

ICON plc and Subsidiaries

Annual Report 2010

Registered number 145835

24 hours in the life of ICON

No matter the hour of the day, there's an ICON expert
somewhere around the world working to deliver results.



9.15am

San Antonio, U.S.

10.14am

Tokyo, Japan.

3.28pm

Zurich, Switzerland.

4.45pm

Tianjin, China.

Directors' Report and Consolidated Financial Statements

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ICON plc and Subsidiaries

Directors and Other Information

Directors

Dr. Bruce Given (American – Chairman of the Board) (2) (3) (4)
Peter Gray (Irish – Chief Executive Officer) (4)
Dr. John Climax (Irish – Non-Executive)
Dr. Ronan Lambe (Irish – Non-Executive) (5)
Thomas Lynch (British – Non-Executive) (1) (2) (3)
Prof. Dermot Kelleher (Irish – Non-Executive) (1) (5)
Dr. Anthony Murphy (British – Non-Executive) (2) (3)
Declan McKeon (Irish – Non-Executive) (1)
Cathrin Petty (British – Non-Executive) (1)

(1) Member of Audit Committee

(2) Member of Compensation and Organisation Committee

(3) Member of Nominating and Governance Committee

(4) Member of Execution Committee

(5) Member of Quality Committee

Company secretary

Ciaran Murray

Registered office

South County Business Park
Leopardstown
Dublin 18

Auditors

KPMG
Chartered Accountants
1 Stokes Place
St. Stephens Green
Dublin 2

Solicitors

A & L Goodbody
25-28 North Wall Quay
IFSC
Dublin 1

Cahill Gordon Reindel & Co
80 Pine Street
New York, USA

Registrars

Computershare Investor Services (Ireland) Limited
Herron House
Corrig Road
Sandyford Industrial Estate
Dublin 18

Bankers

Citibank
Canada Square Canary Warf
London E14 5LB
United Kingdom

PNC Bank
1035 Virginia Drive
Fort Washington
PA 19034, USA

Directors' Report

The Directors present their report and audited Consolidated and Company financial statements of ICON p.l.c. ("the Company" or "ICON"), a public limited company incorporated in the Republic of Ireland, and its subsidiary undertakings ("the Subsidiaries", with the Company and the Subsidiaries being together "the Group") for the year ended 31 December 2010.

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

These Consolidated and Company financial statements (together "the financial statements") for the year ended 31 December 2010 are prepared in accordance with IFRS as adopted by the EU and meet the reporting requirements pursuant to Irish Company Law and the Irish Stock Exchange Listing Rules. In addition to the consolidated financial statements contained in this annual report, the Company also prepares separate consolidated financial statements on Form 20-F pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC) and in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The Form 20-F under U.S. GAAP is a separate document, a copy of which may be obtained from the Company's website www.iconplc.com. IFRS differs in certain respects from U.S. GAAP, details of which are set out on pages 111 to 113 of this annual report.

Principal activities, business review and future developments

The Group is a contract research organisation ("CRO"), providing outsourced development services on a global basis to the pharmaceutical, biotechnology and medical device industries. The Group specialises in the strategic development, management and analysis of programs that support Clinical Development – from compound selection to Phase I-IV clinical studies.

The Group believes that it is one of a select number of CROs with the capability and expertise to conduct clinical trials in most major therapeutic areas on a global basis. The Company believes that being such a global CRO is an integral part of both the Company delivering on its objectives and the Group's business model. At 31 December 2010 the Group had 7,735 employees, in 73 locations in 39 countries, providing Phase I-IV Clinical Trial Management, Drug Development Support Services, Data Management and Biostatistical, Central Laboratory, Imaging and Contract Staffing services. The Group has the operational flexibility to provide development services on a stand-alone basis or as part of an integrated "full service" solution.

Headquartered in Dublin, Ireland, the Group began operations in 1990 and has expanded its business through internal growth and strategic acquisitions. Its 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. For the year ended 31 December 2010 approximately 42.3%, 46.9% and 10.8% of the Group's net revenue was derived in the United States, Europe and Rest of World, respectively.

On 14 January 2011 the Group acquired Oxford Outcomes, a leading international health outcomes consultancy, headquartered in Oxford, UK, and with offices in the USA and Canada. Oxford Outcomes provides specialist services in the areas of patient reported outcomes (PRO), health economics, epidemiology and translation and linguistic validation.

On 17 May 2010 the Group acquired Timaq Medical Imaging, a European provider of advanced imaging services to the pharmaceutical and biotechnology industry, headquartered in Zurich, Switzerland.

In 2011, the Group looks forward to increasing its geographic presence through the addition of new offices and expanding the scale and range of its service offering. A review of performance during the year is included in the Operating and Financial Review section of this annual report.

Directors' Report (continued)

Results and dividends

The results for the year are as shown on page 44 of these financial statements. The Directors do not propose the payment of a dividend for the year.

Risks and Uncertainties

Details of the principal risks and uncertainties facing the Group are set out in Appendix A of this annual report.

Financial Risk Management

The Group's financial instruments comprise cash, finance lease obligations and negotiated bank facilities. The main purpose of these financial instruments is to fund the working capital requirements of the Group, the cost of new acquisitions and continued growth. The principal financial risks facing the Group includes inflation, currency rate risk, interest rate risk, credit risk and liquidity risk, further details of which are set out in notes 25 and 31 to the financial statements. The Group may from time to time enter into derivative transactions to minimise its exposure to interest rate fluctuations and foreign currency exchange rates. The Group does not undertake any trading activity in financial instruments. The Group did not enter into any derivatives transactions during 2009 or 2010.

Post balance sheet events

Details of post balance sheet events are set out in note 30 to the financial statements.

Amendment of the Company's Articles of Association

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

Directors and Secretary

On 13 October 2010, the Board appointed Ms Cathrin Petty a Director of the Company. In accordance with the Articles of Association of the Company, Ms Petty will offer herself for re-election as a Director of the Company at the Company's Annual General Meeting on 18 July 2011.

On 19 April 2010, the Board appointed Mr. Declan McKeon a Director of the Company. In accordance with the Articles of Association of the Company, Mr. McKeon was re-elected a Director of the Company at the Company's Annual General Meeting on 19 July 2010. On 19 April 2010, Mr. Edward Roberts resigned as a Director of the Company.

On 31 December 2009, Dr. John Climax resigned as Chairman of Board of the Company. On 1 January 2010, Dr. Bruce Given was appointed Chairman of the Board of the Company.

Details of Directors' interests in the Group's shares are set out in the Compensation and Organisation Committee Report. Save as shown in the Compensation and Organisation Committee report, no Director had any disclosable interest in shares of the Group during the year.

Directors' Report (continued)

Directors' remuneration

Details of Directors' remuneration is set out in the Compensation and Organisation Committee Report.

Directors power to purchase and allot company shares

Subject to the provisions of the Companies Acts 1963 to 2009 the Company may purchase any of its shares. Every contract for the purchase of, or under which the Company may become entitled or obliged to purchase shares in the Company shall be authorised by a special resolution of the Company. The Company may cancel any shares so purchased or may hold them as treasury shares or re-issue them.

Rights and Obligations attaching to the Company's shares

The share capital of the Company is €6,000,000 divided into 100,000,000 ordinary shares of €0.06. Holders of ordinary shares will be entitled to receive such dividends as may be recommended by the board of directors of the Company and approved by the shareholders and/or such interim dividends as the board of directors of the Company may decide. On liquidation or a winding up of the Company, the par value of the ordinary shares will be repaid out of the assets available for distribution among the holders of the Company's ordinary shares. 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 with no individual having more than one vote.

Change of control provisions in significant agreements

The Group has negotiated banking facilities with a number of financial institutions, details of which are set out in the operating and financial review section of this report. Certain of these facilities require repayment of the facility in the event that the Company becomes controlled by any person or persons acting in concert by whom it was not controlled at the date the facility was entered into. All amounts previously drawn under these facilities were repaid as at the date of this report.

Furthermore certain Group companies have entered capital grant agreements with the Irish government agency, Enterprise Ireland, whereby the Group covenants that the controlling interest in the Company will not change without Enterprise Ireland's prior written consent, which will not be unreasonably withheld.

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

Corporate Governance

Details of the Directors' compliance with corporate governance is set out separately in the Corporate Governance Report.

Directors' Report (continued)

Significant shareholdings

In addition to the interests of directors disclosed in the Compensation and Organisation Committee Report, the Company has been notified of the following shareholdings in excess of 3% of the issued share capital of the Company at 31 December 2010:

Name	%	Number of Shares
Fidelity Group Companies	9.6%	5,772,913
Neuberger Berman LLC	8.5%	5,139,680
Wellington Management Co. LLP	7.4%	4,432,301
Eagle Asset Management Inc	4.8%	2,914,432
All directors and officers as a group	4.2%	2,526,160
Wasatch Advisors Inc	4.0%	2,417,341
Kornitzer Capital Management Inc	3.9%	2,350,725
Westfield Capital Management Company LP	3.1%	1,838,550

Subsidiary undertakings

The information required by the Companies Act, 1963 in relation to subsidiary undertakings is presented in note 32 to the financial statements.

Political donations

The Group made no disclosable political donations in the period.

Going concern

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

Books of account

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

Auditors

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

On behalf of the Board

Dr. Bruce Given
Director

Peter Gray
Director

Operating and Financial Review

Overview

The following discussion and analysis should be read in conjunction with our consolidated financial statements set out on pages 34 to 110 of this report.

The Group is a contract research organisation (“CRO”), providing outsourced development services on a global basis to the pharmaceutical, biotechnology and medical device industries. The Group specialises in the strategic development, management and analysis of programs that support Clinical Development – from compound selection to Phase I-IV clinical studies. It has the operational flexibility to provide development services on a stand-alone basis or as part of an integrated “full service” solution. The Group can implement a range of resourcing models to suit client requirements, and increasingly our teams are flexibly applied to minimise costs for our clients.

In a highly fragmented industry, the Group is one of a small number of CROs with the capability and expertise to conduct clinical trials in all major therapeutic areas on a global basis. At 31 December 2010 the Group had 7,735 employees, in 73 locations in 39 countries, providing Phase I-IV Clinical Trial Management, Drug Development Support Services, Data Management, Biostatistics, Central Laboratory, Imaging and Contract Staffing services.

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 instalments over the study or trial duration, based on the achievement of certain performance targets or “milestones”. Revenue from contracts is recognised 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, the Group contracts 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, the Group views net revenue as its primary measure of revenue growth.

Backlog consists of potential net revenue yet to be earned from projects awarded by clients. At 31 December 2010 the Group had a backlog of approximately \$1.9 billion, compared with approximately \$1.8 billion at 31 December 2009. The Group believes that its 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 that it will be able to realise this backlog as net revenue.

As the nature of the 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 the Group typically works 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.

Although the Company is domiciled in Ireland, the Group reports its 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, the Group is also subject to transaction exposures because the currency in which contracts are priced can be different from the currencies in which costs relating to those contracts are incurred. The Group’s operations in the United States are not materially exposed to such currency differences as the majority of revenues and costs are in U.S. dollars. However, outside the United States the multinational nature of the Group’s activities means that contracts are usually priced in a single currency, most often U.S. dollars, Euros or pounds Sterling, while costs arise in a number of currencies, depending, among other things, on which of its offices provide staff for the contract, and the location of investigator sites. Although many such contracts benefit from some degree of natural hedging due to the matching of contract revenues and costs in the same currency, where costs are incurred in currencies other than those in which contracts are priced, fluctuations in the relative value of those currencies could have a material effect on the Group’s results of operations. The Group regularly reviews its currency exposures and usually negotiates currency fluctuation clauses in its contracts which allow for price negotiation if changes in the relative value of those currencies exceed predetermined tolerances.

Operating and Financial Review (continued)

As the Group conducts operations on a global basis, its effective tax rate has depended and will depend on the geographic distribution of its revenue and earnings among locations with varying tax rates. The Group's results of operations therefore may be affected by changes in the tax rates of the various jurisdictions. In particular, as the geographic mix of the Group's results of operations among various tax jurisdictions changes, its 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 period, being the key performance indicators used by management. The trends illustrated in the following table may not be indicative of future results.

	Year ended 31 December 2010	Year ended 31 December 2009	Percentage change in period
	As a percentage of turnover		
Net revenue	100%	100%	1.4%
Direct costs	60.1%	57.3%	6.5%
Other operating expenses	29.6%	29.5%	1.8%
One-time net charges	-	1.0%	100%
Operating profit	10.2%	12.2%	(15.1%)

Year ended 31 December 2010 compared to Year ended 31 December 2009

Net revenue for the year increased by \$12.4 million, or 1.4%, from \$887.6 million for the year ended 31 December 2009 to \$900.0 million for the year ended 31 December 2010. Net revenue in the Group's clinical research segment increased by 2.4% from \$816.9 million for the year ended 31 December 2009 to \$836.2 million for the year ended 31 December 2010. In the Group's central laboratory business net revenue decreased by 9.8% from \$70.7 million for the year ended 31 December 2009 to \$63.8 million for the year ended 31 December 2010. This decrease was primarily attributable to a slower rate of conversion on central laboratory business awards, due to both a delay in study start-ups and an increase in the average duration of central laboratory studies. For the year ended 31 December 2010 approximately 42.3%, 46.9% and 10.8% of the Group's net revenue was derived in the United States, Europe and Rest of World, respectively.

Direct costs for the year increased by \$32.9 million, or 6.5%, from \$508.5 million for the year ended 31 December 2009 to \$541.4 million for the year ended 31 December 2010. Direct costs comprise compensation, associated fringe benefits and share based compensation expense for project related employees, together with other direct project driven costs. The increase in direct costs during the year was primarily attributable to an increase in compensation costs for project related employees of \$31.8 million. Travel costs for project-related employees increased by \$6.5 million while other direct project-related expenses decreased by \$5.4 million. In the Group's clinical research segment, direct costs increased by 6.0% or \$27.9 million during the year. The Group has entered a number of strategic relationships with sponsors and expanded operations in certain territories, requiring significant upfront investment in personnel and a corresponding increase in direct costs. In the Group's central laboratory business, direct costs increased by 12.0% or \$5.0 million during the year, primarily attributable to increased investment in personnel and systems in this business. As a percentage of net revenue, direct costs have increased from 57.3% for the year ended 31 December 2009 to 60.1% for the year ended 31 December 2010.

Operating and Financial Review (continued)

Other operating expenses for the year increased by \$4.6 million, or 1.8%, from \$262.2 million for the year ended 31 December 2009 to \$266.8 million for the year ended 31 December 2010. Other operating expenses comprise compensation, related fringe benefits and share based compensation expense for non-project related employees, professional service costs, recruitment expenditure, advertising costs and all costs related to facilities and information systems, including depreciation. Compensation, related fringe benefits and share-based compensation expense increased by \$3.0 million during the year, travel costs increased by \$2.1 million, recruitment expenditure, for both project and non-project related employees, increased by \$2.6 million, while depreciation and amortisation expense increased by \$1.1 million. These increases were offset by decreases in facilities related expenditure of \$2.3 million and decreases in other general overheads of \$2.0 million. In the Group's clinical research segment, other operating expenses decreased by \$1.6 million or 0.7% during the year. This was offset by an increase in the Group's central laboratory business, where other operating expenses increased by \$6.2 million or 26.5%, a result of its significant investment in personnel and systems during the year. As a percentage of net revenue, other operating expenses, increased from 29.5% for the year ended 31 December 2009 to 29.6% for the year ended 31 December 2010.

One-time net charges of \$8.8 million were recognised during the year ended 31 December 2009. In response to the globalisation of clinical studies and its attendant impact on resources in existing and emerging markets, the Group conducted a review of its existing infrastructure during the early months of 2009 to better align its resources with the needs of its clients. This realignment resulted in resource rationalisations in certain more mature markets and the recognition of a restructuring charge of \$13.3 million in the second quarter of 2009. This was partially offset by research and development incentives of \$4.5 million received by the Group in certain European Union jurisdictions in which it operates.

Operating profit for the year decreased by \$16.3 million, or 15.1%, from \$108.2 million for the year ended 31 December 2009 to \$91.9 million for the year ended 31 December 2010. As a percentage of net revenue, operating profit decreased from 12.2% of net revenues for the year ended 31 December 2009 to 10.2% of net revenues for the year ended 31 December 2010. In the Group's clinical research segment, operating profit increased by \$1.5 million, or 1.4%, from \$103.2 million for the year ended 31 December 2009 to \$104.7 million for the year ended 31 December 2010. As a percentage of net revenue operating profit decreased from 12.6% of net revenues for the year ended 31 December 2009 to 12.5% for the year ended 31 December 2010. In the Group's central laboratory business, operating profit decreased by \$17.8 million, from income of \$5.0 million for the year ended 31 December 2009 to a loss of \$12.8 million for the year ended 31 December 2010. As a percentage of net revenue, operating profit/(loss) decreased from 7.1% for the year ended 31 December 2009 to (20.0)% for the year ended 31 December 2010. The significant investment in personnel and systems, together with the slower than expected conversion of business awards, has negatively impacted the central laboratory's operating margin during the year ended 31 December 2010. During the year ended 31 December 2009 the Group's operating profit, excluding the impact of one-time net charges, was 13.2%, being 13.7% for the clinical research segment and 7.6% for the central laboratory business.

Net finance income for the year ended 31 December 2010 was \$0.9 million compared with net finance expense of \$4.3 million for the year ended 31 December 2009. Finance income for the year increased by \$1.2 million from \$1.5 million for the year ended 31 December 2009 to \$2.7 million for the year ended 31 December 2010. This increase arose predominately from an increase in cash balances during the year, together with an increase in the rate of return earned thereon. Finance expense for the year decreased by \$3.9 million, from \$5.8 million for the year ended 31 December 2009 to \$1.9 million for the year ended 31 December 2010. This decrease arose predominately from a decrease in interest on bank overdrafts and credit facilities together with a decrease in foreign exchange losses on bank overdrafts and credit facilities. During the year ended 31 December 2009 the Group repaid all amounts previously drawn under negotiated bank overdraft and credit facilities.

Provision for income taxes decreased from \$11.2 million for the year ended 31 December 2009 to \$6.6 million for the year ended 31 December 2010. During the year ended 31 December 2010 the Group recognised \$9.7 million in unrecognised tax benefits for uncertain tax positions, arising from both the settlement of positions with the relevant tax authorities and the expiration of the relevant statute of limitations in certain jurisdictions, thereby allowing for the recognition of these benefits during the current year. During the year ended 31 December 2009 corporation tax refunds related to research and development tax credits were received by the Group in certain European Union jurisdictions. The Group recognised a net benefit of \$10.6 million in its provision for income taxes for the year ended 31 December 2009

Operating and Financial Review (continued)

for research and development tax credits related to prior years but received during 2009. The Group's effective tax rate for the year ended 31 December 2010 was 7.1% compared with 10.8% for the year ended 31 December 2009. Excluding the impact of the release of uncertain tax provisions during the year ended 31 December 2010 and the impact of research and development tax credits recognised during the year ended 31 December 2009, the Group would have had an effective tax rate of 17.5% for the year ended 31 December 2010, compared to an effective tax rate of 20.2% for the year ended 31 December 2009.

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, information systems enhancements, the purchase of current asset investments and acquisitions.

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

The Group's total cash balances at 31 December 2010 amounted to \$255.7 million compared with total cash balances of \$194.0 million at 31 December 2009. Cash balances at 31 December 2010 comprised cash and cash equivalents of \$255.7 million. Cash balances at 31 December 2009 comprised cash and cash equivalents of \$144.8 million and current investments of \$49.2 million. Working capital, comprising total current assets less total current liabilities, increased by \$104.6 million during the year from \$204.1 million at 31 December 2009 to \$308.7 million at 31 December 2010. This increase arose primarily from an increase in cash and cash equivalents. Additional borrowings available to the Group under negotiated facilities at 31 December 2010 amounted to \$55.9 million compared with \$162.5 million at 31 December 2009.

Net cash provided by operating activities amounted to \$87.4 million for the year ended 31 December 2010 compared with net cash provided by operating activities of \$255.1 million for the year ended 31 December 2009. The most significant influence on our operating cash flow is revenue outstanding, which comprises accounts receivable and unbilled revenue, less payments on account. The dollar values of these amounts and the related days revenue outstanding (i.e. the debtors balance at the end of the period divided by the revenue for the period multiplied by the number of days in the period) can vary due to the achievement of contractual milestones, including contract signing, and the timing of cash receipts. Improved working capital management during the year ended 31 December 2009 resulted in a significant increase in cash inflows from operating activities and a corresponding decrease in the number of days revenue outstanding from 70 days at 31 December 2008 to 33 days at 31 December 2009. The number of days revenue outstanding at 31 December 2010 was 37 days.

Net cash provided by investing activities amounted to \$14.6 million for the year ended 31 December 2010 compared to net cash used in investing activities of \$65.7 million for the year ended 31 December 2009. Cash flows from investing activities during the year ended 31 December 2010 arose primarily from the sale of current asset investments offset by capital expenditure and cash paid to acquire subsidiary undertakings. During the year ended 31 December 2010 the Company received a net \$49.2 million from the sale of its current asset investments. The Group actively manages its available cash resources to try to ensure optimum returns. Amounts received from the sale of current asset investments during the year were reinvested in cash and cash equivalents. Capital expenditure for the year ended 31 December 2010 amounted to \$30.9 million, and was comprised mainly of expenditure on global infrastructure and information technology systems to support the Group's growth. Cash paid on acquisitions during the year ended 31 December 2010 amounted to \$3.7 million. \$1.5 million was paid by the Group during the year ended 31 December 2010 in respect of the acquisition of Timaq Medical Imaging. In addition, \$2.2 million was paid to the former shareholders of Healthcare Discoveries in full and final settlement of certain performance milestones payable.

Operating and Financial Review (continued)

Net cash provided by financing activities during the year ended 31 December 2010 amounted to \$15.3 million compared with net cash used of \$105.1 million for the year ended 31 December 2009. Cash provided by financing activities during the year ended 31 December 2010 comprised mainly of proceeds received from the exercise of share options. During the year ended 31 December 2009 the Group repaid \$109.6 million, net, in respect of all amounts previously drawn under negotiated facilities.

As a result of these cash flows, cash and cash equivalents increased by \$110.9 million for the year ended 31 December 2010 compared to \$86.4 million for the year ended 31 December 2009.

On 9 July 2007 the Group entered into a five year committed multi-currency facility agreement for €35 million (\$46.8 million) with Bank of Ireland. The facility bears interest at an annual rate equal to EURIBOR plus a margin and is secured by certain composite guarantees, indemnities and pledges in favor of the bank. Amounts available to be drawn reduce over the life of this facility in accordance with agreed payment terms. At 31 December 2010 €17.5 million (\$23.4 million) was available to be drawn under this facility.

On 22 December 2008 a committed three year US dollar credit facility was negotiated with Allied Irish Bank plc for \$50 million. On 21 April 2010 the Group reduced this facility to \$25 million. On 9 December 2010 the Company further reduced this facility to \$12.5 million. The facility bears interest at LIBOR plus a margin and is secured by certain composite guarantees and pledges in favor of the bank. At 31 December 2010 \$12.5 million was available to be drawn under this facility.

On 2 January 2009 an additional four year committed credit facility was negotiated with Bank of Ireland for \$25 million. The facility bore interest at LIBOR plus a margin and was secured by certain composite guarantees, indemnities and pledges in favor of the bank. On 2 December 2010 the Group terminated this facility.

On 29 May 2009 a 364 day committed credit facility of \$10 million was negotiated with Citibank Europe. This facility lapsed during 2010 and was not renewed by the Group. On 29 May 2009 a three year committed credit facility was also negotiated with Citibank Europe for \$10 million. The facility bears interest at LIBOR plus a margin and is secured by certain composite guarantees and pledges in favor of the bank. At 31 December 2010 \$10.0 million was available to be drawn under the facility.

On 29 May 2009 a committed 364 day credit facility of \$30 million was negotiated with JP Morgan for \$30 million. On 3 September 2010 a committed 364 day credit facility was negotiated with J.P. Morgan for \$10 million, partially replacing the 2009 facility. The facility bears interest at LIBOR plus a margin and is secured by certain composite guarantees and pledges in favor of the bank. At 31 December 2010 \$10.0 million was available to be drawn under the facility.

On 17 May 2010 the Group acquired Timaq Medical Imaging, a European provider of advanced imaging services to the pharmaceutical and biotechnology industry, headquartered in Zurich, Switzerland for an initial cash consideration of CHF 1.3 million (\$1.2 million). Certain performance milestones were built into the acquisition agreement requiring potential additional consideration of up to CHF 2.9 million (\$3.1 million) if these milestones are achieved during the years ended 31 December 2010 to 31 December 2013. On 31 December 2010 CHF 0.3 million (\$0.3 million) was paid to the former shareholders in respect of certain milestones for the year ended 31 December 2010.

Board of Directors and Senior Management

Dr. Bruce Given – Chairman (aged 56) was appointed Chairman of the Board of the Company in January 2010. He has served as a non-executive director of the Company since September 2004. From March 2002 until June 2007 he served as President and Chief Executive Officer of Encysive Pharmaceuticals Inc. Dr. Given previously held various positions in Johnson & Johnson group companies. Dr. Given obtained his doctorate from the University of Chicago in 1980.

Peter Gray – CEO and Director (aged 56) has served as the Chief Executive Officer of the Company since November 2002. He served as the Group Chief Operating Officer from June 2001 to November 2002, and was Chief Financial Officer from June 1997 to June 2001. He has been a director of the Company since June 1997. Mr. Gray has over 20 years experience in the pharmaceutical services industry and has also worked in the engineering and food sectors. Mr. Gray received a degree in Law from Trinity College Dublin in 1977 and became a chartered accountant in 1980. Mr. Gray has served as a non-Executive director of United Drug plc since September 2004 and as Chairman of the Audit Committee of United Drug since August 2008. He has also served as a non-Executive Director of Danica Life Limited since April 2008.

Ciaran Murray – CFO and Company Secretary (aged 48) has served as Chief Financial Officer of the Company since October 2005. He has also held the position of Company Secretary since January 2006. Mr. Murray developed his experience working in senior financial positions in Ireland, Italy and the United Kingdom, in the food sector with Kraft Foods Inc, Cantrell and Cochrane plc and Northern Foods plc, and in the technology sector with Novell Inc and Codec Systems. Mr. Murray obtained a Bachelor of Commerce degree from University College Dublin in 1982. He qualified as a Chartered Accountant with PwC and is a Fellow of the Institute of Chartered Accountants in Ireland.

Dr. John Climax – Non-Executive Director (aged 58), 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 a non-executive 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 PhD. 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 – Non-Executive Director (aged 71), 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 a non-Executive director of the Company. 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 PhD. in pharmacology in 1976.

Thomas Lynch – Independent Non-Executive Director (aged 54) has served as a non-executive director of the Company since January 1996. Mr. Lynch served as Chairman of Amarin Corporation plc from 2000 to 2009 and as its Chief Executive Officer from 2007 to 2009. Between 1993 and 2004, he held a number of senior management positions in Elan Corporation plc. Mr Lynch is an investor in, and serves on the board of, a number of biotechnology companies. He has also served as a board member of IDA Ireland (an agency of the Irish Government) since 2000.

Professor Dermot Kelleher – Independent Non-Executive Director (aged 55) has served as a non-executive director of the Company since May 2008. Professor Kelleher is currently Head of the School of Medicine at Trinity College, Dublin, Ireland and Director of the Institute of Molecular Medicine in Dublin. His research interests are broad ranging in the fields of Gastroenterology, Immunology and Molecular Biology 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.

Board of Directors and Senior Management (continued)

Dr. Anthony Murphy – Independent Non-Executive Director (aged 60) has served as a non-executive director of the Company since April 2009. Dr. Murphy was the Senior Vice President of Human Resources for Eli Lilly & Co., prior to his retirement in May 2009. Born in Cardiff, Wales, Mr. Murphy received a bachelor's degree in psychology from University College Dublin in 1970 and a doctorate in psychology from the University of Wales in 1975. Dr. Murphy joined Lilly (in the United Kingdom) in 1980, and held increasingly senior positions in HR with the company until his retirement. Prior to joining Lilly he had lectured in industrial relations and worked as a consultant and researcher at the University of Bath, England. Mr. Murphy is a fellow of the Institute of Personnel and Development (U.K.) and a Chartered Psychologist.

Declan McKeon – Independent Non-Executive Director (aged 59) has served as a non-executive director of the Company since April 2010. Mr. McKeon was a partner in PricewaterhouseCoopers (PwC) from 1986 to 2007. His roles included leadership of the audit and business advisory team for PwC Ireland, membership on the PwC Europe audit and business advisory services executive and market sector lead for consumer and industrial products. Mr. McKeon is a non-executive Director of Ryanair plc, remains a consultant to PwC 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.

Cathrin Petty – Independent Non-Executive Director (aged 37) has served as a non-executive director of the Company since October 2010. Ms. Petty is a Special Partner at Vitruvian Partners LLP and is a non-Executive Director for Circassia Limited. Ms. Petty is an advisor to the pharmaceutical industry and formerly served as a non-Executive Director for the NHS (Strategic Health Authority for Greater London). Between 2000 and 2010, Ms. Petty was a Healthcare Partner in Apax Partners LLP with responsibility for originating, executing, monitoring and exiting healthcare private equity investments. Her early career included Senior Associate and Research Analyst roles at Schroder Ventures Life Sciences and Schrodgers Investment Management.

Alan Morgan – Group President Clinical Research Services (aged 46) was appointed Group President Clinical Research Services in August 2010. Since joining the Group in August 2006, he has held positions of increasing responsibility, including Vice President of Process Development, President ICON Clinical Europe, and Chief Operating Officer of the global Clinical Research Division. In January 2010 he was appointed Group President Early Clinical Research and Laboratories Services, responsible for oversight of the Central Laboratory and Development Services divisions. Prior to joining the Company Mr. Morgan worked for MDS Pharma Services where he held positions of increasing responsibility since joining the company in 2002, including Global General Manager and Vice President of their Phase II-IV business. Mr. Morgan started his career in clinical research organisations with Covance, where he held a number of leadership positions from 1998 including General Manager of their Phase II-IV business in Europe, Asia, and Latin America. His initial career was in pharma, including seven years with Glaxo Wellcome and two years with ICI Pharmaceuticals in various business and financial roles. He is a graduate of the City University Business School in London, and a Fellow of the Chartered Association of Certified Accountants.

Compensation and Organisation Committee Report

Remuneration policy

The Compensation and Organisation 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 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.

Non-Executive Directors' remuneration

Non-Executive Directors are remunerated by way of Directors' fees and are also eligible for participation in the share option scheme. The Corporate Governance Report set out why it is appropriate for the non-Executive Directors to participate in the share option scheme. Non-Executive Directors are not eligible for performance related bonuses and no pension contributions are made on their behalf. Non-executive Directors' remuneration is set by the Execution committee, taking into account the recommendations of the nominating and governance committee.

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 and experience. 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. 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 incentive for executive officers is up to 80% of base salary.

The Company's executives are eligible to receive equity incentives, including share options and restricted 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 based on an award range determined by the Committee at the start of each year. 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, in the form of share options, to executive officers in its fiscal years ended 31 December 2009 and 2010.

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 Income Statement.

Compensation and Organisation Committee Report (continued)

Directors' and Key Executive Officers service agreements and letters of engagement

Dr. Bruce Given

Dr. Bruce Given was appointed Chairman of the Board of the Company in January 2010. He has served as a non-executive director of the Company since September 2004. The arrangements with Dr. Given provide for the payment to him of annual fees of \$316,932 per annum plus reasonable expenses properly incurred in carrying out his duties for the Company. He was previously granted and held at 18 April 2011, 24,000 ordinary share options at exercise prices ranging from \$8.60 to \$35.33.

Mr. Peter Gray

Mr. Peter Gray has served as the Chief Executive Officer ("CEO") since November 2002. He served as the Chief Operating Officer of the Company from June 2001 to November 2002 and as an Executive Director of the Company since June 1997. The service agreement with Mr. Gray is terminable on 12 months notice by either party. He is entitled to receive a bonus to be agreed by the Compensation and Organisation Committee. He is also entitled to receive a pension contribution, company car allowance and medical insurance cover for himself and his dependants. He was previously granted and held at 18 April 2011, 288,000 ordinary share options at exercise prices ranging from \$11.00 to \$35.33 per share. On 3 March 2011 he was awarded 100,000 restricted stock units which will vest on the third anniversary of date of award. His service agreement requires him to devote his full time and attention to his duties for the Company excepting certain non-Executive Director positions authorised by the Board. The Board has authorised Mr Gray to serve as a non-Executive director and Audit Committee Chairman of United Drug plc and a non-Executive Director of Danica Life Limited and in the year ended 31 December 2010 he was paid and retained fees of €67,000 (\$88,600) by United Drug plc and €33,075 (\$43,740) by Danica Life Limited. The agreement includes certain post termination clauses including non-disclosure, non-competition and non-solicitation provisions. Further details of these payments and contributions are set out in the Directors and Key Executive Officers remuneration tables on pages 17 and 18.

Mr. Ciaran Murray

Mr. Ciaran Murray has served as the Chief Financial Officer ("CFO") since October 2005. He has also held the position of Company Secretary since January 2006. The service agreement with Mr. Murray is terminable on 12 months notice by either party. He is entitled to receive a bonus to be agreed by the Compensation and Organisation Committee. He is also entitled to receive a pension contribution, company car allowance and medical insurance cover for himself and his dependants. He was previously granted and held at 18 April 2011, 145,000 ordinary share options at exercise prices ranging from \$10.42 to \$35.33 per share. On 10 February 2011 he was awarded 50,000 restricted stock units which will vest on the fifth anniversary of date of award. His service agreement requires him to devote his full time and attention to his duties for the Company excepting certain non-Executive Director positions authorised by the Board. The agreement includes certain post-termination clauses including non-disclosure, non-competition and non-solicitation provisions. Further details of these payments and contributions are set out in the Directors and Key Executive Officers remuneration tables on pages 17 and 18.

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 as an Executive Director from June 1990 to December 2009. On 31 December 2009, Dr. Climax retired as Chairman of the Board of the Company and his service agreement with the Company (the "Dr. Climax Service Agreement") ended. Since January 2010 he has held a position as a non-executive director of the Company.

The Dr. Climax Service Agreement provided for a bonus, a pension contribution, a twelve month notice period, two company cars and medical insurance cover for himself and his dependants. The new arrangements with Dr. Climax in his position as a non-executive director provide for the payment to him of director fees of \$48,000 per annum plus reasonable expenses properly incurred in carrying out his duties for the Company. He was previously granted and held at 18 April 2011, 108,000 ordinary share options at exercise prices ranging from \$8.88 to \$35.33 per share.

Compensation and Organisation Committee Report (continued)

Directors' and Key Executive Officers service agreements and letters of engagement continued

Dr. John Climax (continued)

The arrangements relating to Dr. Climax's retirement were set out in an agreement entered into between the Company and Dr. Climax in December 2009 (the "December 2009 Agreement"). Pursuant to the December 2009 Agreement, Dr. Climax received, having regard to the Dr. Climax Service Agreement (which terminated pursuant to the December 2009 agreement), a payment of €830,000 (\$1,200,620) and a pension contribution of €170,000 (\$252,620). In addition, and also pursuant to the December 2009 Agreement, he received an ex-gratia pension contribution for past service of €220,308 (\$327,378), the acceleration of vesting of unvested share options and the transfer of two company cars at a cost to the Company of €52,706 (\$68,063). Further details of these payments and contributions are set out in the Directors and Key Executive Officers remuneration table on pages 17 and 18.

The Company has also 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 (\$375,795) per annum. 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. The consultancy agreement provides that the Company will provide, during the term of the agreement, permanent disability and life insurance cover for Dr. Climax and medical insurance cover for himself and his dependants.

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 a non-executive director of the Company. The arrangements with Dr. Lambe provide for the payment to him of director fees of \$52,000 per annum plus reasonable expenses properly incurred in carrying out his duties for the Company. He was previously granted and held at 18 April 2011, 24,000 ordinary share options at exercise prices ranging from \$8.60 to \$35.33 per share.

Mr. Thomas Lynch

Mr. Thomas Lynch has served as a non-executive director of the Company since January 1996. The arrangements with Mr. Lynch provide for the payment to him of director fees of \$78,000 per annum plus reasonable expenses properly incurred in carrying out his duties for the Company. He was previously granted and held at 18 April 2011, 20,000 ordinary share options at exercise prices ranging from \$8.60 to \$35.33 per share.

Professor Dermot Kelleher

Professor Dermot Kelleher has served as a non-executive director of the Company since May 2008. The arrangements with Professor Kelleher provide for the payment to him of director fees of \$73,000 per annum (pre 23 February 2010: \$53,000 per annum). He was previously granted and held at 18 April 2011, 12,000 ordinary share options at an exercise prices ranging from \$22.26 to \$36.04.

Dr. Anthony Murphy

Dr. Anthony Murphy has served as a non-executive director of the Company since April 2009. The arrangements with Dr. Murphy provide for the payment to him of directors fees of \$78,000 per annum (pre 23 February 2010: \$53,000 per annum). He was previously granted and held at 18 April 2011, 7,000 ordinary share options at exercise prices ranging from \$15.84 to \$24.46.

Mr. Declan McKeon

Mr. Declan McKeon has served as a non-executive director of the Company since April 2010. The arrangements with Mr McKeon provide for the payment to him of directors fees of \$53,000 per annum. He was previously granted and held at 18 April 2011, 5,000 ordinary share options at exercise prices ranging from \$20.28 to \$29.45.

Ms Cathrin Petty

Ms. Cathrin Petty has served as a non-executive director of the Company since October 2010. The arrangements with Ms. Petty provide for the payment to her of directors fees of \$53,000 per annum. She was previously granted and held at 18 April 2011, 5,000 ordinary share options at exercise prices ranging from \$19.45 to \$20.28.

Compensation and Organisation Committee Report (continued)

Directors and Key Executive Officers Remuneration

Year ended 31 December 2010

	Salary	Bonus	Pension	All other	Subtotal	Subtotal	Director	Share-	Total
	€'000	€'000	contribution*	compensation	€'000	€'000	Fees	based***	compensation
	€'000	€'000	€'000	€'000	€'000	\$'000	\$'000	\$'000	\$'000
<i>Executive Director/Key Executive Officers</i>									
Peter Gray	525	105	53	37	720	958	–	761	1,719
Ciaran Murray	400	100	38	18	556	739	–	219	958
	925	205	91	55	1,276	1,697	–	980	2,677
<i>Non-executive Directors</i>									
Bruce Given	–	–	–	–	–	–	317	31	348
John Climax**	–	–	–	53	53	68	48	7	123
Ronan Lambe	–	–	–	–	–	–	52	21	73
Thomas Lynch	–	–	–	–	–	–	78	23	101
Edward Roberts	–	–	–	–	–	–	17	44	61
Dermot Kelleher	–	–	–	–	–	–	65	30	95
Anthony Murphy	–	–	–	–	–	–	75	14	89
Declan McKeon	–	–	–	–	–	–	40	12	52
Cathrin Petty	–	–	–	–	–	–	12	2	14
	–	–	–	53	53	68	704	184	956
Total	925	205	91	108	1,329	1,765	704	1,164	3,633

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

** Further information is set out in the *Directors' and Key Executive Officers service agreements and letters of engagement* section on pages 15 and 16 of this report.

*** Represents the current year amortisation of the grant-date fair value of share options. The grant date fair value is calculated using a binomial lattice model and is amortised to the Consolidated Income statement over the period of vesting of the related option.

Compensation and Organisation Committee Report (continued)

Directors and Key Executive Officers Remuneration

Year ended 31 December 2009

	Salary	Bonus	Pension contribution*	All other compensation	Subtotal	Subtotal	Director Fees	Share-based*** compensation	Total compensation
	€'000	€'000	€'000	€'000	€'000	\$'000	\$'000	\$'000	\$'000
<i>Executive Director/Key Executive Officers</i>									
John Climax**	600	350	440	954	2,344	3,352	–	401	3,753
Peter Gray	500	388	49	38	975	1,358	–	174	1,532
Ciaran Murray	309	209	27	18	563	785	–	149	933
	1,409	947	516	1,010	3,882	5,495	–	724	6,218
<i>Non-executive Directors</i>									
Bruce Given	–	–	–	–	–	–	66	23	89
Ronan Lambe	–	–	–	–	–	–	48	20	68
Thomas Lynch	–	–	–	–	–	–	78	23	101
Edward Roberts	–	–	–	–	–	–	78	23	101
Dermot Kelleher	–	–	–	–	–	–	52	34	86
Anthony Murphy	–	–	–	–	–	–	42	6	48
Shuji Higuchi	–	–	–	–	–	–	–	14	14
	–	–	–	–	–	–	364	143	507
Total	1,409	946	516	1,010	3,882	5,495	364	867	6,725

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

** Further information is set out in the *Directors' and Key Executive Officers service agreements and letters of engagement* section on pages 15 and 16 of this report.

*** Represents the current year amortisation of the grant-date fair value of share options. The grant date fair value is calculated using a binomial lattice model and is amortised to the Consolidated Income statement over the period of vesting of the related option.

Compensation and Organisation Committee Report (continued)

The Directors and Secretary who held office at 31 December 2010 had the following interests, all of which were beneficial, other than as stated, in the shares and share options of the Company or other Group companies at those dates:

Name of Director/ Key Executive Officer	Name of company and description of shares	Interest at 18 April 2011		Interest at 31 December 2010		Interest at 31 December 2009	
		Number of shares	Options	Number of shares	Options	Number of shares	Options
Dr. Bruce Given	ICON plc Ordinary Shares €0.06	500	24,000	500	20,000	–	16,000
Peter Gray	ICON plc Ordinary Shares €0.06	376,288	288,000	376,288	238,000	396,288	128,000
	Holmrook Limited “C” Ordinary Shares €0.126974	1,000	–	1,000	–	1,000	–
Ciaran Murray	ICON plc Ordinary Shares €0.06	–	145,000	–	115,000	–	125,000
	Holmrook Limited “H” Ordinary Shares €0.0126973	10,000	–	10,000	–	10,000	–
Dr. John Climax	ICON plc Ordinary Shares €0.06	1,607,568	108,000	1,607,568	106,000	3,107,568	124,000
	Holmrook Limited “A” Ordinary Shares €0.634869	200	–	200	–	200	–
Dr. Ronan Lambe	ICON plc Ordinary Shares €0.06	400	24,000	400	22,000	54,380	26,000
	Holmrook Limited “B” Ordinary Shares €0.317435	400	–	400	–	400	–
Thomas Lynch	ICON plc Ordinary Shares €0.06	1,204	20,000	1,204	18,000	4	17,200
Prof. Dermot Kelleher	ICON plc Ordinary Shares €0.06	–	12,000	–	10,000	–	8,000
Dr. Anthony Murphy	ICON plc Ordinary Shares €0.06	200	7,000	200	5,000	–	3,000
Declan McKeon	ICON plc Ordinary Shares €0.06	–	5,000	–	3,000	–	3,000
Cathrin Petty	ICON plc Ordinary Shares €0.06	–	5,000	–	3,000	–	–

On 3 March 2011 Mr. Peter Gray was awarded 100,000 restricted stock units which will vest after 3 years.

On 10 February 2011 Mr. Ciaran Murray was awarded 50,000 restricted stock units which will vest after 5 years.

Compensation and Organisation Committee Report (continued)

Further details regarding the above options at 31 December 2010 are as follows:

Name of Director/ Key Executive Officer	Options	Exercise price	Grant date	Expiry date
Dr. Bruce Given	4,000	\$8.60	24 February 2005	24 February 2013
	4,000	\$11.00	3 February 2006	3 February 2014
	4,000	\$21.25	16 February 2007	16 February 2015
	2,000	\$35.33	26 February 2008	26 February 2016
	2,000	\$22.26	25 February 2009	25 February 2017
	4,000	\$24.46	4 March 2010	4 March 2018
Peter Gray	12,000	\$11.00	3 February 2006	3 February 2014
	12,000	\$21.25	16 February 2007	16 February 2015
	14,000	\$35.33	26 February 2008	26 February 2016
	50,000	\$15.84	30 April 2009	30 April 2017
	150,000	\$24.25	8 March 2010	8 March 2018
Ciaran Murray	20,000	\$10.42	17 January 2006	17 January 2014
	18,000	\$11.00	3 February 2006	3 February 2014
	16,000	\$21.25	16 February 2007	16 February 2015
	14,000	\$35.33	26 February 2008	26 February 2016
	17,000	\$22.26	25 February 2009	25 February 2017
	30,000	\$24.46	4 March 2010	4 March 2018
Dr. John Climax	20,000	\$8.88	4 February 2004	4 February 2012
	12,000	\$11.00	3 February 2006	3 February 2014
	12,000	\$21.25	16 February 2007	16 February 2015
	10,000	\$35.33	26 February 2008	26 February 2016
	50,000	\$15.84	30 April 2009	30 April 2017
	2,000	\$24.46	4 March 2010	4 March 2018
Dr. Ronan Lambe	6,000	\$8.88	4 February 2004	4 February 2012
	4,000	\$8.60	24 February 2005	24 February 2013
	4,000	\$11.00	3 February 2006	3 February 2014
	2,000	\$21.25	16 February 2007	16 February 2015
	2,000	\$35.33	26 February 2008	26 February 2016
	2,000	\$22.26	25 February 2009	25 February 2017
	2,000	\$24.46	4 March 2010	4 March 2018
	2,000	\$24.46	4 March 2010	4 March 2018
Thomas Lynch	2,400	\$8.88	4 February 2004	4 February 2012
	2,400	\$8.60	24 February 2005	24 February 2013
	3,200	\$11.00	3 February 2006	3 February 2014
	4,000	\$21.25	16 February 2007	16 February 2015
	2,000	\$35.33	26 February 2008	26 February 2016
	2,000	\$22.26	25 February 2009	25 February 2017
	2,000	\$24.46	4 March 2010	4 March 2018
	2,000	\$24.46	4 March 2010	4 March 2018
Prof. Dermot Kelleher	6,000	\$36.04	27 May 2008	27 May 2016
	2,000	\$22.26	25 February 2009	25 February 2017
	2,000	\$24.46	4 March 2010	4 March 2018
Dr. Anthony Murphy	3,000	\$15.84	30 April 2009	30 April 2017
	2,000	\$24.46	4 March 2010	4 March 2018
Declan McKeon	3,000	\$29.45	29 April 2010	29 April 2018
Cathrin Petty	3,000	\$19.45	26 October 2010	26 October 2018

Compensation and Organisation Committee Report (continued)

Directors' and Key Executive Officers share and share option transactions

Details of transactions entered into by Directors and Key Executive Officers in shares and shares options of the Company during the year ended 31 December 2010 were as follows:

Name of Director/Key Executive Officer	No. Options	Options Exercised	
		Average Exercise Price	Market Price on date of Exercise
Dr. Bruce Given	–	–	–
Peter Gray	40,000	\$7.94	\$28.78
Ciaran Murray	40,000	\$10.42	\$24.25
Dr. John Climax	20,000	\$7.00	\$20.12
Dr. Ronan Lambe	6,000	\$7.00	\$20.36
Thomas Lynch	1,200	\$7.00	\$19.87
Prof. Dermot Kelleher	–	–	–
Dr. Anthony Murphy	–	–	–
Declan McKeon	–	–	–
Cathrin Petty	–	–	–

Name of Director/Key Executive Officer	Shares Purchased		Shares Sold	
	No. Shares	Average purchase price/exercise price	No. Shares	Average Market Price of Shares Sold
Dr. Bruce Given	500	\$24.67	–	–
Peter Gray	–	–	(60,000)	\$28.78
Ciaran Murray	–	–	(40,000)	\$24.25
Dr. John Climax	–	–	(1,520,000)	\$24.31
Dr. Ronan Lambe	–	–	(59,900)	\$22.25
Thomas Lynch	–	–	–	–
Prof. Dermot Kelleher	–	–	–	–
Dr. Anthony Murphy	200	\$23.87	–	–
Declan McKeon	–	–	–	–
Cathrin Petty	–	–	–	–

The market price of the Company's ordinary shares during the year ended 31 December 2010 moved in the range of \$18.93 to \$30.31 (year ended 31 December 2009: in the range of \$12.17 to \$26.85). The closing share price at 31 December 2010 was \$21.90 (at 31 December 2009 \$21.73).

On behalf of the Compensation and Organisation Committee

Dr. Anthony Murphy
Chairman
Compensation and Organisation Committee

18 April 2011

Corporate Governance Report

The Company's primary listing for its shares is the NASDAQ market. The Company also maintains a secondary listing on the Irish Stock Exchange. The Company is committed to the highest standards of corporate governance and compliance consistent with best practice and during the year ended 31 December 2010 has applied, where practicable, the principles set out in section 1 of the Combined Code on Corporate Governance published by the Financial Reporting Council in June 2008 (the "Combined Code") and adopted by the Irish Stock Exchange. The Company also welcomes the introduction of the UK Corporate Governance code published by the Financial Reporting Council in June 2010 (the "2010 UK Code") and the Irish Corporate Governance Annex published by the Irish Stock Exchange in December 2010 (the "Irish Annex") both of which, pursuant to the Company's secondary listing on the Irish Stock Exchange, will apply to the Company's financial year ending 31 December 2011.

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 2009 or by the Articles of Association of the Company to be exercised by the Company in general meeting. A meeting of directors at which a quorum is present may exercise all powers exercisable by the directors. The directors may delegate (with power to sub-delegate) to any director holding any executive office and to any Committee consisting of one or more directors, together with such other persons as may be appointed to such Committee by the directors, provided that a majority of the members of each Committee appointed by the directors shall at all times consist of directors and that no resolution of any such Committee shall be effective unless a majority of the members of the Committee present at the meeting at which it was passed are directors.

The Board comprises one executive and eight non-Executive Directors at the date of this report. The non-Executive Directors bring independent judgment to bear on issues of strategy, performance, resources, key appointments and standards. The Company considers all of its non-Executive Directors to be of complementary skills, experience and knowledge and each non-Executive Director has specific skills, experience and knowledge that is valuable to the Company. Board members between them have very strong financial, pharmaceutical, CRO, scientific, medical, human resources 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 (9 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 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 Group to achieve its objectives. The Board normally meets at least four times each year. During the year ended 31 December 2010 the Board met on four occasions. Additional meetings and Board updates, to consider specific issues, are held as and when required. All Directors allocated sufficient time to the Company during the year ended 31 December 2010 to effectively discharge their responsibilities to the Company.

Corporate Governance Report (continued)

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 2011, it is anticipated that two directors will retire by rotation and offer themselves for re-election. In addition, Cathrin Petty, having been appointed a Director by the Company in October 2010, will also offer herself for re-election.

The Company has noted that the 2010 UK Code does provide for annual re-election of the entire Board for FTSE 350 companies and that the Irish Annex provides that the Company is to be regarded as a FTSE350 company for the purposes of the 2010 UK Code. The Company however, is currently intending not to apply annual re-election of the entire Board for the July 2011 annual general meeting as it is not required to do so under the NASDAQ rules (where the Company has its primary listing) and also because the Company does not believe that putting the entire Board up for annual re-election in 2011 is in the best interest of shareholders. The Company will however monitor how annual re-election is applied to other listed companies that have implemented the 2010 UK Code and will re-evaluate if annual re-election should apply to all of the Company's Board of Directors in 2012 and beyond.

Directors' Independence

The Board considers the non-Executive Directors, excluding Dr. Ronan Lambe and Dr. John Climax, to be independent. This means that the Board considers each of Cathrin Petty, Declan Mc Keon, Dermot Kelleher, Anthony Murphy and Thomas Lynch to be independent. The Board consider this to be the case notwithstanding:

- (i) the granting of share options to them which is considered appropriate given the work that they undertake on behalf of the Company, their value to the company and the fact that the Company's primary listing is on the NASDAQ (as NASDAQ rules do not prevent non-Executive directors from receiving share options). The Company acknowledges that the 2010 UK Code recommends that non-Executive Directors should not receive share options but the Company feels that, based on the reasons above, it is appropriate for share options to be granted to Non-executive directors; and
- (ii) in the case of Thomas Lynch, that he has served as a non-Executive Director for more than 9 years. (The reasons for this are set out in the Compliance Statement on page 29.)

The non-Executive Directors bring independent judgement to bear on issues of strategy, performance, resources, key appointments and standards and the Board are satisfied that all of the independent non-Executive directors are independent in character and judgement and there are no relationships or circumstances which are likely to affect, or could appear to affect, any independent non-executive's judgement.

Chairman

On 1 January 2010 Dr. Bruce Given was appointed Chairman of the Board of the Company; replacing Dr. John Climax who resigned as Chairman of the Board on 31 December 2009. The Chairman is responsible for the efficient and effective working of the Board. He ensures that Board agendas cover the key issues confronting the Group and that briefing papers are circulated to Board members in advance of meetings allowing them full and timely access to the information necessary to enable them to discharge their duties. The Chairman is available to shareholders who may have concerns that cannot be addressed through the Chief Executive Officer. The Chairman makes himself available to the non-Executive Directors without the executive Directors present. The Chairman evaluates and monitors the performance of the other Directors. The Board is aware that the 2010 UK Code recommends for FTSE350 companies, that the evaluation of the Board should be externally facilitated at least every three years. The 2010 UK Code will apply to the year ending 31 December 2011 but the Company has already started to consider how external Board evaluation would work in practice and if it would be to the benefit of shareholders.

Corporate Governance Report (continued)

Company Secretary

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

Senior Independent Director

Mr. Thomas Lynch was appointed as Senior Independent Director in February 2010 and replaced Mr. Edward Roberts who was the previous Senior Independent Director. Mr. Lynch is available to shareholders should they have any concerns where contact through the normal channels of Chairman or Chief Executive Officer has failed to resolve or for which such contact is inappropriate.

Skill and Contribution of Directors

The skills, knowledge and experience of each of the Directors is set out in the Board of Directors and Senior Management section. The Company believes their combined broad and diverse skills, knowledge and experience are appropriate and adequate for the Company however the Board continues to look for potential new Board members. The Chairman has informally evaluated the contribution of each Director to the Board during the year ended 31 December 2010 and was satisfied with each Directors contribution.

Induction and development

An induction program is arranged for all new Directors. This covers the major trading activities of the Company, the roles and responsibilities of Directors, information on the Group's Strategy and individual meetings with members of the Company's senior management team. All Directors are informed of relevant corporate and compliance developments as they arise and the Directors regularly update and refresh their skills and knowledge as appropriate.

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 Organisation 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 circulated 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 to the Committee during the year ended 31 December 2010 and was satisfied with each Directors' contribution.

Corporate Governance Report (continued)

The membership of each board Committee as at 18 April 2011, together with details of date of appointment to the committee, are as follows:

Board committee membership and dates of appointment

		Compensation and Audit	Nominating and Governance	Execution	Quality
Dr. Bruce Given	–	23 Sept 2004	23 Sept 2004	23 Feb 2010	–
Peter Gray	–	–	–	9 Aug 2002	–
Dr. Ronan Lambe	–	–	–	–	23 Feb 2010
Dr. John Climax	–	–	–	–	–
Thomas Lynch	17 July 1998	17 July 1998	22 July 2004	–	–
Prof. Dermot Kelleher	28 April 2008	–	–	–	23 Feb 2010
Dr. Anthony Murphy	–	19 Oct 2009	21 Feb 2010	–	–
Mr Declan McKeon	19 April 2010	–	–	–	–
Ms Cathrin Petty	18 Oct 2010	–	–	–	–

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 group staff to raise concerns in confidence about possible 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 and the external auditors normally attend all meetings of the Audit Committee and have direct access to the Committee Chairman at all times.

The Company is aware of the importance of risk management and has noted the developments in relation to risk management introduced by the 2010 UK Code and the Irish Corporate Governance Annex. Management, together with input from the audit committee, are working with external risk consultants to evaluate the Group's current risk strategies and policies which have been developed by the group based on the group's activities and potential exposures. The establishment of the quality committee of the Board in February 2010 was part of the Company's ongoing efforts to manage and monitor risk. Ensuring that the Group does its work and provides its services in accordance with regulatory standards and contractual obligations is one of the Group's key objectives.

At the Company's Board meeting on 23 February 2010 the composition of the Audit Committee was amended to comprise Thomas Lynch (Chairman), Edward Roberts, and Professor Dermot Kelleher, having previously comprised Edward Roberts (Chairman), Thomas Lynch, Bruce Given and Professor Dermot Kelleher. On 19 April 2010 Edward Roberts resigned as a member of the Audit Committee and was replaced by Declan McKeon. On 18 October 2010 Cathrin Petty was appointed as a member of the Audit Committee. In addition, it has been agreed that Declan McKeon will replace Thomas Lynch as Chairman of the Audit Committee with effect from the Company's July 2011 Audit Committee meeting.

Corporate Governance Report (continued)

Compensation and Organisation Committee

The Compensation and Organisation 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 Group. Annual bonuses for the executive director are determined by the committee based on the achievement of the Company's objectives. The Committee also oversees succession planning for the Groups' senior management. The Compensation and Organisation Committee currently comprises two independent non-executive Directors and the Chairman. The Company notes that the 2010 UK code recommends that the Committee should comprise at least three independent non-executive Directors and may also comprise the Chairman. The Company will continue to monitor the composition of its Board committees during the year ended 31 December 2011.

At the Company's Board meeting on 23 February 2010 composition of the Compensation and Organisation Committee was amended to comprise and currently comprises Dr Anthony Murphy (Chairman), Dr. Bruce Given and Thomas Lynch, having previously comprised Dr. Anthony Murphy (Chairman), Edward Roberts, Dr. Bruce Given and Thomas Lynch.

Nominating and Governance Committee

The Nominating and Governance Committee reviews the membership of the Board 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. The Committee used in 2010 and is using during 2011 an external search consultant to assist it in identifying potential new non-Executive 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 requires and would benefit from the potential candidate's skills knowledge and experience and if it decides the potential candidate is suitable and would add relevant skills, knowledge and experience to the Board, the committee recommends to the Board that the potential candidate be appointed to the Board. The Board then decides whether or not to appoint the candidate. The Committee pays attention to the need to consider and have diversity of the Board members when making recommendations to the Board and was pleased when Cathrin Petty was appointed as a Director in October 2010. The Committee also reviews and recommends the corporate governance principles of the Company.

At the Company's Board meeting on 23 February 2010 composition of the Nominating and Governance Committee was amended to comprise Dr. Anthony Murphy (Chairman), Dr. Bruce Given and Thomas Lynch, having previously comprised Thomas Lynch (Chairman), Dr. Bruce Given and Dr. Anthony Murphy.

Execution Committee

The primary function of the Execution Committee is to exercise the power and authority of the Board at intervals between meetings of the Board. All powers exercised by the Execution Committee are ratified at subsequent Board meetings. This Committee convenes as often as it determines to be necessary or appropriate. At the Company's Board meeting on 23 February 2010 composition of the Execution Committee was amended to comprise Peter Gray (Chairman), Dr. Bruce Given and Ciaran Murray, having previously comprised Peter Gray (Chairman), Dr. John Climax and Ciaran Murray.

Quality Committee

On 23 February 2010 the Company established a Quality Committee. The primary function of this committee is to oversee the Company's quality strategy, commitment and performance. The committee comprises Professor Dermot Kelleher (Chairman) and Dr. Ronan Lambe. Due to the importance of operational quality to the Groups business, the Board concluded that the Quality Committee reporting to the Board will be part of the Board's annual review of risk management as required by the 2010 UK Code.

Corporate Governance Report (continued)

Attendance at Board and Committee meetings

Attendance at Board and committee meetings by the directors who held office during 2010 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					
Dr. Bruce Given	4/4	–	4/4	3/3	1/1	–
Peter Gray	4/4	–	–	–	1/1*	–
Dr. Ronan Lambe	4/4	–	–	–	–	3/3
Dr. John Climax	4/4	–	–	–	–	–
Thomas Lynch	4/4	4/4	3/4	3/3	–	–
Edward Roberts (resigned April 2010)	2/2	2/2	2/2	2/2	–	–
Prof. Dermot Kelleher	4/4	4/4	–	–	–	3/3*
Dr. Anthony Murphy	4/4	–	4/4*	3/3*	–	–
Mr Declan McKeon (appointed April 2010)	3/3	3/3*	–	–	–	–
Ms Cathrin Petty (appointed October 2010)	1/1	–	–	–	–	–

* Denotes committee chairman.

Internal control

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

The principal processes comprising the system of internal control are as follows:

- A clear focus on business objectives is established by the Board having considered the risk profile of the Group;
- The organisation structure of the Group under the day-to-day direction of its Chief Executive Officer is clear. Defined lines of responsibility and delegation of authority have been established within which the Group's activities can be planned, executed, controlled and monitored in order to achieve the strategic objectives which the Board has adopted for the Group;
- A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability. These procedures are relevant across Group operations and provide for successive assurances to be given at increasingly higher levels of management and, finally, to the Board;
- The Board has reviewed the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed. The executive Director reports to the Board significant changes in the business and external environment which affect the significant risks identified;
- The Company has a comprehensive process for reporting financial information to the Board including a budget process which is approved annually by the Board. The Chief Financial Officer provides the Board with quarterly financial information which includes key performance indicators;
- The Group has a formal system of management and financial reporting, treasury management and capital project appraisal. This reporting system includes reporting on trading activities, operational issues, financial performance, working capital, cash flow and asset management. All material commitments are subject to Board approval.

Corporate Governance Report (continued)

To support our system of internal control the Company has a separate Internal Audit Function which reports independently to the Audit Committee of the Board. The Board reviews the effectiveness of the system of internal control and where areas for improvement in the system are identified, they will consider the recommendations made by the Audit Committee.

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

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

Memorandum and articles of association

The Company's Memorandum of Association sets out the objectives and powers of the Company. The Articles of Association detail the rights attaching to the Company's ordinary shares; the method by which the Company's shares can be purchased or re-issued; the provisions which apply to the holding of and voting at general meetings; and the rules relating to the Directors, including their appointment, retirement, re-election, duties and powers. The Company's Articles of Association may be amended by special resolution passed by the shareholders at an annual or extraordinary general meeting of the Company. A special resolution is passed at a meeting if not less than 75% of the members who vote in person or by proxy at the meeting vote in favour of the resolution.

A copy of the Company's Memorandum and Articles of Association can be obtained from the Company's website, www.iconplc.com.

Code of ethics

The Board of Directors adopted the Company's code of ethics in 2003 (the "2003 Code"), which applies to the Chief Executive Officer, the Chief Financial Officer and any persons performing similar functions, if any, of the Company. On 22 March 2011 the 2003 Code was replaced by the Group's new code of ethics which applies to all Group employees (the "2011 Code"). There are no material modifications to, or waivers from, the provisions of the 2011 Code, which are required to be disclosed and prior to being replaced by the 2011 Code, there were no waivers from the provisions of the 2003 Code although minor modifications were made to it in January 2011. A copy of both the 2003 Ethics Code and the 2011 Ethics Code are available on the Company's website, www.iconplc.com.

Communications with shareholders

Communications with shareholders are given high priority and there is regular dialogue with individual institutional shareholders other than during closed periods, as well as general presentations at the time of the announcement of the annual and interim results. The Company's Annual General Meeting affords individual shareholders the opportunity to question the Chairman, the Board and Board Committee Chairmen. In addition, the Company is available to respond throughout the year to shareholders on issues that shareholders wish to raise. The non-Executive directors are kept informed of the views of the stock market analysts and major shareholders in relation to the Company.

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

Corporate Governance Report (continued)

Compliance statement

The Board confirms that the Company has complied with the relevant principles of section 1 of the Combined Code during the year ended 31 December 2010 except for:

- A formal policy for regular evaluation of the Board Committees, individual Directors and the Chairman, which has yet to be put in place,
- Non Executive Directors are in receipt of share options which has been deemed appropriate by the Board (and which is allowed by the NASDAQ listing rules where the Company has its primary listing), and
- Directors with more than 9 years service are not subject to annual re-election.

The Board considers Thomas Lynch to be independent despite having served as a non Executive Director for more than 9 years. In making this decision, the Board took into account that the Combined Code provides that a director having more than 9 years service is relevant in deciding whether a director is independent. However, despite having more than 9 years service, the Board is satisfied that Thomas Lynch is independent for the purposes of the Combined Code as he is independent in character and judgement and there are no relationships or circumstances which are likely to affect, or could appear to affect, his judgement as an independent non-Executive Director.

The Board welcomes the introduction of and is actively considering the 2010 UK Code and Irish Annex which apply in respect of the financial year commenced 1 January 2011. Since 1 January 2011, the Company has complied with the relevant provisions of the 2010 UK Code except for:

- The exceptions listed above in respect of the Combined Code,
- The Company currently intends not to put all Directors up for re-election in 2011 and instead will put forward 3 of the 9 Directors in accordance with the Company's Articles of Association,
- The Company does not intend in 2011 to have an independent evaluation of the Board but it should be noted that an independent evaluation is only required once every 3 years.

The Company feels that all non-compliance with the Combined Code, the 2010 UK Code and the Irish Annex are adequately explained in the Annual Report and that none have any material impact on Shareholder's interests.

On behalf of the board

Dr. Bruce Given
Director

Peter Gray
Director

Statement of Directors' Responsibilities

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

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

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and have elected to prepare the Company financial statements in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Acts 1963 to 2009.

The Group and Company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and performance of the Group and Company. The Companies Acts 1963 to 2009 provide in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state that the financial statements comply with the IFRSs as adopted by the EU, and in the case of the Company, as applied in accordance with the Companies Acts 1963 to 2009; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2009 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and Company and to prevent and detect fraud and other irregularities.

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

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

Statement of Directors' Responsibilities (continued)

Responsibility Statement, in accordance with the Transparency Regulations

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

- the Group financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities and financial position of the Group at 31 December 2010 and its profit for the year then ended;
- the Company financial statements, prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Acts 1963 to 2009, give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2010; and
- the directors' report contained in the Annual Report includes a fair view of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

On behalf of the board

Dr. Bruce Given
Director

Peter Gray
Director

Independent Auditor's Report to the Members of ICON plc

We have audited the Group and Company financial statements (the "financial statements") of ICON plc for the year ended 31 December 2010 which comprise of the Consolidated Income Statement, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Cash Flow, the Consolidated Statements of Recognised Income and Expense, the Consolidated and Company Statements of Changes in Equity and the related notes (notes 1 to 32). These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, in the case of the Company as applied in accordance with Company Acts 1963 to 2009, are set out in the Statement of Directors' Responsibilities on pages 30 and 31.

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

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with IFRSs as adopted by the EU, and have been properly prepared in accordance with the Companies Acts 1963 to 2009 and, in the case of the Consolidated financial statements, Article 4 of the IAS Regulation. We also report to you our opinion as to: whether proper books of account have been kept by the Company; whether at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the Company balance sheet is in agreement with the books of account.

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

We are required by law to report to you our opinion as to whether the description of the main features of the internal control and risk management systems in relation to the process for preparing the consolidated group financial statements, set out in the annual Corporate Governance Statement is consistent with the consolidated financial statements. In addition we review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2008 Combined Code specified for our review by the Listing Rules of the Irish Stock Exchange, and we report if it does not. We are not required to consider whether the Directors' statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the Consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2010 and of its profit for the year then ended;
- the Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Acts 1963 to 2009, of the state of the Company's affairs as at 31 December 2010;
- the Consolidated financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2009 and Article 4 of the IAS Regulation; and
- the Company financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2009.

Other Matters

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

In our opinion the information given in the directors' report and the description in the annual corporate governance statement of the main features of the internal control and risk management systems in relation to the process for preparing the consolidated groups financial statements is consistent with the financial statements.

The net assets of the Company, as stated in the Company balance sheet, are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2010 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.

KPMG

Chartered Accountants

Registered Auditor

Dublin, Ireland

18 April 2011

Statement of Accounting Policies

Basis of preparation

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

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) that are adopted by the European Union (EU) that are effective at 31 December 2010. The Directors have elected to prepare the Company financial statements in accordance with IFRS as adopted by the EU and as applied in accordance with the Companies Acts 1963 to 2009. The Group adopted the amendment to IAS 1 *Presentation of Financial Statements – A Revised Presentation* during 2009. This amendment sets overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. The revised standard aims to improve users' ability to analyse and compare information given in financial statements. The revised standard prohibits the presentation of items of income and expenses (that is, non-owner changes in equity) in the statement of changes in equity, requiring non-owner changes in equity to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the Group presents in the consolidated statements of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in a performance statement. The Group have elected to present non-owner changes in equity in two separate performance statements: the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income. The adoption of the amendment did not impact on the Statement of Financial Position or results from operations.

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

Statement of compliance

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS"), and the individual financial statements of the Company ("Company Financial Statements") have been prepared and approved by the Directors in accordance with EU IFRSs as applied in accordance with the Companies Acts 1963 to 2009. In accordance with Companies Acts 1963 to 2009, a company that publishes its Group and Company financial statements together, can take advantage of the exemption in Section 148(8) of the Companies Act 1963 from presenting to its members a Company income statement and related notes that form part of the approved Company financial statements.

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

- Amendment to IFRS 2 Share-based Payment – "Group Cash-settled share-based payment transactions" (effective 1 January 2010)
- Amendment to IAS 24 *Related Party Disclosures* (effective 1 January 2011)
- Amendment to IAS 27 *Consolidated and Separate Financial Statements* (effective 1 July 2009)
- Amendment to IAS 32 *Financial Instruments: "Classification of Rights Issues"* (effective 1 February 2010)*
- Amendments to IAS 39 *Financial Instrument: Recognition and Measurements* and IFRS 7 *Financial Instrument: Disclosure* (effective 1 July 2008)*
- Amendments to IAS 39 *Financial Instrument: Recognition and Measurements* (effective 1 July 2009)

Statement of Accounting Policies (continued)

Statement of compliance (continued)

- IFRIC Interpretation 14 *Prepayments of a Minimum Funding Requirement* (effective 1 January 2012)
- IFRIC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective 1 July 2010)
- Improvements to IFRS (effective 1 January 2010)*

* Endorsed by the EU

The Group does not anticipate that the adoption of these standards and interpretations will have a material effect on its financial statements on initial adoption.

Basis of consolidation

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

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

Foreign currency translation

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

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

Statement of Accounting Policies (continued)

Foreign currency translation (continued)

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

	Average		Year end	
	Year to 31 December 2010	Year to 31 December 2009	31 December 2010	31 December 2009
Euro 1:\$	1.3204	1.39520	1.3377	1.43160
Pound Sterling 1:\$	1.5420	1.56763	1.5599	1.61540

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

Property, plant and equipment

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

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

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

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

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

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

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

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

Statement of Accounting Policies (continued)

Leased Assets – as lessee

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

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

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

Investments in subsidiaries – company

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

Business combinations

The cost of a business combination is measured as the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued in exchange for control together with any directly attributable costs. Where a business combination agreement provides for an adjustment to the cost of the acquisition which is contingent on future events, the amount of the estimated adjustment is recognised on the acquisition date at the acquisition date fair value of this contingent consideration if it can be reliably measured. 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 remeasured 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 Income Statement or other comprehensive income depending on whether the asset or 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 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.

Goodwill

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

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

Statement of Accounting Policies (continued)

Goodwill (continued)

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

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

Impairment of non financial assets

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

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

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

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

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

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

Intangible assets

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

	Years
Computer software	4-8
Customer relationships	3-11
Volunteer list	6
Order backlog	3

Statement of Accounting Policies (continued)

Inventories

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

Trade and other receivables

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

Current asset investments – available for sale

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

Cash and cash equivalents

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

Trade payables

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

Government grants

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

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

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

Statement of Accounting Policies (continued)

Interest bearing loans and borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

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

Provisions

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

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

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

Share capital

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

Employee benefits

(a) Pension and other post-employment benefits

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

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

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

Statement of Accounting Policies (continued)

Employee benefits (continued)

(a) Pension and other post-employment benefits (continued)

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

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

(b) Share-based payments

Share-based payments comprise options to acquire ordinary shares in the Company and restricted share units awarded to the Directors and other employees of the Group based on service and non-market performance conditions such as term of employment and individual performance. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the Directors and other employees become unconditionally entitled to the options. The fair value of options granted is measured using a binomial lattice model, taking into account the terms and conditions upon which the options were granted. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example profitability, sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

Revenue recognition

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

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

Statement of Accounting Policies (continued)

Revenue recognition (continued)

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

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

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

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 enrolment over the life of the contract. Investigator payments are made based on predetermined contractual arrangements, which may differ from the accrual of the expense.

Direct costs

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

Research and development credits

Research and development credits that are provided under the income tax law of the jurisdictions in which the Group operates generally are recognised as a reduction of income tax expense. However, certain tax jurisdictions provide refundable credits that are not dependent on the Group's ongoing tax status or 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 the operating expenditure to which the credits relate.

Financing expense

Financing expense comprises interest payable on borrowings calculated using the effective interest rate method, finance charges on finance leases, foreign exchange gains and losses on bank loans, interest costs on defined benefit obligations and gains and losses on hedging instruments that are recognised in the income statement.

Financing income

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

Statement of Accounting Policies (continued)

Income tax

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

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

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

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

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

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

Earnings per ordinary share

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

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

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The Group determines and presents operating segments based on the information that internally is provided to the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), who together are considered the Group's chief operating decision maker. An operating segment's operating results are reviewed regularly by the CEO and CFO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO and CFO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Consolidated Income Statement

for the year ended 31 December 2010

	Note	Year ended 31 December 2010 \$'000	Year ended 31 December 2009 \$'000
Gross revenue		1,263,147	1,258,227
Reimbursable expenses		(363,103)	(370,615)
Net revenue	1	900,044	887,612
Direct costs		(541,407)	(508,462)
Other operating expenses		(266,751)	(262,153)
Exceptional items	7	–	(8,808)
Operating profit		91,886	108,189
Financing income	3	2,741	1,492
Financing expense	4	(1,878)	(5,762)
Profit before taxation	2	92,749	103,919
Income tax expense	5	(6,577)	(11,211)
Profit for the year		86,172	92,708
Attributable to:			
Equity holders of the Company	24	86,172	92,708
Profit for the year		86,172	92,708
Earnings per ordinary share			
Basic	6	1.44	1.58
Diluted	6	1.41	1.54

On behalf of the Board

Dr. Bruce Given
Director

Peter Gray
Director

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2010

	<i>Note</i>	Year ended 31 December 2010 \$'000	Year ended 31 December 2009 \$'000
Items of income and expense recognised directly in equity			
Currency translation differences	24	(9,701)	7,797
Foreign exchange on long-term intercompany funding (net of tax)	24	(1,278)	2,251
Deferred tax movement on unexercised options	5	(2,865)	611
Tax benefit excess on exercised options	24	2,345	487
Actuarial loss recognised on defined benefit pension scheme	9	(1,209)	(619)
Net (loss)/income recognised directly in equity		(12,708)	10,527
Profit for the financial year		86,172	92,708
Total recognised income and expense for the year attributable to equity holders of the company		73,464	103,235

On behalf of the Board

Dr. Bruce Given
Director

Peter Gray
Director

Consolidated Statement of Financial Position

as at 31 December 2010

	31 December 2010	31 December 2009
	Note	\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	11	140,100
Intangible assets – goodwill and other	12	228,914
Other non-current assets	14	10,598
Deferred tax assets	5	1,862
Total non-current assets		381,474
Current assets		
Inventories	15	3,792
Accounts receivable	16	164,907
Unbilled revenue		101,431
Other current assets	17	23,005
Current taxes receivable		19,446
Current asset investments	18	–
Cash and cash equivalents	19	255,706
Total current assets		568,287
Total assets		949,761
EQUITY		
Share capital	23	5,063
Share premium		155,537
Options reserve		31,478
Other reserves		7,422
Foreign currency translation reserve		349
Retained earnings		483,896
Total equity attributable to equity holders	24	683,745
LIABILITIES		
Non-current liabilities		
Deferred government grants and other liabilities	20	5,146
Deferred tax liabilities	5	1,295
Total non-current liabilities		6,441
Current liabilities		
Accounts payable		12,314
Payments on account		134,240
Accrued and other liabilities	20	100,182
Current tax payable		12,839
Total current liabilities		259,575
Total liabilities		266,016
Total equity and liabilities		949,761

On behalf of the Board

Dr. Bruce Given
Director

Peter Gray
Director

Consolidated Statement of Changes in Equity

for the year ended 31 December 2010

	Number of shares	Share Capital \$'000	Share Premium \$'000	Options Reserve \$'000	Other Reserves \$'000	Currency Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 January 2010	59,007,565	4,965	142,518	31,017	7,422	11,328	392,531	589,781
Total comprehensive income for the year:								
Profit for the year	-	-	-	-	-	-	86,172	86,172
Other Comprehensive Income:								
Foreign currency translation	-	-	-	-	-	(9,701)	-	(9,701)
Foreign exchange on long-term funding (net of tax)	-	-	-	-	-	(1,278)	-	(1,278)
Deferred tax movement on unexercised options	-	-	-	(2,865)	-	-	-	(2,865)
Tax benefit excess on exercise of options	-	-	-	2,345	-	-	-	2,345
Employee benefits	-	-	-	-	-	-	(1,209)	(1,209)
Total other comprehensive income	-	-	-	(520)	-	(10,979)	(1,209)	(12,708)
Total comprehensive income for the year	-	-	-	(520)	-	(10,979)	84,963	73,464
Transactions with owners, recorded directly in equity								
Share-based payment	-	-	-	7,383	-	-	-	7,383
Exercise of share options	1,237,015	98	13,070	-	-	-	-	13,168
Issue of restricted share units	2,512	-	-	-	-	-	-	-
Share issue costs	-	-	(51)	-	-	-	-	(51)
Transfer of exercised and expired share-based awards	-	-	-	(6,402)	-	-	6,402	-
Total contributions by and distributions to owners	1,239,527	98	13,019	981	-	-	6,402	20,500
Total transactions with owners	1,239,527	98	13,019	981	-	-	6,402	20,500
Balance at 31 December 2010	60,247,092	5,063	155,537	31,478	7,422	349	483,896	683,745

Consolidated Statement of Changes in Equity

for the year ended 31 December 2009

	Number of shares	Share Capital \$'000	Share Premium \$'000	Options Reserve \$'000	Other Reserves \$'000	Currency Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 January 2009	58,518,195	4,921	138,227	28,123	7,422	1,280	294,153	474,126
Total comprehensive income for the year:								
Profit for the year	-	-	-	-	-	-	92,708	92,708
Other Comprehensive Income:								
Foreign currency translation	-	-	-	-	-	7,797	-	7,797
Foreign exchange on long-term funding (net of tax)	-	-	-	-	-	2,251	-	2,251
Deferred tax movement on unexercised options	-	-	-	611	-	-	-	611
Tax benefit excess on exercise of options	-	-	-	487	-	-	-	487
Employee benefits	-	-	-	-	-	-	(619)	(619)
Total other comprehensive income	-	-	-	1,098	-	10,048	(619)	10,527
Total comprehensive income for the year	-	-	-	1,098	-	10,048	92,089	103,235
Transactions with owners, recorded directly in equity								
Share-based payment	-	-	-	8,085	-	-	-	8,085
Exercise of share options	489,370	44	4,375	-	-	-	-	4,419
Share issue costs	-	-	(84)	-	-	-	-	(84)
Transfer of exercised and expired share-based awards	-	-	-	(6,289)	-	-	6,289	-
Total contributions by and distributions to owners	489,730	44	4,291	1,796	-	-	6,289	12,420
Total transactions with owners	489,730	44	4,291	1,796	-	-	6,289	12,420
Balance at 31 December 2009	59,007,565	4,965	142,518	31,017	7,422	11,328	392,531	589,781

Further details of the reserves above are detailed in note 24

Consolidated Statement of Cash Flows

for the year ended 31 December 2010

	Year ended 31 December 2010 \$'000	Year ended 31 December 2009 \$'000
Profit for the financial year	86,172	92,708
Adjustments to reconcile net income to net cash generated from operating activities		
Loss on disposal of property, plant and equipment	136	264
Depreciation	25,869	22,492
Amortisation of intangible assets	8,004	10,167
Amortisation of grants	(220)	(149)
Stock compensation expense	7,383	8,085
Finance income	(2,741)	(1,492)
Finance expense	1,878	5,762
Defined benefit pension costs	184	182
Income tax expense	6,577	11,211
Operating cash inflow before changes in working capital	133,242	149,230
Decrease in accounts receivable	18,267	25,804
(Increase)/decrease in unbilled revenue	(4,887)	47,898
(Increase)/decrease in other current assets	(81)	4,264
Increase in other non current assets	(1,273)	(903)
Increase in inventory	(233)	(202)
Increase/(decrease) in accounts payable	647	(5,641)
(Decrease)/increase in payments on account	(29,191)	43,474
(Decrease)/increase in accrued and other liabilities	(15,904)	10,639
Increase in non current other liabilities	999	1,261
Cash provided by operations	101,586	275,824
Income taxes paid	(14,634)	(17,610)
Employer contribution defined benefit pension scheme	(293)	(432)
Interest received	1,602	930
Interest paid	(833)	(3,642)
Net cash inflow from operating activities	87,428	255,070
Investing activities		
Purchase of property, plant and equipment	(18,990)	(22,274)
Purchase of intangible assets	(11,962)	(11,518)
Purchase of subsidiary undertakings and acquisition costs	(3,693)	(25,932)
Cash acquired with subsidiary undertakings	-	32
Sale of current asset investments	79,487	17,544
Purchase of current asset investments	(30,260)	(24,045)
Grant received	-	501
Net cash provided by/(used in) investing activities	14,582	(65,692)
Financing activities		
Drawdown of bank loan facilities	-	17,400
Repayment of credit lines and facilities	-	(126,969)
Tax benefit from the exercise of share options	2,345	487
Proceeds from exercise of share options	13,168	4,419
Share issuance costs	(51)	(84)
Repayment of lease liabilities	(166)	(311)
Net cash provided by/(used in) financing activities	15,296	(105,058)
Net increase in cash and cash equivalents	117,306	84,320
Effect of exchange rate changes	(6,401)	2,103
Cash and cash equivalents at start of year	144,801	58,378
Cash and cash equivalents at end of year	255,706	144,801

Company Statement of Financial Position

as at 31 December 2010

	31 December 2010 \$'000	31 December 2009 \$'000
	<i>Note</i>	
ASSETS		
Non-current assets		
Property, plant and equipment	31(a) 1,823	1,781
Intangible assets	31(b) 361	183
Investment in subsidiaries	31(c) 336,136	351,190
Deferred tax asset	31(d) 1,071	1,333
Total non-current assets	339,391	354,487
Current assets		
Other current assets	31(e) 2,560	3,304
Amounts due by subsidiary undertakings	785	–
Cash and cash equivalents	2,314	1,031
Total current assets	5,659	4,335
Total assets	345,050	358,822
EQUITY		
Share capital	5,063	4,965
Share premium	155,537	142,518
Options reserve	30,900	29,919
Other reserves	6,071	6,071
Functional currency translation reserve	13,997	32,521
Retained earnings	124,867	116,509
Attributable to equity holders	336,435	332,503
Total equity	336,435	332,503
LIABILITIES		
Current liabilities		
Accounts payable	168	305
Accrued and other liabilities	31(f) 8,386	9,587
Amounts due to subsidiary undertakings	–	16,406
Current taxes payable	61	21
Total current liabilities	8,615	26,319
Total liabilities	8,615	26,319
Total equity and liabilities	345,050	358,822

On behalf of the Board

Dr. Bruce Given
Director

Peter Gray
Director

Company Statement of Changes in Equity

for the year ended 31 December 2010

	Number of shares	Share Capital \$'000	Share Premium \$'000	Options Reserve \$'000	Other Reserves \$'000	Currency Reserve \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 1 January 2010	59,007,565	4,965	142,518	29,919	6,071	32,521	116,509	332,503
Total comprehensive income for the year:								
Profit for the year	-	-	-	-	-	-	1,956	1,956
Other comprehensive income								
Foreign currency translation	-	-	-	-	-	(18,524)	-	(18,524)
Total other comprehensive income	-	-	-	-	-	(18,524)	-	(18,524)
Total comprehensive income for the year	-	-	-	-	-	(18,524)	1,956	(16,568)
Transactions with owners, recorded directly in equity								
Share-based payment	-	-	-	7,383	-	-	-	7,383
Exercise of share options	1,237,015	98	13,070	-	-	-	-	13,168
Issue of restricted share units	2,512	-	-	-	-	-	-	-
Share issue costs	-	-	(51)	-	-	-	-	(51)
Transfer of exercised and expired share-based awards	-	-	-	(6,402)	-	-	6,402	-
Total contributions by and distributions to owners	1,239,527	98	13,019	981	-	-	6,402	20,500
Total transactions with owners	1,239,527	98	13,019	981	-	-	6,402	20,500
Balance at 31 December 2010	60,247,092	5,063	155,537	30,900	6,071	13,997	124,867	336,435

As permitted by section 148(8) of the Companies Act 1963, the Company has not presented a Company income statement. The profit for the 2010 financial year retained by the Company amounted to \$(1,956,000) (2009: Loss of \$2,426,000).

Company Statement of Changes in Equity

for the year ended 31 December 2009

	Number of shares	Share Capital \$'000	Share Premium \$'000	Options Reserve \$'000	Other Reserves \$'000	Currency Reserve \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 1 January 2009	58,518,195	4,921	138,227	28,123	6,071	33,924	112,646	323,912
Total comprehensive income for the year:								
Loss for the year	-	-	-	-	-	-	(2,426)	(2,426)
Other comprehensive income								
Foreign currency translation	-	-	-	-	-	(1,403)	-	(1,403)
Total other comprehensive income	-	-	-	-	-	(1,403)	-	(1,403)
Total comprehensive income for the year	-	-	-	-	-	(1,403)	(2,426)	(3,829)
Transactions with owners, recorded directly in equity								
Share-based payment	-	-	-	8,085	-	-	-	8,085
Exercise of share options	489,370	44	4,375	-	-	-	-	4,419
Share issue costs	-	-	(84)	-	-	-	-	(84)
Transfer of exercised and expired share- based awards	-	-	-	(6,289)	-	-	6,289	-
Total contributions by and distributions to owners	489,370	44	4,291	1,796	-	-	6,289	12,420
Total transactions with owners	489,370	44	4,291	1,796	-	-	6,289	12,420
Balance at 31 December 2009	59,007,565	4,965	142,518	29,919	6,071	32,521	116,509	332,503

As permitted by section 148(8) of the Companies Act 1963, the Company has not presented a Company income statement. The loss for the 2009 financial year retained by the Company amounted to \$(2,426,000) (2008: profit of \$55,187,000).

Company Statement of Cash Flows

for the year ended 31 December 2010

	Year ended 31 December 2010 \$'000	Year ended 31 December 2009 \$'000
Profit/(loss) for the financial year	1,956	(2,426)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:		
Loss on disposal of fixed asset	8	14
Depreciation	524	526
Amortisation of intangible assets	98	25
Stock compensation expense	1,247	941
Interest on intercompany loans	(2,518)	(2,549)
Finance expense	1,057	3,373
Income tax expense	699	795
Operating cash inflow before changes in working capital	3,071	699
Decrease in other current assets	555	699
Increase/(decrease) in accounts payable and accrued and other liabilities	16,062	(1,793)
Increase in income taxes payable	72	238
Cash provided by/(used in) operations	19,760	(157)
Interest paid	(833)	(3,642)
Income taxes paid	(489)	(854)
Net cash inflow/outflow from operating activities	18,438	(4,653)
Investing activities		
Purchase of computer software	(671)	(161)
Purchase of property, plant and equipment	(278)	(359)
Net cash used by investing activities	(949)	(520)
Financing activities		
Drawdown of bank credit lines and loan facilities	–	17,400
Repayment of bank credit lines and loan facilities	–	(126,969)
Increase/(decrease) in amounts due from subsidiary undertakings	(29,203)	110,914
Proceeds from exercise of share options	13,168	4,419
Share issuance costs	(51)	(84)
Net cash (used in)/provided by financing activities	(16,086)	5,680
Net increase in cash and cash equivalents	1,403	507
Effect of exchange rate changes	(120)	80
Cash and cash equivalents at start of year	1,031	444
Cash and cash equivalents at end of year	2,314	1,031

Notes to Consolidated and Company Financial Statements

1. Segmental information

The Group determines and presents operating segments based on the information that internally is provided to the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), who together are considered the Group's chief operating decision maker. The Company's primary listing for its shares is the NASDAQ market in the United States. Consequently, information reviewed by the chief operating decision maker is prepared in accordance with US generally accepted accounting principles ("US GAAP"). Reconciliations of the Group's profit for the financial year and the shareholders equity from US GAAP to IFRS are set out on pages 111 to 113 of this report.

The Company operates predominantly in the contract clinical research industry providing a broad range of clinical research and integrated product development services on a global basis for the pharmaceutical and biotechnology industries. Historically, the Group organised, operated and assessed its business in two segments, the clinical research segment and the central laboratory segment, which includes the Company's central laboratories located in Dublin, New York, India, Singapore and China. During 2009 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. In addition, the central laboratory division did not reach the thresholds of net revenue, income from operations and total assets as a requirement for being reported as a separate segment. Accordingly, in 2009 the Company consolidated and reclassified the results of the former central laboratory segment into the clinical research segment for the years ended 31 December 2009 and 31 December 2008.

During the year ended 31 December 2010 the Company incurred losses in its central laboratory business which breached the quantitative criteria in accordance with *IFRS 8 Operating Segments* and therefore requires the central laboratory business to be reported as a separate segment. Accordingly the Company has disclosed two reportable segments for the year ended 31 December 2010. The Company has also reclassified the results of the central laboratory segment from the clinical research segment for the year ended 31 December 2009.

Business Segment Information:

	(US GAAP) Year ended 31 December 2010 US\$'000	(US GAAP) Year ended 31 December 2009 US\$'000
Segment Revenue		
Central laboratory	63,813	70,656
Clinical research	836,231	816,956
Total	900,044	887,612
Segment Income from Operations		
Central laboratory	(12,759)	5,029
Clinical research	104,854	102,423
Total	92,095	107,452
Segment Depreciation and Amortisation		
Central laboratory	4,888	3,724
Clinical research	28,985	28,935
Total	33,873	32,659
Segment Interest Income		
Central laboratory	20	18
Clinical research	1,741	734
Total	1,761	752

Notes to Consolidated and Company Financial Statements (continued)

1. Segmental information (continued)

Business Segment Information (continued):

	(US GAAP) 31 December 2010 US\$'000	(US GAAP) 31 December 2009 US\$'000
Segment tax (credit)/charge		
Central laboratory	(2,858)	610
Clinical research	8,511	9,765
Total	5,653	10,375
Segment assets:		
Central laboratory	60,004	61,809
Clinical research	889,534	846,589
Total	949,538	908,398
Segment Liabilities:		
Central laboratory	14,677	14,440
Clinical research	264,865	321,713
Total	279,542	336,153
Capital expenditure:		
Central laboratory	3,991	10,774
Clinical research	27,602	24,040
	31,593	34,814

Geographical segment information

	Year ended 31 December 2010 US\$'000	Year ended 31 December 2009 US\$'000
External revenue		
Ireland	128,790	151,618
Rest of Europe	292,567	251,104
United States	381,196	408,561
Rest of World	97,491	76,329
	900,044	887,612
Non-current assets		
Europe	201,145	198,015
United States	165,464	178,972
Rest of World	14,865	14,230
	381,474	391,217

Major customers

No one client accounted for more than 10% of revenue during the years ended 31 December 2010 and 31 December 2009.

Notes to Consolidated and Company Financial Statements (continued)

1. Segmental information (continued)

Revenue categories

There were no significant categories of revenue recognised during the years ended 31 December 2010 and 31 December 2009.

2. Profit before taxation

Profit before taxation is stated after charging the following:

	Year ended 31 December 2010			Year ended 31 December 2009		
	Group auditor \$'000	Affiliated firms \$'000	Total \$'000	Group auditor \$'000	Affiliated firms \$'000	Total \$'000
Auditors' remuneration:						
Audit fees (1) (2)	1,075	370	1,445	1,130	370	1,500
Other assurance fees (3)	11	108	119	11	249	260
Tax advisory fees (4)	893	165	1,058	585	342	927
Other non-audit fees (5)	80	–	80	–	–	–
Total fees	2,059	643	2,702	1,726	961	2,687

- (1) Audit fees include annual audit fees for ICON plc and companies based in Ireland and the US.
- (2) Audit fees for the Company for the year is set at \$30,000 (2009: \$30,000).
- (3) Other assurance fees principally consist of fees for audit of remaining subsidiaries and fees for audit of financial statements of employee benefit plans.
- (4) Tax advisory fees are for tax compliance and tax advisory services.
- (5) Other non-audit fee principally consist of fees for financial due diligence.

	Year ended 31 December 2010 \$'000	Year ended 31 December 2009 \$'000
Directors' emoluments		
Fees	704	364
Other emoluments and benefits in kind	956	3,991
Pension contributions	70	718
Stock compensation expense	945	719
Total Directors' emoluments	2,675	5,792
Amortisation of intangible assets	8,004	10,167
Depreciation of property, plant and equipment	25,881	22,492
Operating lease rentals:		
Premises	37,421	36,206
Motor vehicles	6,553	6,935
Plant and equipment	2,046	2,025

For additional information regarding Directors' shareholdings, share options and compensation, please refer to the Compensation and Organisation Committee Report and note 8 – Payroll and related benefits.

Notes to Consolidated and Company Financial Statements (continued)

3. Financing income

	Year ended 31 December 2010 \$'000	Year ended 31 December 2009 \$'000
Financing income:		
Interest receivable	1,761	752
Defined benefit pension – expected return on plan assets	980	740
	2,741	1,492

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

4. Financing expense

	Year ended 31 December 2010 \$'000	Year ended 31 December 2009 \$'000
Financing expense:		
Foreign exchange loss on bank loans	–	1,559
Interest on bank overdraft and credit facilities	1,107	3,460
Finance lease interest	25	70
Defined benefit pension-interest cost	746	673
	1,878	5,762

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

Notes to Consolidated and Company Financial Statements (continued)

5. Income tax expense

The components of the current and deferred tax expense for the years ended 31 December 2010 and 2009 were as follows:

	Year ended 31 December 2010 \$'000	Year ended 31 December 2009 \$'000
Current tax expense:		
Current year	3,754	12,969
(Over)/under provided in prior years	(435)	758
	3,319	13,727
Deferred tax charge/(credit):		
Origination and reversal of temporary differences	3,107	(1,428)
Under/(over) provided in prior years	151	(1,088)
	6,577	11,211
Total income tax expense in the income statement	6,577	11,211

The total tax expense of \$6.6 million and \$11.2 million for the years ended 31 December 2010 and 31 December 2009 respectively, reflects tax at standard rates on taxable profits in the jurisdictions in which the group operates, foreign withholding tax and the availability of tax losses.

The deferred tax charge of \$3.3 million for the year ended 31 December 2010 and the deferred tax credit of \$2.5 million for the year ended 31 December 2009, relate to deferred tax arising in respect of net operating losses and temporary differences in capital items, certain goodwill and the timing of the deduction of share option schemes for tax purposes. No deferred tax asset has been recognised on the defined benefit pension scheme.

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

	Year ended 31 December 2010 \$'000	Year ended 31 December 2009 \$'000
Profit before tax	92,747	103,919
Irish standard tax rate	12.5%	12.5%
Taxes at Irish standard tax rate	11,593	12,990
Reversal of prior year under provision in respect of current foreign taxes	(285)	(329)
Foreign and other income taxed at higher rates	(3,844)	10,249
Non deductible expenses	97	65
Other	121	81
Losses for which no benefit has been recognised	822	4,027
Research and development tax incentives	(1,927)	(15,872)
Tax expense on profit for the year	6,577	11,211

Notes to Consolidated and Company Financial Statements (continued)

5. Income tax expense (continued)

The net deferred tax asset at 31 December 2010 and 31 December 2009 was as follows:

	31 December 2010 \$'000	31 December 2009 \$'000
Deferred taxation liabilities:		
Property, plant and equipment	6,478	5,873
Goodwill and related assets	7,348	5,492
Other intangible assets	223	12
Other	149	750
Accruals to cash method adjustment	832	1,312
Total deferred taxation liabilities	15,030	13,439
Less: offset against deferred tax assets	(13,735)	(12,484)
Deferred tax liability disclosed on balance sheet	1,295	955
Deferred taxation assets:		
Net operating losses carried forward	3,878	2,133
Accrued expenses and payments on account	6,588	9,296
Property, plant and equipment	433	353
Deferred compensation	1,349	947
Stock compensation expense	3,258	7,072
Other	91	239
Total deferred taxation assets	15,597	20,040
Less: offset against deferred tax liabilities	(13,735)	(12,484)
Deferred tax asset disclosed on balance sheet	1,862	7,556
Net deferred taxation asset	567	6,601

Notes to Consolidated and Company Financial Statements (continued)

5. Income tax expense (continued)

The movement in temporary differences during the years ended 31 December 2010 and 2009 was as follows:

	Balance 1 January 2010 \$'000	Acquired \$'000	Recognised in Income \$'000	Recognised in Equity \$'000	Balance 31 December 2010 \$'000
Deferred taxation liabilities:					
Property, plant and equipment	5,873	–	605	–	6,478
Goodwill on acquisition	5,492	–	1,856	–	7,348
Accruals to cash method adjustment	12	–	808	12	832
Other intangible assets	1,312	–	(1,089)	–	223
Other	750	–	(601)	–	149
Total deferred taxation liabilities	13,439	–	1,579	12	15,030
Deferred taxation assets:					
Net operating loss carry forwards	2,133	–	1,710	35*	3,878
Accrued expenses and payments on account	9,296	–	(2,774)	66*	6,588
Property, plant and equipment	353	–	80	–	433
Deferred compensation	947	–	402	–	1,349
Stock compensation expense	7,073	–	(950)	(2,865)	3,258
Other	238	–	(147)	–	91
Total deferred taxation assets	20,040	–	(1,679)	(2,764)	15,597
Net deferred taxation asset	6,601	–	(3,258)	(2,776)	567

* These adjustments relate to currency translation on the deferred tax asset.

	Balance 1 January 2009 \$'000	Acquired \$'000	Recognised in Income \$'000	Recognised in Equity \$'000	Balance 31 December 2009 \$'000
Deferred taxation liabilities:					
Property, plant and equipment	5,667	–	206	–	5,873
Goodwill on acquisition	5,112	718	(338)	–	5,492
Other intangible assets	546	–	773	(7)	1,312
Accruals to cash method adjustment	1,219	–	(1,207)	–	12
Other	1,008	–	(258)	–	750
Total deferred taxation liabilities	13,552	718	(824)	(7)	13,439
Deferred taxation assets:					
Net operating loss carry forwards	3,690	–	(1,592)	35	2,133
Accrued expenses and payments on account	6,746	–	2,482	68	9,296
Property, plant and equipment	260	–	93	–	353
Deferred compensation	737	–	210	–	947
Stock compensation expense	6,177	–	285	611	7,073
Other	21	–	214	3	238
Total deferred taxation assets	17,631	–	1,692	717	20,040
Net deferred taxation asset	4,079	(718)	2,516	724	6,601

Notes to Consolidated and Company Financial Statements (continued)

5. Income tax expense (continued)

Unrecognised deferred tax assets

At 31 December 2010, non-US subsidiaries had operating loss carry-forwards for income tax purposes that may be carried forward indefinitely, available to offset against future taxable income, if any, of approximately \$43.3 million (31 December 2009: \$34.8 million).

At 31 December 2010, ICON Laboratory Inc., a U.S. subsidiary, had U.S. Federal and State net operating loss carry forwards of approximately \$10.2million and \$11.4 million, respectively (31 December 2009: approximately \$6.7 million and \$5.3 million). These net operating losses are available for offset against future taxable income and expire between 2010 and 2029. Of the \$10.2 million U.S. Federal and \$11.4 million State net operating losses, approximately \$9.1 million and \$10.2 million are currently available for offset against future U.S. Federal and State taxable income respectively. The subsidiary's ability to use the remaining U.S. Federal and State net operating loss ("NOL") carry forwards of \$1.1 million and \$1.2 million respectively is limited to \$113,000 per year due to the subsidiary experiencing a change of ownership in 2000, as defined by Section 382 of the Internal Revenue Code of 1986, as amended.

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

At 31 December 2010, ICON Clinical Research Inc and its US subsidiaries had combined US state net operating loss carry forwards of approximately \$5.2 million and \$13.9 million. These NOL's are available for offset against future, or in some cases prior taxable income in the relevant state and generally expire between 2019 and 2030.

In total, the Group has unrecognised deferred tax assets at 31 December 2010 of \$12.3 million and \$10.4 million at 31 December 2009. The Company has not recognised the remaining deferred tax assets because it believes that it is more likely than not that the losses and other deferred tax assets will not be utilised given their history of operating losses.

Unrecognised deferred tax liabilities

At 31 December 2010 and 31 December 2009 respectively, there were no recognised or unrecognised deferred tax liabilities for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries. The Group is able to control the timing of the reversal of the temporary differences of its subsidiaries and it is probable that these temporary differences will not reverse in the foreseeable future.

6. Earnings per share

The following table sets forth the computation for basic and diluted net earnings per share for the year ended 31 December 2010:

	31 December 2010 \$'000	31 December 2009 \$'000
Numerator computations		
<i>Basic and diluted earnings per share</i>		
Profit for the financial year	86,172	92,708
Profit attributable to equity holders	86,172	92,708

Notes to Consolidated and Company Financial Statements (continued)

6. Earnings per share (continued)

	31 December 2010	31 December 2009
	Number of Shares	
Denominator computations		
Weighted average number of ordinary shares outstanding – basic	59,718,934	58,636,878
Effect of dilutive potential ordinary shares	1,195,381	1,540,702
Weighted average number of ordinary shares outstanding – diluted	60,914,315	60,177,580

	31 December 2010	31 December 2009
	\$	
Earnings per Share		
Basic earnings per ordinary share	1.44	1.58
Diluted earnings per ordinary share	1.41	1.54

The Company had 2,568,216 anti-dilutive shares in issue at 31 December 2010 (31 December 2009: 3,060,584).

7. Exceptional items

Exceptional items recognised during the year ended 31 December 2010 comprised:

	31 December 2010	31 December 2009
	\$'000	
Restructuring Charge	–	13,301
Research and Development Incentives	–	(4,493)
Net Charge	–	8,808

Restructuring Charge

In response to the globalisation of clinical studies and its attendant impact on resources in existing and emerging markets, the Company conducted a review of its existing infrastructure during the three months ended 30 June 2009 to better align its resources with the needs of its clients. On conclusion, a program of restructuring activities was initiated which resulted in resource rationalisations in certain more mature markets in which the Company operates and the recognition of an initial restructuring charge of \$13.4 million.

Notes to Consolidated and Company Financial Statements (continued)

7. Exceptional items (continued)

Details of restructuring provisions recognised are as follows

	Workforce Reductions \$'000	Office Consolidations \$'000	Total \$'000
Initial provision recognised	4,886	8,548	13,434
Amounts released	–	(133)	(133)
Net provision recognised	4,886	8,415	13,301
Cash payments	(4,886)	(6,188)	(11,074)
Property, plant and equipment write-off	–	(1,912)	(1,912)
Closing provision as at 31 December 2010	–	315	315

Research and Development Incentives

During the year ended 31 December 2009 the Company received research and development incentives in certain jurisdictions in which it operates. 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 recognised 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 the operating expenditure to which the credits relate. Income of \$4.5 million was recognised during the year ended 31 December 2009 in respect of these incentives.

8. Payroll and related benefits

The aggregate payroll costs of employees of the Group for the year ended 31 December 2010 was as follows:

	Year ended 31 December 2010 \$'000	Year ended 31 December 2009 \$'000
Wages and salaries	494,671	462,630
Social welfare costs	63,488	63,724
Pension costs for defined contribution pension schemes	20,808	19,430
Pension costs for defined benefit pension schemes	(50)	217
Share-based payment*	7,383	8,085
Total charge to income	586,300	554,086
Actuarial losses recognised on defined benefit pension scheme	1,209	619
Total payroll and related benefit costs	587,509	554,705

* IFRS 2 Share-Based Payments requires that the fair value of options is calculated and amortised over the vesting period of the related option. A compensation expense of \$7.4 million was recognised in respect of the year ended 31 December 2010. The compensation expense for the year ended 31 December 2009 was \$8.1 million.

Notes to Consolidated and Company Financial Statements (continued)

8. Payroll and related benefits (continued)

The average number of employees, including Executive Directors, employed by the Group for the year ended 31 December 2010 was as follows:

	Year ended 31 December 2010	Year ended 31 December 2009
Marketing	218	205
Administration	1,102	1,243
Clinical research processing	5,836	5,207
Laboratory	424	397
Total	7,580	7,052

Directors' remuneration

Information in relation to the Directors' shareholdings and share options is included in the Compensation and Organisation Committee Report on pages 14 to 21.

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 as an Executive Director from June 1990 to December 2009. On 31 December 2009, Dr. Climax retired as Chairman of the Board of the Company and his service agreement with the Company (the "Dr. Climax Service Agreement") ended. Since January 2010, he has held a position as a non-Executive-Director of the Company.

The Dr. Climax Service Agreement provided for a bonus, a pension contribution, a twelve month notice period, two company cars and medical insurance cover for himself and his dependants. At 18 April 2011, Dr. Climax held 108,000 ordinary share options at exercise prices ranging from \$8.88 to \$35.33 per share.

The arrangements relating to Dr. Climax's retirement were set out in an agreement entered into between the Company and Dr. Climax in December 2009 (the "December 2009 Agreement"). Pursuant to the December 2009 Agreement, Dr. Climax received, having regard to the Dr. Climax Service Agreement (which terminated pursuant to the December 2009 agreement), a payment of €830,000 (\$1,200,620) and a pension contribution of €170,000 (\$252,620). In addition, and also pursuant to the December 2009 Agreement, he received an ex-gratia pension contribution for past service of €220,308 (\$327,378), the acceleration of vesting of unvested share options and the transfer to him of two company cars. The payments and contributions set out in this paragraph are included in the amounts listed for Dr. Climax in the summary compensation table overleaf.

The Company has also 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 (\$375,795) per annum. 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. The consultancy agreement provides that the Company will provide, during the term of the agreement, permanent disability and life insurance cover for Dr. Climax and medical insurance cover for himself and his dependants.

Notes to Consolidated and Company Financial Statements (continued)

8. Payroll and related benefits (continued)

Summary compensation table – Year ended 31 December 2010

Name	Salary €'000	Company pension contribution* €'000	Performance related compensation €'000	All other compensation €'000	Subtotal \$'000	Subtotal \$'000	Share-based payments \$'000	Directors Fees \$'000	Total compensation €'000
Bruce Given	–	–	–	–	–	–	31	317	348
Peter Gray	525	53	105	37	720	958	761	–	1,719
John Climax**	–	–	–	53	53	68	7	48	123
Ronan Lambe	–	–	–	–	–	–	21	52	73
Thomas Lynch	–	–	–	–	–	–	23	78	101
Edward Roberts	–	–	–	–	–	–	44	17	61
Dermot Kelleher	–	–	–	–	–	–	30	65	95
Anthony Murphy	–	–	–	–	–	–	14	75	89
Declan McKeon	–	–	–	–	–	–	12	40	52
Cathrin Petty	–	–	–	–	–	–	2	12	14
Total	525	53	105	90	773	1,026	945	704	2,675

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

** Further information is set out in the Directors' and Key Executive Officers service agreements and letters of engagement section on pages 15 and 16 of this report.

Summary compensation table – Year ended 31 December 2009

Name	Salary €'000	Company pension contribution* €'000	Performance related compensation €'000	All other compensation \$'000	Subtotal \$'000	Subtotal \$'000	Share-based payments \$'000	Directors Fees \$'000	Total compensation \$'000
Bruce Given	–	–	–	–	–	–	23	66	89
Peter Gray	500	49	388	38	975	1,358	174	–	1,532
John Climax**	600	440	350	954	2,344	3,352	401	–	3,753
Ronan Lambe	–	–	–	–	–	–	20	48	68
Thomas Lynch	–	–	–	–	–	–	23	78	101
Edward Roberts	–	–	–	–	–	–	23	78	101
Dermot Kelleher	–	–	–	–	–	–	34	52	86
Anthony Murphy	–	–	–	–	–	–	6	42	48
Shuji Higuchi	–	–	–	–	–	–	14	–	14
Total	1,100	489	738	992	3,319	4,710	718	364	5,792

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

** Further information is set out in the Directors' and Key Executive Officers service agreements and letters of engagement section on pages 15 and 16 of this report.

Notes to Consolidated and Company Financial Statements (continued)

9. Retirement Benefit Obligations

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

(i) Defined Contribution Schemes

Certain employees of the Group are eligible to participate in a defined contribution plan (the "Plan"). Participants in the Plan may elect to defer a portion of their pre-tax earnings into a pension plan, which is run by an independent party. The Group matches each participant's contributions typically at 6% of the participant's annual compensation. Contributions to this plan are recorded as a remuneration expense in the Consolidated Income Statement. Contributions for the year ended 31 December 2010 and the year ended 31 December 2009 were \$14,206,000 and \$14,241,000 respectively.

The Group's United States operations maintain a retirement plan (the "U.S. Plan") that qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Participants in the U.S. Plan may elect to defer a portion of their pre-tax earnings, up to the Internal Revenue Service annual contribution limit. The Company matches 50% of each participant's contributions; each participant can contribute up to 6% of their annual compensation. Contributions to this U.S. Plan are recorded, in the year contributed, as an expense in the Consolidated Income Statement. Contributions for the year ended 31 December 2010 and year ended 31 December 2009 were \$6,603,000 and \$5,189,000 respectively.

(ii) Defined Benefit Plans

One of the Group's subsidiaries, ICON Development Solutions Limited, which was acquired by the Group in 2003, operates a defined benefit pension plan in the United Kingdom for certain of its employees, which is now closed to new members. The plan is managed externally and the related pension costs and liabilities are assessed in accordance with the advice of a professionally qualified actuary. Plan assets at 31 December 2010 and 31 December 2009 consist of units held in independently administered funds. The most recent valuation of plan obligations was carried out as at 1 September 2007 using the projected unit credit method and updated on an appropriate basis at 31 December 2010.

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

Financial assumptions

	31 December 2010	31 December 2009
Discount rate	5.45%	5.70%
Expected return on plan assets	7.10%	7.40%
Inflation rate	3.55%	3.50%
Future pension increases	3.45%	3.40%
Future salary increases	4.05%	4.00%

Mortality assumptions

The mortality assumptions adopted at 31 December 2010 imply the following life expectancies at age 62 (2009: 62):

	31 December 2010	31 December 2009
Male currently age 40	26.5 years	26.5 years
Female currently age 40	29.1 years	29.0 years
Male currently age 62	24.4 years	24.4 years
Female currently age 62	27.1 years	27.0 years

Notes to Consolidated and Company Financial Statements (continued)

9. Retirement Benefit Obligations (continued)

Amounts recognised in the Consolidated Balance Sheet at 31 December 2010 in respect of defined benefit pension schemes are as follows:

	31 December 2010 \$'000	31 December 2009 \$'000
Present value of benefit obligations	(16,482)	(13,686)
Fair value of plan assets	15,499	13,573
Present value of net plan obligation	(983)	(113)
Actuarial gains/losses		
Experience adjustments on plan assets	1,023	1,460
Effects of changes in demographic and financial assumptions underlying the present value of plan liabilities	(2,232)	(2,079)
Total actuarial loss in year	(1,209)	(619)

Cumulative net actuarial losses reported in the Statement of Recognised Income and Expense from the date of transition, 1 June 2004, to 31 December 2010 amounted to \$0.5 million (31 December 2009: net gains of \$0.7 million).

Amounts recognised in net periodic pension cost in the Consolidated Income Statement during the year ended 31 December 2010 in respect of defined benefit pension schemes were are follows:

	Year Ended 31 December 2010 \$'000	Year Ended 31 December 2009 \$'000
Current service cost	184	182
Interest cost	746	673
Amortisation of prior service costs	-	102
Expected return on plan assets	(980)	(740)
Net Periodic Pension (Credit)/charge	(50)	217

The actual return on plan assets amounted to a gain of \$2.0 million (2009: gain of \$2.20 million).

Changes in the net (obligation)/asset of the plan during the period were as follows:

	Year Ended 31 December 2010 \$'000	Year Ended 31 December 2009 \$'000
Net plan assets at start of year	(113)	278
<i>Movement In Year</i>		
Current service cost	(184)	(182)
Contributions paid	293	432
Other finance expense, net	234	66
Amortisation of prior service costs	-	(102)
Actuarial loss	(1,209)	(619)
Foreign exchange rate changes	(4)	14
Net plan obligation at end of year	(983)	(113)

Notes to Consolidated and Company Financial Statements (continued)

9. Retirement Benefit Obligations (continued)

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

	Year ended 31 December 2010 \$'000	Year ended 31 December 2009 \$'000
Projected benefit obligation at start of year	13,686	10,114
Service cost	184	182
Interest cost	746	673
Plan participants' contributions	133	160
Actuarial loss	2,232	2,079
Benefits paid	(54)	(774)
Plan amendments	–	103
Foreign exchange rate changes	(445)	1,149
Projected benefit obligation at end of year	16,482	13,686

Changes in the fair value of the plans' assets during the year ended 31 December 2010 were as follows:

	Year ended 31 December 2010 \$'000	Year ended 31 December 2009 \$'000
Fair value of plan assets at start of year	13,573	10,392
Expected return on plan assets	980	740
Actuarial gain on plan assets	1,023	1,460
Employer contribution	293	432
Plan participants' contributions	133	160
Benefit paid	(54)	(774)
Foreign exchange movements	(449)	1,163
Fair value of plan assets at end of year	15,499	13,573

The fair value of plan assets at 31 December 2010 and 31 December 2009 is analysed as follows:

	31 December 2010 \$'000	31 December 2009 \$'000
Unit funds	15,499	13,573

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

Notes to Consolidated and Company Financial Statements (continued)

9. Retirement Benefit Obligations (continued)

The assets of the scheme are invested in a unitised with profits policy. The expected long-term rate of return on assets at 31 December 2010 of 7.1% (2009: 7.4%) was calculated on the assumption of the following returns for each asset class:

	31 December 2010	31 December 2009
Equities	7.3%	7.6%
Bonds	5.4%	5.7%

At 31 December 2010, UK gilts were yielding around 4.2% 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 3.1% 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 year plus return.

The underlying asset split of the funds at 31 December 2010 and 31 December 2009 was as follows:

	31 December 2010	31 December 2009
Equities	90%	90%
Bonds	10%	10%

Applying the above expected long term rates of return to the asset distribution at 31 December 2010, gives rise to an expected overall rate of return of scheme assets of approximately 7.1% (2009: 7.4%) per annum.

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

	31 December 2010 \$'000	31 December 2009 \$'000	31 December 2008 \$'000	31 December 2007 \$'000	31 December 2006 \$'000
Present value of benefit obligations	(16,482)	(13,686)	(10,114)	(15,216)	(17,816)
Fair value of plan assets	15,499	13,573	10,392	15,470	13,092
Present value of net plan (obligations)/assets	(983)	(113)	278	254	(4,724)
Actuarial gain/(loss) on asset	1,023	1,460	(2,923)	654	639
Actuarial (loss)/gain on liability	(2,232)	(2,079)	1,968	4,722	(1,015)
Total actuarial (loss)/gain	(1,209)	(619)	(955)	5,376	(376)

The Group expects to contribute approximately \$0.3 million of normal contribution to the defined benefit pension scheme for the year ended 31 December 2011.

Notes to Consolidated and Company Financial Statements (continued)

10. Share Options

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

An aggregate of 6.0 million ordinary shares have been reserved under the 2003 Plan; and, in no event will the number of ordinary shares that may be issued pursuant to options awarded under the 2003 Plan exceed 10% of the outstanding shares, as defined in the 2003 Plan, at the time of the grant. Further, the maximum number of ordinary shares with respect to which options may be granted under the 2003 Plan during any calendar year to any employee shall be 400,000 ordinary shares. No options can be granted after 17 January 2013.

On 21 July 2008 the Company adopted the Employee Share Option Plan 2008 (the “2008 Employee Plan”) pursuant to which the Compensation and Organisation 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 Organisation Committee of the Company’s Board of Directors may grant options to any consultant, adviser or non-Executive director retained by the Company or any Subsidiary for the purchase of ordinary shares. Each option granted under the 2008 Employees Plan or the 2008 Consultants Plan (together the “2008 Option plans”) will be evidenced by a Stock Option Agreement between the optionee and the Company. The exercise price will be specified in each Stock Option Agreement, however option prices will not be less than 100% of the fair market value of an ordinary share on the date the option is granted.

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

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

Share option awards are granted with an exercise price equal to the market price of the Company’s ordinary shares at date of grant. Share options typically vest over a period of five years from date of grant and expire eight years from date of grant.

Set out below is a summary of the total number of options outstanding and number of options available to grant under each plan as at 31 December 2010:

	Outstanding		Available to Grant	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
1998 Long Term Incentive Plan	644,810	1,052,592	–	–
2003 Stock Option Plan	3,454,472	4,342,630	408,829	397,426
2008 Stock Option Plan	699,395	13,000	5,300,605	5,613,000
Total	4,798,677	5,408,222	5,709,434	6,010,426

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

Notes to Consolidated and Company Financial Statements (continued)

10. Share Options (continued)

The total number of share options outstanding and exercisable at 31 December 2010 is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at 31 December 2008	5,222,263	\$17.98
Granted	932,133	\$21.54
Exercised	(489,370)	\$9.03
Forfeited	(256,804)	\$26.60
Outstanding at 31 December 2009	5,408,222	\$18.99
Granted	1,038,327	\$24.34
Exercised	(1,237,015)	\$10.64
Forfeited	(410,857)	\$25.86
Outstanding at 31 December 2010	4,798,677	\$21.71
Exercisable at 31 December 2010	2,125,003	\$17.88

At 31 December 2010, the range of exercise prices and weighted average remaining contractual life of outstanding and exercisable options was as follows:

Range Exercise Price	Options Outstanding			Options Exercisable		
	Number of Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	
\$7.00	4,000	0.05	\$7.00	4,000	\$7.00	
\$8.60	396,776	2.15	\$8.60	396,776	\$8.60	
\$8.88	230,568	1.09	\$8.88	230,568	\$8.88	
\$10.42	20,000	3.04	\$10.42	20,000	\$10.42	
\$11.00	579,987	3.09	\$11.00	419,563	\$11.00	
\$15.47	900	6.33	\$15.47	180	\$15.47	
\$15.84	103,000	6.33	\$15.84	20,600	\$15.84	
\$17.30	24,000	3.64	\$17.30	19,200	\$17.30	
\$18.00	70,000	3.83	\$18.00	50,000	\$18.00	
\$18.98	9,000	5.87	\$18.98	3,600	\$18.98	
\$19.45	33,000	7.82	\$19.45	–	\$19.45	
\$19.94	2,000	6.17	\$19.94	400	\$19.94	
\$20.16	2,000	7.87	\$20.16	–	\$20.16	
\$21.25	754,230	4.13	\$21.25	434,698	\$21.25	
\$21.76	1,000	4.31	\$21.76	600	\$21.76	
\$22.10	11,000	6.56	\$22.10	2,200	\$22.10	
\$22.26	662,493	6.15	\$22.26	128,724	\$22.26	
\$22.60	2,000	4.65	\$22.60	1,200	\$22.60	
\$23.06	10,000	7.62	\$23.06	–	\$23.06	

Notes to Consolidated and Company Financial Statements (continued)

10. Share Options (continued)

Range Exercise Price	Number of Shares	Options Outstanding		Options Exercisable	
		Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
\$23.20	4,000	7.70	\$23.20	–	\$23.20
\$24.25	150,000	7.18	\$24.25	–	\$24.25
\$24.46	743,383	7.17	\$24.46	2,000	\$24.46
\$26.20	2,400	7.38	\$26.20	–	\$26.20
\$26.27	2,000	5.81	\$26.27	800	\$26.27
\$27.91	2,000	7.42	\$27.91	–	\$27.91
\$29.45	8,000	7.33	\$29.45	–	\$29.45
\$29.38	10,000	7.34	\$29.38	–	\$29.38
\$35.33	951,940	5.15	\$35.33	385,694	\$35.33
\$36.05	6,000	5.40	\$36.05	3,000	\$36.05
\$36.20	2,000	5.33	\$36.20	800	\$36.20
\$41.25	1,000	5.67	\$41.25	400	\$41.25
\$7.00 - \$41.25	4,798,677	4.84	\$21.71	2,125,003	\$17.88

Fair values

The overall weighted average fair value of share options granted by the Company during the year ended 31 December 2010 was \$9.23 based on the following grants:

Grant Date	Number of Shares	Weighted Average Share price
4-Mar-10	816,927	\$24.46
8-Mar-10	150,000	\$24.25
29-Apr-10	8,000	\$29.45
3-May-10	10,000	\$29.38
20-May-10	2,400	\$26.20
1-Jun-10	2,000	\$27.91
16-Aug-10	10,000	\$23.06
13-Sep-10	4,000	\$23.20
26-Oct-10	33,000	\$19.45
15-Nov-10	2,000	\$20.16
	1,038,327	\$24.34

Notes to Consolidated and Company Financial Statements (continued)

10. Share Options (continued)

The overall weighted average fair value of share options granted by the Company during the year ended 31 December 2009 was \$9.35 based on the following grants:

Grant Date	Number of Shares	Weighted Average Share price
25-Feb-09	815,233	\$22.26
2-Mar-09	2,000	\$19.94
30-Apr-09	103,000	\$15.84
1-May-09	900	\$15.47
24-Jul-09	11,000	\$22.10
	932,133	\$21.54

The weighted average share price of share options granted by the Company during the year ended 31 December 2010 and 2009 was \$24.34 and \$21.54 respectively.

The fair values of options granted during the year ended 31 December 2010 and the year ended 31 December 2009 were calculated using a binomial option-pricing-model, using the following assumptions:

	Year ended 31 December 2010	Year ended 31 December 2009
Weighted average share price	\$24.34	\$21.54
Weighted average exercise price	\$24.34	\$21.54
Expected volatility (1)	45%	45%
Expected dividend yield	–	–
Risk-free rate (2)	1.0%-1.2%	2.3%-3.3%
Rate of forced early exercise	10% p.a.	10% p.a.
Minimum gain for voluntary early exercise	33% of exercise price	25% of exercise price
Rate of voluntary early exercise at minimum gain	100% per annum	60% per annum

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

(2) Risk free rate is dependant on the grant date.

Restricted share units

On 7 August 2008 the Company awarded 6,280 restricted share units to certain employees of the Group. These shares are exercisable over periods ranging from 26 February 2009, to 26 February 2011. The market value of the Company's shares on date of issue was \$41.95. On 16 August 2010 2,512 ordinary shares were issued by the Company relating to certain of the RSU awards.

Notes to Consolidated and Company Financial Statements (continued)

10. Share Options (continued)

Non-cash stock compensation expense

Operating profit for the year ended 31 December 2010 is stated after charging \$7.4 million in respect of non-cash stock compensation expense. Non-cash stock compensation expense has been allocated to direct costs and other operating expenses as follows:

	Year Ended 31 December 2010 \$'000	Year Ended 31 December 2009 \$'000
Direct costs	4,068	4,455
Other operating expenses	3,315	3,630
Total non-cash compensation cost	7,383	8,085

11. Property, Plant and Equipment

Group	Land \$'000	Buildings \$'000	Leasehold improvements \$'000	Computer equipment \$'000	Office furniture & fixtures \$'000	Laboratory equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost								
At 1 January 2010	3,979	80,309	24,762	66,022	54,311	21,828	43	251,254
Additions	–	362	2,569	11,064	3,973	1,905	–	19,873
Disposals	–	–	(922)	(1,048)	(398)	(16)	–	(2,384)
Arising on acquisition	–	–	–	–	107	–	–	107
Foreign currency adjustment	134	(5,160)	(223)	(1,481)	(1,549)	(397)	1	(8,675)
At 31 December 2010	4,113	75,511	26,186	74,557	56,444	23,320	44	260,175
Depreciation								
At 1 January 2010	–	6,032	10,736	46,395	24,861	10,387	18	98,429
Charge for year	–	7,564	4,047	10,414	305	3,534	5	25,869
Eliminated on disposal	–	–	(876)	(1,038)	(203)	(15)	–	(2,132)
Foreign currency adjustment	–	(603)	89	(944)	(391)	(241)	(1)	(2,091)
At 31 December 2010	–	12,993	13,996	54,827	24,572	13,665	22	120,075
Net book value								
At 31 December 2010	4,113	62,518	12,190	19,730	31,872	9,655	22	140,100
At 31 December 2009	3,979	74,277	14,026	19,627	29,450	11,441	25	152,825

Cost at 31 December 2010 includes \$825,000 (31 December 2009: \$907,000) relating to computer equipment held under finance leases. Related accumulated depreciation amounted to \$518,000 (31 December 2009: \$357,000). Depreciation expense of \$25.8 million (31 December 2009: \$22.5 million) has been charged in 'other operating expenses' in the income statement.

Notes to Consolidated and Company Financial Statements (continued)

11. Property, Plant and Equipment (continued)

Group	Land \$'000	Buildings \$'000	Leasehold improvements \$'000	Computer equipment \$'000	Office furniture & fixtures \$'000	Laboratory equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost								
At 1 January 2009	3,850	75,562	15,060	59,863	53,048	18,582	106	226,071
Additions	–	3,039	9,757	5,376	1,983	2,343	–	22,498
Disposals	–	–	(816)	(580)	(2,209)	(340)	(63)	(4,008)
Arising on acquisition	–	–	16	15	41	289	–	361
Foreign currency adjustment	129	1,708	745	1,348	1,448	954	–	6,332
At 31 December 2009	3,979	80,309	24,762	66,022	54,311	21,828	43	251,254
Depreciation								
At 1 January 2009	–	3,747	7,921	37,274	19,170	7,723	74	75,909
Charge for year	–	2,152	3,153	8,651	6,254	2,338	(56)	22,492
Eliminated on disposal	–	–	(608)	(411)	(1,320)	(79)	–	(2,418)
Foreign currency adjustment	–	133	270	881	757	405	–	2,446
At 31 December 2009	–	6,032	10,736	46,395	24,861	10,387	18	98,429
Net book value								
At 31 December 2009	3,979	74,277	14,026	19,627	29,450	11,441	25	152,825
At 31 December 2008	3,850	71,815	7,139	22,589	33,878	10,859	32	150,162

Cost at 31 December 2009 includes \$907,000 (31 December 2008: \$1,054,000) relating to computer equipment held under finance leases. Related accumulated depreciation amounted to \$357,000 (31 December 2008: \$303,000). Depreciation expense of \$22.5 million (31 December 2008: \$19.8 million) has been charged in 'other operating expenses' in the income statement.

Notes to Consolidated and Company Financial Statements (continued)

12. Intangible assets – goodwill and other

Group	Computer Software \$'000	Customer Relationships \$'000	Volunteer List \$'000	Order Backlog \$'000	Goodwill \$'000	Total \$'000
Cost:						
At 1 January 2009	56,250	11,005	1,325	–	183,353	251,933
Additions	11,518	–	–	–	–	11,518
Disposal	(36)	–	–	–	–	(36)
Arising on acquisition	–	352	–	–	1,584	1,936
Prior period acquisition	–	240	–	1,470	(836)	874
Foreign exchange movement	1,014	47	–	–	3,476	4,537
At 1 January 2010	68,746	11,644	1,325	1,470	187,577	270,762
Additions	11,962	–	–	–	–	11,962
Disposal	(78)	–	–	–	–	(78)
Arising on acquisition	–	770	–	–	3,505	4,275
Prior period acquisition	–	–	–	–	2,539	2,539
Foreign exchange movement	(2,840)	(126)	–	–	(3,752)	(6,718)
31 December 2010	77,790	12,288	1,325	1,470	189,869	282,742
Accumulated amortisation:						
At 1 January 2009	35,086	1,516	190	–	–	36,792
Amortised in the year	7,441	2,016	217	493	–	10,167
Disposal	(19)	–	–	–	–	(19)
Foreign exchange movement	774	49	–	–	–	823
At 1 January 2010	43,282	3,581	407	493	–	47,763
Amortised in the year	5,550	1,747	217	490	–	8,004
Disposal	(78)	–	–	–	–	(78)
Foreign exchange movement	(1,727)	(134)	–	–	–	(1,861)
At 31 December 2010	47,027	5,194	624	983	–	53,828
Net book value						
At 31 December 2010	30,763	7,094	701	487	189,869	228,914
At 31 December 2009	25,464	8,063	918	977	187,577	222,999

Amortisation expense of \$8.0 million (31 December 2009: \$10.2 million) is included in 'other operating expenses' in the income statement.

Notes to Consolidated and Company Financial Statements (continued)

12. Intangible assets – goodwill and other (continued)

Impairment review of goodwill

Two cash generating units for the purpose of the impairment review of goodwill have been identified by the Group as follows:

	2010	2009
	\$'000	\$'000
Goodwill		
Clinical research	189,869	187,577
Central laboratory	–	–
	189,869	187,577

An impairment charge of the carrying value of the goodwill of the central laboratory cash generating unit was recorded in a prior period and the goodwill was fully written down. Accordingly the 2010 impairment review consisted of a review of the goodwill applicable to the clinical research cash generating unit. It was determined that an impairment did not exist as at 31 December 2010. The recoverable amount of the clinical research cash generating unit is based on a value in use computation. This is calculated based upon the present value of expected future cash flows for the cash generating unit for a period of five years forward from date of review.

The following assumptions were used in carrying out the impairment review of the clinical research cash generating unit for 31 December 2010:

	31 December	31 December
	2010	2009
Expected revenue growth rate	7%	7%
Expected growth rate for costs	8%	5%
Expected movement in creditors	8%	8%
Expected movement in debtors based on DSO*	40 days	45 days
Discount rate	10%	15%

* Days sales outstanding (DSO) is a measure of the number of days in the period that the company takes to collect revenue.

The key assumptions above used in determining expected future cash flows include management's estimate of future profitability, replacement capital expenditure requirements, trade working capital investment needs and tax considerations. Management's estimates are based upon past experience and expected growth rates for the industry. The cash flows are discounted using managements current estimate of appropriate risk adjusted pre-tax discount rates.

A sensitivity analysis was performed using a higher discount rate of 15% and a lower revenue growth rate of 3% to determine if these changes in assumptions would lead to an impairment. The excess of the recoverable amount over the carrying value of the cash generating unit was maintained using theses changes in assumptions and therefore, at the year end, it is considered that no reasonable change in assumptions would result in an impairment.

Notes to Consolidated and Company Financial Statements (continued)

13. Business Combinations

The Group adopted the revised IFRS 3 *Business Combinations* in 2009 and applied it prospectively from 1 January 2009. The revised standard continues to apply the acquisition method to business combinations but with some significant changes including the requirement for all acquisition-related costs to be expensed. The adoption of the revised IFRS 3 did not have a material impact on our financial position or results from operations. The acquisitions of Timaq Medical Imaging, Qualia Clinical Services Inc. and Veeda Laboratories Ltd. have been accounted for as business combinations in accordance with the revised IFRS 3.

(a) Acquisition of Timaq Medical Imaging

On 17 May 2010 the Company acquired Timaq Medical Imaging ("Timaq"), a European provider of advanced imaging services to the pharmaceutical and biotechnology industry, located in Zurich, Switzerland for an initial cash consideration of CHF 1.3 million (\$1.2 million). Certain performance milestones were built into the acquisition agreement requiring potential additional consideration of up to CHF 2.9 million (\$3.1 million) if these milestones are achieved during the years ended 31 December 2010 to 31 December 2013. On 31 December 2010 CHF 0.3 million (\$0.3 million) was paid to the former shareholders in respect of certain milestones for the year ended 31 December 2010. CHF 2.6 million (\$2.7 million) has been accrued in relation to the remaining milestones at 31 December 2010.

The acquisition of Timaq has been accounted for as a business combination in accordance with the revised IFRS 3 Business Combinations. The following table summarises the fair values of the assets acquired and the liabilities assumed:

	Carrying Amount \$'000	Fair Value Adjustment \$'000	Fair Value \$'000
Property, plant and equipment	107	–	107
Other current assets	160	–	160
Current liabilities	(719)	–	(719)
Goodwill	–	3,505	3,505
Intangible assets – customer relationships	–	770	770
Purchase price			\$3,823

Goodwill represents the acquisition of an established workforce with experience in the provision of advanced imaging services to pharmaceutical and biotechnology customers in the European market

The proforma effect of the Timaq Medical Imaging acquisition, if completed on 1 January 2009, would have resulted in net revenue and profit for the fiscal years ended 31 December 2009 and 31 December 2010 as follows:

	Year Ended 31 December 2010 \$'000	Year Ended 31 December 2009 \$'000
Net revenue	\$900,370	\$888,929
Profit for the year	\$86,647	\$96,675

Notes to Consolidated and Company Financial Statements (continued)

13. Business Combinations (continued)

(b) Prior Period Acquisitions – Acquisition of Qualia Clinical Services Inc. and Veeda Laboratories Ltd.

During the year ended 31 December 2009 the Group completed the acquisitions of Qualia Clinical Services Inc., a Phase 1 facility located in Omaha, Nebraska and Veeda Laboratories Limited, a specialist provider of biomarker laboratory services to the global pharmaceutical and biotechnology industries, located in Oxford, United Kingdom, neither of which are considered individually significant. In aggregate, the total cash consideration for these acquisitions was approximately \$2.2 million. The excess of the consideration paid over the carrying value of the assets acquired of \$0.6 million, has been recorded as goodwill of \$1.6 million.

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

	Carrying Amount \$'000	Fair Value Adjustment \$'000	Fair Value \$'000
Property, plant and equipment	361	–	361
Cash	32	–	32
Other current assets	423	(19)	404
Current liabilities	(507)	–	(507)
Non current liabilities	(12)	–	(12)
Goodwill	–	1,584	1,584
Intangible assets – customer relationships	–	352	352
Purchase price			2,214

Goodwill represents the acquisition of an established workforce with experience in the provision of Phase I clinical trial management services to pharmaceutical and biotechnology companies. The value of certain customer relationships identified are being amortised over 3 years, the estimated period of benefit.

The proforma effect of the Qualia Clinical Services Inc. and Veeda Laboratories Ltd. acquisitions if completed on 1 January 2009 would have resulted in net revenue and profit for the year ended 31 December 2009 as follows:

	Year Ended 31 December 2009 \$'000
Net revenue	\$888,048
Profit for the year	\$92,296

Notes to Consolidated and Company Financial Statements (continued)

13. Business Combinations (continued)

(c) Prior Period Acquisitions Acquisition of Healthcare Discoveries Inc.

On 11 February 2008 the Group acquired 100% of the common stock of Healthcare Discoveries Inc. ("Healthcare Discoveries") for an initial cash consideration of approximately \$11.1 million, excluding costs of acquisition. Healthcare Discoveries, located in San Antonio, Texas, USA, is engaged in the provision of Phase I clinical trial management services. Certain performance milestones were built into the acquisition agreement requiring payment of additional consideration of up to \$10.0 million if certain performance milestones were achieved during the year ended 31 December 2008. On 3 September 2010 \$2.2 million was paid to the former shareholders of Healthcare Discoveries Inc. in full and final settlement of the outstanding consideration payable.

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

	Carrying Amount \$'000	Fair Value Adjustment \$'000	Fair Value \$'000
Property, plant and equipment	327	–	327
Cash	5	–	5
Other current assets	575	–	575
Current liabilities	(1,951)	–	(1,951)
Goodwill	–	12,424	12,424
Intangible assets – customer relationships	–	1,565	1,565
Intangible assets – volunteer list	–	1,325	1,325
Purchase Price			14,270
			\$'000
Cash Payment			13,295
Acquisition Costs			975
Purchase Price			14,270

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

14. Other non-current assets

	31 December 2010 \$'000	31 December 2009 \$'000
Lease deposits	6,991	5,420
Other	3,607	2,417
	10,598	7,837

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

Notes to Consolidated and Company Financial Statements (continued)

15. Inventories

	31 December 2010 \$'000	31 December 2009 \$'000
Laboratory inventories	3,792	3,559

The cost of inventories is recognised as an expense and included in other operating expenses in the income statement. \$22.5 million (2009:\$ 21.4 million) was charged in the income statement for the year ended 31 December 2010.

16. Accounts receivable

	31 December 2010 \$'000	31 December 2009 \$'000
Accounts receivable	168,191	197,133
Less amounts provided for doubtful debts	(3,284)	(5,209)
Accounts receivable, net	164,907	191,924

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

	31 December 2010 \$'000	31 December 2009 \$'000
Accounts receivable impairment provision:		
Balance at start of year	5,209	7,474
Amounts used during the year	(2,192)	(166)
Amounts released during the year	267	(2,098)
Balance at end of year	3,284	5,209

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

A provision for impairment is recognised where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. At 31 December 2010 the Group recognised an impairment provision of \$3.3 million (2009: \$ 5.2 million).

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

	31 December 2010 \$'000	31 December 2009 \$'000
Currency		
US Dollar	85,811	124,659
Euro	69,145	59,163
Sterling	7,987	5,425
Other Currencies	1,964	2,677
	164,907	191,924

Notes to Consolidated and Company Financial Statements (continued)

17. Other current assets

	31 December 2010 \$'000	31 December 2009 \$'000
Prepayments	16,800	16,567
Other receivables	6,205	8,261
Total	23,005	24,828

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

18. Current asset investments

	31 December 2010 \$'000	31 December 2009 \$'000
At start of year	49,227	42,726
Additions	–	24,045
Disposals	(49,227)	(17,544)
At end of year	–	49,227

The Company actively manages its available cash resources to try to ensure optimum returns. During the year ended 31 December 2010 the Company reinvested its investment portfolio in cash and cash equivalents. The Company had previously classified its investment portfolio as available for sale. The investments were reported at fair value, with unrealised gains or losses reported in shareholders' equity. In the year ended 31 December 2009 and 31 December 2010 no unrealised gains or losses arose. Any differences between the cost and fair value of the investments are represented by accrued interest.

19. Cash and cash equivalents

	31 December 2010 \$'000	31 December 2009 \$'000
Cash at bank and in hand	54,319	87,528
Short term deposits	201,387	57,273
Cash and cash equivalents	255,706	144,801

Notes to Consolidated and Company Financial Statements (continued)

20. Accrued and other liabilities

	31 December 2010 \$'000	31 December 2009 \$'000
Non-current other liabilities:		
Deferred government grants (note 21)	1,470	1,750
Finance lease obligations (note 26)	–	158
Other non current liabilities	3,676	2,686
Total	5,146	4,594

	31 December 2010 \$'000	31 December 2009 \$'000
Current accrued and other liabilities:		
Personnel related liabilities	54,983	60,441
Facility related liabilities	11,666	13,540
General overhead liabilities	24,052	34,756
Other liabilities	5,202	6,233
Short term government grants	111	159
Short term finance leases (note 26)	158	325
Acquisition consideration payable	2,712	–
Retirement benefit net plan liabilities	983	113
Restructuring provisions (note 7)	315	3,396
Total	100,182	118,963

21. Deferred government grants

	31 December 2010 \$'000	31 December 2009 \$'000
At beginning of year	1,909	1,530
Amortised during the year	(220)	(149)
Acquired during the year	–	501
Foreign exchange movement	(108)	27
At end of year	1,581	1,909
Current	111	159
Non-current	1,470	1,750
Total	1,581	1,909

Notes to Consolidated and Company Financial Statements (continued)

22. Bank credit lines and loan facilities

On 9 July 2007 the Group entered into a five year committed multi-currency facility agreement for €35 million (\$46.8 million) with Bank of Ireland. The facility bears interest at an annual rate equal to EURIBOR plus a margin and is secured by certain composite guarantees, indemnities and pledges in favor of the bank. Amounts available to be drawn reduce over the life of this facility in accordance with agreed payment terms. At 31 December 2010 €17.5 million (\$23.4 million) was available to be drawn under this facility.

On 22 December 2008 a committed three year US dollar credit facility was negotiated with Allied Irish Bank plc for \$50 million. On 21 April 2010 the Company reduced this facility to \$25 million. On 9 December 2010 the Company further reduced this facility to \$12.5 million. The facility bears interest at LIBOR plus a margin and is secured by certain composite guarantees and pledges in favor of the bank. At 31 December 2010 \$12.5 million was available to be drawn under this facility.

On 2 January 2009 an additional four year committed credit facility was negotiated with Bank of Ireland for \$25 million. The facility bore interest at LIBOR plus a margin and was secured by certain composite guarantees, indemnities and pledges in favor of the bank. On 2 December 2010 the Company terminated this facility.

On 29 May 2009 a 364 day committed credit facility of \$10 million was negotiated with Citibank Europe. This facility lapsed during 2010 and was not renewed by the Company. On 29 May 2009 a three year committed credit facility was also negotiated with Citibank Europe for \$10 million. The facility bears interest at LIBOR plus a margin and is secured by certain composite guarantees and pledges in favor of the bank. At 31 December 2010 \$10.0 million was available to be drawn under the facility.

On 29 May 2009 a committed 364 day credit facility of \$30 million was negotiated with JP Morgan for \$30 million. On 3 September 2010 a committed 364 day credit facility was negotiated with J.P. Morgan for \$10 million, partially replacing the 2009 facility. The facility bears interest at LIBOR plus a margin and is secured by certain composite guarantees and pledges in favor of the bank. At 31 December 2010 \$10.0 million was available to be drawn under the facility.

23. Share capital

Group and Company

Authorised share capital:

No. of Ordinary Shares

Ordinary shares of par value €0.06		100,000,000
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31 December	31 December
2010	2009
\$'000	\$'000

Allotted, called up and fully paid

60,247,092 (31 December 2009: 59,007,565) ordinary shares of €0.06 each	5,063	4,965
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31 December	31 December
2010	2009
\$'000	\$'000

Issued, fully paid share capital

At beginning of year	4,965	4,921
Employee share options exercised	98	44
At end of year	5,063	4,965

Notes to Consolidated and Company Financial Statements (continued)

23. Share capital (continued)

Holders of Ordinary shares will be entitled to receive such dividends as may be recommended by the board of Directors of the Company and approved by the shareholders and/or such interim dividends as the board of Directors of the Company may decide. On liquidation or a winding up of the Company, the par value of the Ordinary Shares will be repaid out of the assets available for distribution among the holders of the Company's Ordinary Shares. 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, with no individual having more than one vote.

During the year ended 31 December 2010 1,237,015 options were exercised by employees for total proceeds of \$13.2 million. During the year ended 31 December 2010 2,512 ordinary shares were issued in respect of certain RSU's previously awarded by the Company.

During the year ended 31 December 2009 489,370 options were exercised by employees for total proceeds of \$4.4 million.

24. Capital and reserves

Reserve Descriptions

Other reserves

The Group has recognised a non-distributable reserve of \$1.4 million in accordance with agreements made between the Group and Enterprise Ireland, an Irish government agency. In 2005 the Group also recognised a share-based compensation charge of \$6.0 million being the fair value of outstanding ordinary shares transferred to Mr Peter Gray, Chief Executive Officer, by founding Directors, Dr. John Climax and Dr. Ronan Lambe.

Share based payment reserve

The option reserve is used to account for share-based payments. The fair value of share-based payments is expensed to the income statement over the period the related services are received, with a corresponding increase in equity. As at 31 December 2010 the Group has recognised a cumulative charge for share-based payments of \$43.7 million net of deferred tax (2009: \$36.3 million). The Group has also recognised a cumulative credit of \$9.6 million (2009: \$10.0 million) in reserves for the current and deferred tax effects of the realised tax benefits relating to the exercise of employee share options in excess of related cumulative compensation expense. The Group has transferred a cumulative credit of \$21.8 million (2009: \$15.4 million) to retained earnings in respect of exercised and expired share based awards.

Currency reserve

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

Retained earnings

In addition to the profit for the financial year the Group has also recognised the actuarial loss on the defined benefit pension scheme in this reserve. In 2010 the Group recognised an actuarial loss of \$1.2 million on the defined benefit pension scheme (31 December 2009: actuarial loss of \$0.6 million). The Group has recognised a credit of €6.4 million during 2010 (2009: \$6.3 million) in respect of exercised and expired share based awards that have been transferred from the Option Reserve.

Notes to Consolidated and Company Financial Statements (continued)

25. Financial Instruments

The Group is exposed to various financial risks in the normal course of the business. The principle financial risks to which it is exposed include risks related to the creditworthiness of its customers, risks related to the creditworthiness of the counterparties with which it invests surplus cash funds, and risks associated with both changes in foreign currency exchange rates and interest rates.

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

Credit risk

The Group's exposure to credit risk arises predominately in respect of amounts due from customers for the value of work performed and counterparties in respect of surplus cash balances invested.

Credit risk pertaining to customers is managed by ensuring strict credit procedures are in place, in particular through evaluation of all new customers and ongoing account monitoring. The Group earns revenues from contracts with its customers based upon certain activities and performance specifications. Such contracts are generally either fixed price or units-based. Payment terms usually provide either for payments based on the achievement of certain identified milestones or units delivered or monthly payments according to a fixed payment schedule over the life of the contract. Where customers request changes in the scope of a trial or in the services to be provided, a change order or amendment is issued which may result either in an increase or decrease in the contract value. The Group also contracts on a "fee-for-service," or "time and materials" basis, but this accounts for a small portion of overall project activities.

Contract terms may range from several weeks to several years depending on the nature of the work to be performed. In most cases, a portion of the contract fee, typically 10% to 20%, is paid at the time the study or trial is started. The balance of the contract fee is generally payable in instalments 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 or delivery of the database. During the course of the study, the Group will generally incur reimbursable expenses. Reimbursable expenses are typically estimated and budgeted within the contract and invoiced on a monthly basis. Reimbursable expenses include payments to investigators, travel and accommodation costs and various other direct costs incurred in the course of the clinical trial which are fully reimbursable by the customer.

Most of the Group's contracts are terminable immediately by the customer with justifiable cause or with 30 to 90 days notice without cause. In the event of termination, the Group is usually entitled to all sums owed for work performed 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 customer's decision to de-emphasise a particular trial or inadequate patient enrollment or investigator recruitment.

The Group did not have a significant concentration of credit risk at the balance sheet date. The Group's top five customers accounted for approximately 33% and 27% respectively of net revenue during the years ended 31 December 2010 and 31 December 2009. No one customer accounted for more than 10% of net revenue or accounts receivable during either year.

Notes to Consolidated and Company Financial Statements (continued)

25. Financial Instruments (continued)

The maximum exposure of credit risk pertaining to customers is the carrying value of accounts receivable and unbilled revenue balances. The carrying value of accounts receivable and unbilled revenue balances, by geographic region, at 31 December 2010 was as follows:

	Accounts Receivable		Unbilled Revenue	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Europe	91,583	91,032	51,351	43,863
United States	71,668	99,451	48,186	46,240
Rest of World	1,656	1,441	1,894	1,977
Total	164,907	191,924	101,431	92,080

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

Liquid and Capital Resources

The Group's liquid and capital resources at 31 December 2010 were as follows:

	31 December 2010 \$'000	31 December 2009 \$'000
Current asset investments (note 18)	–	49,227
Cash and cash equivalents (note 19)	255,706	144,801
Total liquid resources	255,706	194,028
Shareholders Equity	683,745	589,781

The principal operating cash requirements of the Group include payment of salaries, office rents, travel expenditures and payments to investigators. Other cash requirements include capital expenditures for facilities and information system enhancements and cash required to fund acquisitions and other growth opportunities. The CRO industry is generally not capital intensive. The Group primarily finances its operations and growth through cash flows from operations, together with amounts drawn under negotiated facilities as required.

The Group's primary objectives in managing its liquid and capital resources are as follows:

- to maintain adequate resources to fund its continued operations,
- to ensure availability of sufficient resources to sustain future development and growth of the business,
- to maintain sufficient resources to mitigate risks and unforeseen events which may arise.

The Group manages risks associated with liquid and capital resources through ongoing monitoring of actual and forecast cash balances and by reviewing the existing and future cash requirements of the business. It ensures that sufficient headroom is available under the Group's existing negotiated facilities and negotiates additional facilities as required. The Group currently has a number of negotiated facilities in place, further details of which are set out in note 22 *Bank Credit Lines and Loan Facilities*. No amounts remained drawn under these facilities at 31 December 2010 or 31 December 2009. The Group may raise additional finance through the issuance of ordinary shares or debt as required.

Notes to Consolidated and Company Financial Statements (continued)

25. Financial Instruments (continued)

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

31 December 2010

	Carrying Amount \$'000	Contractual Cashflows \$'000	6 mths or less \$'000	6-12 mths \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
Finance lease liabilities	(158)	(160)	(80)	(80)	–	–	–
Accounts payable	(12,314)	(12,314)	(12,314)	–	–	–	–
Other liabilities	(103,585)	(103,585)	(99,909)	–	(3,676)	–	–
	(116,057)	(116,059)	(112,303)	(80)	(3,676)	–	–

31 December 2009

	Carrying Amount \$'000	Contractual Cashflows \$'000	6 mths or less \$'000	6-12 mths \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
Finance lease liabilities	(483)	(500)	(170)	(170)	(160)	–	–
Accounts payable	(12,123)	(12,123)	(12,123)	–	–	–	–
Other liabilities	(121,165)	(121,165)	(118,479)	–	(2,686)	–	–
	(133,771)	(133,788)	(130,772)	(170)	(2,846)	–	–

Foreign currency risk

The Group is subject to a number of foreign currency risks given the global nature of its operations. Operating from 73 offices in 39 locations at 31 December 2010, 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, the Group reports its results in U.S. dollars. As a consequence the results of non-U.S. based operations, when translated into U.S. dollars, could be affected by fluctuations in exchange rates between the U.S. dollar and the currencies of those operations.

The Group is also subject to foreign currency transaction exposures as the currency in which contracts are priced can be different from the currencies in which costs relating to those contracts are incurred. The Group's operations in the United States are not materially exposed to such currency differences as the majority of revenues and costs are in U.S. dollars. However, outside the United States the multinational nature of the Group's activities means that contracts are usually priced in a single currency, most often U.S. dollars, Euros or pounds Sterling, while costs arise in a number of currencies, depending, among other things, on which of the Group's offices provide staff for the contract, and the location of investigator sites. Although many such contracts benefit from some degree of natural hedging due to the matching of contract revenues and costs in the same currency, where costs are incurred in currencies other than those in which contracts are priced, fluctuations in the relative value of those currencies could have a material effect on the results of the Group's operations. The Group regularly reviews its foreign currency exposures and usually negotiates currency fluctuation clauses in its contracts which allow for price negotiation if certain exchange rate triggers occur.

Notes to Consolidated and Company Financial Statements (continued)

25. Financial Instruments (continued)

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

	Accounts Receivable 2010 \$'000	Unbilled Revenue/ Payments on account 2010 \$'000	Cash and Cash Equivalents 2010 \$'000	Other Current Assets 2010 \$'000	Accounts Payable 2010 \$'000	Accrued and other Liabilities 2010 \$'000	Current tax payable 2010 \$'000	Intercompany 2010 \$'000	Total Transaction risk 2010 \$'000
U.S. Dollar	17,646	(49,816)	120,740	1,397	(506)	373	-	(87,959)	1,875
Sterling	4,091	(2,519)	2,787	204	(288)	(461)	-	(10,023)	(6,209)
Euro	3,156	(2,429)	454	2,358	(98)	139	88	(17,682)	(14,014)
Other	551	3,817	506	1,217	(385)	(132)	-	(24,134)	(18,560)
Total	25,444	(50,947)	124,487	5,176	(1,277)	(81)	88	(139,798)	(36,908)

	Accounts Receivable 2009 \$'000	Unbilled Revenue/ Payments on account 2009 \$'000	Cash and Cash Equivalents 2009 \$'000	Other Current Assets 2009 \$'000	Accounts Payable 2009 \$'000	Accrued and other Liabilities 2009 \$'000	Current tax payable 2009 \$'000	Intercompany 2009 \$'000	Total Transaction risk 2009 \$'000
U.S. Dollar	31,237	(63,252)	62,904	3,593	(776)	50	-	(29,823)	3,933
Sterling	6,603	(2,661)	693	127	(361)	(391)	-	(2,012)	1,998
Euro	2,418	(2,217)	313	769	15	(533)	343	(34,167)	(33,059)
Other	1,143	4,268	418	968	(332)	(48)	15	595	7,027
Total	41,401	(63,862)	64,328	5,457	(1,454)	(922)	358	(65,407)	(20,101)

Gains and losses recognised on the above balances are recorded in other operating expense.

Notes to Consolidated and Company Financial Statements (continued)

25. Financial Instruments (continued)

The following significant exchange rates applied during the year:

	Average Rate		Closing Rate	
	2010	2009	2010	2009
Euro	1.3204	1.39520	1.3377	1.43160
Pound Sterling	1.5420	1.56763	1.5599	1.61540

A 10% strengthening or weakening of the US Dollar against the Euro and Sterling from the 31 December 2010 rates based on the underlying currencies per the table on the previous page would have increased or decreased profit and equity by \$1.8 million (31 December 2009 \$1.8 million). This analysis assumes that all other variables remain constant.

Interest rate risk

The Group is exposed to interest rate risk in respect of its cash and cash equivalents, current asset investments and amounts drawn under negotiated facilities which are subject to variable rates of interest.

As stated previously, the Group's treasury function actively manages its available cash resources and invests significant cash balances in various financial instruments to try to ensure optimum returns for the Group's surplus cash balances. Financial instruments are classified either as cash and cash equivalents or current asset investments 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. The Group may be subject to interest rate risk in respect of interest rate changes on amounts invested. The Group manages interest rate risk in respect of these balances by monitoring the composition of the Group's investment portfolio on an ongoing basis having regard to current market interest rates and future trends.

In addition to interest rate risk on surplus cash balances invested, the Group may also be subject to interest rate risk on amounts drawn under negotiated facilities which are subject to variable rates of interest. Details of the Group's negotiated facilities are set out in note 22 *Bank Credit Lines and Loan Facilities*. No amounts remained drawn under these facilities at 31 December 2010 or 31 December 2009. During the year ended 31 December 2009 the Group repaid all amounts previously drawn under its negotiated facilities. The Group manages interest rate risk in respect of amounts drawn under negotiated facilities through ongoing monitoring of actual and forecast cash balances, reviewing existing and future cash requirements of the business and by reviewing existing levels of borrowings having regard to current market interest rates and future trends.

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

	Interest Income		Interest Expense	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
As reported	1,761	752	-	(3,530)
Effect of change in market interest rate on profit:				
1% Increase	3,943	2,692	-	(3,950)
1% Decrease	-	-	-	(3,110)

This analysis assumes that all other variables remain constant.

Notes to Consolidated and Company Financial Statements (continued)

25. Financial Instruments (continued)

Fair Values

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

	31 December 2010		31 December 2009	
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Accounts receivable	164,907	164,907	191,924	191,924
Unbilled revenue	101,431	101,431	92,080	92,080
Current asset investments	–	–	49,227	49,227
Cash and cash equivalents	255,706	255,706	144,801	144,801
Other receivables	23,005	23,005	24,828	24,828
	545,049	545,049	502,860	502,860
Accounts payable	(12,314)	(12,314)	(12,123)	(12,123)
Finance lease liabilities	(158)	(158)	(470)	(470)
Payments on account	(134,240)	(134,240)	(165,198)	(165,198)
Other liabilities	(103,585)	(103,585)	(121,178)	(121,178)
	(250,297)	(250,297)	(298,969)	(298,969)

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

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

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

We disclose our financial instruments that are measured in the balance sheet at fair value using the following fair value hierarchy for valuation inputs. The hierarchy prioritises the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels, which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

- Level 1: Inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2: Inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

Notes to Consolidated and Company Financial Statements (continued)

26. Lease commitments

The Company has several non-cancellable operating leases, primarily for facilities, that expire over the next 12 years. These leases generally contain renewal options and require the Company to pay all executory costs such as maintenance and insurance. The Company expensed \$46.0 million for the year ended 31 December 2010 and \$45.2 million for the year ended 31 December 2009. Future minimum rental commitments for operating leases with non-cancellable terms are as follows:

	31 December 2010 \$'000	31 December 2009 \$'000
Less than one year	39,405	38,192
Between one and two years	34,302	31,015
Between two and three years	30,191	26,009
Between three and four years	25,327	23,074
Between four and five years	18,986	20,137
More than five years	35,939	39,285
Total	184,150	177,712

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

	31 December 2010 \$'000	31 December 2009 \$'000
Less than one year	160	340
Between one and five years	–	160
More than five years	–	–
Total gross payment	160	500
Less future finance charges	(2)	(17)
Total	158	483

27. Commitments and contingencies

(a) Capital commitments

The following capital commitments for the purchase of property, plant and equipment had been authorised by the Group at 31 December 2010:

	31 December 2010 \$'000	31 December 2009 \$'000
Contracted for	10,980	5,604
Not-contracted for	10,011	5,386
Total	20,991	10,990

Notes to Consolidated and Company Financial Statements (continued)

27. Commitments and contingencies (continued)

(b) Guarantees

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

The Company has guaranteed the liabilities referred to in the Section 5 (c) (ii) of the Companies (Amendment) Act, 1986 in respect of the financial year ending 31 December 2010 for the subsidiary companies listed below. These subsidiaries are availing of the exemption under Section 17 of the Companies (Amendment) Act, 1986 not to file statutory financial statements.

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

(c) Contractual obligations

The following represents Group contractual obligations and commercial commitments as at 31 December 2010:

	Total	Payments due by period			
		Less than 1 year	1 to 3 years	3-5 years	More than 5 years
		\$ in millions			
Finance lease obligations	0.2	0.2	–	–	–
Operating lease commitments	184.2	39.5	64.5	44.3	35.9
Capital commitments	21.0	21.0	–	–	–
Total	205.4	60.7	64.5	44.3	35.9

The Group expects to spend approximately \$47.5million in the next 12 months on further investments in information technology, the expansion of existing facilities and the addition of new offices. The Group believes that it will be able to fund additional foreseeable cash needs for the next twelve months from cash flow from operations and existing cash balances. In the future, the Group may consider acquiring businesses to enhance service offerings and global presence. Any such acquisitions may require additional external financing and the Group may, from time to time, seek to obtain funds from public or private issues of equity or debt securities. There can be no assurance that such financing will be available on terms acceptable to the Group.

28. Litigation

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

Notes to Consolidated and Company Financial Statements (continued)

29. Related Parties

(i) Transactions with Directors and Executive Officers

The total compensation of the Directors and Executive Officers (Key Management Remuneration) for the years ended 31 December 2010 and 2009 was as follows:

	Year ended 31 December 2010 \$'000	Year ended 31 December 2009 \$'000
Salary and fees	1,933	2,326
Bonus	273	1,317
Other benefits	142	1,458
Pension contributions	121	757
Share-based-payment	1,164	867
Total	3,633	6,725

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 as an Executive Director from June 1990 to December 2009. On 31 December 2009 Dr. Climax retired as Chairman of the Board of the Company and his service agreement with the Company (the "Dr. Climax Service Agreement") ended. Since January 2010 he has held a position as a non-Executive Director of the Company.

The Dr. Climax Service Agreement provided for a bonus, a pension contribution, a twelve month notice period, two company cars and medical insurance cover for himself and his dependants. At 18 April 2011, Dr. Climax held 108,000 ordinary share options at exercise prices ranging from \$8.88 to \$35.33 per share.

The arrangements relating to Dr. Climax's retirement were set out in an agreement entered into between the Company and Dr. Climax in December 2009 (the "December 2009 Agreement"). Pursuant to the December 2009 Agreement, Dr. Climax received, having regard to the Dr. Climax Service Agreement (which terminated pursuant to the December 2009 agreement), a payment of €830,000 (\$1,200,620) and a pension contribution of €170,000 (\$252,620). In addition, and also pursuant to the December 2009 Agreement, he received an ex-gratia pension contribution for past service of €220,308 (\$327,378), the acceleration of vesting of unvested share options and the transfer of two company cars €52,706 (\$68,063). The payments and contributions set out in this paragraph are included in the amounts listed for Dr. Climax in the summary compensation table for the year ended 31 December 2009 on page 65.

The Company has also entered into 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 (\$375,795) per annum. The consultancy agreement provides that the Company will provide, during the term of the agreement, permanent disability and life insurance cover for Dr. Climax and medical insurance cover for himself and his dependants.

Notes to Consolidated and Company Financial Statements (continued)

29. Related Parties (continued)

The following share options were awarded to directors and executive officers during the years ended 31 December 2010 and 31 December 2009:

Name of Director/ Key Executive Officer	Options	Exercise price	Grant date	Expiry date
Dr. Bruce Given	2,000	\$22.26	25 February 2009	25 February 2017
	4,000	\$24.46	4 March 2010	4 March 2018
Peter Gray	50,000	\$15.84	30 April 2009	30 April 2017
	150,000	\$24.25	8 March 2010	8 March 2018
Ciaran Murray	17,000	\$22.26	25 February 2009	4 March 2018
	30,000	\$24.46	25 February 2017	4 March 2018
Dr. John Climax	50,000	\$15.84	30 April 2009	30 April 2017
	2,000	\$24.46	4 March 2010	4 March 2018
Dr. Ronan Lambe	2,000	\$22.26	25 February 2009	25 February 2017
	2,000	\$24.46	4 March 2010	4 March 2018
Thomas Lynch	2,000	\$22.26	25 February 2009	25 February 2017
	2,000	\$24.46	4 March 2010	4 March 2018
Prof. Dermot Kelleher	2,000	\$22.26	25 February 2009	25 February 2017
	2,000	\$24.46	4 March 2010	4 March 2018
Dr. Anthony Murphy	3,000	\$15.84	30 April 2009	30 April 2017
	2,000	\$24.46	4 March 2010	4 March 2018
Declan McKeon	3,000	\$29.45	29 April 2010	29 April 2018
Cathrin Petty	3,000	\$19.45	26 October 2010	26 October 2018

100,000 of the options granted to Peter Gray on 8 March 2010, will vest between 2011 and 2013. All other options granted to Directors and executive officers during 2010 will vest between 2011 and 2015. All options granted during the year end 31 December 2009 options will vest between 2010 and 2014.

Notes to Consolidated and Company Financial Statements (continued)

29. Related Parties (continued)

Details of transactions entered into by Directors and Key Executive Officers in shares and share options of the Company during the year ended 31 December 2010 were as follows:

Name of Director/Key Executive Officer	No. Options	Options Exercised	
		Average Exercise Price	Market Price on date of Exercise
Dr. Bruce Given	–	–	–
Peter Gray	40,000	\$7.94	\$28.78
Ciaran Murray	40,000	\$10.42	\$24.25
Dr. John Climax	20,000	\$7.00	\$20.12
Dr. Ronan Lambe	6,000	\$7.00	\$20.36
Thomas Lynch	1,200	\$7.00	\$19.87
Prof. Dermot Kelleher	–	–	–
Dr. Anthony Murphy	–	–	–
Declan McKeon	–	–	–
Cathrin Petty	–	–	–

Name of Director/Key Executive Officer	Shares Purchased		Shares Sold	
	No. Shares	Average purchase price/exercise price	No. Shares	Average Market Price of Shares Sold
Dr. Bruce Given	500	\$24.67	–	–
Peter Gray	–	–	(60,000)	\$28.78
Ciaran Murray	–	–	(40,000)	\$24.25
Dr. John Climax	–	–	(1,520,000)	\$24.31
Dr. Ronan Lambe	–	–	(59,900)	\$22.25
Thomas Lynch	–	–	–	–
Prof. Dermot Kelleher	–	–	–	–
Dr. Anthony Murphy	200	\$23.87	–	–
Declan McKeon	–	–	–	–
Cathrin Petty	–	–	–	–

(ii) Other Related Party Transactions

Year ended 31 December 2010

With the exception of the consultancy agreement with Rotrua Limited a company controlled by Dr. Climax, as outlined on page 94, there were no other related party transactions during 2010.

Notes to Consolidated and Company Financial Statements (continued)

29. Related Parties (continued)

Year ended 31 December 2009

Mr Edward Roberts previously served as Chairman of Merz GmbH. Merz is an independent German pharmaceutical company focused on the development of drugs for the treatment of illnesses in the fields of neurology and psychiatry. ICON Clinical Research Limited, a wholly owned subsidiary of the Company, has entered into a number of contracts with Merz, for the provision of consulting and clinical trial related activities. The total potential value of these contracts is \$43.5 million. During the year ended 31 December 2009 the Company recognised a total of \$9.8 million of revenue in relation to these activities. At 31 December 2009 \$1.2 million was outstanding to be received from Merz GmbH. During the time that ICON performed this work Mr. Roberts excused himself from or did not attend any meeting of either or both of ICON and Merz relating to this work. At no stage was there any conflict of interest between Mr. Roberts position as director of the Company and his work for Merz.

Dr. Bruce Given previously served as Acting Chief Medical Officer of Sembiosys Genetics Inc. ("Sembiosys"). Sembiosys is a plant biotechnology company specialising in the production of high-value pharmaceutical and non-pharmaceutical products. During the year ending 31 December 2008 Sembiosys engaged ICON Development Solutions a wholly owned subsidiary of ICON, in consulting and clinical trial related activities. The total potential value of this study was \$0.8 million. During the year ending 31 December 2009 ICON recognised a total of \$0.3 million of revenue in relation to these activities. There were no amounts outstanding as at 31 December 2009. During the time that ICON performed this work Dr Given excused himself from or did not attend any meeting of either or both of ICON and Sembiosys relating to this work. At no stage was there any conflict of interest between Dr Given's position as director of the Company and his work for Sembiosys.

30. Post Balance Sheet Events

On 14 January 2011 the Company acquired approximately 80% of the common stock of Oxford Outcomes Limited, a leading international health outcomes consultancy business, headquartered in Oxford, United Kingdom, and with offices in the USA and Canada, for an initial cash consideration of £17.8 million (\$27.7 million). Oxford Outcomes provides specialist services in the areas of patient reported outcomes (PRO), health economics, epidemiology and translation and linguistic validation. Further consideration of up to £6.5 million (\$10.2 million) may become payable during the period to 31 March 2012 if certain performance milestones are achieved. In addition, the acquisition agreement also provides for certain working capital targets to be achieved by Oxford Outcomes Limited on completion, with additional amounts payable by or refundable to the Company based on the achievement of these targets.

The Company also holds an option to acquire the remaining common stock of Oxford Outcomes Limited during the year ended 31 December 2011 for cash consideration of £3.8 million (\$5.9 million). Further consideration of up to £1.5 million (\$2.3 million) relating to this remaining common stock of Oxford Outcomes may become payable during the period to 31 March 2012 if certain performance milestones are achieved.

The fair value of the assets acquired and liabilities assumed were as follows:

	14 January 2011 \$'000
Property, plant and equipment	490
Goodwill	41,462
Cash and cash equivalents	6,335
Other current assets	6,043
Current liabilities	(3,055)
Purchase price	<u>51,275</u>

Notes to Consolidated and Company Financial Statements (continued)

31. Notes to the Company financial statements

(a) Property, Plant and Equipment

	Leasehold improvements \$'000	Computer equipment \$'000	Office furniture & fixtures \$'000	Total \$'000
Cost				
At 1 January 2010	528	1,204	1,406	3,138
Additions	183	203	287	673
Disposals	–	–	(12)	(12)
Foreign currency adjustment	(29)	(68)	(75)	(172)
At 31 December 2010	682	1,339	1,606	3,627
Depreciation				
At 1 January 2010	142	777	438	1,357
Charge for year	100	251	173	524
Eliminated on disposals	–	–	(4)	(4)
Foreign currency adjustment	(7)	(42)	(24)	(73)
At 31 December 2010	235	986	583	1,804
Net book value				
At 31 December 2010	447	353	1,023	1,823
At 31 December 2009	386	427	968	1,781

Notes to Consolidated and Company Financial Statements (continued)

31. Notes to the Company financial statements (continued)

(a) Property, Plant and Equipment (continued)

	Leasehold improvements \$'000	Computer equipment \$'000	Office furniture & fixtures \$'000	Total \$'000
Cost				
At 1 January 2009	295	1,016	1,465	2,776
Additions	148	160	87	395
Disposals	(48)	–	(62)	(110)
Reclassifications	124	–	(124)	–
Foreign currency adjustment	9	28	40	77
At 31 December 2009	528	1,204	1,406	3,138
Depreciation				
At 1 January 2009	62	494	293	849
Charge for year	77	270	179	526
Eliminated on disposals	(22)	–	(19)	(41)
Reclassifications	23	–	(23)	–
Foreign currency adjustment	2	13	8	23
At 31 December 2009	142	777	438	1,357
Net book value				
At 31 December 2009	386	427	968	1,781
At 31 December 2008	233	522	1,172	1,927

Notes to Consolidated and Company Financial Statements (continued)

31. Notes to the Company financial statements (continued)

(b) Intangible assets

	Computer Software \$'000
Cost:	
At 1 January 2009	79
Additions	161
Foreign exchange movement	2
At 31 December 2009	242
Additions	278
Foreign exchange movement	(5)
At 31 December 2010	515
Accumulated amortisation:	
At 1 January 2009	33
Arising during the year	25
Foreign exchange movement	1
At 31 December 2009	59
Arising during the year	98
Foreign exchange movement	(3)
At 31 December 2010	154
Net book value:	
At 31 December 2010	361
At 31 December 2009	183

Notes to Consolidated and Company Financial Statements (continued)

31. Notes to the Company financial statements (continued)

(c) Investment in subsidiaries

	Investment in Subsidiary Undertakings \$'000	Long Term Advances to Subsidiary Undertakings \$'000	Total \$'000
Cost:			
At 1 January 2009	264,534	70,906	335,440
Imputed interest on long term intercompany loans	–	2,549	2,549
Share based payments	7,144	–	7,144
Foreign exchange movement	4,286	1,771	6,057
At 31 December 2009	275,964	75,226	351,190
Imputed interest on long term intercompany loans	–	2,518	2,518
Disposals	(6,101)	–	(6,101)
Share based payments	6,136	–	6,136
Foreign exchange movement	(15,220)	(2,387)	(17,607)
At 31 December 2010	260,779	75,357	336,136

(d) Deferred taxation

The net deferred tax asset at 31 December 2010 was as follows:

	31 December 2010 \$'000	31 December 2009 \$'000
Deferred taxation liabilities:		
Property, plant and equipment	(10)	(42)
Accrued expenses and payments on account	(5)	–
Total deferred taxation liabilities	(15)	(42)
Deferred taxation assets:		
Accrued expenses and payments on account	245	178
Property, plant and equipment	33	71
Loans to subsidiaries	808	1,126
Total deferred taxation assets	1,086	1,375
Net deferred taxation asset	1,071	1,333

Notes to Consolidated and Company Financial Statements (continued)

31. Notes to the Company financial statements (continued)

(d) Deferred taxation (continued)

The movement in temporary differences during the year ended 31 December 2010 and year ended 31 December 2009 was as follows:

	Balance 1 January 2010 \$'000	Investment in Subsidiary Undertakings \$'000	Recognised in Income \$'000	Balance 31 December 2010 \$'000
Deferred taxation liabilities:				
Property, plant and equipment	(42)	–	32	(10)
Accrued expenses and payments on account	–	–	(5)	(5)
Total deferred taxation liabilities	(42)	–	27	(15)

Deferred taxation assets:				
Accrued expenses and payments on account	178	–	67	245
Property plant and equipment	71	–	(38)	33
Loans to subsidiaries	1,126	–	(318)	808
Total deferred taxation assets	1,375	–	(289)	1,086
Net deferred taxation asset	1,333	–	(262)	1,071

	Balance 1 January 2009 \$'000	Investment in Subsidiary Undertakings \$'000	Recognised in Income \$'000	Balance 31 December 2009 \$'000
Deferred taxation liabilities:				
Property, plant and equipment	–	–	(42)	(42)
Total deferred taxation liabilities	–	–	(42)	(42)

Deferred taxation assets:				
Accrued expenses and payments on account	123	–	55	178
Property plant and equipment	102	–	(31)	71
Loans to subsidiaries	1,451	–	(325)	1,126
Total deferred taxation assets	1,676	–	(301)	1,375
Net deferred taxation asset	1,676	–	(343)	1,333

At 31 December 2010 and 31 December 2009 the Company had no operating loss carry forwards for income tax purposes and no deferred tax assets that have not been recognised.

Notes to Consolidated and Company Financial Statements (continued)

31. Notes to the Company financial statements (continued)

(e) Other Current Assets

	31 December	31 December
	2010	2009
	\$'000	\$'000
Prepayments	865	1,180
Other receivables	1,695	2,124
Total	2,560	3,304

(f) Accrued and Other Liabilities

	31 December	31 December
	2010	2009
	\$'000	\$'000
Current liabilities:		
Accruals and other liabilities	8,386	9,587
Total	8,386	9,587

(g) Payroll and Related Benefits

The aggregate payroll costs of employees of the Company for the year ended 31 December 2010 was as follows:

	Year ended	Year ended
	31 December	31 December
	2010	2009
	\$'000	\$'000
Wages and salaries	24,797	19,912
Social welfare costs	4,839	4,018
Pension costs for defined contribution pension schemes	2,045	1,638
Share-based payment	1,247	941
Total	32,928	26,509

Certain employees of the Company are eligible to participate in a defined contribution plan (the "plan"). Participants in the Plan may elect to defer a portion of their pre-tax earnings into a pension plan, which is run by an independent party. The Company matches each participant's contributions typically at 6% of the participant's annual compensation. The Company also makes contributions for Directors and Executive officers at rates ranging from 10% to 15% of the individual's basic salary. Contributions to this plan are recorded as a remuneration expense in the Company Income Statement. Contributions for the year ended 31 December 2010 and the year ended 31 December 2009 were \$2,045,000 and \$1,638,000 respectively.

Notes to Consolidated and Company Financial Statements (continued)

31. Notes to the Company financial statements (continued)

The average number of employees, including executive Directors, employed by the Company for the year ending 31 December 2010 was as follows:

	Year ended 31 December 2010	Year ended 31 December 2009
Marketing	3	2
Administration	87	69
Clinical research processing	362	304
Total	452	375

(h) Related Parties

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

	Year ended 31 December 2010 \$'000	Year ended 31 December 2009 \$'000
Income Statement:		
Expenses recharged to subsidiary companies	13,723	17,905
Imputed interest charged to subsidiary companies	2,518	2,549
Total	16,241	20,454

Cash Flow:

(Decrease)/increase in intercompany creditor	(29,203)	110,914
Total	(29,203)	110,914

Directors and Executive Officers of the Parent Company are the same as those for the Group. For information on transactions with Directors and Executive Officers see note 29 to the Group financial statements, and for information on directors' remuneration see note 8.

(i) Commitments and Contingencies

The Company had no commitments or contingencies at 31 December 2010 (2009: \$nil).

(j) Litigation

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

Notes to Consolidated and Company Financial Statements (continued)

31. Notes to the Company financial statements (continued)

(k) Financial Assets and Risk Management

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

Credit risk

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's liquidity risk arises from the repayment of short term debt and other obligations as they fall due. The Company minimises liquidity risk by ensuring that sufficient cash balances and committed bank lines of credit are available to meet its obligations as they fall due. Details of the Company's bank credit lines and facilities are set out in note 22.

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

31 December 2010

	Carrying Amount \$'000	Contractual Cashflows \$'000	6 mths or less \$'000	6-12 mths \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
Accounts payable	(168)	(168)	(168)	–	–	–	–
Accruals and other liabilities	(8,386)	(8,386)	(8,386)	–	–	–	–
	(8,554)	(8,554)	(8,554)	–	–	–	–

31 December 2009

	Carrying Amount \$'000	Contractual Cashflows \$'000	6 mths or less \$'000	6-12 mths \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
Accounts payable	(305)	(305)	(305)	–	–	–	–
Accruals and other liabilities	(9,587)	(9,587)	(9,587)	–	–	–	–
Amounts due to subsidiaries	(16,406)	(16,406)	(16,406)	–	–	–	–
	(26,298)	(26,298)	(26,298)	–	–	–	–

Foreign currency risk

While the functional currency of the Company is Euro, the Company reports its results in U.S. dollars. As a consequence, the results, when translated into U.S. dollars, could be affected by fluctuations in exchange rates against the U.S. dollar. At 31 December 2010 and 31 December 2009 the Company had no US dollar denominated bank loans.

Notes to Consolidated and Company Financial Statements (continued)

31. Notes to the Company financial statements (continued)

Interest rate risk

The Company finances its operations through a mixture of shareholders' funds, borrowings and working capital. The Company borrows in desired currencies at both fixed and floating rates of interest. In general the Company borrows at floating rates of interest but may borrow at fixed rates depending on rates available. The Company determines the level of borrowings at fixed rates of interest having regard to current market rates and future trends. At 31 December 2010 the company did not have any borrowings drawn down.

Fair Values

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

	31 December 2010		31 December 2009	
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Loans to subsidiaries	75,357	73,823	75,226	75,056
Amounts due by subsidiary undertaking	785	785	–	–
Cash and cash equivalents	2,314	2,314	1,031	1,031
Other current assets	2,560	2,560	3,304	3,304
	81,106	79,482	79,561	79,391
Accounts payable	(168)	(168)	(305)	(305)
Amounts due to subsidiary undertakings	–	–	(16,406)	(16,406)
Accruals and other liabilities	(8,386)	(8,386)	(9,587)	(9,587)
	(8,554)	(8,554)	(26,298)	(26,298)

The carrying values of cash and cash equivalents, other current assets, accounts payable, amounts due to subsidiary undertakings, accounts payable and other liabilities are assumed to be approximate to their fair values due to the short term nature of these balances. The fair value of loans to subsidiaries for disclosure purposes is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Notes to Consolidated and Company Financial Statements (continued)

32. Subsidiary Undertakings

As at 31 December 2010 the Company had the following principal subsidiary undertakings:

Name	Registered Office	Proportion held by group
ICON Clinical Research Limited	South County Business Park Leopardstown Dublin 18 Republic of Ireland	100%*
ICON Clinical Research Inc.	212 Church Road North Wales Pennsylvania PA 19454 U.S.A.	100%
ICON Clinical Research (UK) Limited	Concept House 6, Stoneycroft Rise Chandlers Ford Eastleigh Hampshire, SO53 3LD England	100%*
ICON Clinical Research GmbH	Heinrich-Hertz Strasse 26 D-63225 Langen Germany	100%*
ICON Clinical Research SARL	20, rue Troyon 92310 Sevres France	100%
ICON Clinical Research Israel Limited	6 Haba'al Shem Tov st. North Industrial Area Lod 71289 POB 1114 Lod 71100 Israel	100%
ICON Clinical Research	Calle Josep Pla, número 2 Torre Diagonal Mar piso 11 módulo 1 08019 Barcelona Spain	100%
ICON Clinical Research Kft.	Szepvolgy ut 39 Szepvolgy Irodapark 1037 Budapest Hungary	100%
ICON Clinical Research S.R.L.	3rd Floor 133-137 Calea Floreasca, 1st District Bucharest Romania	100%
ICON Clinical Research EOOD	4th floor, Saborna Str. 2a, Sredets Municipality Sofia Bulgaria	100%

Notes to Consolidated and Company Financial Statements (continued)

32. Subsidiary Undertakings (continued)

Name	Registered Office	Proportion held by group
ICON Research d.o.o	Radnička cesta 80 Zagreb Croatia	100%
ICON Clinical Research LLC	Bulevar Zorana Djindjica 64a 11070 Belgrade Serbia	100%
ICON Clinical Research LLC	4th Floor St. Poleva, 24 Kiev Ukraine, 03056	100%
ICON Holdings	South County Business Park Leopardstown Dublin 18 Republic of Ireland	100%
ICON Holdings Clinical Research International Limited	South County Business Park Leopardstown Dublin 18 Republic of Ireland	100%
ICON Clinical Research S.R.O	V parku 2335/20, Post Code 148 00 Prague 4 Czech Republic	100%
ICON Clinical Research (Canada) Inc.	7405, Transcanada Highway Suite 300 St.Laurent Quebec (H4T 1Z2) Canada	100%
ICON Clinical Research Pty Limited	Level 2, Suite 201 2-4 Lyon Park Road North Ryde Sydney N.S.W. 2113 Australia	100%*
ICON Clinical Research (New Zealand) Limited	Plaza Level, AXA Centre 41 Shortland Street Auckland 1010 New Zealand	100%
ICON Japan K.K.	MD Kanda Building 6F-7F Kanda-Mitoshirocho Chiyoda-ku Tokyo, 101-0053 Japan	100%*
ICON Clinical Research Pte Limited	Raffles Place, #20-05 Clifford Centre Singapore 048621	100%

Notes to Consolidated and Company Financial Statements (continued)

32. Subsidiary Undertakings (continued)

Name	Registered Office	Proportion held by group
ICON Clinical Research	Korea Yuhan Hoesa 18th Floor, Capital Tower 736-1, YeokSam-Dong KangNam-Gu Seoul, Korea 135-983	100%
ICON Clinical Research India Private Limited	RMZ Millennia Business Park Building 3A, 2nd Floor 143 Dr. M G R Road Kandhanchavady Chennai – 600 096 Tamil Nadu India	100%
ICON Clinical Research S.A.	Av. Fondo de la Legua 936/54 Edificio Lomas de San Isidro Plaza1 Martinez Buenos Aires (B1640EDO) Argentina	100%
ICON Pesquisas Clinicas LTDA	Avenida Paulista No. 2300 Andar Pilotis-sal 03100-300 Bela Vista Sao Paulo SP Brazil	100%
ICON Clinical Research Mexico S.A. de CV	Barranca del Muerto 329 3rd Floor Col. San José Insurgentes 03900 México D.F.	100%
ICON Chile Limitada	Huerfanos 770 piso 4 oficina 402, Santiago, Chile	100%
ICON Clinical Research Peru SA	Edificio Real Seis Av. Victor A. Belaunde 147 Via Principal 140-Piso Ofs 713 y 715 San Isidro-Lima 27 Peru	100%
ICON Development Solutions Limited	Skelton House, 1 Manchester Science Park Lloyd Street North Manchester M15 6SH England	100%
DOCS Global Inc.	2 Grand Central Tower 140 East 45th Street 10017 NY New York, US	100%

Notes to Consolidated and Company Financial Statements (continued)

32. Subsidiary Undertakings (continued)

Name	Registered Office	Proportion held by group
DOCS International BV	Handelsweg 53 1181 ZA Amstelveen The Netherlands	100%
ICON Development Solutions, Inc.	7250, Parkway Drive Suite 430 Hanover, MD 21076 U.S.A.	100%
ICON Central Laboratories, Inc.	123 Smith Street Farmingdale New York 11735 U.S.A.	100%
Beacon Bioscience, Inc.	4259 W. Swamp Road Suite 410 Doylestown, PA 18901-1033 U.S.A	100%
Healthcare Discoveries Inc	8307 Gault Lane San Antonio TX 78209 U.S.A.	100%
Prevalere Life Sciences Inc	8282 Halsey Road Whitsboro NY 13492 U.S.A.	100%
Icon Medical Imaging AG	Zeltweg 46 8032 Zurich Switzerland	100%
ICON Clinical Research (Beijing) Co. Limited	Floor 5, Tower B Minsheng Financial Center No. 28 JianGuoMenNei Avenue Dong Cheng District Beijing 100005 China	100%
ICON Clinical Research Services Philippines Inc.	Rm28, 28 Floor Regus Center Enterprise Building, Tower 2 6766 Ayala Ave Corner Paseo de Roxas Makati City 1226 Philippines	100%

* held directly

33. Approval of financial statements

The Board of Directors approved these financial statements on 18 April 2011.

Reconciliation between IFRS and US Accounting Principles

The financial statements of the Group set out on pages 34 to 110 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU IFRS"), which differ in certain significant respects from those applicable in the U.S. ("U.S. GAAP"). The material differences as they apply to the Company's financial statements are as follows:

(a) Financial statement format

The format of the financial statements and certain note disclosures differ under U.S. GAAP from those under EU IFRS. The Company prepared a U.S. Securities and Exchange Commission Form 20-F Report which was made available to all shareholders in March 2011. The financial statements included in such Form 20-F are prepared in accordance with U.S. GAAP.

(b) Merger with PRAI

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

- (i) the Group's historic US GAAP financial statements have been restated to reflect the combined results of ICON and PRAI;
- (ii) the costs of the merger were expensed for U.S. GAAP purposes and included in the cost of acquisition for IFRS;
- (iii) goodwill arising on IFRS has been amortised over its expected useful life up to 31 May 2001. No goodwill arose on the merger under U.S. GAAP;
- (iv) the tax charge arising on the conversion of PRAI from an S-Corporation to a C-Corporation is treated as a pre acquisition charge under IFRS.

(c) Defined benefit pension scheme

Under IFRS the Group is required to recognise net scheme assets and liabilities of defined benefit pension schemes it operates. Actuarial gains and losses associated with such schemes are recognised directly against retained earnings through the Group Statement of Recognised Income and Expense. Under U.S. GAAP an additional minimum pension liability relating to the excess of any unfunded accumulated benefit obligation over recognised prior service cost must be included within other accumulated comprehensive income. This amount is amortised to the consolidated statement of operations over the remaining service life of the scheme participants under US GAAP. The excess is not amortised under IFRS and accordingly the Group has not recognised the amortisation charge of \$23,000 recorded in 2009 under US GAAP. No such amortisation charge arose in 2010 under US GAAP.

Reconciliation between IFRS and US Accounting Principles (continued)

(d) Non-cash stock compensation expense

IFRS requires that the fair value of share-based payments be expensed to the income statement over the period the related services are received, with a corresponding increase in equity. In the year ending 31 December 2009 the Company has accounted for share-based payments under U.S. GAAP in accordance with *FASB ASC 718, Compensation – Stock Compensation*, which also requires that the fair value of share-based payments be expensed to the income statement over the period the related services are received, with a corresponding increase in equity. There is a difference in recorded expense because firstly different periods are in scope for both treatments due to the different effective dates under both standards and secondly due to different models used to calculate the fair value of options. Under US GAAP the Black-Scholes model was used for the calculation of the expense whereas under IFRS this model is not the preferred model to be used and as such the binomial model is used.

(e) Deferred tax assets

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

Under US GAAP, *FASB ASC 740, Income Taxes*, the Company has recognised a deferred tax asset for the cumulative amount of compensation cost recognised in the financial statements for options that will result in a future tax deduction. A deferred tax asset is also recognised under IFRS for options that will result in a future tax deduction. However, under IAS 12 *Income Taxes* if the tax deduction available in future periods is not known at the end of the period it is estimated based on information available at the end of the period. As the tax deduction is dependent upon the Company's share price at the exercise date, the measurement of the deductible temporary difference is based on the Company's share price at the end of the period. Where the amount of the estimated future tax deduction exceeds the amount of the related cumulative remuneration expense, the deferred tax associated with the excess is recognised directly in equity.

(f) Currency Translation Adjustment

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

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

Reconciliation between IFRS and US Accounting Principles (continued)

(g) Forward-looking statements

To the extent any statements made in this annual report deal with information that is not historical, these statements are necessarily forward-looking. As such, they are subject to the occurrence of many events outside of ICON's control and are subject to various risk factors that would cause our results to differ materially from those expressed in any forward-looking statement. The risk factors are described in Appendix A on pages to 114 to 119 include, without limitation, the inherent risk of dependence on pharmaceutical and biotechnology industries and certain clients, termination or delay of large contracts, risk of cost overruns, the risk of clinical outcomes, regulatory risks, and market competition.

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

(i) Effect on profit for the financial year

	Year ended 31 December 2010 \$'000	Year ended 31 December 2009 \$'000
Profit for the financial year attributable to equity holders as stated under IFRS	86,172	92,708
US GAAP adjustments:		
Non-cash stock compensation expense under IFRS	7,383	8,085
Non-cash stock compensation expense under U.S. GAAP	(7,408)	(7,353)
Additional pension costs on defined benefit scheme	–	23
Deferred tax adjustments on share-based payments	924	836
Net income as stated under U.S. GAAP	87,071	94,299
Basic earnings per Ordinary Share under U.S. GAAP	\$1.46	\$1.61
Diluted earnings per Ordinary Share under U.S. GAAP	\$1.44	\$1.57

(ii) Effect on shareholders' equity

	31 December 2010 \$'000	31 December 2009 \$'000
Shareholders' equity as stated under IFRS	683,745	589,781
US GAAP adjustments:		
Goodwill arising on merger with PRAI	(15,010)	(15,010)
Amortisation of PRAI goodwill	1,001	1,001
Deferred tax adjustments on share-based payments	263	(3,526)
Shareholders' equity as stated under U.S. GAAP	669,999	572,246

Appendix A: Risk Factors

Risk Factors

Risk Related to Our Business and Operations

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

We have in the past and may in the future derive a significant portion of our net revenue from a relatively limited number of major projects or clients. During the years ended 31 December 2010, 31 December 2009 and 31 December 2008 33%, 27% and 29% respectively of our net revenues were derived from our top five clients. No one client contributed more than 10% of net revenues during the years ended 31 December 2010, 31 December 2009 and 31 December 2008. The loss of, or a significant decrease in business from one or more of these key clients 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 on contract initiation 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 ensures 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 recognise 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 clients discontinue using our services, or cancel or discontinue projects, our revenue will be adversely affected and 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;
- 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.

Appendix A: Risk Factors (continued)

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

Our business, future success and ability to expand operations depend upon our ability to attract, hire, train and retain qualified professional, scientific and technical operating staff. We compete for qualified professionals with other CROs, temporary staffing agencies and the in-house departments of pharmaceutical, biotechnology and medical device companies. Although we have not had any difficulty attracting or retaining qualified staff in the past, there is no guarantee that we will be able to continue to attract a sufficient number of clinical research professionals at an acceptable cost.

Our ability to perform clinical trials is dependant upon our ability to recruit suitable willing investigators and patients.

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 availability of suitable patients for enrolment 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 patient enrolment or investigator recruitment may result in the termination or delay of a study which could have a material adverse impact on our results of operations.

We are highly dependent on information technology. If 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 the Group 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 natural or man-made disasters, terrorist attacks, computer viruses or hackers, power loss, or other computer systems, Internet telecommunications or data network failures. Any such interruption could adversely affect our business and results of operations.

We may 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 successfully integrate an acquired company, the acquisition could lead to disruptions to the business. The success of an acquisition will depend upon, among other things, our ability to:

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

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

Appendix A: Risk Factors (continued)

Our operations might be impacted by a disruption to the air travel system.

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

We rely on our interactive voice response systems to provide accurate information regarding the randomisation of patients and the dosage required for patients enrolled in the trials.

We develop and maintain computer run interactive voice response systems to automatically manage the randomisation 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, invalidation of the trial, liability claims against the Company or all three.

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

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

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. 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. For example, if these companies expanded upon their in-house clinical or development capabilities, they would be less likely to utilise our services. In addition, 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.

Risk Related to Our Financial Results

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 depending upon, among other things, the number and scope of ongoing client projects, the commencement, postponement, variation and 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 underutilisation 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.

Appendix A: Risk Factors (continued)

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

Our contracts with our 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. This risk is partially mitigated by clauses in certain of our contracts which allow for price renegotiation with our clients if changes in the relative value of those currencies exceed predetermined tolerances.

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 revenue and earnings amongst the multiple tax jurisdictions in which we operate. 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. 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. While we believe that adequate provisions for income taxes have been made in our financial statements, 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 at any date is not necessarily a meaningful predictor of future results, due to the potential for the cancellation or delay of projects underlying the backlog. No assurances can be given that we will be able to realise this backlog as net revenue. A failure to realise 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.

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 organisations.

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

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

Appendix A: Risk Factors (continued)

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. In addition, 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 and/or contractual obligations we could suffer:

- termination of any research;
- disqualification of data;
- denial of the right to conduct business;
- criminal penalties;
- other enforcement actions.
- loss of clients or business.
- litigation from clients other from other parties if clinical trials have not been conducted in accordance with best practice and/or contractual obligations.

In December 2009, we received a warning letter from the U.S. Food and Drug Administration (FDA) regarding clinical study management services provided by the company to one of its clients in relation to two studies conducted between 2004 and 2006. These studies related to the development of an antibiotic for the treatment of complicated skin and skin-structure infections. The FDA letter arose from its inspections of the company's client and selected clinical sites and follows a similar letter issued to that client. On 13 January 2010 we submitted a response to the FDA and received a letter from the FDA on 27 September 2010 acknowledging receipt of our response and requesting further clarification around some details set out in our letter of 13 January 2010. We made a further submission to the FDA on 22 November 2010 addressing matters from the 27 September 2010 letter from the FDA. We remain committed to working cooperatively and expeditiously with the FDA to address the matters raised in the warning letter. We are unable to predict at this time the financial consequences, if any, of the issues raised by the letter.

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

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

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

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 actions against the investigators with whom we contract. To date, we have not been subject to any liability claims that are expected to have a material effect on us.

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

Appendix A: Risk Factors (continued)

In addition, we maintain what we believe is an appropriate level of worldwide Professional Liability/Error and Omissions Insurance. The amount of coverage we maintain depends upon the nature of the trial. 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 that is beyond the level of insurance coverage, we may be responsible for paying all or part of any award.

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

We are one of a small group of organisations 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 and operate from 73 locations in 39 countries 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 and business practices, volatility in gross domestic product, economic and governmental instability, the potential for nationalisation of private assets and the imposition of exchange controls.

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.

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 accurate 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 these laws, however, there is a risk that some provisions may be inadvertently breached, for example through negligent behaviour 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 materialise, our results of operations and financial condition could be materially adversely affected.

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 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.



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