assets	<b>6.80%</b>	7.10%
Inflation rate	<b>3.10%</b>	3.40%
Future pension increases	<b>3.00%</b>	3.30%
Future salary increases	<b>4.20%</b>	4.50%

## Notes to Group and Company Financial Statements (continued)

### 8. Retirement Benefit Obligations (continued)

#### Mortality assumptions

The mortality assumptions adopted at 31 December 2008 imply the following life expectancies at age 62 (2007: 62):

	<b>31 December 2008</b>	31 December 2007
Male currently age 40	<b>25.1 years</b>	25.1 years
Female currently age 40	<b>27.9 years</b>	27.9 years
Male currently age 62	<b>23.9 years</b>	23.9 years
Female currently age 62	<b>26.8 years</b>	26.8 years

Amounts recognised in the Consolidated Balance Sheet at 31 December 2008 in respect of defined benefit pension schemes are as follows:

	<b>31 December 2008 \$'000</b>	31 December 2007 \$'000
Present value of benefit obligations	<b>(10,114)</b>	(15,216)
Fair value of plan assets	<b>10,392</b>	15,470
Present value of net plan assets	<b>278</b>	254
Actuarial gains/losses		
Experience adjustments on plan assets	<b>(2,923)</b>	654
Experience adjustments on plan liabilities	-	-
Effects of changes in demographic and financial assumptions underlying the present value of plan liabilities	<b>1,968</b>	4,722
<b>Total Actuarial (loss)/gain in year</b>	<b>(955)</b>	5,376

Cumulative net actuarial gains reported in the Statement of Recognised Income and Expense from the date of transition, 1 June 2004, to 31 December 2008 amounted to \$1.3 million (31 December 2007: net gains of \$2.3 million; 31 December 2006: net loss of \$3.1 million).

Amounts recognised in periodic pension cost in the Group Income Statement during the year ended 31 December 2008 in respect of defined benefit pension schemes were are follows:

	<b>Year ended 31 December 2008 \$'000</b>	Year ended 31 December 2007 \$'000
Current service cost	<b>437</b>	766
Interest cost	<b>854</b>	930
Plan Curtailments	<b>(871)</b>	-
Expected return on plan assets	<b>(1,063)</b>	(928)
<b>Net periodic pension (credit)/cost</b>	<b>(643)</b>	768

The actual return on plan assets amounted to \$1.9 million (2007: \$1.6 million).

## Notes to Group and Company Financial Statements (continued)

### 8. Retirement Benefit Obligations (continued)

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

	<b>Year ended 31 December 2008 \$'000</b>	Year ended 31 December 2007 \$'000
<b>Net asset/(deficit) in scheme at start of year</b>	<b>254</b>	(4,724)
Movement in year		
Current service cost	<b>(437)</b>	(766)
Contributions paid	<b>428</b>	457
Other finance expense, net	<b>211</b>	(2)
Plan Curtailments	<b>871</b>	-
Actuarial (loss)/gain	<b>(955)</b>	5,376
Foreign exchange rate changes	<b>(94)</b>	(87)
<b>Net asset in scheme at end of year</b>	<b>278</b>	254

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

	<b>Year ended 31 December 2008 \$'000</b>	Year ended 31 December 2007 \$'000
<b>Projected benefit obligation at start of year</b>	<b>15,216</b>	17,816
Service cost	<b>437</b>	766
Interest cost	<b>854</b>	930
Plan participants' contributions	<b>207</b>	227
Actuarial loss	<b>(1,968)</b>	(4,722)
Benefits paid	<b>(75)</b>	(50)
Plan curtailments	<b>(871)</b>	-
Foreign exchange rate changes	<b>(3,686)</b>	249
<b>Projected benefit obligation at end of year</b>	<b>10,114</b>	15,216

Changes in the fair value of the plans' assets during the year ended 31 December 2008 were as follows:

	<b>Year ended 31 December 2008 \$'000</b>	Year ended 31 December 2007 \$'000
<b>Fair value of plan assets at start of year</b>	<b>15,470</b>	13,092
Expected return on plan assets	<b>1,063</b>	928
Actuarial (loss)/gain on plan assets	<b>(2,923)</b>	654
Employer contribution	<b>428</b>	457
Plan participants' contributions	<b>209</b>	227
Benefit paid	<b>(75)</b>	(50)
Foreign exchange movements	<b>(3,780)</b>	162
<b>Fair value of plan assets at end of year</b>	<b>10,392</b>	15,470

## Notes to Group and Company Financial Statements (continued)

### 8. Retirement Benefit Obligations (continued)

The fair value of plan assets at 31 December 2008 and 31 December 2007 is analysed as follows:

	<b>31 December 2008 \$'000</b>	31 December 2007 \$'000
Unit funds	<b>10,392</b>	15,470

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 2008 and 31 December 2007 was as follows:

	<b>31 December 2008</b>	31 December 2007
Equities	<b>90%</b>	63%
Bonds	<b>10%</b>	20%
Property	<b>-%</b>	12%
Cash	<b>-%</b>	5%

The assets of the scheme are invested in a unitised with profits policy. The expected long-term rate of return on assets of 6.8% was calculated on the assumption of the following returns for each asset class:

	<b>31 December 2008</b>	31 December 2007
Equities	<b>7.0%</b>	7.6%
Bonds	<b>4.8%</b>	6.0%
Property	<b>6.5%</b>	7.1%
Cash	<b>2.0%</b>	4.8%

The long-term expected return on equities and property has been determined by setting appropriate risk premiums above the yield on UK gilts. A long term equity "risk-premium" of 3.1% per annum has been assumed, this being the expected long-term out-performance of equities over UK gilts. A long term property "risk-premium" of 2.6% per annum has been assumed, this being the expected long-term out-performance of property over UK gilts. The long-term expected return on bonds is determined by reference to UK long dated government and corporate bond yields at the balance sheet date. This represents the iboxx AA 15 year plus return. The long term expected return on cash is determined by reference to bank base rates at the balance sheet date.

## Notes to Group and Company Financial Statements (continued)

### 8. Retirement Benefit Obligations (continued)

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

	31 December 2008 \$'000	31 December 2007 \$'000	31 December 2006 \$'000	31 December 2005 \$'000	31 May 2005 \$'000
Present value of benefit obligations	(10,114)	(15,216)	(17,816)	(13,243)	(11,323)
Fair value of plan assets	10,392	15,470	13,092	8,092	7,354
Present value of net plan assets/(obligations)	278	254	(4,724)	(5,151)	(3,969)
Actuarial gain/(loss) on Asset	1,968	4,722	(1,015)	(1,874)	(1,003)
Actuarial gain/(loss) on Liability	(2,923)	654	639	79	93
Total Actuarial gain/(loss)	(955)	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 for the 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 2009.

### 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 6.0 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.

## Notes to Group and Company Financial Statements (continued)

### 9. Share Options (continued)

An aggregate of 6.0 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 400,000 ordinary shares. No options can be granted after 17 January 2013.

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 28.

On 21 July 2008, the Company adopted the Employee Share Option Plan 2008 (the "2008 Employee Plan") pursuant to which the Compensation Committee of the Company's Board of Directors may grant options to any employee, or any director holding a salaried office or employment with the Company or a Subsidiary for the purchase of ordinary shares. On the same date, the Company also adopted the Consultants Share Option Plan 2008 (the "2008 Consultants Plan"), pursuant to which the Compensation Committee of the Company's Board of Directors may grant options to any consultant, adviser or non-executive director retained by the Company or any Subsidiary for the purchase of ordinary shares.

Each option granted under the 2008 Employees Plan or the 2008 Consultants Plan (together the "2008 Option plans") will be an employee stock option, or NSO, as described in Section 422 or 423 of the Code. Each grant of an option under the 2008 Options Plans 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.

An aggregate of 6.0 million ordinary shares have been reserved under the 2008 Employee Plan as reduced by any shares issued or to be issued pursuant to options granted under the 2008 Consultants Plan under which a limit of 400,000 shares applies. Further, the maximum number of ordinary shares with respect to which options may be granted under the 2008 Employee Option Plan during any calendar year to any employee shall be 400,000 ordinary shares. There is no individual limit under the 2008 Consultants Option Plan. No options may be granted under the plans after 21 July 2018.

On 21 July 2008, the Company adopted the the 2008 Employees Restricted Share Unit Plan (the "2008 RSU Plan") pursuant to which the Compensation Committee of the Company's Board of Directors may select any employee, or any director holding a salaried office or employment with the Company or a Subsidiary to receive an award under the plan. An aggregate of 1.0 million ordinary shares have been reserved for issuance under the 2008 RSU Plan. Awards under the 2008 RSU may be settled in cash or shares.

On 21 July 2008, the Company's shareholders approved a bonus issue of ordinary shares (the "Bonus Issue") to shareholders of record as of the close of business on 8 August 2008 (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, affecting the equivalent of a 2-for-1 stock split. The Bonus shares were issued on 11 August 2008, to Ordinary Shareholders and on 12 August 2008, to holders of American Depositary Shares ("ADSs"). NASDAQ adjusted the trading price of ICON's ADSs to affect the Bonus Issue prior to the opening of trading on 13 August 2008. All outstanding ordinary share and share option amounts referenced in the consolidated financial statements and the notes thereto give effect to the Bonus Issue as if had occurred as of the date referenced.

## Notes to Group and Company Financial Statements (continued)

### 9. Share Options (continued)

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 2008:

	Outstanding		Available to Grant	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
1998 Long Term Incentive Plan	<b>1,298,161</b>	1,771,202	-	651,838
2003 Stock Option Plan	<b>3,924,102</b>	3,204,924	<b>1,117,450</b>	2,266,176
2008 Stock Option Plan	-	-	<b>6,000,000</b>	-
<b>Total</b>	<b>5,222,263</b>	4,976,126	<b>7,177,450</b>	2,918,014

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

The total number of share options outstanding and exercisable at 31 December 2008 is as follows:

	Number of Options *	Weighted Average Exercise Price *
Outstanding at 31 December 2006	4,643,704	\$9.31
Granted	1,251,430	\$21.26
Exercised	(634,784)	\$8.35
Forfeited	(284,224)	\$12.27
Outstanding at 31 December 2007	4,976,126	\$12.27
Granted	1,282,190	\$35.25
Exercised	(847,707)	\$10.05
Forfeited	(188,346)	\$20.45
Outstanding at 31 December 2008	5,222,263	\$17.98
Exercisable at 31 December 2008	1,461,513	\$11.00

\*Comparative figures have been amended to reflect the Bonus Issue which took place with an effective date of August 8, 2008

## Notes to Group and Company Financial Statements (continued)

### 9. Share Options (continued)

At 31 December 2008, the range of exercise prices and weighted average remaining contractual life of outstanding and exercisable options was as follows:

Range Exercise Price \$	Options Outstanding			Options Exercisable		
	Number of Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price \$	Number of Shares	Exercise Price \$	
\$5.32	3,840	0.08	\$5.32	3,840	\$5.32	
\$7.00	238,470	2.08	\$7.00	238,470	\$7.00	
\$7.25	101,780	1.08	\$7.25	101,780	\$7.25	
\$8.60	1,030,910	4.17	\$8.60	245,262	\$8.60	
\$8.88	483,873	3.17	\$8.88	297,121	\$8.88	
\$10.42	60,000	5.08	\$10.42	-	\$10.42	
\$11.00	907,155	5.17	\$11.00	309,183	\$11.00	
\$17.30	24,000	5.67	\$17.30	9,600	\$17.30	
\$18.00	106,000	5.08	\$18.00	34,000	\$18.00	
\$18.98	9,000	7.92	\$18.98	-	\$18.98	
\$21.25	1,033,615	6.17	\$21.25	221,367	\$21.25	
\$21.76	2,450	6.33	\$21.76	490	\$21.76	
\$22.60	2,000	6.67	\$22.60	400	\$22.60	
\$26.27	8,000	7.83	\$26.27	-	\$26.27	
\$35.33	1,182,170	7.17	\$35.33	-	\$35.33	
\$36.05	6,000	7.42	\$36.05	-	\$36.05	
\$36.20	2,000	7.33	\$36.20	-	\$36.20	
\$40.81	20,000	7.58	\$40.81	-	\$40.81	
\$41.25	1,000	7.67	\$41.25	-	\$41.25	
\$5.32-\$41.25	5,222,263	5.23	\$17.98	1,461,513	\$11.00	

The overall weighted average fair value of share options granted by the Company during the year ended 31 December 2008 was \$13.01 based on the following grants:

Grant Date	Number of Shares	Weighted Average Share price
26-Feb-08	1,236,190	\$35.33
2-May-08	2,000	\$36.20
26-May-08	6,000	\$36.04
1-Aug-08	20,000	\$40.81
1-Sep-08	1,000	\$41.25
24-Oct-08	8,000	\$26.27
14-Nov-08	9,000	\$18.98
	1,282,190	\$35.25



## Notes to Group and Company Financial Statements (continued)

### 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 \$8.81 based on the following grants:

Grant Date	Number of Shares	Weighted Average Share price
12-Feb-07	1,246,380	\$21.25
23-Apr-07	2,450	\$21.76
27-Aug-07	2,000	\$22.60
22-Oct-07	600	\$26.89
	1,251,430	\$21.26

The weighted average share price of share options granted by the Company during the year ended 31 December 2008 and 2007 was \$35.25 and \$21.26 respectively.

The fair values of options granted during the year ended 31 December 2008 and the year ended 31 December 2007 were calculated using a binomial option-pricing-model, using the following assumptions:

	Year ended 31 December 2008	Year ended 31 December 2007
Weighted average share price	\$35.25	\$21.26
Weighted average exercise price	\$35.25	\$21.26
Expected volatility (1)	35%	40%
Expected dividend yield	-	-
Risk-free rate	3.3%	4.7%
Rate of forced early exercise	10% p.a.	10% p.a.
Minimum gain for voluntary early exercise	25% of exercise price	25% of exercise price
Rate of voluntary early exercise at minimum gain	60% per annum	60% 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.

On August 7, 2008, the Company issued 6,280 restricted share units to certain employees of the Group. These shares are exercisable over periods ranging from February 26, 2009, to February 26, 2011. The market value of the Company's shares on date of issue was \$41.95.

Operating profit for the year ended 31 December 2008, is stated after charging \$8.7 million in respect of non-cash stock compensation expense. Non-cash stock compensation expense for the year ended 31 December 2008, has been allocated to direct costs and other operating expenses as follows:

	Year Ended 31 December 2008 \$'000	Year Ended 31 December 2007 \$'000
Direct costs	4,767	4,010
Other operating expenses	3,885	3,267
<b>Total compensation costs</b>	<b>8,652</b>	<b>7,277</b>

## Notes to Group and Company Financial Statements (continued)

### 10. Property, Plant and Equipment

Group	Land \$'000	Buildings \$'000	Leasehold improvements \$'000	Computer equipment \$'000	Office furniture & fixtures \$'000	Laboratory equipment \$'000	Motor vehicles \$'000	Total \$'000
<b>Cost</b>								
At 1 January 2008	4,100	62,631	12,843	49,106	40,463	11,179	126	180,448
Additions	-	16,413	4,309	14,208	16,827	7,372	91	59,220
Disposals	-	-	(957)	(267)	(477)	-	(108)	(1,809)
Arising on acquisition	-	-	232	23	24	2,648	14	2,941
Foreign currency adjustment	(250)	(3,482)	(1,367)	(3,207)	(3,789)	(2,617)	(17)	(14,729)
<b>At 31 December 2008</b>	<b>3,850</b>	<b>75,562</b>	<b>15,060</b>	<b>59,863</b>	<b>53,048</b>	<b>18,582</b>	<b>106</b>	<b>226,071</b>
<b>Depreciation</b>								
At 1 January 2008	-	2,498	5,892	31,230	16,135	6,913	97	62,765
Charge for year	-	1,390	3,247	8,146	5,156	1,817	77	19,833
Eliminated on disposal	-	-	(747)	(227)	(271)	-	(83)	(1,328)
Foreign currency adjustment	-	(141)	(471)	(1,875)	(1,850)	(1,007)	(17)	(5,361)
<b>At 31 December 2008</b>	<b>-</b>	<b>3,747</b>	<b>7,921</b>	<b>37,274</b>	<b>19,170</b>	<b>7,723</b>	<b>74</b>	<b>75,909</b>
<b>Net book value</b>								
<b>At 31 December 2008</b>	<b>3,850</b>	<b>71,815</b>	<b>7,139</b>	<b>22,589</b>	<b>33,878</b>	<b>10,859</b>	<b>32</b>	<b>150,162</b>
At 31 December 2007	4,100	60,133	6,951	17,876	24,328	4,266	29	117,683

Total asset cost at 31 December 2008 includes \$1,054,000 (31 December 2007: \$1,043,000) relating to computer equipment held under finance leases. Related accumulated depreciation amounted to \$303,000 (31 December 2007: \$869,000). Building additions for the year ended 31 December 2008 includes \$885,000 interest capitalised. Buildings at cost at 31 December 2007 include \$23.0 million in respect of assets under construction. These assets were completed in 2008. Depreciation expense of \$19.8 million (31 December 2007: \$13.4 million) has been charged in 'other operating expenses' in the income statement.

## Notes to Group and Company Financial Statements (continued)

### 10. Property, Plant and Equipment (continued)

Group	Land \$'000	Buildings \$'000	Leasehold improvements \$'000	Computer equipment \$'000	Office furniture & fixtures \$'000	Laboratory equipment \$'000	Motor vehicles \$'000	Total \$'000
<b>Cost</b>								
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)
Arising on acquisition	-	-	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
<b>At 31 December 2007</b>	<b>4,100</b>	<b>62,631</b>	<b>12,843</b>	<b>49,106</b>	<b>40,463</b>	<b>11,179</b>	<b>126</b>	<b>180,448</b>
<b>Depreciation</b>								
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
<b>At 31 December 2007</b>	<b>-</b>	<b>2,498</b>	<b>5,892</b>	<b>31,230</b>	<b>16,135</b>	<b>6,913</b>	<b>97</b>	<b>62,765</b>
<b>Net book value</b>								
<b>At 31 December 2007</b>	<b>4,100</b>	<b>60,133</b>	<b>6,951</b>	<b>17,876</b>	<b>24,328</b>	<b>4,266</b>	<b>29</b>	<b>117,683</b>
At 31 December 2006	3,580	25,934	1,866	13,167	11,567	3,143	71	59,328

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

## Notes to Group and Company Financial Statements (continued)

### 11. Intangible assets – goodwill and other

Group	Computer Software \$'000	Customer Relationships \$'000	Volunteer List \$'000	Goodwill \$'000	Total \$'000
<b>Cost:</b>					
At 1 January 2007	31,134	-	-	92,726	123,860
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
At 1 January 2008	45,447	2,155	-	137,888	185,490
Additions	12,491	-	-	-	12,491
Arising on acquisition	-	8,940	1,325	55,674	65,939
Foreign exchange movement	(1,688)	(90)	-	(10,209)	(11,987)
<b>31 December 2008</b>	<b>56,250</b>	<b>11,005</b>	<b>1,325</b>	<b>183,353</b>	<b>251,933</b>
<b>Accumulated amortisation:</b>					
At 1 January 2007	22,254	-	-	-	22,254
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 1 January 2008	29,704	360	-	-	30,064
Amortised in the year	6,485	1,220	190	-	7,895
Foreign exchange movement	(1,103)	(64)	-	-	(1,167)
<b>At 31 December 2008</b>	<b>35,086</b>	<b>1,516</b>	<b>190</b>	<b>-</b>	<b>36,792</b>
<b>Net book value</b>					
<b>At 31 December 2008</b>	<b>21,164</b>	<b>9,489</b>	<b>1,135</b>	<b>183,353</b>	<b>215,141</b>
At 31 December 2007	15,743	1,795	-	137,888	155,426

Amortisation of \$7.9 million (31 December 2007: \$5.6 million) is included in 'other operating expenses' in the income statement.

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*.

## Notes to Group and Company Financial Statements (continued)

### 11. Intangible assets – goodwill and other (Continued)

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	Goodwill	
		2008 \$'000	2007 \$'000
Clinical Research –Europe	1	67,331	77,228
Clinical Research - USA	1	116,022	60,660
Clinical Research – ROW	1	-	-
Central Laboratory	1	-	-
	4	183,353	137,888

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 12% (2007: 10%) and an expected growth rate in costs of 8%. At the end of the five year period terminal values for each CGU, based on a price earnings ratio of 12 (2007: 12), are used in the calculations. The cashflows and terminal values are discounted using a discount rate of 12.5% (2007: 11.5%). 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.

### 12. Business Combinations

#### (a) Acquisition of Healthcare Discoveries Inc.

On 11 February 2008, the Company acquired 100% of the common stock of Healthcare Discoveries Inc. ("Healthcare Discoveries") for an initial cash consideration of approximately \$10.9 million, excluding costs of acquisition. Healthcare Discoveries, located in San Antonio, Texas, USA, is engaged in the provision of Phase I clinical trial management services. Certain performance milestones were built into the acquisition agreement requiring payment of additional consideration of up to \$10.0 million if certain performance milestones were achieved during the year ended 31 December 2008. No amounts have been accrued at 31 December 2008, as the performance milestones have not been achieved.

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

	Carrying Amount \$'000	Fair Value Adjustment \$'000	Fair Value \$'000
Property, plant and equipment	327	-	327
Cash	5	-	5
Other current assets	1,174	(599)	575
Current liabilities	(1,684)	(267)	(1,951)
Goodwill	-	9,995	9,995
Intangible assets – customer relationships	-	1,565	1,565
Intangible assets- volunteer list	-	1,325	1,325
Purchase Price			11,841

## Notes to Group and Company Financial Statements (continued)

### 12. Business Combinations (Continued)

	<b>\$'000</b>
Cash Payment	10,866
Acquisition Costs	975
Purchase Price	<u>11,841</u>

Goodwill represents the acquisition of an established workforce with experience in the provision of Phase I clinical trial management services to pharmaceutical and biotechnology companies. The value of certain customer relationships identified are being amortised over a period ranging from approximately 2 to 9 years, the estimated period of benefit. The value of certain volunteer lists identified is being amortised over approximately 6 years, the estimated period of benefit.

The acquisition of Healthcare Discoveries, if completed on 1 January 2008 would have resulted in turnover and profit for the fiscal year ended 31 December 2008 as follows:

	<b>\$'000</b>
Turnover	865,723
Profit for the year	<u>63,871</u>

#### (b) Acquisition of Prevalere Life Sciences Inc.

On 14 November 2008, the Company acquired 100% of the common stock of Prevalere Life Sciences Inc. ("Prevalere"), for an initial cash consideration of \$36.8 million, excluding costs of acquisition. Prevalere, located in Whitesboro, New York, is a leading provider of bioanalytical and immunoassay services to pharmaceutical and biotechnology companies. Certain performance milestones were built into the acquisition agreement requiring potential additional consideration of up to \$8.2 million if certain performance milestones are achieved during the years ended 31 December 2008 and 2009. Additional consideration of \$5.0 million has been accrued at 31 December 2008, in respect of the performance milestones for the year ended 31 December 2008. No amounts have been accrued for additional consideration potentially payable in respect of the performance milestones for the year ended 31 December 2009.

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

	<b>Carrying Amount \$'000</b>	<b>Fair Value Adjustment \$'000</b>	<b>Fair Value \$'000</b>
Property, plant and equipment	2,614	-	2,614
Cash	544	-	544
Other current assets	6,503	(670)	5,833
Deferred tax liability	-	(922)	(922)
Current liabilities	(1,655)	(250)	(1,905)
Goodwill	-	29,086	29,086
Intangible assets- customer relationships	-	7,375	7,375
Purchase Price			<u>42,625</u>
			<b>\$'000</b>
Cash payment			36,805
Accrued consideration			5,000
Acquisition costs			820
Purchase Price			<u>\$42,625</u>

## Notes to Group and Company Financial Statements (continued)

### 12. Business Combinations (Continued)

Goodwill represents the acquisition of an established workforce with experience in the provision of bioanalytical and immunoassay services to pharmaceutical and biotechnology companies and allows ICON to participate in a growing market for these services. The value of certain customer relationships identified are being amortised over periods ranging from approximately 7 to 11 years, the estimated period of the benefit.

The acquisition of Prevalere, if completed on 1 January 2008 would have resulted in turnover and profit for the fiscal year ended 31 December 2008 as follows:

	<b>\$'000</b>
Turnover	879,940
Profit for the year	70,282

#### **(c) Acquisition of remaining 30% interest in Beacon Biosciences Inc.**

On 1 July 2004, the Company acquired 70% of the common stock of Beacon Biosciences Inc. ("Beacon"), a leading specialist CRO, which provides a range of medical imaging services to the pharmaceutical, biotechnology and medical device industries, for an initial cash consideration of \$9.9 million, excluding costs of acquisition. On 31 December 2008, the remaining 30% of the common stock was acquired by the Company for \$17.4 million, excluding costs of acquisition. Certain performance milestones were built into the acquisition agreement for the remaining 30% of Beacon requiring potential additional consideration of up to \$3.0 million if these milestones are achieved during the year ended 31 December 2009. At 31 December 2008, no amounts have been accrued in respect of the additional consideration payable.

The excess of consideration paid of \$17.8 million, including costs of acquisition, over the carrying value of minority interest of \$1.5 million, has been recorded as goodwill of \$16.3 million. Goodwill represents the acquisition of the minority interest in the net assets of Beacon.

The acquisition of the remaining 30% in Beacon Bioscience Inc., if completed on 1 January 2008, would have had no impact on turnover. The proforma effect on profit for the fiscal year ended 31 December 2008 would have been as follows:

	<b>\$'000</b>
Profit for the year	64,676

#### **(d) 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.

## Notes to Group and Company Financial Statements (continued)

### 12. Business Combinations (Continued)

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

	<b>Carrying Amount \$'000</b>	<b>Fair Value Adjustment \$'000</b>	<b>Fair Value \$'000</b>
Property, plant and equipment	609	-	609
Other current assets	7,145	-	7,145
Bank overdraft	(2,400)	-	(2,400)
Current liabilities	(9,510)	-	(9,510)
Deferred taxation	-	501	501
Intangible assets – computer software	375	-	375
Intangible assets – customer relationships	-	2,035	2,035
Goodwill	-	42,395	42,395
<b>Purchase Price</b>			<b>41,150</b>
			<b>\$'000</b>
Cash payment			40,568
Acquisition costs			582
<b>Purchase Price</b>			<b>41,150</b>

Goodwill represents the geographical presence afforded to the Group in the European staffing market and the acquisition of an established workforce in the eight countries in which DOCS International operates. The value of certain customer relationships identified is being amortised over approximately 3 years, the estimated period of the benefit.

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:

	<b>\$'000</b>
Turnover	645,527
Profit for the year	56,245

### 13. Other non-current assets

	<b>31 December 2008 \$'000</b>	31 December 2007 \$'000
Lease prepayments	<b>6,482</b>	6,634

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.



## Notes to Group and Company Financial Statements (continued)

### 14. Inventories

	<b>31 December 2008 \$'000</b>	31 December 2007 \$'000
Laboratory inventories	<b>3,357</b>	2,591

The cost of inventories is recognised as an expense and included in direct costs in the income statement. \$20.5 million (2007:\$15.5 million) was charged in the income statement for the year ended 31 December 2008.

### 15. Accounts receivable

	<b>31 December 2008 \$'000</b>	31 December 2007 \$'000
Accounts receivable	<b>218,009</b>	130,184
Less amounts provided for doubtful debts	<b>(7,474)</b>	(319)
Accounts receivable, net	<b>210,535</b>	129,865

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

	<b>31 December 2008 \$'000</b>	31 December 2007 \$'000
<b>Accounts receivable impairment provision:</b>		
Balance at start of year	<b>319</b>	238
Amounts used during the year	<b>(199)</b>	(664)
Additional amounts provided during the year	<b>7,354</b>	745
Balance at end of year	<b>7,474</b>	319

All receivables are due within twelve months of the balance sheet date.

A provision for impairment is recognised where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. At 31 December 2008, the Group recognised impairment provisions in respect of amounts due from certain biotechnology clients who do not derive revenues from the sale of their own product lines and are dependent on external funding and investment to support their research activities.

## Notes to Group and Company Financial Statements (continued)

### 15. Accounts receivable (Continued)

The carrying amounts of the Group's accounts receivables are denominated in the following currencies:

	<b>31 December 2008</b>	31 December 2007
	<b>\$'000</b>	\$'000
Currency		
US Dollar	<b>143,219</b>	76,602
Euro	<b>55,009</b>	40,087
Sterling	<b>10,060</b>	9,405
Other Currencies	<b>2,247</b>	3,771
	<b>210,535</b>	129,865

### 16. Other current assets

	<b>31 December 2008</b>	31 December 2007
	<b>\$'000</b>	\$'000
Prepayments	<b>16,672</b>	9,364
Other receivables	<b>10,918</b>	5,917
Retirement benefit net plan assets	<b>278</b>	254
Total	<b>27,868</b>	15,535

Other current assets do not contain any impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each receivable. The Group does not hold any collateral as security.

### 17. Current asset investments

	<b>31 December 2008</b>	31 December 2007
	<b>\$'000</b>	\$'000
At start of year	<b>41,752</b>	39,822
Additions	<b>15,000</b>	16,754
Disposals	<b>(14,026)</b>	(14,824)
At end of year	<b>42,726</b>	41,752

The Company invests surplus cash balances in floating rate and medium term minimum "AA-" rated corporate securities. The investments are reported at fair value, with unrealized gains or losses reported in shareholders' equity. In the years ended 31 December 2007 and 31 December 2008, no unrealized gains or losses arose. Any differences between the cost and fair value of the investments are represented by accrued interest.

## Notes to Group and Company Financial Statements (continued)

### 18. Cash and cash equivalents

	<b>31 December 2008 \$'000</b>	31 December 2007 \$'000
Cash at bank and in hand	<b>36,399</b>	71,741
Short term deposits	<b>21,979</b>	5,140
Cash and cash equivalents	<b>58,378</b>	76,881

### 19. Accrued and other liabilities

	<b>31 December 2008 \$'000</b>	31 December 2007 \$'000
<b>Non-current other liabilities:</b>		
Deferred government grants (note 20)	<b>1,386</b>	1,179
Finance lease obligations	<b>470</b>	49
Other non current liabilities	<b>1,410</b>	1,394
Total	<b>3,266</b>	2,622

	<b>31 December 2008 \$'000</b>	31 December 2007 \$'000
<b>Current accrued and other liabilities:</b>		
Accrued liabilities	<b>44,082</b>	27,936
Accrued employee bonus	<b>51,647</b>	36,341
Accrued social welfare cost	<b>8,757</b>	3,961
Lease accruals	<b>2,508</b>	2,257
Deferred government grants (note 20)	<b>144</b>	125
Finance lease obligations	<b>263</b>	121
Acquisition consideration payable	<b>22,400</b>	-
Total	<b>129,801</b>	70,741

### 20. Deferred government grants

	<b>31 December 2008 \$'000</b>	31 December 2007 \$'000
At beginning of year	<b>1,304</b>	1,288
Amortised during the year	<b>(126)</b>	(117)
Foreign exchange movement	<b>352</b>	133
At end of year	<b>1,530</b>	1,304
Current	<b>144</b>	125
Non-current	<b>1,386</b>	1,179

## Notes to Group and Company Financial Statements (continued)

### 21. Bank credit lines and loan facilities

	<b>31 December 2008 \$'000</b>	31 December 2007 \$'000
Current maturities	<b>40,193</b>	43,767
Non-current maturities	<b>65,186</b>	51,062
	<hr/>	<hr/>
Total bank credit lines and loan facilities	<b>105,379</b>	94,829

On 9 July 2007, ICON plc entered into a five year committed multi-currency facility agreement for €35 million (\$48.9 million) with The Governor and Company of the Bank of Ireland. Obligations under the facility are secured by certain composite guarantees and indemnities and pledges in favour of the bank. The facility bears interest at an annual rate equal to the EURIBOR plus a margin. On 10 July 2007, the Company drew down €29.5 million (\$41.2 million) of the facility to fund the acquisition of DOCS International. On 15 October 2007, the remaining €5.5 million (\$7.7 million) of the facility was drawn down to fund expenditure on the expansion of the Company's facility in Dublin, Republic of Ireland.

On 2 January 2009, an additional four year committed credit facility was negotiated with The Governor and Company of the Bank of Ireland for \$25 million. The facility bears interest at LIBOR plus a margin and is secured by certain composite guarantees, indemnities and pledges in favour of the bank.

On 17 October 2007, a credit facility was negotiated with Allied Irish Banks plc for €30 million (\$41.9 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 (\$69.9 million). All terms of this facility remain the same. The facility is due to be reviewed on October 31, 2010.

On 22 December 2008, committed credit facilities were negotiated with Allied Irish Bank plc for \$75 million. The facilities comprise a one year Euro facility of approximately €20 million (\$28.0 million), with the balance comprising a three year US dollar facility. The Euro facility bears interest at EURIBOR plus a margin and the US dollar facility bears interest at LIBOR plus a margin. Both facilities are secured by certain composite guarantees and pledges in favour of the bank. These facilities replace the uncommitted facilities negotiated on January 8, 2008. \$28.4 million of these facilities were used to fund the acquisition of Prevalere with the remaining balance used to refinance the previous drawn uncommitted facilities.

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. \$12.0 million of this facility was drawn down in February 2008, primarily to fund the acquisition of Healthcare Discoveries. On 30 September 2008, the \$12.0 million previously drawn down was repaid in full.

The average margin payable on the above mentioned facilities is 1.70 per cent.

The carrying amount of the Group's borrowings are denominated in the following currencies

	<b>31 December 2008 \$'000</b>	31 December 2007 \$'000
Currency		
Euro	<b>76,890</b>	94,829
US Dollar	<b>28,489</b>	-
	<hr/>	<hr/>
	<b>105,379</b>	94,829

## Notes to Group and Company Financial Statements (continued)

### 22. Share capital

#### Group and Company

#### Authorised share capital:

#### No. of Ordinary Shares

Ordinary shares of par value €0.06		100,000,000
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	<b>31 December</b>	31 December
	<b>2008</b>	2007
	<b>\$'000</b>	\$'000

#### Allotted, called up and fully paid

58,518,195 (31 December 2007: 57,670,488) ordinary shares of €0.06 each	<b>4,921</b>	2,127
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On 21 July 2008, the Company's shareholders approved an increase in the Company's authorised share capital from 40 million ordinary shares of par value €0.06 to 100 million ordinary shares of par value €0.06.

	<b>31 December</b>	31 December
	<b>2008</b>	2007
	<b>\$'000</b>	\$'000

#### Issued, fully paid share capital

At beginning of year	<b>2,127</b>	2,100
Bonus issue	<b>2,752</b>	-
Employee share options exercised	<b>42</b>	27
At end of year	<b>4,921</b>	2,127

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 2008, 847,707 options were exercised by employees for total proceeds of \$8.5 million. During the year ended 31 December 2007, 634,784 options were exercised by employees for total proceeds of \$5.3 million.

On 21 July 2008, the Company's shareholders approved a bonus issue of ordinary shares (the "Bonus Issue") to shareholders of record as of the close of business on 8 August 2008 (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, affecting the equivalent of a 2-for-1 stock split. The Bonus shares were issued on August 11, 2008, to Ordinary Shareholders and on 12 August 2008, to holders of American Depository Shares ("ADSs"). NASDAQ adjusted the trading price of ICON's ADSs to affect the Bonus Issue prior to the opening of trading on 13 August 2008. All outstanding ordinary share and share 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 had occurred as of the date referenced.

## Notes to Group and Company Financial Statements (continued)

### 23. Capital and reserves

	Number of shares	Share Capital \$'000	Share Premium \$'000	Options Reserve \$'000	Other Reserves \$'000	Currency Reserve \$'000	Retained Earnings \$'000	Total \$'000	Minority Interest \$'000	Total \$'000
Balance at 1 January 2007	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
Recognised income and expense:										
Net income	-	-	-	-	-	-	64,483	64,483	193	64,676
Foreign currency translation	-	-	-	-	-	(27,606)	-	(27,606)	-	(27,606)
Employee benefits	-	-	-	-	-	-	(955)	(955)	-	(955)
Foreign exchange on long term loans settled	-	-	-	-	-	9,590	-	9,590	-	9,590
Total recognised income and expense	-	-	-	-	-	(18,016)	63,528	45,512	193	45,705
Share-based payment	-	-	-	8,652	-	-	-	8,652	-	8,652
Exercise of share options pre bonus issue	382,118	35	7,188	-	-	-	-	7,223	-	7,223
Bonus issue	29,217,362	2,752	(2,752)	-	-	-	-	-	-	-
Exercise of share options pre bonus issue	83,471	7	1,286	-	-	-	-	1,293	-	1,293
Share issue costs	-	-	(138)	-	-	-	-	(138)	-	(138)
Transfer of exercised and expired share-based awards	-	-	-	(9,065)	-	-	9,065	-	-	-
Tax benefits on exercise of options	-	-	-	(4,811)	-	-	-	(4,811)	-	(4,811)
Minority Interest acquired	-	-	-	-	-	-	-	-	(1,502)	(1,502)
Balance at 31 December 2008	58,518,195	4,921	138,227	28,123	7,422	1,280	294,153	474,126	-	474,126

# Notes to Group and Company Financial Statements (continued)

## 23. Reserves (continued)

### Reserve Descriptions

#### Other Reserves

The Group has recognised a non-distributable reserve of \$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 \$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 2008, the Group has recognised a cumulative charge for share-based payments of \$28.2 million net of deferred tax (2007: \$19.5 million). The Group has also recognised a cumulative credit of \$8.9 million (2007: \$13.8 million) in reserves for the current and deferred tax effects of the realised 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 2008 the Group recognised an actuarial loss of \$1.0 million on the defined benefit pension scheme (31 December 2007: actuarial gain of \$5.4 million).

## 24. 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
- interest rate 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.

## Notes to Group and Company Financial Statements (continued)

### 24. 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. During the years ended 31 December 2008 and 31 December 2007, the entire portfolio comprised of US dollar denominated investments.

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. The Group believes it does not have significant concentration of credit risk at the balance sheet date. During the year ended 31 December 2008, revenue was derived from approximately 400 clients, including all of the top 20 pharmaceutical companies as ranked by 2007 revenue. During the year ended 31 December 2008, approximately 29% of turnover was derived from the Group's top five clients, while the top five clients accounted for 30% of turnover during the year ended 31 December 2007. No one client accounted for more than 10% of turnover during the years ended 31 December 2008 and 31 December 2007.

A provision for impairment is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to original terms of the receivable. 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 70 days at 31 December 2008 and 66 days at 31 December 2007.

During the year ended 31 December 2008 the Group earned turnover from small biotechnology companies who do not earn revenues from the sale of their own product lines and are dependent upon external funding and investment to support their research activities. A review of balances owing from such clients was performed at 31 December 2008 and an impairment provision of \$4.3 million recognised.

Details of the Group's accounts receivable balances as at 31 December 2008, including impairment losses thereon, are set out in note 15.

The maximum exposure to credit risk for accounts receivable and unbilled revenue at the reporting date was their carrying value. The carrying value of accounts receivable and unbilled revenue by geographic region at 31 December 2008 was as follows:

	<b>Accounts Receivable</b>		<b>Unbilled Revenue</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Europe	<b>78,613</b>	45,474	<b>51,472</b>	52,813
United States	<b>128,298</b>	79,684	<b>86,033</b>	82,466
Rest of World	<b>3,624</b>	4,707	<b>4,222</b>	9,382
<b>Total</b>	<b>210,535</b>	129,865	<b>141,727</b>	144,661

Foreign exchange gains and losses recognised on the above balances are recognised in other operating expenses with the exception of foreign exchange gains on bank credit lines and loan facilities which are recorded in finance income.



## Notes to Group and Company Financial Statements (continued)

### 24. Financial Instruments (continued)

The carrying value of accounts receivable and unbilled revenue by type of customer at 31 December 2008 was as follows:

	Accounts Receivable		Unbilled Revenue	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Clinical research	180,718	113,184	140,875	143,809
Central laboratory	29,817	16,681	852	852
<b>Total</b>	<b>210,535</b>	<b>129,865</b>	<b>141,727</b>	<b>144,661</b>

#### 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 manages liquidity risk by maintaining adequate credit facilities in place and headroom on its banking facilities and by continuously monitoring forecast and actual cash. The Group was in compliance with all loan agreement terms throughout the period.

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 2008

	Carrying Amount \$'000	Contractual Cashflows \$'000	6 mths or less \$'000	6-12 mths \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
Bank credit lines and loan facilities	(105,379)	(112,799)	(42,204)	(1,638)	(55,046)	(14,529)	-
Finance lease liabilities	(733)	(779)	(146)	(146)	(327)	(160)	-
Accounts payable	(17,505)	(17,505)	(17,505)	-	-	-	-
Other liabilities	(130,804)	(130,804)	(129,394)	-	(1,410)	-	-
	<b>(254,421)</b>	<b>(261,887)</b>	<b>(189,249)</b>	<b>(1,784)</b>	<b>(56,783)</b>	<b>(14,689)</b>	<b>-</b>

#### 31 December 2007

	Carrying Amount \$'000	Contractual Cashflows \$'000	6 mths or less \$'000	6-12 mths \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
Bank credit lines and loan facilities	(94,829)	(100,181)	(44,875)	(1,108)	(14,068)	(40,128)	-
Finance lease liabilities	(170)	(199)	(69)	(69)	(33)	(28)	-
Accounts payable	(13,459)	(13,459)	(13,459)	-	-	-	-
Other liabilities	(71,889)	(71,889)	(70,495)	-	(1,394)	-	-
	<b>(180,347)</b>	<b>(185,728)</b>	<b>(128,898)</b>	<b>(1,177)</b>	<b>(15,495)</b>	<b>(40,156)</b>	<b>-</b>

Details of the Group's borrowings are set out in note 21 to the Group financial statements.

## Notes to Group and Company Financial Statements (continued)

### 24. Financial Instruments (continued)

#### 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 2008 and 31 December 2007.

#### 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, when appropriate, hedges a portion of these, using forward exchange contracts, where they are not covered by natural hedges. In addition, we usually negotiate currency fluctuation clauses in our contracts which allow for price negotiation if certain exchange rate triggers occur.

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

	<b>Accounts Receivable</b>	<b>Unbilled Revenue</b>	<b>Cash and Cash Equivalents</b>	<b>Bank Credit Lines and Loan Facilities</b>	<b>Total Transaction Risk</b>
	<b>2008</b>	<b>2008</b>	<b>2008</b>	<b>2008</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
U.S. Dollar	20,941	11,795	1,114	(28,489)	5,361
Sterling	5,577	8,829	2,473	-	16,879
Euro	5,002	12,704	972	-	18,678
Other	1,020	1,660	(246)	-	2,434
<b>Total</b>	<b>32,540</b>	<b>34,988</b>	<b>4,313</b>	<b>(28,489)</b>	<b>43,352</b>

## Notes to Group and Company Financial Statements (continued)

### 24. Financial Instruments (continued)

	<b>Accounts Receivable 2007 \$'000</b>	<b>Unbilled Revenue 2007 \$'000</b>	<b>Cash and Cash Equivalents 2007 \$'000</b>	<b>Bank Credit Lines and Loan Facilities 2007 \$'000</b>	<b>Total Transaction Risk 2007 \$'000</b>
U.S. Dollar	10,625	17,558	2,215	-	30,398
Sterling	2,536	13,226	335	-	16,097
Euro	11,103	3,689	614	-	15,406
Other	1,067	3,404	9	-	4,480
<b>Total</b>	<b>25,331</b>	<b>37,877</b>	<b>3,173</b>	<b>-</b>	<b>66,381</b>

The following significant exchange rates applied during the year:

	<b>Average Rate</b>		<b>Closing Rate</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
Euro	<b>1.47688</b>	1.37397	<b>1.39800</b>	1.45890
Pound Sterling	<b>1.88552</b>	1.99507	<b>1.46280</b>	1.98517

The Group believes that a 10% strengthening or weakening of the US Dollar against the Euro and Sterling from the 31 December 2008 rates based on the underlying currencies as per the above table would have increased profit and equity by \$4.3 million or decreased profit and equity by \$4.3 million (31 December 2007 \$0.5 million). This analysis assumes that all other variables remain constant.

#### 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 2008, the Group had borrowings totalling \$105.4 million, all at floating rates of interest. Details of the Group's borrowings are set out in note 21 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.

## Notes to Group and Company Financial Statements (continued)

### 24. Financial Instruments (continued)

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

	Interest Income		Interest Expense	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
As Reported	<b>4,004</b>	5,069	<b>(4,959)</b>	(2,333)
Effect of change in market interest rate on profit and equity				
1% Increase	<b>4,946</b>	6,255	<b>(6,013)</b>	(2,717)
1% Decrease	<b>2,924</b>	3,883	<b>(3,905)</b>	(1,949)

This analysis assumes that all other variables remain constant.

### 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 2008		31 December 2007	
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Accounts receivable	<b>210,535</b>	<b>210,535</b>	129,865	129,865
Unbilled revenue	<b>141,727</b>	<b>141,727</b>	144,661	144,661
Current asset investments	<b>42,726</b>	<b>42,726</b>	41,752	41,752
Cash and cash equivalents	<b>58,378</b>	<b>58,378</b>	76,881	76,881
Other receivables	<b>16,554</b>	<b>16,554</b>	12,551	12,551
	<b>469,920</b>	<b>469,920</b>	405,710	405,710
Accounts payable	<b>(17,505)</b>	<b>(17,505)</b>	(13,459)	(13,459)
Finance lease liabilities	<b>(733)</b>	<b>(733)</b>	(170)	(170)
Bank credit lines and loan facilities	<b>(105,379)</b>	<b>(105,698)</b>	(94,829)	(94,829)
Other liabilities	<b>(108,762)</b>	<b>(108,762)</b>	(71,889)	(71,889)
	<b>232,379</b>	<b>232,698</b>	180,347	180,347

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. The carrying value of bank credit lines and loan facilities and finance lease obligations at 31 December 2008 was approximate to their fair value.

## Notes to Group and Company Financial Statements (continued)

### 24. Financial Instruments (continued)

#### Capital management

The Group's objectives when managing capital are to safeguard its 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.

The Group has financed its operations and growth since inception 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 net borrowings of \$105.4 million. The Group may issue further shares or raise additional debt in order to maintain its optimum capital structure.

At 31 December 2008 the Group's capital structure comprises debt, including bank credit lines and loan facilities and finance lease obligations, current asset investments, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 23.

Total capital at 31 December 2008 comprised of the following:

	<b>31 December 2008 \$'000</b>	31 December 2007 \$'000
Bank credit lines and loan facilities (note 21)	<b>(105,379)</b>	(94,829)
Finance lease obligations (note 25)	<b>(733)</b>	(170)
Cash and cash equivalents (note 18)	<b>58,378</b>	76,881
Current asset investments (note 17)	<b>42,726</b>	41,752
Net (debt)/cash	<b>(5,008)</b>	23,634
Shareholders Equity	<b>474,126</b>	416,395
Total Capital	<b>469,118</b>	440,029

The Group's gearing ratio at 31 December 2008 was 22.4% (2007: 22.8%).

## Notes to Group and Company Financial Statements (continued)

### 25. 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 expensed \$45.6 million for the year ended 31 December 2008 and \$35.8 million for the year ended 31 December 2007. Future minimum rental commitments for operating leases with non-cancellable terms are as follows:

	<b>31 December 2008 \$'000</b>	31 December 2007 \$'000
Less than one year	<b>38,227</b>	37,370
Between one and two years	<b>33,928</b>	31,194
Between two and three years	<b>26,617</b>	27,079
Between three and four years	<b>21,995</b>	20,528
Between four and five years	<b>18,216</b>	18,603
More than five years	<b>29,657</b>	50,296
<b>Total</b>	<b>168,640</b>	185,070

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

	<b>31 December 2008 \$'000</b>	31 December 2007 \$'000
Less than one year	<b>292</b>	137
Between one and five years	<b>487</b>	62
More than five years	-	-
Total gross payment	<b>779</b>	199
Less future finance charges	<b>(46)</b>	(29)
<b>Total</b>	<b>733</b>	170

Property, plant and equipment at 31 December 2008 includes assets acquired under finance leases with an original cost of \$1,054,000 and related accumulated depreciation of \$303,000. Property, plant and equipment at 31 December 2007 included assets acquired under finance leases with an original cost of \$1,043,000 and related depreciation of \$869,000.

## Notes to Group and Company Financial Statements (continued)

### 26. 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 2008:

	<b>31 December 2008 \$'000</b>	31 December 2007 \$'000
Contracted for	<b>6,975</b>	35,337
Not-contracted for	<b>8,324</b>	5,478
<b>Total</b>	<b>15,299</b>	40,815

#### (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 the Section 5 (c) (ii) of the Companies (Amendment) Act, 1986 in respect of the financial year ending 31 December 2008 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 2008:

	<b>Payments due by period</b>				
	<b>Total</b>	<b>Less than 1 year</b>	<b>1 to 3 years</b>	<b>3-5 years</b>	<b>More than 5 years</b>
	<b>\$in millions</b>				
Finance lease obligations	0.7	0.3	0.4	-	-
Bank credit lines and facilities	105.4	40.2	53.0	12.2	-
Operating lease commitments	168.6	38.2	60.5	40.2	29.7
Capital commitments	15.3	15.3	-	-	-
<b>Total</b>	<b>290.0</b>	<b>94.0</b>	<b>113.9</b>	<b>52.4</b>	<b>29.7</b>

## Notes to Group and Company Financial Statements (continued)

### 26. Commitments and contingencies (continued)

The Group expects to spend approximately \$50 million in fiscal 2009 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.

### 27. 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.

### 28. Related Parties

#### (i) Transactions with Directors and Executive Officers

The total compensation of the Directors and Executive Officers (Key Management Remuneration) for the years ended 31 December 2008 and 2007 was as follows:

	<b>Year ended 31 December 2008 \$'000</b>	Year ended 31 December 2007 \$'000
Salary and fees	<b>2,332</b>	1,950
Bonus	<b>1,267</b>	872
Other benefits	<b>297</b>	567
Pension contributions	<b>186</b>	160
Share-based-payment*	<b>620</b>	620
Total	<b>4,702</b>	4,169

On 27 May 2008, 6,000 share options, with an exercise price of \$36.04, were granted to the newly appointed Director of the Company, Professor Dermot Kelleher. These options will vest between 2009 and 2016.

On 26 February 2008, 48,000 share options, with an exercise price of \$35.33, were granted to the Directors and Executive Officers of the Company. These options vest between 2009 and 2016.

On 16 February 2007, 58,000 share options, with an exercise price of \$21.25, were granted to the Directors and Executive Officers of the Company. These options will vest between 2008 and 2015.



# Notes to Group and Company Financial Statements (continued)

## 28. Related Parties (continued)

### (ii) Other Related Party Transactions

As at 31 December 2008, Amarin Investment Holding Limited (a company controlled by Mr. Thomas Lynch), and Sunninghill Limited (a company controlled by Dr. John Climax) held 1.1 million and 1.5 million shares respectively in Amarin. These respective holdings equate to approximately 3.97% and 5.42% respectively, of Amarin's issued share capital. Thomas Lynch also serves as Chairman and Chief Executive Officer of Amarin. 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 2008, the Company recognized \$0.2 million of revenue relating to the Amarin contract. At 31 December 2008, \$0.3 million was outstanding to be received from Amarin on this trial.

As at 31 December 2008, Dr. John Climax and Dr. Ronan Lambe held 3.05% and 2.94% 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. Prior to July 2008 Dr. Climax also served 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 plc, in consulting and clinical trial related activities. During the year ended December 31, 2008, the Company recognized \$0.1 million relating to the NuPathe contract. There were no amounts outstanding as at 31 December 2008.

Mr. Edward Roberts has served as Chairman of Merz GmbH since 2003. Merz is an independent German pharmaceutical company focused on the development of drugs for the treatment of illnesses in the fields of neurology and psychiatry. ICON Clinical Research Limited, a wholly owned subsidiary of ICON plc, has entered into a number of contracts with Merz, for the provision of consulting and clinical trial related activities. The total potential value of these contracts is \$44.1 million. During the prior year ended 31 December 2008, ICON recognized a total of \$7.6 million of revenue in relation to these activities. There were no amounts outstanding as at 31 December 2008.

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 holding in Encysive was less than 0.1% of the issued share capital. During the year ending 31 December 2003, Encysive engaged ICON Clinical Research Limited (a wholly owned subsidiary of ICON), in consulting and clinical trial related activities. During the prior year ended 31 December 2007, ICON recognized a total of \$0.1 million of revenue in relation to these activities. No revenue was earned from these activities during the year ended 31 December 2008.

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. 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. During September 2004, AGI engaged ICON Clinical Research Limited (a wholly owned subsidiary of ICON), in consulting and clinical trial related activities. The total value of this study was \$2.8 million. No revenue was recognized during the years ended 31 December 2007 and 31 December 2008. There were no amounts outstanding as at 31 December 2007 and 31 December 2008.

## 29. Post Balance Sheet Events

On January 2, 2009, an additional four year committed credit facility was negotiated with The Governor and Company of the Bank of Ireland for \$25 million. The facility bears interest at LIBOR plus a margin and is secured by certain composite guarantees, indemnities and pledges in favour of the bank.

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

## Notes to Group and Company Financial Statements (continued)

### 30. Notes to the Company financial statements

#### (a) Property, Plant and Equipment

	Leasehold improvements \$'000	Computer equipment \$'000	Office furniture & fixtures \$'000	Total \$'000
<b>Cost</b>				
At 1 January 2008	326	756	912	1,994
Additions	7	375	727	1,109
Foreign currency adjustment	(38)	(115)	(174)	(327)
<b>At 31 December 2008</b>	<b>295</b>	<b>1,016</b>	<b>1,465</b>	<b>2,776</b>
<b>Depreciation</b>				
At 1 January 2008	15	297	127	439
Charge for year	55	244	196	495
Eliminated on Disposals	-	-	-	-
Foreign currency adjustment	(8)	(47)	(30)	(85)
<b>At 31 December 2008</b>	<b>62</b>	<b>494</b>	<b>293</b>	<b>849</b>
<b>Net book value</b>				
<b>At 31 December 2008</b>	<b>233</b>	<b>522</b>	<b>1,172</b>	<b>1,927</b>
At 31 December 2007	311	459	785	1,555
<b>Cost</b>				
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
<b>At 31 December 2007</b>	<b>326</b>	<b>756</b>	<b>912</b>	<b>1,994</b>
<b>Depreciation</b>				
At 1 January 2007	93	5,245	1,612	6,950
Charge for year	14	158	91	263
Transfers to group company	(93)	(5,132)	(1,585)	(6,810)
Foreign currency adjustment	1	26	9	36
<b>At 31 December 2007</b>	<b>15</b>	<b>297</b>	<b>127</b>	<b>439</b>
<b>Net book value</b>				
<b>At 31 December 2007</b>	<b>311</b>	<b>459</b>	<b>785</b>	<b>1,555</b>
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 at their net book value, together with associated capital grants, to another group company.

## Notes to Group and Company Financial Statements (continued)

### 30. Notes to the Company financial statements (continued)

#### (b) Intangible assets

	<b>Computer Software \$'000</b>
<b>Cost:</b>	
At 1 January 2007	20,804
Additions	20
Transfers to group company	(20,776)
Foreign exchange movement	5
At 31 December 2007	53
Additions	34
Foreign exchange movement	(9)
<b>At 31 December 2008</b>	<b>78</b>
<b>Accumulated amortisation:</b>	
At 1 January 2007	16,442
Charge for the year	8
Transfers to group company	(16,436)
Foreign exchange movement	3
At 31 December 2007	17
Arising during the year	18
Foreign exchange movement	(2)
<b>At 31 December 2008</b>	<b>33</b>
<b>Net book value:</b>	
<b>At 31 December 2008</b>	<b>45</b>
At 31 December 2007	36

## Notes to Group and Company Financial Statements (continued)

### 30. Notes to the Company financial statements (continued)

#### (c) Investment in subsidiaries

	Investment in Subsidiary Undertakings \$'000	Long Term Advances to Subsidiary Undertakings \$'000	Total \$'000
<b>Cost:</b>			
At 1 January 2007	69,663	117,923	187,586
Additions	27,446	95,935	123,381
Imputed interest on long term intercompany loans	-	3,240	3,240
Deferred tax on imputed interest	(4,416)	-	(4,416)
Share based payments	6,549	-	6,549
Foreign exchange movement	4,492	19,054	23,546
<b>At 31 December 2007</b>	<b>103,734</b>	<b>236,152</b>	<b>339,886</b>
Additions	172,639	-	172,639
Disposals	(39,800)	(253,401)	(293,201)
Capital contribution to subsidiaries	11,805	67,412	79,217
Imputed interest on long term intercompany loans	-	1,888	1,888
Share based payments	7,873	-	7,873
Foreign exchange movement	8,283	18,855	27,138
<b>At 31 December 2008</b>	<b>264,534</b>	<b>70,906</b>	<b>335,440</b>

#### (d) Deferred taxation

The net deferred tax asset at 31 December 2008 was as follows:

	31 December 2008 \$'000	31 December 2007 \$'000
<b>Deferred taxation liabilities:</b>		
Property, plant and equipment	-	-
Goodwill and related assets	-	-
Accruals to cash method adjustment	-	-
<b>Total deferred taxation liabilities</b>	<b>-</b>	<b>-</b>
<b>Deferred taxation assets:</b>		
Net operating losses carried forward	-	-
Accrued expenses and payments on account	123	491
Property, plant and equipment	102	102
Deferred compensation expense	-	-
Loans to subsidiaries	1,451	4,416
Other	-	-
<b>Total deferred taxation assets</b>	<b>1,676</b>	<b>5,009</b>
<b>Net deferred taxation asset</b>	<b>1,676</b>	<b>5,009</b>

## Notes to Group and Company Financial Statements (continued)

### 30. Notes to the Company financial statements (continued)

#### (d) Deferred taxation (continued)

The movement in temporary differences during the year ended 31 December 2008 and year ended 31 December 2007 was as follows:

	Balance 1 January 2008 \$'000	Transferred to Group Company \$'000	Investment in Subsidiary Undertakings \$'000	Recognised in Income \$'000	Balance 31 December 2008 \$'000
<b>Deferred taxation liabilities:</b>					
Property, plant and equipment	-	-	-	-	-
Goodwill on acquisition	-	-	-	-	-
Accruals to cash method adjustment	-	-	-	-	-
<b>Total deferred taxation liabilities</b>	-	-	-	-	-
<b>Deferred taxation assets:</b>					
Net operating loss carry forwards	-	-	-	-	-
Accrued expenses and payments on account	491	-	-	(368)	123
Property plant and equipment	102	-	-	-	102
Deferred compensation expense	-	-	-	-	-
Loans to subsidiaries	4,416	-	(2,730)	(235)	1,451
Other	-	-	-	-	-
<b>Total deferred taxation assets</b>	5,009	-	(2,730)	(603)	1,676
<b>Net deferred taxation asset</b>	5,009	-	(2,730)	(603)	1,676
	Balance 1 January 2007 \$'000	Transferred to Group Company \$'000	Investment in Subsidiary Undertakings \$'000	Recognised in Income \$'000	Balance 31 December 2007 \$'000
<b>Deferred taxation liabilities:</b>					
Property, plant and equipment	-	-	-	-	-
Goodwill on acquisition	-	-	-	-	-
Accruals to cash method adjustment	-	-	-	-	-
<b>Total deferred taxation liabilities</b>	-	-	-	-	-
<b>Deferred taxation assets:</b>					
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	-	-	-	-	-
<b>Total deferred taxation assets</b>	101	(344)	4,416	836	5,009
<b>Net deferred taxation asset</b>	101	(344)	4,416	836	5,009

At 31 December 2008 and 31 December 2007 the Company had no operating loss carry forwards for income tax purposes and no deferred tax assets that have not been recognised.

## Notes to Group and Company Financial Statements (continued)

### 30. Notes to the Company financial statements (continued)

#### (e) Other Current Assets

	<b>31 December 2008 \$'000</b>	31 December 2007 \$'000
Prepayments	<b>1,765</b>	535
Other receivables	<b>2,054</b>	2,435
<b>Total</b>	<b>3,819</b>	2,970

#### (f) Accrued and Other Liabilities

	<b>31 December 2008 \$'000</b>	31 December 2007 \$'000
<b>Current liabilities:</b>		
Accruals	<b>9,619</b>	5,368
Accrued social welfare cost	-	601
<b>Total</b>	<b>9,619</b>	5,969

## Notes to Group and Company Financial Statements (continued)

### 30. Notes to the Company financial statements (continued)

#### (g) Capital and reserves

	Number of shares	Share Capital \$'000	Share Premium \$'000	Options Reserve \$'000	Other Reserves \$'000	Currency Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 January 2007	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 30 (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
Recognised income and expense:								
Net income	-	-	-	-	-	-	55,187	55,187
Foreign currency translation	-	-	-	-	-	17,872	-	17,872
Total recognised income and expense	-	-	-	-	-	17,872	55,187	73,059
Share-based payment	-	-	-	8,652	-	-	-	8,652
Exercise of share options pre bonus issue	382,118	35	7,188	-	-	-	-	7,223
Bonus Issue	29,217,362	2,752	(2,752)	-	-	-	-	-
Exercise of share options post bonus issue	83,471	7	1,286	-	-	-	-	1,293
Share issue costs	-	-	(138)	-	-	-	-	(138)
Transfer of exercised and expired share- based awards	-	-	-	(9,065)	-	-	-	(9,065)
Release of capital reserve	-	-	-	-	(1,351)	-	1,351	-
Tax benefits on exercise of options – note 30 (c)	-	-	-	(4,811)	-	-	-	(4,811)
Balance at 31 December 2008	58,518,195	4,921	138,227	28,123	6,071	33,924	112,646	323,912

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 \$55,187,000 (2007: \$2,964,000).

## Notes to Group and Company Financial Statements (continued)

### 30. 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 2008 was as follows:

	<b>Year ended 31 December 2008 \$'000</b>	Year ended 31 December 2007 \$'000
Wages and salaries	<b>18,756</b>	12,882
Social welfare costs	<b>3,247</b>	1,802
Pension costs for defined contribution pension schemes	<b>393</b>	276
Share-based payment	<b>779</b>	728
<b>Total</b>	<b>23,175</b>	15,688

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 2008 and the year ended 31 December 2007 were \$393,000 and \$276,000.

The average number of employees, including executive Directors, employed by the Company for the year ending 31 December 2008 was as follows:

	<b>Year ended 31 December 2008</b>	Year ended 31 December 2007
Marketing	<b>2</b>	1
Administration	<b>45</b>	45
Clinical research processing	<b>248</b>	174
<b>Total</b>	<b>295</b>	220

#### (i) Related Parties

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

	<b>Year ended 31 December 2008 \$'000</b>	Year ended 31 December 2007 \$'000
<b>Income Statement:</b>		
Dividend received from subsidiary companies	<b>56,500</b>	-
Expenses recharged to subsidiary companies	<b>13,327</b>	11,040
Interest charged to subsidiary companies	<b>1,888</b>	3,240
<b>Total</b>	<b>71,715</b>	14,280



## Notes to Group and Company Financial Statements (continued)

### 30. Notes to the Company financial statements (continued)

#### (i) Related Parties

##### Cash Flow:

Dividend received from subsidiary companies	<b>56,500</b>	-
Increase in intercompany balances	<b>93,687</b>	(110,845)
<b>Total</b>	<b>150,187</b>	(110,845)

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 28 to the Group financial statements, and for information on remuneration see note 7 and share option and share terms as per remuneration reports.

#### (j) Commitments and Contingencies

ICON plc has no commitments or contingencies.

#### (k) Litigation

ICON plc 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 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. Lines of credit are detailed in Note 21.

## Notes to Group and Company Financial Statements (continued)

### 30. Notes to the Company financial statements (continued)

#### (I) Financial Assets and Risk Management

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 2008

	Carrying Amount \$'000	Contractual Cashflows \$'000	6 mths or less \$'000	6-12 mths \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
Bank credit lines and loan facilities	(105,379)	(112,799)	(42,204)	(1,638)	(55,046)	(14,529)	-
Accounts payable	(684)	(684)	(684)	-	-	-	-
Accruals and other liabilities	(9,619)	(9,619)	(9,619)	-	-	-	-
	(115,682)	(123,102)	(52,507)	(1,638)	(55,046)	(14,529)	-

#### 31 December 2007

	Carrying Amount \$'000	Contractual Cashflows \$'000	6 mths or less \$'000	6-12 mths \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
Bank credit lines and loan facilities	(94,829)	(100,181)	(44,875)	(1,108)	(14,068)	(40,128)	-
Accounts payable	(204)	(204)	(204)	-	-	-	-
Accruals and other liabilities	(5,969)	(5,969)	(5,969)	-	-	-	-
	(101,002)	(106,354)	(51,048)	(1,108)	(14,068)	(40,128)	-

#### 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. At 31 December 2008 (2007: \$nil) the Company has \$28.5 million of US dollar denominated bank loans.

#### 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 and equity of the Company by \$1,054,000. A one percent decrease in market interest rates would have increased the profit and equity of the Company by \$1,054,000.

## Notes to Group and Company Financial Statements (continued)

### 30. Notes to the Company financial statements (continued)

#### **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 2008		31 December 2007	
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Loans to subsidiaries	70,906	75,516	236,152	256,295
Cash and cash equivalents	444	444	312	312
Amounts due from subsidiary undertakings	96,399	96,399	-	-
Other current assets	3,819	3,819	2,970	2,970
	<b>171,568</b>	<b>176,178</b>	239,434	259,577
Bank credit lines and loan facilities	(105,379)	(105,698)	(94,829)	(94,829)
Accounts payable	(684)	(684)	(204)	(204)
Accruals and other liabilities	(9,619)	(9,619)	(5,969)	(5,969)
	<b>(115,682)</b>	<b>(116,001)</b>	(101,002)	(101,002)

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. The carrying value of bank credit lines and loan facilities and finance lease obligations at 31 December 2008 was approximate to their fair value.

## Notes to Group and Company Financial Statements (continued)

### 31. Subsidiary Undertakings

As at 31 December 2008 the Group had the following principal subsidiary undertakings:

<b>Name</b>	<b>Registered Office</b>	<b>Proportion held by group</b>
ICON Clinical Research Limited	South County Business Park Leopardstown Dublin 18 Republic of Ireland	100% *
ICON Clinical Research Inc.	212 Church Road North Wales Pennsylvania PA 19454 U.S.A.	100%
Ovation Healthcare Research 2, Inc.	600 Central Avenue, Suite 265, Highland Park, IL 60035 U.S.A.	100%
ICON Clinical Research (UK) Limited	Concept House 6, Stoneycroft Rise Chandlers Ford Eastleigh Hampshire, SO53 3LD, England	100% *
ICON Clinical Research GmbH	Heinrich-Hertz Strasse 26 D-63225 Langen Germany	100% *
ICON Clinical Research SARL	20, rue Troyon, 92310 Sevres, France	100%
ICON Clinical Research Israel Limited	6 Haba'al Shem Tov st., North Industrial Area Lod 71289, POB 1114 Lod 71100, Israel	100%
ICON Clinical Research Espana S.L	World Trade Centre, Edificio Sur, ZA Planta, Muelle de Barcelona, 08039-Barcelona, Spain	100%
ICON Clinical Research Kft.	Szepvolgy ut 39, Szepvolgy Irodapark, 1037 Budapest, Hungary.	100%
ICON Clinical Research S.R.L.	3rd Floor 133-137 Calea Floreasca, 1st District, Bucharest Romania	100%

## Notes to Group and Company Financial Statements (continued)

### 31. Subsidiary Undertakings (continued)

<b>Name</b>	<b>Registered Office</b>	<b>Proportion held by group</b>
ICON Clinical Research LLC	4th Floor St. Poleva, 24 Kiev Ukraine, 03056	100%
ICON Holdings	South County Business Park Leopardstown, Dublin 18 Republic of Ireland	100%
ICON Holdings Clinical Research International Ltd	South County Business Park Leopardstown Dublin 18 Republic of Ireland	100%
ICON Clinical Research S.R.O.	2nd Floor Building 9 V Parku 2335/20 Prague 4 Czech Republic	100%
ICON Clinical Research (Canada) Inc.	7405, Transcanada Highway, Suite 300, Montreal H4T 1Z2, Canada	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 (New Zealand) Ltd.	Level 27, PwC Tower 188 Quay Street Auckland New Zealand	100%
ICON Japan K.K.	310, 3-11-25, Hasune Itabashi-ku Tokyo Japan	100% *
ICON Clinical Research Pte	1 International Business Park, #03-01A, The Synergy, Singapore 609917, Republic of Singapore	100%
ICON Clinical Reserach Korea Yuhan Hoesa	30th Floor ASEM Tower, 159-1, Samsung-dong, Kangnamku, Seoul, Korea	100%

## Notes to Group and Company Financial Statements (continued)

### 31. Subsidiary Undertakings (continued)

<b>Name</b>	<b>Registered Office</b>	<b>Proportion held by group</b>
ICON Clinical Research India Private Ltd.	123/124 7th Floor Ispahani Centre Uttamar Gandhi Salai Nungambakkan Chennai 600034 India	100%
ICON Clinical Research S.A.	Av. Fondo de la Legua (B1609JEB) San Isidro Provincia de Buenos Aires Argentina	100%
ICON Pesquisas Clinicas LTDA	Avenida Paulista No. 2300 Andar Pilotis-sal 03100-300 Bela Vista Sao Paulo SP Brazil	100%
ICON Clinical Research Mexico S.A. de CV	AV. Insurgentes Sur 1898 – Piso 14 Colonia Florida (01020) Mexico DF Mexico	100%
ICON Chile Limitada	Huerfanos 770, piso 4, oficina 402, Santiago, Chile	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 Sucursal Colombia	CR 7 No 71 – 21 TO B of 303 Bogota, Colombia	100%
ICON Development Solutions Limited	Skelton House, 1 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%

## Notes to Group and Company Financial Statements (continued)

### 31. Subsidiary Undertakings (continued)

<b>Name</b>	<b>Registered Office</b>	<b>Proportion held by group</b>
DOCS International	Handelsweg 53 1181 ZA Amstelveen The Netherlands	100%
ICON Development Solutions, Inc.	7250, Parkway Drive, Suite 430, Hanover, MD 21076, U.S.A	100%
ICON Central Laboratories, Inc.	123 Smith Street, Farmingdale, New York 11735, U.S.A.	100%
Beacon Bioscience, Inc.	4259 W. Swamp Road Suite 410 Doylestown, PA 18901-1033 U.S.A	100%
Healthcare Discoveries Inc	8307 Gault Lane San Antonio, TX 78209 U.S.A	100%
Prevalere Life Sciences Inc	8282 Halsey Road Whitsboro, NY 13492 U.S.A	100%

\* held directly

### 32. Approval of financial statements

The Board of Directors approved these financial statements on 30 April 2009.

## Reconciliation between IFRS and US Accounting Principles

The financial statements of the Group set out on pages 28 to 102 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 Report which was made available to shareholders in March 2009. 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 charge of \$89,000 recorded in 2008 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 2008, 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 was 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 2008 the Company has recognised a deferred tax asset of \$6.1 million (31 December 2007: \$15.5 million) for share options that will result in a future tax deduction when exercised.

### **(f) Currency Translation Adjustment**

Under IFRS where repayment of permanent advances to subsidiaries occurs, exchange differences on those advances previously recognised in the currency reserve are required to be released to the income statement. In accordance with IAS 21 *The effects of changes in foreign exchange rates*, the portion of the loan repaid is deemed to be a partial return of the investment and is regarded as a disposal and the proportionate share of the exchange differences recognised in equity relating to the net investment as a whole are released to the income statement.

Under US GAAP, the repayment of permanent advances does not trigger a release of exchange differences unless it constitutes a substantially complete liquidation of a foreign entity.

During the year ended 31 December 2008 the Group settled a number of long term intercompany balances. Exchange differences of \$11.0 million previously recognised in the currency reserve have been released and charged to the income statement. The tax impact of the exchange differences is \$1.4 million. The net impact of this adjustment is \$9.6 million.

## Reconciliation between IFRS and US Accounting Principles (continued)

### (g) 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.

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

	<b>Year ended 31 December 2008 \$'000</b>	Year ended 31 December 2007 \$'000
Profit for the financial year attributable to equity holders as stated under IFRS	<b>64,483</b>	54,955
<b>US GAAP adjustments:</b>		
Non-cash stock compensation expense under IFRS	<b>8,652</b>	7,277
Non-cash stock compensation expense under U.S. GAAP	<b>(6,058)</b>	(5,748)
Additional pension costs/(credits) on defined benefit scheme	<b>89</b>	(44)
Deferred tax adjustments on share-based payments	<b>1,364</b>	(686)
Deferred tax adjustments on property, plant and equipment	-	209
Foreign exchange on long term loans settled (net of tax)	<b>9,590</b>	-
Net income as stated under U.S. GAAP	<b>78,120</b>	55,963
Basic earnings per Ordinary Share under U.S. GAAP	<b>\$1.34</b>	\$0.97
Diluted earnings per Ordinary Share under U.S. GAAP	<b>\$1.30</b>	\$0.94

### (ii) Effect on shareholders' equity

	<b>31 December 2008 \$'000</b>	31 December 2007 \$'000
Shareholders' equity as stated under IFRS	<b>474,126</b>	416,395
US GAAP adjustments:		
Goodwill arising on merger with PRAI	<b>(15,010)</b>	(15,010)
Amortisation of PRAI goodwill	<b>1,001</b>	1,001
Deferred tax adjustments on share-based payments	<b>(3,751)</b>	(13,986)
Shareholders' equity as stated under U.S. GAAP	<b>456,366</b>	388,400