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United States Securities  
and Exchange Commission

Washington, D.C. 20549 for the  
year ended December 31, 2015

**Form 20-F**

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

**FORM 20-F**

(Mark One)

- Registration statement pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934  
OR  
 Annual report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934  
For the fiscal year ended: December 31, 2015  
OR  
 Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
OR  
 Shell company report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934.

Commission File Number: 333-08704

**ICON PUBLIC LIMITED COMPANY**

(Exact name of Registrant as Specified in its Charter)

**ICON PUBLIC LIMITED COMPANY**

(Translation of Registrant's name into English)

Ireland

(Jurisdiction of Incorporation or Organization)

SOUTH COUNTY BUSINESS PARK,  
LEOPARDSTOWN,  
DUBLIN 18, IRELAND

(Address of principal executive offices)

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

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

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

*Title of each class*

ORDINARY SHARES, PAR VALUE €0.06 EACH

*Name of exchange on which registered*

NASDAQ GLOBAL SELECT MARKET

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

*Title of each class*

NONE

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

NONE

*(Title of class)*

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 54,958,912 Ordinary Shares.

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

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

U.S. GAAP

International Financial Reporting Standards as issued by the  
International Accounting Standards Board

Other

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

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

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## **General**

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

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

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

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

Statements included herein which are not historical facts are forward-looking statements. Such forward-looking statements are made pursuant to the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995 (the “PSLRA”). Forward-looking statements may be identified by the use of future tense or other forward looking words such as “believe”, “expect”, “anticipate”, “should”, “may”, “strategy”, or other variations or comparable terminology. The forward looking statements involve a number of risks and uncertainties and are subject to change at any time. In the event such risks or uncertainties materialize, our results could be materially adversely affected. The risks and uncertainties include, but are not limited to, dependence on the pharmaceutical industry and certain clients, the need to regularly win projects and then to execute them efficiently and correctly, the challenges presented by rapid growth, competition and the continuing consolidation of the industry, the dependence on certain key executives, changes in the regulatory environment and other factors identified in the Company’s United States Securities and Exchange Commission filings and in the “Risk Factors” included on pages 4 through 16. The Company has no obligation under the PSLRA to update any forward looking statements and does not intend to do so.

## PART I

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

Not applicable.

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

Not applicable.

### Item 3. Key Information.

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

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

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands, except share and per share data)				
<b>Statement of Operations Data:</b>					
Gross revenue . . . . .	\$ 2,161,618	\$ 2,030,286	\$ 1,784,345	\$ 1,503,993	\$ 1,296,509
Reimbursable expenses (1) . . . . .	(586,640)	(526,970)	(448,287)	(388,987)	(350,780)
Net revenue . . . . .	1,574,978	1,503,316	1,336,058	1,115,006	945,729
Costs and expenses:					
Direct costs . . . . .	908,979	903,167	845,413	717,750	611,923
Selling, general and administrative . . . . .	326,786	336,461	313,931	280,780	255,864
Depreciation and amortization . . . . .	57,677	52,542	46,514	42,823	38,682
Restructuring and other items (1), (2), (3), (4), (5) . . . . .	—	8,796	9,033	5,636	9,817
Total costs and expenses . . . . .	1,293,442	1,300,966	1,214,891	1,046,989	916,286
Income from operations . . . . .	281,536	202,350	121,167	68,017	29,443
Net interest income/(expense) . . . . .	(2,686)	366	(302)	(796)	(448)
Income before provision for income taxes . . . . .	278,850	202,716	120,865	67,221	28,995
Provision for income taxes . . . . .	(39,311)	(30,248)	(18,053)	(11,801)	(6,115)
Net income . . . . .	\$ 239,539	\$ 172,468	\$ 102,812	\$ 55,420	\$ 22,880
Net income per ordinary share (6):					
Basic . . . . .	\$ 4.08	\$ 2.80	\$ 1.69	\$ 0.92	\$ 0.38
Diluted . . . . .	\$ 3.97	\$ 2.73	\$ 1.65	\$ 0.92	\$ 0.37
Weighted average number of ordinary shares outstanding:					
Basic . . . . .	58,746,935	61,496,115	60,907,274	59,968,174	60,379,338
Diluted . . . . .	60,290,033	63,131,417	62,253,251	60,450,706	61,070,686

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands)				
<b>Balance Sheet Data:</b>					
Cash and cash equivalents . . . . .	\$ 103,911	\$ 118,900	\$ 182,519	\$ 114,047	\$ 119,237
Short term investments . . . . .	85,990	97,100	138,317	76,183	54,940
Working capital . . . . .	292,633	281,148	352,259	250,326	253,514
Total assets . . . . .	1,718,903	1,528,850	1,442,460	1,202,108	1,027,517
Long term government grants . . . . .	959	1,116	1,359	1,427	1,351
Non-current other liabilities . . . . .	12,224	13,179	11,198	14,312	20,038
Ordinary share capital . . . . .	4,679	5,037	5,168	5,067	5,055
Additional paid-in capital . . . . .	383,395	327,234	279,572	237,217	211,549
Shareholders' equity . . . . .	763,096	950,206	910,579	754,575	681,544

- (1) Reimbursable expenses are comprised of payments to investigators and certain other costs reimbursed by clients under terms specific to each of the Company's contracts. *See Note 2 (d) to the Audited Consolidated Financial Statements.*
- (2) A restructuring charge of \$8.8 million was recognized during the year ended December 31, 2014. Following the closure of the Company's European Phase 1 services in 2013, the Company recognized a charge in 2014 in relation to its Manchester, United Kingdom facility; \$5.6 million in relation to asset impairments and \$3.2 million in relation to an onerous lease charge associated with this facility. *See Note 14 to the Audited Consolidated Financial Statements.*
- (3) During the year ended December 31, 2013 the Company conducted a review of its operations. A restructuring charge of \$9.0 million was recognized as part of this review. The review resulted in the adoption of an initial restructuring plan, which included the closure of its Phase I facility in Omaha, Nebraska. This followed the expansion of the Company's Phase I facility in San Antonio, Texas and the consolidation of the Company's US Phase I capabilities into this location. The restructuring plan also included resource rationalizations in certain areas of the business to improve resource utilization. A further restructuring plan was also adopted during 2013 which resulted in resource rationalizations in order to improve operating efficiencies and reduce expenses. *See Note 14 to the Audited Consolidated Financial Statements.*
- (4) Restructuring and other items of \$5.6 million were recorded during the year ended December 31, 2012 (inclusive of the release of \$0.1 million relating to the 2011 Restructuring Plans). During the year ended December 31, 2012 the Company completed a review of its operations to improve resource utilization throughout the business. This review resulted in the adoption of a restructuring plan, to include resource rationalizations in certain areas of the business and a re-organization of available office space at the Company's Philadelphia facility. A restructuring charge of \$4.6 million was recognized during the year ended December 31, 2012; \$3.4 million in respect of resource rationalizations and \$1.2 million in respect of lease termination and exit costs. The Company also incurred certain other charges of \$1.1 million in relation to the retirement of Mr. Peter Gray, former Vice Chairman of the Board and former CEO of the Company in 2012.
- (5) Restructuring charges of \$9.8 million were recorded during the year ended December 31, 2011. During 2011 the Company conducted a review of its operations to improve resource utilization within the business and better align resources to current and future growth opportunities. This review resulted in the adoption of an initial restructuring plan, which included the closure of the Company's facility in Edinburgh, United Kingdom and resource rationalizations in certain of the more mature markets in which it operates. A further restructuring plan was also adopted during 2011 which resulted in the relocation of the Company's facility in Maryland, USA and further resource rationalizations.
- (6) Net income per ordinary share is based on the weighted average number of outstanding ordinary shares. Diluted net income per share includes potential ordinary shares from the exercise of options.

## **Risk Factors**

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

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

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

The increased use of strategic partnership arrangements in recent years has resulted in a greater proportion of our net revenues being derived from a relatively limited number of customers. During the year ended December 31, 2015 49% of our net revenues were derived from our top five customers, with one customer contributing more than 10% of our net revenues during the period (31%). No other customer contributed more than 10% of our net revenues during this period. During the year ended December 31, 2014 53% of our net revenues were derived from our top five customers, with one customer contributing more than 10% of our net revenues during the period (31%). During the year ended December 31, 2013 53% of our net revenues were derived from our top five customers, with two customers individually contributing more than 10% of our net revenues during the period (26% and 10% respectively). No other customer contributed more than 10% of our net revenues during this period. The loss of, or a significant decrease in business from one or more of these key customers could have a material adverse impact on our results of operations and financial results.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***Our business depends on the continued effectiveness and availability of our information systems, including the information systems we use to provide our services to our clients, and any system failures of, security breaches of or cyber-attacks to these systems may materially limit our operations or have a material adverse effect on our results of operations.***

Due to the global nature of our business and our reliance on information systems to provide our services, we use web-enabled and other integrated information systems in delivering our services. We intend to further increase the use of these systems and such systems will be either developed internally or provided by or in conjunction with third parties. We also provide access to similar information systems to certain clients in connection with the services we provide them. As the use, scope and complexity of our information systems continue to grow, we are exposed to and will increasingly be exposed to the risks inherent in the development, integration and ongoing operation of evolving information systems, including:

- disruption, impairment or failure of data centers, telecommunications facilities or other key infrastructure platforms;
- security breaches, cyber-attacks or other failures or malfunctions in our application or information systems or their associated hardware or other systems that we have access to or that we rely upon; and



- excessive costs, excessive delays or other deficiencies in or problems with systems development and deployment.

The materialization of any of these risks may impede our ability to provide services, the processing of data, the delivery of databases and services, and the day-to-day management of our business and could result in the corruption, loss or unauthorized disclosure of proprietary, confidential or other data. While we have disaster recovery plans in place, they might not adequately protect us in the event of a system failure, security breach or cyber-attack. Despite any precautions we take, damage from fire, floods, hurricanes, power loss, telecommunications failures, computer viruses, information system security breaches, cyber attack and similar events at or that impact on our various computer facilities could result in interruptions in the flow of data to our servers and from our servers to our clients. Corruption or loss of data may result in the need to repeat a trial at no cost to the client, but at significant cost to us, or result in the termination of a contract or damage to our reputation. Additionally, significant delays in system enhancements or inadequate performance of new or upgraded systems once completed could damage our reputation and harm our business. Long-term disruptions in the infrastructure caused by events such as security breaches, cyber attack, natural disasters, the outbreak of war, the escalation of hostilities and acts of terrorism, particularly involving cities in which we have offices, could adversely affect our business.

Unauthorized disclosure of sensitive or confidential data, whether through system failure or employee negligence, fraud or misappropriation, could damage our reputation and cause us to lose clients. Similarly, unauthorized access to or through our information systems or those we develop for our clients, whether by our employees or third parties, including a cyber-attack by computer programmers and hackers who may develop and deploy viruses, worms or other malicious software programs could result in negative publicity, significant remediation costs, legal liability and damage to our reputation and could have a material adverse effect on our results of operations and financial results. In addition, our liability insurance might not be sufficient in type, the cover provided or amount to adequately cover us against claims related to security breaches, cyber-attacks and other related breaches.

***Upgrading the information systems that support our operating processes and evolving the technology platform for our services pose risks to our business.***

Continued efficient operation of our business requires that we implement standardized global business processes and evolve our information systems to enable this implementation. We have continued to undertake significant programs to optimize business processes with respect to our services. Our inability to effectively manage the implementation and adapt to new processes designed into these new or upgraded systems in a timely and cost-effective manner may result in disruption to our business and negatively affect our operations.

We have entered into agreements with certain vendors to provide systems development and integration services that develop or license to us the IT platform for programs to optimize our business processes. If such vendors fail to perform as required or if there are substantial delays in developing, implementing and updating the IT platform, our customer delivery may be impaired, and we may have to make substantial further investments, internally or with third parties, to achieve our objectives. Additionally, our progress may be limited by parties with existing or claimed patents who seek to enjoin us from using preferred technology or seek license payments from us.

Meeting our objectives is dependent on a number of factors which may not take place as we anticipate, including obtaining adequate technology-enabled services, creating IT-enabled services that our customers will find desirable and implementing our business model with respect to these services. If we do not keep pace with rapid technological changes in the CRO industry, our products and services may become less competitive or even obsolete. This applies in particular to our ICONIK, Firecrest and ADDPLAN services. Also, increased IT-related expenditures may negatively impact our financial condition, including profitability.

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

We develop and maintain computer run and web based interactive response technologies to automatically manage the randomization of patients in trials, assign the study drug, and adjust the dosage

when required for patients enrolled in trials we support. An error in the design, programming or validation of these systems could lead to inappropriate assignment or dosing of patients which could give rise to patient safety issues, incorrect dosing of patients, invalidation of the trial and/or liability claims against the Company among other things any of which could have a material effect on our financial conditions and operations.

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

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

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

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

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

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

***Serious adverse events can occur in the conduct of clinical study trials.***

We conduct all phases of clinical trials. Although we have policies and procedures in place, due to the experimental nature of these studies, serious adverse events may arise and are appropriately documented and reported.

***Our relationships with existing or potential customers who are in competition with each other may adversely impact the degree to which other customers or potential customers use our services, which may adversely affect our results of operations.***

The biopharmaceutical industry is highly competitive, with biopharmaceutical companies each seeking to persuade payers, providers and patients that their drug therapies are better and more cost-effective than competing therapies marketed or being developed by competing firms. In addition to the adverse competitive interests that biopharmaceutical companies have with each other, biopharmaceutical companies also have adverse interests with respect to drug selection and reimbursement with other participants in the healthcare industry, including payers and providers. Biopharmaceutical companies also compete to be first to market with new drug therapies. We regularly provide services to biopharmaceutical companies who compete with each other, and we sometimes provide services to such customers regarding competing drugs in development. Our existing or future relationships with our biopharmaceutical customers may therefore deter other biopharmaceutical customers from using our services or may result in our customers seeking to place limits on our ability to serve other biopharmaceutical industry participants. In addition, our further expansion into the broader healthcare market may adversely impact our relationships with biopharmaceutical customers, and such customers may elect not to use our services, reduce the scope of

services that we provide to them or seek to place restrictions on our ability to serve customers in the broader healthcare market with interests that are adverse to theirs. Any loss of customers or reductions in the level of revenues from a customer could have a material adverse effect on our results of operations, business and prospects.

***We have only a limited ability to protect our intellectual property rights, and these rights are important to our success.***

Our success depends, in part, upon our ability to develop, use and protect our proprietary methodologies, analytics, systems, technologies and other intellectual property. Existing laws of the various countries in which we provide services or solutions offer only limited protection of our intellectual property rights, and the protection in some countries may be very limited. We rely upon a combination of trade secrets, confidentiality policies, nondisclosure, invention assignment and other contractual arrangements, and patent, copyright and trademark laws, to protect our intellectual property rights. These laws are subject to change at any time and certain agreements may not be fully enforceable, which could further restrict our ability to protect our innovations. Our intellectual property rights may not prevent competitors from independently developing services similar to or duplicative of ours. Further, the steps we take in this regard might not be adequate to prevent or deter infringement or other misappropriation of our intellectual property by competitors, former employees or other third parties, and we might not be able to detect unauthorized use of, or take appropriate and timely steps to enforce, our intellectual property rights. Enforcing our rights might also require considerable time, money and oversight, and we may not be successful in enforcing our rights.

We may, in certain circumstances, grant a customer greater rights in intellectual property developed in connection with a contract than we would normally grant. In such situations, we may forego the use of all intellectual property rights we create or develop, which would limit our ability to reuse or deploy that intellectual property for other customers. Any limitation on our ability to provide a service or solution may result in us losing revenue-generating opportunities and may also result in us incurring additional expenses to develop or license new or modified solutions for other projects or customers.

***The biopharmaceutical industry has a history of patent and other intellectual property litigation, and we might be involved in costly intellectual property lawsuits.***

The biopharmaceutical industry has a history of intellectual property litigation, and these lawsuits will likely continue in the future. Accordingly, we may face patent infringement suits by companies that have patents for similar business processes or other suits alleging infringement of their intellectual property rights. Legal proceedings relating to intellectual property could be expensive, take significant time and divert management's attention from other business concerns, regardless of the outcome of the litigation. If we do not prevail in an infringement lawsuit brought against us, we might have to pay substantial damages, and we could be required to stop the infringing activity or obtain a license to use technology on unfavorable terms. Any infringement or other legal processing related to intellectual property could have a material adverse effect on our operations and financial condition.

***We act as legal representative for some clients.***

We act as the legal representative for certain clients in certain jurisdictions. As we believe that acting as legal representative of clients exposes us to a higher risk of liability this service is provided subject to our policy and requires certain preconditions to be met. The preconditions relate to obtaining specific insurance commitments and indemnities from the client to cover the nature of the exposure. However, there is no guarantee that the specific insurance will respond and provide cover or that a client will fulfil its obligations in relation to their indemnity.

### **Risk Related to Our Industry**

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

We are dependent upon the ability and willingness of the pharmaceutical, biotechnology and medical device companies to continue to spend on research and development and to outsource the services that we

provide. We are therefore subject to risks, uncertainties and trends that affect companies in these industries and that we do not control. We have benefited to date from the tendency of pharmaceutical, biotechnology and medical device companies to outsource clinical research projects. Any downturn in these industries or reduction in spending or outsourcing could materially adversely affect our business. The following could each result in such a downturn:

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

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

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

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

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

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

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

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

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

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

Our results of operations in any quarter can fluctuate or differ from expected or forecasted results depending upon or due to, among other things, the number and scope of ongoing client projects, the commencement, postponement, variation cancellation or termination of projects in a quarter, the mix of revenue, cost overruns, employee hiring and other factors. Our net revenue in any period is directly related to the number and percentage of employees who were working on projects billable to the client during that

period. We may be unable to compensate for periods of underutilization during one part of a fiscal period by augmenting revenues during another part of that period. We believe that operating results for any particular quarter are not necessarily a meaningful indication of future results.

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

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

Our contracts with clients are sometimes denominated in currencies other than the currency in which we incur expenses related to such contracts. Where expenses are incurred in currencies other than those in which contracts are priced, fluctuations in the relative value of those currencies could have a material adverse effect on our results of operations.

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

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

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

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

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

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

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

Given the global nature of our business, we are exposed to various risks in relation to these balances including liquidity risk, credit risk associated with the counterparties with which we invest, interest rate risk



on floating rate securities, sovereign risk (our principle sovereign risk relates to investments in U.S. Treasury funds), and other factors.

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

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

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

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

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

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

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

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

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

- termination of or delay in any research;
- disqualification of data;
- denial of the right to conduct business;
- criminal penalties;
- other enforcement actions;
- loss of clients and/or business; and
- litigation from clients and resulting material penalties, damages and costs.

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

We are one of a small group of organizations with the capability and expertise to conduct clinical trials on a global basis. We believe that this capability to provide our services globally in most major and developing pharmaceutical markets enhances our ability to compete for new business from large multinational pharmaceutical, biotechnology and medical device companies. We have expanded geographically in the past and intend to continue expanding in regions that have the potential to increase

our client base or increase our investigator and patient populations. We expect that revenues earned in emerging markets will continue to account for an increasing portion of our total revenues. However, emerging market operations may present several risks, including civil disturbances, health concerns, cultural differences such as employment, regulatory and business practices, compliance with economic sanctions laws and regulations, volatility in gross domestic product, economic and governmental instability, the potential for nationalization of private assets and the imposition of exchange controls. In addition, operating globally means the Company faces the challenges associated with coordinating its services across different countries, time zones and cultures.

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

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

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

***We operate in many different jurisdictions and we could be adversely affected by violations of the Foreign Corrupt Practices Act of 1977 (FCPA), UK Bribery Act of 2010 and similar worldwide anti-corruption laws.***

The FCPA, UK Bribery Act of 2010 and similar worldwide anti-corruption laws prohibit companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business. In addition, the FCPA imposes certain books, records, and accounting control obligations on public companies and other issuers. Our internal policies mandate compliance with these anti-corruption laws. We operate in many jurisdictions that have experienced corruption to some degree and, in certain circumstances, anti-corruption laws have appeared to conflict with local customs and practices. Despite our training and compliance programs, we cannot assure that our internal control policies and procedures will protect us from acts in violation of anticorruption laws committed by persons associated with us, and our continued expansion, including in developing countries, could increase such risk in the future. Violations of the FCPA, the U.K. Anti-Bribery Act of 2010 or other similar worldwide anti-corruption laws, or even allegations of such violations, could disrupt our business and result in a material adverse effect on our financial condition, results of operations, cash flows and reputation. For example, violations of anti-corruption laws can result in restatements of, or irregularities in, our financial statements as well as severe criminal or civil sanctions. In some cases, companies that violate the FCPA might be debarred by the U.S. government and/or lose their U.S. export privileges. In addition, U.S. or other governments may seek to hold us liable for successor liability FCPA violations or violations of other anticorruption laws committed by companies that we acquire or in which we invest. Changes in anti-corruption laws or enforcement priorities could also result in increased compliance requirements and related costs which could materially adversely affect our business, financial condition, results of operations and cash flows.

***Current and proposed laws and regulations regarding the protection of personal data could result in increased risks of liability or increased cost to us or could limit our service offerings.***

The confidentiality, collection, use and disclosure of personal data, including clinical trial patient-specific information, are subject to governmental regulation generally in the country that the personal data were collected or used. For example, United States federal regulations under the Health Insurance Portability and Accountability Act of 1996, or HIPAA, and as amended in 2014 by the Health Information Technology for Economic and Clinical Health (“HITECH”) Act, require individuals’ written authorization, in addition to any required informed consent, before Protected Health Information may be used for research. Such regulations specify standards for de-identifications and for limited data sets. We are

both directly and indirectly affected by the privacy provisions surrounding individual authorizations because many investigators with whom we are involved in clinical trials are directly subject to them as a HIPAA “covered entity” and because we obtain identifiable health information from third parties that are subject to such regulations. As there are some instances where we are a HIPAA “business associate” of a “covered entity,” we can also be directly liable for mishandling protected health information. Under HIPAA’s enforcement scheme, we can be subject to up to \$1.5 million in annual civil penalties for each HIPAA violation.

In the European Union, or EU, personal data includes any information that relates to an identified or identifiable natural person with health information carrying additional obligations, including obtaining the explicit consent from the individual for collection, use or disclosure of the information. In addition, we are subject to EU rules with respect to cross-border transfers of such data out of the EU. The United States, the EU and its member states, and other countries where we have operations, such as Japan, South Korea, Malaysia, the Philippines, Russia and Singapore, continue to issue new privacy and data protection rules and regulations that relate to personal data and health information. Failure to comply with certain certification/registration and annual re-certification/registration provisions associated with these data protection and privacy regulations and rules in various jurisdictions, or to resolve any serious privacy complaints, could subject us to regulatory sanctions, criminal prosecution or civil liability. Federal, state and foreign governments are contemplating or have proposed or adopted additional legislation governing the collection, possession, use or dissemination of personal data, such as personal health information, and personal financial data as well as security breach notification rules for loss or theft of such data. Additional legislation or regulation of this type might, among other things, require us to implement new security measures and processes or bring within the legislation or regulation de-identified health or other personal data, each of which may require substantial expenditures or limit our ability to offer some of our services. Additionally, if we violate applicable laws, regulations or duties relating to the use, privacy or security of personal data, we could be subject to civil liability or criminal prosecution, be forced to alter our business practices and suffer reputational harm. The European data protection framework is being revised as a generally applicable regulation which contains new provisions specifically directed at the processing of health information, sanctions of up to 4% of worldwide gross revenue and extra-territoriality measures intended to bring non-EU companies under the proposed regulation. The new regulation comes into force in 2018.

***Liability claims brought against us could result in payment of substantial damages, costs and liabilities and decrease our profitability.***

#### *Customer Claims*

If we breach the terms of an agreement with a client (for example if we fail to comply with the agreement, all applicable regulations or Good Clinical Practice) this could result in claims against us for substantial damages which could have a material adverse effect on our business. As we are a “people business” in that we provide staff to provide our services in hospitals and other sites, there is a risk that our management, quality and control structures fail to quickly detect should one or more employees or contractors fail to comply with all applicable regulations and Good Clinical Practice and thereby expose us to the risk of claims by clients.

#### *Claims relating to Investigators*

We contract with physicians who serve as investigators in conducting clinical trials to test new drugs on their patients. This testing creates the risk of liability for personal injury to or death of the patients. Although investigators are generally required by law to maintain their own liability insurance, we could be named in lawsuits and incur expenses arising from any professional malpractice or other actions against the investigators with whom we contract.

#### *Indemnification from Clients*

Indemnifications provided by our clients against the risk of liability for personal injury to or death of the patients arising from the study drug vary from client to client and from trial to trial and may not be sufficient in scope or amount or the client may not have the financial ability to fulfill their indemnification



obligations. Furthermore, we would be liable for our own negligence and negligence of our employees and such negligence could lead to litigation from clients or action or enforcement by regulatory authorities.

### *Insurance*

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

### *Claims to Date*

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

### **Risks Related to Our Indebtedness**

#### ***We have incurred debt, which could impair our flexibility and access to capital and adversely affect our financial position.***

As of December 31, 2015, we had an outstanding principal amount of indebtedness of \$350 million under our \$350 million Note Purchase and Guarantee Agreement or 'Senior Notes' that we entered into on December 15, 2015. We also have up to \$100 million of additional borrowing capacity available under the Revolving Credit Facility. No amounts were drawn under the Revolving Credit Facility facility as of December 31, 2015.

The cost and availability of credit are subject to changes in the global or regional economic environment. If conditions in the major credit markets deteriorate our ability to obtain debt financing on favorable terms may be negatively affected.

We may incur additional debt in the future. Our debt could have significant adverse consequences, including to;

- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions or other general business purposes;
- limit our ability to use our cash flow or obtain additional financing for future working capital, capital expenditures, acquisitions or other general business purposes;
- require us to use all or a portion of our cash flow from operations to make debt service payments;
- require us to sell certain assets;
- restrict us from making strategic investments, including acquisitions or cause us to make non-strategic divestitures;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- cause us to incur substantial fees from time to time in connection with debt amendments or refinancing;
- limit our flexibility to plan for, or react to, changes in our business and industry; and
- increase our vulnerability to the impact of adverse economic and industry conditions.

Our ability to meet our debt service obligations will depend on our future performance, which will be subject to financial, business and other factors affecting our operations, many of which are beyond our control. If we do not have sufficient funds to meet our debt service obligations, we may be required to refinance or restructure all or part of our existing debt, sell assets, borrow more money or sell securities, none of which we can be assured that we would be able to do in a timely manner, or at all.

In addition, a failure to comply with the covenants under our indebtedness could result in an event of default under such indebtedness. In the event of an acceleration of amounts due under our existing indebtedness as a result of an event of default, we may not have sufficient funds or may be unable to arrange for additional financing to repay our indebtedness or to make any required accelerated payments.

In addition, we are required, under the terms of the Senior Notes, to offer to purchase all of the outstanding Senior Notes if we experience a change of control. Similar requirements exist in the Revolving Credit Facility. These provisions may delay or prevent a change in control that our stockholders may consider desirable.

***Covenants in our credit agreements may restrict our business and operations and our financial condition and results of operations could be adversely affected if we do not comply with those covenants.***

The Senior Notes and the Revolving Credit Facility credit agreements include certain customary covenants that limit our ability other things, subject to certain exceptions;

- incur or assume liens or additional debt,
- dispose of assets,
- engage in mergers or reorganizations or
- enter into certain types of transactions with affiliates.

The Senior Notes agreement also includes certain financial covenants that require us to comply with a consolidated leverage ratio, a minimum EBIT to consolidated net interest charge ratio and a maximum amount of priority debt, each of which are defined in the Note Purchase Agreement. Our ability to comply with these financial covenants may be affected by events beyond our control.

These covenants may limit our operating and financial flexibility and limit our ability to respond to changes in our business or competitive activities.

In the event that we fail to pay principal or interest when due on the Senior Notes, or as a result of a material breach of any representation, warranty or covenant or any other event of default then all outstanding amounts could become immediately due and payable. If, in such a circumstance, any of the holders of the Senior Notes, accelerate the repayment of such indebtedness, there can be no assurance that we will have sufficient assets to repay our indebtedness.

***Interest rate fluctuations may materially adversely affect our results of operations and financial condition in the event that the Company draws down on the Revolving Credit Facility or in respect of any future issuances of debt.***

The interest rate in respect of the Senior Notes is fixed at 3.64% for the five year term of the agreement. The Revolving Credit Facility bears interest at LIBOR plus a margin. There were no amounts drawn on the Revolving Credit Facility at December 31, 2015. The Company is therefore subject to interest rate volatility in respect of any future draw down on the Revolving Credit Facility or in respect of any future issuances of debt.

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

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

The market price of our common stock has experienced volatility in the past and may experience volatility in the future which could lead to losses for investors. Factors impacting volatility in the market price of our common stock include, amongst others:

- our results of operations;
- issuance of new or changed securities analysts' reports or recommendations;
- developments impacting the industry or our competitors and general market and economic conditions;

- introduction of new products or services by us or our competitors;
- the public's reaction to our press releases, our other public announcements and our filings with the SEC;
- guidance, if any, that we provide to the public, any changes in this guidance or failure to meet this guidance;
- changes in the credit ratings of our debt;
- sales, or anticipated sales, of large blocks of our stock;
- additions or departures of key personnel;
- regulatory or political developments;
- litigation and governmental investigations;
- changing economic conditions; and
- exchange rate fluctuations.

In addition, stock markets have from time to time experienced significant price and volume fluctuations unrelated to the operating performance of particular companies. Future fluctuations in stock markets may lead to volatility in the market price of our common stock which could lead to losses by investors.

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

##### **Business**

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

We believe that we are one of a select group of CROs with the expertise and capability to conduct clinical trials in most major therapeutic areas on a global basis and have the operational flexibility to provide development services on a stand-alone basis or as part of an integrated “full service” solution. At December 31, 2015, we employed approximately 11,900 employees in 90 locations in 37 countries. During the year ended December 31, 2015, we derived approximately 41.3%, 48.3% and 10.4% of our net revenue in the United States, Europe and Rest of World, respectively.

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

On December 4, 2015, Inclinux-PMG Holdings, Inc (‘PMG’) was acquired by ICON Clinical Research LLC a subsidiary of the Company, resulting in net cash outflows of \$63.5 million (see Note 4 of the Financial Statements at Item 19). PMG is an integrated network of clinical research sites operating from 14 metropolitan areas throughout the US. PMG conducts clinical trials in all major therapeutic areas with particular experience in cardiology, dermatology, endocrinology, gastroenterology, men’s health, neurology, pulmonology, rheumatology, vaccine, and women’s health trials. In addition to a proprietary research database of clinical trial participants, PMG also has access to over 2 million active patient lives via electronic health records through their unique partnerships with healthcare systems and community physician practices.

On February 27, 2015, a subsidiary of the Company; ICON Holdings acquired 100% of the securities of MMMM/CHC Holding, LLC (‘MediMedia Pharma Solutions’) from MediMedia USA, Inc which resulted in net cash outflows of \$116.0 million. Headquartered in Yardley, Pennsylvania, MediMedia includes MediMedia Managed Markets and Complete Healthcare Communications. MediMedia Managed Markets is a leading provider of strategic payer-validated market access solutions. Complete Healthcare Communications is one of the leading medical and scientific communication agencies working with medical affairs, commercial and brand development teams within life science companies.

On May 7, 2014 the Company acquired Aptiv Solutions (“Aptiv”), a global biopharmaceutical and medical device development services company and leader in adaptive clinical trials. Aptiv offers full-service clinical trial consulting and regulatory support for drugs, medical devices and diagnostics with a specific focus on strategy to increase product development efficiency and productivity. It is a market leader in the integrated design and execution of adaptive clinical trials for exploratory and late phase development as well as being an industry leader in medical device and diagnostic development in key medical technology segments.

On May 1, 2015 the Company commenced a buyback program of up to \$60 million under which the Company could acquire its outstanding ordinary shares (by way of redemption), in accordance with Irish

law, the United States securities laws and the Company's constitutional documents through open market share acquisitions. A total of 882,419 ordinary shares were redeemed by the Company under this buyback program for a total consideration of \$57.9 million. On July 31, 2015 the Company commenced a further buyback program of up to \$400 million under which the Company could acquire its outstanding ordinary shares (by way of redemption), in accordance with Irish law, the United States securities laws and the Company's constitutional documents through open market share acquisitions. A total of 5,316,062 ordinary shares were redeemed by the Company under this buyback program for a total consideration of \$400 million. The second share buyback program was completed in December 2015. During the year ended December 31, 2015, the Company redeemed a total of 6,198,481 ordinary shares under these programs for total consideration of \$457.9 million.

On September 19, 2014 the Company announced that it had completed a \$40 million redemption of the Company's ordinary shares and that it had entered into a further program under which the Company can acquire up to an additional \$100 million of its outstanding ordinary shares (by way of redemption), in accordance with United States securities laws through open market share acquisitions. During the year ended December 31, 2014, 2,640,610 ordinary shares were redeemed by the Company under these programs for a total consideration of \$140.0 million.

On July 27, 2015 the Company entered into a 364 day bridge facility for \$350 million with two financial institutions. The facility bore interest at LIBOR plus a margin and included certain guarantees and indemnities in favor of the financial institutions. As of December 31, 2015, the full amount of this facility had been repaid.

On December 15, 2015 the Company issued through its subsidiary ICON Investment Five Unlimited Company (the "Issuer") of \$350 million aggregate principal amount of its 3.64% Senior Notes. The Senior Notes will mature on December 15, 2020. Interest is payable semi-annually on the Senior Notes on each June 15 and December 15, commencing June 15, 2016. The Senior Notes are guaranteed by ICON plc. The Senior Notes may be redeemed, at the Issuer's option, at any time prior to maturity, at par plus a make whole premium, together with accrued and unpaid interest, if any, to the redemption date. The terms of the notes are set forth in the Note Purchase Agreement, dated as of December 15, 2015, by and among the Issuer, ICON plc and the purchasers named therein ("Note Purchase Agreement"). The Issuer used the proceeds from the sale of the Senior Notes to repay the existing \$350 million bridge facility. The Notes have not been, and will not be, registered under the Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

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

## **Industry Overview**

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

The CRO industry is highly fragmented, consisting of several hundred small, limited-service providers, medium sized CROs and a small number of large CROs with global operations. Although there are few barriers to entry for small, limited-service providers, we believe there are significant barriers to becoming a CRO with global capabilities and expertise. Some of these barriers include the infrastructure and experience necessary to serve the global demands of clients (sponsors), the ability to manage simultaneously complex clinical trials in numerous countries, broad therapeutic expertise and the development and maintenance of

the complex information technology systems required to integrate these capabilities. In recent years, the CRO industry has experienced consolidation, resulting in the emergence of a select group of CROs that have the capital, technical resources, integrated global capabilities and expertise to manage the development programmes of pharmaceutical, biotechnology and medical device companies. We believe that large (and more recently medium sized) pharmaceutical companies, rather than utilizing many CRO service providers, are selecting a limited number of CROs with which they deal, with many forming strategic partnerships with global CROs in an effort to drive incremental development efficiencies and leverage the scientific and medical expertise that resides within the CRO. We believe that this trend will further concentrate the market share among the larger CROs with a track record of quality, speed, flexibility, responsiveness, global capabilities and access to patients and overall development experience and expertise.

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

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

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

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

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

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

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

***TIND (may span late Phase II, Phase III, and FDA review).*** When results from Phase II or Phase III show special promise in the treatment of a serious condition for which existing therapeutic options are limited or of minimal value, the FDA may allow the sponsor to make the new drug or biologic available to a larger number of patients through the regulated provision of a Treatment Investigational New Drug, or TIND. Because data related to safety and side effects are collected, TINDs also serve to expand the body of knowledge about the drug or biologic.

***NDA or BLA Preparation and Submission.*** Upon completion of Phase III trials, the sponsor assembles the statistically analyzed data from all phases of development into a single large submission along with the Chemistry, Manufacturing and Controls (CMC) and preclinical data and the proposed labeling into the New Drug Application (NDA), or Biologics License Application (BLA).

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



***Post-Marketing Surveillance and Phase IV Studies.*** Once approved by the FDA federal regulation requires the drug or biologic licence holder to collect and periodically report to the FDA additional safety and efficacy data on the drug or biologic for as long as the licence holder markets it (post-marketing surveillance). If the product is marketed outside the U.S., these reports must include data from all countries in which the drug is sold. Additional studies (Phase IV) may be undertaken after initial approval to find new uses for the drug, to test new dosage formulations, or to confirm selected non-clinical benefits, e.g., increased cost-effectiveness or improved quality of life. Additionally, FDA and other regulatory agencies are requiring licence holders of drugs or biologics to prepare risk management plans which are aimed at assessing areas of product risk and actively managing such risks should they occur.

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

CROs derive substantially all of their revenue from the research and development expenditures of pharmaceutical, biotechnology and medical device companies. Based on investment analyst research and our internal estimates, we estimate that development expenditures outsourced by pharmaceutical and biotechnology companies worldwide in 2015 was approximately \$30 billion. We believe that the following trends create further growth opportunities for global CROs, although there is no assurance that growth will materialize.

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

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

### *Continuing focus on Productivity Within Research and Development Programs.*

Pharmaceutical and biotechnology companies continue to seek ways to improve the productivity of their development efforts and increasingly see the use of CROs as a strategic component of these efforts. They are leveraging the expertise with CROs to help identify the most promising drug candidates in early development and discontinue developing those that have safety issues, limited efficacy or that will have significant reimbursement challenges. These companies are also initiating programmes to drive more efficiency in their development programmes. One example of this has been the efforts to achieve a more seamless transition across development phases, particularly Phase I-III. In parallel, regulatory initiatives such as the 21st Century Cures Act and the emergence of clinical trial techniques such as adaptive trial design and risk based clinical trial monitoring are enhancing development, allowing effective treatments to get to patients quicker at reduced development costs. We believe there are signs that the industry efforts to enhance development productivity are successful with the FDA approving 45 new drugs in 2015, an increase from the 41 approved in 2014 and the highest number of approvals since the mid 1990's.

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

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

### *Growth within the Biotechnology Sector.*

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

### *Cost Containment Pressures.*

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

### *Increasing Number of Large Long-Term Studies.*

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

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

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

### *Increasing Regulatory Demands.*

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



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

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

### *Expanded use of new patient data sources*

Pharmaceutical companies are looking to access a variety of new healthcare data sources containing medical and prescribing records to help improve development programmes and to get better evidence of the value their treatments are bringing to patients once they are launched in the market. The larger global CROs have significant data management experience which can be leveraged to support these efforts and have invested in analytics capabilities to help deliver better insights for customers during the product lifecycle. Global CROs are also forging collaborations to access specific data sets that can provide further patient insights to support better matching of patients to the clinical trial process.

### *New Technology Enables More Efficient Development*

Technology innovation is playing an increasingly important role in helping to support more efficient drug development. The larger CRO's have been at the forefront of this innovation developing technology solutions that support the integration of trial data across multiple systems; data repositories that enable sponsors to get real time clinical insights on their drugs performance and tools that support better trial designs including adaptive trial software, such as ICON's AddPlan software, which is been used by the FDA and other global regulatory bodies to assess adaptive trial submissions.

The emergence of M-health technologies that build on the global prevalence of mobile and digital technologies are also beginning to have an influence on drug development. It is now possible to capture health data using mobile devices and wearables. This will enable sponsors to gather new clinical and "real-world" patient insights and will also be used to enhance patient engagement and adherence throughout the development process. As these devices mature it may also be possible to do more remote monitoring of patients in their home environment which may drive further efficiencies in the trial process.

Social media is also becoming an important platform for life sciences companies to strengthen patient engagement programs and collaborate with other stakeholders in the health care system. Many sufferers of specific diseases are forming patient groups and actively collaborating using social media, these groups represent an important potential source of patients for new clinical studies but can also provide valuable insights into effectiveness and safety of new treatments.

As the influence of technology on drug development grows, it broadens the potential number of partners than CRO's will work with in the future.

### **The ICON Strategy**

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

We have achieved strong growth since our foundation in 1990. The impact of the International Conference on Harmonization Good Clinical Practice, the resulting globalization of clinical research and the acceleration in the understanding of human and molecular biology which has led to many new treatment paths being explored were key catalysts of our early growth.

As our market has developed, biopharmaceutical companies are tackling productivity challenges, increasing budget constraints and greater demands to demonstrate product value; all of which are placing increased pressure on their revenues and levels of profitability. However these trends have generally been positive for CROs, as increased outsourcing has been adopted by these companies as they seek to create

greater efficiencies in their development processes, convert previously fixed costs to variable, and accelerate time to market for new treatments.

One consequence of the drive to accelerate time to market will be increased emphasis on making existing drug development phases more seamless, through the use of techniques such as adaptive trials to filter the most promising compounds and test these in parallel in several therapeutic indications. Regulatory and reimbursement pressures too will increase the emphasis on late stage (post marketing) surveillance, while increasing requirements to demonstrate the economic value of new compounds, through outcomes and comparative effectiveness research, will most likely be required in order to secure on-going reimbursement. Furthermore, we believe advances in molecular biology will drive further growth in innovation in the long term which in turn should create further growth opportunities for both development companies and their outsource providers.

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

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

#### *Build Scale*

To meet the evolving needs of our clients we continue to enhance our capabilities through both organic service development and targeted acquisitions. During 2015 we established a dedicated global group focused on development services in the growing medical device market. We also continued to enhance our scientific and therapeutic expertise to support our customers in the overall formation of their development strategies for new products. Some examples of the enhancements made during 2015 include the development of CNS Rating Scale Analytics leveraging our ICONIK platform. This is enabling a data-driven approach to rating surveillance that increases the consistency of both Clinical and Patient Reported Outcomes in CNS studies. We have also grown our global network of investigative sites that have the capabilities and expertise to conduct biosimilar trials and we further strengthened our relationships with specialized Oncology sites whilst also extending our internal oncology expertise within our consulting and project management groups.

Strategic client relationships will manifest themselves in many different forms. Many of these relationships will require new forms of collaboration across ICON service areas and departments and will therefore require increased flexibility to offer services on both a standalone functional basis and as part of a fully integrated service model. To support this objective we continue to enhance our capabilities and expertise, evolve our collaboration models, and invest in technology that will enable closer data integration across our service areas and enhance our project and programme management capabilities.

We will also continue to build our positions in emerging markets and have expanded our presence in regions such as Asia-Pacific, in particular in China and Japan, as is evident from our acquisition of Niphix, the Japanese subsidiary of Aptiv Solutions, in 2014 and BeijingWits Medical Limited, a leading Chinese CRO, in 2012. In 2015, we also added scale and capabilities to our commercialization and outcomes service offering in the US through the acquisition of Medimedia on February 27, 2015 and PMG on December 4, 2015.

#### *Operational Excellence*

We continue to enhance our operating processes and delivery models to gain competitive advantage.

Our proprietary ICONIK platform, which integrates clinical data across multiple systems, is helping us drive better project execution and identify significant operational efficiencies. Our ADDPLAN software offers industry leading statistical design, simulation and analysis software for adaptive clinical trials and helps our customers identify the most promising drug candidates earlier and in parallel test these across several therapeutic indications.

Finding and engaging suitable patients to conduct clinical trials is one of the biggest issues facing drug development today. Less than 1% of the US population participates in clinical trials and the performance of investigative sites that do take part in research is uneven, hard to predict and many trials do not meet the initial recruitment goals. The current market challenge in patient enrolment creates an opportunity for ICON to differentiate its service offering and we are working to reduce patient recruitment times through enhanced site and investigator selection based on key performance metrics and through use of our proprietary Firecrest technology which is used to train and support sites during the development process. In 2015 we also acquired PMG a firm that provides site management operations to bio-pharma and medical device companies from 12 geographic locations in the United States. We believe PMG will further enhance our ability to enroll patients onto the clinical studies we perform.

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

We are focused on operational excellence across our support functions and have created a global business support infrastructure across functions such as Finance, Information Technology, Facilities and Human Resources. This is enabling us to enhance the service levels across these support areas whilst driving down the costs of this service provision.

### *Leadership and Talent*

Core to all our strategy is our people. Within ICON we have highly qualified and experienced teams around 75% of whom have third level educational qualifications. The need to develop and retain this expertise and talent within the organisation is fundamental in enabling us to be the global CRO partner of choice for our customers. We have invested in creating an innovative learning environment delivered through the ICON University which is an industry leading collaboration with University College Dublin. The ICON University provides customised management and development programs for global employees. These programmes are focused on advanced leadership development for those employees involved in people management roles and specific technical training in competencies that are core to our business such as project and programme management and clinical research associate development. We continue to invest to refine and develop these programmes.

Within the ICON University we have also created a unique new Graduate Certificate in Clinical Trial Management which is enhancing the quality of graduate training in clinical research and increasing the pool of talent available to ICON that can support our customers' drug development programmes.

Our learning and development programmes are complemented by advanced people development practices which incorporate rigorous, analytics based screening in the hiring process, global career frameworks, performance management processes aligned to our strategy, and talent review and succession planning processes.

Our leadership and talent programmes contribute to the enhanced retention of our employees, better project deliverables for our customers and the enhanced financial performance of the business.

### *Innovation*

Developing innovative trial solutions, to help clients improve the costs and efficiencies associated with drug development will be another key strategy in achieving our objectives.

These solutions are enabled by differentiated ICON technologies. Our ICONIK platform is a web-based information platform that enables the management, reporting, analysis and visualization of all data relating to drug development, and supports our risk based monitoring solution. This solution allows

monitoring resources to be directed at specific sites based on real-time data analysis which can significantly reduce monitoring costs for clients.

Firecrest; ICON's proprietary comprehensive site performance management system, is a web-based solution which enables accurate study information, including protocol information, training manuals and case report forms, to be rolled out quickly and simultaneously to investigative sites. It allows site behavior to be tracked to ensure training is understood, procedures are being followed and that timelines and study parameters are met. It can significantly reduce the number of data queries originated from investigator sites.

Our ADDPLAN software offers an industry leading statistical design, simulation and analysis software for adaptive clinical trials and helps our customers identify the most promising drug candidates earlier. ADDPLAN is used by FDA, EMA and Japan's PMDA, as well as over fifty top pharmaceutical and medical device companies and academic researchers (*see Information Systems on page 27 for further information*).

### *Enhance Capabilities*

To meet the evolving needs of our clients we continue to enhance our capabilities through both organic service development and targeted acquisitions. During 2015 we established a dedicated global group focused on development services in the growing medical device market. We also continued to enhance our scientific and therapeutic expertise to support our customers in the overall formation of their development strategies for new products.

We continued our strategy of making targeted acquisitions in 2015 and acquired PMG to enhance our patient enrollment capabilities. We also acquired Medimedia to enhance the capabilities of our Commercialization and Outcomes group. This segment of our market is one of the fastest growing. Through organic development and targeted acquisition strategy we believe we have created a differentiated service offering that can help support our clients to be able to generate the evidence of results that regulators and payers increasingly require.

We have also enhanced our capabilities through collaborations with industry and academic leaders in the area of data analytics. We have established a Chair of Business Analytics with University College Dublin and are learning from their expertise in management of large datasets. Additionally through a pilot with IBM's Watson we are leveraging Watson's cognitive computing power to help automate the process of identifying patients who meet the criteria for a clinical trial, and to analyze protocols to assess trial feasibility and identify optimal trial sites.

### **Services**

ICON is a global provider of drug development solutions and services to the pharmaceutical, biotechnology and medical device industries. These solutions span the Clinical Development lifecycle from compound selection to Phase I-III clinical studies and also include post approval outcomes research and market access consulting solutions.

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

- Product Development Planning
- Strategic Consulting
- Study Protocol Preparation
- Clinical Pharmacology
- Pharmacokinetic and Pharmacodynamic analysis
- Clinical Research Centers

- Investigator Recruitment
- Study Monitoring and Data Collection
- Case Report Form (“CRF”) Preparation
- Statistical Analysis
- Patient Safety Monitoring
- Risk-based Monitoring
- Clinical Data Management
- Strategic Analysis and Data Operations
- Regulatory Consulting
- Medical Reporting and Pharmacovigilance
- Interactive Response Technologies
- Electronic Endpoint Adjudication
- Medical Imaging
- Adaptive trial design and execution
- Medical Device Trials
- Functional and Strategic Resourcing
- Sample analyses
- Safety testing
- Microbiology
- Custom flow cytometry
- Electronic transmission of test results
- Biomarker development
- Bioanalysis
- Immunoassay development
- Electronic Patient Reported Outcomes
- Patient Registries
- Outcomes Research
- Health Economics
- Market Access and commercialization services
- Price Consulting
- Healthcare and scientific communications

### **Sales and Marketing**

Our marketing strategy is focused on building a differentiated brand position for ICON and supporting our business development efforts to develop and build relationships with pharmaceutical, biotechnology and medical device companies. Our marketing activities are coordinated centrally to ensure a consistent and differentiated market positioning for ICON and to ensure all marketing efforts align to the overall strategic objectives of the business. Our business development teams are located throughout the Americas, Europe and Asia Pacific regions. Business development activities are carried out by account executives with assigned territories and global account directors supporting our large accounts. Specialized

business development teams focus on growing the various business segments of ICON. Collectively, our business development team, senior executives and project team leaders share responsibility for the maintenance of key client relationships. Our aim is to develop deeper relationships within our client base in order to gain repeat business and give us opportunities to penetrate into other therapeutic indications and adjacent service lines where applicable.

### **Competition**

The CRO industry is fragmented, consisting of many small, niche service providers, some medium-sized providers and a smaller number of large CROs, including ICON, that are differentiated by the scale of their global operations and breadth of service portfolios. The need to conduct research and access patients on a global basis is driving market share to these global CROs and when competing for large development opportunities, ICON competes primarily with Quintiles Transnational Corporation, PAREXEL International Corporation, LabCorp and Pharmaceutical Product Development Inc. In some other market segments, for example biotech and mid-tier pharma, ICON may also compete against mid-tier CROs including PRA and INC Research.

CROs generally compete on the basis of previous experience, the ability to recruit patients on a global basis, the depth of therapeutic and scientific expertise, the strength of project teams, price and increasingly on the ability to apply new innovation that can drive significant time and cost savings throughout the development process. An evolving area of competition is the need to provide services that can help generate the evidence of the economic value of new treatments that payers and regulators require. This requires access to new data sources which includes information on the impact of new products after marketing approval.

We believe that we compete favorably in all these areas.

### **Customers**

During the year ended December 31, 2015 revenue was earned from over 700 clients. The increased use of strategic partnership arrangements in recent years has resulted in a greater proportion of our net revenues being derived from a relatively limited number of customers. During the year ended December 31, 2015 49% of our net revenues were derived from our top five customers, with one customer contributing more than 10% of our net revenues during the period (31%). No other customer contributed more than 10% of our net revenues during this period. During the year ended December 31, 2014 53% of our net revenues were derived from our top five customers, with one customer contributing more than 10% of our net revenues during the period (31%). No other customer contributed more than 10% of our net revenues during this period. During the year ended December 31, 2013 53% of our net revenues were derived from our top five customers, with two customers individually contributing more than 10% of our net revenues during the period (26% and 10% respectively). No other customer contributed more than 10% of our net revenues during this period. The loss of, or a significant decrease in business from one or more of these key customers could have a material adverse impact on our results of operations.

### **Backlog**

Our backlog consists of potential net revenue yet to be earned from projects awarded by clients. At December 31, 2015 we had a backlog of approximately \$3.9 billion, compared with approximately \$3.6 billion at December 31, 2014. We believe that our backlog as of any date is not necessarily a meaningful predictor of future results due to the potential for cancellation or delay of the projects included in the backlog, and no assurances can be given on the extent to which we will be able to realize this backlog as net revenue.

### **Information Systems**

Having access to accurate and timely information is critical in the management, delivery and quality of all aspects of drug development. To enable this ICON has developed an Informatics strategy built around ICONIK, a web-based information platform that enables the management, reporting, analysis and visualization of all data relating to drug development. ICONIK collects, manages and standardizes study



data from multiple sources, including Electronic Data Capture (EDC), patient diaries, central laboratories and imaging, to provide a single view of study information. ICONIK enables ICON to deliver new services such as ICONIK monitoring which uses near-real time clinical data to drive monitoring visit schedules thereby reducing overall cost and time to market.

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

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

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

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

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

All of the Company's global finance operations utilize Oracle's eBusiness suite to serve the organization's financial and project accounting requirements. Workday is used to fulfil our HR people management requirements.

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

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

Following the acquisition of Aptiv Solutions we have now integrated three new technology platforms into the ICON offerings. These comprise of ADDPLAN for simulation and design of exploratory/pilot and confirmatory/ pivotal adaptive clinical trials (*ADDPLAN<sup>®</sup> DF (Dose Finder)*, *ADDPLAN<sup>®</sup> Base*, *ADDPLAN<sup>®</sup> MC (Multiple Comparison)* and *ADDPLAN<sup>®</sup> PE (Population Enrichment)*), AptivAdvantage which is an integrated platform comprising EDC, randomization and drug supply management specifically created for execution of adaptive clinical trials and used to deliver risk-based monitoring and Aptiv Insite which is a novel approach to risk-based monitoring, using Verification by Statistical Sampling (VSS) to manage data quality and site related risks.

### **Contractual Arrangements**

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

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

Contract periods may range from several weeks to several years depending on the nature of the work to be performed. In most cases, an upfront portion of the contract fee is paid at the time the study or trial is started. The balance of the contract fee is generally payable in installments over the study or trial duration and may be based on the achievement of certain performance targets or “milestones” or, based on units delivered, or on a fixed monthly payment schedule. For instance, installment payments may be based on patient enrollment dates or delivery of the database. During the course of the study, the Company will generally incur reimbursable expenses. Reimbursable expenses are typically estimated and budgeted within the contract and are generally invoiced on a monthly basis based on actual expenses incurred. Reimbursable expenses include payments to investigators, travel and accommodation costs and various other expenses incurred over the course of the clinical trial which are fully reimbursable by the client.

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

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

### **Government Regulation**

#### *Regulation of Clinical Trials*

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

Regulatory authorities, including the FDA, have promulgated regulations and guidelines that pertain to applications to initiate trials of products, the approval and conduct of studies, report and record retention, informed consent, applications for the approval of drugs and post-marketing requirements.



Pursuant to these regulations and guidelines, service providers that assume the obligations of a drug sponsor are required to comply with applicable regulations and are subject to regulatory action for failure to comply with such regulations and guidelines. In the United States and Europe, the trend has been in the direction of increased regulation and enforcement by the applicable regulatory authority.

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

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

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

### **Potential Liability and Insurance**

The nature of our business exposes us to potential liability including, but not limited to, potential liability for (i) breach of contract or negligence claims by our customers; (ii) non-compliance with regulatory or legal obligations including, but not limited to, anti-bribery and anti-corruption laws; (iii) third party (such as patients) claims in respect of our performance of services.

In addition, although we do not believe we are legally responsible for acts of third party investigators (physicians running trials), we could be subject to claims arising as a result of the actions of these investigators.

We try to reduce this potential liability by:

1. Seeking contractual indemnification from customers in relation to certain activities. However, the terms and scope of indemnification varies from customer to customer and project to project and the performance of these indemnities is not secured. As a result, we bear the risk that indemnification may not be relevant or sufficient or that the indemnifying party may not have the financial ability to fulfill its indemnification obligations. Furthermore this indemnification does not protect us against our own acts or omissions such as our negligence or where our performance does not reach the required contractual, industry or regulatory standard.

2. Maintaining worldwide professional liability insurance. While we believe our insurance coverage is adequate, there is no guarantee that we will continue to be able to maintain such insurance coverage on terms acceptable to us, if at all, or that the relevant policy will respond and provide cover when we want it to.

We could be materially adversely affected if ICON is required to pay damages or bear the costs of defending or settling any claim outside the scope of or in excess of a contractual indemnification provision, an indemnifying party does not fulfill its indemnification obligations, the claim is in excess of level of our insurance coverage or the relevant circumstances are not covered by our insurance policies.

### **Description of Property**

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

We maintain four offices in Pennsylvania, three offices in New York State and Wilmington, two offices in San Antonio, San Francisco and Winston-Salem and one office in each of the following U.S. locations: Boston, Chicago, Durham, Gaithersburg, Houston, Los Angeles, Marlborough, Nashville, San Diego, Champaign, Cary, Charlotte, Hickory, Raleigh, Rocky Mount, Salisbury, Charleston, Bristol and Knoxville.

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

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

## Organizational Structure

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

<i>Company</i>	<i>Country</i>	<i>Group ownership</i>
ICON Clinical Research, S.A. . . . .	Argentina	100%
ICON Clinical Research PTY Limited . . . . .	Australia	100%
ICON Clinical Research Austria GmbH . . . . .	Austria	100%
DOCS International Belgium N.V. . . . .	Belgium	100%
ICON Pesquisas Clinicas LTDA. . . . .	Brazil	100%
ICON Clinical Research EOOD . . . . .	Bulgaria	100%
ICON Clinical Research (Canada) Inc. . . . .	Canada	100%
Oxford Outcomes LTD. . . . .	Canada	100%
ICON Chile Limitada . . . . .	Chile	100%
ICON Clinical Research (Beijing No.2) Co., Ltd . . . . .	China	100%
ICON Clinical Research (Beijing) Co., Ltd . . . . .	China	100%
Ispitivanja ICON d.o.o (ICON Research Ltd.) . . . . .	Croatia	100%
ICON Clinical Research s.r.o. . . . .	Czech Republic	100%
DOCS International Nordic Countries A/S . . . . .	Denmark	100%
DOCS International Finland Oy . . . . .	Finland	100%
Aptiv Solutions . . . . .	France	100%
DOCS International France S.A.S. . . . .	France	100%
ICON Clinical Research S.A.R.L. . . . .	France	100%
DOCS International Germany GmbH . . . . .	Germany	100%
ICON Clinical Research GmbH . . . . .	Germany	100%
ICON Clinical Research Hong Kong Limited . . . . .	Hong Kong	100%
ICON Klinikai Kutató Korlátolt Felelősségű Társaság (ICON Clinical Research Limited Liability Company) . . . . .	Hungary	100%
ICON Clinical Research India Private Limited . . . . .	India	100%
ICON Clinical Research Israel Limited . . . . .	Israel	100%
DOCS Italia S.R.L. . . . .	Italy	100%
ICON Japan K.K. . . . .	Japan	100%
Niphix G.K. . . . .	Japan	100%
ICON Investments Limited . . . . .	Jersey	100%

<i>Company</i>	<i>Country</i>	<i>Group ownership</i>
ICON Clinical Research Korea Yuhan Hoesa . . . . .	Korea	100%
ICON CRO Malaysia SDN. BHD. . . . .	Malaysia	100%
ICON Clinical Research México, S.A. de C.V. . . . .	Mexico	100%
DOCS Insourcing B.V. . . . .	Netherlands	100%
DOCS International B.V. . . . .	Netherlands	100%
ICON Clinical Research (New Zealand) Limited . . . . .	New Zealand	100%
ICON Clinical Research Peru S.A. . . . .	Peru	100%
ICON Clinical Research Services Philippines, Inc. . . . .	Philippines	100%
DOCS International Poland Sp. z o.o. . . . .	Poland	100%
ICON Clinical Research Sp. z o.o. . . . .	Poland	100%
DOCS Resourcing Limited . . . . .	Republic of Ireland	100%
ICON Clinical International . . . . .	Republic of Ireland	100%
ICON Clinical Research Limited . . . . .	Republic of Ireland	100%
ICON Clinical Research Property Development (Ireland) Limited . . . . .	Republic of Ireland	100%
ICON Holdings . . . . .	Republic of Ireland	100%
ICON Holdings Clinical Research International Limited . . . . .	Republic of Ireland	100%
ICON Investments Five Unlimited Company . . . . .	Republic of Ireland	100%
ICON Investments Four . . . . .	Republic of Ireland	100%
ICON Clinical Research S.R.L. . . . .	Romania	100%
ICON Clinical Research (Rus) LLC . . . . .	Russia	100%
ICON Clinical Research d.o.o. Beograd . . . . .	Serbia	100%
ICON Clinical Research (Pte) Limited . . . . .	Singapore	100%
ICON Clinical Research Slovakia, s.r.o. . . . .	Slovakia	100%
ICON Clinical Research España, S.L. . . . .	Spain	100%
DOCS International Sweden AB . . . . .	Sweden	100%
DOCS International Switzerland GmbH . . . . .	Switzerland	100%
ICON Clinical Research (Switzerland) GmbH . . . . .	Switzerland	100%
ICON Clinical Research Taiwan Limited . . . . .	Taiwan	100%
ICON Clinical Research (Thailand) Limited . . . . .	Thailand	100%
ICON Ankara Klinik Arastirma Dis Ticaret Anonim Sirketi . . . . .	Turkey	100%
DOCS Ukraine LLC . . . . .	Ukraine	100%
ICON Clinical Research LLC . . . . .	Ukraine	100%
Aptiv Solutions (UK) Ltd . . . . .	United Kingdom	100%
DOCS International UK Limited . . . . .	United Kingdom	100%
ICON Clinical Research (U.K.) Limited . . . . .	United Kingdom	100%
ICON Development Solutions Limited . . . . .	United Kingdom	100%
Addplan, Inc. . . . .	USA	100%
Beacon Bioscience, Inc . . . . .	USA	100%
C4 MedSolutions, LLC . . . . .	USA	100%
CHC Group, LLC . . . . .	USA	100%
Complete Healthcare Communications, LLC . . . . .	USA	100%
Complete Publication Solutions, LLC . . . . .	USA	100%

<i>Company</i>	<i>Country</i>	<i>Group ownership</i>
DOCS Global, Inc. . . . .	USA	100%
Global Pharmaceutical Strategies Group, LLC . . . . .	USA	100%
ICON Clinical Research LLC . . . . .	USA	100%
ICON Early Phase Services, LLC . . . . .	USA	100%
ICON Laboratory Services, Inc. . . . .	USA	100%
ICON US Holdings Inc. . . . .	USA	100%
Inclinx, Inc. . . . .	USA	100%
Inclinx-PMG Holdings, Inc. . . . .	USA	100%
Managed Care Strategic Solutions, L.L.C. . . . .	USA	100%
MMMM Consulting, LLC . . . . .	USA	100%
MMMM Group, LLC . . . . .	USA	100%
PMG Research of Bristol, LLC . . . . .	USA	100%
PMG Research of Charleston, LLC . . . . .	USA	100%
PMG Research of Charlotte, LLC . . . . .	USA	100%
PMG Research of Christie Clinic, LLC . . . . .	USA	100%
PMG Research of Hickory, LLC . . . . .	USA	100%
PMG Research of Raleigh, LLC . . . . .	USA	100%
PMG Research of Rocky Mount, LLC . . . . .	USA	100%
PMG Research of Salisbury, LLC . . . . .	USA	100%
PMG Research of Wilmington, LLC . . . . .	USA	100%
PMG Research of Winston-Salem, LLC . . . . .	USA	100%
PMG Research, Inc. . . . .	USA	100%
Pricespective, LLC . . . . .	USA	100%
PubsHub LLC . . . . .	USA	100%

**Item 4A. *Unresolved Staff Comments***

Not applicable.

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

The following discussion and analysis should be read in conjunction with our Consolidated Financial Statements, accompanying notes and other financial information, appearing in Item 18. The Consolidated Financial Statements have been prepared in accordance with U.S. GAAP.

### **Overview**

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

We believe that we are one of a select group of CROs with the expertise and capability to conduct clinical trials in most major therapeutic areas on a global basis and have the operational flexibility to provide development services on a stand-alone basis or as part of an integrated “full service” solution. At December 31, 2015, we employed approximately 11,900 employees, in 90 locations in 37 countries. During the year ended December 31, 2015 we derived approximately 41.3%, 48.3% and 10.4% of our net revenue in the United States, Europe and Rest of World, respectively.

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

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

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

Our backlog consists of potential net revenue yet to be earned from projects awarded by clients. At December 31, 2015 we had a backlog of approximately \$3.9 billion, compared with approximately \$3.6 billion at December 31, 2014. We believe that our backlog as of any date is not necessarily a meaningful predictor of future results, due to the potential for cancellation or delay of the projects included in the backlog, and no assurances can be given on the extent to which we will be able to realize this backlog as net revenue.

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

In addition to translation exposures, we are also subject to transaction exposures because the currency in which contracts are priced can be different from the currencies in which costs relating to those contracts are incurred. Our operations in the United States are not materially exposed to such currency differences as

the majority of our revenues and costs are in U.S. dollars. However, outside the United States the multinational nature of our activities means that contracts are usually priced in a single currency, most often U.S. dollars or euro, while costs arise in a number of currencies, depending, among other things, on which of our offices provide staff for the contract and the location of investigator sites. Although many such contracts benefit from some degree of natural hedging, due to the matching of contract revenues and costs in the same currency, where costs are incurred in currencies other than those in which contracts are priced, fluctuations in the relative value of those currencies could have a material effect on our results of operations. We regularly review our currency exposures and usually negotiate currency fluctuation clauses in our contracts which allow for price negotiation if changes in the relative value of those currencies exceed predetermined tolerances.

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

### Operating Results

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

	Year Ended December 31,			
	2015	2014	2015	2014
	Percentage of Net Revenue		Percentage Increase/(Decrease)	
Net revenue . . . . .	100%	100%	4.8%	12.5%
Costs and expenses:				
Direct costs . . . . .	57.7%	60.1%	0.6%	6.8%
Selling, general and administrative. . . . .	20.7%	22.4%	(2.9)%	7.2%
Depreciation. . . . .	2.6%	2.8%	(4.7)%	8.3%
Amortization . . . . .	1.1%	0.7%	68.9%	37.2%
Income from operations (excluding restructuring and other items). . . . .	17.9%	14.0%	33.3%	62.2%
Restructuring and other items . . . . .	—	0.6%	(100)%	(2.6)%
Income from operations (including restructuring and other items). . . . .	17.9%	13.4%	39.1%	67.0%

### *Year ended December 31, 2015 compared to year ended December 31, 2014*

Net revenue for the year increased by \$71.7 million, or 4.8%, from \$1,503.3 million for the year ended December 31, 2014 to \$1,575.0 million for the year ended December 31, 2015. Net revenue increased by 10% in constant currency, and by 5% in constant dollar organic. The primary driver of the increase in net revenues during the year ended December 31, 2015 were the additional net revenues from the acquisition of MediMedia Pharma Solutions and PMG which were acquired on February 27, 2015 and December 4, 2015 respectively and from a full year contribution from the acquisition of Aptiv Solutions, which was acquired on May 7, 2014. Net revenues derived from our top 5 customers was \$774.8 million in 2015, compared to \$792.7 million in 2014 or 49% and 53% respectively. The largest of these customers related to a Strategic Partnership with a large global pharmaceutical company, signed in May 2011. In both 2014 and 2015, net revenue from this customer contributed 31% of net revenue for the year. The addition of new customer accounts, particularly mid-tier pharma customers and biotech customers have resulted in a reduction in this concentration of revenues from our top 5 customers.

Net revenue in Ireland increased by \$69.2 million during 2015, from \$360.4 million for the year ended December 31, 2014 to \$429.6 million for the year ended December 31, 2015. Net revenue in Ireland during the year ended December 31, 2015 increased by 19.2% compared to an overall increase in Group revenues



of 4.8%. The higher proportional increase in net revenue in Ireland during 2015 was a function of our global transfer pricing model. In previous years significant upfront investment in personnel and related costs was required to support the increase of activities under our strategic relationship partnerships.

Net revenue for Rest of Europe decreased by \$42.1 million or 11.3%, from \$372.6 million for the year ended December 31, 2014 to \$330.5 million for the year ended December 31, 2015. Net revenue for other regions (i.e. those outside of Europe and the U.S) decreased by \$0.6 million or 0.3%, from \$164.5 million for the year ended December 31, 2014 to \$163.9 million for the year ended December 31, 2015. Net revenues in both of these regions were impacted by the continued strengthening of the U.S. dollar during the period resulting in a decrease in their reported value when translated to U.S dollars. Net revenue in the U.S. increased by \$45.1 million or 7.4%, from \$605.8 million for the year ended December 31, 2014 to \$650.9 million for the year ended December 31, 2015. The increase in net revenue in the U.S arose primarily from a full year contribution from the acquisition of Aptiv Solutions and the additional net revenue from MediMedia Pharma Solutions, acquired on February 27, 2015 and from PMG, acquired on December 4, 2015.

Direct costs for the year increased by \$5.8 million, or 0.6%, from \$903.2 million for the year ended December 31, 2014 to \$909.0 million for the year ended December 31, 2015. Direct costs consist primarily of compensation, associated fringe benefits and share based compensation expense for project-related employees and other direct project driven costs. The increase in direct costs during the period arose from an increase in headcount of approximately 1,300 over the comparative period, including the impact of additional headcount and other costs from the acquisition of MediMedia Pharma Solutions and PMG, and inclusion of a full year's costs for Aptiv Solutions. In addition, the continued strengthening of the U.S dollar resulted in a decrease in the reported value of direct costs for operations outside of the United States when translated to U.S. dollars. As a percentage of net revenue, direct costs have decreased from 60.1% for the year ended December 31, 2014 to 57.7% for the year ended December 31, 2015.

Selling, general and administrative expenses for the year decreased by \$9.7 million, or 2.9%, from \$336.5 million for the year ended December 31, 2014 to \$326.8 million for the year ended December 31, 2015. Selling, general and administrative expenses comprise primarily of compensation, related fringe benefits and share based compensation expense for non-project-related employees, recruitment expenditure, professional service costs, advertising costs and all costs related to facilities and information systems. A primary driver of the decrease in selling, general and administrative expenses during the period has been the continued strengthening of the U.S. dollar resulting in a reduction in the reported value of selling, general and administrative expenses during the period for regions outside of the United States. This reduction was offset by increased costs from the acquisition of MediMedia Pharma Solutions and PMG, and the inclusion of a full years costs for Aptiv Solutions. In addition, we recognized a foreign exchange gain of \$6.0 million in the year ended December 31, 2014, compared to a gain of \$3.6 million during the year ended December 31, 2015, which reduced selling, general and administrative expenses from 22.4% of revenue to 20.7% of net revenue for the year ended December 31, 2015.

Total share based compensation expense recognized during the years ended December 31, 2015 and December 31, 2014 amounted to \$33.3 million and \$22.7 million respectively.

Depreciation expense for the period decreased by \$2.0 million, or 4.7%, from \$42.2 million for the year ended December 31, 2014 to \$40.2 million for the year ended December 31, 2015. The depreciation charge reflects investments in facilities, information systems and equipment supporting the Company's continued growth. As a percentage of net revenue, depreciation expense decreased from 2.8% of net revenues for the year ended December 31, 2014 to 2.6% for the year ended December 31, 2015. Amortization expense for the year increased by \$7.2 million, or 70%, from \$10.3 million for the year ended December 31, 2014 to \$17.5 million for the year ended December 31, 2015. Amortization expense represents the amortization of intangible assets acquired on business combinations. The increase in the amortization expense for the period relates to the MediMedia Pharma Solutions and PMG acquisitions and a full year charge in respect of the Aptiv acquisition. As a percentage of net revenue, amortization expense increased from 0.7% of net revenues for the year ended December 31, 2014 to 1.1% for the year ended December 31, 2015.

No restructuring cost was recognized during the year ended December 31, 2015. A restructuring charge of \$8.8 million was recognized during the year ended December 31, 2014. Following the closure of the Company's European Phase 1 services, the Company recognized a charge during the year ended

December 31, 2014 in relation to its Manchester, United Kingdom facility; \$5.6 million in relation to asset impairments and \$3.2 million in relation to an onerous lease charge associated with this facility. *See Note 14 to the Audited Consolidated Financial Statements.*

As a result of the above, income from operations increased by \$79.2 million, or 39.1%, from \$202.4 million for the year ended December 31, 2014 (\$211.1 million, or 33.3% excluding restructuring charges) to \$281.5 million for the year ended December 31, 2015. As a percentage of net revenue, income from operations increased from 13.4% of net revenues for year ended December 31, 2014 (14.0% excluding restructuring charges) to 17.9% of net revenues for year ended December 31, 2015.

Income from operations in Ireland increased by 37% from \$138.2 million for year ended December 31, 2014 (\$138.2 million excluding the impact of restructuring and other charges), to \$189.0 million for year ended December 31, 2015. Income from operations in Ireland and other geographic regions are impacted by the Company's global transfer pricing model. Previous strategic investment in personnel and related infrastructure together with enhanced operating processes and the successful leveraging of our support costs in 2015, has resulted in a decrease of the proportion of the Group's net revenue being used to support other Group entities and a corresponding increase in income from operations in Ireland in 2015.

In the Rest of Europe region, income from operations increased by \$23.8 million, from \$14.4 million for the year ended December 31, 2014 to \$38.2 million for the year ended December 31, 2015. Excluding restructuring charges recorded income from operations in the Rest of Europe increased by \$14.9 million, from \$23.3 million for the year ended December 31, 2014 to \$38.2 million for the year ended December 31, 2015. As a percentage of net revenues income from operations increased from 3.9% (6.2% excluding restructuring charges) for the year ended December 31, 2014 to 11.5% for the year ended December 31, 2015.

In the U.S. region, income from operations increased by \$6.3 million or 16.1%, from \$39.1 million for the year ended December 31, 2014 to \$45.3 million for the year ended December 31, 2015. Excluding restructuring charges recorded income from operations in the U.S. increased by \$6.2 million, from \$39.1 million for the year ended December 31, 2014 to \$45.3 million for the year ended December 31, 2015. As a percentage of net revenues income from operations in the U.S. region increased from 6.5% for the year ended December 31, 2014 to 6.9% for the year ended December 31, 2015.

In other regions, income from operations decreased by \$1.6 million, from \$10.6 million for the year ended December 31, 2014 to \$9.0 million for the year ended December 31, 2015. Excluding restructuring charges recorded income from operations in other regions decreased by \$1.6 million, from \$10.6 million for the year ended December 31, 2014 to \$9.0 million for the year ended December 31, 2015. As a percentage of net revenues, income from operations in the other regions decreased from 6.5% for the year ended December 31, 2014 to 5.5% for the year ended December 31, 2015. The decrease in operating income as a percentage of net revenues is due to the distribution in revenues amongst different locations within the regions.

Interest expense increased from \$0.8 million for the year ended December 31, 2014 to \$4.0 million for the year ended December 31, 2015 reflecting the drawdown of the Senior Notes issued in December 2015 and the bridge facility of \$350 million in place from September 2015. Interest income for the year ended December 31, 2015 increased from \$1.2 million for the year ended December 31, 2014 to \$1.3 million for the year ended December 31, 2015.

Provision for income taxes for the period increased from \$30.2 million (\$30.2 million excluding the impact of restructuring charges) for the year ended December 31, 2014 to \$39.3 million (\$39.3 million excluding the impact of restructuring charges) for the year ended December 31, 2015. The Company's effective tax rate for the year ended December 31, 2015 was 14.1% (14.1% excluding the impact of restructuring charges) compared with 14.9% (14.3% excluding the impact of restructuring charges) for the year ended December 31, 2014. The Company's effective tax rate is principally a function of the distribution of pre-tax profits in the territories in which it operates.



*Year ended December 31, 2014 compared to year ended December 31, 2013*

Net revenue for the year increased by \$167.2 million, or 12.5%, from \$1,336.1 million for the year ended December 31, 2013 to \$1,503.3 million for the year ended December 31, 2014. In total, the Company had five strategic relationships in place in 2014 and 2013. In 2013, net revenue earned from these five customers equated to \$670.7 million and in 2014 net revenue earned increased to \$771.2 million, accounting for \$100.5 million of the increase in net revenue in 2014. The largest of these customers related to a Strategic Partnership with a large global pharmaceutical company, signed in May 2011. Given the size of this new partnership it was always envisaged that it would take 18 to 24 months for the model to be fully implemented and that the Company would see significant incremental revenue growth beyond this period. In 2013 and 2014, net revenue from this customer directly contributed 26% and 31%, respectively, of the Company's net revenue for the year. The majority of the residual increase in net revenue in 2014 relates to revenue arising as a result of the 2014 acquisition of Aptiv Solutions and the full year impact of the 2013 acquisition of the clinical trials services division of Cross Country Healthcare Inc.

Net revenue in Ireland increased by \$87.7 million during 2014, from \$272.7 million for the year ended December 31, 2013 to \$360.4 million for the year ended December 31, 2014. Net revenue in Ireland during the year ended December 31, 2014 increased by 32.2% compared to an overall increase in Group revenues of 12.5%. The higher proportional increase in net revenue in Ireland during 2014 was a function of our global transfer pricing model. In previous years significant upfront investment in personnel and related costs was required to support the increase of activities under our strategic relationship partnerships. With the operating models and infrastructure associated with these partnerships now largely in place, the level of 2014 investment required by the Irish entity to support other Group entities has reduced, resulting in a greater portion of residual revenue being earned by the Irish entity.

Net revenue for Rest of Europe increased by \$39.1 million or 11.7%, from \$333.5 million for the year ended December 31, 2013 to \$372.6 million for the year ended December 31, 2014. Net revenue in the U.S. increased by \$23.6 million or 4.0%, from \$582.2 million for the year ended December 31, 2013 to \$605.8 million for the year ended December 31, 2014. Net revenue for other regions (i.e. those outside of Europe and the U.S) increased by \$16.9 million or 11.5%, from \$147.6 million for the year ended December 31, 2013 to \$164.5 million for the year ended December 31, 2014. The increase in net revenue in the Rest of Europe and other regions during 2014 was in line with overall increases in Group net revenues. The percentage increase in net revenues in the U.S. region was lower than the overall increases in group net revenues during the year. This lower proportional increase in net revenues was predominately due to a generally stable cost base during 2014 as a result of prior period investments, resulting in sufficient personnel and related infrastructure to support our Strategic Partnership relationships and other customers.

Direct costs for the year increased by \$57.8 million, or 6.8%, from \$845.4 million for the year ended December 31, 2013 to \$903.2 million for the year ended December 31, 2014. Direct costs consist primarily of compensation, associated fringe benefits and share based compensation expense for project-related employees and other direct project driven costs. The increase in direct costs during the period arose from an increase in headcount and a corresponding increase in personnel related expenditure of \$52.4 million and an increase in other direct project related costs of \$12.4 million, offset by a decrease in laboratory costs of \$7.0 million. As a percentage of net revenue, direct costs have decreased from 63.3% for the year ended December 31, 2013 to 60.1% for the year ended December 31, 2014.

Selling, general and administrative expenses for the year increased by \$22.5 million, or 7.2%, from \$313.9 million for the year ended December 31, 2013 to \$336.5 million for the year ended December 31, 2014. Selling, general and administrative expenses comprise primarily of compensation, related fringe benefits and share based compensation expense for non-project-related employees, recruitment expenditure, professional service costs, advertising costs and all costs related to facilities and information systems. The increase in selling, general and administration expense for the period arose primarily from an increase in personnel related expenditure, including bonuses of \$15.0 million, an increase in facilities and related costs of \$9.7 million and an increase in other general overhead costs of \$2.5 million. The increase in selling, general and administrative expenses are inclusive of expenses in relation to Aptiv since acquisition. In addition, during the year ended December 31, 2014, we recognized a foreign exchange gain of \$6.0 million,

which reduced selling, general and administrative expenses from 22.8% of revenue to 22.4% of revenue for the year ended December 31, 2014. As a percentage of net revenue, selling, general and administrative expenses, decreased from 23.5% for the year ended December 31, 2013 to 22.4% for the year ended December 31, 2014.

Total share based compensation expense recognized during the years ended December 31, 2014 and December 31, 2013 amounted to \$22.7 million and \$14.2 million respectively.

Depreciation expense for the period increased by \$3.2 million, or 8.3%, from \$39.0 million for the year ended December 31, 2013 to \$42.2 million for the year ended December 31, 2014. The increase in depreciation expenses principally arises from continued investment in facilities, information systems and equipment to support the Company's growth. As a percentage of net revenue, depreciation expense decreased from 2.9% of net revenues for the year ended December 31, 2013 to 2.8% for the year ended December 31, 2014. Amortization expense for the year increased by \$2.8 million, or 37.2%, from \$7.5 million for the year ended December 31, 2013 to \$10.3 million for the year ended December 31, 2014. Amortization expense represents the amortization of intangible assets acquired on business combinations. The increase in the amortization expense for the period relates to the Aptiv Solutions acquisition. As a percentage of net revenue, amortization expense increased from 0.6% of net revenues for the year ended December 31, 2013 to 0.7% for the year ended December 31, 2014.

A restructuring charge of \$8.8 million was recognized during the year ended December 31, 2014. Following the closure of the Company's European Phase 1 services in 2013, the Company recognized a charge during the year ended December 31, 2014 in relation to its Manchester, United Kingdom facility; \$5.6 million in relation to asset impairments and \$3.2 million in relation to an onerous lease charge associated with this facility. *See Note 14 to the Audited Consolidated Financial Statements.*

As a result of the above, income from operations increased by \$81.2 million, or 67.0%, from \$121.2 million for the year ended December 31, 2013 (\$130.2 million excluding restructuring charges) to \$202.4 million for the year ended December 31, 2014 (\$211.1 million, or 62.2% excluding restructuring charges). As a percentage of net revenue, income from operations increased from 9.1% of net revenues for the year ended December 31, 2013 (9.7% excluding restructuring charges) to 13.4% of net revenues for year ended December 31, 2014 (14.0% excluding restructuring charges).

Income from operations in Ireland increased from \$81.8 million for the year ended December 31, 2013 (\$82.9 million excluding the impact of restructuring and other charges), to \$138.2 million for year ended December 31, 2014 (\$138.2 million excluding the impact of restructuring and other charges). Income from operations in Ireland and other geographic regions are impacted by the Company's global transfer pricing model. Previous strategic investment in personnel and related infrastructure together with enhanced operating processes and the successful leveraging of our support costs in 2014, has resulted in a decrease of the proportion of the Group's net revenue being used to support other Group entities and a corresponding increase in income from operations in Ireland in 2014.

In the Rest of Europe region, income from operations increased by \$11.7 million, from \$2.8 million for the year ended December 31, 2013 to \$14.4 million for the year ended December 31, 2014. Excluding restructuring charges recorded income from operations in the Rest of Europe increased by \$17.0 million, from \$6.3 million for the year ended December 31, 2013 to \$23.3 million for the year ended December 31, 2014. As a percentage of net revenues income from operations increased from 0.8% (1.9% excluding restructuring charges) for the year ended December 31, 2013 to 3.9% (6.2% excluding restructuring charges) for the year ended December 31, 2014. During 2013, the Company undertook a commercial review of its Early Phase business, the result of which was the decision to close the Company's Phase 1 European service offering in the United Kingdom. Consequently, this entity stopped providing services to ICON Ireland, and in line with the Company's transfer pricing policy, the entity was removed from the global transfer pricing model. Subsequent third party expenses incurred by this entity were not reimbursed under the cost plus model. With the closure of this facility in 2013 the same level of operational costs were not incurred in 2014, thereby contributing to higher income from operations in the current year.

In the U.S. region, income from operations increased by \$9.6 million or 32.5%, from \$29.5 million for the year ended December 31, 2013 to \$39.1 million for the year ended December 31, 2014. Excluding restructuring charges recorded income from operations in the U.S. increased by \$5.5 million, from \$33.6

million for the year ended December 31, 2013 to \$39.1 million for the year ended December 31, 2014. As a percentage of net revenues income from operations in the U.S. region increased from 5.1% (5.8% excluding restructuring charges) for the year ended December 31, 2013 to 6.4% (6.4% excluding restructuring charges) for the year ended December 31, 2014. The increase in operating income as a percentage of net revenues arose predominately from the closure of the Company's Phase I facility in Omaha, Nebraska during 2013 and the consolidation of US Phase I capabilities into the Company's expanded Phase I facility in San Antonio, Texas.

In other regions, income from operations increased by \$3.6 million, from \$7.1 million for the year ended December 31, 2013 to \$10.6 million for the year ended December 31, 2014. Excluding restructuring charges recorded income from operations in other regions increased by \$3.1 million, from \$7.5 million for the year ended December 31, 2013 to \$10.6 million for the year ended December 31, 2014. As a percentage of net revenues, income from operations in the other regions increased from 4.8% (5.1% excluding restructuring charges) for the year ended December 31, 2013 to 6.5% (6.5% excluding restructuring charges) for the year ended December 31, 2014. The increase in operating income as a percentage of net revenues is due to the distribution in revenues amongst different locations within the regions.

Interest expense decreased from \$1.3 million for the year ended December 31, 2013 to \$0.8 million for the year ended December 31, 2014. Interest income for the year ended December 31, 2014 increased from \$1.0 million for the year ended December 31, 2013 to \$1.2 million for the year ended December 31, 2014.

Provision for income taxes for the period increased from \$18.1 million for the year ended December 31, 2013 (\$19.9 million excluding the impact of restructuring charges) to \$30.2 million (\$30.2 million excluding the impact of restructuring charges) for the year ended December 31, 2014. The Company's effective tax rate for the year ended December 31, 2014 was 14.9% (14.3% excluding the impact of restructuring charges) compared with 14.9% (15.3% excluding the impact of restructuring charges) for the year ended December 31, 2013. The Company's effective tax rate is principally a function of the distribution of pre-tax profits in the territories in which it operates.

### **Liquidity and Capital Resources**

The CRO industry is generally not capital intensive. The Group's principal operating cash needs are payment of salaries, office rents, travel expenditures and payments to investigators. Investing activities primarily reflect capital expenditures for facilities and information systems enhancements, the purchase and sale of short term investments and acquisitions.

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

The Company's cash and short term investment balances at December 31, 2015 amounted to \$189.9 million compared with cash and short term investment balances of \$216.0 million at December 31, 2014. The Company's cash and short term investment balances at December 31, 2015 comprised cash and cash equivalents \$103.9 million and short-term investments \$86.0 million. The Company's cash and short term investment balances at December 31, 2014 comprised cash and cash equivalents \$118.9 million and short-term investments \$97.1 million.

On February 27, 2015, a subsidiary of the Company; ICON Holdings acquired 100% of the securities of MediMedia Pharma Solutions which resulted in net cash outflows of \$116.0 million. On December 4, 2015, PMG was acquired by ICON Clinical Research LLC a subsidiary of the Company, resulting in net cash outflows of \$63.5 million (*see Note 4 of the Financial Statements at Item 19*).

On December 15, 2015, ICON Investments Five Unlimited Company issued Senior Notes for aggregate gross proceeds of \$350.0 million in a private placement. The Senior Notes will mature on December 15, 2020. Interest payable is fixed at 3.64%, and is payable semi-annually on the Senior Notes on

each June 15 and December 15, commencing June 15, 2016. The Senior Notes are guaranteed by ICON plc. In October 2015, the Company entered into an interest rate hedge in respect of the planned issuance of the Senior Notes in December 2015. The interest rate hedge matured in November 2015 when the interest rate on the Senior Notes was fixed. The interest rate hedge was effective in accordance with Financial Accounting Standards Board (“FASB”) ASC 815, “Derivatives and Hedging”. The cash proceeds, representing the realized gain on the interest rate hedge were received on maturity in November 2015.

On July 27, 2015 the Company entered into a 364 day bridge facility for \$350.0 million with two financial institutions. The facility bore interest at LIBOR plus a margin and included certain guarantees and indemnities in favor of the two financial institutions. The bridge facility was repaid in full in December 2015.

On June 30, 2014 the Company entered into a five year committed multi-currency Revolving Credit Facility for \$100.0 million with Citibank, JP Morgan, Santander and Barclays Bank (“Revolving Credit Facility”). Each bank subject to the agreement has committed \$25 million to the facility, with equal terms and conditions in place with all institutions. In December 2015 the Revolving Credit Facility was amended to remove certain guarantees, the facility is guaranteed by ICON plc. The facility bears interest at LIBOR plus a margin, No amounts were drawn at December 31, 2015, amounts available to the Group under the facility amounted to \$100.0 million at December 31, 2015.

Net cash provided by operating activities was \$279.5 million for the year ended December 31, 2015 compared with net cash provided by operating activities of \$169.9 million for the year ended December 31, 2014. The most significant influence on our operating cash flow is revenue outstanding, which comprises accounts receivable and unbilled revenue, less payments on account. The dollar value of these balances and the related number of days revenue outstanding (i.e. revenue outstanding as a percentage of revenue for the period, multiplied by the number of days in the period) can vary over a study or trial duration. Contract fees are generally payable in installments based on the achievement of certain performance targets or “milestones” (e.g. target patient enrollment rates, clinical testing sites initiated or case report forms completed), such milestones being specific to the terms of each individual contract, while revenues on contracts are recognized as contractual obligations are performed. Days revenue outstanding can vary therefore due to, amongst others, the scheduling of contractual milestones over a study or trial duration, the achievement of a particular milestone during the period or the timing of cash receipts from customers. A decrease in the number of days revenue outstanding during a period will result in cash inflows to the Company while an increase in days revenue outstanding will lead to cash outflows. The number of days revenue outstanding at December 31, 2015 was 41 days compared to 40 days at December 31, 2014.

Net cash used in investing activities was \$204.8 million for the year ended December 31, 2015 compared to net cash used in investing activities of \$112.3 million for the year ended December 31, 2014. Net cash used in the year ended December 31, 2015 arose principally from cash paid for acquisitions of \$166.3 million, capital expenditures of \$49.7 million and the purchase of short-term investments of \$14.2 million.

During the year ended December 31, 2015 the Company completed the acquisition of MediMedia Pharma Solutions and PMG which resulted in net cash outflows of \$116.0 million and \$63.5 million respectively. (*See note 4 Goodwill for further information relating to the acquisition*).

Capital expenditure for the year ended December 31, 2015 amounted to \$49.7 million, and comprised mainly of expenditure on global infrastructure and information technology systems to support the Company’s growth. During the year ended December 31, 2014 the Company received a net \$41.2 million in respect of the purchase and sale of short-term investments. This compares to receipt of a net \$11.0 million during the year ended December 31, 2015.

Net cash outflow from financing activities amounted to \$81.4 million compared with net cash outflow from financing activities of \$116.4 million for the year ended December 31, 2014. Cash outflows in respect of financing includes cash payments in respect of the Company’s share repurchase programme totaling \$457.9 million in the year ended December 31, 2015 and payments of \$140.0 million in respect of the share repurchase programme in the year ended December 31, 2014 (*see Note 12 Share Capital for further information*). These outflows were offset by cash receipts of \$23.0 million from the exercise of stock options. Net cash used in financing activities during the year ended December 31, 2015 also reflects the



issuance of the Senior Notes in December 2015, drawdown of the bridge facility in July 2015, and repayment of the bridge facility in December 2015.

As a result of these cash flows, cash and cash equivalents decreased by \$15.0 million for the year ended December 31, 2015 compared to a decrease of \$63.6 million for the year ended December 31, 2014.

### Contractual obligations table

The following table represents our contractual obligations and commercial commitments as of December 31, 2015:

	Payments due by period				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
	(U.S.\$ in millions)				
Operating lease obligations . . . . .	157.6	36.9	47.3	27.5	45.9
Senior Notes . . . . .	350.0	—	—	350.0	—
Interest on Senior Notes . . . . .	63.7	12.7	25.5	25.5	—
Current and Non-current tax liabilities . . . . .	17.1	3.8	3.0	10.3	—
<b>Total (U.S.\$ in millions) . . . . .</b>	<b>\$588.4</b>	<b>\$53.4</b>	<b>\$75.8</b>	<b>\$413.3</b>	<b>\$45.9</b>

We expect to spend approximately \$41.4 million in the next twelve months on further investments in information technology, the expansion of existing facilities and the addition of new offices. We believe that we will be able to fund our additional foreseeable cash needs for the next twelve months from cash flow from operations, existing cash balances and funds available under negotiated facilities. In the future, we may consider acquiring businesses to enhance our service offerings and global presence. Any such acquisitions could require additional external financing and we may from time to time seek to obtain funds from public or private issues of equity or debt securities. There can be no assurance that such financing will be available on terms acceptable to us.

### Critical Accounting Policies

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

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

### Goodwill

We review our goodwill for impairment annually, or more frequently if facts or circumstances warrant such a review. We evaluate goodwill for impairment by firstly comparing the fair value of each reporting segment to its carrying value. Fair value is determined using the market approach, by assessing the market value of each reporting unit. If the carrying amount exceeds the fair value then a second step is completed which involves the fair value of the reporting unit being allocated to each asset and liability with the excess being implied goodwill. If the implied goodwill is lower than its carrying amount, goodwill is impaired and written down to its implied fair value.

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

## ***Revenue Recognition***

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

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

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

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

Laboratory service revenue is recognized on a fee-for-service basis. The Company accounts for laboratory service contracts as multiple element arrangements, with contractual elements comprising laboratory kits and laboratory testing, each of which can be sold separately. Sales prices for contractual elements are determined by reference to objective and reliable evidence of their sales price. Revenues for contractual elements are recognised on the basis of the number of deliverable units completed in the period.

We invoice our customers upon achievement of specified contractual milestones. This mechanism, which allows us to receive payment from our customers throughout the duration of the contract, may not be reflective of revenue earned. We recognize revenues over the period from the awarding of the customer's contract to study completion and acceptance. This requires us to estimate total expected revenue, time inputs, contract costs, profitability and expected duration of the clinical trial. The Company regularly reviews the estimate of total contract time to ensure such estimates remain appropriate taking into account actual contract stage of completion, remaining time to complete and any identified changes to the contract scope. Remaining time to complete depends on the specific contract tasks and the complexity of the contract and can include geographical site selection and initiation, patient enrolment, patient testing and level of results analysis required. While we may routinely adjust time estimates, estimates and assumptions historically have been accurate in all material respects in the aggregate.

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



## ***Taxation***

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

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

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

## **Impact of New Accounting Pronouncements**

In January 2015, the FASB issued ASU 2015-01, which eliminates the concept of extraordinary items from U.S. GAAP as part of its simplification initiative. The ASU does not affect disclosure guidance for events or transactions that are unusual in nature or infrequent in their occurrence. The ASU is effective for fiscal years and, interim periods within those fiscal years, beginning after December 15, 2015. The ASU allows prospective or retrospective application. Early adoption is permitted if applied from the beginning of the fiscal year of adoption. The Company does not expect the adoption of ASU 2015-01 to have a material impact on the financial statements.

In February 2015, the FASB issued ASU 2015-02, which changes the way reporting enterprises evaluate whether (a) they should consolidate limited partnerships and similar entities, (b) fees paid to a decision maker or service provider are variable interests in a variable interest entity (VIE), and (c) variable interests in a VIE held by related parties of the reporting enterprise require the reporting enterprise to consolidate the VIE. It also eliminates the VIE consolidation model based on majority exposure to variability that applied to certain investment companies and similar entities. The new guidance excludes money market funds that are required to comply with Rule 2a-7 of the Investment Company Act of 1940 and similar entities from the U.S. GAAP consolidation requirements. The new consolidation guidance is effective for public business entities for annual and interim periods in fiscal years beginning after December 15, 2015. The Company does not expect the adoption of ASU 2015-02 to have a material impact on the financial statements.

In April 2015, the FASB issued ASU 2015-03, which intends to simplify the presentation of debt issuance costs. This ASU is effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Subsequent to the issuance of ASU 2015-03, the SEC staff made an announcement regarding the presentation of debt issuance costs associated with line-of-credit arrangements, which was codified by the FASB in ASU 2015-15. The SEC staff guidance is effective upon adoption of ASU 2015-03. The Company does not expect the adoption of ASU 2015-03 to have a material impact on the financial statements.

In April 2015, the FASB issued ASU 2015-04, which permits an entity with a fiscal year-end that does not fall on a month-end to measure defined benefit plan obligations and assets as of the month-end that is closest to the entity's fiscal year-end, and apply that methodology consistently from year to year. The ASU also requires an entity to adjust the measurement of defined benefit plan obligations and assets to reflect contributions or significant events that occur between the month-end date used to measure defined benefit plan obligations and assets and the entity's fiscal year-end. This ASU is effective for public business entities for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods

within those fiscal years. The Company does not expect the adoption of ASU 2015-04 to have a material impact on the financial statements.

In April 2015, the FASB issued ASU 2015-05, which provides explicit guidance to help companies evaluate the accounting for fees paid by a customer in a cloud computing arrangement. The new guidance clarifies that if a cloud computing arrangement includes a software license, the customer should account for the license consistent with its accounting for other software licenses. If the arrangement does not include a software license, the customer should account for the arrangement as a service contract. This ASU is effective for public business entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. The Company does not expect the adoption of ASU 2015-05 to have a material impact on the financial statements.

In April 2015, the FASB issued ASU 2015-06, which requires a master limited partnership (MLP) to allocate earnings (losses) of a transferred business entirely to the general partner when computing earnings per unit (EPU) for periods before the dropdown transaction occurred. The EPU that the limited partners previously reported would not change as a result of the dropdown transaction. The ASU also requires an MLP to disclose the effects of the dropdown transaction on EPU for the periods before and after the dropdown transaction occurred. The Company does not expect the adoption of ASU 2015-06 to have a significant impact on the financial statements.

In July 2015, the FASB issued ASU 2015-11, which, for entities that do not measure inventory using the last-in, first-out (LIFO) or retail inventory method, changes the measurement principle for inventory from the lower of cost or market to lower of cost and net realizable value. The ASU also eliminates the requirement for these entities to consider replacement cost or net realizable value less an approximately normal profit margin when measuring inventory. This ASU is effective for public business entities in fiscal years beginning after December 15, 2017. The adoption of ASU 2015-11 is not expected to have a significant impact on the financial statements.

FASB ASU 2015-14 amends the effective dates of ASU 2014-09, *Revenue from Contracts with Customers*. The requirements are effective for annual periods and interim periods within fiscal years beginning after December 15, 2017. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The adoption of ASU 2015-14 is not expected to have a significant impact on the financial statements.

In September 2015, the FASB issued ASU 2015-16, which eliminates the requirement for an acquirer to retrospectively adjust the financial statements for measurement-period adjustments that occur in periods after a business combination is consummated. The ASU is effective for public business entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. The adoption of ASU 2015-16 is not expected to have a significant impact on the financial statements.

In November 2015, the FASB issued ASU 2015-17, which requires entities with a classified balance sheet to present all deferred tax assets and liabilities as noncurrent. The ASU 2015-17 has been early adopted in the financial statements presented. The impact is described in Note 13 to the financial statements.

In January 2016, the FASB issued ASU 2016-01, which will significantly change the income statement impact of equity investments, and the recognition of changes in fair value of financial liabilities when the fair value option is elected. The ASU is effective for public business entities for interim and annual periods in fiscal years beginning after December 15, 2017. The adoption of ASU 2016-01 is not expected to have a significant impact on the financial statements.

## **Inflation**

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

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

### Directors and Senior Management

The following table and accompanying biographies set forth certain information concerning each of ICON plc's Directors, officers and other key employees as of March 23, 2016.

Name	Age	Position
Thomas Lynch (2)(3)(4)(5) . . . . .	59	Chairman of the Board, Director
Ciaran Murray (1)(5) . . . . .	53	Chief Executive Officer, Director
Brendan Brennan (1)(5) . . . . .	37	Chief Financial Officer
Dr. Steve Cutler (1) . . . . .	55	Chief Operating Officer, Director
Dr. John Climax (6) . . . . .	63	Director
Dr. Ronan Lambe (6) . . . . .	76	Director
Professor Dermot Kelleher (3)(6) . . . . .	60	Director
Declan McKeon (3)(4) . . . . .	64	Director
Professor William Hall (2)(3)(4)(6) . . . . .	66	Director
Mary Pendergast (2)(6) . . . . .	65	Director
Dr. Hugh Brady . . . . .	56	Director
Diarmaid Cunningham . . . . .	41	General Counsel & Company Secretary

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

*Thomas Lynch* was appointed Chairman of Board of the Company in January 2013. He has served as an outside Director of the Company since August 1994. Mr. Lynch served as Chairman and Chief Executive Officer of Amarin Corporation from December 2007 to December 2009. Mr. Lynch retired from the Board of Amarin in October 2010 but continues to serve as Chairman of Amarin Pharmaceuticals Ireland Ltd. Mr. Lynch served in a variety of senior roles in Elan Corporation plc from 1993 to 2004. He was a Director of IDA Ireland from 2001 to 2010 and of the Royal Opera House (Covent Garden) from 2001 to 2010. He currently serves as a Director of GW Pharmaceuticals plc, is Chairman of the Ireland East Hospital Group, Dublin Academic Medical Centre and the Queens University of Belfast Foundation. He also serves as a board member of a number of public and privately held pharmaceutical companies. Mr. Lynch graduated from Queens University of Belfast with a BSc in Economics and is a fellow of the Institute of the Chartered Accountants in Ireland.

*Ciaran Murray* is the Chief Executive Officer of ICON plc. He joined ICON as Chief Financial Officer in 2005 and served in that capacity until his appointment as Chief Executive Officer in 2011. Mr. Murray is an executive with 30 years of leadership experience forged from a career spent operating in global markets in high-growth entrepreneurial companies and blue-chip multi-nationals, including PricewaterhouseCoopers, Kraft Foods, Novell Inc., Northern Foods and Codec Systems. Mr. Murray has also played a leadership role in advocating for safe, ethical high-quality research through his 2014 Chairmanship of the Association of Clinical Research Organisations (ACRO). ACRO represents the CRO industry globally to key stakeholders including pharmaceutical, biotech and medical device companies, regulators, legislators and patient groups. In 2014 Mr. Murray was named as a leader in CRO Innovation by PharmaVOICE100, a listing of the most influential people in the bio pharma industry. Mr. Murray graduated with a Bachelor of Commerce degree from University College Dublin and he is a Fellow of the Institute of Chartered Accountants in Ireland. He was awarded an Honorary Degree of Doctor of Laws from University College Dublin in 2013 for his support of third level research and innovation in Ireland.

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

*Dr. Steve Cutler* was appointed Chief Operating Officer of the Company in January 2014, having previously occupied the position of Group President Clinical Research Services since November 2011. Dr. Cutler was appointed to the Board of ICON plc in November 2015. Prior to joining the Company Dr. Cutler held the position of Chief Executive Officer of Kendle, having previously served as Chief Operating Officer. Prior to Kendle, Dr. Cutler spent 14 years with Quintiles where he served as Senior Vice President, Global Project Management; Senior Vice President, Clinical, Medical and Regulatory; Senior Vice President, Project Management – Europe; and Vice President, Oncology – Europe as well as regional leadership positions in South Africa and Australia. Prior to joining Quintiles, Dr. Cutler held positions with Sandoz (now Novartis) in Australia and Europe. He holds a B.Sc. and a Ph.D from the University of Sydney and a Masters of Business Administration from the University of Birmingham (UK).

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

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

*Professor Dermot Kelleher* has served as an outside Director of the Company since May 2008. Professor Kelleher is currently Dean of the Faculty of Medicine at the University of British Columbia in Vancouver. From 2012 -2015 he was Vice President (Health) and Dean of the Faculty of Medicine at Imperial College London and concurrently Dean of the Lee Kong Chian School of Medicine in Singapore from 2012-2014. From 2004 to 2012 he was Head of the School of Medicine and Vice Provost for Medical Affairs at Trinity College, Dublin, Ireland where he led the development of the Institute of Molecular Medicine and Molecular Medicine Ireland. His research interests have focused on gastrointestinal infectious and inflammatory diseases and over a distinguished thirty year career he has led significant research projects in this field. Alongside his notable academic appointments he has served as a visiting research scientist with a major pharmaceutical company and has been a founder of a number of biotechnology companies.

*Declan McKeon* has served as an outside Director of the Company since April 2010. Mr. McKeon was a partner in PricewaterhouseCoopers from 1986 to 2007. His roles included leadership of the audit and business advisory team for PricewaterhouseCoopers Ireland, membership of the PricewaterhouseCoopers Europe audit and business advisory services executive and market sector leader for consumer and industrial products. Mr. McKeon is a non-executive Director of Ryanair plc and GC Aesthetics. Mr. McKeon retired from the audit committee of the Royal College of Surgeons in Ireland during 2015. Mr. McKeon holds a Bachelor of Commerce and Masters in Business Studies from University College Dublin and is a Fellow of The Institute of Chartered Accountants in Ireland.

*Professor William Hall* has served as an outside Director of the Company since February 2013. He is a renowned expert in infectious diseases and virology, is Chair of Medical Microbiology and Director of the Centre for Research in Infectious Diseases at University College Dublin's (UCD) School of Medicine and

Medical Science. He is also a Director of UCD's National Virus Reference Laboratory and is a consultant microbiologist at St. Vincent's University Hospital Dublin. Professor Hall also serves as a consultant to the Minister of Health and Children in the Republic of Ireland, providing input on a number of topics including influenza pandemic preparedness and bioterrorism. Prior to his tenure at UCD, Professor Hall was Professor and Head of the Laboratory of Medical Virology, Senior Physician and Director of the Clinical Research Centre at the Rockefeller University in New York. He previously served as an Assistant and Associate Professor of Medicine at Cornell University. Professor Hall is a board member of The Atlantic Philanthropies and is a co-founder of the Global Virus Network.

*Mary Pendergast* has served as an outside Director of the Company since February 2014. She is an expert in the regulatory aspects of drug development and is President of Pendergast Consulting, a consulting firm that advises biopharmaceutical companies, patient groups, professional and advocacy organisations, governments and academic and financial institutions. Prior to founding her own firm, Ms. Pendergast was Executive Vice President of Government Affairs at Elan Corporation plc from 1998 to 2003. Ms. Pendergast also spent more than 18 years at the US Food and Drug Administration (FDA), serving as Deputy Commissioner and Senior Advisor to the FDA Commissioner and Associate Chief Counsel for Enforcement. Ms. Pendergast is also a board member of Impax Laboratories, Inc.

*Professor Hugh Brady* has served as an outside Director of the Company since April 2014. In September 2015, Professor Brady took up the position of President and Vice-Chancellor of the University of Bristol – a member of the UK's Russell Group of elite research-intensive universities. Professor Brady is also President Emeritus of University College Dublin (UCD), where he served as President from 2004 until the end of 2013. During his tenure Professor Brady oversaw a major institution-wide transformation programme that included significant expansion of UCD's science, engineering and biomedical research capacity through the development of the O'Brien Centre for Science, Conway Institute for Biomedical Research, UCD Clinical Research Centre, the Dublin Academic Medical Centre and the Ireland East Hospital Group. In addition, he led a major growth in UCD's international footprint. A nephrologist by training, Professor Brady was Professor of Medicine and Therapeutics at UCD before being appointed the university's President. Prior to that, he built a successful career as a physician and biomedical research scientist in the US - spending almost a decade at Harvard University where he was Associate Professor of Medicine, Director of the Renal Division of the Brockton/West Roxbury VA Medical Center and Consultant Physician at the Brigham and Women's Hospital, Boston. He has an international reputation in the pathogenesis of diabetic kidney disease and renal inflammation. Professor Brady has held many national and international leadership roles, including Chairman of the Irish Health Research Board and Chairman of the Universitas 21 Network of global research universities. He is also a non-executive Director of Kerry Group plc.

*Diarmaid Cunningham* is General Counsel, Executive Vice President and Company Secretary. Mr. Cunningham joined the Company in November 2009 and was appointed Company Secretary in October 2011. Mr. Cunningham spent 10 years with A&L Goodbody, one of Ireland's premier corporate law firms, prior to joining the Company. Mr. Cunningham graduated with a Bachelor of Business and Legal Studies from University College Dublin in 1997 and qualified as a lawyer with A&L Goodbody in 2001. In 2015, Mr. Cunningham completed the Stanford Executive Program at Stanford University in California. Mr. Cunningham served as Secretary to the Board of the Association of Clinical Research Organisations (ACRO) in 2013 and 2014. ACRO represents the CRO industry globally to key stakeholders including pharmaceutical, biotech and medical device companies, regulators, legislators and patient groups.

## **Board Practices**

### *Board of Directors*

The business of the Company is managed by the Directors who may exercise all the powers of the Company which are not required by the Companies Act 2014 of Ireland or by the Articles of Association of the Company to be exercised by the Company in general meeting. A meeting of Directors at which a quorum is present may exercise all powers exercisable by the Directors. The Directors may delegate (with power to sub-delegate) to any Director holding any executive office and to any Committee consisting of one or more Directors, together with such other persons as may be appointed to such Committee by the



Directors, provided that a majority of the members of each Committee appointed by the Directors shall at all times consist of Directors and that no resolution of any such Committee shall be effective unless two of the members of the Committee present at the meeting at which it was passed are Directors.

The Board comprises two executive and eight outside-Directors at the date of this report. The outside-Directors bring independent judgment to bear on issues of strategy, performance, resources, key appointments and standards. The Company considers all of its outside-Directors to be of complementary skills, experience and knowledge and each outside-Director has specific skills, experience and knowledge that are valuable to the Company. The Board members between them have very strong financial, pharmaceutical, CRO, scientific, medical and other skills and knowledge which are harnessed to address the challenges facing the Group. The Board meets regularly throughout the year and all Directors have full and timely access to the information necessary for them to discharge their duties. 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 (10 Directors) to be adequate but continues to look for suitable qualified potential candidates to join the Board.

As detailed below, certain other matters are delegated to Board Committees and all Board Committees report to the Board. The Company maintains what it considers an appropriate level of insurance cover in respect of legal action against its Directors. The Board, through the Nominating and Governance Committee, engages in succession planning for the Board and in so doing considers the strength and depth of the Board and the levels of knowledge, skills and experience of the Directors necessary for the Company to achieve its objectives. The Board normally meets at least four times each year. During the year ended December 31, 2015 the Board met on five occasions. All Directors allocated sufficient time to the Company during the year ended December 31, 2015 to effectively discharge their responsibilities to the Company.

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

The Company's Articles of Association provide that, unless otherwise determined by the Company at a general meeting, the number of Directors shall not be more than 15 nor less than 3. At each annual general meeting, one third of the Directors who are subject to retirement by rotation, rounded down to the next whole number if it is a fractional number, shall retire from office. The Directors to retire shall be those who have been longest in office, but as between persons who became or were last re-appointed on the same day, those to retire shall be determined, unless otherwise agreed, by lot. Any additional Director appointed by the Company shall hold office until the next annual general meeting and will be subject to re-election at that meeting. Accordingly, at the annual general meeting of the Company to be held in 2016, it is anticipated that four Directors will retire by rotation and offer themselves for re-election.

#### *Board committees*

The Board has delegated some of its responsibilities to Board Committees. There are five permanent Committees. These are the Audit Committee, the Compensation and Organization Committee, the Nominating and Governance Committee, the Execution Committee and the Quality Committee. Each Committee has been charged with specific responsibilities and each has written terms of reference that are reviewed periodically. Minutes of Committee meetings are available to all members of the Board. The Company Secretary is available to act as secretary to each of the Board Committees if required. Appropriate key executives are regularly invited to attend meetings of the Board committees. Each committee completed a self-evaluation of the performance of the committee during the year ended December 31, 2015 and each committee was satisfied with their performance.

#### *Audit Committee*

The Audit Committee meets a minimum of four times a year. It reviews the quarterly and annual financial statements, the effectiveness of the system of internal control (including the arrangement for the Company's employees to raise concerns in confidence about financial inappropriateness) and recommends the appointment and removal of the external auditors. It monitors the adequacy of internal accounting practices and addresses all issues raised and recommendations made by the external auditors. It pre-approves on an annual basis, the audit and non-audit services provided to the Company by its external auditors. Such annual pre-approval is given with respect to particular services. The Audit Committee, on a



case by case basis, may approve additional services not covered by the annual pre-approval, as the need for such services arises. The Audit Committee reviews all services which are provided by the external auditors regularly to review the independence and objectivity of the external auditors taking into consideration relevant professional and regulatory requirements so that these are not impaired by the provisions of permissible non-audit services. The Chief Financial Officer, the Head of Internal Audit, the General Counsel and the external auditors normally attend all meetings of the Audit Committee and have direct access to the Committee Chairman at all times. During 2015, the Audit Committee was comprised of, and is still comprised of, the following four independent Directors: Declan McKeon (Chairman); Thomas Lynch; Professor Dermot Kelleher; and Professor William Hall.

#### *Compensation and Organization Committee*

The Compensation and Organization Committee is responsible for senior executive remuneration. The committee aims to ensure that remuneration packages are competitive so that individuals are appropriately rewarded relative to their responsibility, experience and value to the Company. Annual bonuses for the executive Directors and senior executive management are determined by the committee based on the achievement of the Company's objectives. The Committee also oversees succession planning for the Company's senior management. During 2015, the Compensation and Organization Committee comprised of, and is still comprised of, the following independent Directors: Professor William Hall (Chairperson); Thomas Lynch; and Mary Pendergast.

#### *Nominating and Governance Committee*

The Nominating and Governance Committee reviews the membership of the Board of the Company and Board committees on an ongoing basis. As part of this it regularly evaluates the balance of skills, knowledge and experience on the Board and then, based on this evaluation, identifies and, if appropriate, recommends individuals to join the Board of the Company. The Committee uses an external search consultant as needed to assist it in identifying potential new outside Directors. Once potential suitable candidates are identified either by the external search consultants or by members of the Nominating and Governance Committee, the Committee then discusses and considers the skills, knowledge and experience of the potential candidate. The Committee will assess if the Board of the Company requires and would benefit from the potential candidate's skills knowledge and experience and, if it decides the potential candidate is suitable, the Committee would recommend to the Board of the Company that the potential candidate be appointed. The Board of the Company then decides whether or not to appoint the candidate. The Committee considers diversity of the Board members when making recommendations to the Board of the Company.

During 2015, the Nominating and Governance Committee comprised of, and is still comprised of, the following independent Directors: Thomas Lynch (Chairman), Declan McKeon and Professor William Hall.

#### *Execution Committee*

The primary function of the Execution Committee is to exercise the powers and authority of the Board in intervals between meetings of the Board within the limits set out in the Charter of the Execution Committee. The Execution Committee exercises business judgment to act in what the committee members reasonably believe to be in the best interest of the Company and its shareholders. All powers exercised by the Execution Committee are ratified at board meetings. This Committee convenes as often as it determines to be necessary or appropriate. During 2015, the Execution Committee comprised of, and is still comprised of, the following Directors and Officer: Ciaran Murray (Chairman); Thomas Lynch; and Brendan Brennan.

#### *Quality Committee*

The purpose of the Quality Committee is to provide oversight of the quality strategy and initiatives in place within the Company. As part of this the Committee is required to review the Company's strategy in relation to quality and to review continuous improvement initiatives and activities in place within the Company. The Committee also reviews reports of audits by internal and external auditors or regulatory agencies (including the FDA and European Medicines Agency). During 2015, the Quality Committee

comprised of, and is still comprised of, the following Directors: Professor Dermot Kelleher (Chairman); Dr. John Climax (Vice Chairman); Dr. Ronan Lambe; Professor William Hall; and Mary Pendergast.

### Attendance at Board and Committee meetings

Attendance at Board and committee meetings by the Directors who held office during 2015 are set out as follows:

**Directors' Attendance Table**

Director	Compensation and Nominating and					
	Board	Audit	Organization	Governance	Execution	Quality
	Number of meetings attended / number of meetings eligible to attend as a Director					
Thomas Lynch (1) . . . . .	5/5	3/4	4/4	2/2	—	—
Ciaran Murray . . . . .	5/5	—	—	—	—	—
Dr. John Climax (1) . . . . .	5/5	—	—	—	—	4/4
Dr. Ronan Lambe (1) . . . . .	5/5	—	—	—	—	4/4
Prof. Dermot Kelleher (1) . . . . .	5/5	4/4	—	—	—	4/4
Declan McKeon (1) . . . . .	5/5	4/4	—	2/2	—	—
Prof. William Hall (1) . . . . .	5/5	4/4	4/4	2/2	—	4/4
Mary Pendergast (1) . . . . .	5/5	—	4/4	—	—	4/4
Dr. Hugh Brady (1) . . . . .	5/5	—	—	—	—	—
Dr. Steve Cutler (2) . . . . .	1/1	—	—	—	—	—

(1) Independent Director as defined under NASDAQ Rule 5605(a)(2).

(2) Dr. Steve Cutler was appointed as a Director on November 23, 2015.

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

#### *Remuneration policy*

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

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

Base salary, bonus awards and Directors' fees were determined by the Compensation and Organization Committee in USD. In certain instances these awards were paid at a fixed euro rate determined by the Compensation and Organization Committee.

#### *Outside Directors' remuneration*

Outside Directors are remunerated by way of Directors' fees and are also eligible for participation in the share option scheme. Each Outside Director (excluding the Board Chairman) is paid an annual retainer of \$61,800 and additional fees for Board Committee service. The Board Chairman is paid €463,500 (translated at average rate for the year: \$510,000) annually and does not receive additional payment for Board Committee service. Outside Directors are not eligible for performance related bonuses and no pension contributions are made on their behalf. The Compensation and Organization Committee sets non-Executive remuneration.

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

Total cash compensation is divided into a base salary portion and a bonus incentive portion. Base salary is established based on peer group and is adjusted based on individual performance, experience and the importance of the role. The Committee targets total cash compensation with regard to Healthcare/biopharmaceutical companies of similar market capitalisation and peer CRO companies, adjusted upward or downward based on individual performance and experience and level of responsibility. The Compensation and Organization 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 range between 60% and 100% with actual pay outs ranging from 90 to 220% of salary based on group and individual performance.

An exceptional cash bonus of \$6.3 million was awarded to Mr. Ciaran Murray Chief Executive Officer (\$3.6 million), Mr. Brendan Brennan Chief Financial Officer (\$0.9 million) and Dr. Steve Cutler Chief Operating Officer (\$1.8 million), to reflect their contribution to the exceptional performance of the Company during 2014. Of the \$1.8 million paid to Dr. Steve Cutler in 2015 in respect of exceptional performance in 2014, \$386,000 is included within the 2015 amounts in the Summary compensation table – Year ended December 31, 2015. These amounts were approved by the Compensation and Organization Committee and paid during the year ended December 31, 2015.

A bonus of \$3.2 million was awarded to Mr. Ciaran Murray Chief Executive Officer (\$1.9 million), Mr. Brendan Brennan Chief Financial Officer (\$0.5 million) and Dr. Steve Cutler Chief Operating Officer (\$0.9 million), to reflect their contribution to the exceptional performance of the Company during 2014. These amounts were approved by the Compensation and Organization Committee and paid during the year ended December 31, 2015.

An additional bonus of \$9.5 million was awarded by the Compensation and Organization Committee to Mr. Ciaran Murray Chief Executive Officer (\$5.5 million), Mr. Brendan Brennan Chief Financial Officer (\$1.5 million) and Dr. Steve Cutler Chief Operating Officer (\$2.5 million), to reflect their contribution to the successful turnaround in the performance of the Company during 2012 and the creation of a platform to enable the delivery of long-term sustainable returns to the Company's shareholders. The bonus was payable in either cash or ordinary shares of the Company, at the discretion of the Committee, over the 3 year period from approval by the Compensation and Organization Committee in 2013 up to December 31, 2015. The last payments in respect of this award were made in the year ending December 31, 2015.

The Company's executives are eligible to receive equity incentives, including stock options, restricted share units and performance share units, granted under the Company's equity incentive plans. If executives receive equity incentive grants, they are normally approved annually at the first regularly scheduled meeting of the Committee in the fiscal year. The grant date is determined by the Committee, and grants are awarded at the closing price on the day of grant. Newly hired executives may receive sign-on grants, if approved by the Committee. In addition, the Committee may, in its discretion, issue additional equity incentive awards to executives if the Committee determines such awards are necessary to ensure appropriate incentives are in place. The number of equity awards granted to each participant is determined primarily by the Committee at the start of each year based on peer groups and advice from independent compensation consultants. The Company granted equity incentive awards to executive officers in its fiscal years ended December 31, 2012, December 31, 2013, December 31, 2014 and December 31, 2015 (*see Share Ownership section for further information*).

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

## Executive Compensation

### Summary compensation table – Year ended December 31, 2015

Name & principal position	Year	Salary \$'000	Bonus* \$'000	Pension contribution \$'000	All other compensation \$'000	Subtotal \$'000	Share-based compensation \$'000	Director's Fees \$'000	Total compensation \$'000
Ciaran Murray, Chief Executive Officer . . . . .	2015	1,238	2,575	155	39	4,007	6,839	—	10,846
Brendan Brennan, Chief Financial Officer . . . . .	2015	486	610	61	26	1,183	1,206	—	2,389
Dr. Steve Cutler Chief Operating Officer . . . . .	2015	766	1,622**	201	50	2,639	4,298	—	6,937
<b>Total . . . . .</b>	<b>2015</b>	<b>2,490</b>	<b>4,807</b>	<b>417</b>	<b>115</b>	<b>7,829</b>	<b>12,343</b>	<b>—</b>	<b>20,172</b>

\* Excludes \$1.8 million, \$0.5 million and \$0.8 million respectively for Ciaran Murray, Brendan Brennan and Dr Steve Cutler, which were paid during 2015 under the terms of the 2012 long-term incentive plan.

\*\* Includes an amount of \$386,000 payable in respect of the additional 2014 bonus plan.

### Summary compensation table – Year ended December 31, 2014

Name & principal position	Year	Salary \$'000	Bonus** \$'000	Pension contribution \$'000	All other compensation \$'000	Subtotal \$'000	Share-based compensation \$'000	Director's Fees \$'000	Total compensation \$'000
Ciaran Murray, Chief Executive Officer . . . . .	2014	1,184	5,427*	148	47	6,806	5,415	—	12,221
Brendan Brennan, Chief Financial Officer . . . . .	2014	478	1,333*	60	31	1,902	1,002	—	2,904
Dr. Steve Cutler Chief Operating Officer . . . . .	2014	703	2,291*	175	30	3,199	2,823	—	6,022
<b>Total . . . . .</b>	<b>2014</b>	<b>2,365</b>	<b>9,051</b>	<b>383</b>	<b>108</b>	<b>11,907</b>	<b>9,240</b>	<b>—</b>	<b>21,147</b>

\* Includes \$3.6 million, \$0.9 million and \$1.4 million respectively for Ciaran Murray, Brendan Brennan and Dr Steve Cutler, payable in respect of the additional 2014 bonus plan.

\*\* Excludes \$2.0 million, \$0.5 million and \$0.8 million respectively for Ciaran Murray, Brendan Brennan and Dr Steve Cutler, which were paid during 2014 under the terms of the 2012 long-term incentive plan.

## Director Compensation

### Summary compensation table – Year ended December 31, 2015

Name	Year	Salary	Company pension contribution	All other compensation**	Subtotal	Share-based compensation	Director's fees	Total Compensation
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Thomas Lynch . . . . .	2015	—	—	—	—	75	512	587
Ciaran Murray . . . . .	2015	1,238	155	2,614	4,007	6,839	—	10,846
John Climax . . . . .	2015	—	—	—	—	69	75	144
Ronan Lambe . . . . .	2015	—	—	—	—	69	75	144
Dermot Kelleher . . . . .	2015	—	—	—	—	69	96	165
Declan McKeon . . . . .	2015	—	—	—	—	71	121	192
William Hall . . . . .	2015	—	—	—	—	75	121	196
Mary Pendergast . . . . .	2015	—	—	—	—	57	88	145
Hugh Brady . . . . .	2015	—	—	—	—	57	63	120
Dr. Steve Cutler* . . . . .	2015	766	201	1,672***	2,639	4,298	—	6,937
<b>Total . . . . .</b>	<b>2015</b>	<b>2,004</b>	<b>356</b>	<b>4,286</b>	<b>6,646</b>	<b>11,679</b>	<b>1,151</b>	<b>19,476</b>

\* Appointed to the Board in November 2015.

\*\* Excludes \$1.8 million and \$0.8 million respectively for Ciaran Murray and Dr Steve Cutler paid during 2015 under the terms of the 2012 long-term incentive plan.

\*\*\* Includes an amount of \$386,000 payable in respect of the additional 2014 bonus plan.

### Summary compensation table – Year ended December 31, 2014

Name	Year	Salary	Company pension contribution	All other compensation**	Subtotal	Share-based compensation	Director's fees	Total Compensation
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Thomas Lynch . . . . .	2014	—	—	—	—	36	601	637
Ciaran Murray . . . . .	2014	1,184	148	5,474****	6,806	5,415	—	12,221
John Climax . . . . .	2014	—	—	—	—	30	68	98
Ronan Lambe . . . . .	2014	—	—	—	—	30	68	98
Dermot Kelleher . . . . .	2014	—	—	—	—	30	88	118
Declan McKeon . . . . .	2014	—	—	—	—	34	113	147
Cathrin Petty* . . . . .	2014	—	—	—	—	44	3	47
William Hall . . . . .	2014	—	—	—	—	34	109	143
Mary Pendergast** . . . . .	2014	—	—	—	—	16	71	87
Hugh Brady*** . . . . .	2014	—	—	—	—	16	40	56
<b>Total . . . . .</b>	<b>2014</b>	<b>1,184</b>	<b>148</b>	<b>5,474</b>	<b>6,806</b>	<b>5,685</b>	<b>1,161</b>	<b>13,652</b>

\* Resigned on January 24, 2014.

\*\* Appointed February 18, 2014.

\*\*\* Appointed April 29, 2014.

\*\*\*\* Includes \$3.6 million payable in respect of the additional 2014 bonus plan.

## **Disclosure of Compensation Agreements**

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

The Company does not have any termination or change of control agreements with its named executive officers other than as set out below and in the agreements relating to their equity holdings which provide for vesting on change of control.

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

#### *Mr. Thomas Lynch*

Mr. Thomas Lynch has served as Chairman of the Board of the Company since January 2013 and has served as an outside Director of the Company since August 1994. The arrangements with Mr. Lynch provide for the payment to him of Director fees of €463,500 (at average exchange rate for the year: \$510,000) per annum plus reasonable expenses properly incurred in carrying out his duties for the Company. He was previously granted and held at March 23, 2016 25,000 ordinary share options at exercise prices ranging from \$20.28 to \$68.39 per share.

#### *Mr. Ciaran Murray*

Mr. Ciaran Murray is currently Chief Executive Officer of the Company, a position he has held since October 2011. He has served as an Executive Director of the Company since October 2011. He previously served as Chief Financial Officer of the Company from October 2005 until October 2011. The service agreement with Mr. Murray is terminable on 12 months notice by either party. Under the terms of this agreement Mr. Murray is entitled to receive an annual salary of \$1,287,000 and a bonus to be agreed by the Compensation and Organization Committee. He is also entitled to receive a pension contribution, a car allowance of €25,000 and medical insurance coverage for himself and his dependents. He was previously granted and held at March 23, 2016 358,805 ordinary share options at exercise prices ranging from \$16.80 to \$71.95 per share, 81,445 Restricted Share Units which vest on various dates between May 2016 and March 2019 and 209,765 (up to a maximum of 419,530 based on certain performance conditions) Performance Share Units which vest between May 2016 and March 2019 subject to the fulfillment of certain performance conditions. His service agreement requires him to devote his full time and attention to his duties for the Company excepting certain outside Director positions authorized by the Board. The agreement with Mr. Murray includes termination and change of control provisions and also includes certain post-termination clauses including non-disclosure, non-competition and non-solicitation provisions.

#### *Mr. Brendan Brennan*

Mr. Brendan Brennan has served as Chief Financial Officer since February 2012 having previously served as acting Chief Financial Officer since October 2011. Prior to this appointment he served in a number of senior finance roles in the Company including the role of Senior Vice President of Corporate Finance. The service agreement with Mr. Brennan is terminable on 12 months notice by either party. Under the terms of this agreement Mr. Brennan is entitled to receive an annual salary of \$508,518 and a bonus to be agreed by the Compensation and Organization Committee. He is also entitled to receive a pension contribution, a car allowance of €20,000 and medical insurance coverage for himself and his dependents. He was previously granted and held at March 23, 2016 61,952 ordinary share options at exercise prices ranging from \$20.28 to \$71.95 per share, 16,682 Restricted Share Units, which vest on various dates between May 2016 and March 2019, and 40,091 (up to a maximum of 80,182 based on certain performance conditions) Performance Share Units which vest between May 2016 and March 2019 subject to the fulfillment of certain performance conditions. His service agreement requires him to devote his full time and attention to his duties for the Company excepting certain outside Director positions authorized by the Board. The agreement with Mr. Brennan includes termination and change of control provisions and also includes certain post-termination clauses including non-disclosure, non-competition and non-solicitation provisions.

#### *Dr. Steve Cutler*

Dr. Steve Cutler was appointed Chief Operating Officer of the Company in January 2014. Prior to this appointment he served as Group President Clinical Research Services since November 2011. He has served



as an Executive Director of the Company since November 2015. The service agreement with Dr. Cutler is terminable on 180 days' notice by either party. Under the terms of this agreement Dr. Cutler is entitled to receive an annual salary of \$772,500 and a bonus to be agreed by the Compensation and Organization Committee. He is also entitled to receive a pension contribution, a car allowance of \$12,000 and medical insurance coverage for himself and his dependents. He was previously granted and held at March 23, 2016 179,181 ordinary share options at exercise prices ranging from \$17.17 to \$71.95 per share, 44,239 Restricted Share Units which vest on various dates between May 2016 and March 2019 and 111,664 (up to a maximum of 223,328 based on certain performance conditions) Performance Share Units which vest between May 2016 and March 2019 subject to the fulfillment of certain performance conditions. His service agreement requires him to devote his full time and attention to his duties for the Company excepting certain outside Director positions authorized by the Company. The agreement with Dr. Cutler includes termination and change of control provisions and also includes certain post-termination clauses including non-disclosure, non-competition and non-solicitation provisions.

*Dr. John Climax*

Dr. John Climax, one of the Company's co-founders, served as Chairman of the Board of the Company from November 2002 to December 2009. He also served as Chief Executive Officer of the Company from June 1990 to October 2002 and is currently an outside Director of the Company. The arrangements with Dr. Climax provide for the payment to him of Director fees of \$74,300 per annum plus reasonable expenses properly incurred in carrying out his duties for the Company. He was previously granted and held at March 23, 2016 78,500 ordinary share options at exercise prices ranging from \$15.84 to \$68.39 per share.

*Dr. Ronan Lambe*

Dr. Ronan Lambe, one of the Company's co-founders, served as Chairman of the Board of the Company from June 1990 to November 2002 and is currently an outside Director of the Company. The arrangements with Dr. Lambe provide for the payment to him of Director fees of \$74,300 per annum plus reasonable expenses properly incurred in carrying out his duties for the Company. He was previously granted and held at March 23, 2016 30,500 ordinary share options at exercise prices ranging from \$20.28 to \$68.39 per share.

*Professor Dermot Kelleher*

Professor Dermot Kelleher has served as an outside Director of the Company since May 2008. The arrangements with Professor Kelleher provide for the payment to him of Director fees of \$94,300 per annum. He was previously granted and held at March 23, 2016 24,400 ordinary share options at an exercise price ranging from \$20.28 to \$68.39.

*Mr. Declan McKeon*

Mr. Declan McKeon has served as an outside Director of the Company since April 2010. The arrangements with Mr. McKeon provide for the payment to him of Directors fees of \$119,300 per annum. He was previously granted and held at March 23, 2016 29,500 ordinary share options at exercise prices ranging from \$20.28 to \$68.39.

*Professor William Hall*

Professor William Hall has served as an outside Director of the Company since February 2013. The arrangements with Professor Hall provide for the payment to him of Directors fees of \$119,300 per annum. He was previously granted and held at March 23, 2016 27,500 ordinary share options at exercise prices ranging from \$32.37 to \$68.39.

*Ms. Mary Pendergast*

Ms. Mary Pendergast has served as an outside Director of the Company since February 2014. The arrangements with Ms. Pendergast provide for the payment to her of Directors fees of \$86,800 per annum. She was previously granted and held at March 23, 2016 20,000 ordinary share options at exercise prices ranging from \$40.83 to \$68.39.

## Dr. Hugh Brady

Dr. Hugh Brady has served as an outside Director of the Company since April 2014. The arrangements with Dr. Brady provide for the payment to him of Directors fees of \$61,800 per annum. He was previously granted and held at March 23, 2016 20,000 ordinary share options at exercise prices ranging from \$40.83 to \$68.39.

## Employees

At December 31, 2015, December 31, 2014 and December 31, 2013 we employed approximately 11,900, 10,600 and 10,300 people respectively. Our employees are not unionized and we believe we have a satisfactory relationship with our employees.

## Share Ownership

### Shares

The following table sets forth certain information as of March 23, 2016 regarding beneficial ownership of our ordinary shares by all of our current Directors and executive officers. Unless otherwise indicated below, to our knowledge, all persons listed below have sole voting and investment power with respect to their ordinary shares, except to the extent authority is shared by spouses under applicable law.

Name of Owner or Identity of Group	No. of Shares (1)	% of total Shares
Mr. Thomas Lynch	4	—
Mr. Ciaran Murray	53,898	0.1%
Mr. Brendan Brennan	5,950	—
Dr. Steve Cutler	9,365	—
Dr. John Climax	1,015,211	1.84%
Dr. Ronan Lambe	400	—
Professor Dermot Kelleher	—	—
Mr. Declan McKeon	—	—
Professor William Hall	—	—
Ms. Mary Pendergast	—	—
Dr. Hugh Brady	—	—

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

## Restricted Share Units and Performance Share Units

The following table sets forth certain information as of March 23, 2016 regarding beneficial ownership of restricted share units (“RSU’s”) and performance share units (“PSU’s”) which have been issued to our current Directors and executive officers.

Name of Owner or Identity of Group	No. of RSU’s (1)	Vesting Date	No. of PSU’s (1)	Vesting Date
Mr. Ciaran Murray	31,149	May 1, 2016	62,299	May 1, 2016
	8,471	May 3, 2016	63,638	March 3, 2017
	8,294	March 4, 2017	42,358	May 3, 2018
	8,471	May 3, 2017	41,470	March 4, 2019
	8,294	March 4, 2018		
	8,472	May 3, 2018		
	8,294	March 4, 2019		

Name of Owner or Identity of Group	No. of RSU's (1)	Vesting Date	No. of PSU's (1)	Vesting Date
Mr. Brendan Brennan . . . . .	6,325	May 1, 2016	12,650	May 1, 2016
	1,486	May 3, 2016	10,179	March 3, 2017
	1,965	March 4, 2017	7,435	May 3, 2018
	1,486	May 3, 2017	9,827	March 4, 2019
	1,965	March 4, 2018		
	1,489	May 3, 2018		
	1,966	March 4, 2019		
Dr. Steve Cutler . . . . .	17,415	May 1, 2016	34,831	May 1, 2016
	4,517	May 3, 2016	32,125	March 3, 2017
	4,423	March 4, 2017	22,591	May 3, 2018
	4,517	May 3, 2017	22,117	March 4, 2019
	4,423	March 4 2018		
	4,520	May 3, 2018		
	4,424	March 4, 2019		

(1) Of the issued PSU's, performance conditions will determine how many vest. If performance targets are exceeded, additional PSU's will be issued and will vest in accordance with the terms of the relevant PSU award.

### Share Options

The following table sets forth certain information as of March 23, 2016 regarding options to acquire ordinary shares of the Company by all of our current Directors and executive officers.

Name of Owner or Identity of Group	No. of Options (1)	Exercise price	Expiration Date
Mr. Thomas Lynch . . . . .	400	\$20.28	March 3, 2019
	800	\$22.30	April 27, 2020
	3,800	\$32.37	May 1, 2021
	10,000	\$40.83	May 23, 2022
	10,000	\$68.39	March 18, 2023
Mr. Ciaran Murray . . . . .	6,000	\$20.28	March 3, 2019
	60,000	\$16.80	October 31, 2019
	20,000	\$22.30	April 27, 2020
	77,873	\$32.37	May 1, 2021
	25,076	\$47.03	March 3, 2022
	53,828	\$48.67	March 17, 2022
	58,593	\$68.39	March 18, 2023
57,435	\$71.95	March 4, 2024	
Mr. Brendan Brennan . . . . .	1,000	\$20.28	March 3, 2019
	8,000	\$20.59	February 22, 2020
	15,813	\$32.37	May 1, 2021
	4,213	\$47.03	March 3, 2022
	9,030	\$48.67	March 17, 2022
	10,285	\$68.39	March 18, 2023
	13,611	\$71.95	March 4, 2024

Name of Owner or Identity of Group	No. of Options (1)	Exercise price	Expiration Date
Dr. Steve Cutler . . . . .	12,000	\$17.17	November 7, 2019
	12,000	\$20.59	February 22, 2020
	43,539	\$32.37	May 1, 2021
	15,823	\$47.03	March 3, 2022
	33,937	\$48.67	March 17, 2022
	31,250	\$68.39	March 18, 2023
	30,632	\$71.95	March 4, 2024
Dr. John Climax . . . . .	50,000	\$15.84	April 30, 2017
	2,000	\$24.46	March 4, 2018
	2,000	\$20.28	March 3, 2019
	2,000	\$22.30	April 27, 2020
	2,500	\$32.37	May 1, 2021
	10,000	\$40.83	May 23, 2022
	10,000	\$68.39	March 18, 2023
Dr. Ronan Lambe . . . . .	2,000	\$22.26	February 25, 2017
	2,000	\$24.46	March 4, 2018
	2,000	\$20.28	March 3, 2019
	2,000	\$22.30	April 27, 2020
	2,500	\$32.37	May 1, 2021
	10,000	\$40.83	May 23, 2022
	10,000	\$68.39	March 18, 2023
Professor Dermot Kelleher . . . . .	400	\$24.46	March 4, 2018
	800	\$20.28	March 3, 2019
	1,200	\$22.30	April 27, 2020
	2,000	\$32.37	May 1, 2021
	10,000	\$40.83	May 23, 2022
	10,000	\$68.39	March 18, 2023
Mr. Declan McKeon . . . . .	3,000	\$29.45	April 29, 2018
	2,000	\$20.28	March 3, 2019
	2,000	\$22.30	April 27, 2020
	2,500	\$32.37	May 1, 2021
	10,000	\$40.83	May 23, 2022
	10,000	\$68.39	March 18, 2023
Professor William Hall . . . . .	7,500	\$32.37	May 1, 2021
	10,000	\$40.83	May 23, 2022
	10,000	\$68.39	March 18, 2023
Ms. Mary Pendergast . . . . .	10,000	\$40.83	May 23, 2022
	10,000	\$68.39	March 18, 2023
Dr. Hugh Brady . . . . .	10,000	\$40.83	May 23, 2022
	10,000	\$68.39	March 18, 2023

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

## Equity Incentive Plans

On April 23, 2013 the Company adopted the 2013 Employees Restricted Share Unit and Performance Share Unit Plan (the “2013 RSU Plan”) pursuant to which the Compensation and Organization Committee of the Company’s Board of Directors may select any employee, or any Director holding a salaried office or employment with the Company, or a Subsidiary to receive an award under the plan. On May 11, 2015 the 2013 RSU Plan was amended and restated in order to increase the number of ordinary shares that can be issued under the RSU Plan by 2.5 million shares. Accordingly, an aggregate of 4.1 million ordinary shares have been reserved for issuance under the 2013 RSU Plan. The shares are awarded at par value and vest over a service period. Awards under the 2013 RSU Plan may be settled in cash or shares at the option of the Company.

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

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

Each option granted under the 2008 Employee Plan or the 2008 Consultants Plan (together the “2008 Option Plans”) will be an a nonqualified stock option, or NSO and not an incentive stock option as described in Section 422 of the Internal Revenue Code. Each grant of an option under the 2008 Options Plans will be evidenced by a Stock Option Agreement between the optionee and the Company. The exercise price will be specified in each Stock Option Agreement, however option prices will not be less than 100% of the fair market value of an ordinary share on the date the option is granted.

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

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

Share option awards are granted with an exercise price equal to the market price of the Company’s shares at date of grant. Share options typically vest over a period of five years from date of grant and expire eight years from date of grant. The maximum contractual term of options outstanding at December 31, 2015 is eight years.



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

The following table sets forth certain information regarding beneficial ownership of ICON's ordinary shares as of March 23, 2016 (i) by each person that beneficially owns more than 5% of the outstanding ordinary shares, based upon information known to us and publicly available information; and (ii) by all of our current Directors, officers and other key employees as a group. Unless otherwise indicated below, to our knowledge, all persons listed below have sole voting and investment power with respect to their ordinary shares, except to the extent authority is shared by spouses under applicable law.

Name of Owner or Identity of Group	No. of Shares (1)	Percent of Class
WCM Investment Management (2) . . . . .	4,584,348	8.33%
EARNEST Partners, LLC (2) . . . . .	4,453,885	8.09%
Neuberger Berman, LLC (2) . . . . .	4,113,018	7.47%
Boston Partners (2) . . . . .	3,349,120	6.08%
All Directors, officers and other key employees as a group (3) . . . . .	2,899,778	5.27%

- (1) As used in this table, each person has the sole or shared power to vote or direct the voting of a security, or the sole or shared investment power with respect to a security (i.e., the power to dispose, or direct the disposition, of a security). A person is deemed as of any date to have "beneficial ownership" of any security if that such person has the right to acquire such security within 60 days after such date.
- (2) Neither the Company nor any of its officers, Directors or affiliates holds any voting power in this entity.
- (3) Includes 889,817 ordinary shares issuable upon the exercise of stock options granted by the Company, 153,788 RSU's awarded by the Company to directors, officers and other key employees and 770,270 PSU's awarded by the Company to Directors, officers and other key employees. Of the issued PSU's, performance conditions will determine how many of them vest and, if performance targets are exceeded, additional PSU's will be issued and vest in accordance with the terms of the relevant PSU award.

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

### Related Party Transactions

On July 19, 2012, Mr. Peter Gray retired as a Director and employee of the Company. The Company subsequently entered into an agreement with Integritum Limited, a company controlled by Mr. Gray, for the provision of consultancy services for a period of two years from August 1, 2012, at an agreed fee of €265,000 (\$350,000) per annum. This arrangement expired in August, 2014.

Subsidiaries of the Company earned revenue of \$221,000 from GW Pharmaceuticals plc in the normal course of business. There were backlog awards at December 31, 2015 of \$88,000. Tom Lynch, Chairman of the Company is a non-executive Director of GW Pharmaceuticals plc. The contract terms were agreed on an arm's length basis.

Subsidiaries of the Company earned revenue of \$100,000 (2014: \$300,000) from Dignity Sciences Limited during the year. Dr. John Climax is a director and both Dr. John Climax and Dr. Ronan Lambe are shareholders of Dignity Sciences Limited. The contract terms were agreed on an arm's length basis.

## Item 8. Financial Information.

### Financial Statements

See Item 18.

### Legal Proceedings

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

## Dividends

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

## Item 9. *The Offer and Listing*

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

<b>Year Ending</b>	<b>High Sales Price During Period</b>	<b>Low Sales Price During Period</b>
December 31, 2011 . . . . .	\$26.22	\$15.03
December 31, 2012 . . . . .	\$28.93	\$16.73
December 31, 2013 . . . . .	\$44.23	\$26.70
December 31, 2014 . . . . .	\$59.81	\$35.33
December 31, 2015 . . . . .	\$84.14	\$50.91
<b>Quarter Ending</b>	<b>High Sales Price During Period</b>	<b>Low Sales Price During Period</b>
Mar 31, 2014 . . . . .	\$50.00	\$38.91
June 30, 2014 . . . . .	\$49.39	\$35.33
Sept 30, 2014 . . . . .	\$57.98	\$45.50
Dec 31, 2014 . . . . .	\$59.81	\$49.75
Mar 31, 2015 . . . . .	\$72.40	\$50.91
June 30, 2015 . . . . .	\$71.80	\$62.36
Sept 30, 2015 . . . . .	\$84.14	\$64.27
Dec 31, 2015 . . . . .	\$78.88	\$63.20
<b>Month Ending</b>	<b>High Sales Price During Period</b>	<b>Low Sales Price During Period</b>
July 31, 2015 . . . . .	\$81.90	\$64.27
Aug 31, 2015 . . . . .	\$84.14	\$71.08
Sept 30, 2015 . . . . .	\$82.47	\$67.47
Oct 31, 2015 . . . . .	\$74.12	\$63.20
Nov 30, 2015 . . . . .	\$75.01	\$63.92
Dec 31, 2015 . . . . .	\$78.88	\$71.90

## Item 10. *Additional Information*

### Memorandum and Articles of Association

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

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

### *Objects*

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

### *Directors*

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

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

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

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

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

### *Annual and General Meetings*

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

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

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

### *Disclosure of Share Ownership*

Under Irish law, the Company can require parties to disclose their interests in shares. The Articles of Association of the Company entitle the Directors to require parties to provide details regarding their

identity and the nature and extent of any interest which such parties hold in Ordinary Shares. Under Irish law, if a party acquires or disposes of Ordinary Shares so as to bring his interest above or below 3% of the total issued share capital of the Company, he must notify the Company of that. The Company would also need to be notified of the acquisition by an existing substantial (i.e. 3% plus) shareholder, of every movement of one whole percentage integer (e.g. 3.9% to 4.1% but not 4.1% to 4.9%) or more.

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

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

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

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

#### **Material Contracts**

Not applicable.

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

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

The Financial Transfers Act, 1992 gives power to the Minister for Finance of Ireland to make provision for the restriction of financial transfers between Ireland and other countries and persons. Financial transfers are broadly defined, and include all transfers which would be movements of capital or payments within the meaning of the treaties governing the European Communities. The acquisition or disposal of shares issued by an Irish incorporated company and associated payments may fall within this definition. In addition, dividends or payments on redemption or purchase of shares and payments on a liquidation of an Irish incorporated company would fall within this definition.

The Financial Transfers Act, 1992 prohibits financial transfers involving a number of persons, entities and bodies, which is subject to amendment on an ongoing, regular basis and currently includes, but is not limited to: certain persons and activities in Sudan, the Republic of Guinea, Côte d'Ivoire, Libya, Iraq, the Democratic People's Republic of Korea, certain activities, persons and entities in Syria and Iran; certain persons and entities associated with the Taliban in Afghanistan; certain persons, entities and bodies in Ukraine; and certain known terrorists and terrorist groups and countries that harbor certain terrorist groups, without the prior permission of the Central Bank of Ireland.

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

#### **Taxation**

##### **General**

The following discussion is based on existing Irish tax law, Irish court decisions and the practice of the Revenue Commissioners of Ireland, and the convention between the United States and Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to income and capital gains (the "Treaty"). This discussion does not purport to deal with the tax consequences of owning the ordinary shares for all categories of investors, some of which may be subject to special rules. Prospective

purchasers of ordinary shares are advised to consult their own tax advisors concerning the overall tax consequences arising in their own particular situations under Irish law. Each prospective investor should understand that future legislative, administrative and judicial changes could modify the tax consequences described below, possibly with retroactive effect.

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

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

## **Irish Taxation**

### *Irish corporation tax on income*

ICON is a public limited company incorporated and resident for tax purposes in Ireland by virtue of its place of central management and control being in Ireland.

Companies which are resident in the Republic of Ireland are subject to Irish corporation tax on their total profits (wherever arising and, generally, whether or not remitted to the Republic of Ireland). The question of residence, by virtue of management and control, is essentially one of fact. It is the present intention of the Company’s management to continue to manage and control the Company from the Republic of Ireland, so that the Company will continue to be resident in the Republic of Ireland.

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

A research and development tax credit is available in Ireland where an Irish resident company incurs qualifying expenditure on research and development activities. Qualifying expenditure incurred in a particular account period results in a tax credit of 25% of that expenditure.

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

Capital gains arising to an Irish resident company are liable to tax at 33%. However, a capital gains tax exemption is available in Ireland for qualifying Irish resident companies in respect of disposals of certain qualifying shareholdings.

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

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



### *Irish withholding tax on dividends*

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

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

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

Non-Irish resident corporate shareholders will be exempt from withholding tax on the production of the appropriate certificates and declarations where they:

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

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

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

### *Irish income tax on dividends*

Irish resident or ordinarily resident shareholders will generally be liable to Irish income tax on dividend income at their marginal rate of tax. This income may also be liable to Pay Related Social Insurance (“PRSI”) of up to 4% and the Universal Social Charge (“USC”) of up to 11% (up to 15% in total).

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

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

- an individual resident in the U.S. or in a Relevant Territory;

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

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

#### *Irish domicile levy*

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

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

Irish resident or ordinarily resident shareholders will be liable to capital gains tax at 33% on gains arising from the disposal or part disposal of their shareholding.

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

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

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

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

#### *Irish capital acquisitions tax*

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

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

- to the extent that the property of which the gift or inheritance consists is situated in the Republic of Ireland at the date of the gift or inheritance;

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

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

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

The tax-free threshold amounts that apply are:

- €15,075 in the case of persons who are not related to one another;
- €30,150 in the case of gifts or inheritances received from inter alia a brother or sister or from a brother or sister of a parent or from a grandparent; and
- €280,000 in the case of gifts and inheritances received from a parent (or from a grandparent by a minor child of a deceased child) and specified inheritances received by a parent from a child for gifts or inheritances taken on or after 14 October 2015. This threshold was €225,000 prior to 14 October 2015.

Gifts and inheritances passing between spouses are exempt from CAT.

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

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

#### *Irish stamp duty*

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

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

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

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

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

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

### **Documents on Display**

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

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

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

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

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

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

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

- The Company is exempt from provisions set forth in NASDAQ Rule 5620(c), which requires each issuer (other than limited partnerships) to provide for a quorum in its by-laws for any meeting of the holders of common stock, which shall in no case be less than 33.33% of the outstanding

shares of the issuer's common voting stock. The Company's Articles of Association require that only 3 members be present, in person or by proxy, at a shareholder meeting to constitute a quorum. This quorum requirement is in accordance with Irish law and generally accepted business practices in Ireland.

- The Company is exempt from provisions set forth in NASDAQ Rule 5635(c) which requires (other than for certain specified exceptions) shareholder approval prior to the establishment or material amendment of a stock option or purchase plan or other equity compensation arrangement made or materially amended, pursuant to which stock may be acquired by officers, Directors, employees or consultants. Irish law does not require shareholder approval with respect to equity compensation arrangements. Accordingly, the 2013 Employees Restricted Share Unit Plan was adopted by the Board of Directors without shareholder approval.
- The Company is exempt from provisions set forth in NASDAQ Rule 5605(b)(2), which requires independent Directors to hold regularly scheduled meetings at which only independent Directors are present. Irish law does not require independent Directors to hold regularly scheduled meetings at which only independent Directors are present. The Company holds regularly scheduled meetings which all of the Directors may attend.

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

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

**Foreign Currency Exchange Risk**

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

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

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

The following significant exchange rates applied during the year:

	Average Rate		Closing Rate	
	2015	2014	2015	2014
Euro:USD . . . . .	<b>1.1123</b>	1.3361	<b>1.0862</b>	1.2098
Pound Sterling:USD . . . . .	<b>1.5307</b>	1.6548	<b>1.4736</b>	1.5577

**Interest Rate Risk**

We are exposed to interest rate risk in respect of our cash and cash equivalents and short term investments – available for sale. Our treasury function actively manages our available cash resources and invests significant cash balances in various financial instruments to try to ensure optimum returns for the



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

In December 2015 we issued \$350m in the private placement market, the rate on these senior notes is fixed at 3.64% for the five year term. The interest rate is further reduced by an interest rate cash flow hedge which was entered into in advance of the rate fixing date. This cash flow hedge was deemed to be fully effective in accordance with Financial Accounting Standards Board (“FASB”) ASC 815 *Derivatives and Hedging*. The realized gain related to this derivative is recorded within other comprehensive income and is amortized over the life of the Senior Notes. The effective rate on our 5 year Senior Notes is fixed at 3.37%.

The sensitivity analysis below represents the hypothetical change in the net interest payable of a 1% movement in market interest rates.

	Interest for the year ended December 31, 2015 (in thousands)	Interest Change 1% increase in market interest rate (in thousands)	Interest Change 1% decrease in market interest rate (in thousands)
Interest Income . . . . .	\$ 1,306	\$ 3,521	\$ —
Interest Expense . . . . .	\$(3,992)	\$(4,318)	\$(3,748)
	\$(2,686)	\$ (797)	\$(3,748)

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

Not applicable.

## PART II

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

None.

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

None.

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

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

An evaluation was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), of the effectiveness of our disclosure controls and procedures as at December 31, 2015. Based on that evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

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

Reference is made to page 77 of this Form 20-F.

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

Reference is made to page 79 of this Form 20-F.

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

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

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

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

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

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

We adopted the code of ethics on March 22, 2011, which replaced our previous Code of Ethics. The Code of Ethics applies to all ICON employees.

We amended the Code of Ethics in October 2014 to reflect the adoption of our Ethics Line Charter. The charter provides, among other things, details on the types of issues that should be reported and how and when to report such issues. There are no waivers from the provisions of the Code of Ethics that are required to be disclosed.

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

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

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

Our principal accountants for the years ended December 31, 2015 and December 31, 2014, were KPMG.

The table below summarizes the fees for professional services rendered by KPMG for the audit of our annual financial statements for the years ended December 31, 2015 and December 31, 2014 and fees billed for other services rendered by KPMG.

	12 month period ended December 31, 2015 (in thousands)		12 month period ended December 31, 2014 (in thousands)	
Audit fees (1) . . . . .	\$1,666	53%	\$2,149	54%
Audit related fees (2) . . . . .	181	6%	156	4%
Tax fees (3) . . . . .	1,294	41%	1,704	42%
<b>Total . . . . .</b>	<b>\$3,141</b>	<b>100%</b>	<b>\$4,009</b>	<b>100%</b>

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

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

Such annual pre-approval is given with respect to particular services. The Audit Committee, on a case-by-case basis, may approve additional services not covered by the annual pre-approval, as the need for such services arises.

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

Not applicable.

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

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan	Total Price Paid for Shares Purchased as Part of a Publicly Announced Plan	Maximum Approximate Value of Shares that may yet be purchased under the Plans
(in thousands, except per share data)					
January 1/1 – 1/31 . . . . .	—	—	—	\$ —	\$ —
February 2/1 – 2/28 . . . . .	—	—	—	—	—
March 3/1 – 3/31 . . . . .	—	—	—	—	—
April 4/1 – 4/30 . . . . .	—	—	—	—	—
May 5/1 – 5/31 . . . . .	646,829	\$65.57	646,829	\$ 42,416	\$415,476
June 6/1 – 6/30 . . . . .	235,590	\$65.69	235,590	\$ 15,476	\$400,000
July 7/1 – 7/31 . . . . .	—	—	—	—	\$400,000
August 8/1 – 8/31 . . . . .	1,649,027	\$79.90	1,649,027	\$131,752	\$268,248
September 9/1 – 9/30 . . . . .	1,255,143	\$77.73	1,255,143	\$ 97,565	\$170,683
October 10/1 – 10/31 . . . . .	968,075	\$70.20	968,075	\$ 67,955	\$102,728
November 11/1 – 11/30 . . . . .	713,955	\$67.98	713,955	\$ 48,537	\$ 54,191
December 12/1 – 12/31 . . . . .	729,862	\$74.25	729,862	\$ 54,191	\$ 0
	<b>6,198,481</b>	<b>\$73.87</b>	<b>6,198,481</b>	<b>\$457,892</b>	<b>\$ 0</b>

On May 1, 2015 the Company commenced a buyback program of up to \$60 million under which the Company could acquire its outstanding ordinary shares (by way of redemption), in accordance with Irish law, the United States securities laws and the Company's constitutional documents through open market share acquisitions. A total of 882,419 ordinary shares were redeemed by the Company under this buyback program for a total consideration of \$57.9 million.

On July 31, 2015 the Company commenced a further buyback program of up to \$400 million under which the Company could acquire its outstanding ordinary shares (by way of redemption), in accordance with Irish law, the United States securities laws and the Company's constitutional documents through open market share acquisitions. A total of 5,316,062 ordinary shares were redeemed by the Company under this buyback program for a total consideration of \$400 million. The share buyback program was completed in December 2015. During the year ended December 31, 2015, the Company redeemed a total of 6,198,481 ordinary shares for a total consideration of \$457.9 million.

Under the repurchase programs, a broker purchased the Company's shares from time to time on the open market or in privately negotiated transactions in accordance with agreed terms and limitations. The programs are designed to allow share repurchases during periods when the Company would ordinarily not be permitted to do so because it may be in possession of material non-public or price-sensitive information, applicable insider trading laws or self-imposed trading blackout periods. The Company's instructions to the broker were irrevocable and the trading decisions in respect of the repurchase programs were made independently of and uninfluenced by the Company. The Company confirms that on entering the share repurchase plans it had no material non-public, price-sensitive or inside information regarding the Company or its securities. Furthermore, the Company will not enter into additional plans whilst in possession of such information. The timing and actual number of shares acquired by way of the redemption will be dependent on market conditions, legal and regulatory requirements and the other terms and limitations contained in the programs. In addition, acquisitions under the programs may be suspended or discontinued in certain circumstances in accordance with the agreed terms. Therefore, there can be no assurance as to the timing or number of shares that may be acquired under the programs.

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

Not applicable.

**Item 16G. Corporate Governance**

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

**Item 16H. Mine Safety Disclosure**

Not applicable.

## PART III

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

See item 18.

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

Reference is made to pages 77 to 125 of this Form 20-F.

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

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

Management's Report on Internal Control over Financial Reporting

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as at December 31, 2015 and December 31, 2014

Consolidated Statements of Operations for the years ended December 31, 2015, December 31, 2014 and December 31, 2013

Consolidated Statements of Comprehensive Income for the years ended December 31, 2015, December 31, 2014 and December 31, 2013

Consolidated Statements of Shareholders' Equity and Comprehensive Income for the years ended December 31, 2015, December 31, 2014 and December 31, 2013

Consolidated Statements of Cash Flows for the years ended December 31, 2015, December 31, 2014 and December 31, 2013

Notes to the Consolidated Financial Statements

## Exhibits of ICON plc and subsidiaries

Exhibit Number	Title
3.1	Description of the Memorandum and Articles of Association of the Company (incorporated by reference to exhibit 3.1 to the Form 20F (File No. 333-08704) filed on March 6, 2013).
12.1*	Section 302 certifications.
12.2*	Section 906 certifications.
21.1	List of Subsidiaries (incorporated by reference to Item 4 of Form 20-F filed herewith).
23.1*	Consent of KPMG, Independent Registered Public Accounting Firm
101.1*	Interactive Data Files (XBRL – Related Documents)

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\* Filed herewith



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

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

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

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

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

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2015. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework 2013*. Based upon the assessment performed, we determined that, as of December 31, 2015 the Company's internal control over financial reporting was effective. In addition, there have been no changes in the Company's internal control over financial reporting during 2015 that have materially affected, or are reasonably likely to affect materially, the Group's internal control over financial reporting.

KPMG, which has audited the consolidated financial statements of the Company for the year ended December 31, 2015, has also audited the effectiveness of the Company's internal control over financial reporting under Auditing Standard No. 5 of the Public Company Accounting Oversight Board (United States) and their report is included at page 79.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Directors and Shareholders of ICON plc:

We have audited the accompanying consolidated balance sheets of ICON plc and subsidiaries (“the Company”) as of December 31, 2015 and 2014 and the related consolidated statements of operations, comprehensive income, shareholders’ equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2015. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ICON plc and subsidiaries as of December 31, 2015 and 2014 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), ICON plc’s internal control over financial reporting as of December 31, 2015 based on criteria established in *Internal Control – Integrated Framework 2013* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 23, 2016 expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

KPMG

Dublin, Ireland  
March 23, 2016

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Directors and Shareholders of ICON plc:

We have audited ICON plc's internal control over financial reporting as of December 31, 2015 based on criteria established in *Internal Control – Integrated Framework 2013* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). ICON plc's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, ICON plc maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015 based on criteria established in *Internal Control – Integrated Framework 2013* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of ICON plc and subsidiaries as of December 31, 2015 and 2014 and the related consolidated statements of operations, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2015 and our report dated March 23, 2016 expressed an unqualified opinion on those consolidated financial statements.

KPMG

Dublin, Ireland  
March 23, 2016

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

December 31, 2015    December 31, 2014

(in thousands)

**ASSETS**

Current Assets:

Cash and cash equivalents . . . . .	\$ 103,911	\$ 118,900
Short term investments – available for sale (Note 3) . . . . .	85,990	97,100
Accounts receivable, net . . . . .	409,165	370,956
Unbilled revenue . . . . .	173,649	146,163
Other receivables . . . . .	30,935	17,491
Deferred tax asset (Note 13) . . . . .	—	24,716
Prepayments and other current assets . . . . .	37,822	28,465
Income taxes receivable (Note 13) . . . . .	22,961	15,716
<b>Total current assets . . . . .</b>	<b>864,433</b>	<b>819,507</b>

Other Assets:

Property, plant and equipment, net (Note 6) . . . . .	150,218	148,185
Goodwill (Note 4) . . . . .	588,434	463,324
Non-current other assets . . . . .	11,591	11,583
Non-current income taxes receivable (Note 13) . . . . .	11,362	15,060
Non-current deferred tax asset (Note 13) . . . . .	26,738	21,472
Intangible assets (Note 5) . . . . .	66,127	49,719

<b>Total Assets . . . . .</b>	<b>\$1,718,903</b>	<b>\$1,528,850</b>
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**LIABILITIES AND SHAREHOLDERS' EQUITY**

Current Liabilities:

Accounts payable . . . . .	\$ 7,021	\$ 2,793
Payments on account . . . . .	318,697	280,097
Other liabilities (Note 7) . . . . .	231,879	251,091
Deferred tax liability (Note 13) . . . . .	—	229
Income taxes payable (Note 13) . . . . .	14,203	4,149
<b>Total current liabilities . . . . .</b>	<b>571,800</b>	<b>538,359</b>

Other Liabilities:

Non-current bank credit lines and loan facilities (Note 20) . . . . .	350,000	—
Non-current other liabilities (Note 8) . . . . .	12,224	13,179
Non-current government grants (Note 11) . . . . .	959	1,116
Non-current income taxes payable (Note 13) . . . . .	16,180	12,389
Non-current deferred tax liability (Note 13) . . . . .	4,644	13,601

Shareholders' Equity:

Ordinary shares, par value 6 euro cents per share; 100,000,000 shares authorized, (Note 12) 54,958,912 shares issued and outstanding at December 31, 2015 and 60,106,780 shares issued and outstanding at December 31, 2014 . . . . .	4,679	5,037
Additional paid-in capital . . . . .	383,395	327,234
Capital redemption reserve (Note 12 (a)) . . . . .	715	305
Accumulated other comprehensive income (Note 19) . . . . .	(61,636)	(37,555)
Retained earnings . . . . .	435,943	655,185

<b>Total Shareholders' Equity . . . . .</b>	<b>763,096</b>	<b>950,206</b>
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<b>Total Liabilities and Shareholders' Equity . . . . .</b>	<b>\$1,718,903</b>	<b>\$1,528,850</b>
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The accompanying notes are an integral part of these consolidated financial statements.

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

	Year Ended December 31,		
	2015	2014	2013
	(in thousands, except share and per share data)		
Revenue:			
Gross revenue . . . . .	\$ 2,161,618	\$ 2,030,286	\$ 1,784,345
Reimbursable expenses . . . . .	(586,640)	(526,970)	(448,287)
Net revenue . . . . .	1,574,978	1,503,316	1,336,058
Costs and expenses:			
Direct costs . . . . .	908,979	903,167	845,413
Selling, general and administrative . . . . .	326,786	336,461	313,931
Depreciation and amortization . . . . .	57,677	52,542	46,514
Restructuring and other items, net (Note 14) . . . . .	—	8,796	9,033
Total costs and expenses . . . . .	1,293,442	1,300,966	1,214,891
Income from operations . . . . .	281,536	202,350	121,167
Interest income . . . . .	1,306	1,151	986
Interest expense . . . . .	(3,992)	(785)	(1,288)
Income before provision for income taxes . . . . .	278,850	202,716	120,865
Provision for income taxes (Note 13) . . . . .	(39,311)	(30,248)	(18,053)
Net income . . . . .	\$ 239,539	\$ 172,468	\$ 102,812
Net income per ordinary share:			
Basic . . . . .	\$ 4.08	\$ 2.80	\$ 1.69
Diluted . . . . .	\$ 3.97	\$ 2.73	\$ 1.65
Weighted average number of ordinary shares outstanding:			
Basic (Note 2 (u)) . . . . .	58,746,935	61,496,115	60,907,274
Diluted (Note 2 (u)) . . . . .	60,290,033	63,131,417	62,253,251

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

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

	Year Ended December 31,		
	2015	2014	2013
	(in thousands, except share and per share data)		
Net income . . . . .	\$239,539	\$172,468	\$102,812
Currency translation adjustment . . . . .	(35,105)	(45,038)	10,725
Currency impact of long-term funding . . . . .	7,342	9,806	(1,046)
Tax on currency impact of long-term funding . . . . .	(3,574)	(178)	(87)
Unrealized capital (loss)/gain – investments . . . . .	(54)	20	(239)
Actuarial gain/(loss) on defined benefit pension plan . . . . .	2,693	(4,125)	1,383
Gain on interest rate hedge . . . . .	4,617	—	—
<b>Total comprehensive income . . . . .</b>	<b>\$215,458</b>	<b>\$132,953</b>	<b>\$113,548</b>

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



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

	Shares	Amount	Additional Paid-in Capital	Capital Redemption Reserve	Accumulated Other Comprehensive Income	Retained Earnings	Total
<b>Balance at December 31, 2012</b>	60,287,498	\$5,067	\$237,217	\$100	\$ (8,776)	\$ 520,967	\$ 754,575
Comprehensive Income:							
Net income	—	—	—	—	—	\$ 102,812	\$ 102,812
Currency translation adjustment	—	—	—	—	10,725	—	10,725
Currency impact of long-term funding	—	—	—	—	(1,046)	—	(1,046)
Tax on currency impact of long-term funding	—	—	—	—	(87)	—	(87)
Unrealized capital gain – investments	—	—	—	—	(239)	—	(239)
Actuarial gain on defined benefit pension plan	—	—	—	—	1,383	—	1,383
Total comprehensive income							113,548
Exercise of share options	1,249,759	101	26,888	—	—	—	26,989
Issue of restricted share units	50,000	—	4	—	—	—	4
Share based compensation expense	—	—	13,882	—	—	—	13,882
Share issue costs	—	—	(70)	—	—	—	(70)
Excess tax benefit on exercise of options	—	—	1,651	—	—	—	1,651
<b>Balance at December 31, 2013</b>	61,587,257	\$5,168	\$279,572	\$100	\$ 1,960	\$ 623,779	\$ 910,579
Comprehensive Income:							
Net income	—	—	—	—	—	\$ 172,468	\$ 172,468
Currency translation adjustment	—	—	—	—	(45,038)	—	(45,038)
Currency impact of long-term funding	—	—	—	—	9,806	—	9,806
Tax on currency impact of long-term funding	—	—	—	—	(178)	—	(178)
Unrealized capital gain – investments	—	—	—	—	20	—	20
Actuarial gain on defined benefit pension plan	—	—	—	—	(4,125)	—	(4,125)
Total comprehensive income							132,953
Exercise of share options	926,407	74	22,182	—	—	—	22,256
Issue of restricted share units	233,726	—	18	—	—	—	18
Share based compensation expense	—	—	23,078	—	—	—	23,078
Share issue costs	—	—	(20)	—	—	—	(20)
Repurchase of ordinary shares	(2,640,610)	(205)	—	205	—	(140,030)	(140,030)
Share repurchase costs	—	—	—	—	—	(1,032)	(1,032)
Excess tax benefit on exercise of equity compensation	—	—	2,404	—	—	—	2,404
<b>Balance at December 31, 2014</b>	60,106,780	\$5,037	\$327,234	\$305	\$(37,555)	\$ 655,185	\$ 950,206

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

	Shares	Amount	Additional Paid-in Capital	Capital Redemption Reserve	Accumulated Other Comprehensive Income	Retained Earnings	Total
<b>Balance at December 31, 2014</b> . . . . .	60,106,780	\$5,037	\$327,234	\$305	\$(37,555)	\$ 655,185	\$ 950,206
Comprehensive Income:							
Net income . . . . .	—	—	—	—	—	\$ 239,539	\$ 239,539
Currency translation adjustment . . . . .	—	—	—	—	(35,105)	—	(35,105)
Currency impact of long-term funding . . . . .	—	—	—	—	7,342	—	7,342
Tax on currency impact of long-term funding . . . . .	—	—	—	—	(3,574)	—	(3,574)
Unrealized capital loss – investments . . . . .	—	—	—	—	(54)	—	(54)
Actuarial gain on defined benefit pension plan . . . . .	—	—	—	—	2,693	—	2,693
Gain on interest rate hedge . . . . .	—	—	—	—	4,617	—	4,617
Total comprehensive income . . . . .							215,458
Exercise of share options . . . . .	773,753	52	20,929	—	—	—	20,981
Issue of restricted/performance share units . . . . .	276,860	—	18	—	—	—	18
Share based compensation expense . . . . .	—	—	33,317	—	—	—	33,317
Share issue costs . . . . .	—	—	(8)	—	—	—	(8)
Repurchase of ordinary shares . . . . .	(6,198,481)	(410)	—	410	—	(457,892)	(457,892)
Share repurchase costs . . . . .	—	—	—	—	—	(889)	(889)
Excess tax benefit on exercise of equity compensation . . . . .	—	—	1,905	—	—	—	1,905
<b>Balance at December 31, 2015</b> . . . . .	54,958,912	\$4,679	\$383,395	\$715	\$(61,636)	\$ 435,943	\$ 763,096

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

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

	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013
	(in thousands)		
<b>Cash flows from operating activities:</b>			
Net income . . . . .	\$ 239,539	\$ 172,468	\$ 102,812
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss on disposal of property, plant and equipment . . . . .	55	248	662
Depreciation expense . . . . .	40,210	42,200	38,975
Amortization of intangibles . . . . .	17,467	10,342	7,539
Amortization of government grants . . . . .	53	(213)	(349)
Amortization of gain on interest rate hedge . . . . .	(41)	—	—
Stock compensation expense . . . . .	33,317	22,742	14,220
Deferred taxes . . . . .	3,157	(7,900)	(10,583)
Changes in assets and liabilities:			
Increase in accounts receivable . . . . .	(18,671)	(7,032)	(37,538)
Increase in unbilled revenue . . . . .	(29,281)	(13,671)	(4,015)
Increase in other receivables . . . . .	(14,519)	(4,259)	(1,638)
Increase in prepayments and other current assets . . . . .	(8,631)	(3,574)	(898)
Increase in other non current assets . . . . .	(55)	(2,264)	(1,146)
Increase/(decrease) in payments on account . . . . .	34,644	(47,548)	76,066
(Decrease)/increase in other current liabilities . . . . .	(26,266)	15,111	43,291
Increase in other non current liabilities . . . . .	6,378	1,283	899
Increase/(decrease) in income taxes payable . . . . .	(949)	3,021	(5,013)
Increase/(decrease) in accounts payable . . . . .	3,124	(11,006)	(2,057)
Net cash provided by operating activities . . . . .	279,531	169,948	221,227
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment . . . . .	(49,730)	(32,779)	(29,488)
Purchase of subsidiary undertakings and acquisition costs . . . . .	(166,292)	(124,301)	(93,553)
Cash acquired with subsidiary undertaking . . . . .	194	3,527	1,039
Sale of short term investments . . . . .	25,250	102,565	109,795
Purchase of short term investments . . . . .	(14,194)	(61,328)	(172,168)
Net cash used in investing activities . . . . .	(204,772)	(112,316)	(184,375)
<b>Cash flows from financing activities:</b>			
Drawdown of credit lines and facilities . . . . .	851,500	—	—
Repayment of credit lines and facilities . . . . .	(501,500)	—	—
Proceeds from the exercise of equity compensation . . . . .	20,999	22,274	26,993
Share issuance costs . . . . .	(8)	(20)	(70)
Excess tax benefit on exercise of equity compensation . . . . .	1,905	2,404	1,651
Repurchase of ordinary shares . . . . .	(457,892)	(140,030)	—
Share repurchase costs . . . . .	(889)	(1,032)	—
Receipt of government grant . . . . .	—	—	225
Repayment of government grant . . . . .	(159)	—	—
Proceeds from interest rate hedge . . . . .	4,658	—	—
Net cash (used in)/provided by financing activities . . . . .	(81,386)	(116,404)	28,799
Effect of exchange rate movements on cash . . . . .	(8,362)	(4,847)	2,821
<b>Net (decrease)/increase in cash and cash equivalents</b> . . . . .	<b>(14,989)</b>	<b>(63,619)</b>	<b>68,472</b>
Cash and cash equivalents at beginning of year . . . . .	118,900	182,519	114,047
<b>Cash and cash equivalents at end of year</b> . . . . .	<b>\$ 103,911</b>	<b>\$ 118,900</b>	<b>\$ 182,519</b>

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

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

**1. Description of business**

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

We believe that we are one of a select group of CROs with the expertise and capability to conduct clinical trials in most major therapeutic areas on a global basis and have the operational flexibility to provide development services on a stand-alone basis or as part of an integrated “full service” solution. At December 31, 2015 we had approximately 11,900 employees, in 90 locations in 37 countries. During the year ended December 31, 2015, we derived approximately 41.3%, 48.3% and 10.4% of our net revenue in the United States, Europe and Rest of World, respectively.

We began operations in 1990 and have expanded our business predominately through internal growth, together with a number of strategic acquisitions to enhance our capabilities and expertise in certain areas of the clinical development process. We are incorporated in Ireland and our principal executive office is located at: South County Business Park, Leopardstown, Dublin 18, Republic of Ireland. The contact telephone number of this office is 011- 353-1-291-2000.

**2. Significant Accounting Policies**

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

(a) Basis of consolidation

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

(b) Use of estimates

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

(c) Revenue recognition

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

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

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

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

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

Laboratory service revenue is recognized on a fee-for-service basis. The Company accounts for laboratory service contracts as multiple element arrangements, with contractual elements comprising laboratory kits and laboratory testing, each of which can be sold separately. Sales prices for contractual elements are determined by reference to objective and reliable evidence of their sales price. Revenues for contractual elements are recognized on the basis of the number of deliverable units completed in the period.

Contracts generally contain provisions for renegotiation in the event of changes in the scope, nature, duration, or volume of services of the contract. Renegotiated amounts are recognized as revenue by revision to the total contract value arising as a result of an authorised customer change order.

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

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

(d) Reimbursable expenses

Reimbursable expenses comprise investigator payments and certain other costs which are reimbursed by clients under terms specific to each contract and are deducted from gross revenue in arriving at net revenue. Investigator payments are accrued based on patient enrollment over the life of the contract. Investigator payments are made based on predetermined contractual arrangements, which may differ from the accrual of the expense.

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

(e) Direct costs

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

(f) Advertising costs

All costs associated with advertising and promotion are expensed as incurred. The advertising and promotion expense was \$4,513,750, \$3,563,900 and \$5,195,120 for the years ended December 31, 2015, December 31, 2014 and December 31, 2013 respectively.

(g) Foreign currencies and translation of subsidiaries

The Company's financial statements are prepared in United States dollars. Transactions in currencies other than United States dollars are recorded at the rate ruling at the date of the transactions. Monetary assets and liabilities denominated in currencies other than United States dollars are translated into United States dollars at exchange rates prevailing at the balance sheet date. Adjustments resulting from these translations are charged or credited to income. Amounts credited or charged to the statement of operations for the years ended December 31, 2015, December 31, 2014 and December 31, 2013 were as follows:

	Year ended December 31,		
	2015	2014	2013
	(in thousands)		
Amounts (credited) . . . . .	\$(3,608)	\$(5,942)	\$(1,233)

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

(h) Disclosure about fair value of financial instruments

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

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

(i) Business combinations

The cost of a business combination is measured as the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued in exchange for control. Where a business combination agreement provides for an adjustment to the cost of the acquisition which is contingent upon future events, the amount of the estimated adjustment is recognized at the acquisition date at the fair value of this contingent consideration. Any changes to this estimate in subsequent periods will depend on the classification of the contingent consideration. If the contingent consideration is classified as equity it shall not be re-measured and the settlement shall be accounted for within equity. If the contingent consideration is classified as a liability any adjustments will be accounted for through the Consolidated Statement of Operations or Other Comprehensive Income depending on whether the liability is considered a financial instrument.

The assets, liabilities and contingent liabilities of businesses acquired are measured at their fair values at the date of acquisition. In the case of a business combination which is completed in stages, the fair values of the identifiable assets, liabilities and contingent liabilities are determined at the date of each exchange



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

transaction. When the initial accounting for a business combination is determined provisionally, any subsequent adjustments to the provisional values allocated to the identifiable assets, liabilities and contingent liabilities are made within twelve months of the acquisition date and presented as adjustments to the original acquisition accounting.

(j) Goodwill and Impairment

Goodwill represents the excess of the cost of acquired entities over the net amounts assigned to assets acquired and liabilities assumed. Goodwill primarily comprises acquired workforce in place which does not qualify for recognition as an asset apart from goodwill. Goodwill is stated net of any provision for impairment. The Company tests goodwill annually for any impairments or whenever events occur which may indicate impairment. The first step is to compare the carrying amount of the reporting unit's assets to the fair value of the reporting unit. If the carrying amount exceeds the fair value then a second step is completed which involves the fair value of the reporting unit being allocated to each asset and liability with the excess being implied goodwill. The impairment loss is the amount by which the recorded goodwill exceeds the implied goodwill. No impairment was recognized as a result of the impairment testing carried out for the years ended December 31, 2015, December 31, 2014 and December 31, 2013.

(k) Intangible assets

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

(l) Cash and cash equivalents

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

(m) Short term investments – available for sale

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

(n) Inventory

Inventory is valued at the lower of cost and market value and after provisions for obsolescence. Cost of inventories comprises the purchase price and attributable costs, less trade discounts. At December 31, 2015 the carrying value of inventory, included within prepayments and other current assets on the balance sheet, was \$1.8 million (2014: \$1.7 million).

(o) Property, plant and equipment

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

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

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

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

(p) Leased assets

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

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

(q) Income taxes

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

On November 21, 2015 FASB issued ASU 2015-17 on the balance sheet classification of deferred taxes. The new standard requires that all deferred taxes are presented as noncurrent in a classified statement of financial position. The new guidance is effective for public business entities for annual periods beginning after December 15, 2016 and for nonpublic business entities for annual periods beginning after December 15, 2017. Early adoption is available for all entities for any set of financial statements that had not been released as at November 21, 2015 with an option to apply on either a prospective or a retrospective basis. The Company has elected for early adoption of ASU 2015-17 on a prospective basis for all financial statements issued after November 21, 2015. The effect of this is that all deferred tax assets and liabilities are classified as noncurrent assets and liabilities in the December 31, 2015 balance sheet. As ASU 2015-17 is being adopted on a prospective basis there is no impact on prior period financial statements.

(r) Government grants

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

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

(s) Research and development credits

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

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

(t) Pension costs

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

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

(u) Net income per ordinary share

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

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

	Year Ended December 31,		
	2015	2014	2013
Weighted average number of ordinary shares outstanding for basic net income per ordinary share . . . . .	58,746,935	61,496,115	60,907,274
Effect of dilutive share options outstanding . . . . .	1,543,098	1,635,302	1,345,977
Weighted average number of ordinary shares outstanding for diluted net income per ordinary share . . . . .	60,290,033	63,131,417	62,253,251

(v) Share-based compensation

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

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

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

(w) Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows

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

expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount of the asset or fair value less selling costs.

(x) Derivative financial instruments

We enter into transactions in the normal course of business using various financial instruments in order to hedge against exposures to fluctuating exchange and interest rates. We use derivative financial instruments to reduce exposure to fluctuations in interest rates. A derivative is a financial instrument or other contract whose value changes in response to some underlying variable, which has an initial net investment smaller than would be required for other instruments that have a similar response to the variable and that will be settled at a future date. We do not enter into derivative financial instruments for trading or speculative purposes. We did not hold any interest rate swap contracts or forward currency contracts at December 31, 2015, December 31, 2014 or December 31, 2013.

Our accounting policies for derivative financial instruments are based on whether they meet the criteria for designation as cash flow or fair value hedges. A designated hedge of the exposure to variability in the future cash flows of an asset or a liability, or of a forecasted transaction, is referred to as a cash flow hedge. A designated hedge of the exposure to changes in fair value of an asset or a liability is referred to as a fair value hedge. The criteria for designating a derivative as a hedge include the assessment of the instrument's effectiveness in risk reduction, matching of the derivative instrument to its underlying transaction, and the probability that the underlying transaction will occur. For derivatives with cash flow hedge accounting designation, we report the gain or loss from the effective portion of the hedge as a component of Other Comprehensive Income and reclassify it into earnings in the same period or periods in which the hedged transaction affects earnings, and within the same income statement line item as the impact of the hedged transaction. For derivatives with fair value hedge accounting designation, we recognize gains or losses from the change in fair value of these derivatives, as well as the offsetting change in the fair value of the underlying hedged item, in earnings. Fair value gains and losses arising on derivative financial instruments not qualifying for hedge accounting are reported in our Consolidated Statement of Operations.

(y) Financing costs and gain on interest rate hedge

The interest rate in respect of the Senior Notes is fixed at 3.64% for the five year term of the agreement. The associated interest cost is recognized in interest expense in the period since drawdown in December 2015.

On October 5 2015, the Company entered into an interest rate hedge in respect of the planned issuance of the Senior Notes in December 2015. The interest rate hedge matured on November 17, 2015 when the interest rate on the Senior Notes was fixed. The interest rate hedge was effective in accordance with Financial Accounting Standards Board ("FASB") ASC 815 *Derivatives and Hedging*. The cash proceeds (\$4.6 million), representing the realized gain on the interest rate hedge were received on maturity in November 2015 and are recorded within Other Comprehensive Income. The realized gain will be amortized to the income statement, net against interest payable, over the period of the Senior Notes.

Deferred financing costs (including issue costs relating to the Senior Notes) are reported at cost less accumulated amortization and the related amortization expense is included in interest expense, in our consolidated statement of income.

(z) Reclassifications

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

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

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

	December 31, 2015	December 31, 2014
	(in thousands)	
At start of year . . . . .	\$ 97,100	\$ 138,317
Additions . . . . .	14,194	61,328
Disposals . . . . .	(25,250)	(102,565)
Unrealized capital (loss)/gain – investments . . . . .	(54)	20
At end of year . . . . .	\$ 85,990	\$ 97,100

The Company classifies its short term investments as available for sale. Short term investments comprise highly liquid investments with maturities of greater than three months and minimum “A-” rated fixed and floating rate securities. Short term investments at December 31, 2015 have an average maturity of 1.35 years compared to 1.7 years at December 31, 2014. The investments are reported at fair value with unrealized gains or losses reported in a separate component of shareholders’ equity. Any differences between the cost and fair value of investments are represented by accrued interest. The fair value of short term investments are represented by level 1 fair value measurements – quoted prices in active markets for identical assets.

**4. Goodwill**

	December 31, 2015	December 31, 2014
	(in thousands)	
Opening goodwill . . . . .	\$463,324	\$357,523
Current year acquisitions (note 4 (a) and (b)) . . . . .	133,123	121,209
Prior period acquisition (note 4(c)) . . . . .	4,418	—
Foreign exchange movement . . . . .	(12,431)	(15,408)
Closing goodwill . . . . .	\$588,434	\$463,324

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

The Company acquired PMG and MediMedia Pharma Solutions during the year-ended December 31, 2015 resulting in recognition of goodwill of \$41.0 million and \$92.1 million (note 4(a) and note 4 (b)) respectively.

The Company tests goodwill annually for impairment or whenever events occur which may indicate impairment. The results of the Company’s goodwill impairment testing during the year ended December 31, 2015 provided no evidence of impairment and indicated the existence of sufficient headroom such that a reasonably possible change to the key assumptions used would be unlikely to result in an impairment of the related goodwill.

*(a) Acquisitions of PMG*

On December 4, 2015 the Company acquired PMG for cash consideration of \$53.7 million. The Company also made certain payments on behalf of PMG totalling \$9.9 million. PMG is an integrated network of 48 clinical research sites in North Carolina, South Carolina, Tennessee and Illinois. The site network includes wholly owned facilities and dedicated clinical research sites. PMG conducts clinical trials in all major therapeutic areas and has particular expertise in vaccine, gastroenterology, cardiovascular, neurology and endocrinology studies. It has a proprietary database of clinical trial participants. It also has

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

access to in excess of 2 million active patients via electronic medical records through its partnerships with healthcare institutions and community physical practices. The acquisition agreement provides for working capital targets to be achieved by PMG within 90 days of acquisition.

The acquisition of PMG has been accounted for as a business combination in accordance with FASB ASC 805 *Business Combinations*. The Company has made a provisional assessment of the fair value of assets acquired and liabilities assumed as at that date. The table following summarizes the Company's provisional estimates of the fair values of the assets acquired and liabilities assumed:

	<b>December 4, 2015</b>
	<b>(in thousands)</b>
Cash . . . . .	\$ 194
Property, plant and equipment . . . . .	712
Goodwill* . . . . .	41,039
Intangible asset** . . . . .	10,259
Accounts receivable . . . . .	12,997
Prepayments and other current assets . . . . .	1,329
Accounts payable . . . . .	(530)
Other liabilities . . . . .	(2,459)
<b>Net assets acquired . . . . .</b>	<b>\$63,541</b>
Cash consideration . . . . .	\$53,681
Other liabilities assumed . . . . .	9,860
<b>Total cash outflows . . . . .</b>	<b>\$63,541</b>

\* Goodwill represents the acquisition of an established workforce with experience in clinical trial consulting and regulatory support for the development of drugs, medical devices and diagnostics, with a specific focus on strategy to increase efficiency and productivity in product development.

\*\* The Company has estimated a separate intangible asset (in respect of customer lists acquired) of \$10.3 million. This assessment is under review and will be finalized within 12 months of the date of acquisition.

The proforma effect of the PMG acquisition if completed on January 1, 2015 would have resulted in net revenue, net income and earnings per share for the fiscal years ended December 31, 2015 and December 31, 2014 as follows:

	<b>Year Ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
	<b>(in thousands)</b>	
Net revenue . . . . .	\$1,601,891	\$1,527,685
Net income . . . . .	\$ 243,004	\$ 172,390
Basic earnings per share . . . . .	\$ 4.14	\$ 2.80
Diluted earnings per share . . . . .	\$ 4.03	\$ 2.73

*(b) Acquisitions of MediMedia Pharma Solutions*

On February 27, 2015 the Company acquired MediMedia Pharma Solutions for cash consideration of \$104.8 million (net of working capital adjustments of \$3.9 million). In addition to the cash consideration, certain payments were made on behalf of MediMedia Pharma Solutions on completion totalling \$11.3 million. Headquartered in Yardley, Pennsylvania, MediMedia Pharma Solutions includes MediMedia Managed Markets and Complete Healthcare Communications. MediMedia Managed Markets is a leading provider of strategic payer-validated market access solutions. Complete Healthcare Communications is one



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

of the leading medical and scientific communication agencies working with medical affairs, commercial and brand development teams within life science companies. The acquisition agreement also provides for certain working capital targets to be achieved by MediMedia Pharma Solutions.

The acquisition of MediMedia Pharma Solutions has been accounted for as a business combination in accordance with FASB ASC 805 *Business Combinations*. The following table summarizes the Company's provisional estimates of the fair values of the assets acquired and liabilities assumed:

	<b>February 27, 2015</b>
	<b>(in thousands)</b>
Property, plant and equipment . . . . .	\$ 1,049
Goodwill* . . . . .	92,084
Customer lists . . . . .	22,752
Order backlog . . . . .	2,521
Accounts receivable . . . . .	5,240
Unbilled Revenue . . . . .	4,324
Prepayments and other current assets . . . . .	621
Accounts payable . . . . .	(749)
Payments on account . . . . .	(4,186)
Deferred tax liability . . . . .	(2,171)
Other liabilities . . . . .	(5,483)
<b>Net assets acquired</b> . . . . .	<b>\$116,002</b>
Cash consideration . . . . .	\$108,717
Other liabilities assumed** . . . . .	11,283
Gross cash outflows . . . . .	120,000
Working capital adjustment . . . . .	(3,998)
<b>Net cash outflows</b> . . . . .	<b>\$116,002</b>

\* Goodwill represents the acquisition of an established workforce with experience in the provision of strategic payer-validated market access solutions while the acquisition of Complete Healthcare Communications comprises an established workforce with significant communication experience working with medical affairs, commercial and brand development teams within the life science industry.

\*\* Payments made at acquisition date of \$11.3 million were in respect of certain one-time liabilities at the acquisition date which have subsequently been discharged.

The proforma effect of the MediMedia Pharma Solutions acquisition if completed on January 1, 2015 would have resulted in net revenue, net income and earnings per share for the fiscal years ended December 31, 2015 and December 31, 2014 as follows:

	<b>Year Ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
	<b>(in thousands)</b>	
Net revenue . . . . .	\$1,581,816	\$1,556,936
Net income . . . . .	\$ 239,361	\$ 179,289
Basic earnings per share . . . . .	\$ 4.07	\$ 2.92
Diluted earnings per share . . . . .	\$ 3.97	\$ 2.84

*(c) Acquisitions of Aptiv Solutions*

On May 7, 2014 the Company acquired 100% of the common stock of Aptiv Solutions ("Aptiv"), a global biopharmaceutical and medical device development services company and leader in adaptive clinical trials for cash consideration of \$143.5 million, including certain payments to be made on behalf of the company on completion totaling \$22.4 million. The acquisition agreement provided for working capital targets to be achieved. On March 25, 2015, the Company received \$1.9 million in respect of these targets on

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

completion of the working capital review. Aptiv offers full-service clinical trial consulting and regulatory support for drugs, medical devices and diagnostics with a specific focus on strategies to increase product development efficiency and productivity. It is a market leader in the integrated design and execution of adaptive clinical trials for exploratory and late phase development as well as being an industry leader in medical device and diagnostic development in key medical technology segments.

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

	May 7, 2014
	(in thousands)
Property, plant and equipment	\$ 6,924
Goodwill*	125,627
Customer relationships	21,400
Order backlog	7,900
Cash and cash equivalents	3,484
Accounts receivable	25,091
Unbilled revenue	21,154
Prepayments and other current assets	4,180
Non-current assets	2,911
Accounts payable	(9,565)
Other liabilities	(29,782)
Payments on account	(31,094)
Non-current other liabilities	(11,303)
Loan notes payable**	(17,790)
<b>Net assets acquired</b>	<b>\$119,137</b>
Cash consideration	\$143,500
Working capital adjustment	(1,964)
	141,536
Adjustments to cash consideration**	(22,399)
<b>Net purchase consideration</b>	<b>\$119,137</b>

\* Goodwill represents the acquisition of an established workforce with experience in clinical trial consulting and regulatory support for the development of drugs, medical devices and diagnostics, with a specific focus on strategy to increase efficiency and productivity in product development. Goodwill related to the US portion of the business acquired is tax deductible.

\*\* Adjustments to cash consideration represent certain one-time liabilities (including loan notes) identified at the acquisition date which have subsequently been paid.

The proforma effect of the Aptiv Solutions acquisition if completed on January 1, 2013 would have resulted in net revenue, net income and earnings per share for the fiscal years ended December 31, 2013 and December 31, 2014 as follows:

	Year Ended December 31,	
	2014	2013
	(in thousands)	
Net revenue	\$1,543,820	\$1,451,682
Net income	\$ 172,508	\$ 101,857
Basic earnings per share	\$ 2.81	\$ 1.67
Diluted earnings per share	\$ 2.73	\$ 1.64

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

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

On February 15, 2013 the Company acquired the clinical trial services division of Cross Country Healthcare Inc. for an initial cash consideration of \$51.9 million. Cross Country Healthcare's Clinical Trial Services division includes US resourcing providers, ClinForce and Assent Consulting, whose services include contract staffing, permanent placement and functional service provision. The division also includes AKOS, a leading US and EU provider of pharmacovigilance and drug safety services. ClinForce and Assent have been combined with ICON's functional service provision ("FSP") division, DOCS, creating a leader in global resourcing and FSP, while AKOS has enhanced the services offered by ICON's medical and safety services team.

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

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

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

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

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

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

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

**5. Intangible Assets**

Cost	December 31, 2015	December 31, 2014
	(in thousands)	
Customer relationships acquired . . . . .	\$ 90,541	\$ 36,130
Technology asset acquired . . . . .	11,169	11,169
Order backlog. . . . .	13,592	3,171
Tradenames acquired . . . . .	1,357	1,357
Volunteer list acquired . . . . .	1,325	1,325
Non-compete arrangements . . . . .	489	489
Aptiv intangible asset. . . . .	—	30,037
Foreign exchange movement . . . . .	(5,092)	(2,769)
Total cost . . . . .	113,381	80,909
Accumulated amortization . . . . .	(49,587)	(32,120)
Foreign exchange movement . . . . .	2,333	930
Net book value . . . . .	\$ 66,127	\$ 49,719

On December 4, 2015 the Company acquired PMG, an integrated network of 48 clinical research sites in North Carolina, South Carolina, Tennessee and Illinois. The site network includes wholly owned facilities and dedicated clinical research sites. PMG conducts clinical trials in all major therapeutic areas and has particular expertise in vaccine, gastroenterology, cardiovascular, neurology and endocrinology studies. The value of certain customer relationships identified of \$10.3 million is being amortized over approximately 6 years, the estimated period of benefit. \$170,000 has been amortized in the period since the date of acquisition.

On February 27, 2015 the Company acquired MediMedia Pharma Solutions. Headquartered in Yardley, Pennsylvania, MediMedia Pharma Solutions includes MediMedia Managed Markets and Complete Healthcare Communications. MediMedia Managed Markets is a leading provider of strategic payer-validated market access solutions. Complete Healthcare Communications is one of the leading medical and scientific communication agencies working with medical affairs, commercial and brand development teams within life science companies. The value of certain customer relationships and order backlog identified of \$22.8 million and \$2.5 million respectively are being amortized over approximately 7 years and 1 year, the estimated period of benefit. \$4.8 million has been amortized in the period since the date of acquisition.

On May 7, 2014 the Company acquired Aptiv Solutions (“Aptiv”), a global biopharmaceutical and medical device development services company and leader in adaptive clinical trials. Aptiv offers full-service clinical trial consulting and regulatory support for drugs, medical devices and diagnostics with a specific focus on strategy to increase product development efficiency and productivity. The value of certain customer relationships and order backlog identified of \$21.4 million and \$7.9 million respectively are being amortized over approximately 7 years and 3 years, the estimated period of benefit. \$9,484,000 has been amortized in the period since the date of acquisition.

On February 15, 2013 the Company acquired the Clinical Trial Services division of Cross Country Healthcare, Inc. Cross Country Healthcare’s Clinical Trial Services division includes US resourcing providers, ClinForce and Assent Consulting, whose services include contract staffing, permanent placement and functional service provision (“FSP”). The value of certain customer relationships and order backlog identified of \$3.3 million and \$0.6 million respectively are being amortized over approximately 3 years and 1 year, the estimated period of benefit. \$3,763,000 has been amortized in the period since the date of acquisition.

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

On February 28, 2012 the Company acquired PriceSpective, a strategy consulting company. The value of certain customer relationships identified of \$10.2 million is being amortized over approximately 10 years, the estimated period of benefit. The value of order backlog and certain non-compete arrangements identified of \$0.4 million and \$0.4 million respectively are being amortized over approximately 0.8 and 3 years, the estimated period of benefit. \$4,720,000 has been amortized in the period since the date of acquisition.

On February 15, 2012 the Company acquired BeijingWits Medical, a Chinese CRO. The value of certain customer relationships and order backlog identified of \$1.8 million and \$0.4 million respectively are being amortized over approximately 10 and 4 years, the estimated period of benefit. The value of certain non-compete arrangements identified of \$0.01 million are being amortized over approximately 5 years, the estimated period of benefit. \$1,136,000 has been amortized in the period since the date of acquisition.

On July 14, 2011 the Company acquired Firecrest Clinical Limited, a provider of technology solutions that boost investigator site performance and study management. The value of certain technology assets and customer relationships identified of \$11.2 million and \$5.2 million respectively are being amortized over approximately 7.5 years, the estimated period of benefit. The value of the Firecrest tradename and order backlog identified of \$1.4 million and \$1.2 million respectively are being amortized over approximately 4.5 and 1.2 years, the estimated period of benefit. \$11,103,000 has been amortized in the period since the date of acquisition.

On January 14, 2011 the Company acquired Oxford Outcomes Limited, an international health outcomes consultancy business. The value of certain customer relationships and order backlog identified of \$6.6 million and \$0.6 million respectively are being amortized over approximately 6.5 and 2 years, the estimated period of benefit. \$5,795,000 has been amortized in the period since the date of acquisition.

On November 14, 2008 the Company acquired Prevalere Life Sciences, a US provider of bioanalytical and immunoassay laboratory services. The value of certain customer relationships identified of \$7.4 million is being amortized over periods ranging from approximately 7 to 11 years, the estimated period of the benefit. \$5,792,000 has been amortized in the period since the date of acquisition.

On February 11, 2008 the Company acquired Healthcare Discoveries, a US provider of Phase I clinical trial services. The value of certain client relationships identified of \$1.6 million is being amortized over periods ranging from approximately 2 to 9 years, the estimated periods of benefit. The value of certain volunteer lists identified of \$1.3 million is being amortized over approximately 6 years, the estimated period of benefit. \$2,812,000 has been amortized in the period since the date of acquisition.

Future intangible asset amortization expense for the years ended December 31, 2016 to December 31, 2020 is as follows:

	Year ended December 31, (in thousands)
2016.....	\$15,599
2017.....	12,451
2018.....	11,034
2019.....	9,494
2020.....	9,215
	\$57,793

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

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

	December 31, 2015	December 31, 2014
	(in thousands)	
Cost		
Land	\$ 3,464	\$ 3,464
Building	80,861	88,580
Computer equipment and software	282,909	247,980
Office furniture and fixtures	65,152	64,690
Laboratory equipment	31,098	23,599
Leasehold improvements	20,647	19,516
Motor vehicles	47	47
	484,178	447,876
Less accumulated depreciation and asset write offs	(333,960)	(299,691)
Property, plant and equipment (net)	\$ 150,218	\$ 148,185

**7. Other Liabilities**

	December 31, 2015	December 31, 2014
	(in thousands)	
Personnel related liabilities	\$159,339	\$167,362
Facility related liabilities	22,517	19,862
General overhead liabilities	29,257	33,422
Other liabilities	18,607	26,631
Short term government grants (note 11)	43	110
Restructuring and other items (note 14)	2,116	3,704
	\$231,879	\$251,091

**8. Other Non-Current Liabilities**

	December 31, 2015	December 31, 2014
	(in thousands)	
Personnel related liabilities (note 9)*	\$ 3,187	\$ 1,059
Defined benefit pension obligations, net (note 9)	4,002	7,466
Other non-current liabilities	5,035	4,654
	\$12,224	\$13,179

\* An amount of \$764,000 was included within other liabilities in respect of the Company's Swiss pension plan at December 31, 2014. The total pension liability recorded at December 31, 2014 was \$1,823,000.

**9. Employee Benefits**

Certain Company employees are eligible to participate in a defined contribution plan (the "Plan"). Participants in the Plan may elect to defer a portion of their pre-tax earnings into a pension plan, which is run by an independent party. The Company matches participant's contributions typically at 6% of the participant's annual compensation. Contributions to the plan are recorded, as an expense in the Consolidated Statement of Operations. Contributions for the years ended December 31, 2013, December 31, 2014 and December 31, 2015 were \$20,293,000, \$22,582,000 and \$21,874,000 respectively.

The Company's United States operations maintain a retirement plan (the "U.S. Plan") that qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Participants in the U.S. Plan may elect to defer a portion of their pre-tax earnings, up to the Internal Revenue Service annual contribution limit. The Company matches 50% of each participant's contributions; each participant can



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

contribute up to 6% of their annual compensation. Contributions to this U.S. Plan are recorded, in the year contributed, as an expense in the Consolidated Statement of Operations. Contributions for the years ended December 31, 2013, December 31, 2014 and December 31, 2015 were \$9,816,000, \$10,514,000 and \$12,802,000 respectively.

One of the Company's subsidiaries, ICON Development Solutions Limited, operates a defined benefit pension plan in the United Kingdom for its employees. The plan is managed externally and the related pension costs and liabilities are assessed in accordance with the advice of a professionally qualified actuary. Plan assets at December 31, 2015, December 31, 2014 and December 31, 2013, consist of units held in independently administered funds. The pension costs of this plan are presented in the following tables in accordance with the requirements of ASC 715-60, *Defined Benefit Plans – Other Postretirement*. The plan has been closed to new entrants with effect from July 1, 2003.

<b>Change in benefit obligation</b>	<b>December 31, 2015</b>	<b>December 31, 2014</b>
	(in thousands)	
Benefit obligation at beginning of year . . . . .	\$32,875	\$24,958
Service cost . . . . .	78	91
Interest cost . . . . .	1,140	1,235
Plan participants' contributions . . . . .	26	44
Plan curtailments . . . . .	—	359
Benefits paid . . . . .	(1,111)	(68)
Actuarial (gain)/loss . . . . .	(3,992)	8,270
Foreign currency exchange rate changes . . . . .	(1,647)	(2,014)
<b>Benefit obligation at end of year . . . . .</b>	<b>\$27,369</b>	<b>\$32,875</b>

<b>Change in plan assets</b>	<b>December 31, 2015</b>	<b>December 31, 2014</b>
	(in thousands)	
Fair value of plan assets at beginning of year . . . . .	\$25,409	\$21,422
Actual return on plan assets . . . . .	277	5,424
Employer contributions . . . . .	114	155
Plan participants' contributions . . . . .	26	44
Benefits paid . . . . .	(1,111)	(68)
Foreign currency exchange rate changes . . . . .	(1,348)	(1,568)
<b>Fair value of plan assets at end of year . . . . .</b>	<b>\$23,367</b>	<b>\$25,409</b>

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

<b>Funded status</b>	<b>December 31, 2015</b>	<b>December 31, 2014</b>
	(in thousands)	
Projected benefit obligation . . . . .	\$(27,369)	\$(32,875)
Fair value of plan assets . . . . .	23,367	25,409
<b>Funded status . . . . .</b>	<b>\$ (4,002)</b>	<b>\$ (7,466)</b>
<b>Non-current other liabilities (note 8) . . . . .</b>	<b>\$ (4,002)</b>	<b>\$ (7,466)</b>

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

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

	December 31, 2015	December 31, 2014	December 31, 2013
	(in thousands)		
Service cost . . . . .	\$ 78	\$ 91	\$ 251
Interest cost . . . . .	1,140	1,235	1,005
Expected return on plan assets . . . . .	(661)	(1,299)	(983)
Amortization of net loss . . . . .	224	20	130
Curtailment loss . . . . .	—	359	—
<b>Net periodic benefit cost . . . . .</b>	<b>\$ 781</b>	<b>\$ 406</b>	<b>\$ 403</b>

The following assumptions were used at the commencement of the year in determining the net periodic pension benefit cost for the years ended December 31, 2013, December 31, 2014 and December 31, 2015:

	December 31, 2015	December 31, 2014	December 31, 2013
Discount rate . . . . .	3.6%	4.7%	4.6%
Rate of compensation increase . . . . .	3.6%	4.0%	3.4%
Expected rate of return on plan assets . . . . .	2.7%	6.1%	5.7%

Accumulated other comprehensive income	December 31, 2015	December 31, 2014	December 31, 2013
	(in thousands)		
Actuarial (gain)/loss – benefit obligation . . . . .	\$(3,992)	\$ 8,270	\$ 680
Actuarial loss/(gain) – plan assets . . . . .	384	(4,125)	(1,933)
Actuarial gain recognized in net periodic benefit cost . . . . .	(224)	(20)	(130)
<b>Total . . . . .</b>	<b>\$(3,832)</b>	<b>\$ 4,125</b>	<b>\$(1,383)</b>

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

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

	December 31, 2015	December 31, 2014	December 31, 2013
	(in thousands)		
Net actuarial loss . . . . .	\$2,281	\$6,113	\$1,988
<b>Total . . . . .</b>	<b>\$2,281</b>	<b>\$6,113</b>	<b>\$1,988</b>

**Benefit Obligation**

The following assumptions were used in determining the benefit obligation at December 31, 2015:

	December 31, 2015	December 31, 2014
Discount rate . . . . .	4.0%	3.6%
Rate of compensation increase . . . . .	3.7%	3.6%

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

**Plan Assets**

The assets of the scheme are invested with Legal and General and held in a combination of the Active Corporate Bond over 10 Year fund, Gilt, and Index Linked Gilt funds. The overall investment strategy is that approximately 70% of investments are in government bonds (both fixed interest and index linked) and

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

approximately 30% of investments are held in corporate bonds. There is no self-investment in employer related assets. The expected long-term rate of return on assets at December 31, 2015 of 3.0% was calculated as the value of the fund after application of a market value reduction factor. The expected long term rates of return on different asset classes are as follows:

Asset Category	Expected long-term return per annum
Corporate Bonds . . . . .	4.0%
Gilts . . . . .	2.6%

The long-term expected return on corporate bonds and gilts (fixed interest and index linked) is determined by reference to bond yields and gilt yields at the balance sheet date.

The underlying asset split of the fund is shown below.

Asset Category	December 31, 2015	December 31, 2014
Corporate Bonds . . . . .	26%	26%
Gilts . . . . .	74%	74%
	100%	100%

Applying the above expected long term rates of return to the asset distribution at December 31, 2015, gives rise to an expected overall rate of return of scheme assets of approximately 3.0% per annum.

**Plan Asset Fair Value Measurements**

	Quoted Prices in Active Markets for Identical Assets Level 1	
	December 31, 2015	December 31, 2014
	(in thousands)	
Cash . . . . .	\$ 3	\$ 16
<u>Fixed Income Securities</u>		
Legal and General Active Corporate Bond – Over 10 Year . . . . .	6,256	6,560
Legal and General Gilt Funds . . . . .	6,528	6,977
Legal and General Index Linked Gilt Funds . . . . .	10,580	11,856
	\$23,367	\$25,409

**Cash Flows**

The Company expects to contribute \$0.1 million to its pension fund in the year ending December 31, 2016.

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

	(in thousands)
2016 . . . . .	\$ 66
2017 . . . . .	68
2018 . . . . .	71
2019 . . . . .	72
2020 . . . . .	75
Years 2021 – 2025 . . . . .	\$376

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

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

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

On May 7, 2014 the Company acquired 100% of the common stock of Aptiv Solutions (“Aptiv”). The acquisition of Aptiv was accounted for as a business combination in accordance with FASB ASC 805 *Business Combinations*. The Company has a defined benefit plan covering its employees in Switzerland as mandated by the Swiss government. Benefits are based on the employee’s years of service and compensation. Benefits are paid directly by the Company when they become due, in conformity with the funding requirements of applicable government regulations. The plan is managed externally and the related pension costs and liabilities are assessed in accordance with the advice of a professionally qualified actuary. Plan assets at December 31, 2015 and December 31, 2014 consist of units held in independently administered funds. The pension costs of this plan are presented in the following tables in accordance with the requirements of ASC 715-60, *Defined Benefit Plans – Other Postretirement*.

<b>Change in benefit obligation</b>	<b>December 31, 2015</b>
	<b>(in thousands)</b>
Benefit obligation at beginning of year . . . . .	\$ 8,884
Service cost . . . . .	618
Interest cost . . . . .	159
Actuarial loss . . . . .	81
Foreign currency exchange rate changes . . . . .	(1,205)
<b>Benefit obligation at end of year . . . . .</b>	<b>\$ 8,537</b>

<b>Change in plan assets</b>	<b>December 31, 2015</b>
	<b>(in thousands)</b>
Fair value of plan assets at beginning of year . . . . .	\$ 7,061
Expected return on plan assets . . . . .	93
Actual return on plan assets . . . . .	(1,075)
Scheme contributions . . . . .	194
Plan participants’ contributions . . . . .	216
Benefits paid . . . . .	(1,146)
Foreign currency exchange rate changes . . . . .	7
<b>Fair value of plan assets at end of year . . . . .</b>	<b>\$ 5,350</b>

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

<b>Funded status</b>	<b>December 31, 2015</b>
	<b>(in thousands)</b>
Projected benefit obligation . . . . .	\$ 8,537
Fair value of plan assets . . . . .	(5,350)
<b>Funded status . . . . .</b>	<b>3,187</b>
<b>Non-current other liabilities (note 8) . . . . .</b>	<b>\$ 3,187</b>

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

	<b>December 31, 2015</b>
	<b>(in thousands)</b>
Service cost . . . . .	\$ 402
Interest cost . . . . .	159
Expected return on plan assets . . . . .	(119)
Settlement loss . . . . .	18
<b>Net periodic benefit cost</b> . . . . .	<b>\$ 460</b>

The following assumptions were used at the commencement of the year in determining the net periodic pension benefit cost for the year ended December 31, 2015:

	<b>December 31, 2015</b>
Discount rate . . . . .	1.35%
Rate of compensation increase . . . . .	2.0%
Expected rate of return on plan assets . . . . .	1.35%

	<b>December 31, 2015</b>
<b>Accumulated other comprehensive income</b>	
Actuarial loss – benefit obligation . . . . .	\$ 81
Actuarial (gain) – plan assets . . . . .	1,075
Prior service cost recognized in net periodic benefit cost . . . . .	(17)
<b>Total</b> . . . . .	<b>\$1,139</b>

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

**Benefit Obligation**

The following assumptions were used in determining the benefit obligation at December 31, 2015:

	<b>December 31, 2015</b>
Discount rate . . . . .	0.95%
Rate of compensation increase . . . . .	2.0%

The discount rate is determined by reference to Swiss long dated government and corporate bond yields at the balance sheet date.

**Plan Assets**

The assets of the scheme are invested with Swiss Life and held in a combination of debt securities, equity securities and in real estate. There is no self-investment in employer related assets. The expected long term rates of return on different asset classes are as follows:

<b>Asset Category</b>	<b>December 31, 2015</b>
Equity securities . . . . .	1%
Debt securities . . . . .	75 %
Real estate . . . . .	12%
Other . . . . .	12%
	100%

**Cash Flows**

The Company expects to contribute \$0.2 million to its pension fund in the year ending December 31, 2016.

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

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

	<b>(in thousands)</b>
2016 .....	\$ 166
2017 .....	169
2018 .....	171
2019 .....	182
2020 .....	182
Years 2021 – 2025 .....	\$1,205

The expected cash flows are estimated figures based on the members expected to retire over the next 10 years assuming no early retirements plus an additional amount in respect of recent average withdrawal experience. At the present time it is not clear whether annuities will be purchased when members reach retirement or whether pensions will be paid each month out of scheme assets. The cash flows above have been estimated on the assumption that pensions will be paid monthly out of scheme assets. If annuities are purchased, then the expected benefit payments will be significantly different from those shown above.

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

*Share Options*

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

Each option granted under the 2008 Employee Plan or the 2008 Consultants Plan (together the “2008 Option Plans”) will be an employee stock option, or NSO, as described in Section 422 or 423 of the Internal Revenue Code. Each grant of an option under the 2008 Options Plans will be evidenced by a Stock Option Agreement between the optionee and the Company. The exercise price will be specified in each Stock Option Agreement, however option prices will not be less than 100% of the fair market value of an ordinary share on the date the option is granted.

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

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



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

Share option awards are granted with an exercise price equal to the market price of the Company's shares at date of grant. Share options typically vest over a period of five years from date of grant and expire eight years from date of grant. The maximum contractual term of options outstanding at December 31, 2015 is eight years.

The following table summarizes the transactions for the Company's share option plans for the years ended December 31, 2015, December 31, 2014 and December 31, 2013:

	Options Granted Under Plans	Number of Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2012 . . . . .	4,350,631	4,350,631	\$23.01	\$ 9.17
Granted . . . . .	264,950	264,950	\$33.09	\$12.05
Exercised . . . . .	(1,249,759)	(1,249,759)	\$21.60	\$ 8.58
Cancelled . . . . .	(392,034)	(392,034)	\$25.27	\$10.02
Outstanding at December 31, 2013 . . . . .	2,973,788	2,973,788	\$24.20	\$ 9.57
Granted . . . . .	366,985	366,985	\$45.82	\$14.09
Exercised . . . . .	(926,407)	(926,407)	\$24.02	\$ 9.45
Cancelled . . . . .	(186,666)	(186,666)	\$22.17	\$ 9.01
Outstanding at December 31, 2014 . . . . .	2,227,700	2,227,700	\$28.00	\$10.40
Granted . . . . .	259,059	259,059	\$68.25	\$19.75
Exercised . . . . .	(773,753)	(773,753)	\$27.13	\$10.31
Cancelled . . . . .	(86,424)	(86,424)	\$27.32	\$10.31
Outstanding at December 31, 2015 . . . . .	1,626,582	1,626,582	\$34.87	\$11.94
Vested and exercisable at December 31, 2015 . . .	657,729	657,729	\$24.15	\$ 9.36

The weighted average remaining contractual life of options outstanding and options exercisable at December 31, 2015, was 4.76 years and 3.39 years respectively (2014: 4.58 years and 3.22 years respectively). 336,993 options are expected to vest during the year ended December 31, 2016 (494,951 options were expected to vest during the year ended December 31, 2015).

The intrinsic value of options exercised during the year ended December 31, 2015 amounted to \$34.2 million. The intrinsic value of options outstanding and options exercisable at December 31, 2015 amounted to \$69.7 million and \$35.2 million respectively. Intrinsic value is calculated based on the market value versus strike price of the Company's shares at the date of exercise.

Non-vested shares outstanding as at December 31, 2015 are as follows:

	Options Outstanding Number of Shares	Weighted Average Exercise Price	Weighted Average Fair Value
Non-vested outstanding at December 31, 2014 . . . . .	1,203,150	\$30.54	\$10.98
Granted . . . . .	259,059	68.25	19.75
Vested . . . . .	(379,992)	28.25	10.49
Forfeited . . . . .	(113,364)	25.21	9.50
Non-vested outstanding at December 31, 2015 . . . . .	968,853	\$42.14	\$13.69

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

*Outstanding and exercisable share options:*

The following table summarizes information concerning outstanding and exercisable share options as of December 31, 2015:

Options Outstanding			Options Exercisable		
Range Exercise Price	Number of Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
\$15.84	50,000	1.33	\$15.84	50,000	\$15.84
\$16.80	60,000	3.83	\$16.80	30,000	\$16.80
\$17.17	12,000	3.85	\$17.17	6,000	\$17.17
\$18.98	600	0.87	\$18.98	600	\$18.98
\$20.16	400	2.88	\$20.16	400	\$20.16
\$20.28	255,694	3.17	\$20.28	158,073	\$20.28
\$20.59	57,200	4.14	\$20.59	4,000	\$20.59
\$22.26	61,755	1.15	\$22.26	61,755	\$22.26
\$22.30	250,939	4.32	\$22.30	109,894	\$22.30
\$23.66	7,890	4.58	\$23.66	4,450	\$23.66
\$24.46	101,412	2.18	\$24.46	101,412	\$24.46
\$26.20	1,950	2.39	\$26.20	1,950	\$26.20
\$26.71	4,450	4.86	\$26.71	2,670	\$26.71
\$29.45	3,000	2.33	\$29.45	3,000	\$29.45
\$32.37	179,603	5.34	\$32.37	70,997	\$32.37
\$35.33	1,350	0.16	\$35.33	1,350	\$35.33
\$36.22	27,213	5.47	\$36.22	7,908	\$36.22
\$37.90	7,100	5.93	\$37.90	920	\$37.90
\$40.83	105,992	6.40	\$40.83	20,468	\$40.83
\$47.03	71,670	6.18	\$47.03	7,520	\$47.03
\$48.67	140,881	6.21	\$48.67	13,556	\$48.67
\$51.35	4,030	6.61	\$51.35	806	\$51.35
\$66.47	15,969	7.39	\$66.47	—	\$66.47
\$66.97	3,118	7.46	\$66.97	—	\$66.97
\$68.39	232,366	7.22	\$68.39	—	\$68.39
<b>\$15.84 – \$68.39</b>	<b>1,626,582</b>	<b>4.76</b>	<b>\$34.87</b>	<b>657,729</b>	<b>\$24.15</b>

Options outstanding include both vested and unvested options as at December 31, 2015. Options exercisable represent options which have vested at December 31, 2015. From the date of grant, substantially all options vest over a five year period at 20% per annum.

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

*Fair value of Stock Options Assumptions*

The weighted average fair value of options granted during the years ended December 31, 2015, December 31, 2014 and December 31, 2013 was calculated using the Black-Scholes option pricing model. The weighted average fair values and assumptions were as follows:

	Year Ended		
	December 31, 2015	December 31, 2014	December 31, 2013
Weighted average fair value . . . . .	\$19.75	\$14.09	\$12.05
<b>Assumptions:</b>			
Expected volatility . . . . .	30%	32%	40%
Dividend yield . . . . .	0%	0%	0%
Risk-free interest rate . . . . .	1.58%	1.57%	0.76%
Expected life . . . . .	5.0 years	5.0 years	5.0 years

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

*Restricted Share Units and Performance Share Units*

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

On April 23, 2013 the Company adopted the 2013 Employees Restricted Share Unit and Performance Share Unit Plan (the “2013 RSU Plan”) pursuant to which the Compensation and Organization Committee of the Company’s Board of Directors may select any employee, or any Director holding a salaried office or employment with the Company, or a Subsidiary to receive an award under the plan. On May 11, 2015 the 2013 RSU Plan was amended and restated in order to increase the number of shares that can be issued under the RSU Plan by 2.5 million shares. Accordingly, an aggregate of 4.1 million ordinary shares have been reserved for issuance under the 2013 RSU Plan. The shares are awarded at par value and vest over a service period. Awards under the 2013 RSU Plan may be settled in cash or shares at the option of the Company.

The Company has awarded RSU’s and PSU’s to certain key individuals of the Group. The following table summarizes RSU and PSU activity for the year ended December 31, 2015:

	PSU Outstanding Number of Shares	PSU Weighted Average Fair Value	PSU Weighted Average Remaining Contractual Life	RSU Outstanding Number of Shares	RSU Weighted Average Fair Value	RSU Weighted Average Remaining Contractual Life
Outstanding at December 31, 2014 . .	669,171	\$39.78	1.77	1,038,996	\$35.19	1.67
Granted . . . . .	259,110	\$68.82		389,542	\$67.02	
Shares vested . . . . .	(7,990)	\$32.38		(268,870)	\$26.06	
Forfeited . . . . .	(18,518)	\$46.82		(92,055)	\$44.43	
Outstanding at December 31, 2015 . .	901,773	\$72.55	2.49	1,067,613	\$48.30	1.48

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

The fair value of RSU's vested for the year ended December 31, 2015 totaled \$7.0 million (2014: \$4.9 million).

The fair value of PSU's vested for the year ended December 31, 2015 totaled \$0.3 million. No PSU's vested during 2014.

The PSU's vest based on service and specified EPS targets over the periods 2014 – 2016 and 2015 – 2017. Since 2013, 456,922 PSU's (net of forfeitures and exercises) have been granted. Depending on the actual amount of EPS from 2013 to 2017, up to an additional 444,851 PSU's may also be granted.

*Non-cash stock compensation expense*

Income from operations for the year ended December 31, 2015 is stated after charging \$33.3 million in respect of non-cash stock compensation expense. Non-cash stock compensation expense for the year ended December 31, 2015 has been allocated as follows:

	Year ended		
	December 31, 2015	December 31, 2014	December 31, 2013
	(in thousands)		
Direct costs . . . . .	\$18,358	\$12,531	\$ 7,835
Selling, general and administrative . . . . .	\$14,959	\$10,211	\$ 6,385
<b>Total compensation costs . . . . .</b>	<b>\$33,317</b>	<b>\$22,742</b>	<b>\$14,220</b>

Total non-cash stock compensation expense not yet recognized at December 31, 2015 amounted to \$61.9 million. The weighted average period over which this is expected to be recognized is 2.05 years. Total tax benefit recognized in additional paid in capital related to the non-cash compensation expense amounted to \$1.9 million for the year ended December 31, 2015 (2014: \$2.4 million, 2013: \$1.7 million).

The income tax expense for the year ended December 31, 2015 reflects a net income tax benefit of \$1.5 million in connection with stock compensation and the cash tax benefit realized in connection with stock options exercised during 2015 was \$5.6 million. The income tax expense for the year ended 31 December 2014 reflects a net income tax benefit of \$1.5 million in connection with stock compensation and the cash tax benefit realized in connection with stock options exercised during 2014 was \$3.9 million.

**11. Government Grants**

	December 31, 2015	December 31, 2014
	(in thousands)	
Received . . . . .	\$ 3,539	\$ 3,698
Less accumulated amortization . . . . .	(2,657)	(2,710)
Foreign exchange translation adjustment . . . . .	120	238
<b>Total government grants . . . . .</b>	<b>1,002</b>	<b>1,226</b>
Less current portion . . . . .	(43)	(110)
<b>Non-current government grants . . . . .</b>	<b>\$ 959</b>	<b>\$ 1,116</b>

Capital grants received may be refundable in full if certain events occur. Such events, as set out in the related grant agreements, include sale of the related asset, liquidation of the Company or failure to comply with other conditions of the grant agreements. No loss contingency has been recognized as the likelihood of such events arising has been assessed as remote. A net charge of \$53,000 was recorded in respect of government grants during the year ended December 31, 2015. Government grants amortized to the profit and loss account amounted to \$213,000 for the year ended December 31, 2014. As at December 31, 2015 the Company had \$0.7 million in restricted retained earnings, pursuant to the terms of grant agreements.

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

**12. Share Capital**

Holders of ordinary shares will be entitled to receive such dividends as may be recommended by the Board of Directors of the Company and approved by the shareholders and/or such interim dividends as the Board of Directors of the Company may decide. On liquidation or a winding up of the Company, the par value of the ordinary shares will be repaid out of the assets available for distribution among the holders of the ordinary shares of the Company. Holders of ordinary shares have no conversion or redemption rights. On a show of hands, every holder of an ordinary share present in person or proxy at a general meeting of shareholders shall have one vote, for each ordinary share held with no individual having more than one vote.

During the year ended December 31, 2015, 773,753 options were exercised by employees at an average exercise price of \$27.13 per share for total proceeds of \$21.0 million. During the year ended December 31, 2015, 268,870 ordinary shares were issued in respect of certain RSU's and 7,990 ordinary shares were issued in respect of certain PSUs previously awarded by the Company.

During the year ended December 31, 2014, 926,407 options were exercised by employees at an average exercise price of \$24.02 per share for total proceeds of \$22.3 million. During the year ended December 31, 2014, 233,726 ordinary shares were issued in respect of certain RSU's previously awarded by the Company.

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

*(a) Share Repurchase Program*

On May 1, 2015 the Company commenced a buyback program of up to \$60 million under which the Company could acquire its outstanding ordinary shares (by way of redemption), in accordance with Irish law, the United States securities laws and the Company's constitutional documents through open market share acquisitions. A total of 882,419 ordinary shares were redeemed by the Company under this buyback program for a total consideration of \$57.9 million. All ordinary shares that were redeemed under the buyback program were cancelled in accordance with the Constitution of the Company and the nominal value of these shares transferred to a capital redemption reserve fund as required under Irish Company Law.

On July 31, 2015 the Company commenced a further buyback program of up to \$400 million under which the Company could acquire its outstanding ordinary shares (by way of redemption), in accordance with Irish law, the United States securities laws and the Company's constitutional documents through open market share acquisitions. A total of 5,316,062 ordinary shares were redeemed by the Company under this buyback program for a total consideration of \$400 million. All ordinary shares that were redeemed under the buyback program were cancelled in accordance with the Constitution of the Company and the nominal value of these shares transferred to a capital redemption reserve fund as required under Irish Company Law. The share buyback program was completed in December 2015, with a total of 6,198,481 ordinary shares redeemed during the year ended December 31, 2015 for total consideration of \$457.9 million.

During the year ended December 31, 2014 2,640,610 ordinary shares were repurchased by the Company for a total consideration of \$140.0 million. There were no share repurchases completed during 2013. All ordinary shares repurchased by the Company were cancelled, and the nominal value of these shares transferred to a capital redemption reserve fund as required under Irish Company Law.

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

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

April 27, 2012 to July 18, 2012. On July 30, 2012 the Company entered into a fifth share repurchase plan of up to \$10 million, covering the period July 30, 2012 to October 26, 2012. On September 19, 2014 the Company announced that it had completed a \$40 million redemption of the Company's ordinary shares and that it had entered into a further program under which the Company can acquire up to an additional \$100 million of its outstanding ordinary shares (by way of redemption), in accordance with United States securities laws through open market share acquisitions.

Under the repurchase program, a broker purchased the Company's shares from time to time on the open market or in privately negotiated transactions in accordance with agreed terms and limitations. The program was designed to allow share repurchases during periods when the Company would ordinarily not be permitted to do so because it may be in possession of material non-public or price-sensitive information, applicable insider trading laws or self-imposed trading blackout periods. The Company's instructions to the broker were irrevocable and the trading decisions in respect of the repurchase program were made independently of and uninfluenced by the Company. The Company confirms that on entering the share repurchase plans it had no material non-public, price-sensitive or inside information regarding the Company or its securities. Furthermore, the Company will not enter into additional plans whilst in possession of such information. The timing and actual number of shares acquired by way of the redemption will be dependent on market conditions, legal and regulatory requirements and the other terms and limitations contained in the program. In addition, acquisitions under the program may be suspended or discontinued in certain circumstances in accordance with the agreed terms. Therefore, there can be no assurance as to the timing or number of shares that may be acquired under the program.

**13. Income Taxes**

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

The components of income before provision for income taxes are as follows:

	Year ended		
	December 31, 2015	December 31, 2014	December 31, 2013
	(in thousands)		
Ireland . . . . .	\$184,643	\$143,889	\$ 80,914
United States . . . . .	15,436	6,966	16,218
Other . . . . .	78,771	51,861	23,733
Income before provision for income taxes . . . . .	\$278,850	\$202,716	\$120,865



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

The components of provision for income taxes are as follows:

	Year ended		
	December 31, 2015	December 31, 2014	December 31, 2013
	(in thousands)		
<u>Provision for income taxes:</u>			
Current tax expense:			
Ireland . . . . .	\$21,769	\$19,562	\$ 9,158
United States . . . . .	684	7,891	14,492
Other . . . . .	13,701	10,695	4,876
Total current tax expense . . . . .	36,154	38,148	28,526
Deferred tax expense/(benefit):			
Ireland . . . . .	26	(1,178)	1,914
United States . . . . .	2,896	(3,031)	(9,420)
Other . . . . .	235	(3,691)	(2,967)
Total deferred tax expense/(benefit) . . . . .	3,157	(7,900)	(10,473)
Provision for income taxes . . . . .	39,311	30,248	18,053
Impact on shareholders equity and other comprehensive income of the tax consequence of:			
Excess tax benefit on stock compensation . . . . .	(1,905)	(2,404)	(1,651)
Currency impact on long term funding . . . . .	3,574	178	87
Total . . . . .	\$40,980	\$28,022	\$ 16,489

Ireland's statutory income tax rate is 12.5%. The Company's consolidated reported provision for income taxes differed from the amount that would result from applying the Irish statutory rate as set forth below:

	Year ended		
	December 31, 2015	December 31, 2014	December 31, 2013
	(in thousands)		
Taxes at Irish statutory rate of 12.5% (2014: 12.5%; 2013: 12.5%) . . . . .			
	\$34,856	\$25,340	\$15,108
Foreign and other income taxed at higher rates . . . . .	4,614	3,152	4,873
Research & development tax incentives . . . . .	(695)	(1,810)	(2,598)
Movement in valuation allowance . . . . .	(4,133)	(1,965)	2,389
Effects of change in tax rates . . . . .	(16)	543	1,553
Increase/(decrease) in unrecognized tax benefits . . . . .	5,085	2,869	(1,409)
Effects of permanent items . . . . .	(463)	2,048	(1,790)
Other . . . . .	63	71	(73)
Provision for income taxes . . . . .	\$39,311	\$30,248	\$18,053

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

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

	Year ended		
	December 31, 2015	December 31, 2014	December 31, 2013
	(in thousands)		
Deferred tax liabilities:			
Property, plant and equipment . . . . .	\$ 2,665	\$ 4,270	\$ 6,501
Goodwill . . . . .	21,571	18,645	14,013
Other intangible assets . . . . .	7,369	3,657	970
Other . . . . .	1,293	1,947	1,111
Total deferred tax liabilities recognized . . . . .	32,898	28,519	22,595
Deferred tax assets:			
Operating loss and tax credits carryforwards . . . . .	22,186	30,586	29,696
Property, plant and equipment . . . . .	4,818	4,002	2,739
Accrued expenses and payments on account . . . . .	29,473	37,620	30,136
Stock compensation . . . . .	12,959	8,717	6,291
Deferred compensation expense . . . . .	2,174	1,853	1,187
Other . . . . .	566	1,244	92
Total deferred tax assets . . . . .	72,176	84,022	70,141
Valuation allowance for deferred tax assets . . . . .	(17,184)	(23,145)	(24,348)
Deferred tax assets recognized . . . . .	54,992	60,877	45,793
Overall net deferred tax asset . . . . .	\$ 22,094	\$ 32,358	\$ 23,198

The Company early adopted the provisions of ASU 2015-17 which requires entities with a classified balance sheet to present all deferred tax assets and liabilities as noncurrent on the basis that it is a more useful presentation of the Company's position. The prior period amounts were not retrospectively adjusted.

At December 31, 2015 non-U.S subsidiaries had operating loss carryforwards for income tax purposes that may be carried forward indefinitely, available to offset against future taxable income, if any, of approximately \$68.6 million (2014: \$95.6 million). In addition at December 31, 2015 non-U.S subsidiaries had tax credit carryforwards for income tax purposes that may be carried forward indefinitely, available to offset against future tax liabilities, if any, of \$5.9 million (2014: \$3.6 million). At December 31, 2015 non-U.S. subsidiaries also had additional operating loss carry forwards of \$6.3 million which are due to expire between 2016 and 2022.

At December 31, 2015 U.S. subsidiaries had U.S. federal and state net operating loss ("NOL") carry forwards of approximately \$51.6 million and \$89.8 million, respectively. These NOLs are available for offset against future taxable income and expire between 2016 and 2035. Of the \$51.6 million U.S. federal NOLs, approximately \$26.7 million is currently available for offset against future U.S. federal taxable income. Of the \$51.6 million U.S. federal NOLs, approximately \$16.3 million would be recorded in additional paid in capital upon utilization. Of the \$89.8 million of state NOLs, approximately \$17.3 million would be recorded in additional paid in capital upon utilization. The subsidiary's ability to use the U.S. federal and state NOL carry forwards is limited on an annual basis due to changes of ownership in 2000, 2010 and 2014, as defined by Section 382 of the Internal Revenue Code of 1986, as amended. Of the U.S. federal NOLs, \$29.2 million are limited by Section 382. Of the \$29.2 million of losses, the amount available during 2015 totaled \$4.2 million. The remaining losses are available as follows: \$4.2 million for the years 2016 – 2018, \$2.9 million in 2019, \$2.0 million for the years 2020 – 2023 and \$1.2 million in 2024.

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

*The expected expiry dates of these losses are as follows:*

	Federal NOL's	State NOL's
	(in thousands)	
2016 – 2017 .....	\$ 565	\$ —
2023 – 2033 .....	34,800	63,793
2035 .....	16,252	25,987
	\$51,617	\$89,780

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

The valuation allowance at December 31, 2015 was approximately \$17.2 million. The valuation allowance for deferred tax assets as of December 31, 2014 and December 31, 2013 was \$23.1 million and \$24.3 million respectively. The net change in the total valuation allowance was a decrease of \$5.9 million during 2015 and a decrease of \$1.2 million during 2014. Of the total decrease of \$5.9 million in 2015, \$4.1 million resulted in a current year income tax benefit with the remaining decrease of \$1.8 million recognized in Other Comprehensive Income. Of the total decrease of \$1.2 million in 2014, \$2.0 million resulted in a current year income tax benefit offset by an increase of \$0.8 million recognized in Other Comprehensive Income.

The valuation allowances at December 31, 2015 and December 31, 2014 were primarily related to operating losses and tax credits carried forward that, in the judgment of management, are not more likely than not to be realized. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment. In respect of deferred tax assets not subject to a valuation allowance, Management considers that it is more likely than not that these deferred tax assets will be realized on the basis that there will be sufficient reversals of deferred tax liabilities and taxable income in future periods. In 2014, in the UK, a change in commercial circumstances led to a change in judgment concerning the need for a valuation allowance on certain limited loss carryforwards; the release of the beginning-of-year valuation allowance resulted in a tax benefit of \$3.1 million. During 2015, a UK subsidiary utilized losses for which a full beginning-of-year valuation allowance had been retained resulting in a tax benefit of \$3.2 million.

The Company has not recognized a deferred tax liability for the undistributed earnings of foreign subsidiaries that arose in 2015 and prior years as the Company considers these earnings to be indefinitely reinvested. It is not practicable to calculate the exact unrecognized deferred tax liability, however it is not expected to be material as Ireland allows a tax credit in respect of distributions from foreign subsidiaries at the statutory tax rate in the jurisdiction of the subsidiary so that no material tax liability would be expected to arise in the event these earnings were ever remitted. In addition, withholding taxes applicable to remittances from foreign subsidiaries would not be expected to be material given Ireland's tax treaty network and the EU parent subsidiary directive.

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

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

	December 31, 2015	December 31, 2014	December 31, 2013
	(in thousands)		
Unrecognized tax benefits at start of year . . . . .	\$23,201	\$ 5,780	\$ 7,189
Increase related to acquired tax positions . . . . .	778	14,552	—
Increase related to prior year tax positions . . . . .	1,482	565	—
Decrease related to prior year tax positions . . . . .	—	(183)	(494)
Increase related to current year tax positions . . . . .	3,063	3,709	2,269
Settlements . . . . .	(315)	(2)	(899)
Lapse of statute of limitations . . . . .	(43)	(1,220)	(2,285)
Unrecognized tax benefits at end of year . . . . .	\$28,166	\$23,201	\$ 5,780

The relevant statute of limitations for unrecognized tax benefits totaling \$3.8 million could potentially expire during 2016. \$0.8 million of the increase during the year ended 31 December 2015 (2014: \$14.5 million) reflects pre-acquisition tax positions taken by companies acquired during 2014.

Included in the balance of total unrecognized tax benefits at December 31, 2015 were potential benefits of \$28.2 million, which if recognized, would affect the effective rate on income tax from continuing operations. The balance of total unrecognized tax benefits at December 31, 2014 and December 31, 2013 included potential benefits which, if recognized, would affect the effective rate of income tax from continuing operations of \$23.2 million and \$5.8 million respectively.

Interest and penalties recognized as a net expense during the year ended December 31, 2015 amounted to \$0.9 million (2014: net benefit of \$0.2 million, 2013: net benefit of \$0.2 million) and are included within the provision for income taxes. Total accrued interest and penalties as of December 31, 2015 and December 31, 2014 were \$3.3 million and \$2.4 million respectively and are included in closing income taxes payable at those dates.

Our major tax jurisdictions are the United States and Ireland. We may potentially be subjected to tax audits in both our major jurisdictions. In the United States tax periods open to audit include the years ended December 31, 2012, December 31, 2013, December 31, 2014 and December 31, 2015. In Ireland, tax periods open to audit include the years ended December 31, 2011, December 31, 2012, December 31, 2013, December 31, 2014 and December 31, 2015. During such audits, local tax authorities may challenge the positions taken by us in tax returns.

**14. Restructuring and other items**

Restructuring and other items recognized during the year ended December 31, 2015 comprise:

	Year Ended		
	December 31, 2015	December 31, 2014	December 31, 2013
	(in thousands)		
Restructuring charges . . . . .	—	\$8,796	\$9,033
Net charge . . . . .	—	\$8,796	\$9,033

*Prior Period Restructuring Charges*

A restructuring charge of \$8.8 million was recognized during the year ended December 31, 2014. Following the closure of the Company's European Phase 1 services in 2013, the Company recognized a charge in 2014 in relation to its Manchester, United Kingdom facility; \$5.6 million in relation to asset impairments and \$3.2 million in relation to an onerous lease charge associated with this facility. We expect this to be paid by 2024.

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

	Onerous Lease	Asset Impairment	Total
	(in thousands)		
Total provision recognized . . . . .	\$ 3,167	\$ 5,629	\$ 8,796
Asset write-off . . . . .	—	(5,629)	(5,629)
Provision at December 31, 2014 . . . . .	\$ 3,167	—	\$ 3,167
Utilized . . . . .	(1,167)	—	(1,167)
Provision at December 31, 2015 . . . . .	\$ 2,000	\$ —	\$ 2,000

The onerous lease obligation at December 31, 2015 is \$2.0 million and is included within other liabilities.

*Prior Period Restructuring Charges*

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

	Workforce Reductions	Office Consolidations	Total
	(in thousands)		
Q1 Plan – Initial provision recognized . . . . .	\$ 3,903	\$ 509	\$ 4,412
Q2 Plan – Initial provision recognized . . . . .	4,228	393	4,621
Total provision recognized . . . . .	8,131	902	9,033
Cash payments . . . . .	(6,544)	(199)	(6,743)
Amounts released . . . . .	(93)	—	(93)
Foreign exchange movement . . . . .	(3)	—	(3)
Provision at December 31, 2013 . . . . .	\$ 1,491	\$ 703	\$ 2,194
Cash payments . . . . .	(1,319)	(337)	(1,656)
Amounts released . . . . .	—	—	—
Foreign exchange movement . . . . .	(1)	—	(1)
Provision at December 31, 2014 . . . . .	\$ 171	\$ 366	\$ 537
Cash payments . . . . .	(82)	—	(82)
Amounts released . . . . .	—	(339)	(339)
Provision at December 31, 2015 . . . . .	\$ 89	\$ 27	\$ 116

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

**15. Provision for Doubtful Debts**

The Company does business with most major international pharmaceutical companies. Provision for doubtful debts at December 31, 2015 comprises:

	December 31, 2015	December 31, 2014
	(in thousands)	
Opening provision	\$ 5,458	\$3,148
Amounts used during the year	(161)	(502)
Amounts provided during the year	7,572	2,874
Amounts released during the year	(2,244)	(62)
Translation	(242)	—
Closing provision	<u>\$10,383</u>	<u>\$5,458</u>

**16. Commitments and Contingencies**

*Litigation*

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

*Operating Leases*

The Company has several non-cancelable operating leases, primarily for facilities, that expire over the next 10 years. These leases generally contain renewal options and require the Company to pay all executory costs such as maintenance and insurance. The Company recognized \$49.9 million, \$54.3 million and \$54.9 million in rental expense, including rates, for the years ended December 31, 2015, December 31, 2014 and December 31, 2013 respectively. Future minimum rental commitments for operating leases with non-cancelable terms in excess of one year are as follows:

	Minimum rental payments
	(in thousands)
2016	\$ 36,921
2017	26,784
2018	20,547
2019	15,502
2020	11,974
Thereafter	45,924
Total	<u>\$157,652</u>

**17. Business Segment and Geographical Information**

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



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

The Company determines and presents operating segments based on the information that is internally provided to the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer, who together are considered the Company’s chief operating decision maker, in accordance with FASB ASC 280-10 *Disclosures about Segments of an Enterprises and Related Information*.

Revenues are allocated to individual entities based on where the work is performed in accordance with the Company’s global transfer pricing model. Revenues and income from operations in Ireland are a function of this transfer pricing model.

Given ICON Clinical Research Limited (“ICON Ireland”) role in the development and management of the group, it’s ownership of key intellectual property, customer relationships, its key role in the mitigation of risks faced by the group, plus the responsibility for maintaining the group’s global network, ICON Ireland acts as the group entrepreneur and enters into the majority of the Company’s customer contracts. As such, ICON Ireland remunerates most of the other operating entities (“cost plus service providers”) in the ICON Group on the basis of a guaranteed cost plus mark up for the services they perform in each of their local territories.

The cost plus mark up for each ICON entity is established to ensure that each of ICON Ireland and the ICON entities in the various geographical areas that are involved in the conduct of services for customers, earn an appropriate arms-length return having regard to the assets owned, risks borne, and functions performed by each entity from these intercompany transactions. The cost plus mark-up policy is reviewed annually to ensure that it is market appropriate.

Under this method, the residual operating profits (or losses) of the group, once the cost plus service providers have been paid their respective intercompany service fee, generally fall to be retained by ICON Ireland. The geographic split of revenue disclosed for each region outside Ireland is the cost plus revenue attributable to these entities. The revenues disclosed as relating to Ireland are the net revenues after deducting the cost plus revenues attributable to the activities performed outside Ireland.

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

Business segment and geographical information as at December 31, 2015 and December 31, 2014 and for the years ended December 31, 2015, December 31, 2014 and December 31, 2013 is as follows:

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

	Year ended		
	December 31, 2015	December 31, 2014	December 31, 2013
	(in thousands)		
Ireland . . . . .	\$ 429,631	\$ 360,376	\$ 272,683
Rest of Europe . . . . .	330,487	372,634	333,543
U.S. . . . .	650,941	605,815	582,250
Other . . . . .	163,919	164,491	147,582
<b>Total . . . . .</b>	<b>\$1,574,978</b>	<b>\$1,503,316</b>	<b>\$1,336,058</b>

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

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

	Year ended		
	December 31, 2015	December 31, 2014	December 31, 2013
	(in thousands)		
Ireland . . . . .	\$189,035	\$138,185	\$ 81,811
Rest of Europe . . . . .	38,166	14,481	2,831
U.S. . . . .	45,320	39,058	29,472
Other . . . . .	9,015	10,626	7,053
<b>Total . . . . .</b>	<b>\$281,536</b>	<b>\$202,350</b>	<b>\$121,167</b>

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

	Year ended		
	December 31, 2015	December 31, 2014	December 31, 2013
	(in thousands)		
Ireland . . . . .	\$189,035	\$138,185	\$ 82,867
Rest of Europe . . . . .	38,166	23,277	6,269
U.S. . . . .	45,320	39,058	33,564
Other . . . . .	9,015	10,626	7,500
<b>Total . . . . .</b>	<b>\$281,536</b>	<b>\$211,146</b>	<b>\$130,200</b>

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

	December 31, 2015	December 31, 2014
		(in thousands)
Ireland . . . . .	\$101,736	\$ 95,574
Rest of Europe . . . . .	7,334	10,419
U.S. . . . .	34,520	33,978
Other . . . . .	6,628	8,214
<b>Total . . . . .</b>	<b>\$150,218</b>	<b>\$148,185</b>

e) The distribution of depreciation and amortization by geographical area was as follows:

	Year ended		
	December 31, 2015	December 31, 2014	December 31, 2013
	(in thousands)		
Ireland . . . . .	\$22,100	\$20,731	\$19,826
Rest of Europe . . . . .	11,055	7,478	6,595
U.S. . . . .	20,106	20,491	16,233
Other . . . . .	4,416	3,842	3,860
<b>Total . . . . .</b>	<b>\$57,677</b>	<b>\$52,542</b>	<b>\$46,514</b>

f) The distribution of total assets by geographical area was as follows:

	December 31, 2015	December 31, 2014
		(in thousands)
Ireland . . . . .	\$ 664,754	\$ 495,747
Rest of Europe . . . . .	343,733	324,086
U.S. . . . .	641,769	648,559
Other . . . . .	68,647	60,458
<b>Total . . . . .</b>	<b>\$1,718,903</b>	<b>\$1,528,850</b>

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

g) The distribution of capital expenditures by geographical area was as follows:

	Year ended		
	December 31, 2015	December 31, 2014	December 31, 2013
	(in thousands)		
Ireland . . . . .	\$30,900	\$15,117	\$ 3,976
Rest of Europe . . . . .	1,916	2,278	1,887
U.S. . . . .	15,256	12,224	20,842
Other . . . . .	1,658	3,160	2,783
<b>Total . . . . .</b>	<b>\$49,730</b>	<b>\$32,779</b>	<b>\$29,488</b>

h) The following table sets forth the clients which represented 10% or more of the Company's net revenue in each of the periods set out below.

	Year ended		
	December 31, 2015	December 31, 2014	December 31, 2013
Client A . . . . .	31%	31%	26%
Client B . . . . .	—*	—*	10%

\* Net revenue did not exceed 10%.

i) The distribution of interest income by geographical area was as follows:

	Year ended		
	December 31, 2015	December 31, 2014	December 31, 2013
	(in thousands)		
Ireland . . . . .	\$ 102	\$ 284	\$355
Rest of Europe . . . . .	1,151	798	501
U.S. . . . .	4	—	—
Other . . . . .	49	69	130
<b>Total . . . . .</b>	<b>\$1,306</b>	<b>\$1,151</b>	<b>\$986</b>

j) The distribution of the income tax charge by geographical area was as follows:

	Year ended		
	December 31, 2015	December 31, 2014	December 31, 2013
	(in thousands)		
Ireland . . . . .	\$21,795	\$18,384	\$11,073
Rest of Europe . . . . .	8,007	2,855	(7)
U.S. . . . .	3,580	4,860	5,072
Other . . . . .	5,929	4,149	1,915
<b>Total . . . . .</b>	<b>\$39,311</b>	<b>\$30,248</b>	<b>\$18,053</b>

**18. Supplemental Disclosure of Cash Flow Information**

	Year ended		
	December 31, 2015	December 31, 2014	December 31, 2013
	(in thousands)		
Non-cash interest on acquisition consideration payable* . . . . .	—	—	\$ 240
Cash paid for interest . . . . .	\$ 2,175	\$ 533	\$ 548
Cash paid for income taxes . . . . .	\$14,829	\$17,829	\$14,103

\* recorded within interest expense

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

**19. Accumulated Other Comprehensive Income**

	December 31, 2015	December 31, 2014
	(in thousands)	
Currency translation adjustments . . . . .	\$(57,315)	\$(22,210)
Currency impact on long term funding (Net of tax) . . . . .	(5,484)	(9,252)
Actuarial loss on defined benefit pension plan (note 9) . . . . .	(3,420)	(6,113)
Unrealized capital (loss)/gain – investments (note 3) . . . . .	(34)	20
Realized gain on interest rate hedge . . . . .	4,617	—
<b>Total . . . . .</b>	<b>\$(61,636)</b>	<b>\$(37,555)</b>

**20. Long-Term Debt – Senior Notes**

In December 2015 the Company issued \$350 million in the private placement market.

The interest rate in respect of the Senior Notes is fixed at 3.64% for the five year term of the agreement. The associated interest cost is recognized in interest expense in the period since drawdown in December 2015.

In October 2015, the Company entered into an interest rate hedge in respect of the planned issuance of the Senior Notes in December 2015. The interest rate hedge matured in November 2015 when the interest rate on the Senior Notes was fixed. The interest rate hedge was effective in accordance with Financial Accounting Standards Board (“FASB”) ASC 815 *Derivatives and Hedging*. The cash proceeds (\$4.6 million), representing the realized gain on the interest rate hedge were received on maturity in November 2015 and are recorded within Other Comprehensive Income. The realized gain will be amortized to the income statement, net against interest payable, over the period of the Senior Notes.

The Senior Notes agreement also includes certain financial covenants that require compliance with a consolidated leverage ratio, a minimum EBIT to consolidated net interest charge ratio and a maximum amount of priority debt, each of which are defined in the Note Purchase Agreement.

The Senior Notes have not been, and will not be, registered under the Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

**21. Impact of New Accounting Pronouncements**

In January 2015, the FASB issued ASU 2015-01, which eliminates the concept of extraordinary items from U.S. GAAP as part of its simplification initiative. The ASU does not affect disclosure guidance for events or transactions that are unusual in nature or infrequent in their occurrence. The ASU is effective for fiscal years and, interim periods within those fiscal years, beginning after December 15, 2015. The ASU allows prospective or retrospective application. Early adoption is permitted if applied from the beginning of the fiscal year of adoption. The Company does not expect the adoption of ASU 2015-01 to have a material impact on the financial statements.

In February 2015, the FASB issued ASU 2015-02, which changes the way reporting enterprises evaluate whether (a) they should consolidate limited partnerships and similar entities, (b) fees paid to a decision maker or service provider are variable interests in a variable interest entity (VIE), and (c) variable interests in a VIE held by related parties of the reporting enterprise require the reporting enterprise to consolidate the VIE. It also eliminates the VIE consolidation model based on majority exposure to variability that applied to certain investment companies and similar entities. The new guidance excludes money market funds that are required to comply with Rule 2a-7 of the Investment Company Act of 1940 and similar entities from the U.S. GAAP consolidation requirements. The new consolidation guidance is effective for public business entities for annual and interim periods in fiscal years beginning after December 15, 2015. The Company does not expect the adoption of ASU 2015-02 to have a material impact on the financial statements.

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

In April 2015, the FASB issued ASU 2015-03, which intends to simplify the presentation of debt issuance costs. This ASU is effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Subsequent to the issuance of ASU 2015-03, the SEC staff made an announcement regarding the presentation of debt issuance costs associated with line-of-credit arrangements, which was codified by the FASB in ASU 2015-15. The SEC staff guidance is effective upon adoption of ASU 2015-03. The Company does not expect the adoption of ASU 2015-03 to have a material impact on the financial statements.

In April 2015, the FASB issued ASU 2015-04, which permits an entity with a fiscal year-end that does not fall on a month-end to measure defined benefit plan obligations and assets as of the month-end that is closest to the entity's fiscal year-end, and apply that methodology consistently from year to year. The ASU also requires an entity to adjust the measurement of defined benefit plan obligations and assets to reflect contributions or significant events that occur between the month-end date used to measure defined benefit plan obligations and assets and the entity's fiscal year-end. This ASU is effective for public business entities for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company does not expect the adoption of ASU 2015-03 to have a material impact on the financial statements.

In April 2015, the FASB issued ASU 2015-05, which provides explicit guidance to help companies evaluate the accounting for fees paid by a customer in a cloud computing arrangement. The new guidance clarifies that if a cloud computing arrangement includes a software license, the customer should account for the license consistent with its accounting for other software licenses. If the arrangement does not include a software license, the customer should account for the arrangement as a service contract. This ASU is effective for public business entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. The Company does not expect the adoption of ASU 2015-05 to have a material impact on the financial statements.

In April 2015, the FASB issued ASU 2015-06, which requires a master limited partnership (MLP) to allocate earnings (losses) of a transferred business entirely to the general partner when computing earnings per unit (EPU) for periods before the dropdown transaction occurred. The EPU that the limited partners previously reported would not change as a result of the dropdown transaction. The ASU also requires an MLP to disclose the effects of the dropdown transaction on EPU for the periods before and after the dropdown transaction occurred. The Company does not expect the adoption of ASU 2015-06 to have a material impact on the financial statements.

In July 2015, the FASB issued ASU 2015-11, which, for entities that do not measure inventory using the last-in, first-out (LIFO) or retail inventory method, changes the measurement principle for inventory from the lower of cost or market to lower of cost and net realizable value. The ASU also eliminates the requirement for these entities to consider replacement cost or net realizable value less an approximately normal profit margin when measuring inventory. This ASU is effective for public business entities in fiscal years beginning after December 15, 2017. The adoption of ASU 2015-11 is not expected to have a significant impact on the financial statements.

FASB ASU 2015-14 amends the effective dates of ASU 2014-09, *Revenue from Contracts with Customers*. The requirements are effective for annual periods and interim periods within fiscal years beginning after December 15, 2017. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The adoption of ASU 2015-14 is not expected to have a significant impact on the financial statements.

In September 2015, the FASB issued ASU 2015-16, which eliminates the requirement for an acquirer to retrospectively adjust the financial statements for measurement-period adjustments that occur in periods after a business combination is consummated. The ASU is effective for public business entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. The adoption of ASU 2015-14 is not expected to have a significant impact on the financial statements.

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

In November 2015, the FASB issued ASU 2015-17, which requires entities with a classified balance sheet to present all deferred tax assets and liabilities as noncurrent. The ASU 2015-17 has been early adopted in the financial statements presented. The impact is described in Note 13 to the financial statements.

In January 2016, the FASB issued ASU 2016-01, which will significantly change the income statement impact of equity investments, and the recognition of changes in fair value of financial liabilities when the fair value option is elected. The ASU is effective for public business entities for interim and annual periods in fiscal years beginning after December 15, 2017. The adoption of ASU 2016-01 is not expected to have a significant impact on the financial statements.

**22. Related Parties**

On July 19, 2012, Mr. Peter Gray retired as a Director and employee of the Company. The Company subsequently entered into an agreement with Integritum Limited, a company controlled by Mr. Gray, for the provision of consultancy services for a period of two years from August 1, 2012, at an agreed fee of €265,000 (\$350,000) per annum. This arrangement expired in August, 2014.

Subsidiaries of the Company earned revenue of \$221,000 from GW Pharmaceuticals plc in the normal course of business. There were backlog awards at December 31, 2015 of \$88,000. Tom Lynch, Chairman of the Company is a non-executive Director of GW Pharmaceuticals plc. The contract terms were agreed on an arm's length basis.

Subsidiaries of the Company earned revenue of \$100,000 (2014: \$300,000) from Dignity Sciences Limited during the year. Dr. John Climax is a director and both Dr. John Climax and Dr. Ronan Lambe are shareholders of Dignity Sciences Limited. The contract terms were agreed on an arm's length basis.



## SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**ICON plc**

/s/ Brendan Brennan

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Brendan Brennan  
Chief Financial Officer

Date March 23, 2016

## INDEX TO EXHIBITS

<b>Exhibit Number</b>	<b>Title</b>
3.1	Description of the Memorandum and Articles of Association of the Company (incorporated by reference to exhibit 3.1 to the Form 20F (File No. 333-08704) filed on March 6, 2013).
12.1*	Section 302 certifications.
12.2*	Section 906 certifications.
21.1	List of Subsidiaries (incorporated by reference to Item 4 of Form 20-F filed herewith).
23.1*	Consent of KPMG, Independent Registered Public Accounting Firm
101.1*	Interactive Data Files (XBRL – Related Documents)

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\* Filed herewith



A Symbol of Excellence

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