ICON PLC /ADR/
Form 6-K
November 08, 2007

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 quarterly period ended September 30, 2007

ICON plc
(Registrant's name)

0-29714
(Commission file number)

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

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 Rule 12g3-2(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

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Quarterly Period Ended September 30, 2007

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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shall be deemed a part of such registration statement from the date on which this report is filed, to the extent not superseded by documents or reports subsequently filed or furnished by ICON plc under the Securities Act of 1933 or the Securities Exchange Act of 1934.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

We are a contract research organization, or CRO, providing clinical research and development services on a global basis to the pharmaceutical, biotechnology and medical device industries. Our focus is on supporting the conduct of clinical trials. We have historically done so by providing such services as Phase I – IV clinical trials management, study design, laboratory services and drug development support. We believe that we are one of a select group of CROs with the capability and expertise to conduct clinical trials in most major therapeutic areas on a global basis. As of September 30, 2007, we had approximately 5,400 employees worldwide, with operations in 65 locations in 33 countries, including the United States and major markets in Europe and Rest of World. For the nine months ended September 30, 2007, we derived approximately 52.8%, 41.2%, and 6% of our net revenue in the United States, Europe and Rest of World, respectively.

Headquartered in Dublin, Ireland, we began operations in 1990 and have expanded our business through internal growth and strategic acquisitions.

Recent Developments

On July 12, 2007, the Company acquired 100% of the common stock of DOCS International, a European based clinical research staffing organization, for a cash consideration of approximately $40.6 million (€29.5 million). DOCS International operates in eight European countries and focuses on the training and supply of contract and permanent clinical research personnel to the pharmaceutical and biotech industry.

On July 9, 2007, ICON plc entered into a facility agreement for the provision of a multi-currency revolving credit facility of €35 million ($49.5 million) with The Governor and Company of the Bank of Ireland. Our obligations under the facility are secured by certain composite guarantees and indemnities and pledges in favour of the bank. The facility bears interest at an annual rate equal to the interbank rate plus 0.6 percent. On July 10, 2007 the Company drew down €29.5 million ($40.6 million) of the facility to fund the acquisition of DOCS International.

ICON plc
CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT SEPTEMBER 30, 2007 AND DECEMBER 31, 2006

	(Unaudited) September 30, 2007	(Audited) December 31, 2006
ASSETS	(in thousands)	
Current Assets:		
Cash and cash equivalents	$ 69,499	$ 63,039
Short term investments - available for sale	28,707	39,822
Accounts receivable	136,696	108,216
Unbilled revenue	123,823	89,977
Other receivables	11,553	7,468
Deferred tax asset	4,373	6,028
Prepayments and other current assets	16,642	14,335
Income taxes receivable	583	-
Total current assets	391,876	328,885
Other Assets:		
Property, plant and equipment, net	109,952	68,208
Goodwill	124,353	78,717
Non-current deferred tax asset	5,599	531
Total Assets	$ 631,780	$ 476,341
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 13,560	$ 9,691
Payments on account	94,028	90,394
Other liabilities	66,591	51,956
Deferred tax liability	433	538
Bank credit lines and loan facilities	70,487	5,000
Income taxes payable	18,832	10,985
Total current liabilities	263,931	168,564
Other Liabilities:		
Long term government grants	1,177	1,170
Long term finance leases	70	163
Non-current deferred tax liability	5,388	2,586
Minority interest	1,228	1,120
Total Liabilities	271,794	173,603
Shareholders' Equity:		
Ordinary shares, par value 6 euro cents per share; 40,000,000 shares authorized, 28,783,048 shares issued and outstanding at September 30, 2007 and 28,517,852 shares issued and outstanding at December 31, 2006	2,118	2,100
Additional paid-in capital	143,059	133,996
Accumulated other comprehensive income	22,600	14,515

Retained earnings		192,209		152,127
Total Shareholders' Equity		359,986		302,738
Total Liabilities and Shareholders' Equity	$	631,780	$	476,341

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

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007 AND SEPTEMBER 30, 2006
(UNAUDITED)

	Three Months Ended		Nine Months Ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
	(in thousands except share and per share data)			
Revenue:				
Gross revenue	$ 231,819	$ 171,109	$ 625,942	$ 465,497
Subcontractor costs	(64,903)	(50,395)	(175,890)	(138,852)
Net revenue	166,916	120,714	450,052	326,645
Costs and expenses:				
Direct costs	91,675	68,428	254,107	183,146
Selling, general and administrative expense	51,518	35,800	132,864	98,477
Depreciation and amortization	5,020	3,875	13,626	11,009
Total costs and expenses	148,213	108,103	400,597	292,632
Income from operations	18,703	12,611	49,455	34,013
Interest income	927	995	3,027	2,646
Interest expense	(911)	(44)	(948)	(110)
Income before provision for income taxes	18,719	13,562	51,534	36,549
Provision for income taxes	(4,158)	(3,423)	(11,344)	(9,496)
Minority interest	(60)	(45)	(108)	(121)
Net income	$ 14,501	$ 10,094	$ 40,082	$ 26,932
Net income per Ordinary Share:				
Basic	$ 0.50	$ 0.36	$ 1.40	$ 0.95
Diluted	$ 0.49	$ 0.35	$ 1.35	$ 0.94
Weighted average number of Ordinary Shares outstanding:				
Basic	28,760,726	28,351,525	28,669,798	28,333,823
Diluted	29,826,457	29,085,080	29,714,585	28,709,932

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

ICON plc
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND SEPTEMBER 30, 2006
(UNAUDITED)

	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
	(in thousands)	
Cash flows from operating activities:		
Net income	$ 40,082	$ 26,932
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on disposal of property, plant and equipment	417	197
Depreciation and amortization	13,626	11,012
Amortization of grants	(87)	(85)
Share compensation expense	3,940	2,993
Deferred taxes	(278)	(310)
Minority interest	108	121
Changes in assets and liabilities:		
Increase in accounts receivable	(19,532)	(26,546)
Increase in unbilled revenue	(32,089)	(11,340)
Decrease in other receivables	1,760	1,864
Increase in prepayments and other current assets	(815)	(2,617)
Increase in payments on account	1,805	16,530
Increase in other liabilities	2,199	13,082
Increase in income taxes payable	6,295	703
Increase/(decrease) in accounts payable	2,487	(498)
Net cash provided by operating activities	19,918	32,038
Cash flows from investing activities:		
Purchase of property, plant and equipment	(49,660)	(19,260)
Purchase of subsidiary undertakings and acquisition costs	(40,568)	(6,837)
Purchase of short term investments	-	(20,021)
Sale of short term investments	11,116	3,008
Overdraft assumed/cash received on acquisition	(2,424)	341
Deferred payments in respect of prior year acquisitions	-	(96)
Net cash used in investing activities	(81,536)	(42,865)
Cash flows from financing activities:		
Drawdown/(repayment) of bank credit lines and loan facilities	65,487	(888)
Proceeds from exercise of share options	4,188	6,015
Share issuance costs	(117)	(28)
Tax benefit from the exercise of share options	1,070	955
Repayment of other liabilities	(87)	(84)
Net cash provided by financing activities	70,541	5,970
Effect of exchange rate movements on cash	(2,463)	236
Net increase/(decrease) in cash and cash equivalents	6,460	(4,621)

Cash and cash equivalents at beginning of period	63,039	59,509
Cash and cash equivalents at end of period	$ 69,499	$ 54,888

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	Accumulated Other Comprehensive Income	Retained Earnings	Total
	(dollars in thousands, except share data)					
Balance at December 31, 2006	28,517,852	$ 2,100	$ 133,996	$ 14,515	$ 152,127	$ 302,738
Comprehensive Income:						
Net income					40,082	40,082
Currency translation adjustment				8,085		8,085
Total comprehensive income						350,905
Share issuance costs			(117)			(117)
Exercise of share options	265,196	18	4,170			4,188
Non-cash stock compensation expense			3,940			3,940
Tax benefit on exercise of share options			1,070			1,070
Balance at September 30, 2007	28,783,048	$ 2,118	$ 143,059	$ 22,600	$ 192,209	$ 359,986

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)
SEPTEMBER 30, 2007**

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, 2006. Operating results for the nine months ended September 30, 2007 are not necessarily indicative of the results that may be expected for the fiscal period ending December 31, 2007.

2. Goodwill

		September 30, 2007		December 31, 2006
		(in thousands)		
Opening balance	$	78,717	$	65,731
Payments made in respect of current period acquisitions		43,351		9,005
Payments made in respect of prior period acquisitions		-		96
Foreign exchange movement		2,285		3,885
Closing balance	$	124,353	$	78,717

The goodwill balance relates entirely to the clinical research segment.

Acquisition of Docs International

On July 12, 2007 the Company acquired 100% of the common stock of DOCS International ("DOCS"), a European based clinical research staffing organization, for a cash consideration of approximately $40.6 million (€29.5 million), excluding costs of acquisition.

The acquisition of DOCS has been accounted for as a purchase in accordance with SFAS No. 141, "Business Combinations". The following table summarises the fair values of the assets acquired and the liabilities assumed at the date of acquisition.

		At July 12, 2007
		(in thousands)
Property, plant and equipment	$	984

Goodwill		43,351
Cash		(2,355)
Other current assets		7,362
Current liabilities		(8,198)
Purchase price	$	41,144

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Prior Period Acquisitions

On July 10, 2006, the Company acquired 100% of the common stock of Ovation Healthcare Research 2 Inc. ("Ovation"), based in Illinois, USA, for an initial cash consideration of U.S.$6.6 million, excluding costs of acquisition. Working capital provisions had been built into the acquisition contract requiring the potential payment of additional deferred consideration up to a maximum of U.S.$1.4 million. On October 27, 2006, $0.18 million was paid to the former shareholders of Ovation in full and final settlement of the working capital provisions.

The acquisition of Ovation has been accounted for as a purchase in accordance with SFAS No. 141, "Business Combinations". The following table summarises the fair values of the assets acquired and the liabilities assumed at the date of acquisition.

		At July 10, 2006 (in thousands)
Property, plant and equipment	$	384
Goodwill		9,005
Cash		341
Other current assets		4,381
Current liabilities		(6,952)
Long term liabilities		(124)
Purchase price	$	7,035

On September 9, 2003, the Company acquired 100% of the outstanding shares of GloboMax LLC ("GloboMax"), based in Maryland, USA, for an initial cash consideration of $10.9 million, excluding costs of acquisition. Earn out provisions were built into the acquisition contract requiring the potential payment of additional deferred consideration up to a maximum of US$4 million depending on the performance of GloboMax over the period from date of acquisition to May 31, 2006. On August 26, 2005, cash consideration of US$1.4 million was paid to the former shareholders of GloboMax in respect of the first earn out target which was reached on May 31, 2005. On May 31, 2006 a final payment of $96,131 was made to the former shareholders of GloboMax. No further payments are anticipated.

3. Adoption of the provisions of FASB Interpretation No. 48 *Accounting for Uncertainty in Income Taxes*

In June 2006, the FASB issued FIN 48, *Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109, Accounting for Income Taxes*. The Interpretation addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements.

Under FIN 48, the Company may recognize the tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being recognized upon ultimate settlement.

FIN 48 also provides guidance on derecognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures.

The Company adopted the provisions of FIN 48 effective January 1, 2007. As a result of the implementation of FIN 48, the Company maintains a $11.2 million liability for unrecognized tax benefit, which is comprised of $10.2 million related to items generating unrecognized tax benefits and $1.0 million for interest and related penalties to such items.

The Company recognizes interest accrued on unrecognized tax benefits as an additional income tax expense.

Any recognition of an unrecognized tax liability would impact the Company's effective tax rate in that period. We do not anticipate that the total unrecognized tax benefits or our effective tax rate will significantly change due to the settlement of audits and the expiration of statutes of limitations within the next 12 months.

The Company has analyzed 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 2003 through 2006 tax years. The Company does not believe that the outcome of any examination will have a material impact on its financial statements.

4. 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		Nine Months Ended	
	Sept 30, 2007	Sept 30, 2006	Sept 30, 2007	Sept 30, 2006
Weighted average number of ordinary shares outstanding for basic net income per ordinary share	28,760,726	28,351,525	28,669,798	28,333,823
Effect of dilutive share options outstanding	1,065,731	733,555	1,044,787	376,109
Weighted average number of ordinary shares for diluted net income per ordinary share	29,826,457	29,085,080	29,714,585	28,709,932

5. Stock Options

On January 17, 2003, the Company adopted the Share Option Plan 2003 (the "2003 Plan") pursuant to which the Compensation Committee of the Company's Board of Directors may grant options to officers and other employees of the Company or its subsidiaries for the purchase of ordinary shares. Each option will be an employee stock option, or NSO, as described in Section 422 or 423 of the Code. Each grant of an option under the 2003 Plan will be evidenced by a Stock Option Agreement between the optionee and the Company. The exercise price will be specified in each Stock Option Agreement, however option prices will not be less than 100% of the fair market value of an ordinary share on the date the option is granted.

An aggregate of 3.0 million ordinary shares have been reserved under the 2003 Plan; in no event will the number of ordinary shares that may be issued pursuant to options awarded under the 2003 Plan exceed 10% of the outstanding shares, as defined in the 2003 Plan, at the time of the grant. Further, the maximum number of ordinary shares with respect to which options may be granted under the 2003 Plan during any calendar year to any employee shall be 200,000 ordinary shares.

No options can be granted after January 17, 2013.

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Accounting Standards ("SFAS") 123 (revised 2004), *Share Based Payment* ("SFAS 123R") which replaced SFAS 123 *Accounting for*

Stock-Based Compensation and supersedes Accounting Principles Board ("APB") Opinion No. 25 *Accounting for Stock Issued to Employees*. SFAS 123R requires, with effect from accounting periods beginning after June 15, 2005 that all share based payments to employees, including stock options granted, be recognized in the financial statements based on their grant date fair values.

The Company has adopted SFAS 123R with effect from January 1, 2006 with the Black-Scholes method of valuation being used to calculate the fair value of options granted. The Company adopted SFAS 123R using the modified-prospective transition method. Under that transition method compensation cost recognized in the three months ended September 30, 2007 includes; (a) compensation cost for all share-based payments granted prior to, but not yet vested as of, January 1, 2006 based on grant date fair value estimated in accordance with the original provisions of SFAS 123 and (b) compensation cost for all share based payments granted subsequent to January 1, 2006 based on grant date fair values estimated in accordance with the provisions of SFAS 123R. Results for prior periods have not been restated.

The following table summarizes option activity for the nine months ended September 30, 2007:

	Options Outstanding Number of Shares	Weighted Average Exercise Price	Weighted Average Fair Value	Weighted Average Remaining Contractual Life
Outstanding at December 31, 2006	2,321,852	$ 18.61	$ 8.45	
Granted	625,415	42.51	18.23	
Exercised	(265,276)	16.54	7.73	
Forfeited	(121,143)	24.14	10.66	
Outstanding at September 30, 2007	2,560,848	$ 24.36	$ 10.81	5.64
Exercisable at September 30, 2007	720,670	$ 18.92	$ 8.65	4.55

Share option awards are generally 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 September 30, 2007 is eight years.

The weighted average fair value of stock options granted during the nine months ended September 30, 2007 calculated using the Black-Scholes option pricing model, was $18.23 based on the following assumptions; dividend yield - 0%, risk free interest rate – 4.7%, expected volatility - 40% and weighted average expected life – 5.11 years.

Expected volatility is based on 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. gilts zero-coupon yield curve in effect at time of grant for periods corresponding with the expected life of the option.

Income from operations for the nine months ended September 30, 2007 is stated after charging $3.9 million in respect of non-cash stock compensation expense. Basic and diluted earnings per share for the nine months ended September 30, 2007 had SFAS 123R not been introduced would have been $1.54 and $1.47 respectively. Non-cash stock compensation expense for the nine months ended September 30, 2007 has been allocated to direct costs and selling, general and administrative expenses as follows:

	Three Months Ended		Nine Months Ended	
	Sept 30, 2007	Sept 30, 2006	Sept 30, 2007	Sept 30, 2006
	(In thousands)		(In thousands)	
Direct costs	$ 760	565	$ 2,167	1,649
Selling, general and administrative	620	460	1,773	1,344
	$ 1,380	1,025	$ 3,940	2,993

Non vested shares outstanding as at September 30, 2007 are as follows:

	Options Outstanding Number of Shares	Weighted Average Exercise Price	Weighted Average Fair Value
Non vested outstanding at December 31, 2006	1,788,308	$ 19.32	