ICON PLC /ADR/
Form 6-K
May 07, 2010

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 April, 2010

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
0011-353-1-291-2000
(Name, telephone number, email and/or facsmile 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 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

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shall be deemed a part of such registration statement from the date on which this report is filed, to the extent not superseded by documents or reports subsequently filed or furnished by ICON plc under the Securities Act of 1933 or the Securities Exchange Act of 1934.

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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, 2010, we had 7,268 employees, in 69 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, 2010, we derived approximately 44.5%, 45.5% and 10.0% of our net revenue in the United States, Europe and Rest of World, respectively.

ICON plc

CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT MARCH 31, 2010 AND DECEMBER 31, 2009

	(Unaudited) March 31, 2010	(Audited) December 31, 2009
	(in thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 169,484	$ 144,801
Short term investments - available for sale	30,260	49,227
Accounts receivable	183,445	191,924
Unbilled revenue	92,480	92,080
Other receivables	12,851	13,016
Deferred tax asset	10,332	9,625
Prepayments and other current assets	22,051	20,126
Income taxes receivable	15,132	14,627
Total current assets	536,035	535,426
Other Assets:		
Property, plant and equipment, net	172,412	178,989
Goodwill	168,739	173,568
Non-current other assets	3,679	3,082
Non-current income taxes receivable	482	483
Non-current deferred tax asset	6,592	6,890
Intangible assets	9,162	9,960
Total Assets	$ 897,101	$ 908,398
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 8,335	$ 12,123
Payments on account	163,589	165,198
Other liabilities	100,243	119,666
Deferred tax liability	750	751
Income taxes payable	2,565	1,782
Total current liabilities	275,482	299,520
Other Liabilities:		
Non-current other liabilities	3,088	2,844
Non-current government grants	1,611	1,750
Non-current income taxes payable	19,242	19,350
Non-current deferred tax liability	12,697	12,688
Shareholders' Equity:		
Ordinary shares, par value 6 euro cents per share; 100,000,000 shares authorized, 59,444,119 shares issued and outstanding at March 31, 2010 and 59,007,565 shares issued and outstanding at December 31, 2009	5,001	4,965
Additional paid-in capital	181,569	174,188
Accumulated other comprehensive income	(4,297)	12,584
Retained earnings	402,708	380,509
Total Shareholders' Equity	584,981	572,246

Total Liabilities and Shareholders' Equity	$	897,101	$	908,398

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, 2010 AND MARCH 31, 2009
(UNAUDITED)

	Three Months Ended March 31, 2010	March 31, 2009
	(in thousands except share and per share data)	
Revenue:		
Gross revenue	$309,551	$318,538
Reimbursable expenses	(90,439)	(98,707)
Net revenue	219,112	219,831
Costs and expenses:		
Direct costs	131,318	124,168
Selling, general and administrative expense	52,294	61,258
Depreciation and amortization	8,722	7,490
Total costs and expenses	192,334	192,916
Income from operations	26,778	26,915
Interest income	235	488
Interest expense	(427)	(1,224)
Income before provision for income taxes	26,586	26,179
Provision for income taxes	(4,387)	(5,235)
Net income	$22,199	$20,944
Net income per Ordinary Share:		
Basic	$0.38	$0.36
Diluted	$0.37	$0.35
Weighted average number of Ordinary Shares outstanding:		
Basic	59,122,650	58,537,795
Diluted	60,313,774	59,771,335

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

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ICON plc
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND MARCH 31, 2009
(UNAUDITED)

	Three Months Ended March 31, 2010	March 31, 2009
	(in thousands)	
Cash flows from operating activities:		
Net income	$22,199	$20,944
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on disposal of property, plant and equipment	3	173
Depreciation and amortization	8,722	7,490
Amortization of grants	(39)	(36)
Share-based compensation expense	1,797	1,594
Deferred taxes	(382)	(2,181)
Changes in assets and liabilities:		
Decrease/(increase) in accounts receivable	1,476	(15,471)
Decrease in unbilled revenue	2,859	17,369
(Increase)/decrease in other receivables	(111)	6,824
Increase in prepayments and other current assets	(2,633)	(4,623)
Increase in other non current assets	(597)	(272)
(Decrease)/increase in payments on account	(186)	14,223
Decrease in other current liabilities	(12,624)	(19,280)
Increase in other non current liabilities	330	302
(Decrease)/increase in income taxes payable	(630)	4,893
Decrease in accounts payable	(3,419)	(7,279)
Net cash provided by operating activities	16,765	24,670
Cash flows from investing activities:		
Purchase of property, plant and equipment	(9,549)	(8,120)
Purchase of subsidiary undertakings & acquisition costs	-	(17,400)
Purchase of short term investments	(30,260)	-
Sale of short term investments	49,227	16,544
Net cash provided by/(used in) investing activities	9,418	(8,976)
Cash flows from financing activities:		
Drawdown of credit lines and facilities	-	17,400
Repayment of credit lines and facilities	-	(20,116)
Proceeds from exercise of share options	4,473	357
Share issuance costs	(11)	(33)
Tax benefit from the exercise of share options	1,158	3
Repayment of other liabilities	(84)	(79)
Net cash provided by/ (used in) financing activities	5,536	(2,468)
Effect of exchange rate movements on cash	(7,036)	(788)
Net increase in cash and cash equivalents	24,683	12,438
Cash and cash equivalents at beginning of period	144,801	58,378

Cash and cash equivalents at end of period	$169,484	$70,816

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

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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, 2009	59,007,565	$ 4,965	$ 174,188	$ 12,584	$ 380,509	$ 572,246
Comprehensive Income:						
Net income					22,199	22,199
Currency translation adjustment (net of taxation)	-	-	-	(16,881)	-	(16,881)
Total comprehensive income						5,318
Share issuance costs			(11)			(11)
Exercise of share options	436,554	36	4,437			4,473
Non-cash stock compensation expense			1,797			1,797
Tax benefit on exercise of options			1,158			1,158
Balance at March 31, 2010	59,444,119	$ 5,001	$ 181,569	$ (4,297)	$ 402,708	$ 584,981

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, 2010

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, 2009. Operating results for the three months ended March 31, 2010, are not necessarily indicative of the results that may be expected for the fiscal period ending December 31, 2010.

2. Goodwill

	March 31, 2010	December 31, 2009
	(in thousands)	
Opening balance	$ 173,568	$ 169,344
Current period acquisitions	-	1,584
Prior period acquisitions	-	(836)
Foreign exchange movement	(4,829)	3,476
Closing balance	$ 168,739	$ 173,568

The goodwill balance relates entirely to the clinical research segment.

Prior Period Acquisitions - Acquisition of Qualia Clinical Services Inc. and Veeda Laboratories Ltd.

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

The acquisitions of Qualia Clinical Services Inc. and Veeda Laboratories Ltd. were accounted for as business combinations in accordance with FASB ASC 805 Business Combinations which is effective for all acquisitions which have taken place since January 1, 2009.

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

	2009 (in thousands)
Property, plant and equipment	$ 361
Intangible assets	352
Goodwill	1,584
Cash	32
Other current assets	404
Current liabilities	(507)
Non current liabilities	(12)
Purchase price	$ 2,214

Goodwill represents the acquisition of an established workforce with experience in the provision of Phase I clinical trial management services to pharmaceutical and biotechnology companies.

3. Income Taxes

As at March 31, 2010, the Company maintains an $18.8 million liability (December 31, 2009: $18.9 million) for unrecognized tax benefit, which is comprised of $15.2 million (December 31, 2009: $15.4 million) related to items generating unrecognized tax benefits and $3.6 million (December 31, 2009: $3.5 million) for interest and penalties related 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 2005 through 2009 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	
	March 31, 2010	March 31, 2009
Weighted average number of ordinary shares outstanding for basic net income per ordinary share	59,122,650	58,537,795
Effect of dilutive share options outstanding	1,191,124	1,233,540
Weighted average number of ordinary shares for diluted net income per ordinary share	60,313,774	59,771,335

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5. 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 (the “Committee”) 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 Committee may grant options to any consultant, adviser or non-executive director retained by the Company or any Subsidiary for the purchase of ordinary shares.

Each option granted under the 2008 Employee Plan or the 2008 Consultants Plan (together the “2008 Option Plans”) will be an employee stock option, or NSO, as described in Section 422 or 423 of the Code. Each grant of an option under the 2008 Option Plans will be evidenced by a Stock Option Agreement between the optionee and the Company. The exercise price will be specified in each Stock Option Agreement, however option prices will not be less than 100% of the fair market value of an ordinary share on the date the option is granted.

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

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

On January 17, 2003, the Company adopted the Share Option Plan 2003 (the “2003 Plan”) pursuant to which the Committee 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 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 March 31, 2010, is eight years.

The following table summarizes option activity for the three months ended March 31, 2010:

	Options Outstanding Number of Shares	Weighted Average Exercise Price	Weighted Average Fair Value	Weighted Average Remaining Contractual Life
Outstanding at December 31, 2009	5,408,222	$ 18.99	$ 7.60	
Granted	971,552	$ 24.43	$ 9.13	
Exercised	(436,554)	$ 10.24	$ 4.59	
Forfeited	(40,165)	$ 25.18	$ 9.76	
Outstanding at March 31, 2010	5,903,055	$ 20.49	$ 8.06	5.24
Exercisable at March 31, 2010	2,962,110	$ 16.30	$ 6.65	3.96

The Company has granted options with fair values ranging from $3.17 to $13.93 per option or a weighted average fair value of $6.19 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, 2010, was 2,962,110. Fully vested share options at March 31, 2010, have an average remaining contractual term of 3.96 years, an average exercise price of $16.30 and a total intrinsic value of $34.8 million. The total intrinsic value of options exercised during the three months ended March 31, 2010, was $7.2 million (March 31, 2009: $0.3 million).

Non vested shares outstanding as at March 31, 2010, are as follows:

	Options Outstanding Number of Shares	Weighted Average Exercise Price	Weighted Average Fair Value
Non vested outstanding at December 31, 2009	2,904,687	$23.60	$9.24
Granted	971,552	$24.43	$9.13
Vested	(866,139)	$20.74	$8.26
Forfeited	(69,155)	$23.79	$9.42
Non vested outstanding at March 31, 2010	2,940,945	$22.11	$8.10

Fair value of Stock Options Assumptions

The weighted average fair value of options granted during the period ended March 31, 2010, and March 31, 2009 was calculated using the Black-Scholes option pricing model. The weighted average fair values and assumptions used were as follows:

	Three Months Ended	
	March 31, 2010	March 31, 2009
Weighted average fair value	$9.13	$8.76
Assumptions:		
Expected volatility	45 %	45 %
Dividend yield	0 %	0 %
Risk-free interest rate	1.8 %	0.3 %
Expected life	4.05 years	5.11 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

On August 7, 2008, the Company issued 6,280 restricted share units to certain employees of the Group. These shares are exercisable over periods ranging from February 26, 2009, to February 26, 2011. The market value of the Company's shares on date of issue was $41.95.

Non-cash stock compensation expense

Income from operations for the three months ended March 31, 2010, is stated after charging $1.8 million in respect of non-cash stock compensation expense. Non-cash stock compensation expense for the three months ended March 31, 2010, has been allocated to direct costs and selling, general and administrative expenses as follows:

	Three Months Ended	
	March 31, 2010	March 31, 2009
	(in thousands)	
Direct costs	$990	$878
Selling, general and administrative	807	716
	$1,797	$1,594

Total non-cash stock compensation expense not yet recognized at March 31, 2010, amounted to U.S.$24.8 million. The weighted average period over which this is expected to be recognized is 2.17 years. Total tax benefit recognized in additional paid in capital related to the non-cash compensation expense amounted to U.S. $1.2 million for the three months ended March 31, 2010 (2009: U.S.$nil).

6. Business Segment Information

The Company determines and presents operating segments based on the information that is internally provided to the Chief Executive Officer and Chief Financial Officer, who together are considered the Company's chief operating decision maker, in accordance with FASB ASC 280-10 Disclosures about Segments of an Enterprises and Related Information.

The Company's areas of operation outside of Ireland principally include the United States, United Kingdom, France, Germany, Italy, Spain, The Netherlands, Denmark, Sweden, Finland, Poland, Czech Republic, Lithuania, Latvia, Russia, Ukraine, Hungary, Israel, Romania, Canada, Mexico, Brazil, Colombia, Argentina, Chile, Peru, India, China, Hong Kong, South Korea, Japan, Thailand, Taiwan, Singapore, The Philippines, Australia, New Zealand and South Africa. Segment information as at March 31, 2010 and March 31, 2009 and for the three months ended March 31, 2010 and March 31, 2009, is as follows:

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

	Three Months Ended March 31, 2010	March 31, 2009
	(in thousands)	
Ireland*	$ 28,972	$ 43,680
Rest of Europe	70,738	55,195
U.S.	97,455	103,238
Rest of the World	21,947	17,718
Total	$ 219,112	$ 219,831

* All sales shown for Ireland are export sales.

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

	Three Months Ended March 31, 2010	March 31, 2009
	(in thousands)	
Ireland	$ 9,534	$ 18,818
Rest of Europe	7,859	892
U.S.	7,669	6,350
Rest of the World	1,716	855
Total	$ 26,778	$ 26,915

c) The distribution of property, plant and equipment, net, by geographical area was as follows:

	March 31, 2010	December 31, 2009
	(in thousands)	

Ireland	$	109,108	$	107,049
Rest of Europe		15,577		16,673
U.S.		37,013		45,194
Rest of the World		10,714		10,073
Total	$	172,412	$	178,989

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d) The distribution of depreciation and amortization by geographical area was as follows:

	Three Months Ended March 31, 2010	March 31, 2009
	(in thousands)	
Ireland	$ 2,630	$ 2,152
Rest of Europe	1,576	1,415
U.S.	3,568	3,284
Rest of the World	948	639
Total	$ 8,722	$7,490

e) The distribution of total assets by geographical area was as follows:

	March 31, 2010	December 31, 2009
	(in thousands)	
Ireland	$ 368,065	$ 319,528
Rest of Europe	151,152	184,630
U.S.	342,601	375,682
Rest of the World	35,283	28,558
Total	$ 897,101	$ 908,398

ICON plc

Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read in conjunction with the unaudited Condensed Consolidated Financial Statements and accompanying notes included elsewhere herein and the Consolidated Financial Statements and related notes thereto included in our Form 20-F for the year ended December 31, 2009. The Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States.

Overview

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 have the operational flexibility to provide development services on a stand-alone basis or as part of an integrated "full service" solution. Our preferred approach is to use dedicated teams to achieve optimum results, but we can implement a range of resourcing models to suit client requirements, and increasingly our teams are flexibly applied to minimize costs for our clients.

In a highly fragmented industry, we are one of a small number of companies with the capability and expertise to conduct clinical trials in all major therapeutic areas on a global basis. Currently, we have 7,268 employees, in 69 locations in 39 countries, providing Phase I - IV Clinical Trial Management, Drug Development Support Services, Data Management, Biostatistics, Central Laboratory, Imaging and Contract Staffing services.

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

Our backlog consists of potential net revenue yet to be earned from projects awarded by clients. At March 31, 2010, we had a backlog of approximately $1.8 billion, compared with approximately $1.8 billion at December 31, 2009. We believe that our backlog as of any date is not necessarily a meaningful predictor of future results, due to the potential for cancellation or delay of the projects underlying the backlog, and no assurances can be given that we will be able to realize this backlog as net revenue.

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

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

In addition to translation exposures, we are also subject to transaction exposures because the currency in which contracts are priced can be different from the currencies in which costs relating to those contracts are incurred. We have 17 operations operating in U.S. dollars, 11 trading in Euros, 5 in pounds Sterling, 4 in Indian Rupee, 2 each in Russian Rouble, Japanese Yen, Swedish Krona and Singapore dollars and 1 each in Polish Zloty, Israeli New Shekels, Latvian Lats, Hungarian Forint, Czech Koruna, Ukraine Hryvnia, Romanian New Leu, Lithuanian Litas, South African Rand, Australian dollars, Philippine Peso, Hong Kong dollar, Taiwan dollar, South Korean Won, Thai Baht, Chinese Yuan Renminbi, New Zealand dollars, Argentine Peso, Mexican Peso, Brazilian Real, Chilean Peso, Colombian Peso, Peruvian Neuvo Sol, and Canadian dollar . Our operations in the United States are not materially exposed to such currency differences as the majority of our revenues and costs are in U.S. dollars. However, outside the United States the multinational nature of our activities means that contracts are usually priced in a single currency, most often U.S. dollars, Euros or pounds Sterling, while costs arise in a number of currencies, depending, among other things, on which of our offices provide staff for the contract, and the location of investigator sites. Although many such contracts benefit from some degree of natural hedging due to the matching of contract revenues and costs in the same currency, where costs are incurred in currencies other than those in which contracts are priced, fluctuations in the relative value of those currencies could have a material effect on our results of operations. We regularly review our currency exposures and, when appropriate, hedge a portion of these, using forward exchange contracts, where they are not covered by natural hedges. In addition, we usually negotiate currency fluctuation clauses in our contracts which allow for price negotiation if changes in the relative value of those currencies exceed predetermined tolerances.

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

Results of Operations

Three Months Ended March 31, 2010 compared with Three Months Ended March 31, 2009

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

	Three Months Ended		
	March 31, 2010	March 31, 2009	2010 to 2009
	Percentage of Net Revenue		Percentage (Decrease)/ increase
Net revenue	100.0%	100.0%	(0.3)%
Costs and expenses:			
Direct costs	59.9%	56.5%	5.8%
Selling, general and administrative	23.9%	27.9%	(14.6)%
Depreciation and amortization	4.0%	3.4%	16.4%
Income from operations	12.2%	12.2%	(0.5)%

Net revenue for the period decreased by $0.7 million, or 0.3%, from $219.8 million for the three months ended March 31, 2009 to $219.1 million for the three months ended March 31, 2010. For the three months ended March 31, 2010, we derived approximately 44.5%, 45.5% and 10.0% of our net revenue in the United States, Europe and Rest of World, respectively. The rate decrease in net revenue is a result of the global economic downturn, its impact on market confidence and the availability of funding for drug development.

Direct costs for the period increased by $7.1 million, or 5.8%, from $124.2 million for the three months ended March 31, 2009 to $131.3 million for the three months ended March 31, 2010. Direct costs consist primarily of compensation, associated fringe benefits and share based compensation expense for project-related employees and other direct project driven costs. The increase in direct costs during the period was primarily due to increased salary and related costs and travel costs for project related employees of $8.9 million and $0.9 million respectively. These increases were offset by decreases in study supplies and materials and laboratory costs of $1.3 million and $1.2 million respectively. Direct costs as a percentage of net revenue increased to 59.9% for the three months ended March 31, 2010, from 56.5% for the three months ended March 31, 2009.

Selling, general and administrative expenses for the period reduced by $9.0 million, or 14.6%, from $61.3 million for the three months ended March 31, 2009, to $52.3 million for the three months ended March 31, 2010. Selling, general and administrative expenses consist of compensation, related fringe benefits and share based compensation expense for selling and administrative employees, professional service costs, advertising costs and all costs related to facilities and information systems. The decrease in selling, general and administrative expenses arises from an increase of $0.5 million in personnel related costs, principally a result of increased recruitment expenditure, offset by a decrease in facility and information costs of $0.6 million and a decrease in other general overheads of $8.9 million. The decrease in other general overhead costs arises from a decrease in professional service costs of $2.5 million, a decrease in bad debt allowances of $1.3 million and a decrease in foreign exchange losses on the retranslation of monetary assets and liabilities of $3.4 million. As a percentage of net revenue, selling, general and administrative expenses, decreased from 27.9% for the three months ended March 31, 2009, to 23.9% for the three months ended March 31, 2010.

Depreciation and amortization expense for the period increased by $1.2 million, or 16.4%, from $7.5 million for the period ended March 31, 2009, to $8.7 million for the three months ended March 31, 2010. As a percentage of net revenue, depreciation and amortization increased from 3.4% of net revenues for the three months ended March 31, 2009, to 4.0% for the three months ended March 31, 2010. This increase arises primarily from our continued investment in facilities and equipment to support the Company's growth.

Income from operations for the period decreased by $0.1 million, or 0.5%, from $26.9 million for the three months ended March 31, 2009 to $26.8 million for the three months ended March 31, 2010. As a percentage of net revenue, income from operations was 12.2% of net revenues for the three months ended March 31, 2009, and 12.2% for the three months ended March 31, 2010.

Net interest expense for the three months ended March 31, 2010, was $0.2 million, compared with net interest expense of $0.7 million for the three months ended March 31, 2009. Interest expense for the period decreased from $1.2 million for the three months ended March 31, 2009 to $0.4 million for the three months ended March 31, 2010. Interest income for the period decreased from $0.5 million for the three months ended March 31, 2009 to $0.2 million for the three months ended March 31, 2010.

Provision for income taxes decreased from $5.2 million for the three months ended March 31, 2009, to $4.4 million for the three months ended March 31, 2010. The effective tax rate for the three months ended March 31, 2010, was 16.5% compared with 20.0% for the three months ended March 31, 2009. The effective tax rate is principally a function of the distribution of pre-tax profits in the territories in which the Group operates.

Liquidity and Capital Resources

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

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

Net cash at March 31, 2010 amounted to $199.7 million compared with net cash of $194.0 million at December 31, 2009. Net cash at March 31, 2010 comprised cash and cash equivalents of $169.4 million and short term investments of $30.3 million. Net cash at December 31, 2009 comprised cash and cash equivalents of $144.8 million and short term investments of $49.2 million. Additional borrowings available to the Group under negotiated facilities at March 31, 2010 amounted to $154.2 million compared with $162.5 million at December 31, 2009.

Net cash provided by operating activities was $16.8 million for the three months ended March 31, 2010, compared with cash provided by operating activities of $24.7 million for the three months ended March 31, 2009. The Group's working capital, comprising total current assets less total current liabilities, at March 31, 2010 amounted to $260.6 million, compared to $235.9 million at December 31, 2009. The most significant influence on our working capital and operating cash flow is revenue outstanding, which comprises accounts receivable and unbilled revenue, less payments on account. The dollar values of these amounts and the related days revenue outstanding can vary due to the achievement of contractual milestones, including contract signing, and the timing of cash receipts. The number of days revenue outstanding was 33 days at March 31, 2010 and 33 days at December 31, 2009.

Net cash provided by investing activities was $9.4 million for the three months ended March 31, 2010, compared to net cash used in investing activities of $9.0 million for the three months ended March 31, 2009. Net cash used in the three months ended March 31, 2010 arises principally from capital expenditures and purchase of short term investments, offset by the sale of short term investments.

Capital expenditure for the three months ended March 31, 2010, amounted to $9.5 million, and comprised mainly of expenditure on global infrastructure and information technology systems to support the Company's growth. The Company realized $49.2 million from the sale of short term investments during the three months ended March 31, 2010. This was offset by an additional $30.3 million invested in short term investments during the period.

Net cash provided by financing activities during the three months ended March 31, 2010, amounted to $5.5 million compared with net cash used in financing activities of $2.5 million for the three months ended March 31, 2009.

As a result of these cash flows, cash and cash equivalents increased by $24.7 million for the three months ended March 31, 2010, compared to an increase of $12.4 million for the three months ended March 31, 2009.

On July 9, 2007, ICON plc entered into a five year committed multi-currency facility agreement for €35 million ($46.9 million) with Bank of Ireland. The facility bears interest at an annual rate equal to EURIBOR plus a margin and is secured by certain composite guarantees, indemnities and pledges in favour of the bank. At March 31, 2010, €21.8 million ($29.2million) was available to be drawn under this facility.

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

On January 2, 2009, an additional four year committed credit facility was negotiated with Bank of Ireland for $25 million. The facility bears interest at LIBOR plus a margin and is secured by certain composite guarantees, indemnities and pledges in favor of the bank. As at March 31, 2010, $25 million was available to be drawn under this facility.

On May 29, 2009, committed credit facilities were negotiated with Citibank Europe for $20 million. The facilities comprise a 364 day facility of $10 million and a three year facility of $10 million. On the same day, a committed 364 day credit facility of $30 million was negotiated with JP Morgan. These facilities bear interest at LIBOR plus a margin and are secured by certain composite guarantees and pledges in favor of the banks. As at March 31, 2010, $50 million was available to be drawn under these facilities.

On July 1, 2004, the Company acquired 70% of the common stock of Beacon Biosciences Inc. ("Beacon"), a leading specialist CRO, which provides a range of medical imaging services to the pharmaceutical, biotechnology and medical device industries, for an initial cash consideration of $9.9 million, excluding costs of acquisition. On December 31, 2008, the remaining 30% of the common stock was acquired by the Company for $17.4 million, excluding costs of acquisition. Certain performance milestones were built into the acquisition agreement for the remaining 30% of

Beacon requiring potential additional consideration of up to $3.0 million if these milestones were achieved during the year ended December 31, 2009. No additional consideration has been paid as these milestones were not achieved during the year ended December 31, 2009.

On November 14, 2008, the Company acquired 100% of the common stock of Prevalere Life Sciences Inc. ("Prevalere"), for an initial cash consideration of $37.6 million, excluding costs of acquisition. Prevalere, located in Whitesboro, New York, is a leading provider of bioanalytical and immunoassay services to pharmaceutical and biotechnology companies. Certain performance milestones were built into the acquisition agreement requiring potential additional consideration of up to $8.2 million if these milestones were achieved during the years ended December 31, 2008 and 2009. On April 30, 2009, $5.0 million was paid in respect of the milestones for the year ended December 31, 2008. No additional consideration has been paid as the milestones for the year ended December 31, 2009, were not achieved.

Inflation

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

Legal Proceedings

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ICON plc

Date: April 19, 2010

/s/ Ciaran Murray
Ciaran Murray
Chief Financial Officer