ICON PLC /ADR/
Form 6-K
July 28, 2006

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 June 30, 2006

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**

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shall be deemed a part of such registration statement from the date on which this report is filed, to the extent not superseded by documents or reports subsequently filed or furnished by ICON plc under the Securities Act of 1933 or the Securities Exchange Act of 1934.

ICON plc

Quarterly Period Ended June 30, 2006

ICON plc

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. We have approximately 3,600 employees worldwide, with operations in 45 locations in 30 countries, including the United States and major markets in Europe and Rest of World. For the six months ended June 30, 2006, we derived approximately 61.1%, 31.8%, and 7.1% 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.

On July 27, 2005 the Board of Directors of the Company approved a change of the Company's fiscal year-end from a twelve-month period ending on May 31 to a twelve-month period ending on December 31. The Company made this change in order to align its fiscal year end with the majority of other contract research organizations. As a requirement of this change, the Company reported results for the seven-month period from June 1, 2005 to December 31, 2005 as a separate transition period in a Transition Report filed on Form 20-F. From January 1, 2006, the Company's fiscal quarters will end on the last day of March, June, September and December of each year. Information set out in this report is for the three and six months ending June 30, 2006. Comparative income statement and cash flow information, together with related notes, is for the three and six months ending May 31, 2005. Comparative balance sheet information and related notes are stated as at December 31, 2005.

ICON plc

CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT JUNE 30, 2006 AND DECEMBER 31, 2005

	(Unaudited) June 30, 2006	(Audited) December 31, 2005
	(in thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$63,186	$59,509
Short term investments - available for sale	37,827	22,809
Accounts receivable	81,233	71,450
Unbilled revenue	69,379	62,270
Other receivables	5,092	6,435
Deferred tax asset	1,526	1,554
Prepayments and other current assets	13,480	11,089
Total current assets	271,723	235,116
Other Assets:		
Property, plant and equipment, net	52,974	47,652
Goodwill	67,395	65,731
Non-current deferred tax asset	422	452
Intangible assets	52	116
Total Assets	$392,566	$349,067
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$9,262	$7,575
Payments on account	65,436	50,211
Other liabilities	35,911	33,184
Deferred tax liability	593	682
Bank credit lines and loan facilities	-	4,856
Income taxes payable	7,260	6,296
Total current liabilities	118,462	102,804
Other Liabilities:		
Long term government grants	1,179	1,160
Long term finance leases	100	152
Non-current deferred tax liability	2,526	2,499
Minority interest	970	894
Total Liabilities	123,237	107,509
Shareholders' Equity:		
Ordinary shares, par value 6 euro cents per share; 20,000,000 shares authorized, 14,176,636 shares issued and outstanding		

at June 30, 2006 and 14,018,092 shares issued and outstanding at December 31, 2005		
	1,005	993
Additional paid-in capital	129,443	123,333
Accumulated other comprehensive income	8,220	3,409
Merger reserve	47	47
Retained earnings	130,614	113,776
Total Shareholders' Equity	269,329	241,558
Total Liabilities and Shareholders' Equity	$392,566	$349,067

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 SIX MONTHS ENDED JUNE 30, 2006 AND MAY 31, 2005
(UNAUDITED)

	Three Months Ended		Six Months Ended	
	June 30, 2006	May 31, 2005	June 30, 2006	May 31, 2005
	(in thousands except share and per share data)			
Revenue:				
Gross revenue	$ 153,744	$ 121,979	$ 294,388	$ 235,320
Subcontractor costs	(46,308)	(36,010)	(88,457)	(66,496)
Net revenue	107,436	85,969	205,931	168,824
Costs and expenses:				
Direct costs	60,014	47,529	114,718	93,537
Selling, general and administrative expense	32,397	27,540	62,677	54,925
Depreciation and amortization	3,689	3,549	7,134	6,973
Other Charges	-	-	-	11,275
Total costs and expenses	96,100	78,618	184,529	166,710
Income from operations	11,336	7,351	21,402	2,114
Interest income	993	432	1,651	741
Interest expense	(55)	(51)	(66)	(105)
Income before provision for income taxes	12,274	7,732	22,987	2,750
Provision for income taxes	(2,943)	(1,699)	(6,073)	(2,220)
Minority interest	(34)	(84)	(76)	(109)
Net income	$ 9,297	$ 5,949	$ 16,838	$ 421
Net income per Ordinary Share:				
Basic	$ 0.66	$ 0.43	$ 1.19	$ 0.03
Diluted	$ 0.65	$ 0.42	$ 1.18	$ 0.03
Weighted average number of Ordinary Shares outstanding:				
Basic	14,132,745	13,887,989	14,087,381	13,877,113
Diluted	14,347,765	14,100,098	14,249,678	14,089,004

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

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND MAY 31, 2005
(UNAUDITED)

	Six Months Ended	
	June 30, 2006	May 31, 2005
	(in thousands)	
Cash flows from operating activities:		
Net income	$ 16,838	$ 421
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on disposal of property, plant and equipment	95	20
Depreciation and amortization	7,134	6,973
Amortization of grants	(56)	(102)
Share compensation expense	1,968	-
Deferred taxes	24	(532)
Minority interest	76	109
Other charges	-	11,275
Changes in assets and liabilities:		
(Increase)/decrease in accounts receivable	(8,575)	9,211
(Increase)/decrease in unbilled revenue	(6,759)	14,688
Decrease/(increase) in other receivables	2,132	(4,732)
Increase in prepayments and other current assets	(2,072)	(1,626)
Increase/(decrease) in payments on account	15,146	(21,425)
Increase in other liabilities	2,288	8,379
Increase/(decrease) in income taxes payable	680	(579)
Increase in accounts payable	1,465	5,132
Net cash provided by operating activities	30,384	27,212
Cash flows from investing activities:		
Purchase of property, plant and equipment	(10,827)	(8,104)
Purchase of intangible asset	-	(250)
Purchase of subsidiary undertakings and acquisition costs	-	(42)
Purchase of short term investments	(15,018)	(5,011)
Sale of short term investments	-	12,022
Deferred payments in respect of prior year acquisitions	(96)	(1,542)
Net cash used in investing activities	(25,941)	(2,927)
Cash flows from financing activities:		
Repayments of bank credit lines and loan facilities	(4,888)	(10,000)
Proceeds from exercise of share options	4,179	919
Share issuance costs	(25)	(29)
Repayment of other liabilities	(53)	(120)
Net cash used in financing activities	(787)	(9,230)

Effect of exchange rate movements on cash		21		(689)
Net increase in cash and cash equivalents		3,677		14,366
Cash and cash equivalents at beginning of period		59,509		41,975
Cash and cash equivalents at end of period	$	63,186	$	56,341

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	Paid-in Capital	Accumulated Other Compre-hensive Income	Retained Earnings	Merger Reserve	Total
			(dollars in thousands, except share date)				
Balance at December 31, 2005	14,018,092	$ 993	$ 123,333	$ 3,409	$ 113,776	$ 47	$ 241,558
Comprehensive Income:							
Net income	-	-	-	-	16,838	-	16,838
Currency translation adjustment	-	-	-	4,811	-	-	4,811
Total comprehensive income							21,649
Share issuance costs	-	-	(25)	-	-	-	(25)
Exercise of share options	158,544	12	4,167	-	-	-	4,179
Non-cash stock compensation expense	-	-	1,968	-	-	-	1,968
Balance at June 30, 2006	14,176,636	$ 1,005	$ 129,443	$ 8,220	$ 130,614	$ 47	$ 269,329

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

ICON plc

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
JUNE 30, 2006

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. As discussed in note 5, the Company adopted Statement of Accounting Standard (“SFAS”) 123 (revised 2004) *Share Based Payment* (“SFAS 123R”) effective from January 1, 2006. There were no other significant change in ICON plc’s accounting policies from those outlined in ICON’s Transition Report on Form 20-F for the seven month period ended December 31, 2005.

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 Transition Report on Form 20-F for the seven months ended December 31, 2005. Operating results for the six months ended June 30, 2006 are not necessarily indicative of the results that may be expected for the fiscal period ending December 31, 2006.

2. Acquisitions

Prior Period Acquisitions

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.

On May 31, 2006, an amount of $96,131 was paid to the former shareholders of Globomax. This $96,131 was withheld from an earn-out payment made on the August 31, 2005 due to an outstanding customer debt arising prior to the acquisition of Globomax. This customer debt has subsequently been recovered and the $96,131 in turn became due to the former shareholders of Globomax. This payment has been accounted for as goodwill. No further payments are anticipated.

3. Goodwill

	June 30, 2006	December 31, 2005
	(in thousands)	
Opening balance	$65,731	$67,440
Payments made in respect of prior year acquisitions	96	-
Foreign exchange movement	1,568	(1,709)
Closing balance	$67,395	$65,731

The goodwill balance relates entirely to the clinical research segment.

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		**Six Months Ended**	
	June 30, 2006	**May 31, 2005**	**June 30, 2006**	**May 31, 2005**
Weighted average number of ordinary shares outstanding for basic net income per ordinary share	14,132,745	13,887,989	14,087,381	13,877,113
Effect of dilutive share options outstanding	215,020	212,109	162,297	211,891
Weighted average number of ordinary shares for diluted net income per ordinary share	14,347,765	14,100,098	14,249,678	14,089,004

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 either an incentive stock option, or ISO, as described in Section 422 of the Code or 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 for an ISO 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 1.5 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 100,000 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 six months ended June 30, 2006, 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 six months ended June 30, 2006:

	Options Outstanding Number of Shares	Weighted Average Exercise Price	Weighted Average Fair Value	Weighted Average Remaining Contractual Life
Outstanding at December 31, 2005	1,132,146	$31.50	$14.60	
Granted	372,611	$43.91	$19.64	
Exercised	(158,544)	$26.18	$13.73	
Forfeited				