ICON PLC
Form 6-K
July 27, 2017
FORM 6-K
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 under
the Securities Exchange Act of 1934

For
the month ended July, 2017

ICON plc
(Registrant's name)

333-08704
(Commission file number)

South County Business Park, Leopardstown, Dublin 18, Ireland
(Address of principal executive offices)

Brendan Brennan, CFO
South County Business Park, Leopardstown, Dublin 18, Ireland.
Brendan.Brennan@iconplc.com
011-353-1-291-2000
(Name, telephone number, email and/or facsimile number and address of Company contact person)

Indicate by check mark
whether the registrant files
or will file annual reports
under cover Form 20-F or
Form 40-F.
Yes___X___ No_______

Indicate by check mark
whether the registrant is
submitting the Form 6-K in
paper as permitted by
Regulation S-T Rule
101(b)(1):
Yes______ No___X___

Indicate by check mark whether the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):
Yes______ No___X___

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule12g3-2(b) under the Securities Exchange Act of 1934.
Yes______ No___X___

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):82 N/A

ICON plc

Rider A

This report on Form 6-K is hereby incorporated by reference in the registration statement on Form F-3 (Registration No. 333-133371) of ICON plc and in the prospectus contained therein, and this report on Form 6-K shall be deemed a part of such registration statement from the date on which this report is filed, to the extent not superseded by documents or reports subsequently filed or furnished by ICON plc under the Securities Act of 1933 or the Securities Exchange Act of 1934.

GENERAL

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

Business

ICON public limited company (“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, 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 June 30, 2017 we had approximately 12,327 employees, in 84 locations in 38 countries. During the six months ended June 30, 2017 we derived approximately 47.2%, 41.2% and 11.6% 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 organic growth, together with a number of strategic acquisitions to enhance our capabilities and expertise in certain areas of the clinical development process. We are incorporated in Ireland and our principal executive office is located at: South County Business Park, Leopardstown, Dublin 18, Republic of Ireland. The contact telephone number of this office is 353 (1) 291 2000.

Recent Developments

Changes in Board composition and executive leadership transition

On March 1, 2017, Mr. Ciaran Murray transitioned from his role as Chief Executive Officer to the role of Executive Chairman of the Board of Directors. On this date, Dr. Steve Cutler was appointed as Chief Executive Officer. As a part of this transition, Mr. Declan McKeon stepped down as Chairman of the Board of Directors and was appointed to the position of lead independent director.

Acquisitions

On September 15, 2016, a subsidiary of the Company, ICON US Holdings Inc. acquired Clinical Research Management, Inc. (“ClinicalRM”) which resulted in initial net cash outflows of $52.4 million (including certain payments made on behalf of ClinicalRM totaling $9.2 million). ClinicalRM is a full-service CRO specializing in preclinical through Phase IV support of clinical research and clinical trial services for biologics, drugs and devices. The organization helps customers progress their products to market faster, with a wide array of research, regulatory and sponsor services within the U.S. and around the globe. ClinicalRM provide full service and functional research solutions to a broad range of US government agencies and commercial customers. Their extensive expertise extends across basic and applied research, infectious diseases, vaccines development and testing and the response to bio-threats. They have worked in collaboration with government and commercial customers to respond to the threat of global viral epidemics.

On July 27, 2017, a subsidiary of the Company acquired Mapi Group ('Mapi'). Mapi is a leading patient-centered health outcomes research and commercialisation company. Initial cash outflows on acquisition were €119.6 million.

Share repurchase program

A resolution was passed at the Company's Annual General Meeting ("AGM") on July 22, 2016 which authorizes the Directors to purchase (buyback) up to 10% of the outstanding shares in the Company. On October 3, 2016, the Company commenced the share buyback program of up to $400 million. At December 31, 2016 a total of 1,429,187 ordinary shares were redeemed by the Company under the buyback program for a total consideration of $110.0 million. At June 30, 2017 a total of 2,797,323 ordinary shares were redeemed by the Company under this buyback program for a total consideration of $218.1 million. All ordinary shares that were redeemed under the buyback program were canceled in accordance with the Constitution of the Company and the nominal value of these shares transferred to other undenominated capital as required by Irish Company law.

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New accounting pronouncements

Accounting Standards Update (‘ASU’) 2016-09 ‘Improvements to Employee Share-Based Payment Accounting’ was issued in March 2016 which simplifies various aspects related to the accounting and presentation of share-based payments. The amendments require entities to record all tax effects related to share-based payments at settlement or expiration through the income statement and the windfall tax benefit to be recorded when it arises, subject to normal valuation allowance considerations. All tax-related cash flows resulting from share-based payments are required to be reported as operating activities in the statement of cash flows. The effective date of the new standard for public companies is for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years. The Company has applied the modified retrospective approach, as required by the amendment to the standard, in determining the cumulative increase in retained earnings at January 1, 2017. This resulted in the recognition of previously unrecognized excess tax benefits, as a credit to retained earnings, of $6.7 million. The Company has adopted the cash flow presentation prospectively.

ICON plc
CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT JUNE 30, 2017 AND DECEMBER 31, 2016

	(Unaudited) June 30, 2017	(Audited) December 31, 2016
ASSETS	(in thousands)	
Current Assets:		
Cash and cash equivalents	$228,254	$192,541
Short term investments - available for sale	86,664	68,046
Accounts receivable, net	359,899	416,229
Unbilled revenue	249,234	192,687
Other receivables	39,146	32,044
Prepayments and other current assets	39,080	35,170
Income taxes receivable	23,188	21,241
Total current assets	1,025,465	957,958
Other Assets:		
Property, plant and equipment, net	149,618	148,967
Goodwill	625,518	616,088
Non-current other assets	14,617	13,831
Non-current income taxes receivable	13,473	12,698
Non-current deferred tax asset	27,135	19,691
Intangible assets	48,484	56,610
Total Assets	$1,904,310	$1,825,843
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$7,861	$8,696
Payments on account	261,484	272,757
Other liabilities	197,254	190,727
Income taxes payable	20,393	22,226
Total current liabilities	486,992	494,406
Other Liabilities:		
Non-current bank credit lines and loan facilities	348,698	348,511
Non-current other liabilities	19,233	23,752
Non-current government grants	943	887
Non-current income taxes payable	14,362	8,482
Non-current deferred tax liability	4,490	4,631
Commitments and contingencies	-	-
Total Liabilities	874,718	880,669
Shareholders' Equity:		
Ordinary shares, par value 6 euro cents per share; 100,000,000 shares authorized, 54,041,414 shares issued and outstanding at June 30, 2017 and 54,530,843 shares issued and outstanding at December 31, 2016	4,662	4,692
Additional paid-in capital	462,674	438,126
Other undenominated capital	896	809
Accumulated other comprehensive income	(61,198)	(86,300)
Retained earnings	622,558	587,847
Total Shareholders' Equity	1,029,592	945,174
Total Liabilities and Shareholders' Equity	$1,904,310	$1,825,843

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

ICON plc
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND JUNE 30, 2016
(UNAUDITED)

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	(in thousands except share and per share data)			
Revenue:				
Gross revenue	$591,781	$589,647	$1,169,847	$1,132,230
Reimbursable expenses	(160,758)	(179,017)	(306,870)	(321,078)
Net revenue	431,023	410,630	862,977	811,152
Costs and expenses:				
Direct costs	250,044	237,984	500,503	466,587
Selling, general and administrative expense	80,833	80,168	162,222	160,957
Depreciation and amortization	14,395	14,457	28,843	29,577
Restructuring	7,753	4,094	7,753	4,094
Total costs and expenses	353,025	336,703	699,321	661,215
Income from operations	77,998	73,927	163,656	149,937
Interest income	579	359	1,134	693
Interest expense	(3,179)	(3,198)	(6,358)	(6,413)
Income before provision for income taxes	75,398	71,088	158,432	144,217
Provision for income taxes	(10,581)	(10,014)	(22,206)	(20,179)
Net income	$64,817	$61,074	$136,226	$124,038
Net income per Ordinary Share:				
Basic	$1.20	$1.10	$2.52	$2.25
Diluted	$1.19	$1.08	$2.48	$2.20
Weighted average number of Ordinary Shares outstanding:				
Basic	53,846,544	55,318,923	54,109,800	55,164,971
Diluted	54,530,805	56,580,799	54,923,019	56,427,516

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

ICON plc
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND JUNE 30, 2016 (UNAUDITED)

	Six Months Ended	
	June 30, 2017	June 30, 2016
Cash flows from operating activities:	(in thousands)	
Net income	$136,226	$124,038
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on disposal of property, plant and equipment	348	27
Depreciation expense	20,387	20,699
Amortization of intangibles	8,456	8,878
Amortization of government grants	(21)	(22)
Interest on short term investments	(536)	(422)
Realised gain on sale of short term investments	-	(39)
Stock compensation expense	18,701	20,690
Amortization of gain on interest rate hedge	(462)	(458)
Amortization of financing costs	282	279
Deferred taxes	(581)	3,236
Changes in assets and liabilities:		
Decrease in accounts receivable	59,812	42,548
Increase in unbilled revenue	(55,081)	(15,892)
Increase in other receivables	(6,234)	(8,305)
Increase in prepayments and other current assets	(3,677)	(1,117)
Increase in other non-current assets	(737)	(1,505)
Decrease in payments on account	(11,463)	(61,187)
Increase/(decrease) in other current liabilities	4,558	(54,712)
(Decrease)/increase in other non-current liabilities	(4,442)	2,108
Increase/ (decrease) in income taxes payable	3,802	(763)
Decrease in accounts payable	(920)	(868)
Net cash provided by operating activities	168,418	77,213
Cash flows from investing activities:		
Purchase of property, plant and equipment	(15,179)	(19,893)
Purchase of subsidiary undertakings	-	(1,613)
Purchase of short term investments	(24,919)	(10,969)
Sale of short term investments	6,950	15,441
Net cash used in investing activities	(33,148)	(17,034)
Cash flows from financing activities:		
Proceeds from exercise of equity compensation	5,914	2,180
Share issue costs	(10)	(9)
Excess tax benefit on exercise of equity compensation	-	2,338
Repurchase of ordinary shares	(108,106)	-
Share repurchase costs	(86)	-
Drawdown of bank credit lines and loan facilities	-	20,000
Repayment of bank credit lines and loan facilities	-	(20,000)
Net cash provided by financing activities	(102,288)	4,509
Effect of exchange rate movements on cash	2,731	(129)
Net increase in cash and cash equivalents	35,713	64,559
Cash and cash equivalents at beginning of period	192,541	103,911

Cash and cash equivalents at end of period	$228,254	$168,470

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

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CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(UNAUDITED)

	Shares	Amount	Additional Paid-in Capital	Other Undenominated Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
	(dollars in thousands, except share data)						
Balance at December 31, 2016	54,530,843	$4,692	$438,126	$ 809	$ (86,300)	$587,847	$945,174
Comprehensive income:							
Net income	-	-	-	-	-	136,226	136,226
Currency translation adjustment	-	-	-	-	15,771	-	15,771
Currency impact of long term funding	-	-	-	-	9,531	-	9,531
Tax on currency impact of long term funding	-	-	-	-	149	-	149
Unrealized capital gain – investments	-	-	-	-	113	-	113
Amortization of interest rate hedge	-	-	-	-	(462)	-	(462)
Total comprehensive income	-	-	-	-	25,102	136,226	161,328
Exercise of share options	231,074	15	5,857	-	-	-	5,872
Issue of restricted share units	647,633	42	-	-	-	-	42
Share issuance costs	-	-	(10)	-	-	-	(10)
Non-cash stock compensation expense	-	-	18,701	-	-	-	18,701
Share repurchase program	(1,368,136)	(87)	-	87	-	(108,106)	(108,106)
Share repurchase costs	-	-	-	-	-	(86)	(86)
Cumulative effect adjustment from adoption of ASU 2016-09	-	-	-	-	-	6,677	6,677
Balance at June 30, 2017	54,041,414	$4,662	$462,674	$ 896	$ (61,198)	$622,558	$1,029,592

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

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
June 30, 2017

1. Basis of Presentation

These condensed consolidated financial statements which have been prepared in accordance with United States Generally Accepted Accounting Principles ("US GAAP") have not been audited. The condensed consolidated financial statements reflect all adjustments, which are, in the opinion of management, necessary to present a fair statement of the operating results and financial position for the periods presented. The preparation of the condensed consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect reported amounts and disclosures in the condensed consolidated financial statements. Actual results could differ from those estimates.

The condensed consolidated financial statements should be read in conjunction with the accounting policies and notes to the consolidated financial statements included in ICON's Form 20-F for the year ended December 31, 2016. Operating results for the three and six months ended June 30, 2017 are not necessarily indicative of the results that may be expected for the fiscal period ending December 31, 2017.

2. Goodwill

	Six months ended June 30, 2017	Year ended December 31, 2016
	(in thousands)	
Opening balance	$616,088	$588,434
Current period acquisitions (Note 3)	-	34,576
Prior period acquisitions (Note 3)	-	7,689
Foreign exchange movement	9,430	(14,611)
Closing balance	$625,518	$616,088

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3. Business Combinations

Acquisitions – Clinical Research Management, Inc.

On September 15, 2016, a subsidiary of the Company, ICON US Holdings Inc. acquired ClinicalRM resulting in an initial net cash outflow of $52.4 million inclusive of certain payments made on behalf of ClinicalRM totaling $9.2 million.

ClinicalRM is a full-service CRO specializing in preclinical through Phase IV support of clinical research and clinical trial services for biologics, drugs and devices. The organization helps customers progress their products to market faster with a wide array of research, regulatory and sponsor services within the U.S. and around the globe. ClinicalRM provide full service and functional research solutions to a broad range of US government agencies. Their extensive expertise extends across basic and applied research, infectious diseases, vaccines development and testing and the response to bio-threats. They have worked in collaboration with government and commercial customers to respond to the threat of global viral epidemics. Further consideration of up to $12.0 million is payable if certain performance milestones are achieved in respect of periods up to December 31, 2017. The fair value of the contingent consideration on acquisition and at March 31, 2017 was estimated at $6 million. The evaluation of the performance and forecast performance of ClinicalRM against performance milestones was updated as required at June 30, 2017. Arising from that evaluation, the fair value of the contingent consideration liability was determined as $Nil, resulting in a net credit of $6 million being recorded within Selling, general & administrative expenses in the Statement of operations.

The acquisition of ClinicalRM 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:

	September 15, 2016 (in thousands)
Cash	$ 3,168
Property, plant and equipment	939
Goodwill*	34,576
Intangible assets**	8,644
Accounts receivable	11,725
Unbilled revenue	2,814
Prepayments and other current assets	1,673
Accounts payable	(621)
Other liabilities	(4,515)
Non-current other liabilities	(7)
Net assets acquired	$ 58,396
Cash outflows (including other liabilities assumed of $9.2 million)	$ 52,396
Assessment of valuation of contingent consideration at acquisition	6,000
Total consideration	$ 58,396

*Goodwill represents the acquisition of an established workforce with experience in preclinical through Phase IV support of clinical research and clinical trial services for biologics, drugs and devices. Goodwill related to the US portion of the business acquired is tax deductible.

**The Company has made an initial estimate of separate intangible assets acquired of $8.6 million, being customer relationships and order book assets. This assessment is under review and will be finalized within 12 months of the date of acquisition.

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Acquisitions - PMG

On December 4, 2015, a subsidiary of the Company, ICON Clinical Research LLC. acquired PMG for total cash outflows of $65.4 million, including certain payments made on behalf of PMG totaling $10.1 million. PMG is an integrated network of 52 clinical research sites in North Carolina, South Carolina, Tennessee, Illinois and Iowa. 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 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 of PMG has been accounted for as a business combination in accordance with FASB ASC 805 Business Combinations. The table following summarizes the fair values of the assets acquired and liabilities assumed:

	December 4, 2015 (in thousands)
Cash	$ 194
Property, plant and equipment	712
Goodwill*	48,728
Customer lists	6,938
Order backlog	2,948
Accounts receivable	11,597
Prepayments and other current assets	1,329
Accounts payable	(530)
Other liabilities	(3,456)
Non-current deferred tax liability	(3,106)
Net assets acquired	65,354
Cash consideration	53,681
Other liabilities assumed	10,060
Working capital adjustment	1,613
Total cash outflows	65,354

*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. In finalizing the goodwill on acquisition of PMG in the twelve month period from acquisition, fair value adjustments of $7.7 million were made to deferred tax liabilities ($3.1 million), accounts receivable acquired ($1.4 million), other liabilities ($1.2 million) and the value of the customer list and order backlog assets acquired ($0.4 million). Additional consideration of $1.6 million was provided on completion of the contractual working capital process.

Acquisitions - MediMedia Pharma Solutions

On February 27, 2015, a subsidary of the Company, ICON Holdings Unlimited Company (formerly ICON Holdings), 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 totaling $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 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 provided 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 table following summarizes the fair values of the assets acquired and liabilities assumed on acquisition:

	February 27, 2015 (in thousands)
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)
Net assets acquired	$ 116,002
Cash consideration	$ 108,717
Other liabilities assumed**	11,283
Gross cash outflows	120,000
Working capital adjustment	(3,998)
Net cash outflows	$ 116,002

*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. Goodwill related to the US portion of the business is tax deductible.

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

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4. Restructuring

Restructuring charges

A restructuring charge of $7.8 million was recognized during the three months ended June 30, 2017 under a restructuring plan adopted following a review of operations. The restructuring plan reflected resource rationalization across the business to improve resource utilization.

Details of the restructuring charge recognized in the three and six months ended June 30, 2017 are as follows;

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	(in thousands)		(in thousands)	
Restructuring charges	$7,753	$4,094	$7,753	$4,094
Total	$7,753	$4,094	$7,753	$4,094

Details of the movement in the restructuring charge recognized in the three and six months ended June, 30 2017 are as follows;

	Workforce reductions (in thousands)
Initial restructuring charge recorded	$ 7,753
Cash payments	$ (512)
Foreign exchange movement	-
Provision at June 30, 2017	$ 7,241

Prior Periods Restructuring charges

A restructuring charge of $8.2 million was recognized during the year ended December 31, 2016 under a restructuring plan adopted following a review by the Company of its operations. The restructuring plan includes resource rationalizations in certain areas of the business to improve resource utilization, resulting in a charge of $6.2 million and office consolidation resulting in the recognition of an onerous lease obligation of $2.0 million during the twelve months ended December 31, 2016. No additional charge was recorded during the six months ended June 30, 2017.

	Workforce Reductions	Onerous Lease	Total
	(in thousands)		
Total provision recognized	$6,190	$ 1,969	$8,159
Utilized	(5,734)	(571)	(6,305)
Foreign exchange	(63)	-	(63)
Provision at December 31, 2016	$393	$ 1,398	$1,791
Utilized	(393)	(757)	(1,150)
Provision at June 30, 2017	-	$ 641	$641

At June 30, 2017, $7.9 million is included within other liabilities and $0.5 million within non-current other liabilities.

5. Income Taxes

Income taxes recognized during the six months ended June 30, 2017 comprise:

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	(in thousands)		(in thousands)	
Provision for income taxes before restructuring and other items	$11,550	$10,526	$23,175	$20,691
Tax impact of restructuring and other items	(969)	(512)	(969)	(512)
Provision for income taxes after restructuring and other items	$10,581	$10,014	$22,206	$20,179

As at June 30, 2017 the Company maintains a $31.2 million liability (December 31, 2016: $29.9 million) for unrecognized tax benefit, which is comprised of $27.4 million (December 31, 2016: $26.6 million) related to items generating unrecognized tax benefits and $3.8 million (December 31, 2016: $3.3 million) for interest and related penalties to such items. The Company recognizes interest accrued on unrecognized tax benefits as an additional income tax expense.

The Company has analyzed the filing positions in all of the significant federal, state and foreign jurisdictions where it is required to file income tax returns, as well as open tax years in these jurisdictions. The only periods subject to examination by the major tax jurisdictions where the Company does business are 2012 through 2016 tax years. The Company does not believe that the outcome of any examination will have a material impact on its financial statements.

6. 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:

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Weighted average number of ordinary shares outstanding for basic net income per ordinary share	53,846,544	55,318,923	54,109,800	55,164,971
Effect of dilutive share options outstanding	684,261	1,261,876	813,219	1,262,545
Weighted average number of	54,530,805	56,580,799	54,923,019	56,427,516

ordinary shares outstanding for
diluted net income per ordinary
share

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7. Share-based Awards

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.

On February 14, 2017 both the 2008 Employee Plan and the 2008 Consultants Plan (together the “2008 Option Plans”) were amended and restated in order to increase the number of options that can be issued under the 2008 Consultants Plan from 400,000 to 1 million and to extend the date for options to be granted under the 2008 Option Plans.

Each option granted under the 2008 Option Plans will be an employee stock option, or Non-qualifying Stock Options (‘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 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 1 million 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 February 14, 2027.

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 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 June 30, 2017 is eight years.

The following table summarizes option activity for the six months ended June 30, 2017:

	Options Outstanding Number of Shares	Weighted Average Exercise Price	Weighted Average Fair Value	Weighted Average Remaining Contractual Life
Outstanding at December 31, 2016	1,466,444	$ 43.45	$ 13.94	
Granted	219,113	$ 85.98	$ 25.06	
Exercised	(231,074)	$ 25.41	$ 9.61	
Forfeited	(23,486)	$ 45.32	$ 14.48	
Outstanding at June 30, 2017	1,430,997	$ 52.85	$ 16.34	5.06

Exercisable at June 30, 2017	704,604	$ 37.38	$ 12.58	3.76

The Company has outstanding options with fair values ranging from $6.72 to $25.99 per option or a weighted average fair value of $11.40 per option. The Company issues ordinary shares for all options exercised. The total amount of fully vested share options which remained outstanding at June 30, 2017, was 704,604. Fully vested share options at June 30, 2017, have an average remaining contractual term of 3.76 years, an average exercise price of $37.38 and a total intrinsic value of $42.6 million. The total intrinsic value of options exercised during the six months ended June 30, 2017 was $14.0 million (June 30, 2016: $4.1 million).

The following table summarizes the movement in non-vested share options for the six months ended June 30, 2017:

	Options Outstanding Number of Shares	Weighted Average Exercise Price	Weighted Average Fair Value
Non-vested outstanding at December 31, 2016	814,870	$ 54.37	$ 16.55
Granted	219,113	$ 85.98	$ 25.06
Vested	(287,824)	$ 44.74	$ 14.43
Forfeited	(19,766)	$ 49.59	$ 15.48
Non-vested outstanding at June 30, 2017	726,393	$ 67.85	$ 19.98

Fair value of Stock Options Assumptions

The weighted average fair value of options granted during the six months ended June 30, 2017 and June 30, 2016 was calculated using the Black-Scholes option pricing model. The weighted average fair values and assumptions used were as follows:

	Six Months Ended	
	June 30, 2017	June 30, 2016
Weighted average fair value	$25.06	$20.10
Assumptions:		
Expected volatility	29%	30%
Dividend yield	0%	0%
Risk-free interest rate	1.93%	1.39%
Expected life	5 years	5 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 ("RSU") and Performance Share Unit ("PSU") 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 RSUs and PSUs to certain key individuals of the Group. The following table summarizes RSU and PSU activity for the six months ended June 30, 2017:

	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, 2016	830,523	$ 60.73	1.11	1,025,484	$ 58.64	1.40
Granted	87,794	$ 84.10		172,684	$ 88.54	
Shares vested	(310,082)	$ 46.83		(343,626)	$ 44.88	
Forfeited	(20,906)	$ 60.12		(67,829)	$ 59.75	
Outstanding at June 30, 2017	587,329	$ 70.85	1.37	786,713	$ 71.12	1.69

The fair value of RSUs vested for the six months ended June 30, 2017 totaled $15.4 million (full year 2016: $10.8 million).

The fair value of PSUs vested for the six months ended June 30, 2017 totaled $14.5 million (the fair value of PSUs vested for the full year 2016 was $10.3 million).

The PSUs vest based on service and specified EPS targets over the period 2014 – 2017, 2015 – 2018, 2016 – 2019 and 2017 – 2020. Since 2013, 304,761 PSUs (net of forfeitures) have been granted. Up to an additional 282,568 PSUs may also be granted, based on the actual EPS from 2014 to 2020.

Non-cash stock compensation expense

Non-cash stock compensation expense for the three and six months ended June 30, 2017 has been allocated as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	(In thousands)		(In thousands)	
Direct costs	$5,450	$5,790	$10,304	$11,075
Selling, general and administrative	4,442	5,309	8,397	9,615

$9,892	$11,099	$18,701	$20,690

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Total non-cash stock compensation expense not yet recognized at June 30, 2017 amounted to $70.5 million. The weighted average period over which this is expected to be recognized is 2.3 years.

The amendments required by Accounting Standards Update (‘ASU’) 2016-09 ‘Improvements to Employee Share-Based Payment Accounting’ require the Company to record all tax effects related to share-based payments through the income statement rather than additional paid in capital. The Company has applied the updated standard prospectively in the first half of the year ended December 31, 2017.

8. Share Capital

On October 3, 2016 the Company commenced a previously announced share buyback program of up to $400 million. The Company can acquire up to 10% of 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.

The buyback program gives a broker authority to acquire the Company's ordinary shares from time to time on the open market in accordance with agreed terms and limitations. The acquisition of shares pursuant to the buyback program was effected by way of redemption and cancellation of the shares, in accordance with the Constitution of the Company.

During the six months ended June 30, 2017 1,368,136 ordinary shares were redeemed by the Company under this buyback program for a total consideration of $108.1 million. At June 30, 2017 a total of 2,797,323 ordinary shares were redeemed by the Company under this buyback program for a total consideration of $218.1 million. All ordinary shares that were redeemed under the buyback program were canceled in accordance with the Constitution of the Company and the nominal value of these shares transferred to an other undenominated capital reserve as required under Irish Company Law.

9. Business Segment Information

The Company determines and presents operating segments based on the information that is internally provided to the chief operating decision maker, together the ('CODM') in accordance with FASB ASC 280-10 Disclosures about Segments of an Enterprises and Related Information. The Chief Executive Officer, Chief Financial Officer and Chief Operating Officer, were together considered the Company's CODM in the period up to and including March 1, 2017. On March 1, 2017, Mr Ciaran Murray transitioned from his role as Chief Executive Officer to the role of Executive Chairman of the Board of Directors and Dr. Steve Cutler was appointed as Chief Executive Officer. As of March 1, 2017, the Company determined that the CODM is comprised of the Chief Executive Officer and the Chief Financial Officer.

The Company determines and presents operating segments based on the information that is provided to the CODM. The Company has determined that we operate in one single business segment which is the provision of outsourced development services on a global basis to the pharmaceutical, biotechnology and medical devices industries. There have been no changes to the basis of segmentation or the measurement basis for the segment results in the period.

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

The Company is generally awarded projects based upon responses to requests for proposals received from companies in the pharmaceutical, biotechnology and medical device industries or work orders executed under our strategic partnership arrangements. Contracts with customers are generally entered into centrally, in most cases with ICON Clinical Research Limited ("ICON Ireland"), the Company's principal operating subsidiary in Ireland. Revenues, which consist primarily of fees earned under these contracts, are allocated to individual entities within the Group, based on where the work is performed in accordance with the Company's global transfer pricing model.

ICON Ireland acts as the group entrepreneur under the Company's global transfer pricing model given its role in the development and management of the group, it's ownership of key intellectual property and customer relationships, its key role in the mitigation of risks faced by the group and its responsibility for maintaining the Company's global network. ICON Ireland enters into the majority of the Company's customer contracts.

ICON Ireland remunerates other operating entities 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 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.

The geographic split of revenue disclosed for each region outside Ireland is the cost plus revenue attributable to these entities. The residual revenues of the Group, once each ICON entity has been paid its respective intercompany service fee, generally fall to be retained by ICON Ireland. As such revenues and income from operations in Ireland are a function of this global transfer pricing model and comprise net revenues of the Group 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, Belgium, 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.

The geographical distribution of the Company’s segment measures as at June 30, 2017 and December 31, 2016 and for the three and six months ended June 30, 2017 and June 30, 2016 is as follows:

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

	Three Months ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	(in thousands)		(in thousands)	
Ireland	$95,891	$95,653	$205,096	$196,488
Rest of Europe	78,458	79,436	149,911	155,078
U.S.	206,078	193,377	407,693	377,467
Rest of World	50,596	42,164	100,277	82,119
Total	$431,023	$410,630	$862,977	$811,152

* All sales shown for Ireland are export sales.

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

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
	(in thousands)		(in thousands)	
Ireland	$38,640	$54,597	$102,608	$114,148
Rest of Europe	8,899	4,863	12,598	8,307
U.S.	26,248	11,826	36,747	22,610
Rest of World	4,211	2,641	11,703	4,872
Total	$77,998	$73,927	$163,656	$149,937

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

Three Months Ended		Six Months Ended
June 30,	June 30,	