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United States Securities  
and Exchange Commission  
Washington, D.C. 20549 for the year  
ended December 31, 2013.

**Form 20-F**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 20-F**

(Mark One)

- Registration statement pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934  
OR  
 Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the fiscal year ended: December 31, 2013  
OR  
 Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
OR  
 Shell company report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934.

Commission File Number: 000-29714

**ICON PUBLIC LIMITED COMPANY**

(Exact name of Registrant as Specified in its Charter)

**ICON PUBLIC LIMITED COMPANY**

(Translation of Registrant's name into English)

Ireland

(Jurisdiction of Incorporation or Organization)

SOUTH COUNTY BUSINESS PARK,  
LEOPARDSTOWN,  
DUBLIN 18, IRELAND

(Address of principal executive offices)

Brendan Brennan, CFO  
South County Business Park Leopardstown, Dublin 18, Ireland.  
Brendan.Brennan@iconplc.com  
011-353-1-291-2000

(Name, telephone number, email and/or facsimile number and address of Company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

*Title of each class*  
ORDINARY SHARES, PAR VALUE €0.06 EACH

*Name of exchange on which registered*  
NASDAQ GLOBAL SELECT MARKET

Securities registered or to be registered pursuant to section 12(g) of the Act:

*Title of each class*  
NONE

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

NONE  
(*Title of class*)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 61,587,257 Ordinary Shares.

Indicate by check mark if the registrant is a well-known seasoned issuer, as determined in Rule 405 of the Securities Act. Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months: Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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## **General**

As used herein, “ICON plc”, “ICON”, the “Company” and “we” or “us” refer to ICON public limited company and its consolidated subsidiaries, unless the context requires otherwise.

Unless otherwise indicated, ICON plc’s financial statements and other financial data contained in this Form 20-F are presented in United States dollars (“\$”) and are prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”).

In this Form 20-F, references to “U.S. dollars”, “U.S.\$” or “\$” are to the lawful currency of the United States, references to “pounds sterling”, “sterling”, “£”, “pence” or “p” are to the lawful currency of the United Kingdom, references to “Euro” or “€” are to the European single currency adopted by seventeen members of the European Union (including the Republic of Ireland, France, Germany, Spain, Italy, Finland, Belgium and the Netherlands). ICON publishes its consolidated financial statements in U.S. dollars.

## **Cautionary Statement Regarding Forward-looking Statements**

Statements included herein which are not historical facts are forward-looking statements. Such forward-looking statements are made pursuant to the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995 (the “PSLRA”). Forward-looking statements may be identified by the use of future tense or other forward looking words such as “believe”, “expect”, “anticipate”, “should”, “may”, “strategy”, or other variations or comparable terminology. The forward looking statements involve a number of risks and uncertainties and are subject to change at any time. In the event such risks or uncertainties materialize, our results could be materially affected. The risks and uncertainties include, but are not limited to, dependence on the pharmaceutical industry and certain clients, the need to regularly win projects and then to execute them efficiently and correctly, the challenges presented by rapid growth, competition and the continuing consolidation of the industry, the dependence on certain key executives, changes in the regulatory environment and other factors identified in the Company’s Securities and Exchange Commission filings and in the “Risk Factors” included on pages 4 to 11. The Company has no obligation under the PSLRA to update any forward looking statements and does not intend to do so.

## PART I

### Item 1. *Identity of Directors, Senior Management and Advisors.*

Not applicable.

### Item 2. *Offer Statistics and Expected Timetable.*

Not applicable.

### Item 3. *Key Information.*

#### Selected Historical Consolidated Financial Data for ICON plc

The following selected financial data set forth below are derived from the Company's consolidated financial statements and should be read in conjunction with, and are qualified by reference to, Item 5 "Operating and Financial Review and Prospects" and the Company's consolidated financial statements and related notes thereto included elsewhere in this Form 20-F.

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(in thousands, except share and per share data)				
<b>Statement of Operations Data:</b>					
Gross revenue . . . . .	\$ 1,784,345	\$ 1,503,993	\$ 1,296,509	\$ 1,263,147	\$ 1,258,227
Reimbursable expenses (1) . . . . .	(448,287)	(388,987)	(350,780)	(363,103)	(370,615)
Net revenue . . . . .	1,336,058	1,115,006	945,729	900,044	887,612
Costs and expenses:					
Direct costs . . . . .	845,413	717,750	611,923	541,388	507,783
Selling, general and administrative . . . . .	313,931	280,780	255,864	232,688	230,910
Depreciation and amortization . .	46,514	42,823	38,682	33,873	32,659
Restructuring and other items (2), (3), (4), (5) . . . . .	9,033	5,636	9,817	—	8,808
Total costs and expenses . . . . .	1,214,891	1,046,989	916,286	807,949	780,160
Income from operations . . . . .	121,167	68,017	29,443	92,095	107,452
Net interest (expense) / income . . . .	(302)	(796)	(448)	629	(2,778)
Income before provision for income taxes . . . . .	120,865	67,221	28,995	92,724	104,674
Provision for income taxes . . . . .	(18,053)	(11,801)	(6,115)	(5,653)	(10,375)
Net income . . . . .	\$ 102,812	\$ 55,420	\$ 22,880	\$ 87,071	\$ 94,299
Net income per ordinary share (6):					
Basic . . . . .	\$ 1.69	\$ 0.92	\$ 0.38	\$ 1.46	\$ 1.61
Diluted . . . . .	\$ 1.65	\$ 0.92	\$ 0.37	\$ 1.44	\$ 1.57
Weighted average number of ordinary shares outstanding:					
Basic . . . . .	60,907,274	59,968,174	60,379,338	59,718,934	58,636,878
Diluted . . . . .	62,253,251	60,450,706	61,070,686	60,637,103	59,900,504

	Year Ended December 31,				
	2013	2012	2011	2010	2009
	(in thousands)				
<b>Balance Sheet Data:</b>					
Cash and cash equivalents . . . . .	\$ 182,519	\$ 114,047	\$ 119,237	\$255,706	\$144,801
Short term investments . . . . .	138,317	76,183	54,940	—	49,227
Working capital . . . . .	352,259	250,326	253,514	330,333	235,906
Total assets . . . . .	1,442,460	1,202,108	1,027,517	949,538	908,398
Long term government grants . . . . .	1,359	1,427	1,351	1,470	1,750
Long term liabilities . . . . .	11,198	14,312	20,038	4,659	2,844
Ordinary share capital . . . . .	5,168	5,067	5,055	5,063	4,965
Additional paid-in capital . . . . .	279,572	237,217	211,549	196,960	174,188
Shareholders' equity . . . . .	\$ 910,579	\$ 754,575	\$ 681,544	\$669,999	\$572,246

- (1) Reimbursable expenses are comprised of payments to investigators and certain other costs reimbursed by clients under terms specific to each of the Company's contracts. *See Note 2 (d) to the Audited Consolidated Financial Statements.*
- (2) During 2013 the Company conducted a review of its operations. This review resulted in the adoption of an initial restructuring plan, which included the closure of its Phase I facility in Omaha, Nebraska. This followed the expansion of the Company's Phase I facility in San Antonio, Texas and the consolidation of the Company's US Phase I capabilities in this location. The restructuring plan also included resource rationalizations in certain areas of the business to improve resource utilization. A further restructuring plan was also adopted during 2013 which resulted in resource rationalizations in order to improve operating efficiencies and reduce expenses. *See Note 14 to the Audited Consolidated Financial Statements.*
- (3) Restructuring and other items of \$5.6 million were recorded during the year ended December 31, 2012 (inclusive of the release of \$0.1 million relating to the 2011 Restructuring Plans). During the year ended December 31, 2012 the Company completed a review of its operations to improve resource utilization throughout the business. This review resulted in the adoption of a restructuring plan, to include resource rationalizations in certain areas of the business and a re-organization of available office space at the Company's Philadelphia facility. A restructuring charge of \$4.6 million was recognized during the year ended December 31, 2012; \$3.4 million in respect of resource rationalizations and \$1.2 million in respect of lease termination and exit costs. The Company also incurred certain other charges of \$1.1 million in relation to the retirement of Mr. Peter Gray, former Vice Chairman of the Board and former CEO of the Company in 2012. *See Note 14 to the Audited Consolidated Financial Statements.*
- (4) Restructuring charges of \$9.8 million were recorded during the year ended December 31, 2011. During 2011 the Company conducted a review of its operations to improve resource utilization within the business and better align resources to current and future growth opportunities. This review resulted in the adoption of an initial restructuring plan, which included the closure of the Company's facility in Edinburgh, United Kingdom and resource rationalizations in certain of the more mature markets in which it operates. A further restructuring plan was also adopted during 2011 which resulted in the relocation of the Company's facility in Maryland, USA and further resource rationalizations. *See Note 14 to the Audited Consolidated Financial Statements.*
- (5) Restructuring charges of \$8.8 million were recorded during the year ended December 31, 2009. During 2009 the Company conducted a review of its infrastructure to better align its resources with the needs of its clients. This realignment resulted in resource rationalizations in certain more mature markets in which the Company operates and the recognition of a restructuring charge of \$13.3 million. This was partially offset by research and development incentives of \$4.5 million received by the Company in certain European Union jurisdictions in which it operates.
- (6) Net income per ordinary share is based on the weighted average number of outstanding ordinary shares. Diluted net income per share includes potential ordinary shares from the exercise of options.

## **Risk Factors**

Various risk factors that are relevant to our business and the services we provide are outlined below. If any of these events were to occur, our business operations and financial results could be materially adversely affected.

### **Risk Related to Our Business and Operations**

***We depend on a limited number of customers and a loss of or significant decrease in business from one or more of them could affect our business.***

The increased use of strategic partnership arrangements in recent years has resulted in a greater proportion of our net revenues being derived from a relatively limited number of customers. During the year ended December 31, 2013 53% of our net revenues were derived from our top five customers, with two customers individually contributing more than 10% of our net revenues during the period (26% and 10% respectively). No other customer contributed more than 10% of our net revenues during this period. During the year ended December 31, 2012 48% of our net revenues were derived from our top five customers, with two customers individually contributing more than 10% of our net revenues during the period (18% and 12% respectively). No other customer contributed more than 10% of our net revenues during this period. During the year ended December 31, 2011 37% of our net revenues were derived from our top five customers, with 13% of our net revenues derived from one customer. No other customer contributed more than 10% of net revenues during this period. The loss of, or a significant decrease in business from one or more of these key customers could have a material adverse impact on our results of operations.

***Many of our contracts are long-term fixed-fee contracts. We would lose money in performing these contracts if the costs of performance exceed the fixed fees for these projects and we were unable to negotiate a change order for the value of work performed.***

Many of our contracts are long-term fixed fee contracts. Revenues on these contracts are agreed in the contract between the Company and the customer and are based on estimated time inputs to the contract. Factors considered in estimating time requirements include the complexity of the study, the number of geographical sites where trials are to be conducted and the number of patients to be recruited at each site. The Company regularly reviews the estimated hours on each contract to determine if the budget accurately reflects the agreed tasks to be performed taking into account the state of progress at the time of review. The Company further endeavours to ensure that changes in scope are appropriately monitored and change orders for additional revenue are promptly negotiated for additional work as necessary. If we were to fail to recognize and negotiate change orders for changes in the resources required or the scope of the work to be performed the Company could lose money if the costs of performance of these contracts exceeded their fixed fees.

***If our customers discontinue using our services, or cancel or discontinue projects, our revenue will be adversely affected and/or we may not receive their business in the future or may not be able to attract new clients.***

Our clients may discontinue using our services completely or cancel some projects either without notice or upon short notice. The termination or delay of a large contract or of multiple contracts could have a material adverse effect on our revenue and profitability. Historically, clients have cancelled or discontinued projects and may in the future cancel their contracts with us 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 or viable;
- poor project performance, quality concerns, insufficient patient enrollment or investigator recruitment; or
- production problems resulting in shortages of the drug.

If we lose clients, we may not be able to attract new ones, and if we lose individual projects, we may not be able to replace them.

***If we fail to attract or retain qualified staff, our performance may suffer.***

Our business, future success and ability to continue to expand operations depends upon our ability to attract, hire, train and retain qualified professional, scientific and technical operating staff. We compete for qualified professionals with other Clinical Research Organisations “CROs”, temporary staffing agencies and the in-house departments of pharmaceutical, biotechnology and medical device companies. An inability to attract and retain a sufficient number of high calibre clinical research professionals (in particular, key personnel and executives) at an acceptable cost would impact our ability to provide our services, our future performance and results of operations.

***Our ability to perform clinical trials is dependent upon the ability to recruit suitable willing patients.***

The successful completion of clinical trials is dependent upon the ability to recruit suitable and willing patients on which to test the drug under study. The availability of suitable patients for enrollment on studies is dependent upon many factors including, amongst others, the size of the patient population, the design of the study protocol, eligibility criteria, the referral practices of physicians, the perceived risks and benefits of the drug under study and the availability of alternative medication, including medication undergoing separate clinical trial. Insufficient or inappropriate patient enrollment may result in the termination or delay of a study which could have a material adverse impact on our results of operations.

***Our ability to perform clinical trials is dependent upon our ability to recruit suitable willing investigators.***

We contract with physicians located in hospitals, clinics or other such sites, who serve as investigators in conducting clinical trials to test new drugs on their patients. Investigators supervise administration of the study drug to patients during the course of the clinical trial. The successful conduct of a clinical trial is dependent upon the integrity, experience and capabilities of the investigators conducting the trial. Insufficient investigator recruitment, which in turn may lead to insufficient or inappropriate patient enrolment, may result in the termination or delay of a study which could have a material adverse impact on our results of operations.

***We rely on third parties for important products and services.***

We depend on certain third parties to provide us with products and services critical to our business. Such services include, amongst others, suppliers of drugs for patients participating in trials, suppliers of kits for use in our central laboratory business, suppliers of reagents for use in our testing equipment and providers of maintenance services for our equipment. The failure of any of these third parties to adequately provide the required products or services could have a material adverse effect on our business.

***We are highly dependent on information technology. If we fail to keep our systems up to date, or our systems fail or are unreliable, our operations may be adversely impacted.***

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

A significant portion of our operations rely on the secure processing, storage and transmission of confidential information, including client and personal confidential information. For example, through our Phase I business, we obtain and store personal health-related information of participating subjects. Our activities are subject to a risk of cyber security issues and/or attacks which could result in the disclosure or loss of confidential client or customer information, damage to our reputation, additional costs, regulatory penalties and financial losses. Despite our security measures, our computer systems, software and networks, or those of our suppliers, customers and so on, are vulnerable to unauthorized access, loss or destruction of



data (including confidential client information and personal health data), hardware malfunctions, unavailability of service, computer viruses or other malicious code, cyber attacks and other events. These threats may derive from human error, fraud or malice on the part of employees or third parties, or may result from accidental technological failure.

If we do not keep pace with rapid technological changes in the CRO industry, our products and services may become less competitive or even obsolete. This applies in particular to our ICONIK and Firecrest services. Also, changes to our operating systems, software or programs could adversely impact our business.

***We rely on our interactive response technologies to provide accurate information regarding the randomization of patients and the dosage required for patients enrolled in the trials.***

We develop and maintain computer run interactive response technologies to automatically manage the randomization of patients in trials, assign the study drug, and adjust the dosage when required for patients enrolled in trials we support. 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, incorrect dosing of patients, invalidation of the trial and/or liability claims against the Company among other things.

***Our operations might be impacted by a disruption to travel systems.***

Many of our operations rely on the availability of air or other transportation for the distribution of clinical trial materials, study samples and personnel. While we have developed contingency plans to minimize the impact of such events, a disruption to the availability of air transportation or other travel systems could have a material adverse impact on our activities and results of operations.

***We may make, or be unable to make, acquisitions in the future, which may lead to disruptions to our ongoing business.***

We have made a number of acquisitions and will continue to review new acquisition opportunities. If we are unable to identify suitable acquisition targets, consummate an acquisition or successfully integrate an acquired company or business, our business may be disrupted. The success of an acquisition will depend upon, among other things, our ability to:

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

In the event that the operations of an acquired company or business do not meet our performance expectations, we may have to restructure the acquired company or business or write-off the value of some or all of the assets of the acquired company or business.

***Serious adverse events can occur in Phase I trials.***

We conduct Early Phase and Proof of Principle clinical trials including first-in human and healthy volunteer studies. Although we have policies and procedures in place, due to the experimental nature of these studies, serious adverse events may arise.

## **Risk Related to Our Industry**

***We are dependent on the continued outsourcing of research and development by the pharmaceutical, biotechnology and medical device industries.***

We are 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 we provide. We are therefore subject to risks, uncertainties and trends that affect companies in these industries

and that we do not control. We have 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 our business. The following could each result in such a downturn:

- if pharmaceutical, biotechnology or medical device companies expanded upon their in-house clinical or development capabilities, they would be less likely to utilize our services
- if governmental regulations were changed, it could affect the ability of our clients to operate profitably, which may lead to a decrease in research spending and therefore this could have a material adverse effect on our business
- if unfavourable economic conditions or disruptions in the credit and capital markets negatively impacted our clients

***Large pharmaceutical companies are increasingly consolidating their vendor base and entering strategic partnership arrangements with a limited number of outsource providers.***

Large pharmaceutical companies are continually seeking to drive efficiencies in their development processes to both reduce costs associated with the development of new drug candidates and accelerate time to market. As a result, large pharmaceutical companies in particular are increasingly looking to consolidate the number of outsource providers with which they engage, with many entering strategic partnership arrangements with a limited number of outsource providers. The failure to enter strategic partnership arrangements with customers or the loss of existing customers as a result of them entering strategic partnership arrangements with our competitors could have a material adverse impact on our results of operations.

***Increased collaboration amongst pharmaceutical companies in research and development activities may lead to fewer research opportunities.***

Certain pharmaceutical companies have begun to collaborate in seeking to develop new drug candidates. Increased collaboration amongst pharmaceutical companies may lead to fewer research opportunities, which in turn may lead to fewer outsource opportunities for companies within the CRO industry. A reduction in outsource opportunities as a result of this increased collaboration could have a material adverse impact on our results of operations.

***We operate in a highly competitive and dynamic market.***

The CRO industry is highly competitive. In particular, we compete with other large global CROs for strategic relationships with large pharmaceutical companies. If we are unable to retain and renew existing strategic relationships and win new strategic relationships, there would be a material adverse impact on our results of operations. Similarly, we compete with other CROs for work which comes outside of these strategic relationships.

The type and depth of services provided by CROs have changed in recent years. Failure to develop and market new services or expand existing service offerings could adversely effect our business and operations.

**Risk Related to Our Financial Results and Financial Position**

***Our quarterly results are dependent upon a number of factors and can fluctuate from quarter to quarter.***

Our results of operations in any quarter can fluctuate or differ from expected or forecasted results depending upon or due to, among other things, the number and scope of ongoing client projects, the commencement, postponement, variation cancellation or termination of projects in a quarter, the mix of revenue, cost overruns, employee hiring and other factors. Our net revenue in any period is directly related to the number and percentage of employees who were working on projects billable to the client during that period. We 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. We believe that operating results for any particular quarter are not necessarily a meaningful indication of future results.

Also, if in future quarters, we are unable to achieve efficiencies and our expenses grow faster than our net revenues, our operating margins and profitability will be adversely impacted.

***Our exposure to exchange rate fluctuations could adversely affect our results of operations.***

Our contracts with clients are sometimes denominated in currencies other than the currency in which we incur 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 our results of operations.

In addition, we are also subject to translation exposures as our consolidated financial results are presented in U.S. dollars, while the local results of certain of our subsidiaries are prepared in currencies other than U.S. dollars, including, amongst others, the pound sterling and the euro. Accordingly, changes in exchange rates between the U.S. dollar and those other currencies will affect the translation of a subsidiary's financial results into U.S. dollars for purposes of reporting our consolidated financial results.

***Our effective tax rate may fluctuate from quarter-to-quarter, which may affect our results of operations.***

Our quarterly effective tax rate has depended and will continue to depend on the geographic distribution of our taxable earnings amongst the multiple tax jurisdictions in which we operate and the tax law in those jurisdictions. Changes in the geographic mix of our results of operations amongst these jurisdictions may have a significant impact on our effective tax rate from quarter to quarter. Changes in tax law in one or more jurisdictions could also have a significant impact on our tax rate and results of operations. In addition, as we operate in multiple tax jurisdictions, we may be subject to audits in certain jurisdictions. These audits may involve complex issues which could require an extended period of time for resolution. The resolution of audit issues may lead to differences which could have a significant impact on our effective tax rate.

***Our backlog may not convert to net revenue and the rate of conversion may slow.***

Our backlog consists of potential net revenue yet to be earned from projects awarded by clients. Our backlog at any date is not necessarily a meaningful predictor of future results, due to the potential for the cancellation or delay of projects included in the backlog. No assurances can be given that we will be able to realize this backlog as net revenue. A failure to realize backlog as net revenue could have a material adverse impact on our results of operations. In addition, as the length and complexity of projects underlying our backlog increases, the rate at which backlog converts to net revenue may be slower than in the past. A significant reduction in the rate at which backlog converts to net revenue could have a material impact on our results of operations.

***Significant changes from our estimates of contingent consideration payable on acquisitions could have a serious adverse impact on our results of operations.***

We have made a number of acquisitions in the past and will continue to review new acquisition opportunities. The cost of many of these acquisitions includes a portion which is contingent upon certain future events, such as the achievement of a particular revenue or earnings target. Where an acquisition agreement provides for such additional consideration, the amount of the estimated additional consideration is recognized at the acquisition date fair value. Any changes to this estimate in subsequent periods will depend on the classification of the contingent consideration. If the contingent consideration is classified as equity it shall not be re-measured and the settlement shall be accounted for within equity. If the contingent consideration is classified as an asset or liability any adjustments will be accounted for through the consolidated statement of operations or other comprehensive income depending on whether the asset or liability is considered a financial instrument. Significant estimates and judgements are required in estimating the acquisition date fair value of the additional consideration. Changes in business conditions or the performance of the acquired business could lead to a significant change between our estimate of the acquisition date fair value and amounts payable which could have a significant impact on our results of operations.

***The Company is exposed to various risks in relation to our cash and cash equivalents and short term investments.***

The Company's treasury function actively manages our available cash resources and invests significant cash balances in various financial institutions to try to ensure optimum returns for our surplus cash balances. These balances are classified as cash and cash equivalents or short term investments depending on the maturity of the related investment. Cash and cash equivalents comprise cash and highly liquid investments with maturities of three months or less. Short term investments comprise highly liquid investments with maturities of greater than three months and minimum "A-" rated fixed and floating rate securities.

Given the global nature of our business, we are exposed to various risks in relation to these balances including liquidity risk, credit risk associated with the counterparties with which we invest, interest rate risk on floating rate securities, sovereign risk (our principal sovereign risk relates to investments in U.S. Treasury funds), and other factors.

Although we have not recognized any significant losses to date on our cash and cash equivalents or short term investments, any significant declines in their market values could have a material adverse effect on our financial position and operating results.

**Risk Related to Political, Legal or Regulatory Environment**

***We may lose business opportunities as a result of health care reform and the expansion of managed care organizations.***

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 our business.

In addition to healthcare reform proposals, the expansion of managed care organizations in the healthcare market may result in reduced spending on research and development. Managed care organizations' 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, we would have fewer business opportunities and our revenues could decrease, possibly materially.

***We may lose business as a result of changes in the regulatory environment.***

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

***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 us from time to time to ensure that we comply with their regulations and guidelines, including environmental and health and safety matters. We must comply with the applicable regulatory requirements governing the conduct of clinical trials in all countries in which we operate. If we fail to comply with any of these requirements we could suffer some or all of:

- termination of or delay in any research;
- disqualification of data;
- denial of the right to conduct business;
- criminal penalties;

- other enforcement actions;
- loss of clients and/or business; and
- litigation from clients and resulting material penalties, damages and costs.

***We are subject to political, regulatory, operational and legal risks associated with our international operations.***

We are one of a small group of organizations with the capability and expertise to conduct clinical trials on a global basis. We believe that this capability to provide our services globally in most major and developing pharmaceutical markets enhances our ability to compete for new business from large multinational pharmaceutical, biotechnology and medical device companies. We have expanded geographically in the past and intend to continue expanding in regions that have the potential to increase our client base or increase our investigator and patient populations. We expect that revenues earned in emerging markets will continue to account for an increasing portion of our total revenues. However, emerging market operations may present several risks, including civil disturbances, health concerns, cultural differences such as employment, regulatory and business practices, volatility in gross domestic product, economic and governmental instability, the potential for nationalization of private assets and the imposition of exchange controls. In addition, operating globally means the Company faces the challenges associated with coordinating its services across different countries, time zones and cultures.

Changes in the political and regulatory environment in the international markets in which we operate such as price or exchange controls could impact our revenue and profitability, and could lead to penalties, sanctions and reputational damages if we are not compliant with those regulations. Political uncertainty and a lack of institutional continuity in some of the emerging and developing countries in which we operate could affect the orderly operation of markets in these economies. In addition, in countries with a large and complicated structure of government and administration, national, regional, local and other governmental bodies may issue inconsistent decisions and opinions that could increase our cost of regulatory compliance and/or have a material adverse effect on our business.

Uncertainty of the legal environment in some emerging countries could also limit our ability to enforce our rights. In certain emerging and developing countries we enjoy less comprehensive protection for some of our rights, including intellectual property rights, which could undermine our competitive position.

Finally, we operate in some countries where national laws may require not only proper books and records, but also sufficient controls, policies and processes to ensure business is conducted without the influence of bribery and corruption. Given the high level of complexity of some of these laws and the large number of employees and contractors we have in many jurisdictions, there is a risk that some provisions may inadvertently be breached by the Company, for example through negligent behavior of individual employees, or failure to comply with certain formal documentation requirements or otherwise. Any violation of these laws or allegations of such violations, whether merited or not, could have a material adverse effect on our reputation and could cause the trading price of our common stock to decline.

If any of the above risks or similar risks associated with our international operations were to materialize, our results of operations and financial condition could be materially adversely affected.

***Data Privacy***

Current and proposed laws and regulations relating to the confidentiality of personal data of patients and others could limit the scope of our services, expose us to increased risk and liability and increase the cost of doing business.

***Liability claims brought against us could result in payment of substantial damages to plaintiffs and decrease our profitability.***

***Customer Claims***

If we breach the terms of an agreement with a client (for example if we fail to comply with the agreement, all applicable regulations or Good Clinical Practice) this could result in claims against us for substantial damages which could have a material adverse effect on our business. As we are a “people

business” in that we provide staff to provide our services in hospitals and other sites, there is a risk that our management, quality and control structures fail to quickly detect should one or more employees or contractors fail to comply with all applicable regulations and Good Clinical Practice and thereby expose us to the risk of claims by clients.

#### *Claims relating to Investigators*

We contract 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 the patients. Although investigators are generally required by law to maintain their own liability insurance, we could be named in lawsuits and incur expenses arising from any professional malpractice or other actions against the investigators with whom we contract.

#### *Indemnification from Clients*

Indemnifications provided by our clients against the risk of liability for personal injury to or death of the patients arising from the study drug vary from client to client and from trial to trial and may not be sufficient in scope or amount or the client may not have the financial ability to fulfill their indemnification obligations. Furthermore, we would be liable for our own negligence and negligence of our employees and such negligence could lead to litigation from clients.

#### *Insurance*

We maintain what we believe is an appropriate level of worldwide Professional Liability/Error and Omissions Insurance. We may in the future be unable to maintain or continue our current insurance coverage on the same or similar terms. If we are liable for a claim or settlement that is beyond the level of insurance coverage, we may be responsible for paying all or part of any award or settlement amount. Also, the insurance policies contain exclusions which mean that the policy will not respond or provide cover in certain circumstances.

#### *Claims to Date*

To date, we have not been subject to any liability claims that are expected to have a material effect on our business; however, there can be no assurance that we will not become subject to such claims in the future or that such claims will not have a material effect on our business.

### **Risk Related to Our Common Stock**

#### ***Volatility in the market price of our common stock could lead to losses by investors.***

The market price of our common stock has experienced volatility in the past and may experience volatility in the future which could lead to losses for investors. Factors impacting volatility in the market price of our common stock include, amongst others, our results of operations, analyst expectations, developments impacting the industry or our competitors and general market and economic conditions. In addition, stock markets have from time to time experienced significant price and volume fluctuations unrelated to the operating performance of particular companies. Future fluctuations in stock markets may lead to volatility in the market price of our common stock which could lead to losses by investors.



#### **Item 4. Information on the Company.**

##### **Business**

ICON public limited company (“ICON plc”) is a contract research organization (“CRO”), providing outsourced development services on a global basis to the pharmaceutical, biotechnology and medical device industries. We specialize in the strategic development, management and analysis of programs that support all stages of the clinical development process – from compound selection to Phase I-IV clinical studies. The Company earns revenues by providing a number of different services to its customers. These services, which are integral elements of the clinical development process, include clinical trials management, biometric activities, consulting, imaging, contract staffing, informatics and laboratory services. The Company has the expertise and capability to conduct clinical trials in most major therapeutic areas on a global basis and has the operational flexibility to provide development services on a stand-alone basis or as part of an integrated “full service” solution. The Company has expanded predominately through organic growth, together with a number of strategic acquisitions to enhance its expertise and capabilities in certain areas of the clinical development process. The Company’s mission is to accelerate the development of drugs that save lives and improve the quality of life. Our vision is to be the Global CRO partner of choice in drug development by delivering best in class information, solutions and performance in clinical and outcomes research.

We believe that we are one of a select group of CRO’s with the expertise and capability to conduct clinical trials in most major therapeutic areas on a global basis and have the operational flexibility to provide development services on a stand-alone basis or as part of an integrated “full service” solution. At December 31, 2013, we employed approximately 10,300 employees, in 77 locations in 38 countries. During the year ended December 31, 2013, we derived approximately 43.6%, 45.4% and 11.0% of our net revenue in the United States, Europe and Rest of World, respectively.

We began operations in 1990 and have expanded our business predominately through internal growth, together with a number of strategic acquisitions, to enhance our capabilities and expertise in certain areas of the clinical development process.

On February 15, 2013 the Company acquired the Clinical Trial Services division of Cross Country Healthcare, Inc. Cross Country Healthcare’s Clinical Trial Services division includes US resourcing providers, ClinForce and Assent Consulting, whose services include contract staffing, permanent placement and functional service provision (“FSP”). The division also includes AKOS, a leading US and EU provider of pharmacovigilance and drug safety services. ClinForce and Assent have been combined with ICON’s FSP division, DOCS, creating a leader in global resourcing and FSP, while AKOS has been combined with the services offered by ICON’s medical and safety services team.

On December 17, 2012 the Company’s shareholders voted in favour of terminating the Company’s ADR programme and replacing its ADRs with a direct listing of its shares on NASDAQ. The Company also decided to cancel the Company’s secondary listing on the official list of the Irish Stock Exchange, mainly due to the very low levels of liquidity in the Company’s shares on this exchange. This followed a review by the Company of its share trading arrangements with the objective of ensuring that the arrangements in place are appropriate to the size, scale and locations of the business, are conducive to supporting a liquid market in the Company’s shares, enhance the Company’s profile and attractions for a wide range of international investors, and that the costs and maintenance of the associated trading arrangements are proportionate to the expected benefits. The last day of trading of the Company’s shares on the Irish Stock Exchange was January 29, 2013 with the Company’s delisting from the Irish Stock Exchange being effected as of January 30, 2013. Direct trading of the Company’s shares on NASDAQ commenced on February 4, 2013.

We are incorporated in Ireland and our principal executive office is located at: South County Business Park, Leopardstown, Dublin 18, Republic of Ireland. The contact telephone number of this office is 353 (1) 291 2000.

## Industry Overview

The CRO industry provides independent product development services for the pharmaceutical, biotechnology and medical device industries. Companies in these industries outsource product development services to CROs in order to manage the drug development process more efficiently and to cost-effectively maximize the profit potential of both patent-protected and generic products. The CRO industry has evolved since the 1970s from a small number of companies that provided limited clinical services to a larger number of CROs that offer a range of services that encompass the entire research and development process, including pre-clinical development, clinical trials management, clinical data management, study design, biostatistical analyses, post marketing surveillance, regulatory affairs services and central laboratory services. CROs are required to provide these services in accordance with good clinical and laboratory practices, as governed by the applicable regulatory authorities.

The CRO industry is highly fragmented, consisting of several hundred small, limited-service providers and a limited number of medium and large CROs with global operations. Although there are few barriers to entry for small, limited-service providers, we believe there are significant barriers to becoming a CRO with global capabilities and expertise. Some of these barriers include the infrastructure and experience necessary to serve the global demands of clients (Sponsors), the ability to manage simultaneously complex clinical trials in numerous countries, broad therapeutic expertise and the development and maintenance of the complex information technology systems required to integrate these capabilities. In recent years, the CRO industry has experienced consolidation, resulting in the emergence of a select group of CROs that have the capital, technical resources, integrated global capabilities and expertise to conduct multiple phases of clinical trials on behalf of pharmaceutical, biotechnology and medical device companies. We believe that some large pharmaceutical companies, rather than utilizing many CRO service providers, are selecting a limited number of CROs with which they deal, with many also seeking to form strategic partnerships with global CROs in an effort to drive incremental development efficiencies. We believe that this trend will further concentrate the market share among CROs with a track record of quality, speed, flexibility, responsiveness, global capabilities and overall development experience and expertise.

## New Drug Development – Ethical Pharmaceuticals and Biologics – An Overview

Before a new drug or biologic may be marketed, it must undergo extensive testing and regulatory review in order to determine that it is safe and effective. The following discussion primarily relates to the U.S. Food and Drug Administration (FDA) approval process for such products. Similar procedures must be followed for product development with other global regulatory agencies. The stages of this development process are as follows:

***Preclinical Research (approximately 1 to 3.5 years).*** “In vitro” (test tube) and animal studies must be conducted in accordance with applicable regulations to establish the relative toxicity of the drug over a wide range of doses and to detect any potential to cause birth defects or cancer. If results warrant continuing development of the drug or biologic, the manufacturer will file for an Investigational New Drug Application, or IND, which must become effective by the FDA before starting the proposed clinical studies.

### ***Clinical Trials (approximately 3.5 to 6 years).***

**Phase I (6 months to 1 year).** Consists of basic safety and pharmacology testing in 20 to 80 human subjects, usually healthy volunteers, and includes studies to determine how the drug works, if it is safe, how it is affected by other drugs, where it goes in the body, how long it remains active and how it is broken down and eliminated from the body.

**Phase II (1 to 2 years).** Includes basic efficacy (effectiveness) and dose-range testing in a limited patient population (usually) 100 to 200 patients to help determine the best effective dose, confirm that the drug works as expected, and provide additional safety data. If the Phase II results are satisfactory and no clinical hold is enforced by the FDA, the Sponsor may proceed to Phase III studies.

**Phase III (2 to 3 years).** Efficacy and safety studies in hundreds or thousands of patients at many investigational sites (hospitals and clinics). These studies can be placebo-controlled trials, in which the new drug is compared with a “sugar pill”, or studies comparing the new drug with one or more drugs with established safety and efficacy profiles in the same therapeutic category.



**TIND (may span late Phase II, Phase III, and FDA review).** When results from Phase II or Phase III show special promise in the treatment of a serious condition for which existing therapeutic options are limited or of minimal value, the FDA may allow the Sponsor to make the new drug or biologic available to a larger number of patients through the regulated provision of a Treatment Investigational New Drug, or TIND. Although less scientifically rigorous than a controlled clinical trial, a TIND may enroll and collect a substantial amount of data from tens of thousands of patients.

**NDA or BLA Preparation and Submission.** Upon completion of Phase III trials, the Sponsor assembles the statistically analyzed data from all phases of development into a single large submission along with the Chemistry and Manufacturing and preclinical data and the proposed labeling into the New Drug Application (NDA), or Biologics License Application (BLA) which today comprises, on average, approximately 100,000 pages.

**FDA Review & Approval of NDA or BLA (1 to 1.5 years).** Data from all phases of development (including a TIND) is scrutinized to confirm that the manufacturer has complied with all applicable regulations and that the drug or biologic is safe and effective for the specific use (or “indication”) under study. The FDA may refuse to accept the NDA or BLA if the Sponsor’s application has certain administrative or content criteria which do not meet FDA standards. The FDA may also deny approval of the drug or biologic product if applicable regulatory requirements are not satisfied.

**Post-Marketing Surveillance and Phase IV Studies.** Federal regulation requires the Sponsor to collect and periodically report to the FDA additional safety and efficacy data on the drug or biologic for as long as the Sponsor markets it (post-marketing surveillance). If the product is marketed outside the U.S., these reports must include data from all countries in which the drug is sold. Additional studies (Phase IV) may be undertaken after initial approval to find new uses for the drug, to test new dosage formulations, or to confirm selected non-clinical benefits, e.g., increased cost-effectiveness or improved quality of life. Additionally, FDA and other regulatory agencies are requiring Sponsors of marketed drugs or biologics to prepare Risk Management plans which are aimed at assessing areas of product risk and plans for managing such risk should they occur. The FDA Amendment Act of 2007 has imposed additional regulatory requirements on Sponsors which address product safety, to conduct post-marketing surveillance studies and to submit the clinical trial information, including clinical study results of investigational and marketed products, to a databank managed and maintained by the National Institutes of Health. The information is accessible to the public via the worldwide web. This action was taken as a result to increase “public transparency” of Sponsor’s clinical studies and respective clinical results.

### **Key Trends Affecting the CRO Industry**

CROs derive substantially all of their revenue from the research and development expenditures of pharmaceutical, biotechnology and medical device companies. Based on investment analyst research and our internal estimates, we estimate that development expenditures outsourced by pharmaceutical and biotechnology companies worldwide in 2013 was approximately \$24 billion. We believe that the following trends create further growth opportunities for global CROs, although there is no assurance that growth will materialize.

#### *Innovation Driving New Drug Development Activity.*

New technologies together with improved understanding of disease pathology (driven by scientific advances such as the mapping of the human genome) have greatly increased the number of new drug candidates being investigated in early development and greatly broadened the number of biological mechanisms being targeted by such candidates. This should lead to significant increased activity in both Preclinical and Phase I development and in turn lead to more treatments in Phase II-III clinical trials. As the number of trials that need to be performed increases, we believe that drug developers will increasingly rely on CROs to manage these trials in order to continue to focus on drug discovery.

#### *Declining Productivity Within Research and Development Programs.*

Whilst the total number of compounds that have entered clinical development has risen over the last few years, the number of novel drugs that have successfully been approved for marketing has remained relatively stable. Pharmaceutical and biotechnology companies have responded in a number of ways

including looking to extend the product life cycle of existing drugs and initiating programs to drive efficiency in the development process. One example of this has been the efforts to achieve a more seamless transition across development phases, particularly Phase I-III. In parallel, regulatory initiatives such as the FDA's "Critical Path" and the emergence of techniques such as adaptive trial design are focused on ensuring unsafe or ineffective drugs are eliminated from the development process earlier, allowing effective treatments to get to patients quicker at potentially reduced development costs.

*Pressure to Accelerate Time to Markets; Globalization of the Marketplace.*

Reducing product development time maximizes the client's potential period of patent exclusivity, which in turn maximizes potential economic returns. We believe that clients are increasingly using CROs that have the appropriate expertise to improve the speed of product development to assist them in improving economic returns. In addition, applying for regulatory approval in multiple markets and for multiple indications simultaneously, rather than sequentially, reduces product development time and thereby maximizes economic returns. We believe that CROs with global capabilities and considerable knowledge and experience in a broad range of therapeutic areas are a key resource to support a global regulatory approval strategy. Alongside this, the increasing need to access pools of new patients is leading to the conduct of clinical trials in new "emerging regions" such as Eastern Europe, Latin America, Asia-Pacific, South America and India. We believe that having access to both traditional and emerging clinical research markets gives global CROs a competitive advantage.

*Emergence of the Biotechnology Sector.*

The nature of the drugs being developed is changing. Biotechnology is enabling the development of targeted drugs with diagnostic tests to determine whether a drug will be effective given a patient's genomic profile. An increasing proportion of research and development ("R&D") expenditure is being spent on the development of highly technical drugs to treat very specific therapeutic areas. Much of this discovery expertise is found in smaller biotechnology firms. We believe that it is to these organizations that the large pharmaceutical companies will look for an increasing proportion of their new drug pipelines. Whether it is through licensing agreements, joint ventures or equity investment, we believe we may see the emergence of more strategic relationships between small discovery firms and the larger pharmaceutical groups. As the majority of these biotechnology companies do not have a clinical development infrastructure, we believe that the services offered by CROs will continue to be in demand from such companies.

*Cost Containment Pressures.*

Over the past several years, drug companies have sought more efficient ways of conducting business due to margin pressures stemming from patent expirations, greater acceptance of generic drugs, pricing pressures caused by the impact of managed care, purchasing alliances and regulatory consideration of the economic benefit of new drugs. Consequently, drug companies are centralizing research and development, streamlining their internal structures and outsourcing certain functions to CROs, thereby converting previously fixed costs to variable costs. Larger drug companies in particular are actively entering strategic partnerships with a limited number of CROs in an effort to drive increased efficiencies. The CRO industry and in particular large CROs with global capabilities and considerable scientific knowledge and expertise are often able to perform the needed services with greater focus and at a lower cost than the client could perform internally, although CRO companies themselves are facing increased cost containment pressures as drug companies seek to further reduce their cost base.

*Increasing Number of Large Long-Term Studies.*

We believe that to establish competitive claims, to obtain reimbursement authorization from bodies such as the National Institute for Health and Clinical Excellence in the UK, and to encourage drug prescription by physicians in some large and competitive categories, more clients need to conduct outcome studies to demonstrate, for example, that mortality rates are reduced by certain drugs. To verify such outcomes, very large patient numbers are required and they must be monitored over long time periods. We believe that as these types of studies increase there will be a commensurate increase in demand for the services of CROs who have the ability to quickly assemble large patient populations, globally if necessary, and manage this complex process throughout its duration.

### *A Focus on Long-term Product Safety.*

In the wake of a number of high profile recalls of previously approved drugs, regulatory authorities, such as the FDA and the European Medicines Agency, are increasingly demanding that Sponsors make arrangements to track the long-term safety of their products. The clinical trial approval process can only detect major and common adverse side effects of drugs; less common but no less serious effects may only become apparent after many years of use. As a result, there is an increase in the number of drugs given “conditional approvals” where further ‘post-approval’ studies are being mandated. In addition, prudent sponsors undertake similar studies to detect early warning signs of any potential problems with their products. Such studies may take the form of prospective long-term safety studies, simpler observational studies or registries where patients meeting specific criteria for disease or drug use are followed for long periods to detect any safety issues. CROs are well positioned to perform these studies on behalf of sponsors. Furthermore, a variety of healthcare databases containing medical and prescribing records can be “data mined” to collect patient data from very large populations in support of on-going safety and efficacy assessments.

### *Increasing Regulatory Demands.*

We believe that regulatory agencies are becoming more demanding with regard to the data required to support new drug approvals and are seeking more evidence that new drugs are safer and more effective than existing products. As a result, the complexity of clinical trials and the size of regulatory submissions are driving the demand for services provided by CROs.

### *An Increasing Requirement to Show the Economic Value of New Treatments.*

The rising costs of healthcare in most developed countries means there is an increasing pressure to show that new medical treatments are more cost effective and deliver better patient outcomes than existing treatments regimes. In many countries there are formal assessment processes to determine the economic value of new treatments and product reimbursement is often dependent on the outcome of such assessments. This means that sponsors need to increasingly generate outcomes data both as part of the product approval submissions and as part of post-approval research programmes. This is creating opportunities for CRO's who can offer support in developing and interpreting this outcomes data.

## **The ICON Strategy**

ICON's mission is to accelerate the development of drugs that save lives and improve the quality of life. Our vision is to be the global CRO partner of choice in drug development by delivering best in class information, solutions and performance.

We have achieved strong growth since our foundation in 1990. The impact of the International Conference on Harmonisation, the resulting globalization of clinical research and the acceleration in the understanding of human and molecular biology which has led to many new treatment paths being explored have been key drivers of this growth.

The lack of productivity in the development department of the biopharmaceutical companies together with health budget constraints and the current economic and financial environment, are placing increased pressure on revenues and profitability of development companies. This however has been generally positive for CROs, as increased outsourcing has been adopted by these companies as they seek to create greater efficiencies in their development processes, convert previously fixed costs to variable, and accelerate time to market.

One consequence of the drive to accelerate time to market will be increased emphasis on early stage development and translational medicine, as companies seek to filter compounds earlier in the development process, thereby lowering attrition rates and development expenditure. Regulatory pressures too will increase the emphasis on late stage (post marketing) surveillance, while increasing requirements to demonstrate the economic value of new compounds, through outcomes and comparative effectiveness research, will most likely be required in order to secure reimbursement. Furthermore, we believe advances in molecular biology will drive further growth in innovation in the long term which in turn should create further growth opportunities for both development companies and their outsource providers.

We expect the increased adoption of outsourcing will be a core strategy of clients in the near term as they respond to the increased pressures on their revenues and profitability. Larger clients in particular are seeking to form strategic partnerships with global CROs in an effort to reduce the number of outsource partners with whom they engage and to reduce inefficiencies in their current drug development models. As outsourcing penetration increases, we believe clients will seek a greater level of integration of service offerings from CROs, although some will continue to purchase services on a stand-alone basis. Creating greater connectivity and “seamlessness” between our services and the sharing of “real-time” clinical and operational data with clients will therefore become increasingly important for CROs. ICON will seek to benefit from this increased outsourcing by clients to grow our business by increasing market share with our existing client base and adding new clients within the Phase I-IV outsourced development services market; the aim being to ensure we will be considered for all major Phase I-IV projects.

Our core strategies to achieve these objectives will be as follows:

#### *Build Scale*

Building scale within the organization will be central to achieving our objectives and will be achieved through developing strategic relationships with clients, growing positions in existing and selected new markets, broadening our service offerings and targeted strategic acquisitions as required.

Strategic client relationships will manifest themselves in many different forms. Many of these relationships will require new forms of collaboration across ICON divisions and departments and will therefore require increased flexibility to offer services on both a standalone basis and as part of a fully integrated service model. To support this objective we are developing programs to incorporate expanded relationship management, closer data integration across our service lines and enhanced project management capabilities.

We will also continue to build our positions in emerging markets and have expanded our presence in regions such as Asia-Pacific, in particular in China and Japan, as is evident from our acquisition of BeijingWits Medical Limited, a leading Chinese CRO. In 2013, we added scale to our contract resourcing service offering in the US through the acquisition of ClinForce and Assent Consulting. Additionally we are taking steps to address new and emerging markets such as the market for biosimilars and government sponsored research programs.

#### *Improve Quality and Competitiveness*

Ensuring that we have a competitive offering by providing our customers a broad range of services across the development spectrum and the global coverage to deliver their programs remains a focus. Over the past year we have strengthened the depth of our services through organic growth and also in specific areas such as resourcing and Functional Service Provision through the acquisition of ClinForce and Assent Consulting. We continue to evolve our Commercialization and Outcomes offering, building on the platforms we acquired with Oxford Outcomes and PriceSpective. Our global coverage has also increased, with a new office in Turkey which will allow us to continue supporting our customers’ global development programmes.

We continue to enhance our operating processes and delivery models to gain competitive advantage. Our proprietary ICONIK platform, which integrates clinical data across multiple systems, is helping us drive better project execution and identify significant operational efficiencies. We are also reducing patient recruitment times through enhanced site and investigator selection based on key performance metrics and we continue to work with investigator sites to optimise study conduct and enhance data quality. Our Firecrest technology is supporting our efforts in this area.

We are successfully leveraging our support costs and have created global business support infrastructure across functions such as Finance, Information Technology, Facilities and Human Resources which is helping us to enhance service levels whilst driving down the costs of this service provision.

Quality project execution underpins all we do and we have an ongoing focus on developing our people and processes to continue to enhance our service delivery. We are also deploying supporting technologies which we believe will also enable faster and deeper insights into the quality of trial data.

### *Leadership and Talent*

Core to all our strategies are our people. The need to grow and retain talent within the organisation is fundamental in enabling us to be the global CRO partner of choice. ICON's talent review and succession planning processes are core strategies in the achievement of this objective. We launched the ICON Business Academy with University College Dublin (UCD) in 2013 which provides customised management and development programs for global employees involved in people management roles. We have also created a new Graduate Certificate in Clinical Trial Management in association with the UCD School of Medicine, which will enhance the quality of graduate training in clinical research and increase the pool of talent available to ICON to support our customer's drug development programmes.

### *Leveraging Informatics*

Developing best in class information to help clients improve the costs and efficiencies associated with drug development will be another key strategy in achieving our objectives. Our proprietary ICONIK platform, a web-based information platform that enables the management, reporting, analysis and visualization of all data relating to drug development will be a key tool in this regard. Firecrest's comprehensive site performance management system, a web-based solution which enables accurate study information, including protocol information, training manuals and case report forms amongst others, to be rolled out quickly and simultaneously to investigative sites is also a key platform in this regard and will allow site behavior to be tracked to ensure training is understood, procedures are being followed and that timelines are met and study parameters are met (*see information systems on page 20 for further information*).

### *Enhance Expertise*

Increased scientific knowledge and expertise will be important as clients will increasingly look to their partners for advice and guidance on how to identify promising drug candidates earlier in the development process and eliminate others. Having the right blend of scientific and commercial leadership in this area will be of key importance. The Company has made a number of strategic acquisitions in recent years to develop our scientific base in areas such as special patient populations, biomarkers and large molecule bioanalysis. We continue to build additional expertise in this and other areas (epidemiological, outcomes, regulatory and market access) and strengthen our therapeutic expertise.

## **Services**

ICON specializes in the strategic development, management and analysis of programs that support Clinical Development – from compound selection to Phase I-IV clinical studies.

Our Clinical Research business specializes in the planning, management, execution and analysis of Phase I-IV clinical trials, ranging from small studies to complex, multinational projects. We also conduct various laboratory tests on the patient's blood, urine and other bodily fluids at appropriate intervals during the trial. Specific clinical research services offered include:

- Investigator Recruitment
- Study Monitoring and Data Collection
- Case Report Form (“CRF”) Preparation
- Statistical Analysis
- Patient Safety Monitoring
- Clinical Data Management
- Interactive Response Technologies
- Electronic Patient Reported Outcomes
- Medical Reporting
- Patient Registries



- Outcomes Research
- Health Economics
- Marker Access and commercialization services
- Strategic Analysis and Data Operations
- Clinical Pharmacology
- Bioanalysis
- Immunoassay development
- Pharmacokinetic and Pharmacodynamic analysis
- Study Protocol Preparation
- Regulatory Consulting
- Product Development Planning
- Strategic Consulting
- Pricing and Market Access Consulting
- Medical Imaging
- Contract Staffing
- Electronic Endpoint Adjudication
- Sample analyses
- Safety testing
- Microbiology
- Custom flow cytometry
- Electronic transmission of test results
- Biomarker development

### **Sales and Marketing**

Our global sales and marketing strategy is to focus our business development efforts on pharmaceutical, biotechnology and medical device companies whose development projects are advancing. By developing and maintaining strategic relationships with our clients, we gain repeat business, can leverage a full service portfolio and achieve lateral penetration into other therapeutic indications and adjacent service lines where applicable. Simultaneously, we are actively establishing new client relationships.

While our sales and marketing activities are carried out locally by executives in each of the major locations, the sales and marketing process is coordinated centrally to ensure a consistent and differentiated market positioning for ICON and ongoing development of the ICON brand. In addition, all our business development professionals, senior executives and project team leaders share responsibility for the maintenance of key client relationships and business development activities.

### **Competition**

The CRO industry is highly fragmented, consisting of many small, limited-service providers and a limited number of medium-sized and large CROs with global operations. We compete against in-house departments of pharmaceutical companies and other CROs with global operations. Some of these competitors have greater capital, technical and other resources than us. CROs generally compete on the basis of previous experience, the quality of contract research, the ability to organize and manage large-scale trials on a global basis including the ability to recruit suitable investigators and patients, the ability to manage large and complex medical databases, the ability to provide additional drug development consulting

services, the ability to integrate and make available clinical and operational data to improve the efficiency of contract research, medical and scientific expertise in specific therapeutic areas and price. We believe that we compete favorably in these areas. Our principal CRO competitors are Covance Inc., PAREXEL International Corporation, Pharmaceutical Product Development Inc., Quintiles Transnational Corporation, inVentiv Health, PRA and INC Research. Globalization is driving market share to global CROs while the trend toward CRO industry consolidation has resulted in heightened competition among the larger CROs for clients, skilled employees and acquisition candidates.

### **Customers**

During the year ended December 31, 2013 revenue was earned from over 700 clients. The increased use of strategic partnership arrangements in recent years has resulted in a greater proportion of our net revenues being derived from a relatively limited number of customers. During the year ended December 31, 2013 53% of our net revenues were derived from our top five customers, with two customers individually contributing more than 10% of our net revenues during the period (26% and 10% respectively). No other customer contributed more than 10% of our net revenues during this period. During the year ended December 31, 2012 48% of our net revenues were derived from our top five customers, with two customers individually contributing more than 10% of our net revenues during the period (18% and 12% respectively). No other customer contributed more than 10% of our net revenues during this period. During the year ended December 31, 2011 37% of our net revenues were derived from our top five customers, with 13% of our net revenues derived from one customer. No other customer contributed more than 10% of net revenues during this period. The loss of, or a significant decrease in business from one or more of these key customers could have a material adverse impact on our results of operations.

### **Backlog**

Our backlog consists of potential net revenue yet to be earned from projects awarded by clients. At December 31, 2013 we had a backlog of approximately \$3.1 billion, compared with approximately \$2.8 billion at December 31, 2012. We believe that our backlog as of any date is not necessarily a meaningful predictor of future results, due to the potential for cancellation or delay of the projects underlying the backlog, and no assurances can be given on the extent to which we will be able to realize this backlog as net revenue.

### **Information Systems**

Having access to accurate and timely information is critical in the management, delivery and quality of all aspects of drug development. To enable this ICON has developed an Informatics strategy built around ICONIK, a web-based information platform that enables the management, reporting, analysis and visualisation of all data relating to drug development. ICONIK collects, manages and standardises study data from multiple sources, including Electronic Data Capture (EDC), patient diaries, central laboratories and imaging, to provide a single view of study information. ICONIK enables ICON to deliver new services such as ICONIK monitoring which uses near-real time clinical data to drive monitoring visit schedules thereby reducing overall cost and time to market.

In addition to managing clinical data, ICONIK collects operational data, such as project management, clinical trials management system (CTMS) and metric information to drive trial efficiency and transparency. Investigator data, such as payments, site details and performance, can also be incorporated. ICONIK can be accessed via a portal that allows clients access to study related information via a secure web based environment.

Our site management and training technology, Firecrest, is another important component of our Informatics strategy. Firecrest provides an on-line web-based portal to access visit by visit study guides which drive site performance and quality.

ICON also utilizes a range of enterprise applications that enable the delivery of our business services in a global environment. The focus is to provide ease of access and capture of study information for our staff and clients globally. Our current information systems are built on open standards and leading commercial business applications from vendors including Microsoft, Oracle, EMC, SAS and Medidata. IT expenditure is authorized by strict IT governance policies requiring senior level approval of all strategic IT expenditure based on defined, measurable business benefits.

In Clinical Operations, we have deployed a suite of software applications that assist in the management and tracking of our clinical trial activities. These software applications are both internally developed and commercially available applications from external vendors. These include a clinical trial management application that tracks all relevant data in a trial and automates all management and reporting processes. In our Data Management function, we have deployed leading clinical data management solutions including EDC and Clinical Data Warehouse solutions from external vendors. This allows us to guarantee the integrity of client data and provide consolidated information across client studies. In our clinical trials management area Firecrest Clinical provides a comprehensive site performance management system that improves compliance, consistency and execution of activities at investigative sites. The web-based solution enables accurate study information, including protocol information, training manuals and case report forms, to be rolled out quickly and simultaneously to sites. Site behaviour can then be tracked to ensure training is understood, procedures are being followed, timelines are met and study parameters are maintained. As well as meeting day to day operational requirements, these systems are feeder systems into the ICONIK platform.

We have also developed an interactive response technology (IXR) system which provides features such as centralized patient randomization, drug inventory management, patient diary collection and provides our clients with a fully flexible data retrieval solution which can be utilized via telephone, internet browser or a mobile device. In our central laboratory business, we utilize a comprehensive suite of software, including a laboratory information management system (LIMS), a kit/sample management system and a web interface system to allow clients to review results online.

All of the Company's global finance operations utilize Oracle's eBusiness suite to serve the organization's financial and project accounting requirements, while Oracle Peoplesoft and Success Factors are used to fulfill our HR people management requirements.

The Company's strategy of using technology to enhance our global processes can be seen from our deployment of platforms like ICONIK, iDoc our global SOP Document Management system and our Web-based training delivery solution, iLearn.

Our IT systems are operated from two centralized hubs in Dublin, Ireland and Philadelphia, Pennsylvania. Other offices are linked to these hubs through a network managed by Verizon, a tier one global telecommunications provider. This network provides global connectivity for our applications and allows collaboration and communication using tools like Microsoft Lync, Sharepoint and eRooms. Mobile staff can also access all systems via secure remote access facilities. A global corporate intranet portal provides access to all authorized data and applications for our internal staff as well as providing an internal platform for company wide communication.

### **Contractual Arrangements**

We are generally awarded projects based upon our responses to requests for proposals received from companies in the pharmaceutical, biotechnology and medical device industries, or work orders executed under our strategic partnership agreements.

Our revenues on contracts are recognized on a proportional performance method. Depending on the contractual terms revenue is either recognized on the percentage of completion method based on the relationship between hours incurred and the total estimated hours of the trial or on the unit of delivery method. Payment terms usually provide either for payments based on the achievement of certain identified milestones, units delivered or monthly payments, according to a contracted payment schedule over the life of the contract. Where clients request changes in the scope of a trial or in the services to be provided by us, a change order or amendment is issued which may result either in an increase or decrease in the contract value. We also contract on a "fee-for-service" or "time and materials" basis.

Contract periods may range from several weeks to several years depending on the nature of the work to be performed. In most cases, an upfront portion of the contract fee is paid at the time the study or trial is started. The balance of the contract fee is generally payable in installments over the study or trial duration and may be based on the achievement of certain performance targets or "milestones" or, based on units delivered, or on a fixed monthly payment schedule. For instance, installment payments may be based on patient enrollment dates or delivery of the database. During the course of the study, the Company will



generally incur reimbursable expenses. Reimbursable expenses are typically estimated and budgeted within the contract and are generally invoiced on a monthly basis based on actual expenses incurred. Reimbursable expenses include payments to investigators, travel and accommodation costs and various other expenses incurred over the course of the clinical trial which are fully reimbursable by the client.

As the currency in which contracts are priced can be different from the currencies in which costs relating to those contracts are incurred, we usually negotiate currency fluctuation clauses in our contracts which allow for price adjustments if changes in the relative value of those currencies exceed predetermined tolerances.

Most of our contracts are terminable immediately by the client with justifiable cause or with 30 to 90 days notice without cause. In the event of termination, we are usually entitled to all sums owed for work performed and expenses incurred through the notice of termination and certain costs associated with termination of the study. Termination or delay in the performance of a contract occurs for various reasons, including, but not limited to, unexpected or undesired results, production problems resulting in shortages of the drug, adverse patient reactions to the drug, the client's decision to de-emphasize a particular trial, inadequate patient enrollment, or investigator recruitment.

## **Government Regulation**

### *Regulation of Clinical Trials*

The clinical investigation of new drugs is highly regulated by government agencies. The standard for the conduct of clinical research and development studies is Good Clinical Practice ("GCP"), which stipulates procedures designed to ensure the quality and integrity of data obtained from clinical testing and to protect the rights and safety of clinical subjects.

Regulatory authorities, including the United States Food and Drug Administration ("FDA"), have promulgated regulations and guidelines that pertain to applications to initiate trials of products, the approval and conduct of studies, report and record retention, informed consent, applications for the approval of drugs and post-marketing requirements. Pursuant to these regulations and guidelines, service providers that assume the obligations of a drug sponsor are required to comply with applicable regulations and are subject to regulatory action for failure to comply with such regulations and guidelines. In the United States and Europe, the trend has been in the direction of increased regulation and enforcement by the applicable regulatory authority.

In providing our services in the United States, we are obligated to comply with FDA requirements governing such activities. These include ensuring that the study is approved by an appropriate independent review board ("IRB")/Ethics Committee, obtaining patient informed consents, verifying qualifications of investigators, reporting patients' adverse reactions to drugs and maintaining thorough and accurate records. We must maintain critical documents for each study for specified periods, and such documents may be reviewed by the study sponsor and the FDA.

The services we provide outside the United States are ultimately subject to similar regulation by the relevant regulatory authority, including the Medicines and Healthcare products Regulatory Agency ("MHRA") in the United Kingdom and the Bundesinstitut für Arzneimittel und Medizinprodukte ("BfARM") in Germany. In addition, our activities in Europe are affected by the European Medicines Agency ("EMA"), which is based in London, England.

We must retain records for each study for specified periods for inspection by the client and by the applicable regulatory authority during audits. If we fail to comply adequately with applicable regulations and guidelines, it could result in a material adverse effect. In addition, our failure to comply with applicable regulations and guidelines, depending on the extent of the failure, could result in fines, debarment, termination or suspension of ongoing research, the disqualification of data or litigation by clients, any of which could also result in a material adverse effect.

## **Potential Liability and Insurance**

Both ICON and its customers contract with physicians who serve as investigators in conducting clinical trials to test new drugs on their patients. Such testing creates a risk of liability for personal injury to or

death of the patients resulting from adverse reactions to the drugs administered. In addition, although we do not believe that we should be legally accountable for the medical care rendered by third party investigators, it is possible that we could be subject to claims and expenses arising from the performance of the investigators with whom we or our clients contract. We also could be liable for negligence errors and/or omissions in connection with the services we perform and this could result in us being liable to make large payments to sponsor(s) and/or other parties.

From time to time, we are asked to act as the legal representative of a client in certain jurisdictions. As we believe that acting as legal representative of clients exposes us to a higher risk of liability, there is a designated entity within the ICON Group which is generally used to provide this service in relevant jurisdictions subject to certain preconditions being met. The preconditions relate to obtaining protections such as specific insurance commitments and indemnities from the client to cover the nature of the exposure.

We believe that the risk of liability to patients in clinical trials is mitigated by various regulatory requirements, including the role of institutional review boards and the need to obtain each patient's informed consent. The FDA requires each human clinical trial to be reviewed and approved by the institutional review board at each study site. An institutional review board is an independent committee that includes both medical and non-medical personnel and is obligated to protect the interests of patients enrolled in the trial. After the trial begins, the institutional review board monitors the protocol and measures designed to protect patients, such as the requirement to obtain informed consent.

We further attempt to reduce our risks through seeking contractual indemnification provisions with clients in relation to the study drug and through insurance maintained by clients, investigators and us. However, the contractual indemnifications from our clients do not protect us in certain circumstances or against our own actions such as our negligence or poor performance. The terms and scope of such indemnification in relation to the study drug vary from client to client and from trial to trial, and the financial performance of these indemnities is not secured. Therefore, we bear the risk that the indemnity may not be sufficient or that the indemnifying party may not have the financial ability to fulfill its indemnification obligations. In addition, we also would be liable to our clients where our performance does not reach the required contractual standard, such as our failure to comply with regulatory standards, negligence or poor performance. We maintain worldwide professional liability insurance and while we believe that our insurance coverage is adequate there can be no assurance that we will continue to be able to maintain such insurance coverage on terms acceptable to us, if at all, or that the policy will respond and provide cover when we want it to. We could be materially adversely affected if we were required to pay damages or bear the costs of defending or settling any claim outside the scope of or in excess of a contractual indemnification provision or beyond the level of insurance coverage or if our insurance cover does not cover the relevant circumstances or in the event that an indemnifying party does not fulfill its indemnification obligations.

### **Description of Property**

Our principal executive offices are located in South County Business Park, Leopardstown, Dublin, Republic of Ireland, where we own an office facility of approximately 15,000 square meters. We lease all other properties under operating leases.

We maintain three offices in New York, two offices in each of the following US locations: Chicago, San Antonio and Philadelphia and one office in each of the following U.S. locations: Baltimore, Bethesda, Boston, Houston, Los Angeles, Morristown, Nashville, Raleigh, San Diego, San Francisco and Wilmington.

Our European operations maintain two offices in Amsterdam, Frankfurt and one office in each of the following locations: Barcelona, Berlin, Brussels, Bucharest, Budapest, Munich, Kiev, Limerick, London, Madrid, Manchester, Marlow, Milan, Moscow, Oxford, Paris, Prague, Riga, Southampton, Stockholm, Tel Aviv, Ankara, Vilnius and Warsaw.

We also maintain two offices in Bangalore and Singapore and one office in each of the following locations: Auckland, Bangkok, Beijing, Bogota, Buenos Aires, Chennai, Hong Kong, Johannesburg, Lima, Manila, Mexico City, Montreal, Osaka, Santiago, Sao Paolo, Seoul, Shanghai, Sydney, Taipei, Tianjin, Tokyo, Toronto, Trivandrum and Vancouver.

## Organizational Structure

Details of the Company's significant operating subsidiaries are as follows:

<i>Name</i>	<i>Country of incorporation</i>	<i>Group ownership</i>
ICON Clinical Research Limited . . . . .	Republic of Ireland	100%
ICON Holdings. . . . .	Republic of Ireland	100%
ICON Clinical International . . . . .	Republic of Ireland	100%
ICON Holdings Clinical Research International Limited . . . . .	Republic of Ireland	100%
DOCS Resourcing Limited . . . . .	Republic of Ireland	100%
ICON Development Solutions, LLC . . . . .	Delaware, USA	100%
ICON Development Solutions, LLC . . . . .	Maryland, USA	100%
ICON Clinical Pharmacology, LLC . . . . .	USA	100%
ICON Clinical Research, LLC . . . . .	USA	100%
ICON Central Laboratories, Inc. . . . .	USA	100%
Beacon Bioscience, Inc. . . . .	USA	100%
DOCS Global, Inc. . . . .	USA	100%
Healthcare Discoveries, LLC . . . . .	USA	100%
Oxford Outcomes LLC . . . . .	USA	100%
PriceSpective LLC . . . . .	USA	100%
ICON US Holdings Inc. . . . .	USA	100%
DOCS International Belgium N.V . . . . .	Belgium	100%
ICON Clinical Research EOOD . . . . .	Bulgaria	100%
ICON Research Ltd. (Ispitivanja ICON d.o.o) . . . . .	Croatia	100%
ICON Clinical Research s.r.o. . . . .	Czech Republic	100%
DOCS International Nordic Countries A/S . . . . .	Denmark	100%
DOCS International Finland Oy . . . . .	Finland	100%
ICON Clinical Research S.A.R.L. . . . .	France	100%
DOCS International France S.A.S. . . . .	France	100%
ICON Clinical Research GmbH . . . . .	Germany	100%
DOCS International Germany GmbH . . . . .	Germany	100%
ICON Clinical Research Kft (ICON Klinikai Kutató Kft) . . . . .	Hungary	100%
ICON Clinical Research Israel Limited. . . . .	Israel	100%
DOCS Italia S.R.L. . . . .	Italy	100%
ICON Investments Limited. . . . .	Jersey	100%
DOCS International BV . . . . .	Netherlands	100%
DOCS Insourcing BV. . . . .	Netherlands	100%
DOCS International Poland Sp.zo.o. . . . .	Poland	100%
ICON Clinical Research Sp.zo.o. . . . .	Poland	100%
ICON Clinical Research S.R.L. . . . .	Romania	100%
ICON Clinical Research d.o.o. Beograd . . . . .	Serbia	100%
ICON Clinical Research Slovakia, s.r.o. . . . .	Slovakia	100%
ICON Clinical Research Espana, S.L. . . . .	Spain	100%
DOCS International Sweden AB . . . . .	Sweden	100%
ICON Medical Imaging AG . . . . .	Switzerland	100%

<i>Name</i>	<i>Country of incorporation</i>	<i>Group ownership</i>
DOCS International Switzerland GmbH . . . . .	Switzerland	100%
ICON Ankara Klinik Arastirma Dis Ticaret Anonim Sirketi . .	Turkey	100%
ICON Clinical Research LLC . . . . .	Ukraine	100%
ICON Development Solutions Limited. . . . .	United Kingdom	100%
DOCS International UK Limited . . . . .	United Kingdom	100%
Oxford Outcomes Limited . . . . .	United Kingdom	100%
PriceSpective Limited. . . . .	United Kingdom	100%
ICON Clinical Research (U.K.) Limited . . . . .	United Kingdom	100%
AKOS Limited . . . . .	United Kingdom	100%
ICON Clinical Research, S.A. . . . .	Argentina	100%
ICON Pesquisas Clinicas LTDA . . . . .	Brazil	100%
ICON Clinical Research (Canada) Inc. . . . .	Canada	100%
Oxford Outcomes Limited . . . . .	Canada	100%
ICON Chile Limitada . . . . .	Chile	100%
ICON Clinical Research México, S.A. de C.V. . . . .	Mexico	100%
ICONClinical Research Peru S.A. . . . .	Peru	100%
ICON Clinical Research PTY Limited . . . . .	Australia	100%
ICON Clinical Research (Beijing) Co., Limited . . . . .	China	100%
ICON Clinical Research (Beijing No. 2) Co., Limited . . . . .	China	100%
ICON Clinical Research India Private Limited . . . . .	India	100%
ICON Japan K.K. . . . .	Japan	100%
ICON Clinical Research Korea Yuhan Hoesa . . . . .	Korea	100%
ICON Clinical Research Hong Kong Limited . . . . .	Hong Kong	100%
ICON CRO Malaysia SDN. BHD. . . . .	Malaysia	100%
ICON Clinical Research (New Zealand) Limited . . . . .	New Zealand	100%
ICON Clinical Research Services Philippines, Inc. . . . .	Philippines	100%
ICON Clinical Research (Pte) Limited . . . . .	Singapore	100%
ICON Clinical Research Taiwan Limited . . . . .	Taiwan	100%
ICON Clinical Research (Thailand) Limited . . . . .	Thailand	100%

**Item 4A. Unresolved Staff Comments**

Not applicable.

## **Item 5. Operating and Financial Review and Prospects**

The following discussion and analysis should be read in conjunction with our Consolidated Financial Statements, accompanying notes and other financial information, appearing in Item 18. The Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States.

### **Overview**

We are a contract research organization (“CRO”), providing outsourced development services on a global basis to the pharmaceutical, biotechnology and medical device industries. We specialize in the strategic development, management and analysis of programs that support all stages of the clinical development process – from compound selection to Phase I-IV clinical studies. Our vision is to be the Global CRO partner of choice in drug development by delivering best in class information, solutions and performance in clinical and outcomes research.

We believe that we are one of a select group of CRO’s with the expertise and capability to conduct clinical trials in most major therapeutic areas on a global basis and have the operational flexibility to provide development services on a stand-alone basis or as part of an integrated “full service” solution. At December 31, 2013, we employed approximately 10,300 employees, in 77 locations in 38 countries. During the year ended December 31, 2013 we derived approximately 43.6%, 45.4% and 11.0% of our net revenue in the United States, Europe and Rest of World, respectively.

Revenue consists primarily of fees earned under contracts with third-party clients. In most cases, a portion of the contract fee is paid at the time the study or trial is started, with the balance of the contract fee generally payable in installments over the study or trial duration, based on the achievement of certain performance targets or “milestones”. Revenue from contracts is recognized on a proportional performance method based on the relationship between time incurred and the total estimated duration of the trial or on a fee-for-service basis according to the particular circumstances of the contract. As is customary in the CRO industry, we contract with third party investigators in connection with clinical trials. All investigator fees and certain other costs, where reimbursed by clients, are, in accordance with industry practice, deducted from gross revenue to arrive at net revenue. As these costs vary from contract to contract, we view net revenue as our primary measure of revenue growth.

As the nature of our business involves the management of projects having a typical duration of one to four years, the commencement or completion of projects in a fiscal year can have a material impact on revenues earned with the relevant clients in such years. In addition, as we typically work with some, but not all, divisions of a client, fluctuations in the number and status of available projects within such divisions can also have a material impact on revenues earned from such clients from year to year.

Termination or delay in the performance of an individual contract may occur for various reasons, including, but not limited to, unexpected or undesired results, production problems resulting in shortages of the drug, adverse patient reactions to the drug, the client’s decision to de-emphasize a particular trial or inadequate patient enrolment or investigator recruitment. In the event of termination the Company is usually entitled to all sums owed for work performed through the notice of termination and certain costs associated with the termination of the study. In addition, contracts generally contain provisions for renegotiation in the event of changes in the scope, nature, duration, or volume of services of the contract.

Our backlog consists of potential net revenue yet to be earned from projects awarded by clients. At December 31, 2013 we had a backlog of approximately \$3.1 billion, compared with approximately \$2.8 billion at December 31, 2012. We believe that our backlog as of any date is not necessarily a meaningful predictor of future results, due to the potential for cancellation or delay of the projects underlying the backlog, and no assurances can be given on the extent to which we will be able to realize this backlog as net revenue.

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

In addition to translation exposures, we are 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. Our operations in the United States are not materially exposed to such currency differences as the majority of our revenues and costs are in U.S. dollars. However, outside the United States the multinational nature of our activities means that contracts are usually priced in a single currency, most often U.S. dollars or Euros, while costs arise in a number of currencies, depending, among other things, on which of our 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 our results of operations. We regularly review our currency exposures and usually negotiate currency fluctuation clauses in our contracts which allow for price negotiation if changes in the relative value of those currencies exceed predetermined tolerances.

As we conduct operations on a global basis, our effective tax rate has depended and will depend on the geographic distribution of our revenue and earnings among locations with varying tax rates. Our results therefore may be affected by changes in the tax rates of the various jurisdictions. In particular, as the geographic mix of our results of operations among various tax jurisdictions changes, our effective tax rate may vary significantly from period to period.

## Operating Results

The following table sets forth for the periods indicated certain financial data as a percentage of net revenue and the percentage change in these items compared to the prior comparable period. The trends illustrated in the following table may not be indicative of future results.

	Year Ended December 31,			
	2013	2012	2013	2012
	Percentage of Net Revenue		Percentage Increase/(Decrease)	
Net revenue . . . . .	100%	100%	19.8%	17.9%
Costs and expenses:				
Direct costs . . . . .	63.3%	64.4%	17.8%	17.3%
Selling, general and administrative . . . . .	23.5%	25.2%	11.8%	9.7%
Depreciation . . . . .	2.9%	3.1%	10.7%	3.5%
Amortization . . . . .	0.6%	0.7%	(0.1)%	61.7%
Income from operations (excluding restructuring and other items) . . . . .	9.7%	6.6%	76.8%	87.6%
Restructuring and other items . . . . .	0.6%	0.5%	60.3%	(42.6)%
Income from operations (including restructuring and other items) . . . . .	9.1%	6.1%	78.1%	131.0%

### *Year ended December 31, 2013 compared to year ended December 31, 2012*

Net revenue for the year increased by \$221.1 million, or 19.8%, from \$1,115.0 million for the year ended December 31, 2012 to \$1,336.1 million for the year ended December 31, 2013. For the year ended December 31, 2013 we derived approximately 43.6%, 45.4% and 11.0% of our net revenue in the United States, Europe and Rest of World, respectively.

Net revenue in Ireland increased from \$172.0 million for the year ended December 31, 2012 to \$272.7 million for the year ended December 31, 2013. Net revenue in Ireland is principally a function of the Company's global transfer pricing model. Previous strategic investment in personnel and related infrastructure complemented with enhanced operating processes and the successful leveraging of our support costs in the current year has resulted in a decrease of the proportion of the Group's net revenue being used to support other Group entities and a corresponding increase in net revenue in Ireland in the current year.

Direct costs for the year increased by \$127.7 million, or 17.8%, from \$717.7 million for the year ended December 31, 2012 to \$845.4 million for the year ended December 31, 2013. Direct costs consist primarily



of compensation, associated fringe benefits and share based compensation expense for project-related employees and other direct project driven costs. The increase in direct costs during the period arose from an increase in headcount and a corresponding increase in personnel related expenditure of \$131.3 million offset by a decrease in other direct project related costs of \$3.6 million. As a percentage of net revenue, direct costs have decreased from 64.4% for the year ended December 31, 2012 to 63.3% for the year ended December 31, 2013.

Selling, general and administrative expenses for the year increased by \$33.1 million, or 11.8%, from \$280.8 million for the year ended December 31, 2012 to \$313.9 million for the year ended December 31, 2013. Selling, general and administrative expenses comprise primarily of compensation, related fringe benefits and share based compensation expense for non-project-related employees, recruitment expenditure, professional service costs, advertising costs and all costs related to facilities and information systems. The increase in selling, general and administration expense for the period arose primarily from an increase in personnel related expenditure, including bonus, of \$24.1 million, an increase in facilities and related costs of \$4.9 million and an increase in other general overhead costs of \$4.1 million. As a percentage of net revenue, selling, general and administrative expenses, decreased from 25.2% for the year ended December 31, 2012 to 23.5% for the year ended December 31, 2013.

Total share based compensation expense recognized during the years ended December 31, 2013 and December 31, 2012 amounted to \$14.2 million and \$11.5 million respectively.

Depreciation expense for the period increased by \$3.8 million, or 10.7%, from \$35.2 million for the year ended December 31, 2012 to \$39.0 million for the year ended December 31, 2013 and principally arises from an investment in facilities, information systems and equipment to support the Company's growth. As a percentage of net revenue, depreciation expense decreased from 3.1% of net revenues for the year ended December 31, 2012 to 2.9% for the year ended December 31, 2013. Amortization expense for the year decreased by \$0.1 million, or 1%, from \$7.6 million for the year ended December 31, 2012 to \$7.5 million for the year ended December 31, 2013. Amortization expense represents the amortization of intangible assets acquired on business combinations. The decrease in the amortization expense in the current period is primarily a result of certain intangible assets acquired from the acquisitions of Firecrest and Oxford Outcomes being fully amortized during the year ended 31 December 2012. This was offset by the intangible assets acquired from the acquisition of the clinical trial services division of Cross Country Healthcare Inc. during the three months ended March 31, 2013. As a percentage of net revenue, amortization expense decreased from 0.7% of net revenues for the year ended December, 2012 to 0.6% of net revenues for the year ended December 31, 2013.

Restructuring and other items of \$9.0 million were recorded during the year ended December 31, 2013. During 2013 the Company conducted a review of its operations. This review resulted in the adoption of an initial restructuring plan, which included the closure of its Phase I facility in Omaha, Nebraska. This followed the expansion of the Company's Phase I facility in San Antonio, Texas and the consolidation of the Company's US Phase I capabilities in this location. The restructuring plan also included resource rationalizations in certain areas of the business to improve resource utilization. A further restructuring plan was also adopted during 2013 which resulted in resource rationalizations in order to improve operating efficiencies and reduce expenses (*see note 14 Restructuring and other non-recurring items for further information*).

As a result of the above, income from operations increased by \$53.2 million, or 78.1%, from \$68.0 million for the year ended December 31, 2012 (\$73.7 million excluding restructuring charges) to \$121.2 million for the year ended December 31, 2013 (\$130.2 million, or 76.8% excluding restructuring charges). As a percentage of net revenue, income from operations increased from 6.1% of net revenues for the year ended December 31, 2012 (6.6% excluding restructuring charges) to 9.1% of net revenues for year ended December 31, 2013 (9.7% excluding restructuring charges).

Income from operations in Ireland increased from a profit of \$9.7 million for the year ended December 31, 2012 (\$11.7 million excluding the impact of restructuring and other charges), to a profit of \$81.8 million for year ended December 31, 2013 (\$82.9 million excluding the impact of restructuring and other charges). Income/(losses) from operations in Ireland are impacted by the Group's global transfer pricing model. Previous strategic investment in personnel and related infrastructure complemented with

enhanced operating processes and the successful leveraging of our support costs in the current year has resulted in a decrease of the proportion of the Group's net revenue being used to support other Group entities and a corresponding increase in profit from operations in Ireland in the current year.

Interest expense decreased from \$1.9 million for the year ended December 31, 2012 to \$1.3 million for the year ended December 31, 2013. Interest expense for the year ended December 31, 2013 includes \$0.2 million in respect of non-cash finance charges relating to acquisition contingent consideration compared to \$0.9 million recognized during the year ended December 31, 2012. Interest income for the year ended December 31, 2013 decreased from \$1.2 million for the year ended December 31, 2012 to \$1.0 million for the year ended December 31, 2013. Even though our U.S. dollar cash balances increased significantly during the year, a historical low level of interest rates payable on U.S. dollars resulted in a reduction of our interest income in comparison to 2012.

Provision for income taxes for the period increased from \$11.8 million for the year ended December 31, 2012 (\$12.5 million excluding the impact of restructuring charges) to \$18.1 million (\$19.9 million excluding the impact of restructuring charges) for the year ended December 31, 2013. The Company's effective tax rate for the year ended December 31, 2013 was 14.9% (15.3% excluding the impact of restructuring charges) compared with 17.6% (17.2% excluding the impact of restructuring charges) for the year ended December 31, 2012. The Company's effective tax rate is principally a function of the distribution of pre-tax profits in the territories in which it operates and the lower effective rate in the current year reflects the fact that a greater proportion of its pre-tax profits were earned in lower tax jurisdictions.

#### ***Year ended December 31, 2012 compared to year ended December 31, 2011***

Net revenue for the year increased by \$169.3 million, or 17.9%, from \$945.7 million for the year ended December 31, 2011 to \$1,115.0 million for the year ended December 31, 2012. For the year ended December 31, 2012 we derived approximately 42.3%, 45.8% and 11.9% of our net revenue in the United States, Europe and Rest of World, respectively.

Net revenue in Ireland increased from \$88.9 million for the year ended December 31, 2011 to \$172.0 million for the year ended December 31, 2012. Net revenue in Ireland is principally a function of the Company's global transfer pricing model. Significant investment in personnel and related infrastructure in the prior period, to support the expansion into new territories, resulted in an increased proportion of the Company's net revenue being used to support other Group entities and a corresponding reduction in net revenue in Ireland.

Direct costs for the year increased by \$105.8 million, or 17.3%, from \$611.9 million for the year ended December 31, 2011 to \$717.7 million for the year ended December 31, 2012. Direct costs consist primarily of compensation, associated fringe benefits and share based compensation expense for project-related employees and other direct project driven costs. The increase in direct costs during the period arose from an increase in personnel related expenditure of \$84.7 million and an increase in other direct project related costs of \$21.1 million. As a percentage of net revenue, direct costs have decreased from 64.7% for the year ended December 31, 2011 to 64.4% for the year ended December 31, 2012.

Selling, general and administrative expenses for the year increased by \$24.9 million, or 9.7%, from \$255.9 million for the year ended December 31, 2011 to \$280.8 million for the year ended December 31, 2012. Selling, general and administrative expenses comprise primarily of compensation, related fringe benefits and share based compensation expense for non-project-related employees, recruitment expenditure, professional service costs, advertising costs and all costs related to facilities and information systems. The increase in selling, general and administration expense for the period arose primarily from an increase in personnel related expenditure of \$20.4 million and an increase in other general overhead costs of \$4.3 million. These increases were offset by the decrease in facilities and related costs of \$1.5 million. Selling, general and administrative costs for the year ended December 31, 2011 included the release of \$1.7 million in respect of accrued contingent consideration relating to the Timaq acquisition. This amount was released as the Company had assessed the likelihood of the achievement of the earn-out targets related to this consideration as remote. As a percentage of net revenue, selling, general and administrative expenses, decreased from 27.1% for the year ended December 31, 2011 to 25.2% for the year ended December 31, 2012.



Total share based compensation expense recognized during the years ended December 31, 2012 and December 31, 2011 amounted to \$11.5 million and \$9.4 million respectively.

Depreciation expense for the period increased by \$1.2 million, or 3.5%, from \$34.0 million for the year ended December 31, 2011 to \$35.2 million for the year ended December 31, 2012 and principally arises from an investment in facilities, information systems and equipment to support the Company's growth. As a percentage of net revenue, depreciation expense decreased from 3.6% of net revenues for the year ended December 31, 2011 to 3.1% for the year ended December 31, 2012. Amortization expense for the year increased by \$2.9 million, or 61.7%, from \$4.7 million for the year ended December 31, 2011 to \$7.6 million for the year ended December 31, 2012. Amortization expense represents the amortization of intangible assets acquired on business combinations. The increase in the amortization expense in the current year is primarily a result of intangible assets acquired from the acquisitions of BeijingWits Medical and PriceSpective in February 2012. As a percentage of net revenue, amortization expense increased from 0.5% of net revenues for the year ended December, 2011 to 0.7% of net revenues for the year ended December 31, 2012.

Restructuring and other items of \$5.6 million were recorded during the year ended December 31, 2012 (inclusive of the release of \$0.1 million relating to the 2011 Restructuring Plans). During the year ended December 31, 2012 the Company completed a review of its operations to improve resource utilization throughout the business. This review resulted in the adoption of a restructuring plan, to include resource rationalizations in certain areas of the business and a re-organization of available office space at the Company's Philadelphia facility. A restructuring charge of \$4.6 million was recognized during the year ended December 31, 2012; \$3.4 million in respect of resource rationalizations and \$1.2 million in respect of lease termination and exit costs. The Company also incurred certain other charges in relation to the retirement of Mr. Peter Gray, former Vice Chairman of the Board and former CEO of the Company of \$1.1 million for the year ended 31 December 2012 (*see note 14 Restructuring and other non-recurring items for further information*).

As a result of the above, income from operations increased by \$38.6 million, or 131.0%, from \$29.4 million for the year ended December 31, 2011 (\$39.2 million excluding restructuring charges) to \$68.0 million for the year ended December 31, 2012 (\$73.7 million, or 87.6% excluding restructuring charges). As a percentage of net revenue, income from operations increased from 3.1% of net revenues for the year ended December 31, 2011 (4.1% excluding restructuring charges) to 6.1% of net revenues for year ended December 31, 2012 (6.6% excluding restructuring charges).

Losses from operations in Ireland decreased from a loss of \$34.7 million for the year ended December 31, 2011 (\$33.1 million excluding the impact of restructuring and other charges), to a profit of \$9.7 million for year ended December 31, 2012 (\$11.7 million excluding the impact of restructuring and other charges). Income/(losses) from operations in Ireland are impacted by the Group's global transfer pricing model. In 2011, a significant upfront investment in personnel and related infrastructure in the prior period led to a greater proportion of the Group's revenue being used to support other Group entities and a corresponding increase in losses from operations in Ireland. Increased revenue flows in the current period, arising from this upfront investment in personnel and related infrastructure, has led to an increase in income from operations in 2012.

Interest expense increased from \$1.6 million for the year ended December 31, 2011 to \$1.9 million for the year ended December 31, 2012. Interest expense for the year ended December 31, 2012 includes \$0.9 million in respect of non-cash finance charges relating to acquisition contingent consideration. Interest income for the period remained at \$1.2 million for the year ended December 31, 2011 and the year ended December 31, 2012.

Provision for income taxes for the period increased from \$6.1 million for the year ended December 31, 2011 (\$7.4 million excluding the impact of restructuring charges) to \$11.8 million (\$12.5 million excluding the impact of restructuring charges) for the year ended December 31, 2012. The Company's effective tax rate for the year ended December 31, 2012 was 17.6% (17.2% excluding the impact of restructuring charges) compared with 21.1% (18.9% excluding the impact of restructuring charges) for the year ended December 31, 2011. The Company's effective tax rate is principally a function of the distribution of pre-tax profits in the territories in which it operates.

## Liquidity and Capital Resources

The CRO industry is generally not capital intensive. 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 and information systems enhancements, the purchase and sale of short term investments and acquisitions.

Our clinical research and development contracts are generally fixed price with some variable components and range in duration from a few weeks to several years. Revenue from contracts is generally recognized 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 small down payment at the time the contract is entered into, with the balance paid in installments over the contract's duration, in some cases on the achievement of certain milestones. Accordingly, cash receipts do not correspond to costs incurred and revenue recognized on contracts.

The Company's cash and short term investment balances at December 31, 2013 amounted to \$320.8 million compared with cash and short term investment balances of \$190.2 million at December 31, 2012. The Company's cash and short term investment balances at December 31, 2013 comprised cash and cash equivalents \$182.5 million and short-term investments \$138.3 million. The Company's cash and short-term investment balances at December 31, 2012 comprised cash and cash equivalents \$114.0 million and short-term investments \$76.2 million.

On July 20, 2011 the Company entered into a three year committed multi currency revolving credit facility for \$150.0 million with Citibank, JP Morgan, Ulster Bank, Deutsche Bank and Barclays Bank. Each bank subject to the agreement has committed \$30 million to the facility, with equal terms and conditions in place with all institutions. The facility bears interest at LIBOR plus a margin and includes certain composite guarantees, indemnities and pledges in favor of the banks. Amounts available to the Group under the facility amounted to \$150.0 million at December 31, 2013 compared with \$150.0 million at December 31, 2012.

Net cash provided by operating activities was \$221.2 million for the year ended December 31, 2013 compared with net cash provided by operating activities of \$113.4 million for the year ended December 31, 2012. 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 value of these balances and the related number of days revenue outstanding (i.e. revenue outstanding as a percentage of revenue for the period, multiplied by the number of days in the period) can vary over a study or trial duration. Contract fees are generally payable in installments based on the achievement of certain performance targets or "milestones" (e.g. target patient enrollment rates, clinical testing sites initiated or case report forms completed), such milestones being specific to the terms of each individual contract, while revenues on contracts are recognized as contractual obligations are performed. Days revenue outstanding can vary therefore due to, amongst others, the scheduling of contractual milestones over a study or trial duration, the achievement of a particular milestone during the period or the timing of cash receipts from customers. A decrease in the number of days revenue outstanding during a period will result in cash inflows to the Company while an increase in days revenue outstanding will lead to cash outflows. The number of days revenue outstanding at December 31, 2013 was 32 days compared to 40 days at December 31, 2012.

Net cash used in investing activities was \$184.4 million for the year ended December 31, 2013 compared to net cash used in investing activities of \$121.1 million for the year ended December 31, 2012. Net cash used in the year ended December 31, 2013 arose principally from cash paid for acquisitions, capital expenditures and the purchase of short-term investments.

During the year ended December 31, 2013 the Company completed the acquisition of the clinical trial services division of Cross Country Healthcare Inc. for an initial cash consideration of \$51.9 million (after giving effect to \$1.0 million in cash acquired by the Company at closing). The acquisition agreement also provided for a net working capital adjustment to the purchase price for certain working capital targets to be achieved by the clinical trial services division of Cross Country Healthcare, Inc on completion. In October 2013 the Company received \$0.2 million on completion of this review. Amounts payable at December 31, 2013 in relation to acquisitions include \$3.2 million payable contingent upon the results of BeijingWits Medical. (See note 4 Goodwill for further information relating to acquisitions and amounts potentially payable contingent upon the future results of acquired businesses).

Capital expenditure for the year ended December 31, 2013 amounted to \$29.5 million, and comprised mainly of expenditure on global infrastructure and information technology systems to support the Company's growth. During the year ended December 31, 2013 the Company invested a net \$62.4 million in short-term investments.

Net cash provided by financing activities during the year ended December 31, 2013 amounted to \$28.8 million compared with net cash used by financing activities of \$1.2 million for the year ended December 31, 2012. Net cash provided by financing activities during the year ended December 31, 2013 arose primarily from the \$27.0 million received from the exercise of stock options. Net cash used by financing activities during the year ended December 31, 2012 arose primarily from payments amounting to \$15.6 million to repurchase shares under the Company's share repurchase plans (*see Note 12 Share Capital for further information*). This was offset by \$13.0 million received from the exercise of stock options.

As a result of these cash flows, cash and cash equivalents increased by \$68.5 million for the year ended December 31, 2013 compared to a decrease of \$5.2 million for the year ended December 31, 2012.

### Contractual obligations table

The following table represents our contractual obligations and commercial commitments as of December 31, 2013:

	Payments due by period				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
	(U.S.\$ in millions)				
Operating lease obligations . . . . .	163.8	36.1	57.8	29.7	40.2
Non-current tax liabilities . . . . .	5.3	—	4.3	0.9	0.1
Acquisition contingent consideration . . . . .	3.2	3.2	—	—	—
Total (U.S.\$ in millions) . . . . .	\$172.3	\$39.3	\$62.1	\$30.6	\$40.3

We expect to spend approximately \$42.5 million in the next twelve months on further investments in information technology, the expansion of existing facilities and the addition of new offices. We believe that we will be able to fund our additional foreseeable cash needs for the next twelve months from cash flow from operations, existing cash balances and funds available under negotiated facilities. In the future, we may consider acquiring businesses to enhance our service offerings and global presence. Any such acquisitions could require additional external financing and we 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 us.

### Critical Accounting Policies

The preparation of consolidated financial statements in accordance with generally accepted accounting principles in the United States requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

We base our estimates and judgments on historical experience and on the other factors that we believe are reasonable under current circumstances. Actual results may differ from these estimates if these assumptions prove to be incorrect or if conditions develop other than as assumed for the purposes of such estimates. The following is a discussion of the accounting policies used by us, which we believe are critical in that they require estimates and judgments by management.

### Goodwill

We review our goodwill for impairment annually, or more frequently if facts or circumstances warrant such a review. We evaluate goodwill for impairment by firstly comparing the fair value of each reporting segment to its carrying value. Fair value is determined using the market approach, by assessing the market

value of each reporting unit. If the carrying amount exceeds the fair value then a second step is completed which involves the fair value of the reporting unit being allocated to each asset and liability with the excess being implied goodwill. If the implied goodwill is lower than its carrying amount, goodwill is impaired and written down to its implied fair value.

Significant estimates and judgments are required in allocating the fair value of the reporting unit to each asset and liability. If we were to use different estimates or judgments a material impairment charge to the statement of operations could arise. We believe that we have used reasonable estimates and judgments in assessing the carrying value of our goodwill.

### ***Revenue Recognition***

Significant management judgments and estimates must be made and used in connection with the recognition of revenue in any accounting period. Material differences in the amount of revenue in any given period may result if these judgments or estimates prove to be incorrect or if management's estimates change on the basis of development of the business or market conditions. To date there have been no material differences arising from these judgments and estimates.

We earn revenues by providing a number of different services to our clients. These services include clinical trials management, biometric activities, consulting, imaging, contract staffing and laboratory services. Revenue for services, as rendered, are recognized only after persuasive evidence of an arrangement exists, the sales price is fixed or determinable and collectability is reasonably assured.

Clinical trials management revenue is recognized on a proportional performance method. Depending on the contractual terms, revenue is either recognized on the percentage of completion method, based on the relationship between hours incurred and the total estimated hours of the trial, or on the unit of delivery method. Contract costs equate to the product of labor hours incurred and compensation rates. For the percentage of completion method, the input (effort expended) method has been used to measure progress towards completion as there is a direct relationship between input and productivity. Contract revenue is the product of the aggregated labor hours required to complete the specified contract tasks at the agreed contract rates. Where revenue is recognized on the unit of delivery method, the basis applied is the number of units completed as a percentage of the total number of contractual units.

We recognize biometric revenues on a fee-for-service basis as each unit of data is prepared. Imaging revenue is recognized on a fee-for-service basis recognizing revenue for each image completed. Consulting revenue is recognized on a fee-for-service basis recognizing revenue as each hour of the related service is performed. Contract staffing revenue is recognized on a fee-for-service basis, over the time the related service is performed, or in the case of permanent placement, once the candidate has been placed with the client. Informatics revenue is recognized on a fee-for-service basis. Informatics contracts are treated as multiple element arrangements, with contractual elements comprising licence fee revenue, support fee revenue and revenue from software services, each of which can be sold separately. Sales prices for contractual elements are determined by reference to objective and reliable evidence of their sales price. Licence and support fee revenues are recognized rateably over the period of the related agreement. Revenue from software services is recognized using the percentage of completion method based on the relationship between hours incurred and the total estimated hours required to perform the service.

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. Sales prices for contractual elements are determined by reference to objective and reliable evidence of their sales price. Revenues for contractual elements are recognised on the basis of the number of deliverable units completed in the period.

We invoice our customers upon achievement of specified contractual milestones. This mechanism, which allows us to receive payment from our customers throughout the duration of the contract, is not reflective of revenue earned. We recognize revenues over the period from the awarding of the customer's contract to study completion and acceptance. This requires us to estimate total expected revenue, time inputs, contract costs, profitability and expected duration of the clinical trial. The Company regularly reviews the estimate of total contract time to ensure such estimates remain appropriate taking into account actual contract stage of completion, remaining time to complete and any identified changes to the contract

scope. Remaining time to complete depends on the specific contract tasks and the complexity of the contract and can include geographical site selection and initiation, patient enrolment, patient testing and level of results analysis required. While we may routinely adjust time estimates, estimates and assumptions historically have been accurate in all material respects in the aggregate.

If we do not accurately estimate the resources required or the scope of the work to be performed, or do not manage our projects properly within the planned cost or satisfy our obligations under the contracts, this would impact on the fair presentation of our future results.

### ***Taxation***

Given the global nature of our business and the multiple taxing jurisdictions in which we operate, the determination of the Company's provision for income taxes requires significant judgments and estimates, the ultimate tax outcome of which may not be certain. Although we believe our estimates are reasonable, the final outcome of these matters may be different than those reflected in our historical income tax provisions and accruals. Such differences could have a material effect on our income tax provision and results in the period during which such determination is made.

Deferred tax assets and liabilities are determined using enacted tax rates for the effects of net operating losses and temporary differences between the book and tax bases of assets and liabilities. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. While management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment, there can be no assurance that these deferred tax assets may be realizable.

In addition, we are also subject to audits in the multiple taxing jurisdictions in which we operate. These audits can involve complex issues which may require an extended period of time for resolution. Management believe that adequate provisions for income taxes have been made in the financial statements.

### ***Business Combinations***

The Group has concluded a number of business combinations in recent years. 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. The cost of a business combination may include a portion which is contingent upon the achievement of certain future events, such as the achievement of a particular revenue or earnings target. Where a business combination agreement provides for such additional consideration, the amount of the estimated adjustment is recognised on the acquisition date fair value. Any changes to the estimate in subsequent periods will depend on the classification of the contingent consideration. If the contingent consideration is classified as equity it shall not be re-measured and the settlement shall be accounted for within equity. If the contingent consideration is classified as an asset or liability any adjustments will be accounted for through the Consolidated Statement of Operations or other comprehensive income depending on whether the asset or liability is considered a financial instrument.

Significant management judgments and estimates are required in estimating the acquisition date fair value of the additional consideration. Changes in business conditions or the performance of the acquired business could lead to a significant change between our estimate of the acquisition date fair value and amounts payable, which could have a material impact on our results of operations.

### ***Impact of New Accounting Pronouncements***

In July 2013, the FASB issued ASU No. 2013-11, Income Taxes (Topic 740): *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. ASU 2013-11 requires an entity to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under



the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The amendments in ASU 2013-11 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company does not expect the adoption of ASU 2013-11 to have a material impact on the financial statements.

In March 2013, the FASB issued ASU No. 2013-05, Foreign Currency Matters (Topic 830): *Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity*. When a reporting entity (parent) ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity, the parent is required to apply the guidance in Subtopic 830-30 to release any related cumulative translation adjustment into net income. Accordingly, the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. For an equity method investment that is a foreign entity, a pro rata portion of the cumulative translation adjustment should be released into net income upon a partial sale of such an equity method investment. However, this treatment does not apply to an equity method investment that is not a foreign entity. In those instances, the cumulative translation adjustment is released into net income only if the partial sale represents a complete or substantially complete liquidation of the foreign entity that contains the equity method investment. The amendments in ASU 2013-05 are effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company does not expect the adoption of ASU 2013-05 to have a material impact on the financial statements.

In February 2013, the FASB issued ASU No. 2013-02, Comprehensive Income (Topic 220): *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. ASU 2013-02 requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income. ASU 2013-02 is effective prospectively for reporting periods beginning after December 15, 2012. The adoption of ASU 2013-02 did not have a material impact on the financial statements.

In December 2011, the FASB issued ASU No. 2011-11, Balance Sheet (Topic 210): *Disclosures about Offsetting Assets and Liabilities*. ASU 2011-11 requires an entity to disclose information about offsetting and related arrangements to enable users of financial statements to understand the effect of those arrangements on its financial position, and to allow investors to better compare financial statements prepared under U.S. GAAP with financial statements prepared under International Financial Reporting Standards (IFRS). ASU 2011-11 is effective retrospectively for fiscal years beginning after January 1, 2013. The adoption of ASU 2011-11 did not have a material impact on the financial statements.

## **Inflation**

We believe that the effects of inflation generally do not have a material adverse impact on our operations or financial conditions.

## Item 6. Directors, Senior Management and Employees.

### Directors and Senior Management

The following table and accompanying biographies set forth certain information concerning each of ICON plc's directors, officers and other key employees as of March 12, 2014.

Name	Age	Position
Thomas Lynch (2) (3) (4) (5) . . . . .	57	Chairman of the Board, Director
Ciaran Murray (1) (5) . . . . .	51	Chief Executive Officer, Director
Brendan Brennan (1) (5) . . . . .	35	Chief Financial Officer
Dr. Steve Cutler (1) . . . . .	53	Chief Operating Officer
Dr. John Climax (6) . . . . .	61	Director
Dr. Ronan Lambe (6) . . . . .	74	Director
Professor Dermot Kelleher (3) (6) . . . . .	58	Director
Declan McKeon (3) (4) . . . . .	62	Director
Professor William Hall (2) (3) (4) (6) . . . . .	64	Director
Mary Pendergast (2) (6) . . . . .	63	Director
Diarmaid Cunningham . . . . .	39	General Counsel & Company Secretary

- (1) Executive Officer of the Company.
- (2) Member of Compensation and Organization Committee.
- (3) Member of Audit Committee.
- (4) Member of Nominating and Governance Committee.
- (5) Member of Execution Committee.
- (6) Member of Quality Committee.

*Thomas Lynch* was appointed Chairman of Board of the Company in January 2013. He has served as an outside director of the Company since August 1994. Mr. Lynch served as Chairman and Chief Executive Officer of Amarin Corporation from December 2007 to December 2009, during which time he re-purposed and refinanced the company towards the development of Vascepa for hypertriglyceridemia and dislipidemia. Mr Lynch retired from the Board of Amarin in October 2010 but continues to serve as Chairman of Amarin Pharmaceuticals Ireland Ltd. Mr. Lynch served in a variety of senior roles in Elan Corporation plc from 1993 to 2004. He was a director of IDA Ireland from 2001 to 2010 and of the Royal Opera House (Covent Garden) from 2001 to 2010. He currently serves as a director of GW Pharmaceuticals plc, is Chairman of Dublin Academic Medical Centre and the Queens University of Belfast Foundation. He also serves as a board member of a number of public and privately held pharmaceutical companies.

*Ciaran Murray* was appointed Chief Executive Officer of the Company in October 2011. Mr. Murray joined ICON in 2005 as Chief Financial Officer, a position he held until his appointment as Chief Executive Officer. Prior to joining the Company he held a number of senior financial positions in global organisations including Kraft Foods, Novell Inc and Northern Foods. Mr. Murray graduated with a Bachelor of Commerce degree from the University College Dublin and is a fellow of the Institute of Chartered accountants Ireland, having trained with PricewaterhouseCoopers.

*Brendan Brennan* has served as Chief Financial Officer since February 2012. Mr. Brennan joined ICON in 2006 and he has served in a number of senior finance roles in the Company including the role of Senior Vice President of Corporate Finance. Prior to this he developed his corporate finance experience in Cement Roadstone Holdings, a major Irish building materials organization. Mr. Brennan qualified as a chartered accountant with PricewaterhouseCoopers and obtained a bachelors degree in Accounting and Finance from Dublin City University.

*Dr. Steve Cutler* was appointed Chief Operating Officer of the Company in January 2014, having previously occupied the position of Group President Clinical Research Services since November 2011. Prior to joining the Company Dr. Cutler held the position of Chief Executive Officer of Kendle, having previously served as Chief Operating Officer. Prior to Kendle, Dr. Cutler spent 14 years with Quintiles where he served as Senior Vice President, Global Project Management; Senior Vice President, Clinical, Medical and Regulatory; Senior Vice President, Project Management – Europe; and Vice President,

Oncology – Europe as well as regional leadership positions in South Africa and Australia. Prior to joining Quintiles, Dr. Cutler held positions with Sandoz (now Novartis) in Australia and Europe. He holds a B.Sc. and a Ph.D from the University of Sydney and a Masters of Business Administration from the University of Birmingham (UK).

*Dr. John Climax*, one of the Company's co-founders, served as Chairman of the Board of the Company from November 2002 to December 2009, and Chief Executive Officer from June 1990 to October 2002. From January 2010 he has held a position as an outside director of the Company. Dr. Climax has over 25 years of experience in the contract research industry. Dr. Climax received his primary degree in pharmacy in 1977 from the University of Singapore, his masters in applied pharmacology in 1979 from the University of Wales and his Ph.D. in pharmacology from the National University of Ireland in 1982. He has authored a significant number of papers and presentations, and holds adjunct professorship at the Royal College of Surgeons of Ireland.

*Dr. Ronan Lambe*, one of the Company's co-founders, served as Chairman of the Board of the Company from June 1990 to November 2002. He has served as an outside director of the Company since January 2008. Dr. Lambe has over 30 years of experience in the contract research industry. Dr. Lambe attended the National University of Ireland where he received his Bachelor of Science degree in chemistry in 1959, his masters in biochemistry in 1962 and his Ph.D. in pharmacology in 1976.

*Professor Dermot Kelleher* has served as an outside director of the Company since May 2008. Professor Kelleher is currently Vice President (Health) and Dean of the Faculty of Medicine at Imperial College London and Dean of the Lee Kong Chian School of Medicine Singapore, a partnership between Imperial College London and Nanyang Technological University (NTU), which was formed in 2010. From 2004 to 2012 he was Head of the School of Medicine and Vice Provost for Medical Affairs at Trinity College, Dublin, Ireland where he led the development of the Institute of Molecular Medicine and Molecular Medicine Ireland. His research interests have focused on gastrointestinal infectious and inflammatory diseases and over a distinguished thirty year career he has led significant research projects in this field. Alongside his notable academic appointments he has served as a visiting research scientist with a major pharmaceutical company and has been a founder of a number of biotechnology companies.

*Declan McKeon* has served as an outside director of the Company since April 2010. Mr. McKeon was a partner in PricewaterhouseCoopers from 1986 to 2007. His roles included leadership of the audit and business advisory team for PricewaterhouseCoopers Ireland, membership of the PwC Europe audit and business advisory services executive and market sector leader for consumer and industrial products. Mr. McKeon is a non-executive director of Ryanair plc, remains a consultant to PricewaterhouseCoopers and sits on the audit committee of the Royal College of Surgeons in Ireland. Mr. McKeon holds a Bachelor of Commerce and Masters in Business Studies from University College Dublin and is a Fellow of The Institute of Chartered Accountants in Ireland.

*Professor William Hall* has served as an outside Director of the Company since February 2013. He is a renowned expert in infectious diseases and virology, is Chair of Medical Microbiology and Director of the Centre for Research in Infectious Diseases at University College Dublin's (UCD) School of Medicine and Medical Science. He is also a director of UCD's National Virus Reference Laboratory and is a consultant microbiologist at St. Vincent's University Hospital Dublin. Professor Hall also serves as a consultant to the Minister of Health and Children in the Republic of Ireland, providing input on a number of topics including influenza pandemic preparedness and bioterrorism. Prior to his tenure at UCD, Professor Hall was Professor and Head of the Laboratory of Medical Virology, Senior Physician and Director of the Clinical Research Centre at the Rockefeller University in New York. He previously served as an Assistant and Associate Professor of Medicine at Cornell University. Professor Hall is a board member of The Atlantic Philanthropies and is a co-founder of the Global Virus Network.

*Mary Pendergast* has served as an outside director of the Company since February 2014. She is an expert in the regulatory aspects of drug development and is President of Pendergast Consulting, a consulting firm that advises biopharmaceutical companies, patient groups, professional and advocacy organisations, governments and academic and financial institutions. Prior to founding her own firm, Ms. Pendergast was Executive Vice President of Government Affairs at Elan Corporation from 1998 to



2003. Ms. Pendergast also spent more than 18 years at the US Food and Drug Administration (FDA), serving as Deputy Commissioner and Senior Advisor to the FDA Commissioner and Associate Chief Counsel for Enforcement. Ms. Pendergast is also a board member of AesRx, ARCH Foundation and Impax Laboratories, Inc.

*Diarmaid Cunningham* is the Company's General Counsel and Company Secretary. Mr. Cunningham joined the Company in November 2009 and was appointed Company Secretary in October 2011. Mr Cunningham spent 10 years with A&L Goodbody, one of Ireland's premier corporate law firms prior to joining the Company. Mr. Cunningham graduated with a Bachelor of Business and Legal Studies from University College Dublin in 1997 and qualified as a Solicitor with A&L Goodbody in 2001.

## **Board Practices**

### *Board of 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 2013 of Ireland 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 two of the members of the Committee present at the meeting at which it was passed are directors.

The Board comprises one executive and seven outside-directors at the date of this report. The outside-directors bring independent judgment to bear on issues of strategy, performance, resources, key appointments and standards. The Company considers all of its outside-directors to be of complementary skills, experience and knowledge and each outside-director has specific skills, experience and knowledge that are valuable to the Company. Board members between them have very strong financial, pharmaceutical, CRO, scientific, medical and other skills and knowledge which are harnessed to address the challenges facing the Group. 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, acquisitions, material capital expenditures and review of the effectiveness of the Company's system of internal controls, thereby maintaining control of the Company 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. The Board considers its current size (8 directors) to be adequate but continues to look for suitable qualified potential candidates to join the Board.

As detailed below, certain other matters are delegated to Board Committees and all Board Committees report to the Board. The Company maintains what it considers an appropriate level of insurance cover in respect of legal action against its Directors. The Board, through the Nominating and Governance Committee, engages in succession planning for the Board and in so doing considers the strength and depth of the Board and the levels of knowledge, skills and experience of the directors necessary for the Company to achieve its objectives. The Board normally meets at least four times each year. During the year ended December 31, 2013 the Board met on five occasions. Additional Board updates were held on 3 occasions, to provide updates to the Board on various items. All directors allocated sufficient time to the Company during the year ended December 31, 2013 to effectively discharge their responsibilities to the Company.

### *Directors' retirement and re-election*

The Company's Articles of Association provide that, unless otherwise determined by the Company at a general meeting, the number of directors shall not be more than 15 nor less than 3. At each annual general meeting, 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. The directors to retire shall be those who have been longest in office, but as between persons who became or were last re-appointed on the same day, those to retire shall be determined, unless otherwise agreed, by lot. Any additional director appointed by the

Company shall hold office until the next annual general meeting and will be subject to re-election at that meeting. Accordingly, at the annual general meeting of the Company to be held in 2014, it is anticipated that two directors will retire by rotation and offer themselves for re-election. In addition, Ms. Mary Pendergast, having been appointed a Director by the Company in February 2014, will also offer herself for re-election.

#### *Board committees*

The Board has delegated some of its responsibilities to Board Committees. There are five permanent Committees. These are the Audit Committee, the Compensation and Organization Committee, the Nominating and Governance Committee, the Execution Committee and the Quality Committee. Each Committee has been charged with specific responsibilities and each has written terms of reference that are reviewed periodically. Minutes of Committee meetings are available to all members of the Board. The Company Secretary is available to act as secretary to each of the Board Committees if required. Appropriate key executives are regularly invited to attend meetings of the Board committees. Each committee Chairman informally evaluated the contribution of each Committee member during the year ended December 31, 2013 and was satisfied with each director's contribution.

#### *Audit Committee*

The Audit Committee meets a minimum of four times a year. It reviews the quarterly and annual financial statements, the effectiveness of the system of internal control (including the arrangement for the Company's employees to raise concerns in confidence about financial inappropriateness) and recommends 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 Audit 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 regularly 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, the Head of Internal Audit, the General Counsel and the external auditors normally attend all meetings of the Audit Committee and have direct access to the Committee Chairman at all times. During 2013, the Audit Committee was comprised of, and still comprises of, the following four independent directors: Declan McKeon (Chairman); Thomas Lynch; Professor Dermot Kelleher; and Professor William Hall.

#### *Compensation and Organization Committee*

The Compensation and Organization Committee is responsible for senior executive remuneration. The committee aims to ensure that remuneration packages are competitive so that individuals are appropriately rewarded relative to their responsibility, experience and value to the Company. Annual bonuses for the executive directors and senior executive management are determined by the committee based on the achievement of the Company's objectives. The Committee also oversees succession planning for the Company's senior management.

During 2013, the Compensation and Organization Committee comprised of the following independent directors: Cathrin Petty (Chairperson); Thomas Lynch; Dr. Bruce Given (up to his retirement as of July 22, 2013) and Professor William Hall. In February 2014, composition of the Compensation and Organization Committee was amended to comprise Professor William Hall (Chairperson), Thomas Lynch, and Mary Pendergast.

#### *Nominating and Governance Committee*

The Nominating and Governance Committee reviews the membership of the Board of the Company and Board committees on an ongoing basis. As part of this it regularly evaluates the balance of skills, knowledge and experience on the Board and then based on this evaluation, identifies and, if appropriate, recommends individuals to join the Board of the Company. The Committee uses an external search consultant to assist it in identifying potential new outside directors. Once potential suitable candidates are

identified either by the external search consultants or by members of the Nominating Committee, the Committee then discusses and considers the skills, knowledge and experience of the potential candidate. The Committee will assess if the Board of the Company requires and would benefit from the potential candidate's skills knowledge and experience and, if it decides the potential candidate is suitable, the Committee would recommend to the Board of the Company that the potential candidate be appointed. The Board of the Company then decides whether or not to appoint the candidate. The Committee considers diversity of the Board members when making recommendations to the Board of the Company. The Committee also reviews and recommends the corporate governance principles of the Company.

During 2013 the Nominating and Governance Committee comprised of the following independent directors: Thomas Lynch (Chairman), Cathrin Petty, Dr Bruce Given (up to his retirement as of July 22, 2013) and Declan McKeon. In February 2014, composition of the Nomination and Governance Committee was amended to comprise Thomas Lynch (Chairman), Declan McKeon and Professor William Hall.

#### *Execution Committee*

The primary function of the Execution Committee is to exercise the powers and authority of the board in intervals between meetings of the board within the limits set out in the Charter of the Execution Committee. The Execution Committee exercises business judgment 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 Execution Committee are ratified at board meetings. This Committee convenes as often as it determines to be necessary or appropriate. During 2013, the Execution Committee comprised Ciaran Murray (Chairman), Thomas Lynch and Brendan Brennan.

#### *Quality Committee*

The purpose of the Quality Committee is to provide oversight of the quality strategy and initiatives in place within the Company. As part of this the Committee is required to review the Company's strategy in relation to quality and to review continuous improvement initiatives and activities in place within the Company. The Committee also reviews reports of audits by internal and external auditors or regulatory agencies (including the FDA and European Medicines Agency). During 2013 the Quality Committee comprised comprise Professor Dermot Kelleher (Chairman), Dr. John Climax (Vice Chairman), Dr. Ronan Lambe, and Professor William Hall. In February 2014, composition of the Quality Committee was amended to comprise Professor Dermot Kelleher (Chairman), Dr. John Climax (Vice Chairman), Dr. Ronan Lambe, Professor William Hall and Mary Pendergast.

#### **Attendance at Board and Committee meetings**

Attendance at Board and committee meetings by the Directors who held office during 2013 are set out as follows:

**Directors' Attendance Table**

Director	Board	Audit	Compensation and Organisation	Nominating and Governance	Execution	Quality
	Number of meetings attended/number of meetings eligible to attend					
Thomas Lynch (1) . . . . .	5/5	4/4	4/4	2/2	1/1	—
Ciaran Murray . . . . .	5/5	—	—	—	1/1	—
John Climax . . . . .	5/5	—	—	—		4/4
Ronan Lambe (1) . . . . .	5/5	—	—	—	—	4/4
Prof. Dermot Kelleher (1) . . . . .	3/5	3/4	—	—	—	4/4
Declan McKeon (1) . . . . .	5/5	4/4	1/1	2/2	—	—
Prof. William Hall (1) . . . . .	4/4	3/3	3/3	—	—	3/3
Bruce Given (1) (2) . . . . .	2/2		2/2	—	—	—
Cathrin Petty (1) (3) . . . . .	5/5		2/3	2/2	—	—

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- (1) Independent director as defined under NASDAQ Rule 5605(a)(2).
  - (2) Bruce Given resigned as a director on July 22, 2013.
  - (3) Cathrin Petty resigned as a director on January 24, 2014.

## **Executive Officers and Directors Remuneration Compensation Discussion & Analysis**

### *Remuneration policy*

The Compensation and Organization Committee seeks to achieve the following goals with the Company's executive compensation programs: to attract, motivate and retain key executives and to reward executives for value creation. The Committee seeks to foster a performance-oriented environment by ensuring that a significant portion of each executive's cash and equity compensation is based on the achievement of performance targets that are important to the Company and its shareholders.

The Company's executive compensation program has three main elements: base salary, a bonus plan and equity incentives in the form of share related awards granted under the Company's equity incentive plans. All elements of key executives compensation are determined by the Committee based on the achievement of the Group's objectives.

### *Outside Directors' remuneration*

Outside Directors are remunerated by way of Directors' fees and are also eligible for participation in the share option scheme. Each Outside Director (excluding the Board Chairman) is paid an annual retainer of \$50,000 and additional fees for Board Committee service. The Board Chairman is paid \$315,000 annually and does not receive additional payment for Board Committee service. Outside Directors are not eligible for performance related bonuses and no pension contributions are made on their behalf. The Board of Directors as a whole, taking into account input from the Execution Committee of the Board of Directors, sets non-Executive remuneration.

### *Executive Directors' and Key Executive Officers' remuneration*

Total cash compensation is divided into a base salary portion and a bonus incentive portion. Base salary is established based on peer group and is adjusted based on individual performance, experience and the importance of the role. The Committee targets total cash compensation at the peer group median of comparable Irish companies and peer CRO companies, adjusted upward or downward based on individual performance and experience and level of responsibility. The Committee believes that the higher the executive's level of responsibility within the Company, the greater the percentage of the executive's compensation that should be tied to the Company's performance. Target bonus incentives for executive officers range between 60% and 160% of base salary.

An additional bonus was also awarded by the Committee in respect of 2012 to the executive officers to reflect their contribution in the successful turnaround in the performance of the Company during the year and the creation of a platform to allow for the delivery of long-term sustainable returns to the Company's shareholders. This bonus will be payable in either cash or ordinary shares of the Company (at the discretion of the Committee) over the period up to December 31, 2015.

The Company's executives are eligible to receive equity incentives, including stock options, restricted share units and performance share units, granted under the Company's equity incentive plans. If executives receive equity incentive grants, they are normally approved annually at the first regularly scheduled meeting of the Committee in the fiscal year and awarded at the closing price on the second full day following the release of the Company's prior year results. Newly hired executives may receive sign-on grants, if approved by the Committee. In addition, the Committee may, in its discretion, issue additional equity incentive awards to executives if the Committee determines such awards are necessary to ensure appropriate incentives are in place. The number of equity awards granted to each participant is determined primarily by the Committee at the start of each year based on peer groups and advice from independent compensation consultants. The extent of existing options is not generally considered in granting equity awards, except that

the Company occasionally grants an initial round of equity awards to newly recruited executives to provide them a stake in the Company's success from the commencement of their employment. The Company granted equity incentive awards to executive officers in its fiscal years ended December 31, 2011, December 31, 2012 and December 31, 2013 (see *Share Ownership section for further information*).

All executive officers are eligible to participate in a defined contribution pension plan. The Company's contributions are generally a fixed percentage of their annual compensation, supplementing contributions by the executive. The Company has the discretion to make additional contributions if deemed appropriate by the Committee. The Company's contributions are determined at the peer group median of comparable Irish companies and peer CRO companies. Contributions to this plan are recorded as an expense in the Consolidated Statement of Operations.

## Executive Compensation

### Summary compensation table – Year ended December 31, 2013

Name & principal position	Year	Salary	Bonus	Pension contribution	All other compensation	Subtotal	Subtotal	Share-based compensation	Director's Fees	Total compensation
		€'000	€'000	€'000	€'000	€'000	\$'000	\$'000	\$'000	\$'000
Ciaran Murray, Chief Executive Officer . . . . .	2013	713	1,120	89	30	1,952	2,588	3,188	—	5,776
Brendan Brennan, Chief Financial Officer . . . . .	2013	342	322	43	23	730	967	528	—	1,495
Dr. Steve Cutler Group President Clinical Research Services* . . . .	2013	423	511	124	22	1,080	1,436	1,416	—	2,852
<b>Total . . . . .</b>	<b>2013</b>	<b>1,478</b>	<b>1,953</b>	<b>256</b>	<b>75</b>	<b>3,762</b>	<b>4,991</b>	<b>5,132</b>	<b>—</b>	<b>10,123</b>

\* Appointed Chief Operating Officer on January 1, 2014

### Summary compensation table – Year ended December 31, 2012

Name & principal position	Year	Salary	Bonus	Pension contribution	All other compensation	Subtotal	Subtotal	Share-based compensation	Director's Fees	Total compensation
		€'000	€'000	€'000	€'000	€'000	\$'000	\$'000	\$'000	\$'000
Peter Gray, Vice Chairman of the Board** . . . . .	2012	402	194	50	27	673	862	1,029	—	1,891
Ciaran Murray, Chief Executive Officer . .	2012	606	4,230****	863	28	5,727	7,374	1,942	—	9,316
Brendan Brennan, Chief Financial Officer*** . . . . .	2012	262	1,416*****	32	20	1,730	2,228	174	—	2,402
<b>Total . . . . .</b>	<b>2012</b>	<b>1,270</b>	<b>5,840</b>	<b>945</b>	<b>75</b>	<b>8,130</b>	<b>10,464</b>	<b>3,145</b>	<b>—</b>	<b>13,609</b>

\*\* Retired on July 19, 2012.

\*\*\* Appointed Chief Financial Officer on February 13, 2012.

\*\*\*\* €4.2 million (\$5.5 million) which is made up of: €1,260,000 which was paid in March 2013, €1,485,000 which is payable in March 2014 and €1,485,000 of which is payable in March 2015.

\*\*\*\*\* €1.2 million (\$1.5 million) which is made up of: €360,000 which was paid in March 2013, €397,000 which is payable in March 2014 and €397,000 which is payable in March 2015.



## Director Compensation

### Summary compensation table – Year ended December 31, 2013

Name	Year	Salary	Company pension contribution	All other compensation	Subtotal	Subtotal	Share-based compensation	Director's fees	Total Compensation
		€'000	€'000	€'000	€'000	€'000	\$'000	\$'000	\$'000
Thomas Lynch*	2013	—	—	—	—	—	19	315	334
Bruce Given**	2013	—	—	—	—	—	79	38	117
Ciaran Murray	2013	713	89	1,150	1,952	2,588	3,188	—	5,776
John Climax	2013	—	—	—	—	—	12	58	70
Ronan Lambe	2013	—	—	—	—	—	15	58	73
Dermot Kelleher	2013	—	—	—	—	—	18	78	96
Declan McKeon	2013	—	—	—	—	—	16	97	113
Cathrin Petty	2013	—	—	—	—	—	13	78	91
William Hall	2013	—	—	—	—	—	12	76	88
<b>Total</b>	<b>2013</b>	<b>713</b>	<b>89</b>	<b>1,150</b>	<b>1,952</b>	<b>2,588</b>	<b>3,372</b>	<b>798</b>	<b>6,758</b>

\* Appointed Chairman on January 1, 2013

\*\* Retired on July 22, 2013

### Summary compensation table – Year ended December 31, 2012

Name	Year	Salary	Company pension contribution	All other compensation	Subtotal	Subtotal	Share-based compensation	Director's fees	Total Compensation
		€'000	€'000	€'000	€'000	€'000	\$'000	\$'000	\$'000
Bruce Given***	2012	—	—	—	—	—	29	317	346
Peter Gray****	2012	402	50	221	673	862	1,029	—	1,891
Ciaran Murray	2012	606	863	4,258*****	5,727	7,374	1,942	—	9,316
John Climax	2012	—	—	—	—	—	10	52	62
Ronan Lambe	2012	—	—	—	—	—	19	53	72
Thomas Lynch	2012	—	—	—	—	—	19	78	97
Dermot Kelleher	2012	—	—	—	—	—	21	73	94
Declan McKeon	2012	—	—	—	—	—	13	73	86
Cathrin Petty	2012	—	—	—	—	—	10	51	61
<b>Total</b>	<b>2012</b>	<b>1,008</b>	<b>913</b>	<b>4,479</b>	<b>6,400</b>	<b>8,236</b>	<b>3,092</b>	<b>697</b>	<b>12,025</b>

\*\*\* Retired as Chairman on December 31, 2012

\*\*\*\* Retired on July 19, 2012

\*\*\*\*\* €4.2 million (\$5.5 million) which is made up of: €1,260,000 which was paid in March 2013, €1,485,000 which is payable in March 2014 and €1,485,000 of which is payable in March 2015.

## **Disclosure of Compensation Agreements**

### *Employment Contracts, Termination of Employment and Change in Control Arrangements*

The Company does not have any termination or change of control agreements with its named executive officers other than as set out below.

### *Directors' and Executive Officers' service agreements and letters of engagement*

#### *Mr. Thomas Lynch*

Mr. Thomas Lynch has served as Chairman of the Board of the Company since January 2013 and has served as an outside director of the Company since August 1994. The arrangements with Mr. Lynch provide for the payment to him of director fees of \$315,000 per annum plus reasonable expenses properly incurred in carrying out his duties for the Company. He was previously granted and held at December 31, 2013 19,000 ordinary share options at exercise prices ranging from \$20.28 to \$35.33 per share.

#### *Mr. Ciaran Murray*

Mr. Ciaran Murray is currently Chief Executive Officer of the Company, a position he has held since October 2011. He has served as an Executive Director of the Company since October 2011. He previously served as Chief Financial Officer of the Company from October 2005 until October 2011. The service agreement with Mr. Murray is terminable on 12 months notice by either party. Under the terms of this agreement Mr. Murray is entitled to receive an annual salary of €730,000, (\$1,003,000) and a bonus to be agreed by the Compensation and Organization Committee. He is also entitled to receive a pension contribution, a car allowance of €25,000 (\$34,000) and medical insurance coverage for himself and his dependants. He was previously granted and held at December 31, 2013 368,873 ordinary share options at exercise prices ranging from \$16.80 to \$35.33 per share, 243,447 Restricted Share Units which vest on various dates between May 2014 and May 2016 and 62,299 (up to a maximum of 124,598 based on certain performance conditions) Performance Share Units which vest in May 2016 subject to the fulfillment of certain performance conditions. His service agreement requires him to devote his full time and attention to his duties for the Company excepting certain outside director positions authorized by the Board. The agreement with Mr. Murray includes termination and change of control provisions and also includes certain post-termination clauses including non-disclosure, non-competition and non-solicitation provisions.

#### *Mr. Brendan Brennan*

Mr. Brendan Brennan has served as Chief Financial Officer since February 2012 having previously served as acting Chief Financial Officer since October 2011. Prior to this appointment he served in a number of senior finance roles in the Company including the role of Senior Vice President of Corporate Finance. The service agreement with Mr. Brennan is terminable on 12 months notice by either party. Under the terms of this agreement Mr. Brennan is entitled to receive an annual salary of €350,000 (\$481,000) and a bonus to be agreed by the Compensation and Organization Committee. He is also entitled to receive a pension contribution, a car allowance of €20,000 (\$27,000) and medical insurance coverage for himself and his dependants. He was previously granted and held at December 31, 2013 43,233 ordinary share options at exercise prices ranging from \$20.28 to \$32.37 per share, 38,975 Restricted Share Units, which vest on various dates between May 2014 and May 2016, and 12,650 (up to a maximum of 25,300 based on certain performance conditions) Performance Share Units which vest in May 2016 subject to the fulfillment of certain performance conditions. His service agreement requires him to devote his full time and attention to his duties for the Company excepting certain outside director positions authorized by the Board. The agreement with Mr. Brennan includes termination and change of control provisions and also includes certain post-termination clauses including non-disclosure, non-competition and non-solicitation provisions.

#### *Dr. Steve Cutler*

Dr. Steve Cutler was appointed Chief Operating Officer of the Company in January 2014. Prior to this appointment he served as Group President Clinical Research Services since November 2011. The service agreement with Dr. Cutler is terminable on 180 days' notice by either party. Under the terms of this

agreement Dr. Cutler is entitled to receive an annual salary of \$563,750 and a bonus to be agreed by the Compensation and Organization Committee. He is also entitled to receive a pension contribution, a car allowance of \$12,000 and medical insurance coverage for himself and his dependants. He was previously granted and held at December 31, 2013 103,539 ordinary share options at exercise prices ranging from \$17.17 to \$32.37 per share, 112,245 Restricted Share Units which vest on various dates between May 2014 and May 2016 and 34,831 (up to a maximum of 69,662 based on certain performance conditions) Performance Share Units which vest in May 2016 subject to the fulfillment of certain performance conditions. His service agreement requires him to devote his full time and attention to his duties for the Company excepting certain outside director positions authorized by the Company. The agreement with Dr. Cutler includes termination and change of control provisions and also includes certain post-termination clauses including non-disclosure, non-competition and non-solicitation provisions.

*Dr. John Climax*

Dr. John Climax, one of the Company's co-founders, served as Chairman of the Board of the Company from November 2002 to December 2009. He also served as Chief Executive Officer of the Company from June 1990 to October 2002 and is currently an outside director of the Company. The arrangements with Dr. Climax provide for the payment to him of director fees of \$60,000 per annum (pre: April 1, 2013: \$53,000 per annum) plus reasonable expenses properly incurred in carrying out his duties for the Company. He was previously granted and held at December 31, 2013 80,500 ordinary share options at exercise prices ranging from \$15.84 to \$35.33 per share.

Following Dr. Climax's retirement as Chairman in December 2009, the Company entered a three year agreement with Rotrua Limited, a company controlled by Dr. Climax, for the provision of consultancy services at an agreed fee of €262,500 (\$346,000) per annum. This agreement expired in December 2012. Pursuant to the consultancy agreement, Dr. Climax also agreed to certain restrictions that will apply to him after the termination of the consultancy agreement including non-disclosure, non-competition and non-solicitation.

*Dr. Ronan Lambe*

Dr. Ronan Lambe, one of the Company's co-founders, served as Chairman of the Board of the Company from June 1990 to November 2002 and is currently an outside director of the Company. The arrangements with Dr. Lambe provide for the payment to him of director fees of \$60,000 per annum (pre: April 1, 2013: \$53,000 per annum) plus reasonable expenses properly incurred in carrying out his duties for the Company. He was previously granted and held at December 31, 2013 14,500 ordinary share options at exercise prices ranging from \$20.28 to \$35.33 per share.

*Dr. Bruce Given*

Dr. Bruce Given served as an outside director of the Company since September 2004 until his retirement on July 22, 2013. He served as Chairman of the Board of the Company from January 2009 to December 2012. The arrangements with Dr. Given during 2013 provided for the payment to him of director fees of \$70,000 per annum (pre April 1, 2013: \$58,000 per annum) plus reasonable expenses properly incurred in carrying out his duties for the Company. He was previously granted and held at July 22, 2013 26,500 ordinary share options at exercise prices ranging from \$11.00 to \$35.33. Dr. Given's unvested share options vested on the date of his retirement.

*Professor Dermot Kelleher*

Professor Dermot Kelleher has served as an outside director of the Company since May 2008. The arrangements with Professor Kelleher provide for the payment to him of director fees of \$80,000 per annum (pre: April 1, 2013: \$73,000 per annum). He was previously granted and held at December 31, 2013 16,500 ordinary share options at an exercise price ranging from \$20.28 to \$36.04.

*Mr. Declan McKeon*

Mr. Declan McKeon has served as an outside director of the Company since April 2010. The arrangements with Mr. McKeon provide for the payment to him of directors fees of \$105,000 per annum

(pre: April 1, 2013: \$73,000 per annum). He was previously granted and held at December 31, 2013 9,500 ordinary share options at exercise prices ranging from \$20.28 to \$32.37.

*Ms Cathrin Petty*

Ms. Cathrin Petty served as an outside director of the Company since October 2010 until her retirement in January 2014. The arrangements with Ms. Petty provided for the payment to her of directors fees of \$80,000 per annum (pre: April 1, 2013: \$73,000 per annum). She was previously granted and held at December 31, 2013 9,500 ordinary share options at exercise prices ranging from \$19.45 to \$32.37. Ms. Petty's unvested share options vested on the date of her retirement.

*Professor William Hall*

Professor William Hall has served as an outside director of the Company since February 2013. The arrangements with Professor Hall provide for the payment to him of directors fees of \$100,000 per annum (pre: February 18, 2014: \$80,000 per annum, pre: April 1, 2013: \$63,000 per annum). He was previously granted and held at December 31, 2013 7,500 ordinary share options at an exercise price of \$32.37.

*Ms. Mary Pendergast*

Ms. Mary Pendergast has served as an outside director of the Company since February 2014. The arrangements with Ms. Pendergast provide for the payment to her of directors fees of \$70,000 per annum.

**Employees**

We employed approximately 10,300, 9,500 and 8,470 people for the years ended December 31, 2013, December 31, 2012 and December 31, 2011 respectively. Our employees are not unionized and we believe we have a satisfactory relationship with our employees.

## Share Ownership

### Shares

The following table sets forth certain information as of March 12, 2014 regarding beneficial ownership of our ordinary shares by all of our current directors and executive officers. Unless otherwise indicated below, to our knowledge, all persons listed below have sole voting and investment power with respect to their ordinary shares, except to the extent authority is shared by spouses under applicable law.

Name of Owner or Identity of Group	No. of Shares (1)	% of total Shares
Mr. Thomas Lynch . . . . .	4	—
Mr. Ciaran Murray . . . . .	—	—
Mr. Brendan Brennan . . . . .	—	—
Dr. Steve Cutler . . . . .	—	—
Dr. John Climax . . . . .	1,357,568	2.2%
Dr. Ronan Lambe . . . . .	400	—
Professor Dermot Kelleher . . . . .	—	—
Mr. Declan McKeon . . . . .	—	—
Professor William Hall . . . . .	—	—
Ms. Mary Pendergast . . . . .	—	—

- (1) As used in these tables, each person has the sole or shared power to vote or direct the voting of a security, or the sole or shared investment power with respect to a security (*i.e.* the power to dispose, or direct the disposition, of a security). A person is deemed as of any date to have “beneficial ownership” of any security if that such person has the right to acquire such security within 60 days after such date.

### Restricted Share Units and Performance Share Units

The following table sets forth certain information as of March 12, 2014 regarding beneficial ownership of restricted share units (“RSU’s”) and performance share units (“PSU’s”) which have been issued to our current directors and executive officers. Unless otherwise indicated below, to our knowledge, all persons listed below have sole voting and investment power with respect to their ordinary shares, except to the extent authority is shared by spouses under applicable law.

Name of Owner or Identity of Group	No. of RSU’s (1)	Vesting Date	No. of PSU’s (1) (3)	Vesting Date
Mr. Ciaran Murray . . . . .	100,000	October 1, 2014	62,299	May 1, 2016
	50,000	February 10, 2016	63,638	March 3, 2017
	93,447	May 1, 2016 (2)		
Mr. Brendan Brennan . . . . .	20,000	February 21, 2015	12,650	May 1, 2016
	18,975	May 1, 2016 (2)	10,179	March 3, 2017
Dr. Steve Cutler . . . . .	30,000	November 7, 2014	34,831	May 1, 2016
	30,000	February 21, 2015	32,125	March 3, 2017
	52,245	May 1, 2016 (2)		

- (1) As used in these tables, each person has the sole or shared power to vote or direct the voting of a security, or the sole or shared investment power with respect to a security (*i.e.* the power to dispose, or direct the disposition, of a security). A person is deemed as of any date to have “beneficial ownership” of any security if that such person has the right to acquire such security within 60 days after such date.
- (2) RSU’s vest a third each year from the first anniversary of the grant and in May 2016 the last one third tranche will vest.
- (3) Of the issued PSUs, performance conditions will determine how many of them vest and, for certain of the PSU participants if performance targets are exceeded, additional PSUs will be issued and vest in accordance with the terms of the relevant PSU award.



### *Share Options*

The following table sets forth certain information as of March 12, 2014 regarding options to acquire ordinary shares of the Company by all of our current directors and executive officers.

<b>Name of Owner or Identity of Group</b>	<b>No. of Options (1)</b>	<b>Exercise price</b>	<b>Expiration Date</b>
Mr. Thomas Lynch . . . . .	2,000	\$35.33	February 26, 2016
	2,000	\$24.46	March 4, 2018
	2,000	\$20.28	March 3, 2019
	2,000	\$22.30	April 27, 2020
	5,000	\$32.37	May 1, 2021
Mr. Ciaran Murray . . . . .	14,000	\$35.33	February 26, 2016
	3,400	\$22.26	February 25, 2017
	12,000	\$24.46	March 4, 2018
	18,000	\$20.28	March 3, 2019
	90,000	\$16.80	October 31, 2019
	40,000	\$22.30	April 27, 2020
	77,873	\$32.37	May 1, 2021
Mr. Brendan Brennan . . . . .	31,344	\$47.03	March 3, 2022
	420	\$22.26	February 25, 2017
	3,000	\$24.46	March 4, 2018
	4,000	\$20.28	March 3, 2019
	20,000	\$20.59	February 22, 2020
Dr. Steve Cutler . . . . .	15,813	\$32.37	May 1, 2021
	5,014	\$47.03	March 3, 2022
	30,000	\$17.17	November 7, 2019
	30,000	\$20.59	February 22, 2020
Dr. John Climax . . . . .	43,539	\$32.37	May 1, 2021
	15,823	\$47.03	March 3, 2022
	12,000	\$21.25	February 16, 2015
	10,000	\$35.33	February 26, 2016
	50,000	\$15.84	April 30, 2017
	2,000	\$24.46	March 4, 2018
	2,000	\$20.28	March 3, 2019
Dr. Ronan Lambe . . . . .	2,000	\$22.30	April 27, 2020
	2,500	\$32.37	May 1, 2021
	2,000	\$21.25	February 16, 2015
	2,000	\$35.33	February 26, 2016
	2,000	\$22.26	February 25, 2017
	2,000	\$24.46	March 4, 2018
	2,000	\$20.28	March 3, 2019
Professor Dermot Kelleher . . . . .	2,000	\$22.30	April 27, 2020
	2,500	\$32.37	May 1, 2021
	6,000	\$36.04	May 27, 2016
	2,000	\$22.26	February 25, 2017
	2,000	\$24.46	March 4, 2018
	2,000	\$20.28	March 3, 2019
	2,000	\$22.30	April 27, 2020
	2,000	\$22.30	April 27, 2020
	2,500	\$32.37	May 1, 2021

Name of Owner or Identity of Group	No. of Options (1)	Exercise price	Expiration Date
Mr. Declan McKeon . . . . .	3,000	\$29.45	April 29, 2018
	2,000	\$20.28	March 3, 2019
	2,000	\$22.30	April 27, 2020
	2,500	\$32.37	May 1, 2021
Professor William Hall . . . . .	7,500	\$32.37	May 1, 2021

(1) The title of securities covered by all of the above options are non-revenue qualified.

### Equity Incentive Schemes

On July 21, 2008 the Company adopted the Employee Share Option Plan 2008 (the “2008 Employee Plan”) pursuant to which the Compensation and Organization 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 and Organization 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 Employee 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 Internal Revenue 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 Plan. No options may be granted under the 2008 Option Plans after July 21, 2018.

On July 21, 2008 the Company adopted the 2008 Employees Restricted Share Unit Plan (the “2008 RSU Plan”) pursuant to which the Compensation and Organization 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.

On January 17, 2003 the Company adopted the Share Option Plan 2003 (the “2003 Share Option Plan”) pursuant to which the Compensation and Organization Committee of the Board could grant options to officers and other employees of the Company or its subsidiaries for the purchase of ordinary shares. An aggregate of 6.0 million ordinary shares were reserved under the 2003 Share Option Plan; and, in no event could the number of ordinary shares issued pursuant to options awarded under this plan exceed 10% of the outstanding shares, as defined in the 2003 Share Option Plan, at the time of the grant, unless the Board expressly determined otherwise. Further, the maximum number of ordinary shares with respect to which options could be granted under the 2003 Share Option Plan during any calendar year to any employee was 400,000 ordinary shares. The 2003 Share Option Plan expired on January 17, 2013. No new options may be granted under this plan.

Share option awards are granted with an exercise price equal to the market price of the Company’s 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. The maximum contractual term of options outstanding at December 31, 2012 is eight years.

On April 23, 2013 the Company adopted the 2013 Employees Restricted Share Unit Share Unit Plan (the “2013 RSU Plan”) pursuant to which the Compensation and Organization 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 1.6 million ordinary shares have been reserved for issuance under the 2013 RSU Plan.

**Item 7. Major Shareholders and Related Party Transactions.**

The following table sets forth certain information regarding beneficial ownership of ICON’s ordinary shares as of March 12, 2014 (i) by each person that beneficially owns more than 5% of the outstanding ordinary shares, based upon publicly available information; and (ii) by all of our current directors, officers and other key employees as a group. Unless otherwise indicated below, to our knowledge, all persons listed below have sole voting and investment power with respect to their ordinary shares, except to the extent authority is shared by spouses under applicable law.

<b>Name of Owner or Identity of Group</b>	<b>No. of Shares (1)</b>	<b>Percent of Class</b>
Neuberger Berman, LLC (2) . . . . .	5,547,272	9.0%
EARNEST Partners, LLC (2) . . . . .	5,485,357	8.9%
All directors, officers and other key employees as a group (3) . . . . .	2,835,582	4.6%

- (1) As used in this table, each person has the sole or shared power to vote or direct the voting of a security, or the sole or shared investment power with respect to a security (i.e., the power to dispose, or direct the disposition, of a security). A person is deemed as of any date to have “beneficial ownership” of any security if that such person has the right to acquire such security within 60 days after such date.
- (2) Neither the Company nor any of its officers, directors or affiliates holds any voting power in this entity.
- (3) Includes 615,992 ordinary shares issuable upon the exercise of stock options granted by the Company, 409,768 RSUs awarded by the Company to directors, officers and other key employees and 451,850 PSUs awarded by the Company to directors, officers and other key employees. Of the issued PSUs, performance conditions will determine how many of them vest and, for certain of the PSU participants if performance targets are exceeded, additional PSUs will be issued and vest in accordance with the terms of the relevant PSU award.

ICON plc, is not directly or indirectly, owned or controlled by another corporation or by any government.

**Related Party Transactions**

On July 19, 2012, Mr. Peter Gray retired as a Director and employee of the Company. The Company subsequently entered into an agreement with Integritum Limited, a company controlled by Mr. Gray, for the provision of consultancy services for a period of two years from August 1, 2012, at an agreed fee of €265,000 (\$350,000) per annum.

On December 31, 2009, Dr. John Climax retired as Chairman of the Board of the Company. From January 2010 he has held the position as an outside director of the Company. The Company has entered into an agreement with Rotrua Limited, a company controlled by Dr. Climax, for the provision of consultancy services for a period of three years from January 1, 2010, at an agreed fee of €262,500 (\$346,000) per annum. The consultancy agreement expired in December 2012.

**Item 8. Financial Information.**

**Financial Statements**

See Item 18.

**Legal Proceedings**

ICON is not party to any litigation or other legal proceedings that we believe could reasonably be expected to have a material adverse effect on our business, results of operations and financial condition.

## Dividends

We have not paid cash dividends on our ordinary shares and do not intend to pay cash dividends on our ordinary shares in the foreseeable future.

## Item 9. *The Offer and Listing*

ICON's ordinary shares are traded on the NASDAQ Global Select Market under the symbol "ICLR". The following table sets forth the trading price for the dates indicated for ICON plc's shares as reported by NASDAQ. ICON plc's ADR program was terminated on January 31, 2013 and ICON plc's ordinary shares began directly trading on NASDAQ on February 4, 2013. Prior to that date, ICON plc's ADSs were traded on NASDAQ and ICON plc's Depository for the ADSs was The Bank of New York Mellon.

<b>Year Ending</b>	<b>High Sales Price During Period</b>	<b>Low Sales Price During Period</b>
December 31, 2009. . . . .	\$26.85	\$12.17
December 31, 2010. . . . .	\$30.31	\$18.93
December 31, 2011. . . . .	\$26.22	\$15.03
December 31, 2012. . . . .	\$28.93	\$16.73
December 31, 2013. . . . .	\$44.23	\$26.70
<b>Quarter Ending</b>	<b>High Sales Price During Period</b>	<b>Low Sales Price During Period</b>
Mar 31, 2012. . . . .	\$22.33	\$16.73
June 30, 2012. . . . .	\$23.81	\$20.02
Sept 30, 2012. . . . .	\$25.21	\$21.71
Dec 31, 2012. . . . .	\$28.93	\$23.05
Mar 31, 2013. . . . .	\$33.07	\$26.70
June 30, 2013. . . . .	\$36.71	\$29.07
Sept 30, 2013. . . . .	\$41.29	\$35.50
Dec 31, 2013. . . . .	\$44.23	\$36.42
<b>Month Ending</b>	<b>High Sales Price During Period</b>	<b>Low Sales Price During Period</b>
July 31, 2013. . . . .	\$40.23	\$35.50
Aug 31, 2013. . . . .	\$40.98	\$36.23
Sept 30, 2013. . . . .	\$41.29	\$35.51
Oct 31, 2013. . . . .	\$44.23	\$38.51
Nov 30, 2013. . . . .	\$41.44	\$37.32
Dec 31, 2013. . . . .	\$40.59	\$36.42

## Item 10. *Additional Information*

### Memorandum and Articles of Association

We hereby incorporate by reference our Memorandum and Articles of Association, as amended, located under the heading "Memorandum and Articles of Association of the Company" in exhibit 3.1.

The following is a summary of certain provisions of the current Articles of Association of the Company. This summary does not purport to be complete and is qualified in its entirety by reference to the complete text of the Articles of Association of the Company, which are included as an exhibit to this annual report.

### *Objects*

The Company is incorporated under the name ICON plc, and is registered in Ireland under registered number 145835. The Company's objects, which are detailed in the Memorandum of Association of the Company, are broad and include, but are not limited to, the carrying on the business of an investment holding company.

### *Directors*

Subject to certain exceptions, directors may not vote on matters in which they have a material interest. Any director who holds any executive office, serves on any committee or otherwise performs services, which, in the opinion of the directors, are outside the scope of the ordinary duties of a director, may be paid such extra remuneration as the directors may determine. The directors may exercise all the powers of the Company to borrow money. These powers may be amended by special resolution of the shareholders. The directors are not required to retire at any particular age. One-third of the directors retire and offer themselves for re-election at each Annual General Meeting (“AGM”) of the Company. The directors to retire by rotation are those who have been longest in office since their last appointment or reappointment. As between persons who became or were appointed directors on the same date, those to retire are determined by agreement between them or, otherwise, by lot. All of the shareholders entitled to attend and vote at the AGM may vote on the re-election of directors. There is no requirement for directors to hold shares.

### *Rights, Preferences and Dividends Attaching to Shares*

The Company has only one class of shares, Ordinary Shares with a par value of €0.06 per share. All such Ordinary Shares rank equally with respect to voting, payment of dividends and on any winding-up of the Company. Any dividend, interest or other sum payable to a shareholder that remains unclaimed for one year after having been declared may be invested by the directors for the benefit of the Company until claimed. If the directors so resolve, any dividend which has remained unclaimed for 12 years from the date of its declaration shall be forfeited and cease to remain owing by the Company. In the event of the Company being wound up, if the assets available for distribution among the Members shall be more than sufficient to repay the whole of the share capital paid up or credited as paid up at the commencement of the winding up, the excess shall be distributed among the Members in proportion to the capital at the commencement of the winding up paid up or credited as paid up on the said Ordinary Shares held by them respectively. An Ordinary Share shall be deemed to be a redeemable share in certain circumstances. The liability of shareholders to invest additional capital is limited to the amounts remaining unpaid on the shares held by them.

### *Action Necessary to Change the Rights of Shareholders*

The rights attaching to shares in the Company may be varied by special resolutions passed at class meetings of that class of shareholders of the Company.

### *Annual and General Meetings*

The AGM shall be held in such place and at such time as shall be determined by the board, but no more than 15 months shall pass between the dates of consecutive AGMs. Directors may call an Extraordinary General Meeting (“EGM”) at any time. The members, in accordance with the Articles of Association of the Company and Irish company law, may also requisition EGM’s. Notice of the AGM or an EGM passing any special resolution must be given at least 21 clear days prior to the scheduled date and, in the case of any other general meeting, not less than 14 clear days’ notice. All holders of Ordinary Shares are entitled to attend, speak at and vote at general meetings of the Company.

### *Limitations on the Right to Own Shares*

There are no limitations on the right to own shares in the Memorandum and Articles of Association of the Company.

### *Disclosure of Share Ownership*

Under Irish law, the Company can require parties to disclose their interests in shares. The Articles of Association of the Company entitle the directors to require parties to provide details regarding their identity and the nature and extent of any interest which such parties hold in Ordinary Shares. Under Irish law, if a party acquires or disposes of Ordinary Shares so as to bring his interest above or below 5% of the



total issued share capital of the Company, he must notify the Company of that. The Company would also need to be notified of the acquisition by an existing substantial (i.e. 5% plus) shareholder, of every movement of one whole percentage integer (e.g. 5.9% to 6.1% but not 6.1% to 6.9%) or more.

#### *Other Provisions of the Articles of Association*

There are no provisions in the Articles of Association of the Company:

- (i) delaying or prohibiting a change in the control of the Company, but which operate only with respect to a merger, acquisition or corporate restructuring;
- (ii) discriminating against any existing or prospective holder of shares as a result of such shareholder owning a substantial number of shares; or
- (iii) governing changes in capital,

in each case, where such provisions are more stringent than those required by law.

#### **Material Contracts**

On November 29, 2002 the Company's subsidiary, ICON Central Laboratories Inc. ("ICL"), formerly ICON Laboratories Inc. entered into a lease agreement with MSM Reality Co., LLC, Davrick, LLC and Sholom Blau Co., LLC. The lease is for office and laboratory space at an annual rate of approximately \$2,220,000. The term of the lease was 15 years and ICON Laboratories Inc. had the option to extend the term of the lease for an additional 10 year term upon notice to the landlord at least 24 months prior to the expiration date. This lease was amended on September 1, 2013, to reduce the size of the leased property, effective March 1, 2019, and to correspondingly reduce the annual rent to approximately \$1,666,000 for the term of the lease. The term of the lease now expires on February 28, 2028.

On February 17, 2003 the Company's subsidiary ICON Clinical Research Inc ("ICLR"), entered into a lease agreement with Highwood Reality Limited Partnership. This lease was amended on October 22, 2009 to reduce the size of the leased property, effective January 1, 2011 and to correspondingly reduce the monthly rent to approximately \$123,000 for the term of the lease. This lease was further amended on July 10, 2013 to reduce the size of the leased property, effective January 1, 2014 and to correspondingly reduce the monthly rent to approximately \$108,000, or an average annual rate of \$1,296,000 for the term of the lease. The term of the lease extends to September 30, 2024.

On August 30, 2012 the Company's subsidiary ICLR, entered into a lease agreement with Pennbrook Development Partners 2100, L.P. The lease is for office space at an initial annual rate of \$2,585,000 per annum, subject to annual inflation adjustments. The term of the lease is 10 years, effective 1 July, 2013. ICLR has the option to extend the term of the lease for two additional periods of five years upon notice to the landlord at least 10 months prior to the expiration date.

#### **Exchange Controls and Other Limitations Affecting Security Holders**

Irish exchange control regulations ceased to apply from and after December 31, 1992. Except as indicated below, there are no restrictions on non-residents of Ireland dealing in domestic securities, which includes shares or depository receipts of Irish companies. Except as indicated below, dividends and redemption proceeds also continue to be freely transferable to non-resident holders of such securities.

The Financial Transfers Act, 1992 gives power to the Minister for Finance of Ireland to make provision for the restriction of financial transfers between Ireland and other countries and persons. Financial transfers are broadly defined, and include all transfers which would be movements of capital or payments within the meaning of the treaties governing the European Communities. The acquisition or disposal of shares issued by an Irish incorporated company and associated payments may fall within this definition. In addition, dividends or payments on redemption or purchase of shares and payments on a liquidation of an Irish incorporated company would fall within this definition. At present, the Financial Transfers Act, 1992 prohibits financial transfers involving: certain persons and activities in Sudan, the Republic of Guinea, Côte d'Ivoire, Libya, Iraq, the Democratic People's Republic of Korea, Somalia and the Democratic Republic of Congo; certain activities in Lebanon; all funds, financial assets or economic

benefits belonging to Mr. Slobodan Milosevic and certain associated persons; certain activities, persons and entities in Eritrea; certain persons in Egypt and Tunisia; persons indicted by the International Criminal Tribunal for the former Yugoslavia; certain activities, persons and entities in Syria and Iran; certain persons, entities and bodies in the Republic of Guinea-Bissau; certain persons and entities associated with the Taliban in Afghanistan; certain activities and persons in Zimbabwe; certain activities in Liberia and the former Liberian President Charles Taylor, his immediate family and close associates; President Lukashenko, the Belarusian leadership and certain other officials of Belarus; and countries that harbor certain terrorist groups, without the prior permission of the Central Bank of Ireland.

There are no restrictions under the Company's Articles of Association or under Irish Law that limit the right of non-residents or foreign owners to hold the Company's ordinary shares or vote at general meetings of the Company.

## **Taxation**

### **General**

The following discussion is based on existing Irish tax law, Irish court decisions and the practice of the Revenue Commissioners of Ireland, and the convention between the United States and Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to income and capital gains (the "Treaty"). This discussion does not purport to deal with the tax consequences of owning the ordinary shares for all categories of investors, some of which may be subject to special rules. Prospective purchasers of ordinary shares are advised to consult their own tax advisors concerning the overall tax consequences arising in their own particular situations under Irish law. Each prospective investor should understand that future legislative, administrative and judicial changes could modify the tax consequences described below, possibly with retroactive effect.

As used herein, the term "U.S. Holder" means a beneficial owner of ordinary shares that (i) owns the ordinary shares as capital assets; (ii) is a U.S. citizen or resident, a U.S. corporation, an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust that meets the following two tests: (A) a U.S. court is able to exercise primary supervision over the administration of the trust, and (B) one or more U.S. persons have the authority to control all substantial decisions of the trust; and for the purpose of the discussion under Irish Taxation of U.S. Holders (A) is not a resident of, or ordinarily resident in, Ireland for the purposes of Irish tax; and (B) is not engaged in trade or business in Ireland through a permanent establishment.

AS USED HEREIN, REFERENCES TO THE ORDINARY SHARES SHALL INCLUDE SHARES HELD IN THE ACCOUNTS OF PARTICIPANTS THROUGH THE DEPOSITARY TRUST COMPANY ("THE DTC").

### **Irish Taxation**

#### *Irish corporation tax on income*

ICON is a public limited company incorporated and resident for tax purposes in Ireland.

For Irish tax purposes, the residence of a company is generally in the jurisdiction where the place of central management and control of the company is located. Subject to certain exceptions, all Irish incorporated companies are deemed to be Irish tax resident. Companies which are resident in the Republic of Ireland are subject to Irish corporation tax on their total profits (wherever arising and, generally, whether or not remitted to the Republic of Ireland). The question of residence, by virtue of management and control, is essentially one of fact. It is the present intention of the Company's management to continue to manage and control the Company from the Republic of Ireland, so that the Company will continue to be resident in the Republic of Ireland.

The standard rate of Irish corporation tax on trading income (with certain exceptions) is currently 12.5%.

A research and development tax credit is available in Ireland where an Irish resident company incurs qualifying expenditure on research and development activities. Qualifying expenditure incurred in a particular account period, which exceeds the qualifying expenditure incurred by the company in 2003 results in a tax credit of 25% of that expenditure. With effect from 1 January 2013 the incremental test does not apply to the first €200,000 of qualifying expenditure as such expenditure automatically qualifies for a tax credit of 25%. Legislative changes have been enacted in December 2013 which provide that the incremental test will no longer apply to the first €300,000 of qualifying expenditure for accounting periods commencing after 1 January 2014.

Corporation tax is charged at the rate of 25% on a company's non-trading income and certain types of trading income not eligible for the lower rate of 12.5% referred to above.

Capital gains arising to an Irish resident company are liable to tax at 33% (30% for disposals made on or before 5 December 2012). However, a capital gains tax exemption is available in Ireland for qualifying Irish resident companies in respect of disposals of certain qualifying shareholdings.

The exemption from capital gains tax on the disposal of shares by an Irish resident company will apply where certain conditions are met. These conditions principally are:

- The company claiming the exemption must hold (directly or indirectly) at least 5% of the ordinary share capital of the company in which the interest is being disposed of, throughout the period of at least 12 months, within the two year period prior to disposal
- The shares being disposed of must be in a company, which at the date of disposal, is resident in a Member State of the European Communities or in a country with which Ireland has signed or made specific arrangements to sign a double tax agreement (together a "Relevant Territory")
- The shares must be in a company which is primarily a trading company or the company making the disposal together with its "5% plus subsidiaries" should be primarily a trading group
- The shares must not derive the greater part of their value from land or mineral rights in the State.

#### *Irish withholding tax on dividends*

Unless specifically exempted, all dividends paid by the Company, will be subject to Irish withholding tax at the standard rate of income tax in force at the time the dividend is paid, which is currently 20%.

An individual shareholder who is neither resident nor ordinarily resident for tax purposes in Ireland, but is resident in a country with which Ireland has a double tax treaty, or in a member state of the European Union, other than Ireland (together, a Relevant Territory), will be exempt from withholding tax provided he or she makes the requisite declaration.

Irish resident corporate shareholders will be exempt from withholding tax. Where the company paying the dividend is not a 51% subsidiary of the recipient company, a declaration must be made in order to avail of the exemption.

Non-Irish resident corporate shareholders that:

- are resident in a Relevant Territory and are not controlled (directly or indirectly) by Irish residents
- are ultimately controlled (directly or indirectly) by residents of a Relevant Territory or
- have the principal class of their shares, or shares of a 75% parent, substantially and regularly traded on one or more recognized stock exchanges in a Relevant Territory (including Ireland) or Territories; or
- are wholly owned by two or more companies, each of whose principal class of shares is substantially and regularly traded on one or more recognized stock exchanges in a Relevant Territory (including Ireland) or Territories
- will be exempt from withholding tax on the production of the appropriate certificates and declarations.

U.S. holders of ordinary shares should note, however, that detailed documentation requirements may need to be complied with. Special arrangements are available in the case of an interest in shares held in Irish companies through a depository or in accounts of participants through the DTC. In certain cases the depository or the DTC can receive and pass on a dividend from an Irish company without deducting withholding tax, provided the depository or the DTC is a qualifying intermediary, and provided the person beneficially entitled to the distribution would meet the same conditions outlined above for the withholding tax exemption to apply and has provided the qualifying intermediary with the appropriate declarations. The depository or the DTC shall be regarded as a qualifying intermediary provided the following conditions are met:

- the depository or the DTC is resident in a Relevant Territory and
- the depository or the DTC have entered into a qualifying intermediary agreement with the Irish tax authorities and
- the depository or the DTC have been authorized by the Irish Revenue Commissioners as a qualifying intermediary and such authorization has not expired or been revoked.

#### *Irish income tax on dividends*

Irish resident or ordinarily resident shareholders will generally be liable to Irish income tax on dividend income at their marginal rate of tax. This income may also be liable to Pay Related Social Insurance (“PRSI”) of up to 4% and the Universal Social Charge (“USC”) of up to 10% (up to 14% in total).

Under certain circumstances, non-Irish resident shareholders will be subject to Irish income tax on dividend income. This liability is limited to tax at the standard rate of 20% and therefore, where withholding tax has been deducted, this will satisfy the tax liability. No PRSI or USC should apply in these circumstances.

However, a non-Irish resident shareholder will not have an Irish income tax liability on dividends from the Company if the holder is neither resident nor ordinarily resident in the Republic of Ireland and the holder is

- an individual resident in the U.S. or in a Relevant Territory;
- a corporation that is ultimately controlled by persons resident in the U.S. or in a Relevant Territory;
- a corporation whose principal class of shares (or its 75% or greater parent’s principal class of shares) is substantially and regularly traded on a recognized stock exchange in an EU country or in a Relevant Territory;
- a corporation resident in another EU member state or in a Relevant Territory, which is not controlled directly or indirectly by Irish residents; or
- a corporation that is wholly owned by two or more corporations each of whose principal class of shares is substantially and regularly traded on a recognized stock exchange in an EU country or in a Relevant Territory.

U.S. Holders who do not qualify for the above income tax exemption may be able to obtain treaty benefits under the double tax treaty.

#### *Irish domicile levy*

Certain non-Irish resident individuals that are domiciled in Ireland will be subject to an annual levy of €200,000 if their Irish-located property exceeds €5,000,000, their worldwide annual income exceeds €1,000,000 and their liability to Irish Income Tax in that year is less than €200,000.

#### *Irish capital gains tax on disposal of shares*

Irish resident or ordinarily resident shareholders will be liable to capital gains tax at 33% (30% in respect of disposals made up to 5 December 2012) on gains arising from the disposal or part disposal of their shareholding.

A person who is not resident or ordinarily resident in Ireland, who has not been an Irish resident within the past five years and who does not carry on a trade in Ireland through a branch or agency will not be subject to Irish capital gains tax on the disposal of ordinary shares or shares held in accounts of participants through the DTC, so long as the shares are either quoted on a stock exchange or do not derive the greater part of their value from Irish land or mineral rights.

There are provisions to subject a person who disposes of an interest in a company while temporarily being non-Irish resident, to Irish capital gains tax. This treatment will apply to Irish domiciled individuals:

- who cease to be Irish resident;
- who beneficially own the relevant assets when they cease to be resident;
- if there are not more than 5 years of assessment between the last year of Irish tax residence prior to becoming temporarily non-resident and the tax year that he/she resumes Irish tax residency;
- who dispose of the relevant assets during this temporary non-residence; and
- the interest disposed of represents 5% or greater of the issued share capital of the company or is worth at least €500,000.

In these circumstances the person will be deemed, for Irish capital gains tax purposes, to have sold and immediately reacquired the interest in the company on the date of his or her departure and will be subject to tax at 33% (30% up to 5 December 2012) of the taxable gain.

#### *Irish capital acquisitions tax*

Irish capital acquisitions tax (referred to as CAT) applies to gifts and inheritances. Subject to certain tax-free thresholds, gifts and inheritances are liable to tax at 33% (30% up to 6 December 2012).

Where a gift or inheritance is taken under a disposition made after December 1, 1999, it will be within the charge to CAT:

- to the extent that the property of which the gift or inheritance consists is situated in the Republic of Ireland at the date of the gift or inheritance;
- where the person making the gift or inheritance is or was resident or ordinarily resident in the Republic of Ireland at the date of the disposition under which the gift or inheritance is taken;
- in the case of a gift taken under a discretionary trust where the person from whom the gift is taken was resident or ordinarily resident in the Republic of Ireland at the date he made the settlement, or at the date of the gift or, if he is dead at the date of the gift, at the date of his death; or
- where the person receiving the gift or inheritance is resident or ordinarily resident in the Republic of Ireland at the date of the gift or inheritance.

For these purposes a non-Irish domiciled individual will not be regarded as resident or ordinarily resident in the Republic of Ireland on a particular date unless they are resident or ordinarily resident in the Republic of Ireland on that date and have been resident for the 5 consecutive tax years immediately preceding the year of assessment in which the date falls.

The person who receives the gift or inheritance (“the beneficiary”) is primarily liable for CAT. In the case of an inheritance, where a beneficiary and personal representative of the deceased are both non-residents, a solicitor must be appointed to be responsible for paying inheritance tax. Taxable gifts or inheritances received by an individual since December 5, 1991 from donors in the same threshold class are aggregated and only the excess over a specified tax-free threshold is taxed. The tax-free threshold is dependent on the relationship between the donor and the donees and the aggregation since December 5, 1991 of all previous gifts and inheritances, within the same tax threshold.



The tax-free threshold amounts that apply with effect from 6 December 2012 are:

- €15,075 (€16,750 pre December 6, 2012) in the case of persons who are not related to one another;
- €30,150 (€33,500 pre December 6, 2012) in the case of gifts or inheritances received from inter alia a brother or sister or from a brother or sister of a parent or from a grandparent; and
- €225,000 (€250,000 pre December 6, 2012) in the case of gifts and inheritances received from a parent (or from a grandparent by a minor child of a deceased child) and specified inheritances received by a parent from a child.

Gifts and inheritances passing between spouses are exempt from CAT.

A gift or inheritance of ordinary shares or ADSs will be within the charge to Irish capital acquisitions tax, notwithstanding that the person from whom or by whom the gift or inheritance is received is domiciled or resident outside Ireland.

The Estate Tax Convention between Ireland and the United States generally provides for Irish capital acquisitions tax paid on inheritances in Ireland to be credited against U.S. Federal Estate tax payable in the United States and for tax paid in the United States to be credited against tax payable in Ireland, based on priority rules set forth in the Estate Tax Convention. The Estate Tax Convention does not apply to Irish capital acquisitions tax paid on gifts.

#### *Irish stamp duty*

Irish stamp duty, which is a tax on certain documents, is payable on all transfers of ordinary shares (other than between spouses) whenever a document of transfer is executed. Where the transfer is attributable to a sale, stamp duty will be charged at a rate of 1%, rounded to the nearest Euro. The stamp duty is calculated on the amount or value of the consideration (i.e. purchase price) or, if the transfer is by way of a gift (subject to certain exceptions) or for consideration less than the market value, on the market value of the shares. Where the consideration for the sale is expressed in a currency other than Euro, the duty will be charged on the Euro equivalent calculated at the rate of exchange prevailing on the date of the transfer.

Transfers through the DTC of book entry interests in shares are not subject to Irish stamp duty.

A transfer of ordinary shares by a shareholder to a depositary or custodian for deposit and a transfer of ordinary shares from the depositary or the custodian for the purposes of the withdrawal of the underlying ordinary shares in accordance with the terms of a deposit agreement will be stampable at the ad valorem rate if the transfer relates to a sale, a contemplated sale, a gift or any other change in the beneficial ownership of such ordinary shares. However transfers of ordinary shares into or out of the DTC are not be subject to Irish stamp duty provided that no change in beneficial ownership of the shares has occurred and provided a contract for sale in respect of the transferring shares is not in place.

The person accountable for payment of stamp duty is normally the transferee or, in the case of a transfer by way of gift, or for a consideration less than the market value, all parties to the transfer.

Transfers of ordinary shares between associated companies (broadly, companies within a 90% group relationship and subject to the satisfaction of certain conditions) are exempt from stamp duty in the Republic of Ireland. In the case of transfers of ordinary shares where no beneficial interest passes (e.g. a transfer of shares from a beneficial owner to his nominee), no stamp duty arises.

No stamp duty shall arise on the transfer of ordinary shares where the consideration for the transfer does not exceed €1,000, provided the instrument contains a statement certifying that the transaction does not form part of a larger transaction or a series of larger transactions, in respect of which the amount of the total consideration attributable to the shares would exceed €1,000.

#### **Documents on Display**

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and file reports and other information with the SEC. The SEC maintains a web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC at <http://www.sec.gov>.

We “incorporate by reference” information that we file with the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this report and more recent information automatically updates and supersedes more dated information contained or incorporated by reference in this report. Our SEC file number for Exchange Act reports is 333-08704.

As a foreign private issuer, we are exempt from certain rules under the Exchange Act, prescribing the furnishing and content of proxy statements to shareholders.

We will provide without charge to each person, including any beneficial owner, on the written or oral request of such person, a copy of any or all documents referred to above which have been or may be incorporated by reference in this report (not including exhibits to such incorporated information that are not specifically incorporated by reference into such information). Requests for such copies should be directed to us at the following address: ICON plc, South County Business Park, Leopardstown, Dublin 18, Ireland, Attention: Simon Holmes telephone number: (353) 1 291 2000.

### **Exemptions From Corporate Governance Listing Requirements Under the NASDAQ Marketplace Rules**

NASDAQ may provide exemptions from certain NASDAQ corporate governance standards to a foreign private issuer if, among other reasons those standards are contrary to a law, rule or regulation of a public authority exercising jurisdiction over such issuer or contrary to generally accepted business practices in the issuer’s home country of domicile, provided, that, the foreign private issuer properly notifies NASDAQ and makes the required disclosure except to the extent that such exemptions would be contrary to United States federal securities laws.

The exemptions that the Company relies on, and the practices the Company adheres to, are as follows:

- The Company is exempt from provisions set forth in NASDAQ Rule 5620(c), which requires each issuer (other than limited partnerships) to provide for a quorum in its by-laws for any meeting of the holders of common stock, which shall in no case be less than 33.33% of the outstanding shares of the issuer’s common voting stock. The Company’s Articles of Association require that only 3 members be present, in person or by proxy, at a shareholder meeting to constitute a quorum. This quorum requirement is in accordance with Irish law and generally accepted business practices in Ireland.
- The Company is exempt from provisions set forth in NASDAQ Rule 5635(c) which requires (other than for certain specified exceptions) shareholder approval prior to the establishment or material amendment of a stock option or purchase plan or other equity compensation arrangement made or materially amended, pursuant to which stock may be acquired by officers, directors, employees or consultants. Irish law does not require shareholder approval with respect to equity compensation arrangements. Accordingly, the 2013 Employees Restricted Share Unit Plan was adopted by the Board of Directors without shareholder approval.
- The Company is exempt from provisions set forth in NASDAQ Rule 5605(b)(2), which requires independent directors to hold regularly scheduled meetings at which only independent directors are present. Irish law does not require independent directors to hold regularly scheduled meetings at which only independent directors are present. The Company holds regularly scheduled meetings which all of the directors may attend.

### **Item 11. *Quantitative and Qualitative Disclosures about Market Risk***

The principal market risks (i.e. risk of loss arising from adverse changes in market rates and prices) to which we are exposed include foreign currency risk and interest rate risk.

#### **Foreign Currency Exchange Risk**

We are subject to a number of foreign currency risks given the global nature of our operations. The principal foreign currency risks to which the business is subject to includes both foreign currency translation risk and foreign currency transaction risk.

Although domiciled in Ireland, we report our results in U.S. dollars. As a consequence the results of our 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.

We are also subject to foreign currency transaction exposures as the currency in which our contracts are priced can be different from the currencies in which costs relating to those contracts are incurred. Our 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 our activities means that contracts are usually priced in a single currency, most often U.S. dollars, or Euros, while costs arise in a number of currencies, depending, among other things, on which of our 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 our results of operations. We regularly review our foreign currency exposures and usually negotiate currency fluctuation clauses in our contracts which allow for price negotiation if certain exchange rate triggers occur.

The following significant exchange rates applied during the year:

	Average Rate		Closing Rate	
	2013	2012	2013	2012
Euro:USD . . . . .	<b>1.3254</b>	1.2876	<b>1.3743</b>	1.3193
Pound Sterling:USD . . . . .	<b>1.5653</b>	1.5832	<b>1.6557</b>	1.6255

**Interest Rate Risk**

We are exposed to interest rate risk in respect of our cash and cash equivalents and short term investments – available for sale. Our treasury function actively manages our available cash resources and invests significant cash balances in various financial instruments to try to ensure optimum returns for the Company’s surplus cash balances. Financial instruments are classified either as cash and cash equivalents or short term investments – available for sale depending upon the maturity of the related investment. Funds may be invested in the form of floating rate notes and medium term minimum “A-” rated corporate securities. We may be subject to interest rate risk in respect of interest rate changes on amounts invested. Our treasury function manages interest rate risk in respect of these balances by monitoring the composition of the Company’s investment portfolio on an ongoing basis having regard to current market interest rates and future trends.

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

	Interest Income for the year ended December 31, 2013 (in thousands)	Interest Income Change 1% increase in market interest rate (in thousands)	Interest Income Change 1% decrease in market interest rate (in thousands)
Interest Income . . . . .	\$986	\$3,214	\$—

**Item 12. Description of Securities Other than Equity Securities**

Not applicable.

## PART II

### **Item 13. *Defaults, Dividend Arrearages and Delinquencies***

None.

### **Item 14. *Material Modifications to the Rights of Security Holders and Use of Proceeds***

None.

### **Item 15. *Controls and Procedures***

#### **(a) Disclosure controls and procedures**

An evaluation was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), of the effectiveness of our disclosure controls and procedures as at December 31, 2013. Based on that evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

#### **(b) Management's Annual Report on Internal Accounting Control over Financial Reporting**

Reference is made to page 66 of this Form 20-F.

#### **(c) Attestation Report of Independent Registered Public Accounting Firm**

Reference is made to page 68 of this Form 20-F.

#### **(d) Changes in Internal Controls over Financial Reporting**

There were no changes in our internal controls over financial reporting that occurred during the period covered by this Form 20-F that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

### **Item 16. *Reserved.***

#### **Item 16A. Audit Committee Financial Expert**

Mr. Declan McKeon acts as the Audit Committee financial expert serving on our Audit Committee and Board of Directors. Mr. McKeon is an independent Board member and serves as one of our non-executive directors.

#### **Item 16B. Code of Ethics**

Our Board of Directors adopted a new code of ethics on March 22, 2011, which replaced our previous Code of Ethics. The new Code of Ethics applies to all ICON employees.

There are no material modifications to, or waivers from, the provisions of such code, which are required to be disclosed.

This code is available on our website at the following address:

<http://investor.iconplc.com/governance.cfm>

#### **Item 16C. Principal Accountant Fees and Services**

Our principal accountants for the years ended December 31, 2013 and December 31, 2012, were KPMG.

The table below summarizes the fees for professional services rendered by KPMG for the audit of our annual financial statements for the years ended December 31, 2013 and December 31, 2012 and fees billed for other services rendered by KPMG.

	12 month period ended December 31, 2013 (in thousands)		12 month period ended December 31, 2012 (in thousands)	
Audit fees (1) . . . . .	\$1,637	65%	\$1,597	73%
Audit related fees (2) . . . . .	78	3%	23	1%
Tax fees (3) . . . . .	819	32%	570	26%
<b>Total . . . . .</b>	<b>\$2,534</b>	<b>100%</b>	<b>\$2,190</b>	<b>100%</b>

- (1) Audit fees include annual audit fees for the Company and its subsidiaries.
- (2) Audit related fees principally consisted of fees for financial due diligence services and fees for audit of the financial statements of employee benefit plans.
- (3) Tax fees are fees for tax compliance and tax consultation services.

The Audit Committee pre-approves on an annual basis the audit and non-audit services provided to the Company by its auditors.

Such annual pre-approval is given with respect to particular services. The Audit 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.

**Item 16D. Exemptions from the Listing Standards for Audit Committees**

Not applicable.

**Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

On October 27, 2011 the Company announced its intention to commence a share repurchase program of up to \$50 million. On November 22, 2011 the Company entered into two separate share repurchase plans of up to \$10 million each, covering the periods November 23, 2011 to December 31, 2011 and January 1, 2012 to February 20, 2012 respectively. On February 21, 2012 the Company entered into a further share repurchase plan of up to \$20 million, covering the period February 22, 2012 to April 22, 2012. On April 27, 2012 the Company entered into a fourth share repurchase plan of up to \$20 million, covering the period April 27, 2012 to July 18, 2012. On July 30, 2012 the Company entered into a fifth share repurchase plan of up to \$10 million, covering the period July 30, 2012 to October 26, 2012.

Under the repurchase program, a broker purchased the Company’s shares from time to time on the open market or in privately negotiated transactions in accordance with agreed terms and limitations. The program was designed to allow share repurchases during periods when the Company would ordinarily not be permitted to do so because it may be in possession of material non-public or price-sensitive information, applicable insider trading laws or self-imposed trading blackout periods. The Company’s instructions to the broker were irrevocable and the trading decisions in respect of the repurchase program were made independently of and uninfluenced by the Company. The Company confirms that on entering the share repurchase plans it had no material non-public, price-sensitive or inside information regarding the Company or its securities. Furthermore, the Company will not enter into additional plans whilst in possession of such information.

**Item 16F. Changes in Registrant’s Certifying Accountant**

Not applicable.

**Item 16G. Corporate Governance**

See Item 10 “Exemptions from Corporate Governance Listing Requirements under the NASDAQ Marketplace Rules”.

**Item 16H. Mine Safety Disclosure**

Not applicable.



## PART III

### **Item 17. *Financial Statements***

See item 18.

### **Item 18. *Financial Statements***

Reference is made to pages 66 to 109 of this Form 20-F.

### **Item 19. *Financial Statements and Exhibits***

#### **Financial statements of ICON plc and subsidiaries**

Management's Report on Internal Control over Financial Reporting

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as at December 31, 2013 and December 31, 2012

Consolidated Statements of Operations for the years ended December 31, 2013, December 31, 2012 and December 31, 2011

Consolidated Statements of Comprehensive Income for the years ended December 31, 2013, December 31, 2012 and December 31, 2011

Consolidated Statements of Shareholders' Equity and Comprehensive Income for the years ended December 31, 2013, December 31, 2012 and December 31, 2011

Consolidated Statements of Cash Flows for the years ended December 31, 2013, December 31, 2012 and December 31, 2011

Notes to the Consolidated Financial Statements

## Exhibits of ICON plc and subsidiaries

Exhibit Number	Title
3.1	Description of the Memorandum and Articles of Association of the Company (incorporated by reference to exhibit 3.1 to the Form 20F (File No. 333-08704) filed on March 6, 2013).
10.1*	Office Space Lease, dated September 1, 2013, between ICON Central Laboratories Inc., and MSM Reality Co., LLC, Davrick, LLC and Sholom Blau Co., LLC.
10.2*	Office Space Lease, dated July 10, 2013, between ICON Clinical Research Inc. and Highwood Reality Limited Partnership.
10.3*	Office Space Lease, dated September 30, 2012, between ICON Clinical Research Inc. and Pennbrook Development Partners 2100, L.P.
12.1*	Section 302 certifications.
12.2*	Section 906 certifications.
21.1	List of Subsidiaries (incorporated by reference to Item 4 of Form 20-F filed herewith).
23.1*	Consent of KPMG, Independent Registered Public Accounting Firm
101.1*	Interactive Data Files (XBRL – Related Documents)

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\* Filed herewith

## Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934.

The Company's internal control over financial reporting is a process designed by, or under the supervision of, the Company's executive and financial officers and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles.

A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorization of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitation due to, for example, the potential for human error or circumvention of control, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2013. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework 1992*. Based upon the assessment performed, we determined that, as of December 31, 2013 the Company's internal control over financial reporting was effective. In addition, there have been no changes in the Company's internal control over financial reporting during 2013 that have materially affected, or are reasonably likely to affect materially, the Group's internal control over financial reporting.

KPMG, which has audited the consolidated financial statements of the Company for the year ended December 31, 2013, has also audited the effectiveness of the Company's internal control over financial reporting under Auditing Standard No. 5 of the Public Company Accounting Oversight Board (United States) and their report is included at page 68.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Directors and Shareholders of ICON plc:

We have audited the accompanying consolidated balance sheets of ICON plc and subsidiaries (“the Company”) as of December 31, 2013 and 2012 and the related consolidated statements of operations, shareholders’ equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2013. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ICON plc and subsidiaries as of December 31, 2013 and 2012 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), ICON plc’s internal control over financial reporting as of December 31, 2013 based on criteria established in *Internal Control – Integrated Framework 1992* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 12, 2014 expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

KPMG

Dublin, Ireland  
**March 12, 2014**

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Directors and Shareholders of ICON plc:

We have audited ICON plc's internal control over financial reporting as of December 31, 2013 based on criteria established in *Internal Control – Integrated Framework 1992* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). ICON plc's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, ICON plc maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013 based on criteria established in *Internal Control – Integrated Framework 1992* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of ICON plc and subsidiaries as of December 31, 2013 and 2012 and the related consolidated statements of operations, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2013 and our report dated March 12, 2014 expressed an unqualified opinion on those consolidated financial statements.

KPMG

Dublin, Ireland  
March 12, 2014

**ICON plc**  
**CONSOLIDATED BALANCE SHEETS**

December 31, 2013    December 31, 2012

(in thousands)

**ASSETS**

Current Assets:

Cash and cash equivalents . . . . .	\$ 182,519	\$ 114,047
Short term investments – available for sale (Note 3) . . . . .	138,317	76,183
Accounts receivable, net . . . . .	342,581	285,419
Unbilled revenue . . . . .	113,239	112,483
Other receivables . . . . .	14,415	13,387
Deferred tax asset (Note 13) . . . . .	28,644	20,574
Prepayments and other current assets . . . . .	24,664	23,155
Income taxes receivable (Note 13) . . . . .	9,049	18,500
<b>Total current assets . . . . .</b>	<b>853,428</b>	<b>663,748</b>

Other Assets:

Property, plant and equipment, net (Note 6) . . . . .	160,830	168,373
Goodwill (Note 4) . . . . .	357,523	315,441
Non-current other assets . . . . .	6,732	5,584
Non-current income taxes receivable (Note 13) . . . . .	25,172	9,506
Non-current deferred tax asset (Note 13) . . . . .	7,421	5,009
Intangible assets (Note 5) . . . . .	31,354	34,447

<b>Total Assets . . . . .</b>	<b>\$1,442,460</b>	<b>\$1,202,108</b>
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**LIABILITIES AND SHAREHOLDERS' EQUITY**

Current Liabilities:

Accounts payable . . . . .	\$ 4,594	\$ 8,149
Payments on account . . . . .	297,347	219,467
Other liabilities (Note 7) . . . . .	194,812	181,092
Deferred tax liability (Note 13) . . . . .	—	144
Income taxes payable (Note 13) . . . . .	4,416	4,570
<b>Total current liabilities . . . . .</b>	<b>501,169</b>	<b>413,422</b>

Other Liabilities:

Non-current other liabilities (Note 8) . . . . .	11,198	14,312
Non-current government grants (Note 11) . . . . .	1,359	1,427
Non-current income taxes payable (Note 13) . . . . .	5,288	5,650
Non-current deferred tax liability (Note 13) . . . . .	12,867	12,722

Shareholders' Equity:

Ordinary shares, par value 6 euro cents per share; 100,000,000 shares authorized, (Note 12) 61,587,257 shares issued and outstanding at December 31, 2013 and 60,287,498 shares issued and outstanding at December 31, 2012. . . . .	5,168	5,067
Additional paid-in capital . . . . .	279,572	237,217
Capital redemption reserve (Note 12 (a)) . . . . .	100	100
Accumulated other comprehensive income (Note 19) . . . . .	1,960	(8,776)
Retained earnings . . . . .	623,779	520,967

<b>Total Shareholders' Equity . . . . .</b>	<b>910,579</b>	<b>754,575</b>
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<b>Total Liabilities and Shareholders' Equity . . . . .</b>	<b>\$1,442,460</b>	<b>\$1,202,108</b>
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The accompanying notes are an integral part of these consolidated financial statements.



**ICON plc**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Year Ended December 31,		
	2013	2012	2011
	(in thousands, except share and per share data)		
<b>Revenue:</b>			
Gross revenue . . . . .	\$ 1,784,345	\$ 1,503,993	\$ 1,296,509
Reimbursable expenses . . . . .	(448,287)	(388,987)	(350,780)
Net revenue . . . . .	1,336,058	1,115,006	945,729
<b>Costs and expenses:</b>			
Direct costs . . . . .	845,413	717,750	611,923
Selling, general and administrative . . . . .	313,931	280,780	255,864
Depreciation and amortization . . . . .	46,514	42,823	38,682
Restructuring and other items, net (Note 14) . . . . .	9,033	5,636	9,817
Total costs and expenses . . . . .	1,214,891	1,046,989	916,286
Income from operations . . . . .	121,167	68,017	29,443
Interest income . . . . .	986	1,151	1,194
Interest expense . . . . .	(1,288)	(1,947)	(1,642)
Income before provision for income taxes . . . . .	120,865	67,221	28,995
Provision for income taxes (Note 13) . . . . .	(18,053)	(11,801)	(6,115)
Net income . . . . .	\$ 102,812	\$ 55,420	\$ 22,880
<b>Net income per ordinary share:</b>			
Basic . . . . .	\$ 1.69	\$ 0.92	\$ 0.38
Diluted . . . . .	\$ 1.65	\$ 0.92	\$ 0.37
<b>Weighted average number of ordinary shares outstanding:</b>			
Basic (Note 2 (u)) . . . . .	60,907,274	59,968,174	60,379,338
Diluted (Note 2 (u)) . . . . .	62,253,251	60,450,706	61,070,686

The accompanying notes are an integral part of these consolidated financial statements.

**ICON plc**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Year Ended December 31,		
	2013	2012	2011
	(in thousands, except share and per share data)		
Net income . . . . .	\$102,812	\$55,420	\$ 22,880
Currency translation adjustment . . . . .	10,725	4,494	(11,347)
Currency impact on long-term funding . . . . .	(1,046)	1,982	(802)
Tax on currency impact of long term funding . . . . .	(87)	(356)	294
Unrealized capital (loss)/gain – investments . . . . .	(239)	861	(622)
Actuarial gain/(loss) on defined benefit pension plan . . . . .	1,383	689	(4,365)
<b>Total comprehensive income . . . . .</b>	<b>\$113,548</b>	<b>\$63,090</b>	<b>\$ 6,038</b>

The accompanying notes are an integral part of these consolidated financial statements.

**ICON plc**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**AND COMPREHENSIVE INCOME**  
(in thousands, except share and per share data)

	Shares	Amount	Additional Paid-in Capital	Capital Redemption Reserve	Accumulated Other Comprehensive Income	Retained Earnings	Total
<b>Balance at December 31, 2010</b>	60,247,092	\$5,063	\$196,960	\$ —	\$ 396	\$467,580	\$669,999
Comprehensive Income:							
Net income	—	—	—	—	—	\$ 22,880	\$ 22,880
Currency translation adjustment	—	—	—	—	(11,347)	—	(11,347)
Currency impact on long-term funding	—	—	—	—	(802)	—	(802)
Tax on currency impact of long term funding	—	—	—	—	294	—	294
Unrealized capital loss – investments	—	—	—	—	(622)	—	(622)
Actuarial loss on defined benefit pension plan	—	—	—	—	(4,365)	—	(4,365)
Total comprehensive income							6,038
Exercise of share options	430,340	36	4,629	—	—	—	4,665
Issue of restricted share units	3,768	—	—	—	—	—	—
Share based compensation expense	—	—	9,355	—	—	—	9,355
Share issue costs	—	—	(76)	—	—	—	(76)
Repurchase of ordinary shares	(545,597)	(44)	—	44	—	(9,005)	(9,005)
Share repurchase costs	—	—	—	—	—	(113)	(113)
Excess tax benefit on exercise of options	—	—	681	—	—	—	681
<b>Balance at December 31, 2011</b>	60,135,603	\$5,055	\$211,549	\$ 44	\$(16,446)	\$481,342	\$681,544
Comprehensive Income:							
Net income	—	—	—	—	—	\$ 55,420	\$ 55,420
Currency translation adjustment	—	—	—	—	4,494	—	4,494
Currency impact on long-term funding	—	—	—	—	1,982	—	1,982
Tax on currency impact of long term funding	—	—	—	—	(356)	—	(356)
Unrealized capital gain – investments	—	—	—	—	861	—	861
Actuarial gain on defined benefit pension plan	—	—	—	—	689	—	689
Total comprehensive income							63,090
Exercise of share options	890,236	68	12,947	—	—	—	13,015
Share based compensation expense	—	—	11,521	—	—	—	11,521
Share issue costs	—	—	(74)	—	—	—	(74)
Repurchase of ordinary shares	(738,341)	(56)	—	56	—	(15,605)	(15,605)
Share repurchase costs	—	—	—	—	—	(190)	(190)
Excess tax benefit on exercise of options	—	—	1,274	—	—	—	1,274
<b>Balance at December 31, 2012</b>	60,287,498	\$5,067	\$237,217	\$100	\$ (8,776)	\$520,967	\$754,575

The accompanying notes are an integral part of these consolidated financial statements.

	Shares	Amount	Additional Paid-in Capital	Capital Redemption Reserve	Accumulated Other Comprehensive Income	Retained Earnings	Total
<b>Balance at December 31, 2012</b>	60,287,498	\$5,067	\$237,217	\$100	\$ (8,776)	\$520,967	\$754,575
Comprehensive Income:							
Net income	—	—	—	—	—	\$102,812	\$102,812
Currency translation adjustment	—	—	—	—	10,725	—	10,725
Currency impact on long-term funding	—	—	—	—	(1,046)	—	(1,046)
Tax on currency impact of long term funding	—	—	—	—	(87)	—	(87)
Unrealized capital loss – investments	—	—	—	—	(239)	—	(239)
Actuarial gain on defined benefit pension plan	—	—	—	—	1,383	—	1,383
Total comprehensive income							113,548
Exercise of share options	1,249,759	101	26,888	—	—	—	26,989
Issue of restricted share units	50,000	—	4	—	—	—	4
Share based compensation expense	—	—	13,882	—	—	—	13,882
Share issue costs	—	—	(70)	—	—	—	(70)
Repurchase of ordinary shares	—	—	—	—	—	—	—
Share repurchase costs	—	—	—	—	—	—	—
Excess tax benefit on exercise of equity compensation	—	—	1,651	—	—	—	1,651
<b>Balance at December 31, 2013</b>	61,587,257	\$5,168	\$279,572	\$100	\$ 1,960	\$623,779	\$910,579

The accompanying notes are an integral part of these consolidated financial statements.

**ICON plc**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
	(in thousands)		
<b>Cash flows from operating activities:</b>			
Net income . . . . .	\$ 102,812	\$ 55,420	\$ 22,880
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss on disposal of property, plant and equipment . . . . .	662	233	136
Depreciation expense . . . . .	38,975	35,210	34,030
Amortization of intangibles . . . . .	7,539	7,613	4,652
Amortization of government grants . . . . .	(349)	(154)	(115)
Stock compensation expense . . . . .	14,220	11,521	9,355
Deferred taxes . . . . .	(10,583)	(10,430)	(6,121)
Changes in assets and liabilities:			
Increase in accounts receivable . . . . .	(37,538)	(79,155)	(32,081)
(Increase)/decrease in unbilled revenue . . . . .	(4,015)	13,227	(27,164)
(Increase)/decrease in other receivables . . . . .	(1,638)	1,125	(1,669)
(Increase)/decrease in prepayments and other current assets . . . . .	(898)	682	(1,345)
Increase in other non current assets . . . . .	(1,146)	(861)	(233)
Increase in payments on account . . . . .	76,066	68,654	9,494
Increase in other current liabilities . . . . .	43,291	17,035	20,390
Increase/(decrease) in other non current liabilities . . . . .	899	189	(613)
Decrease in income taxes payable . . . . .	(5,013)	(7,916)	(2,753)
(Decrease)/increase in accounts payable . . . . .	(2,057)	1,038	(8,652)
Net cash provided by operating activities . . . . .	221,227	113,431	20,191
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment . . . . .	(29,488)	(30,791)	(35,284)
Purchase of subsidiary undertakings and acquisition costs . . . . .	(93,553)	(72,508)	(69,836)
Cash acquired with subsidiary undertaking . . . . .	1,039	2,572	8,300
Sale of short term investments . . . . .	109,795	82,193	438
Purchase of short term investments . . . . .	(172,168)	(102,575)	(56,000)
Net cash used in investing activities . . . . .	(184,375)	(121,109)	(152,382)
<b>Cash flows from financing activities:</b>			
Drawdown of credit lines and facilities . . . . .	—	20,000	—
Repayment of credit lines and facilities . . . . .	—	(20,000)	—
Proceeds from the exercise of share options . . . . .	26,993	13,015	4,665
Share issuance costs . . . . .	(70)	(74)	(76)
Excess tax benefit on exercise of equity compensation . . . . .	1,651	1,274	681
Repurchase of ordinary shares . . . . .	—	(15,605)	(9,005)
Share repurchase costs . . . . .	—	(190)	(113)
Receipt of government grant . . . . .	225	340	—
Net cash provided by/(used in) financing activities . . . . .	28,799	(1,240)	(3,848)
Effect of exchange rate movements on cash . . . . .	2,821	3,728	(430)
<b>Net increase/(decrease) in cash and cash equivalents . . . . .</b>	<b>68,472</b>	<b>(5,190)</b>	<b>(136,469)</b>
Cash and cash equivalents at beginning of year . . . . .	114,047	119,237	255,706
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 182,519</b>	<b>\$ 114,047</b>	<b>\$ 119,237</b>

The accompanying notes are an integral part of these consolidated financial statements.

**ICON plc**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**1. Description of business**

ICON plc and its subsidiaries (“the Company” or “ICON”) is a contract research organization (“CRO”), providing outsourced development services on a global basis to the pharmaceutical, biotechnology and medical device industries. We specialize in the strategic development, management and analysis of programs that support all stages of the clinical development process from compound selection to Phase I-IV clinical studies. Our vision is to be the Global CRO partner of choice in drug development by delivering best in class information, solutions and performance in clinical and outcomes research.

We believe that we are one of a select group of CRO’s with the expertise and capability to conduct clinical trials in most major therapeutic areas on a global basis and have the operational flexibility to provide development services on a stand-alone basis or as part of an integrated “full service” solution. At December 31, 2013 we had approximately 10,300 employees, in 77 locations in 38 countries. During the year ended December 31, 2013, we derived approximately 43.6%, 45.4% and 11.0% of our net revenue in the United States, Europe and Rest of World, respectively.

We began operations in 1990 and have expanded our business predominately through internal growth, together with a number of strategic acquisitions to enhance our capabilities and expertise in certain areas of the clinical development process. We are incorporated in Ireland and our principal executive office is located at: South County Business Park, Leopardstown, Dublin 18, Republic of Ireland. The contact telephone number of this office is 353 (1) 291 2000.

**2. Significant Accounting Policies**

The accounting policies noted below were applied in the preparation of the accompanying financial statements of the Company and are in conformity with accounting principles generally accepted in the United States.

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries. All significant intercompany profits, transactions and account balances have been eliminated. The results of subsidiary undertakings acquired in the period are included in the consolidated statement of operations from the date of acquisition.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. The principle management estimates and judgements used in preparing the financial statements relate to revenue recognition, taxation, goodwill and business combinations.

(c) Revenue recognition

The Company primarily earns revenues by providing a number of different services to its customers. These services, which are integral elements of the clinical development process, include clinical trials management, biometric activities, consulting, imaging, contract staffing, informatics and laboratory services. Contracts range in duration from a number of months to several years. Revenue for services, as rendered, is recognized only after persuasive evidence of an arrangement exists, the sales price is fixed or determinable and collectability is reasonably assured.

Clinical trials management revenue is recognized on a proportional performance method. Depending on the contractual terms revenue is either recognized on the percentage of completion method based on the relationship between hours incurred and the total estimated hours of the trial or on the unit of delivery method. Contract costs equate to the product of labor hours incurred and compensation rates. For the percentage of completion method, the input (effort expended) method has been used to measure progress



**ICON plc**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

towards completion as there is a direct relationship between input and productivity. Contract revenue is the product of the aggregated labor hours required to complete the specified contract tasks at the agreed contract rates. The Company regularly reviews the estimate of total contract time to ensure such estimates remain appropriate taking into account actual contract stage of completion, remaining time to complete and any identified changes to the contract scope. Remaining time to complete depends on the specific contract tasks and the complexity of the contract and can include geographical site selection and initiation, patient enrolment, patient testing and level of results analysis required. While the Company may routinely adjust time estimates, the Company's estimates and assumptions historically have been accurate in all material respects in the aggregate. Where revenue is recognized on the unit of delivery method, the basis applied is the number of units completed as a percentage of the total number of contractual units.

Biometrics revenue is recognized on a fee-for-service method as each unit of data is prepared 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 recognized on a fee-for-service basis recognizing revenue for each image completed. Consulting revenue is recognized on a fee-for-service basis as each hour of the related service is performed. Contract staffing revenue is recognized on a fee-for-service basis, over the time the related service is performed, or in the case of permanent placement, once the candidate has been placed with the client. Informatics revenue is recognized on a fee-for-service basis. Informatics contracts are treated as multiple element arrangements, with contractual elements comprising licence fee revenue, support fee revenue and revenue from software services, each of which can be sold separately. Sales prices for contractual elements are determined by reference to objective and reliable evidence of their sales price. Licence and support fee revenues are recognized rateably over the period of the related agreement. Revenue from software services is recognized using the percentage of completion method based on the relationship between hours incurred and the total estimated hours required to perform the service.

Laboratory service revenue is recognized 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. Sales prices for contractual elements are determined by reference to objective and reliable evidence of their sales price. 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, or volume of services 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.

The difference between the amount of revenue recognized and the amount billed on a particular contract is included in the balance sheet as unbilled revenue or payments on account. Normally, amounts become billable upon the achievement of certain milestones, for example, target patient enrollment rates, clinical testing sites initiated or case report forms completed. Once the milestone target is reached, amounts become billable 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 recognized 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 recognized, are recognized as payments on account within current liabilities.

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

(d) 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 revenue in arriving at net revenue. Investigator payments are accrued based on patient enrollment over the life of the contract. Investigator payments are made based on predetermined contractual arrangements, which may differ from the accrual of the expense.

**ICON plc**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(e) Direct costs

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

(f) Advertising costs

All costs associated with advertising and promotion are expensed as incurred. The advertising and promotion expense was \$5,195,120, \$3,679,000 and \$2,905,000 for the years ended December 31, 2013, December 31, 2012 and December 31, 2011 respectively.

(g) Foreign currencies and translation of subsidiaries

The Company's financial statements are prepared in United States dollars. Transactions in currencies other than United States dollars are recorded at the rate ruling at the date of the transactions. Monetary assets and liabilities denominated in currencies other than United States dollars are translated into United States dollars at exchange rates prevailing at the balance sheet date. Adjustments resulting from these translations are charged or credited to income. Amounts credited or charged to the statement of operations for the years ended December 31, 2013, December 31, 2012 and December 31, 2011 were as follows:

	Year ended December 31,		
	2013	2012	2011
	(in thousands)		
Amounts (credited)/charged . . . . .	\$(1,233)	\$(1,231)	\$391

The financial statements of subsidiaries with other functional currencies are translated at period end rates for the balance sheet and average rates for the statement of operations. Translation gains and losses arising are reported as a movement on accumulated other comprehensive income.

(h) Disclosure about fair value of financial instruments

The following methods and assumptions were used to estimate the fair value of each material class of financial instrument:

Cash, cash equivalents, unbilled revenue, other receivables, short term investments, prepayments and other current assets, accounts receivable, accounts payable, investigator payments, payments on account, accrued liabilities, accrued bonuses and income taxes payable have carrying amounts that approximate fair value due to the short term maturities of these instruments. Other liabilities' carrying amounts approximate fair value based on net present value of estimated future cash flows.

(i) 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. Where a business combination agreement provides for an adjustment to the cost of the acquisition which is contingent upon future events, the amount of the estimated adjustment is recognised on the acquisition date at the acquisition date fair value of this contingent consideration. Any changes to this estimate in subsequent periods will depend on the classification of the contingent consideration. If the contingent consideration is classified as equity it shall not be re-measured and the settlement shall be accounted for within equity. If the contingent consideration is classified as a liability any adjustments will be accounted for through the Consolidated Statement of Operations or other comprehensive income depending on whether the liability is considered a financial instrument.

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

**ICON plc**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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.

(j) Goodwill and Impairment

Goodwill represents the excess of the cost of acquired entities over the net amounts assigned to assets acquired and liabilities assumed. Goodwill primarily comprises acquired workforce in place which does not qualify for recognition as an asset apart from goodwill. Goodwill is stated net of any provision for impairment. The Company tests goodwill annually for any impairments or whenever events occur which may indicate impairment. The first step is to compare the carrying amount of the reporting unit's assets to the fair value of the reporting unit. If the carrying amount exceeds the fair value then a second step is completed which involves the fair value of the reporting unit being allocated to each asset and liability with the excess being implied goodwill. The impairment loss is the amount by which the recorded goodwill exceeds the implied goodwill. No impairment was recognized as a result of the impairment testing carried out for the years ended December 31, 2013, December 31, 2012 and December 31, 2011.

(k) Intangible assets

Intangible assets are amortized on a straight line basis over their estimated useful life.

(l) 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.

(m) Short term investments – available for sale

The Company classifies short-term investments as available for sale in accordance with the terms of FASB ASC 320, *Investments – Debt and Equity Securities*. Realized gains and losses are determined using specific identification. The investments are reported at fair value, with unrealized gains or losses reported in a separate component of shareholders' equity. Any differences between the cost and fair value of the investments are represented by accrued interest.

(n) Inventory

Inventory is valued at the lower of cost and net market value and after provisions for obsolescence. Cost of inventories comprises the purchase price and attributable costs, less trade discounts. At December 31, 2013 the carrying value of inventory, included within prepayments and other current assets on the balance sheet, was \$2.2 million (2012: \$3.0 million).

(o) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation of property, plant and equipment is computed using the straight line method based on the estimated useful lives of the assets as listed below:

	Years
Building . . . . .	40
Office furniture and fixtures . . . . .	8
Laboratory equipment . . . . .	5
Motor vehicles . . . . .	5
Computer equipment and software . . . . .	2 – 8

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

**ICON plc**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(p) Leased assets

Costs in respect of operating leases are charged to the statement of operations on a straight line basis over the lease term.

Assets acquired under capital finance leases are included in the balance sheet at the present value of the future minimum lease payments and are depreciated over the shorter of the lease term and their remaining useful lives. The corresponding liabilities are recorded in the balance sheet and the interest element of the capital lease rental is charged to interest expense.

(q) Income taxes

The Company applies the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount of tax benefit that is greater than 50 percent likely of being realized upon settlement.

(r) Government grants

Government grants received relating to capital expenditure are shown as deferred income and credited to income on a basis consistent with the depreciation policy of the relevant assets. Grants relating to categories of operating expenditures are credited to income in the period in which the expenditure to which they relate is charged.

Under the grant agreements amounts received may become repayable in full 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 recognized any loss contingency having assessed as remote the likelihood of these events arising.

(s) Research and development credits

Research and development credits are available to the Company under the tax laws in certain jurisdictions, based on qualifying research and development spend as defined under those tax laws. Research and development credits are generally recognized as a reduction of income tax expense. However, certain tax jurisdictions provide refundable credits that are not wholly dependent on the Company's ongoing income tax status or income tax position. In these circumstances the benefit of these credits is not recorded as a reduction to income tax expense, but rather as a reduction of operating expenditure.

(t) Pension costs

The Company contributes to defined contribution plans covering all eligible employees. The Company contributes to these plans based upon various fixed percentages of employee compensation and such contributions are expensed as incurred.

The Company operates, through a subsidiary, a defined benefit plan for certain of its United Kingdom employees. The Company accounts for the costs of this plan using actuarial models required by FASB ASC 715-30 and the plan is presented in accordance with the requirements of FASB ASC 715-60 *Defined Benefit Plans – Other Postretirement*.

(u) Net income per ordinary share

Basic net income per ordinary share has been computed by dividing net income available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted net

**ICON plc**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

income per ordinary share is computed by adjusting the weighted average number of ordinary shares outstanding during the period for all potentially dilutive ordinary shares outstanding during the period and adjusting net income for any changes in income or loss that would result from the conversion of such potential ordinary shares.

There is no difference in net income used for basic and diluted net income per ordinary share. The reconciliation of the number of shares used in the computation of basic and diluted net income per ordinary share is as follows:

	Year Ended December 31,		
	2013	2012	2011
Weighted average number of ordinary shares outstanding			
for basic net income per ordinary share . . . . .	60,907,274	59,968,174	60,379,338
Effect of dilutive share options outstanding . . . . .	1,345,977	482,532	691,348
Weighted average number of ordinary shares outstanding			
for diluted net income per ordinary share . . . . .	62,253,251	60,450,706	61,070,686

(v) Share-based compensation

The Company accounts for its share options, restricted share units (“RSU’s”) and performance share units (“PSU’s”) in accordance with the provisions of FASB ASC 718, *Compensation – Stock Compensation*. Share-based compensation expense for equity-settled awards made to employees and directors is measured and recognized based on estimated grant date fair values. These awards include employee stock options, RSU’s and PSU’s.

Share-based compensation expense for stock options awarded to employees and directors is estimated at the grant date based on each option’s fair value as calculated using the Black-Scholes option-pricing model. Share-based compensation for RSU’s and PSU’s awarded to employees and directors is calculated based on the market value of the Company’s shares on the date of award of the RSU’s and PSU’s. The value of awards expected to vest is recognized as an expense over the requisite service periods. Forfeitures are estimated on the date of grant and revised if actual or expected forfeiture activity differs materially from original estimates.

Estimating the fair value of share-based awards as of the grant date using an option-pricing model, such as the Black-Scholes model, is affected by the Company’s share price as well as assumptions regarding a number of complex variables. These variables include, but are not limited to, the expected share price volatility over the term of the awards, risk-free interest rates, and the expected term of the awards.

(w) Impairment of long-lived assets

Long lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less selling costs.

(x) Reclassifications

Certain amounts in the consolidated financial statements have been reclassified where necessary to conform to the current year presentation.

**ICON plc**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**3. Short term investments – available for sale**

	December 31, 2013	December 31, 2012
	(in thousands)	
At start of year . . . . .	\$ 76,183	\$ 54,940
Additions . . . . .	172,168	102,575
Disposals . . . . .	(109,795)	(82,193)
Unrealized capital (loss)/gain – investments . . . . .	(239)	861
At end of year . . . . .	\$ 138,317	\$ 76,183

The Company classifies its short term investments as available for sale. Short term investments comprise highly liquid investments with maturities of greater than three months and minimum “A-” rated fixed and floating rate securities. Short term investments at December 31, 2013 have an average maturity of 1.6 years compared to 1.7 years at December 31, 2012. The investments are reported at fair value with unrealized gains or losses reported in a separate component of shareholders’ equity. Any differences between the cost and fair value of investments are represented by accrued interest. The fair value of short term investments are represented by level 1 fair value measurements – quoted prices in active markets for identical assets.

**4. Goodwill**

	December 31, 2013	December 31, 2012
	(in thousands)	
Opening goodwill . . . . .	\$315,441	\$253,393
Current year acquisitions . . . . .	36,922	55,759
Prior year acquisitions . . . . .	—	1,382
Foreign exchange movement . . . . .	5,160	4,907
Closing goodwill . . . . .	\$357,523	\$315,441

The Company has made a number of strategic acquisitions since its inception to enhance its capabilities and experience in certain areas of the clinical development process. Goodwill arising on acquisition represents the excess of the cost of acquired entities over the net amounts assigned to assets acquired and liabilities assumed. Goodwill primarily comprises acquired workforce in place which does not qualify for recognition as an asset apart from goodwill.

The Company tests goodwill annually for any impairments or whenever events occur which may indicate impairment. The results of the Company’s goodwill impairment testing during the year ended December 31, 2013, indicated the existence of sufficient headroom such that a reasonably possible change to the key assumptions used would be unlikely to result in an impairment of the related goodwill.

*(a) Acquisition of Clinical Trial Services Division of Cross Country Healthcare, Inc.*

On February 15, 2013 the Company acquired the clinical trial services division of Cross Country Healthcare Inc. for an initial cash consideration of \$51.9 million. The agreement provided for further consideration of up to \$3.75 million which could become payable if certain performance milestones were achieved during the period ended December 31, 2013. Cross Country Healthcare’s Clinical Trial Services division includes US resourcing providers, ClinForce and Assent Consulting, whose services include contract staffing, permanent placement and functional service provision. The division also includes AKOS, a leading US and EU provider of pharmacovigilance and drug safety services. ClinForce and Assent will be combined with ICON’s functional service provision (“FSP”) division, DOCS, creating a leader in global resourcing and FSP, while AKOS will enhance the services offered by ICON’s medical and safety services team. Certain operating margin performance milestones in relation to ClinForce and Assent Consulting were not achieved during the period ended December 31, 2013 resulting in a reduction of \$3.75 million to the contingent consideration.



**ICON plc**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The acquisition agreement also provided for certain working capital targets to be achieved by the clinical trial services division of Cross Country Healthcare, Inc on completion. In October 2013 the Company received \$0.2 million on completion of this review.

The acquisition of the clinical trial services division of Cross Country Healthcare, Inc has been accounted for as a business combination in accordance with FASB ASC 805 *Business Combinations*. The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed:

	February 15, 2013
	(in thousands)
Property, plant and equipment . . . . .	\$ 339
Goodwill* . . . . .	36,922
Intangible asset – customer relationships . . . . .	3,300
Intangible asset – order backlog . . . . .	600
Cash and cash equivalents . . . . .	1,039
Accounts receivable . . . . .	9,200
Unbilled revenue . . . . .	2,128
Prepayments and other current assets . . . . .	465
Non-current assets . . . . .	6
Other liabilities . . . . .	(2,285)
Non-current other liabilities . . . . .	(16)
Net assets acquired . . . . .	\$51,698
Cash consideration . . . . .	\$51,897
Working capital adjustment . . . . .	(199)
Net assets acquired . . . . .	\$51,698

\* Goodwill represents the acquisition of an established workforce with experience in the clinical research industry, thereby allowing the Company to enhance its capabilities in global resourcing and FSP and also medical and safety services. Goodwill related to the US portion of the business acquired is tax deductible.

The proforma effect of the clinical trial services division of Cross Country Healthcare, Inc acquisition if completed on January 1, 2012 would have resulted in net revenue, net income and earnings per share for the fiscal years ended December 31, 2012 and December 31, 2013 as follows:

	Year Ended December 31,	
	2013	2012
	(in thousands)	
Net revenue . . . . .	\$1,343,996	\$1,182,734
Net income . . . . .	\$ 103,133	\$ 58,944
Basic earnings per share . . . . .	\$ 1.69	\$ 0.98
Diluted earnings per share . . . . .	\$ 1.66	\$ 0.98

*(b) Acquisition of PriceSpective*

On February 28, 2012 the Company acquired 100% of the common stock of PriceSpective LLC (PriceSpective) strategy consulting company for an initial cash consideration of \$37.1 million. Headquartered in Philadelphia, and with offices in London, Los Angeles, San Diego, Raleigh and Boston, PriceSpective is a premier consultancy that has a strong reputation for excellence in strategic pricing, market access, Health Economics and Outcomes Research (“HEOR”), due diligence support and payer

**ICON plc**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

engagement services. Since PriceSpective's incorporation in 2003, it has developed strategies for dozens of new product launches, and hundreds of development and in-market products, across 40+ disease areas. Further consideration of up to \$15.0 million was payable if certain performance milestones were achieved in respect of periods up to December 31, 2012. On August 13, 2012 the Company paid \$5.0 million in relation to performance milestones for the year ended December 31, 2011. On May 29, 2013 the Company paid \$10.0 million in relation to the remaining performance milestones for the year ended December 31, 2012.

The following table summarizes the Company's estimates of the fair values of assets acquired and the liabilities assumed:

	February 28, 2012
	(in thousands)
Property, plant and equipment . . . . .	\$ 256
Goodwill* . . . . .	42,247
Intangible asset – customer relationships . . . . .	10,237
Intangible asset – order backlog . . . . .	405
Intangible asset – non-compete arrangements . . . . .	392
Cash and cash equivalents . . . . .	2,311
Accounts receivable . . . . .	2,662
Unbilled revenue . . . . .	1,140
Other current assets . . . . .	236
Current liabilities . . . . .	(7,788)
Liability arising from contingent consideration arrangement . . . . .	(15,000)
<b>Net assets acquired . . . . .</b>	<b>\$ 37,098</b>
Cash consideration . . . . .	\$ 37,199
Working capital adjustment . . . . .	(101)
Contingent consideration . . . . .	15,000
<b>Amount of total consideration . . . . .</b>	<b>52,098</b>
Liabilities included in preliminary purchase price allocation re contingent consideration . . . . .	(15,000)
<b>Net assets acquired . . . . .</b>	<b>\$ 37,098</b>

\* Goodwill represents the acquisition of an established workforce with experience in strategic pricing, market access, HEOR, due diligence support and payer engagement services. Goodwill related to the US portion of the business acquired is tax deductible.

The proforma effect of the PriceSpective acquisition if completed on January 1, 2011 would have resulted in net revenue, net income and earnings per share for the fiscal years ended December 31, 2011 and December 31, 2012 as follows:

	Year Ended December 31,	
	2012	2011
	(in thousands)	
Net revenue . . . . .	\$1,118,410	\$964,388
Net income . . . . .	\$ 55,931	\$ 25,363
Basic earnings per share . . . . .	\$ 0.93	\$ 0.42
Diluted earnings per share . . . . .	\$ 0.93	\$ 0.42

*(c) Acquisition of BeijingWits Medical*

On February 15, 2012 the Company acquired 100% of the common stock of BeijingWits Medical Consulting Co. Limited (BeijingWits Medical), a leading Chinese CRO, for an initial cash consideration of \$9.0 million. BeijingWits Medical offers full-service clinical development capabilities and has a strong track record in clinical trial execution in China. It is a renowned expert in Chinese regulatory processes and a

**ICON plc**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

leading advocate of International Conference on Harmonisation Good Clinical Practice (“ICH GCP”) in China. In addition to boosting the Company’s service capabilities in the region, BeijingWits Medical will also strengthen the Company’s presence through the addition of over 100 highly qualified and experienced professionals in Beijing, Shanghai, Chengdu, Guangzhou, Wuhan and Hong Kong. Further consideration of up to \$7.0 million may become payable if certain performance milestones are achieved in respect of periods up to December 31, 2013. On June 13, 2013 the Company paid \$3.8 million in relation to the remaining performance milestones for the year ended December 31, 2012. At December 31, 2013 the Company has recorded a liability of \$3.2 million in respect of the additional consideration.

The following table summarizes the Company’s estimates of the fair values of assets acquired and the liabilities assumed:

	February 15, 2012
	(in thousands)
Property, plant and equipment . . . . .	\$ 172
Goodwill* . . . . .	13,512
Intangible asset – customer relationships . . . . .	1,761
Intangible asset – order backlog . . . . .	376
Intangible asset – non-compete arrangements . . . . .	97
Cash and cash equivalents . . . . .	587
Accounts receivable . . . . .	657
Unbilled revenue . . . . .	176
Other current assets . . . . .	228
Deferred tax liability . . . . .	(559)
Current liabilities . . . . .	(1,007)
Liability arising from contingent consideration arrangement . . . . .	(7,000)
Net assets acquired . . . . .	\$ 9,000
Cash consideration . . . . .	\$ 9,000
Contingent consideration . . . . .	7,000
Amount of total consideration . . . . .	16,000
Liabilities included in preliminary purchase price allocation re contingent consideration . . . . .	(7,000)
Net assets acquired . . . . .	\$ 9,000

\* Goodwill represents the acquisition of an established workforce with experience in clinical trial execution and regulatory processes in China and is not tax deductible.

The proforma effect of the BeijingWits acquisition if completed on January 1, 2011 would have resulted in net revenue, net income and earnings per share for the fiscal years ended December 31, 2011 and December 31, 2012 as follows:

	Year Ended December 31,	
	2012	2011
	(in thousands)	
Net revenue . . . . .	\$1,115,355	\$989,942
Net income . . . . .	\$ 55,349	\$ 22,549
Basic earnings per share . . . . .	\$ 0.92	\$ 0.37
Diluted earnings per share . . . . .	\$ 0.92	\$ 0.37

*(d) Acquisition of Firecrest Clinical*

On July 14, 2011 the Company acquired 100% of the common stock of Firecrest Clinical Limited (“Firecrest”), a market leading provider of technology solutions that boost investigator site performance and study management, for an initial cash consideration of €17.0 million (\$24.5 million). Headquartered in

**ICON plc**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Limerick, Ireland, Firecrest Clinical provides a comprehensive site performance management system that is used to improve compliance consistency and execution of activities at investigative sites. The acquisition agreement provided that further consideration of up to €33.0 million (\$46.8 million) would become payable if certain performance milestones were achieved in respect of periods up to June 30, 2013. At the date of acquisition the Company recorded a liability of €31.3 million (\$44.0 million) in relation to these performance milestones, with the balance recorded as a non-cash finance charge relating to the acquisition contingent consideration. In March 2012 €3.0 million (\$4.0 million) was paid by the Company in relation to performance milestones for the six months ended June 30, 2011 and in July 2012 a further €10.0 million (\$12.5 million) was paid by the Company in relation to performance milestones for the year ended December 31, 2011. In May 2013 €10.0 million (\$13.0 million) was paid by the Company in relation to performance milestones for the year ended December 31, 2012 and in September 2013 a final payment of €10.0 million (\$13.2 million) was made.

The acquisition agreement also provided for certain working capital targets to be achieved by Firecrest Clinical on completion. In March 2012 the Company paid €0.4 million (\$0.5 million) on completion of this review.

The acquisition of Firecrest has been accounted for as a business combination in accordance with FASB ASC 805 Business Combinations. The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed:

	<b>July 14, 2011</b>
	<b>(in thousands)</b>
Property, plant and equipment . . . . .	\$ 687
Goodwill* . . . . .	48,073
Intangible asset – technology asset . . . . .	11,169
Intangible asset – customer relationships . . . . .	5,243
Intangible asset – order backlog . . . . .	1,172
Intangible asset – trade name . . . . .	1,357
Cash and cash equivalents . . . . .	1,965
Other current assets . . . . .	3,713
Deferred tax liability . . . . .	(2,367)
Other liabilities . . . . .	(2,521)
Liability arising from contingent consideration arrangement . . . . .	(44,028)
<b>Net assets acquired</b> . . . . .	<b>\$ 24,463</b>
Cash consideration . . . . .	\$ 24,463
Contingent consideration . . . . .	44,028
Amount of total consideration . . . . .	68,491
Liabilities included in preliminary purchase price allocation re contingent consideration . . . . .	(44,028)
<b>Net assets acquired</b> . . . . .	<b>\$ 24,463</b>

\* Goodwill represents the cost of an established workforce with experience in the development of site performance and study management systems and process related efficiencies expected to be generated from the use of the Firecrest site performance management system and is not tax deductible.

**ICON plc**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The proforma effect of the Firecrest acquisition if completed on January 1, 2010 would have resulted in net revenue, net income and earnings per share for the fiscal years ended December 31, 2010 and December 31, 2011 as follows:

	Year Ended December 31,	
	2011	2010
	(in thousands)	
Net revenue . . . . .	\$952,729	\$906,311
Net income . . . . .	\$ 25,851	\$ 86,127
Basic earnings per share . . . . .	\$ 0.43	\$ 1.44
Diluted earnings per share . . . . .	\$ 0.42	\$ 1.42

**5. Intangible Assets**

Cost	December 31, 2013	December 31, 2012
	(in thousands)	
Customer relationships acquired . . . . .	\$ 36,900	\$ 33,951
Technology asset acquired . . . . .	11,169	11,169
Order backlog . . . . .	3,171	2,571
Tradenames acquired . . . . .	1,357	1,357
Volunteer list acquired . . . . .	1,325	1,325
Non-compete arrangements . . . . .	489	489
Foreign exchange movement . . . . .	(62)	(1,001)
Total cost . . . . .	54,349	49,861
Accumulated amortization . . . . .	(22,550)	(15,363)
Foreign exchange movement . . . . .	(445)	(51)
Net book value . . . . .	\$ 31,354	\$ 34,447

On February 15, 2013 the Company acquired the Clinical Trial Services division of Cross Country Healthcare, Inc. Cross Country Healthcare's Clinical Trial Services division includes US resourcing providers, ClinForce and Assent Consulting, whose services include contract staffing, permanent placement and functional service provision ("FSP"). The value of certain customer relationships and order backlog identified of \$3.3 million and \$0.6 million respectively are being amortized over approximately 3 years and 1 year, the estimated period of benefit. \$1,488,000 has been amortized in the period since the date of acquisition.

On February 28, 2012 the Company acquired PriceSpective a strategy consulting company. The value of certain customer relationships identified of \$10.2 million is being amortized over approximately 10 years, the estimated period of benefit. The value of order backlog and certain non-compete arrangements identified of \$0.4 million and \$0.4 million respectively are being amortized over approximately 0.8 and 3 years, the estimated period of benefit. \$2,521,000 has been amortized in the period since the date of acquisition.

On February 15, 2012 the Company acquired BeijingWits Medical, a Chinese CRO. The value of certain customer relationships and order backlog identified of \$1.8 million and \$0.4 million respectively are being amortized over approximately 10 and 4 years, the estimated period of benefit. The value of certain non-compete arrangements identified of \$0.01 million are being amortized over approximately 5 years, the estimated period of benefit. \$549,000 has been amortized in the period since the date of acquisition.

**ICON plc**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

On July 14, 2011 the Company acquired Firecrest Clinical Limited, a provider of technology solutions that boost investigator site performance and study management. The value of certain technology assets and customer relationships identified of \$11.2 million and \$5.2 million respectively are being amortized over approximately 7.5 years, the estimated period of benefit. The value of the Firecrest tradename and order backlog identified of \$1.4 million and \$1.2 million respectively are being amortized over approximately 4.5 and 1.2 years, the estimated period of benefit. \$6,807,000 has been amortized in the period since the date of acquisition.

On January 14, 2011 the Company acquired Oxford Outcomes Limited, an international health outcomes consultancy business. The value of certain customer relationships and order backlog identified of \$6.6 million and \$0.6 million respectively are being amortized over approximately 6.5 and 2 years, the estimated period of benefit. \$3,706,000 has been amortized in the period since the date of acquisition. A put and call option was also agreed between the Company and the selling shareholders for the acquisition of the remaining common stock of Oxford Outcomes Limited. This option was exercised in October 2011.

On May 17, 2010 the Company acquired Timaq Medical Imaging, a European provider of advanced imaging services. The value of certain client relationships identified of \$0.8 million is being amortized over approximately 3 years, the estimated period of benefit. \$770,000 has been amortized in the period since the date of acquisition.

On November 14, 2008 the Company acquired Prevalere Life Sciences, a US provider of bioanalytical and immunoassay laboratory services. The value of certain customer relationships identified of \$7.4 million is being amortized over periods ranging from approximately 7 to 11 years, the estimated period of the benefit. \$4,162,000 has been amortized in the period since the date of acquisition.

On February 11, 2008 the Company acquired Healthcare Discoveries, a US provider of Phase I clinical trial services. The value of certain client relationships identified of \$1.6 million is being amortized over periods ranging from approximately 2 to 9 years, the estimated periods of benefit. The value of certain volunteer lists identified of \$1.3 million is being amortized over approximately 6 years, the estimated period of benefit. \$2,547,000 has been amortized in the period since the date of acquisition.

Future intangible asset amortization expense for the years ended December 31, 2014 to December 31, 2018 is as follows:

	<b>Year ended December 31</b>
	<b>(in thousands)</b>
2014 .....	\$ 7,099
2015 .....	6,867
2016 .....	5,297
2017 .....	4,283
2018 .....	3,693
	<u>\$27,239</u>



**ICON plc**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**6. Property, Plant and Equipment, net**

Cost	December 31, 2013	December 31, 2012
	(in thousands)	
Land . . . . .	\$ 3,464	\$ 3,325
Building . . . . .	96,450	94,395
Computer equipment and software . . . . .	212,019	189,455
Office furniture and fixtures . . . . .	68,268	66,351
Laboratory equipment . . . . .	29,678	32,724
Leasehold improvements . . . . .	15,304	10,482
Motor vehicles . . . . .	56	69
	425,239	396,801
Less accumulated depreciation and asset write off . . . . .	(264,409)	(228,428)
Property, plant and equipment (net) . . . . .	\$ 160,830	\$ 168,373

**7. Other Liabilities**

	December 31, 2013	December 31, 2012
	(in thousands)	
Personnel related liabilities . . . . .	\$138,639	\$ 90,902
Facility related liabilities . . . . .	16,205	15,393
General overhead liabilities . . . . .	31,034	22,776
Other liabilities . . . . .	3,019	5,010
Short term government grants (note 11) . . . . .	240	235
Restructuring and other items (note 14) . . . . .	2,430	926
Acquisition consideration payable . . . . .	3,245	45,850
	\$194,812	\$181,092

**8. Other Non-Current Liabilities**

	December 31, 2013	December 31, 2012
	(in thousands)	
Personnel related liabilities . . . . .	\$ 4,278	\$ 6,920
Defined benefit pension obligations, net (note 9) . . . . .	3,536	4,720
Other non-current liabilities . . . . .	3,384	2,672
	\$11,198	\$14,312

**9. Employee Benefits**

Certain Company employees 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 participant’s contributions typically at 6% of the participant’s annual compensation. Contributions to this plan are recorded, as an expense in the Consolidated Statement of Operations. Contributions for the years ended December 31, 2011, December 31, 2012 and December 31, 2013 were \$16,644,000, \$18,187,000 and \$20,293,000 respectively.

The Company’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 Consolidated Statement of Operations. Contributions for the years ended December 31, 2011, December 31, 2012 and December 31, 2013 were \$7,064,000, \$8,442,000 and \$9,816,000 respectively.

**ICON plc**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

One of the Company's subsidiaries which was acquired during the 2003 fiscal year, ICON Development Solutions Limited, operates a defined benefit pension plan in the United Kingdom for its employees. 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 December 31, 2013, December 31, 2012 and December 31, 2011, consist of units held in independently administered funds. The pension costs of this plan are presented in the following tables in accordance with the requirements of ASC 715-60, *Defined Benefit Plans – Other Postretirement*. The plan has been closed to new entrants with effect from July 1, 2003.

<b>Change in benefit obligation</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
	<b>(in thousands)</b>	
Benefit obligation at beginning of year . . . . .	\$22,527	\$19,924
Service cost . . . . .	251	242
Interest cost . . . . .	1,005	964
Plan participants' contributions . . . . .	75	101
Benefits paid . . . . .	(105)	(237)
Actuarial loss . . . . .	680	405
Foreign currency exchange rate changes . . . . .	525	1,128
<b>Benefit obligation at end of year . . . . .</b>	<b>\$24,958</b>	<b>\$22,527</b>

<b>Change in plan assets</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
	<b>(in thousands)</b>	
Fair value of plan assets at beginning of year . . . . .	\$17,807	\$15,021
Actual return on plan assets . . . . .	2,916	1,810
Employer contributions . . . . .	224	239
Plan participants' contributions . . . . .	75	101
Benefits paid . . . . .	(105)	(237)
Foreign currency exchange rate changes . . . . .	505	873
<b>Fair value of plan assets at end of year . . . . .</b>	<b>\$21,422</b>	<b>\$17,807</b>

The fair values of the assets above do not include any of the Company's own financial instruments, property occupied by, or other assets used by, the Company.

<b>Funded status</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
	<b>(in thousands)</b>	
Projected benefit obligation . . . . .	\$(24,958)	\$(22,527)
Fair value of plan assets . . . . .	21,422	17,807
Funded status . . . . .	\$ (3,536)	\$ (4,720)
Non-current other liabilities . . . . .	\$ (3,536)	\$ (4,720)

The following amounts were recorded in the consolidated statement of operations as components of the net periodic benefit cost:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>December 31, 2011</b>
	<b>(in thousands)</b>		
Service cost . . . . .	\$ 251	\$ 242	\$ 212
Interest cost . . . . .	1,005	964	931
Expected return on plan assets . . . . .	(983)	(895)	(1,141)
Amortization of net loss . . . . .	130	179	—
<b>Net periodic benefit cost . . . . .</b>	<b>\$ 403</b>	<b>\$ 490</b>	<b>\$ 2</b>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following assumptions were used at the commencement of the year in determining the net periodic pension benefit cost for the years ended December 31, 2011, December 31, 2012 and December 31, 2013:

	December 31, 2013	December 31, 2012	December 31, 2011
Discount rate . . . . .	4.6%	4.7%	5.4%
Rate of compensation increase . . . . .	3.4%	3.5%	4.0%
Expected rate of return on plan assets . . . . .	5.7%	5.8%	7.1%

Accumulated other comprehensive income	December 31, 2013	December 31, 2012	December 31, 2011
	(in thousands)		
Actuarial loss – benefit obligation . . . . .	\$ 680	\$ 405	\$2,621
Actuarial (gain)/loss – plan assets . . . . .	(1,933)	(915)	1,744
Actuarial gain recognized in net periodic benefit cost . . . . .	(130)	(179)	—
<b>Total . . . . .</b>	<b>\$(1,383)</b>	<b>\$(689)</b>	<b>\$4,365</b>

The estimated net gain and prior service cost for the defined benefit pension plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next year are \$20,000 and \$nil respectively.

Amounts recognized in accumulated other comprehensive income that have not yet been recognized as components of net periodic benefit cost are as follows:

	December 31, 2013	December 31, 2012	December 31, 2011
	(in thousands)		
Net actuarial loss . . . . .	\$1,988	\$3,371	\$4,060
<b>Total . . . . .</b>	<b>\$1,988</b>	<b>\$3,371</b>	<b>\$4,060</b>

**Benefit Obligation**

The following assumptions were used in determining the benefit obligation at December 31, 2013:

	December 31, 2013	December 31, 2012
Discount rate . . . . .	4.7%	4.6%
Rate of compensation increase . . . . .	4.0%	3.4%

The discount rate is determined by reference to UK long dated government and corporate bond yields at the balance sheet date. This is represented by the iboxx corporate bond over 15 year index plus 30 basis points.

**Plan Assets**

The assets of the scheme are invested in the Legal and General Fixed Income Fund, the Baillie Gifford Diversified Growth Fund and the Standard Life Global Absolute Return Strategies Fund. The aim of the Legal and General Fixed Income Fund is to capture the returns on UK and overseas equity markets with a more even investment in UK and overseas equities than would be provided by reference to market capitalization or consensus weights. The Diversified Growth and Absolute Return funds are actively managed with a wide investment remit which results in dynamic asset allocation. The funds utilize a combination of traditional assets (such as equities and bonds), alternative asset classes and investment strategies based on advanced derivative techniques resulting in a highly diversified portfolio. The expected long-term rate of return on assets at December 31, 2013 of 6.1% was calculated as the value of the fund after application of a market value reduction factor. The expected long term rates of return on different asset classes are as follows:

Asset Category	Expected long-term return per annum
Equity . . . . .	6.6%
Bonds . . . . .	4.7%

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

At December 31, 2013 UK gilts were yielding around 3.6% per annum. This is often referred to as the risk free rate of return as UK gilts have a negligible risk of default and the income payments and capital on redemption are guaranteed by the UK Government. The long-term expected return on equities has been determined by setting appropriate risk premiums above the yield on UK gilts. A long term equity “risk-premium” of 3.0% per annum has been assumed, this being the expected long-term out-performance of equities 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 is represented by the iboxx AA 15 index plus 30 basis points.

The underlying asset split of the fund is shown below.

Asset Category	December 31, 2013	December 31, 2012
Equity . . . . .	70%	90%
Bonds . . . . .	30%	10%
	100%	100%

Applying the above expected long term rates of return to the asset distribution at December 31, 2013, gives rise to an expected overall rate of return of scheme assets of approximately 6.1% per annum.

**Plan Asset Fair Value Measurements**

	Quoted Prices in Active Markets for Identical Assets Level 1 (in thousands)
Cash . . . . .	\$ 58
<u>Fixed Income Securities</u>	
Legal and General Active Corporate Bond – Over 10 Year . . . . .	5,788
<u>Other Types of Investments</u>	
Baillie Gifford Diversified Growth Fund . . . . .	8,452
Standard Life Global Absolute Return Strategies . . . . .	7,124
	\$21,422

**Cash Flows**

The Company expects to contribute \$0.2 million to its pension fund in the year ending December 31, 2014.

The following annual benefit payments, which reflect expected future service as appropriate, are expected to be paid.

	(in thousands)
2013 . . . . .	\$108
2014 . . . . .	108
2015 . . . . .	108
2016 . . . . .	108
2017 . . . . .	108
Years 2018 – 2022 . . . . .	\$538

The expected cash flows are estimated figures based on the members expected to retire over the next 10 years assuming no early retirements plus an additional amount in respect of recent average withdrawal experience. At the present time it is not clear whether annuities will be purchased when members reach

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

retirement or whether pensions will be paid each month out of scheme assets. The cash flows above have been estimated on the assumption that pensions will be paid monthly out of scheme assets. If annuities are purchased, then the expected benefit payments will be significantly different from those shown above.

## **10. Equity Incentive Schemes and Stock Compensation Charges**

### *Share Options*

On July 21, 2008 the Company adopted the Employee Share Option Plan 2008 (the “2008 Employee Plan”) pursuant to which the Compensation and Organization 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 and Organization 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 Employee 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 Internal Revenue 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 Plan. No options may be granted under the 2008 Option Plans after July 21, 2018.

On January 17, 2003 the Company adopted the Share Option Plan 2003 (the “2003 Share Option Plan”) pursuant to which the Compensation and Organization Committee of the Board could grant options to officers and other employees of the Company or its subsidiaries for the purchase of ordinary shares. An aggregate of 6.0 million ordinary shares were reserved under the 2003 Share Option Plan; and, in no event could the number of ordinary shares issued pursuant to options awarded under this plan exceed 10% of the outstanding shares, as defined in the 2003 Share Option Plan, at the time of the grant, unless the Board expressly determined otherwise. Further, the maximum number of ordinary shares with respect to which options could be granted under the 2003 Share Option Plan during any calendar year to any employee was 400,000 ordinary shares. The 2003 Share Option Plan expired on January 17, 2013. No new options may be granted under this plan.

Share option awards are granted with an exercise price equal to the market price of the Company’s 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. The maximum contractual term of options outstanding at December 31, 2013 is eight years.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table summarizes the transactions for the Company's share option plans for the years ended December 31, 2013, December 31, 2012 and December 31, 2011:

	Options Granted Under Plans	Number of Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2010 . . . . .	4,798,677	4,798,677	\$21.71	\$ 8.47
Granted . . . . .	989,449	989,449	\$19.66	\$ 8.20
Exercised . . . . .	(430,340)	(430,340)	\$10.84	\$ 4.80
Cancelled . . . . .	(454,968)	(454,968)	\$25.77	\$ 9.87
Outstanding at December 31, 2011 . . . . .	4,902,818	4,902,818	\$21.87	\$ 8.61
Granted . . . . .	842,273	842,273	\$22.01	\$ 9.59
Exercised . . . . .	(890,236)	(890,236)	\$14.62	\$ 6.16
Cancelled . . . . .	(504,224)	(504,224)	\$25.14	\$ 9.76
Outstanding at December 31, 2012 . . . . .	4,350,631	4,350,631	\$23.01	\$ 9.17
Granted . . . . .	264,950	264,950	\$33.09	\$12.05
Exercised . . . . .	(1,249,759)	(1,249,759)	\$21.60	\$ 8.58
Cancelled . . . . .	(392,034)	(392,034)	\$25.27	\$10.02
Outstanding at December 31, 2013 . . . . .	2,973,788	2,973,788	\$24.20	\$ 9.57
Vested and exercisable at December 31, 2013 . . .	1,505,707	1,505,707	\$24.92	\$ 8.64

The weighted average remaining contractual life of options outstanding and options exercisable at December 31, 2013, was 4.52 years and 3.29 years respectively. 655,224 options are expected to vest during the year ended December 31, 2014.

The intrinsic value of options exercised during the year ended December 31, 2013 amounted to \$18.3 million. The intrinsic value of options outstanding and options exercisable at December 31, 2013 amounted to \$48.2 million and \$23.3 million respectively. Intrinsic value is calculated based on the market value of the Company's shares at the date of exercise.

Non vested shares outstanding as at December 31, 2013 are as follows:

	Options Outstanding Number of Shares	Weighted Average Exercise Price	Weighted Average Fair Value
Non vested outstanding at December 31, 2012 . . . . .	2,094,533	\$22.43	\$ 9.17
Granted . . . . .	264,950	33.09	12.05
Vested . . . . .	(641,773)	24.29	9.60
Forfeited . . . . .	(249,629)	22.97	9.46
Non vested outstanding at December 31, 2013 . . . . .	1,468,081	\$23.45	\$ 9.45



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Outstanding and exercisable share options:*

The following table summarizes information concerning outstanding and exercisable share options as of December 31, 2013:

Options Outstanding			Options Exercisable		
Range Exercise Price	Number of Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
\$11.00	24,140	0.09	\$11.00	24,140	\$11.00
\$15.47	180	3.33	\$15.47	—	\$15.47
\$15.84	50,000	3.33	\$15.84	40,000	\$15.84
\$16.80	150,000	5.83	\$16.80	60,000	\$16.80
\$17.17	30,000	5.85	\$17.17	12,000	\$17.17
\$18.00	24,000	0.83	\$18.00	24,000	\$18.00
\$18.98	6,600	2.87	\$18.98	6,600	\$18.98
\$19.45	15,000	4.82	\$19.45	1,800	\$19.45
\$20.16	2,000	4.87	\$20.16	1,200	\$20.16
\$20.28	457,871	5.17	\$20.28	177,987	\$20.28
\$20.59	162,000	6.14	\$20.59	20,400	\$20.59
\$21.25	231,751	1.12	\$21.25	231,751	\$21.25
\$22.10	400	3.56	\$22.10	—	\$22.10
\$22.26	233,927	3.15	\$22.26	155,161	\$22.26
\$22.30	475,333	6.32	\$22.30	82,326	\$22.30
\$23.66	8,900	6.57	\$23.66	1,780	\$23.66
\$24.25	100,000	4.18	\$24.25	100,000	\$24.25
\$24.46	343,677	4.17	\$24.46	172,209	\$24.46
\$26.20	2,400	4.38	\$26.20	1,440	\$26.20
\$26.71	7,650	6.70	\$26.71	4,090	\$26.71
\$29.45	3,000	4.32	\$29.45	1,800	\$29.45
\$31.49	12,450	7.16	\$31.49	—	\$31.49
\$32.37	200,203	7.33	\$32.37	2,500	\$32.37
\$35.33	377,523	2.15	\$35.33	377,523	\$35.33
\$36.05	6,000	2.40	\$36.05	6,000	\$36.05
\$36.22	37,483	7.46	\$36.22	—	\$36.22
\$37.90	10,300	7.93	\$37.90	—	\$37.90
\$41.25	1,000	2.67	\$41.25	1,000	\$41.25
<b>\$11.00 – \$41.25</b>	<b>2,973,788</b>	<b>4.52</b>	<b>\$24.20</b>	<b>1,505,707</b>	<b>\$24.92</b>

Options outstanding include both vested and unvested options as at December 31, 2013. Options exercisable represent options which have vested at December 31, 2013. From the date of grant, substantially all options vest over a five year period at 20% per annum.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Fair value of Stock Options Assumptions*

The weighted average fair value of options granted during the years ended December 31, 2013, December 31, 2012 and December 31, 2011 was calculated using the Black-Scholes option pricing model. The weighted average fair values and assumptions were as follows:

	Year Ended		
	December 31, 2013	December 31, 2012	December 31, 2011
Weighted average fair value . . . . .	\$12.05	\$9.59	\$8.20
<b>Assumptions:</b>			
Expected volatility . . . . .	40%	50%	45%
Dividend yield . . . . .	0%	0%	0%
Risk-free interest rate . . . . .	0.76%	0.83%	1.4%
Expected life . . . . .	5.0 years	5.0 years	5.0 years

Expected volatility is based on the historical volatility of our common stock over a period equal to the expected term of the options; the expected life represents the weighted average period of time that options granted are expected to be outstanding given consideration to vesting schedules, and our historical experience of past vesting and termination patterns. The risk-free rate is based on the U.S. government zero-coupon bonds yield curve in effect at time of the grant for periods corresponding with the expected life of the option.

*Restricted Share Units and Performance Share Units*

On July 21, 2008 the Company adopted the 2008 Employees Restricted Share Unit Plan (the “2008 RSU Plan”) pursuant to which the Compensation and Organization 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.

On April 23, 2013 the Company adopted the 2013 Employees Restricted Share Unit and Performance Share Unit Plan (the “2013 RSU Plan”) pursuant to which the Compensation and Organization 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 1.6 million ordinary shares have been reserved for issuance under the 2013 RSU Plan. The shares are awarded at zero cost and vest over a service period. Awards under the 2013 RSU Plan may be settled in cash or shares at the option of the Company.

The Company has awarded RSU’s and PSU’s to certain key individuals of the Group. The following table summarizes RSU and PSU activity for the year ended December 31, 2013:

	PSU Outstanding Number of Shares	PSU Weighted Average Fair Value	PSU Weighted Average Remaining Contractual Life	RSU Outstanding Number of Shares	RSU Weighted Average Fair Value	RSU Weighted Average Remaining Contractual Life
Outstanding at December 31, 2012 . .	—	—		496,000	\$20.26	
Granted . . . . .	359,570	\$33.09		409,492	\$34.62	
Shares vested . . . . .	—	—		(50,000)	\$22.30	
Forfeited . . . . .	(6,326)	\$36.22		(9,033)	\$25.53	
Outstanding at December 31, 2013 . .	353,244	\$33.04	2.35	846,459	\$27.05	1.77

The fair value of RSU’s vested for the year ended December 31, 2013 totaled \$1.1 million. (No RSU’s vested during 2012).

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

No PSU's vested during 2013 or during 2012.

The PSU's vest based on service and specified EPS targets. The maximum number of PSU's that could vest based on PSU's outstanding is 353,244, based on attaining cumulative EPS targets over the period 2013 – 2015.

*Non-cash stock compensation expense*

Income from operations for the year ended December 31, 2013 is stated after charging \$14.2 million in respect of non-cash stock compensation expense. Non-cash stock compensation expense for the year ended December 31, 2013 has been allocated as follows:

	Year ended		
	December 31, 2013	December 31, 2012	December 31, 2011
	(in thousands)		
Direct costs . . . . .	\$ 7,835	\$ 6,007	\$5,155
Selling, general and administrative . . . . .	\$ 6,385	\$ 4,894	\$4,200
Restructuring and other non-recurring items (note 14) . . . . .	—	\$ 620	—
<b>Total compensation costs . . . . .</b>	<b>\$14,220</b>	<b>\$11,521</b>	<b>\$9,355</b>

Total non-cash stock compensation expense not yet recognized at December 31, 2013 amounted to \$34.3 million. The weighted average period over which this is expected to be recognized is 2.51 years. Total tax benefit recognized in addition paid in capital related to the non-cash compensation expense amounted to \$1.7 million for the year ended December 31, 2013 (2012: \$1.3 million, 2011: \$0.7 million).

**11. Government Grants**

	December 31, 2013	December 31, 2012
	(in thousands)	
Received . . . . .	\$ 3,698	\$ 3,473
Less accumulated amortization . . . . .	(2,497)	(2,148)
Foreign exchange translation adjustment . . . . .	398	337
	1,599	1,662
Less current portion . . . . .	(240)	(235)
	<b>\$ 1,359</b>	<b>\$ 1,427</b>

Capital grants received may be refundable in full if certain events occur. Such events, as set out in the related grant agreements, include sale of the related asset, liquidation of the Company or failure to comply with other conditions of the grant agreements. No loss contingency has been recognized as the likelihood of such events arising has been assessed as remote. Government grants amortized to the profit and loss account amounted to \$349,000 and \$154,000 for the years ended December 31, 2013 and December 31, 2012 respectively. As at December 31, 2013 the Company had \$2.0 million in restricted retained earnings, pursuant to the terms of grant agreements.

**12. Share Capital**

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 ordinary shares of the Company. Holders of ordinary shares have no conversion or redemption rights. On a show of hands, every holder of an ordinary share present in person or proxy at a general meeting of shareholders shall have one vote, for each ordinary share held with no individual having more than one vote.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

During the year ended December 31, 2013, 1,249,759 options were exercised by employees at an average exercise price of \$21.60 per share for total proceeds of \$27.0 million. During the year ended December 31, 2013, 50,000 ordinary shares were issued in respect of certain RSU's previously awarded by the Company.

During the year ended December 31, 2012, 890,236 options were exercised by employees at an average exercise price of \$14.62 per share for total proceeds of \$13.0 million.

During the year ended December 31, 2011, 430,340 options were exercised by employees at an average exercise price of \$10.84 per share for total proceeds of \$4.7 million. During the year ended December 31, 2011 3,768 ordinary shares were issued in respect of certain RSU's previously awarded by the Company.

*(a) Share Repurchase Program*

On October 27, 2011 the Company announced its intention to commence a share repurchase program of up to \$50 million. On November 22, 2011 the Company entered into two separate share repurchase plans of up to \$10 million each, covering the periods November 23, 2011 to December 31, 2011 and January 1, 2012 to February 20, 2012 respectively. On February 21, 2012 the Company entered into a further share repurchase plan of up to \$20 million, covering the period February 22, 2012 to April 22, 2012. On April 27, 2012 the Company entered into a fourth share repurchase plan of up to \$20 million, covering the period April 27, 2012 to July 18, 2012. On July 30, 2012 the Company entered into a fifth share repurchase plan of up to \$10 million, covering the period July 30, 2012 to October 26, 2012.

Under the repurchase program, a broker purchased the Company's shares from time to time on the open market or in privately negotiated transactions in accordance with agreed terms and limitations. The program was designed to allow share repurchases during periods when the Company would ordinarily not be permitted to do so because it may be in possession of material non-public or price-sensitive information, applicable insider trading laws or self-imposed trading blackout periods. The Company's instructions to the broker were irrevocable and the trading decisions in respect of the repurchase program were made independently of and uninfluenced by the Company. The Company confirms that on entering the share repurchase plans it had no material non-public, price-sensitive or inside information regarding the Company or its securities. Furthermore, the Company will not enter into additional plans whilst in possession of such information.

During the year ended December 31, 2012 738,341 ordinary shares were repurchased by the Company for a total consideration of \$15.6 million. During the year ended December 31, 2011 545,597 ordinary shares were repurchased by the Company for a total consideration of \$9.0 million. As at December 31, 2012 1,283,938 ordinary shares have been repurchased by the Company for a total consideration of \$24.6 million. There were no share repurchases completed during 2013. All ordinary shares repurchased by the Company were cancelled, and the nominal value of these shares transferred to a capital redemption reserve fund as required under Irish Company Law.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**13. Income Taxes**

The Company's United States and Irish based subsidiaries file tax returns in the United States and Ireland respectively. Other foreign subsidiaries are taxed separately under the laws of their respective countries.

The components of income before provision for income tax expense are as follows:

	Year ended		
	December 2013	December 2012	December 2011
	(in thousands)		
Ireland . . . . .	\$ 80,914	\$12,157	\$(33,732)
United States . . . . .	16,218	11,371	13,317
Other . . . . .	23,733	43,693	49,410
<b>Income before provision for income taxes . . . . .</b>	<b>\$120,865</b>	<b>\$67,221</b>	<b>\$ 28,995</b>

The components of total income tax expense are as follows:

	Year ended		
	December 2013	December 2012	December 2011
	(in thousands)		
<u>Provision for income taxes:</u>			
Current:			
Ireland . . . . .	\$ 9,158	\$ 1,684	\$ 351
United States . . . . .	14,492	12,290	6,367
Other . . . . .	4,876	8,257	5,518
<b>Total current tax . . . . .</b>	<b>28,526</b>	<b>22,231</b>	<b>12,236</b>
Deferred expense/(benefit):			
Ireland . . . . .	1,914	(287)	(3,825)
United States . . . . .	(9,420)	(9,715)	(1,711)
Other . . . . .	(2,967)	(428)	(585)
<b>Total deferred tax expense/(benefit) . . . . .</b>	<b>(10,473)</b>	<b>(10,430)</b>	<b>(6,121)</b>
<b>Provision for income taxes . . . . .</b>	<b>18,053</b>	<b>11,801</b>	<b>6,115</b>
Impact on shareholders equity and other comprehensive income of the tax consequence of:			
Excess tax benefit on stock compensation . . . . .	(1,651)	(1,274)	(681)
Currency impact on long term funding . . . . .	87	356	(294)
<b>Total . . . . .</b>	<b>\$ 16,489</b>	<b>\$ 10,883</b>	<b>\$ 5,140</b>

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Ireland's statutory income tax rate is 12.5%. The Company's consolidated effective tax rate differed from the statutory rate as set forth below;

	Year ended		
	December 2013	December 2012	December 2011
	(in thousands)		
Taxes at Irish statutory rate of 12.5% (2011: 12.5%; 2012: 12.5%) . . . . .	\$15,108	\$ 8,401	\$ 3,625
Foreign and other income taxed at higher/(reduced) rates . . . . .	4,229	7,873	5,373
Research & development tax incentives . . . . .	(2,598)	(4,954)	(6,341)
Movement in valuation allowance . . . . .	2,389	1,557	4,362
Prior year over provision in respect of foreign taxes . . . . .	(47)	(678)	(83)
Effects of permanent items . . . . .	(1,002)	(26)	(615)
Other . . . . .	(26)	(372)	(206)
	<u>\$18,053</u>	<u>\$11,801</u>	<u>\$ 6,115</u>

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities are presented below:

	Year ended		
	December 2013	December 2012	December 2011
	(in thousands)		
Deferred tax liabilities:			
Property, plant and equipment . . . . .	\$ 6,501	\$ 6,631	\$ 7,331
Goodwill . . . . .	14,013	11,467	9,443
Other intangible assets . . . . .	970	2,707	3,525
Accruals . . . . .	51	77	1,185
Other . . . . .	4	88	97
Unrealised FX . . . . .	1,056	1,160	—
Total deferred tax liabilities recognized . . . . .	<u>22,595</u>	<u>22,130</u>	<u>21,581</u>
Deferred tax assets:			
Net operating loss carry forwards . . . . .	27,646	25,116	21,981
Property, plant and equipment . . . . .	2,739	2,345	1,324
Accrued expenses and payments on account . . . . .	29,429	19,382	11,652
Stock compensation . . . . .	6,291	5,586	4,818
Deferred compensation expense . . . . .	1,187	1,136	1,197
Other . . . . .	—	—	214
Unrealised FX . . . . .	92	98	—
Total deferred tax assets . . . . .	<u>67,384</u>	<u>53,663</u>	<u>41,186</u>
Valuation allowance for deferred tax assets . . . . .	(21,591)	(18,817)	(16,445)
Deferred tax assets recognized . . . . .	<u>\$ 45,793</u>	<u>\$ 34,846</u>	<u>\$ 24,741</u>
Net deferred tax asset . . . . .	<u>\$ 23,198</u>	<u>\$ 12,716</u>	<u>\$ 3,160</u>

At December 31, 2013 non-U.S 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 \$96.2 million (2012: \$94.4 million). At December 31, 2013 non-U.S. subsidiaries also had additional operating loss carry forwards of \$5.9 million which are due to expire between 2014 and 2016.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

At December 31, 2013 U.S. subsidiaries, had U.S. federal and state net operating loss (“NOL”) carry forwards of approximately \$8.3 million and \$15.9 million, respectively. These net operating losses are available for offset against future taxable income and expire between 2014 and 2032. Of the \$8.3 million U.S. federal and \$15.9 million state net operating losses, approximately \$7.6 million and \$15.2 million are currently available for offset against future U.S. federal and state taxable income respectively. Annual utilization of these state net operating losses may be limited by specific state rules. The subsidiary’s ability to use the remaining U.S. federal and state net operating loss carry forwards of \$0.7 million and \$0.7 million, respectively is further limited to \$113,000 per year due to a change of ownership in 2000, as defined by Section 382 of the Internal Revenue Code of 1986, as amended.

The expected expiry dates of these losses are as follows:

	Federal NOL’s	State NOL’s
	(in thousands)	
2014 – 2020 .....	\$ 678	\$ 678
2021 – 2025 .....	—	8,572
2026 – 2032 .....	7,644	6,648
	<u>\$8,322</u>	<u>\$15,898</u>

In addition US subsidiaries have alternative minimum tax credit carry forwards of approximately \$0.3 million that are available to reduce future U.S. federal regular income taxes, over an indefinite period. They also have general business credit carry forwards of approximately \$0.3 million that are available to offset future U.S. federal income taxes.

The valuation allowance at December 31, 2013 was approximately \$21.6 million. The valuation allowance for deferred tax assets as of December 31, 2012 and December 31, 2011 was \$18.8 million and \$16.4 million respectively. The net change in the total valuation allowance was an increase of \$2.8 million during 2013 and an increase of \$2.4 million during 2012.

The valuation allowances at December 31, 2013 and December 31, 2012 were primarily related to tax losses and tax credits carried forward that, in the judgment of management, are not more likely than not to be realized. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

The Company has not recognized a deferred tax liability for the undistributed earnings of foreign subsidiaries that arose in 2013 and prior years as the Company considers these earnings to be indefinitely reinvested. It is not practical to calculate the unrecognized deferred tax liability.

**ICON plc**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

A reconciliation of the beginning and ending amount of total unrecognized tax benefits is as follows:

	December 31, 2013	December 31, 2012	December 31, 2011
	(in thousands)		
Gross amount of unrecognized tax benefits at start of year . . . . .	\$ 7,189	\$ 6,543	\$ 8,566
Increase related to prior year tax positions . . . . .	—	1,167	304
Decrease related to prior year tax positions . . . . .	(494)	—	(36)
Increase related to current year tax positions . . . . .	2,269	1,473	482
Settlements . . . . .	(899)	(98)	—
Lapse of statute of limitations . . . . .	(2,285)	(1,896)	(2,773)
Gross amount of unrecognized tax benefits at end of year . . . . .	\$ 5,780	\$ 7,189	\$ 6,543

The relevant statute of limitations for gross unrealized tax benefits totaling \$1.2 million could potentially expire during 2014.

Included in the balance of total unrecognized tax benefits at December 31, 2013 there were net potential benefits of \$5.8 million, which if recognized, would affect the effective rate on income tax from continuing operations. The balance of total unrecognized tax benefits at December 31, 2012 and December 31, 2011 included net potential benefits which, if recognized, would affect the effective rate of income tax from continuing operations of \$7.2 million and \$6.5 million respectively.

Interest and penalties recognized as a net benefit during the year ended December 31, 2013 amounted to \$0.2 million (2012: \$0.1 million) and are included within the provision for income taxes. Total accrued interest and penalties as of December 31, 2013 and December 31, 2012 were \$0.9 million and \$1.1 million respectively and are included in the closing income tax liabilities at those dates.

Our major tax jurisdictions are the United States and Ireland. We may potentially be subjected to tax audits in both our major jurisdictions. In the United States tax periods open to audit include the years December 31, 2010, December 31, 2011, December 31, 2012 and December 31, 2013. In Ireland tax periods open to audit include the years ended December 31, 2008, December 31, 2009, December 31, 2010, December 31, 2011, December 31, 2012 and December 31, 2013. During such audits, local tax authorities may challenge the positions taken by us in tax returns.

**14. Restructuring and other items**

Restructuring and other items recognized during the year ended December 31, 2013 comprise:

	December 31, 2013	December 31, 2012	December 31, 2011
	(in thousands)		
Restructuring charges . . . . .	\$9,033	\$4,525	9,817
Other items . . . . .	—	1,111	—
Net charge . . . . .	\$9,033	\$5,636	\$9,817

**ICON plc**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Restructuring Charges*

Restructuring and other items of \$9.0 million were recorded during the year ended December 31, 2013. During 2013 the Company conducted a review of its operations. This review resulted in the adoption of an initial restructuring plan, which included the closure of its Phase I facility in Omaha, Nebraska. This followed the expansion of the Company's Phase I facility in San Antonio, Texas and the consolidation of the Company's US Phase I capabilities in this location. The restructuring plan also included resource rationalizations in certain areas of the business to improve resource utilization. A further restructuring plan was also adopted during 2013 which resulted in resource rationalizations in order to improve operating efficiencies and reduce expenses. Details of the movement in this restructuring plan recognized are as follows:

	Workforce Reductions	Office Consolidations	Total
	(in thousands)		
Q1 Plan – Initial provision recognized . . . . .	\$ 3,903	\$ 509	\$ 4,412
Q2 Plan – Initial provision recognized . . . . .	4,228	393	4,621
Total provision recognised . . . . .	8,131	902	9,033
Cash payments . . . . .	(6,544)	(199)	(6,743)
Amounts released . . . . .	(93)	—	(93)
Foreign exchange movement . . . . .	(3)	—	(3)
Provision at December 31, 2013 . . . . .	\$ 1,491	\$ 703	\$ 2,194

We expect to pay these amounts in 2014.

*Prior Period Restructuring Charges*

Restructuring charges of \$4.5 million were recorded during year ended December 31, 2012 (inclusive of the release of \$0.1 million relating to the 2011 Restructuring Plans) under a restructuring plan (“the 2012 restructuring plan”) adopted following a review by the Company of its operations. The 2012 restructuring plan included resource rationalizations in certain areas of the business and a re-organization of available office space at the Company's Philadelphia facility. The restructuring plan recognized included \$3.4 million in respect of resource rationalizations and \$1.2 million in respect of lease termination and exit costs associated with the re-organization of available space at the Company's Philadelphia facility.

Details of the movement in the 2012 restructuring plan are as follows:

	Workforce Reductions	Office Consolidations	Total
	(in thousands)		
Initial provision recognized . . . . .	\$ 3,394	\$1,250	\$ 4,644
Residual balance from prior period . . . . .	—	130	130
Cash payments . . . . .	(3,030)	(824)	(3,854)
Foreign exchange movement . . . . .	(4)	—	(4)
Provision at December 31, 2012 . . . . .	\$ 360	\$ 556	\$ 916
Cash payments . . . . .	(197)	(426)	(623)
Amounts released . . . . .	(57)	—	(57)
Provision at December 31, 2013 . . . . .	\$ 106	\$ 130	\$ 236

**ICON plc**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Other Items*

On September 30, 2011 Mr. Peter Gray, retired as Chief Executive Officer (“CEO”) of the Company, in accordance with the provisions of his service agreement, which was terminable on twelve months notice by either party. On October 1, 2011 Mr. Gray was appointed Vice Chairman of the Board. On June 11, 2012 the Company entered into an agreement with Mr. Gray whereby Mr. Gray’s employment and directorship of ICON plc and other ICON group companies would terminate on July 19, 2012. Under the terms of this agreement Mr. Gray would be entitled to be paid €160,000 (\$200,000) in lieu of the balance of his notice period and to receive a discretionary bonus of €194,000 (\$243,000) in respect of 2012. In addition, under the agreement Mr. Gray’s unvested share options would vest on the date of termination of his employment. The Company has recognized a share-based compensation charge of \$738,000 in respect of these options during the year ended December 31, 2012, \$620,000 of which was recognized within restructuring and other non-recurring items during the three months ended June 30, 2012.

**15. Provision for Doubtful Debts**

The Company does business with most major international pharmaceutical companies. Provision for doubtful debts at December 31, 2013 comprises:

	December 31, 2013	December 31, 2012
	(in thousands)	
Opening provision . . . . .	\$ 5,047	\$5,526
Amounts used during the year . . . . .	(3,132)	(756)
Amounts provided during the year . . . . .	1,368	382
Amounts released during the year . . . . .	(135)	(105)
Closing provision . . . . .	\$ 3,148	\$5,047

**16. Commitments and Contingencies**

*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 condition.

*Operating Leases*

The Company has several non-cancelable 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 recognized \$54.9 million, \$52.5 million and \$52.2 million in rental expense, including rates, for the years ended December 31, 2013, December 31, 2012 and December 31, 2011 respectively. Future minimum rental commitments for operating leases with non-cancelable terms in excess of one year are as follows:

	Minimum rental payments (in thousands)
2014 . . . . .	\$ 36,070
2015 . . . . .	31,815
2016 . . . . .	25,993
2017 . . . . .	17,013
2018 . . . . .	12,704
Thereafter . . . . .	40,224
Total . . . . .	\$163,819

**ICON plc**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**17. Business Segment Information**

The Company is a contract research organization (“CRO”), providing outsourced development services on a global basis to the pharmaceutical, biotechnology and medical device industries. It specializes in the strategic development, management and analysis of programs that support all stages of the clinical development process – from compound selection to Phase I-IV clinical studies. The Company has the expertise and capability to conduct clinical trials in most major therapeutic areas on a global basis and has the operational flexibility to provide development services on a stand-alone basis or as part of an integrated “full service” solution. The Company has expanded predominately through internal growth, together with a number of strategic acquisitions to enhance its expertise and capabilities in certain areas of the clinical development process. The Company also provides laboratory services through its central laboratory business, which includes the Company’s central laboratories located in Dublin, New York, India, Singapore and China.

The Company determines and presents operating segments based on the information that is internally provided to the Chief Executive Officer and Chief Financial Officer, who together are considered the Company’s chief operating decision maker, in accordance with FASB ASC 280-10 *Disclosures about Segments of an Enterprises and Related Information*. Historically, the Group organized, operated and assessed its business in two segments, the clinical research segment and the central laboratory segment. In Q1 2013 the Group consolidated and reclassified the results of the former central laboratory segment into the clinical research segment as the central laboratory segment does not reach the thresholds of net revenue, income from operations and total assets as a requirement for being reported as a separate segment. Management determined that its clinical research and central laboratory businesses operate in the same clinical research market, have a similar customer profile, are subject to the same regulatory environment, support the development of new clinical therapies and are so economically similar, reporting their results on an aggregated basis would be more useful to users of the Company’s financial statements.

The Company’s areas of operation outside of Ireland include the United States, United Kingdom, France, Germany, Italy, Spain, The Netherlands, Sweden, Belgium, Turkey, Poland, Czech Republic, Lithuania, Latvia, Russia, Ukraine, Hungary, Israel, Romania, Canada, Mexico, Brazil, Colombia, Argentina, Chile, Peru, India, China, South Korea, Japan, Thailand, Taiwan, Singapore, The Philippines, Australia, New Zealand, and South Africa.

Segment information as at December 31, 2013 and December 31, 2012 and for the years ended December 31, 2013, December 31, 2012 and December 31, 2011 is as follows:

a) The distribution of net revenue by geographical area was as follows:

	Year ended		
	December 2013	December 2012	December 2011
		(in thousands)	
Ireland . . . . .	\$ 272,683	\$ 171,977	\$ 88,869
Rest of Europe . . . . .	333,543	338,537	348,492
U.S. . . . .	582,250	471,700	393,957
Other . . . . .	147,582	132,792	114,411
<b>Total . . . . .</b>	<b>\$1,336,058</b>	<b>\$1,115,006</b>	<b>\$945,729</b>

**ICON plc**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

b) The distribution of income from operations, including restructuring and other items, by geographical area was as follows:

	Year ended		
	December 2013	December 2012	December 2011
	(in thousands)		
Ireland . . . . .	\$ 81,811	\$ 9,659	\$(34,703)
Rest of Europe . . . . .	2,831	29,240	32,175
U.S. . . . .	29,472	21,036	24,874
Other . . . . .	7,053	8,082	7,097
<b>Total . . . . .</b>	<b>\$121,167</b>	<b>\$68,017</b>	<b>\$ 29,443</b>

c) The distribution of income from operations, excluding restructuring and other items, by geographical area was as follows:

	Year ended		
	December 2013	December 2012	December 2011
	(in thousands)		
Ireland . . . . .	\$ 82,867	\$11,733	\$(33,139)
Rest of Europe . . . . .	6,269	29,786	35,175
U.S. . . . .	33,564	23,687	30,127
Other . . . . .	7,500	8,447	7,097
<b>Total . . . . .</b>	<b>\$130,200</b>	<b>\$73,653</b>	<b>\$ 39,260</b>

d) The distribution of property, plant and equipment, net, by geographical area was as follows:

	December 31, 2013	December 31, 2012
		(in thousands)
Ireland . . . . .	\$103,868	\$110,369
Rest of Europe . . . . .	14,630	16,115
U.S. . . . .	33,947	32,400
Other . . . . .	8,385	9,489
<b>Total . . . . .</b>	<b>\$160,830</b>	<b>\$168,373</b>

e) The distribution of depreciation and amortization by geographical area was as follows:

	Year ended		
	December 2013	December 2012	December 2011
	(in thousands)		
Ireland . . . . .	\$19,826	\$17,885	\$15,192
Rest of Europe . . . . .	6,595	7,211	7,057
U.S. . . . .	16,233	13,865	12,427
Other . . . . .	3,860	3,862	4,006
<b>Total . . . . .</b>	<b>\$46,514</b>	<b>\$42,823</b>	<b>\$38,682</b>



**ICON plc**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

f) The distribution of total assets by geographical area was as follows:

	December 31, 2013	December 31, 2012
	(in thousands)	
Ireland . . . . .	\$ 581,568	\$ 476,159
Rest of Europe . . . . .	321,661	236,305
U.S. . . . .	486,232	437,756
Other . . . . .	52,999	51,888
<b>Total . . . . .</b>	<b>\$1,442,460</b>	<b>\$1,202,108</b>

g) The distribution of capital expenditures by geographical area was as follows:

	Year ended		
	December 2013	December 2012	December 2011
	(in thousands)		
Ireland . . . . .	\$ 3,976	\$12,406	\$16,987
Rest of Europe . . . . .	1,887	2,506	4,795
U.S. . . . .	20,842	13,389	10,222
Other . . . . .	2,783	4,725	4,001
<b>Total . . . . .</b>	<b>\$29,488</b>	<b>\$33,026</b>	<b>\$36,005</b>

h) The following table sets forth the clients which represented 10% or more of the Company's net revenue in each of the periods set out below.

	Year ended		
	December 2013	December 2012	December 2011
Client A . . . . .	26%	18%	*
Client B . . . . .	10%	12%	13%

\* Net revenue did not exceed 10%.

i) The distribution of interest income by geographical area was as follows:

	Year ended		
	December 2013	December 2012	December 2011
	(in thousands)		
Ireland . . . . .	\$355	\$ 464	\$ 762
Rest of Europe . . . . .	501	661	364
U.S. . . . .	—	3	18
Other . . . . .	130	23	50
<b>Total . . . . .</b>	<b>\$986</b>	<b>\$1,151</b>	<b>\$1,194</b>

j) The distribution of the tax charge by geographical area was as follows:

	Year ended		
	December 2013	December 2012	December 2011
	(in thousands)		
Ireland . . . . .	\$11,073	\$ 1,216	\$(3,475)
Rest of Europe . . . . .	(7)	3,298	657
U.S. . . . .	5,072	3,669	4,656
Other . . . . .	1,915	3,618	4,277
<b>Total . . . . .</b>	<b>\$18,053</b>	<b>\$11,801</b>	<b>\$ 6,115</b>

**ICON plc**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**18. Supplemental Disclosure of Cash Flow Information**

	Year ended		
	December 2013	December 2012	December 2011
	(in thousands)		
Non-cash interest on acquisition consideration payable* . .	\$ 240	\$ 940	\$ 743
Cash paid for interest . . . . .	\$ 548	\$ 602	\$ 388
Cash paid for income taxes . . . . .	\$14,103	\$18,475	\$22,723

\* recorded within interest expense

**19. Accumulated Other Comprehensive Income**

	December 31, 2013	December 31, 2012
	(in thousands)	
Currency translation adjustments . . . . .	\$ 22,828	\$ 12,103
Currency impact on long term funding . . . . .	(19,977)	(18,931)
Tax on currency impact on long term funding . . . . .	1,097	1,184
Actuarial loss on defined benefit pension plan (note 9) . . . . .	(1,988)	(3,371)
Unrealised capital gain (loss) – investments (note 3) . . . . .	—	239
Total . . . . .	\$ 1,960	\$ (8,776)

**20. Impact of New Accounting Pronouncements**

In July 2013, the FASB issued ASU No. 2013-11, Income Taxes (Topic 740): *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. ASU 2013-11 requires an entity to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The amendments in ASU 2013-11 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company does not expect the adoption of ASU 2013-11 to have a material impact on the financial statements.

In March 2013, the FASB issued ASU No. 2013-05, Foreign Currency Matters (Topic 830): *Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity*. When a reporting entity (parent) ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity, the parent is required to apply the guidance in Subtopic 830-30 to release any related cumulative translation adjustment into net income. Accordingly, the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. For an equity method investment that is a foreign entity, a pro rata portion of the cumulative translation adjustment should be released into net income upon a partial sale of such an equity method investment. However, this treatment does not apply to an equity method investment that is not a foreign entity. In those instances, the cumulative translation adjustment is released into net income only if the partial sale represents a complete or substantially complete liquidation of the foreign entity that contains the equity method investment. The amendments in ASU 2013-05 are effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company does not expect the adoption of ASU 2013-05 to have a material impact on the financial statements.

**ICON plc**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In February 2013, the FASB issued ASU No. 2013-02, Comprehensive Income (Topic 220): *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. ASU 2013-02 requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income. ASU 2013-02 is effective prospectively for reporting periods beginning after December 15, 2012. The adoption of ASU 2013-02 did not have a material impact on the financial statements.

In December 2011, the FASB issued ASU No. 2011-11, Balance Sheet (Topic 210): *Disclosures about Offsetting Assets and Liabilities*. ASU 2011-11 requires an entity to disclose information about offsetting and related arrangements to enable users of financial statements to understand the effect of those arrangements on its financial position, and to allow investors to better compare financial statements prepared under U.S. GAAP with financial statements prepared under International Financial Reporting Standards (IFRS). ASU 2011-11 is effective retrospectively for fiscal years beginning after January 1, 2013. The adoption of ASU 2011-11 did not have a material impact on the financial statements.

## **21. Related Parties**

On July 19, 2012, Mr. Peter Gray retired as a Director and employee of the Company. The Company subsequently entered into an agreement with Integritum Limited, a company controlled by Mr. Gray, for the provision of consultancy services for a period of two years from August 1, 2012, at an agreed fee of €265,000 (\$350,000) per annum.

On December 31, 2009, Dr. John Climax retired as Chairman of the Board of the Company. From January 2010 he has held the position as an outside director of the Company. The Company entered into an agreement with Rotrua Limited, a company controlled by Dr. Climax for the provision of consultancy services for a period of three years from January 1, 2010, at an agreed fee of €262,500 (\$346,000) per annum. The consultancy agreement expired in December 2012.

## SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**ICON plc**

/s/ Brendan Brennan

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Brendan Brennan  
Chief Financial Officer

Date March 12, 2014

## INDEX TO EXHIBITS

Exhibit Number	Title
3.1	Description of the Memorandum and Articles of Association of the Company (incorporated by reference to exhibit 3.1 to the Form 20F (File No. 333-08704) filed on March 6, 2013).
10.1*	Office Space Lease, dated September 1, 2013, between ICON Central Laboratories Inc., and MSM Reality Co., LLC, Davrick, LLC and Sholom Blau Co., LLC.
10.2*	Office Space Lease, dated July 10, 2013, between ICON Clinical Research Inc. and Highwood Reality Limited Partnership.
10.3*	Office Space Lease, dated September 30, 2012, between ICON Clinical Research Inc. and Pennbrook Development Partners 2100, L.P.
12.1*	Section 302 certifications.
12.2*	Section 906 certifications.
21.1	List of Subsidiaries (incorporated by reference to Item 4 of Form 20-F filed herewith).
23.1*	Consent of KPMG, Independent Registered Public Accounting Firm
101.1*	Interactive Data Files (XBRL – Related Documents)

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\* Filed herewith



A Symbol of Excellence

## **Corporate Headquarters**

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