

ICON PLC /ADR/
Form 6-K
April 21, 2011

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 March, 2011

ICON plc
(Registrant's name)

0-29714
(Commission file number)

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

Ciaran Murray, CFO
South County Business Park, Leopardstown, Dublin 18, Ireland.
Ciaran.Murray@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 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

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

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

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shall be deemed a part of such registration statement from the date on which this report is filed, to the extent not superseded by documents or reports subsequently filed or furnished by ICON plc under the Securities Act of 1933 or the Securities Exchange Act of 1934.

1

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 (“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 Clinical Development - from compound selection to Phase I-IV clinical studies.

We believe that we are one of a select group of CRO’s with the capability and expertise to conduct clinical trials in most major therapeutic areas on a global basis. At March 31, 2011 we had approximately 7,720 employees, in 77 locations in 39 countries, providing Phase I - IV Clinical Trial Management, Drug Development Support Services, Data Management and Biostatistical, Central Laboratory, Imaging and Contract Staffing services. We have the operational flexibility to provide development services on a stand-alone basis or as part of an integrated “full service” solution.

Headquartered in Dublin, Ireland, we began operations in 1990 and have expanded our business through internal growth and strategic acquisitions. ICON plc’s principal executive office is located at: South County Business Park, Leopardstown, Dublin 18, Republic of Ireland. The contact telephone number of this office is 353 (1) 291 2000. For the three months ended March 31, 2011 we derived approximately 40.4%, 48.2% and 11.4% of our net revenue in the United States, Europe and Rest of World, respectively.

Recent Developments

Acquisitions

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

ICON plc
CONDENSED CONSOLIDATED BALANCE SHEETS

AS AT MARCH 31, 2011 AND DECEMBER 31, 2010

	(Unaudited) March 31, 2011	(Audited) December 31, 2010
	(in thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 191,813	\$ 255,706
Short term investments - available for sale	40,000	-
Accounts receivable	188,097	164,907
Unbilled revenue	121,998	101,431
Other receivables	14,307	12,451
Deferred tax asset	8,689	5,623
Prepayments and other current assets	21,036	20,592
Income taxes receivable	9,124	18,966
Total current assets	595,064	579,676
Other Assets:		
Property, plant and equipment, net	175,552	170,861
Goodwill	220,217	175,860
Non-current other assets	4,472	4,353
Non-current income taxes receivable	475	482
Non-current deferred tax asset	10,145	10,028
Intangible assets	7,760	8,278
Total Assets	\$ 1,013,685	\$ 949,538
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 8,607	\$ 12,314
Payments on account	143,024	134,240
Other liabilities	136,874	100,182
Deferred tax liability	986	956
Income taxes payable	1,520	2,634
Total current liabilities	291,011	250,326
Other Liabilities:		
Non-current other liabilities	3,857	3,676
Non-current government grants	1,514	1,470
Non-current income taxes payable	10,016	10,205
Non-current deferred tax liability	14,168	13,862
Shareholders' Equity:		
Ordinary shares, par value 6 euro cents per share; 100,000,000 shares authorized, 60,323,300 shares issued and outstanding at March 31, 2011 and 60,247,092 shares issued and outstanding at December 31, 2010	5,070	5,063
Additional paid-in capital	199,950	196,960
Accumulated other comprehensive income	12,171	396
Retained earnings	475,928	467,580
Total Shareholders' Equity	693,119	669,999
Total Liabilities and Shareholders' Equity	\$ 1,013,685	\$ 949,538

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

ICON plc

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND MARCH 31, 2010

(UNAUDITED)

	Three Months Ended	
	March 31, 2011	March 31, 2010
	(in thousands except share and per share data)	
Revenue:		
Gross revenue	\$ 305,547	\$ 309,551
Reimbursable expenses	(76,250)	(90,439)
Net revenue	229,297	219,112
Costs and expenses:		
Direct costs	144,470	131,318
Selling, general and administrative expense	59,883	52,294
Depreciation and amortization	8,973	8,722
Restructuring charges	5,002	-
Total costs and expenses	218,328	192,334
Income from operations	10,969	26,778
Interest income	233	235
Interest expense	(167)	(427)
Income before provision for income taxes	11,035	26,586
Provision for income taxes	(2,687)	(4,387)
Net income	\$ 8,348	\$ 22,199
Net income per Ordinary Share:		
Basic	\$ 0.14	\$ 0.38
Diluted	\$ 0.14	\$ 0.37
Weighted average number of Ordinary Shares outstanding:		
Basic	60,283,078	59,122,650
Diluted	60,982,948	60,313,774

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

ICON plc
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND MARCH 31, 2010
 (UNAUDITED)

	Three Months Ended	
	March 31, 2011	March 31, 2010
	(in thousands)	
Cash flows from operating activities:		
Net income	\$8,348	\$22,199
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on disposal of property, plant and equipment	13	3
Depreciation and amortization	8,973	8,722
Amortization of grants	(31)	(39)
Share-based compensation expense	1,943	1,797
Deferred taxes	(7,005)	(382)
Changes in assets and liabilities:		
(Increase)/decrease in accounts receivable	(13,373)	1,476
(Increase)/decrease in unbilled revenue	(20,546)	2,859
Increase in other receivables	(1,660)	(111)
Increase/(decrease) in prepayments and other current assets	232	(2,633)
Increase in other non current assets	(119)	(597)
Increase/(decrease) in payments on account	7,817	(186)
Increase/(decrease) in other current liabilities	2,993	(12,624)
Increase in other non current liabilities	181	330
Increase/(decrease) in income taxes payable	12,282	(630)
Decrease in accounts payable	(5,331)	(3,419)
Net cash (used in)/provided by operating activities	(5,283)	16,765
Cash flows from investing activities:		
Purchase of property, plant and equipment	(6,023)	(9,549)
Purchase of subsidiary undertakings	(27,720)	-
Cash acquired with subsidiary undertaking	6,335	-
Purchase of short term investments	(40,000)	(30,260)
Sale of short term investments	-	49,227
Net cash (used in)/provided by investing activities	(67,408)	9,418
Cash flows from financing activities:		
Proceeds from exercise of share options	819	4,473
Share issuance costs	(63)	(11)
Tax benefit from the exercise of share options	298	1,158
Repayment of other liabilities	-	(84)
Net cash provided by financing activities	1,054	5,536
Effect of exchange rate movements on cash	7,744	(7,036)
Net (decrease)/increase in cash and cash equivalents	(63,893)	24,683
Cash and cash equivalents at beginning of period	255,706	144,801
Cash and cash equivalents at end of period	\$191,813	\$169,484

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

ICON plc

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, 2010	60,247,092	\$ 5,063	\$ 196,960	\$ 396	\$ 467,580	\$ 669,999
Comprehensive						
Income:						
Net income					8,348	8,348
Currency translation adjustment	-	-	-	13,239	-	13,239
Currency impact of long term funding (net of taxation)				(1,464)		(1,464)
Total comprehensive income						20,123
Exercise of share options	76,208	7	812			819
Share issuance costs			(63)			(63)
Non-cash stock compensation expense			1,943			1,943
Tax benefit on exercise of options			298			298
Balance at March 31, 2011	60,323,300	\$ 5,070	\$ 199,950	\$ 12,171	\$ 475,928	\$ 693,119

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

ICON plc

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
MARCH 31, 2011

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, 2010. Operating results for the three months ended March 31, 2011 are not necessarily indicative of the results that may be expected for the fiscal period ending December 31, 2011.

2. Goodwill

	March 31, 2011	December 31, 2010
	(in thousands)	
Opening balance	\$ 175,860	\$ 173,568
Current period acquisitions	41,462	3,505
Prior period acquisitions	-	2,539
Foreign exchange movement	2,895	(3,752)
Closing balance	\$ 220,217	\$ 175,860

The goodwill balance relates entirely to the clinical research segment.

Acquisition of Oxford Outcomes

On January 14, 2011 the Company acquired approximately 80% of the common stock of Oxford Outcomes Limited, a leading international health outcomes consultancy business, headquartered in Oxford, United Kingdom, and with offices in the USA and Canada, for an initial cash consideration of £17.8 million (\$27.7 million). Oxford Outcomes provides specialist services in the areas of patient reported outcomes (PRO), health economics, epidemiology and translation and linguistic validation. Further consideration of up to £6.5 million (\$10.2 million) may become payable during the period to March 31, 2012 if certain performance milestones are achieved. The Company has accrued £6.5 million (\$10.2 million) in respect of these milestones at March 31, 2011. In addition, the acquisition agreement also provides for certain working capital targets to be achieved by Oxford Outcomes Limited on completion, with additional amounts payable by or refundable to the Company based on the achievement of these targets. The Company has accrued \$5.2 million at March 31, 2011 in respect of additional amounts potentially payable on completion of this review.

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

The acquisition of Oxford Outcomes 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:

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

Goodwill represents the acquisition of an established workforce with experience in the areas of patient reported outcomes (PRO), health economics, epidemiology and translation and linguistic validation.

Prior Period Acquisitions - Acquisition of Timaq Medical Imaging

On May 17, 2010 the Company acquired Timaq Medical Imaging (“Timaq”), a European provider of advanced imaging services to the pharmaceutical and biotechnology industry, located in Zurich, Switzerland for an initial cash consideration of CHF 1.3 million (\$1.2 million). Certain performance milestones were built into the acquisition agreement requiring potential additional consideration of up to CHF 2.9 million (\$3.1 million) if these milestones are achieved during the years ended December 31, 2010 to December 31, 2013. On December 31, 2010 CHF 0.3 million (\$0.3 million) was paid to the former shareholders in respect of certain milestones for the year ended December 31, 2010. CHF 2.6 million (\$2.9 million) has been accrued in relation to the remaining milestones at March 31, 2011.

The acquisition of Timaq 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 17 2010 (in thousands)
Property, plant and equipment	\$ 107
Goodwill	3,505
Intangible assets	770
Other current assets	160
Current liabilities	(719)
Purchase price	\$ 3,823

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

3. Restructuring charges

Restructuring charges recognized during the three months ended March 31, 2011 comprise:

	Three Months Ended	
	March 31, 2011	March 31, 2010
	(in thousands)	
Restructuring charges	\$ 5,002	\$ -

During the three months ended March 31, 2011 the Company commenced a review of its operations to improve resource utilization within the business and better align resources to current and future growth opportunities of the business. This review resulted in the adoption of a restructuring plan, 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 restructuring charge of \$5.0 million was recognized during the three months ended March 31, 2011, \$1.0 million in respect of lease termination and exit costs associated with the closure of the Edinburgh facility and \$4.0 million in respect of workforce reductions.

4. Income Taxes

As at March 31, 2011 the Company maintains a \$9.5 million liability (December 31, 2010: \$9.7 million) for unrecognized tax benefit, which is comprised of \$8.0 million (December 31, 2010: \$8.1 million) related to items generating unrecognized tax benefits and \$1.5 million (December 31, 2010: \$1.8 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 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 2006 through 2010 tax years. The Company does not believe that the outcome of any examination will have a material impact on its financial statements.

5. 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	
	March 31, 2011	March 31, 2010
Weighted average number of ordinary shares outstanding	60,283,078	59,122,650

for basic net income per ordinary share		
Effect of dilutive share options outstanding	699,870	1,191,124
Weighted average number of ordinary shares for diluted net income per ordinary share	60,982,948	60,313,774

6. Stock 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 Employees 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 Option Plan. No options may be granted under the plans after July 21, 2018.

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

On January 17, 2003 the Company adopted the Share Option Plan 2003 (the “2003 Plan”) pursuant to which the Compensation and Organization Committee of the Board may grant options to officers and other employees of the Company or its subsidiaries for the purchase of ordinary shares. Each grant of an option under the 2003 Plan will be evidenced by a Stock Option Agreement between the employee and the Company. The exercise price will be specified in each Stock Option Agreement.

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

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 March 31, 2011 is eight years.

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The following table summarizes option activity for the three months ended March 31, 2011:

	Options Outstanding Number of Shares		Weighted Average Exercise Price		Weighted Average Fair Value		Weighted Average Remaining Contractual Life
Outstanding at December 31, 2010	4,798,677	\$	21.71	\$	8.47		
Granted	808,619	\$	20.25	\$	8.52		
Exercised	(76,208)	\$	10.74	\$	4.67		
Forfeited	(137,410)	\$	25.52	\$	9.74		
Outstanding at March 31, 2011	5,393,678	\$	21.55	\$	8.50		5.11
Exercisable at March 31, 2011	2,764,651	\$	19.43	\$	7.76		3.72

The Company has granted options with fair values ranging from \$3.68 to \$13.93 per option or a weighted average fair value of \$6.48 per option. The Company issues ordinary shares for all options exercised. The total amount of fully vested share options which remained outstanding at March 31, 2011 was 2,764,651. Fully vested share options at March 31, 2011 have an average remaining contractual term of 3.72 years, an average exercise price of \$19.43 and a total intrinsic value of \$14.1 million. The total intrinsic value of options exercised during the three months ended March 31, 2011 was \$0.8 million (March 31, 2010: \$7.2 million).

The following table summarizes the movement in non-vested share options for the three months ended March 31, 2011:

	Options Outstanding Number of Shares		Weighted Average Exercise Price		Weighted Average Fair Value
Non vested outstanding at December 31, 2010	2,673,674	\$	24.76	\$	9.48