ICON PLC /ADR/
Form 6-K
April 22, 2005

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 February 28, 2005

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 February 28, 2005

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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, 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 2,650 employees worldwide, with operations in 37 locations in 23 countries, including the United States and major markets in Europe and Rest of World and have managed clinical trials in over 55 countries. For the nine months ended February 28, 2005, we derived approximately 58.3%, 36.1%, and 5.6% 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.

On July 1, 2004 we acquired 70% of the common stock of Beacon Biosciences, Inc., a leading specialist CRO, which provides a range of medical imaging services to the pharmaceutical, biotechnology and medical device industries.

On December 1, 2004, we acquired the workforce of Biomines Research Solutions Private Limited, ("Biomines"), based in Chennai, India. Biomines are engaged in the business of clinical trial data management and statistical analysis services.

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ICON plc

CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT FEBRUARY 28, 2005 AND MAY 31, 2004

	(Unaudite February 28
ASSETS	
Current Assets:	
Cash and cash equivalents..	$4
Short term investments - available for sale	2
Accounts receivable...	8
Unbilled revenue..	8
Other receivables...	
Deferred tax asset..	
Prepayments and other current assets..	

Total current assets..	25
Other Assets:	
Property, plant and equipment, net..	4
Goodwill..	6
Intangible asset..	

Total Assets..	$36
	========
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current Liabilities:	
Accounts payable..	$6
Payments on account...	81
Other liabilities...	34

Income taxes payable..	
Total current liabilities..	129
Other Liabilities:	
Long term government grants..	1
Long term finance leases..	
Non-current deferred tax liability..	2
Minority interest..	
Shareholders' Equity:	
Ordinary Shares, par value 6 euro cents per share; 20,000,000 shares authorized, 13,878,426 shares issued and outstanding at February 28, 2005 and 13,838,476 shares issued and outstanding at May 31, 2004	
Additional paid-in capital..	113
Accumulated other comprehensive income..	15
Merger reserve...	
Retained earnings..	100
Total Shareholders' Equity...	231
Total Liabilities and Shareholders' Equity...	$365

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

ICON plc

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED FEBRUARY 28, 2005 AND FEBRUARY 29, 2004
(UNAUDITED)

	Three Months Ended		Fe
	February 28 2005	February 29 2004	
	(in thousands except share		
Revenue:			
Gross revenue..	$113,341	$112,831	
Subcontractor costs....................................	(30,486)	(35,969)	
Net revenue..	82,855	76,862	
Costs and expenses:			
Direct costs...	46,008	42,502	
Selling, general and administrative expense..........	27,385	22,708	
Depreciation and amortization	3,424	2,894	
Other charges	11,275	-	

Total costs and expenses	88,092	68,104
Income from operations	(5,237)	8,758
Interest income	309	163
Interest expense	(54)	(88)
Income before provision for income taxes	(4,982)	8,833
Provision for income taxes	(521)	(2,182)
Minority interest	(25)	-
Net income	($5,528)	$6,651
Net income per Ordinary Share:		
Basic	($0.40)	$0.49
Diluted	($0.39)	$0.47
Weighted average number of Ordinary Shares outstanding:		
Basic	13,866,236	13,622,514
Diluted	14,077,910	14,070,194

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 NINE MONTHS ENDED FEBRUARY 28, 2005 AND FEBRUARY 29, 2004
(UNAUDITED)

	Nine months Ende	
	February 28 2005	Fe
	(in thousands)	
Cash flows from operating activities:		
Net income	$7,596	$
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on disposal of fixed assets	121	
Depreciation and amortization	9,782	

Amortization of grants	(150)	
Minority interest	105	
Other charges	11,275	
Changes in assets and liabilities:		
(Increase)/decrease in accounts receivable	(4,786)	
Increase in unbilled revenue	(22,758)	(1
Decrease in other receivables	4,924	
Increase in prepayments and other current assets	(837)	
Increase in payments on account	19,230	
Decrease in other liabilities	(8,781)	(
Increase in income taxes payable	1,517	
Decrease in accounts payable	(6,631)	(
Net cash provided by operating activities	10,607	
Cash flows from investing activities:		
Purchase of property, plant and equipment	(10,284)	(
Purchase of short term investments	(5,960)	
Purchase of intangible asset	(250)	
Purchase of subsidiary undertakings and acquisition costs	(10,052)	(1
Net cash acquired with subsidiary undertakings	1,658	
Payments in respect of prior year acquisitions	(1,134)	(
Net cash used in investing activities	(26,022)	(2
Cash flows from financing activities:		
Repayment of bank overdraft	-	(
Proceeds from issuance of share capital	-	
Proceeds from exercise of share options	899	
Share issuance costs	(59)	(
Costs in relation to prior year share issuance	(137)	
Repayment of other liabilities	(151)	
Net cash provided by financing activities	552	
Effect of exchange rate movements on cash	1,082	(
Net (decrease)/increase in cash and cash equivalents	(13,781)	
Cash and cash equivalents at beginning of period	55,678	
Cash and cash equivalents at end of period	$41,897	$

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	Ret Ear
			(dollars in thousands, except share		
Balance at May 31, 2004...........	13,838,476	$980	$112,936	$9,984	$92
Comprehensive Income:					
Net income.......................	-	-	-	-	7
Currency translation adjustment..	-	-	-	5,855	
Total comprehensive income.......					
Exercise of Share Options........	39,950	3	896	-	
Share Issuance Costs.............	-	-	(59)	-	
Balance at February 28, 2005	13,878,426	$983	$113,773	$15,839	$100

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)
FEBRUARY 28, 2005

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. There has been no significant change in ICON plc's accounting policies from those outlined in ICON's annual report on Form 20-F for the year ended May 31, 2004, except as described below.

Certain information and footnote disclosure normally included in financial statements prepared in accordance with the United States generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). 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 2004 annual report on Form 20-F. Operating results for the nine months ended February 28, 2005 are not necessarily indicative of the results that may be expected for the fiscal year ending May 31, 2005.

2. Acquisitions

Acquisition of Beacon

On July 1, 2004, the Company acquired 70% of the common stock of Beacon Biosciences, Inc. ("Beacon"), based in Pennsylvania, USA, for an initial cash consideration of U.S.$9.9 million, excluding costs of acquisition.

The acquisition of Beacon 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 1, 2004 (in thousands)
Property, Plant and Equipment	$792
Goodwill	8,463
Cash	1,658
Other Current Assets	935
Current liabilities	(926)
Long term liability	(352)
	10,570
Minority Interest	(695)
Purchase Price	$9,875

The results of Beacon have been included in the consolidated financial statements from July 1, 2004.

Prior Period Acquisitions

On January 24, 2003, the Company acquired 100% of the outstanding shares of Medeval Group Limited ("Medeval"), a company based in Manchester, England, for an initial cash consideration of Stg(pound)9.5 million (U.S.$15.5 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 Stg(pound)4.3 million (U.S.$6.9 million) depending on the performance of Medeval over the period to May 31, 2004. Such additional consideration is accounted for as goodwill.

On September 30, 2004, cash consideration of Stg(pound)0.54 million (U.S.$0.97 million) was paid to a number of the former shareholders of Medeval plus guaranteed loan notes with a value of Stg(pound)1.08million (U.S.$1.93 million) were issued to the remaining selling shareholders. At May 31, 2004, Stg(pound)1.37 million (U.S.$2.5 million) of this amount had been provided, therefore an additional Stg(pound)0.253 million (U.S.$0.452 million) has been accounted for under goodwill in the current year. These guaranteed loan notes have a repayment date of 3 years from the date of issue but are exercisable nine months from the date of issue.

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 U.S.$10.9 million, excluding costs of acquisition. Earn-out provisions were been built into the acquisition contract requiring the potential payment of additional deferred consideration up to a maximum of U.S.$4.0 million depending on the performance of Globomax over the period from date of acquisition to May 31, 2006. Such additional consideration will be accounted for as goodwill.

The pro forma effect of the Globomax and Beacon acquisitions if completed on June 1, 2003 would have resulted in net revenue, net income and earnings per share for the three and nine months ended February 28, 2005 and 2004 as follows:

	Three months ended		Nine months ended	
	February 28 2005	February 29 2004	February 28 2005	Febr 2
	(in thousands)		(in thousands)	
Net Revenue	$82,855	$78,017	$241,071	$
Net Income	($5,528)	$6,641	$7,549	
Basic Earnings per Share	($0.40)	$0.49	$0.55	
Diluted Earnings Per Share	($0.39)	$0.47	$0.54	

An effective tax rate of 35.0% was imputed on the profits before tax of Globomax for the periods prior to acquisition.

3. Goodwill

	Nine months ended February 28 2005 (in thousands)	Year ended May 31 2004 (in thousands)
Opening balance	$64,226	$45,029
Arising during the year	8,463	13,134
Arising on earn-out (prior year acquisitions)	452	3,215
Goodwill impairment	(7,017)	-
Foreign exchange movement	1,316	2,848
Closing balance	$67,440	$64,226

The distribution of goodwill by business segment was as follows:

	Nine months ended February 28 2005 (in thousands)	Year ended May 31 2004 (in thousands)
Central laboratory	$-	$7,017
Clinical research	67,440	57,209
Total	$67,440	$64,226

4. Intangible assets

On December 1, 2004, the Company acquired the workforce of Biomines Research Solutions Private Limited, ("Biomines"), based in Chennai, India, for a cash consideration of U.S.$250,000.

The acquisition of the workforce of Biomines has been accounted for in accordance with SFAS No. 141, "Business Combinations".

	At December 1, 2004 (in thousands)
Acquired workforce - intangible asset	$250
Purchase Price	$250

The cost of the acquired workforce is being amortized over the 24 months in line with the life of the non-compete service contracts of the acquired employees. $31,000 has been amortized in the period since the date of acquisition.

	At February 28, 2005 (in thousands)
Cost	$250
Amortization in the period	(31)
Net book value	$219

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.

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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	
	February 28 2005	February 29 2004
Weighted average number of Ordinary Shares outstanding for basic net income per Ordinary Share	13,866,236	13,622,514
Effect of dilutive share options outstanding	211,674	447,680
Weighted average number of Ordinary Shares for diluted net income per Ordinary Share	14,077,910	14,070,194

6. Business Segment Information

The Company's areas of operation outside of Ireland principally include the United Kingdom, United States, Germany, Australia, Argentina, France, Japan, Israel, Singapore, Canada, Sweden, The Netherlands, Latvia, Russia, Taiwan, Hong Kong, South Africa, Spain, Hungary, India, Mexico and Brazil. Segment information for the three and nine month periods ended February 28, 2005 and February 29, 2004 are as follows:

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

	Three Months Ended		Nine months Ended	
	February 28 2005	February 29 2004	February 28 2005	February 29 2004
	(in thousands)		(in thousands)	
Ireland*	$10,402	$9,366	$29,903	$27,523
Rest of Europe	19,631	18,171	57,091	45,633
U.S.	48,399	46,660	140,278	138,232
Rest of the World	4,423	2,665	13,417	7,616

Total	$82,855	$76,862	$240,689	$219,004

* All sales shown for Ireland are export sales.

b) The distribution of net revenue by business segment was as follows:

	Three Months Ended		Nine months Ended	
	February 28 2005	February 29 2004	February 28 2005	February 2 200
	(in thousands)		(in thousands)	
Central laboratory	$6,371	$7,212	$19,376	$19,54
Clinical research	76,484	69,650	221,313	199,45
Total	$82,855	$76,862	$240,689	$219,00

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

	Three Months Ended		Nine months Ended	
	February 28 2005	February 29 2004	February 28 2005	February 2 200
	(in thousands)		(in thousands)	
Ireland	$584	$3,454	$7,004	$8,39
Rest of Europe	2,380	2,150	5,689	3,88
U.S.	(8,592)	2,572	(3,978)	11,29
Rest of the World	391	582	2,541	1,16
Total	$(5,237)	$8,758	$11,256	$24,74

d) The distribution of income from operations by business segment was as follows:

	Three Months Ended February 28 2005 (in thousands)	February 29 2004	Nine months Ended February 28 2005 (in thousands)	February 20
Central laboratory	$(10,533)	$(483)	$(13,287)	$(2,79
Clinical research	5,296	9,241	24,543	27,5
Total	$(5,237)	$8,758	$11,256	$24,7

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

	February 28, 2005 (in thousands)	May 31, 2004
Ireland	$20,026	$18,799
Rest of Europe	9,238	7,202
U.S.	13,901	15,935
Rest of the World	1,673	1,000
Total	$44,838	$42,936

f) The distribution of property, plant and equipment, net, by business segment was as follows:

	February 28, 2005	May 31, 2004 (in thousands)
Central laboratory	$2,788	$3,989
Clinical research	42,050	38,947
Total	$44,838	$42,936

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

	Three Months Ended February 28 2005 (in thousands)	February 29 2004	Nine months Ended February 28 2005 (in thousands)	February 28 2004
Ireland	$1,378	$965	$3,787	$2,691

Rest of Europe	544	476	353	1,320
U.S.	1,382	1,367	5,338	3,948
Rest of the World	120	86	304	256
Total	$3,424	$2,894	$9,782	$8,215

h) The distribution of depreciation and amortization by business segment was as follows:

	Three Months Ended		Nine months Ende	
	February 28 2005	February 29 2004	February 28 2005	Febr
	(in thousands)		(in thousand	
Central laboratory	$255	$239	$735	
Clinical research	3,169	2,655	9,047	
Total	$3,424	$2,894	$9,782	

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

	February 28, 2005	May 31, 2004
	(in thousands)	
Ireland	$94,254	$76,165
Rest of Europe	105,350	115,056
U.S.	161,520	141,104
Rest of the World	4,797	2,998
Total	$365,921	$335,323

j) The distribution of total assets by business segment was as follows:

	February 28, 2005	May 31, 2004
	(in thousands)	
Central laboratory	$18,726	$20,343
Clinical research	347,195	314,980
Total	$365,921	$335,323

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 Consolidated Financial Statements and accompanying notes included elsewhere herein and the Consolidated Financial Statements and related notes thereto included in our Annual Report on Form 20-F for the fiscal year ended May 31, 2004. 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, 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 2,650 employees worldwide, with operations in 37 locations in 23 countries including the United States and major markets in Europe and Rest of World and have managed clinical trials in over 55 countries. For the nine months ended February 28, 2005, we derived approximately 58.3%, 36.1%, and 5.6% of our net revenue in the United States, Europe and Rest of World, respectively.

We earn revenues by providing a number of different services to our clients. These services include clinical trials management, biometric activities, consulting and laboratory services. We recognize biometric, consulting and laboratory revenues on a fee-for-service basis. Our laboratory service contracts are multiple element arrangements, with laboratory kits and laboratory testing representing the contractual elements. We determine the fair values for these elements, each of which can be sold separately, based on objective and reliable evidence of their respective fair values. Our laboratory contracts entitle us to receive non-refundable set up fees and we allocate such fees as additional consideration to the contractual elements based on the proportionate fair values of the elements. We recognize revenues for the elements on the basis of the number of deliverable units completed in a period.

We recognize clinical trials revenue on the basis of the relationship between time incurred and the total estimated duration of the contract as this represents the most accurate pattern over which our contractual obligations are fulfilled. We invoice our customers upon achievement of specified contractual milestones. This mechanism, which allows us to receive payment from our customers throughout the duration of the contract, is not reflective of revenue earned. We recognize revenues over the period from the awarding of the customer's contract to study completion and acceptance. This requires us to estimate total expected revenue, time inputs, contract costs, profitability and expected duration of the clinical trial. These estimates are reviewed periodically and, if any of these estimates change or actual results differ from expected results, then an adjustment is recorded in the period in which they become readily estimable.

As is customary in the CRO industry, we subcontract with third party investigators in connection with clinical trials. All subcontractor costs, and certain other costs where reimbursed by clients, are, in accordance with industry practice, deducted from gross revenue to arrive at net revenue. As no profit is earned on these costs, which vary from contract to contract, we view net revenue as our primary measure of revenue growth.

Direct costs consist primarily of compensation and associated fringe benefits for project-related employees and other direct project driven costs. Selling, general and administrative expenses consist of compensation and related fringe benefits for selling and administrative employees, professional services, advertising costs and all costs related to facilities and information systems.

As the nature of our business involves the management of projects having a typical duration of one to three years, the commencement, completion, curtailment or early termination 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 domiciled in Ireland, we report our results in U.S. dollars. As a consequence, the results of our non-United States based operations, when translated into U.S. dollars, could be materially affected by fluctuations in exchange rates between the U.S. dollar and the currency of those operations.

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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 thirteen operations operating in U.S. dollars, five trading in Euros, three in pounds Sterling, and one each in Australian dollars, Indian Rupee, Singapore dollars, Yen, Israeli New Shekels, Latvian Lats, Swedish Krona, Argentine Peso, South African Rand, Russian Rouble, Canadian dollar, Hungarian Forint, Taiwan dollar, Hong Kong dollar, Mexican Peso and Brazilian Real. 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 pounds Sterling, U.S. dollars or Euros, 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 hedge a portion of these, using forward exchange contracts, where natural hedges do not cover them.

We have received capital and revenue grants from Enterprise Ireland, an Irish government agency. We record capital grants as deferred income, which are credited to income on a basis consistent with the depreciation of the relevant asset. Grants relating to operating expenditures are credited to income in the period in which the related expenditure is charged. The capital grant agreements provide that in certain circumstances the grants received may be refundable in full. These circumstances include sale of the related asset, liquidation of the Company or failing to comply in other respects with the grant agreements. The operating expenditure grant agreements provide for repayment in the event of downsizing of the Company calculated by reference to any reduction in employee numbers. We have not recognized any loss contingency having assessed as remote the likelihood of these events arising. Up to February 28, 2005, we have received $2,709,006 and $2,013,516 under the capital grants and operating grants, respectively. Pursuant to the terms of the grant agreements we are restricted from distributing some of these amounts by way of dividend or otherwise.

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.

Due to the recent performance and current outlook in our central laboratory, an impairment review of the goodwill for the laboratory segment commenced in the third quarter of fiscal 2005.

Results of Operations

Three Months Ended February 28, 2005 Compared with Three Months Ended February 29, 2004

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 February 28, 2005	February 29, 2004	Incr
	Percentage of Net Revenue		
Net revenue...........................	100.0%	100.0%	
Costs and expenses:			
Direct costs..........................	55.5%	55.3%	
Selling, general and administrative....	33.1%	29.5%	
Depreciation and amortization..........	4.1%	3.8%	
Other charges..........................	13.6%	-	
Income from operations.................	(6.3%)	11.4%	

Net revenue increased by $6.0 million or 7.8%, from $76.9 million to $82.9 million. This improvement arose through a combination of increased business from existing clients, business won from new clients and revenues from acquisitions not included in the comparative period. The additional revenues from acquisitions (Beacon) amounted to $1.7 million for the three months ended February 28, 2005. Including the impact of acquisitions, revenues in the United States increased by 3.7%, while Europe and the Rest of World grew by 14.1%. For the three months ended February 28, 2005, net revenue for our central laboratory business fell by 11.7%, from $7.2 million to $6.4 million while our clinical research segment grew by 9.8% from $69.7 million to $76.5 million over the comparable period. The growth in net revenue in our clinical research segment is due to the expansion of our services to both existing and new clients, increased use of outsourcing by the pharmaceutical, biotechnology and medical device industries, an underlying increase in research and development spending and consolidation in the CRO industry. The reduction in net revenue in our central laboratory segment is due primarily to lower testing volumes.

Direct costs increased by $3.5 million, or 8.2%, from $42.5 million to $46.0 million, primarily due to increased staff numbers needed to support increased project related activity in the clinical research business and increased direct costs arising from the acquisitions amounting to $0.8 million. Direct costs, as a percentage of net revenue increased from 55.3% in the three months to February 29, 2004 to 55.5% for the quarter ended February 28, 2005.

Selling, general and administrative expense increased by $4.7 million, or 20.6%, from $22.7 million to $27.4 million. The increase in costs is due to the continued expansion of our operations and additional selling, general and administrative costs from acquisitions of $0.7 million not included in the comparative period. As a percentage of net revenue, selling, general and administrative expenses, increased from 29.5% in the three months ended February 29, 2004, to 33.1% for the quarter ended February 28, 2005.

Depreciation and amortization increased by $0.5 million, or 18.3%, from $2.9 million to $3.4 million. This increase is due to the continued investment in facilities and information technology to support the growth in activity. As a percentage of net revenue, depreciation and amortization increased from 3.8% of net revenues in the three months to February 29, 2004, to 4.1% for the three months ended February 28, 2005.

Other operating charges of $11.3 million were realized in the three months ended February 28, 2005. These charges related to the recognition of an impairment in the carrying value of our investment in the central laboratory, a write-down of certain fixed assets and the lease termination and exit costs associated with the consolidation of some of our office facilities in the US.

Income from operations decreased by $14.0 million, or 159.8%, from $8.8 million to $(5.2) million. Excluding the impact of the other charges, operating income for the quarter ended February 28, 2005, was $6.0 million, a 31.1% decrease on the same quarter last year. This decrease is due principally to reduced levels of activity in our central laboratory business in the quarter and lower usage of billable resources in our clinical research segment. As a percentage of net revenue, including the effect of acquisitions, income from operations decreased from 11.4% in the three months to February 29, 2004, to (6.3)% for the quarter ended February 28, 2005, or 7.3% excluding the other charges. For the quarter, income from operations, as a percentage of net revenue, for the central laboratory and excluding the impact of the other charges was (27.7%), a dis-improvement from the reported (6.7%) in the same quarter in fiscal 2004. The central laboratory constitutes approximately 8% of our business. Operating margins for our clinical research segment, excluding the impact of the other charges decreased from 13.3% in the three months ended February 29, 2004, to 10.2% for the three months ended February 28, 2005.

Net interest income for the three months ended February 28, 2005, was $0.26 million compared to $0.08 million for the equivalent period last year. Higher average level of funds invested and higher interest rates in the third quarter of this year over last year contributed to the increased interest income.

Our effective tax rate for the three months ended February 28, 2005 was (10.5)%, or 19.8% when the impact of the other charges and tax deduction associated with this is excluded, compared to 24.7% for the comparable period last year. The decrease in the effective rate was due to a change in the geographic distribution of pre-tax earnings.

Nine months ended February 28, 2005 compared with Nine months Ended February 29, 2004

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.

	Nine months Ended February 28, 2005	Nine months Ended February 29, 2004	P
	Percentage of Net Revenue		
Net revenue............................	100.0%	100.0%	
Costs and expenses:			
Direct costs...........................	54.9%	54.9%	
Selling, general and administrative....	31.7%	30.0%	
Depreciation and amortization..........	4.0%	3.8%	
Other charges..........................	4.7%	-	
Income from operations.................	4.7%	11.3%	

Net revenue increased by $21.7 million or 9.9%, from $219.0 million to $240.7 million. This improvement arose through a combination of increased business from existing clients, business won from new clients and revenues from acquisitions not included in the comparative period. The additional revenues from these acquisitions (Globomax and Beacon) amounted to $6.9 million for the nine months ended February 28, 2005. Including the impact of acquisitions, revenues in the United States, and Europe and the Rest of World grew by 1.5% and 24.3% respectively. For the nine months ended February 28, 2005, net revenue for our central laboratory business fell by 0.9%, from $19.5 million to $19.4 million while our clinical research segment grew by 11.0%, from $199.5 million to $221.3 million over the comparable period. The growth in net revenue in our clinical research segment is due to the expansion of our services to both existing and new clients, increased use of outsourcing by the pharmaceutical, biotechnology and medical device industries, an underlying increase in research and development spending and consolidation in the CRO industry.

Direct costs increased by $11.8 million, or 9.9%, from $120.3 million to $132.1 million, primarily due to increased staff numbers needed to support increased project related activity and increased direct costs arising from the acquisitions amounting to $3.4 million. Direct costs, as a percentage of net revenue remained constant at 54.9% from the nine months to February 29, 2004 to the nine months ended February 28, 2005.

Selling, general and administrative expense increased by $10.5 million, or 15.9%, from $65.7 million to $76.2 million. The increase in costs is due to the continued expansion of our operations and additional selling, general and administrative costs from acquisitions of $2.4 million not included in the comparative period. As a percentage of net revenue, selling, general and administrative expenses, increased from 30.0% in the nine months ended February 29, 2004, to 31.7% for the nine months ended February 28, 2005.

Depreciation and amortization increased by $1.6 million, or 19.1%, from $8.2 million to $9.8 million. This increase is due to the continued investment in facilities and information technology to support the growth in activity. As a percentage of net revenue, depreciation and amortization increased from 3.8% of net revenues in the nine months to February 29, 2004, to 4.0% for the nine months ended February 28, 2005.

Other operating charges of $11.3 million were realized in the nine months ended February 28, 2005. These charges related to the recognition of an impairment in the carrying value of our investment in the central laboratory, a write-down of certain fixed assets and the lease termination and exit costs associated with the consolidation of some of our office facilities in the US.

Income from operations decreased by $13.5 million, or 54.5%, from $24.8 million to $11.3 million, including acquisitions. Excluding the impact of the other charges, operating income for the nine months ended February 28, 2005, was $22.5 million, a 8.9% decrease on the same period last year. As a percentage of net revenue, including the effect of acquisitions, income from operations decreased from 11.3% in the nine months to February 29, 2004, to 4.7% for the nine months ended February 28, 2005, or 9.4% excluding the other charges. As a percentage of net revenue, income from operations for the central laboratory and excluding the impact of the other

charges was (23.3%), a dis-improvement from the (14.3%) reported in the same period in fiscal 2004. The central laboratory constitutes approximately 8% of our business. Operating margins for our clinical research segment excluding the impact of the other charges decreased from 13.8% in the nine months ended February 29, 2004, to 13.6% for the nine months ended February 28, 2005.

Net interest income for the nine months ended February 28, 2005, was $0.6 million compared to $0.2 million for the equivalent period last year. Higher average level of funds invested and higher interest rates in the first nine months of this year over last year contributed to the increased interest income.

Our effective tax rate for the nine months ended February 28, 2005 was 35.0% or 21.1% when the impact of the other charges and tax deduction associated with this is excluded, compared to 25.7% for the comparable period last year. The decrease in the effective rate was due to a change in the geographic distribution of pre-tax earnings.

Liquidity and Capital Resources

The CRO industry generally is not capital intensive. Since our inception, we have financed our operations and growth primarily with cash flows from operations, net proceeds of $49.1 million raised in our initial public offering in May 1998 and net proceeds of $44.3 million, raised in our secondary offering in August 2003. Our principal cash needs are payment of salaries, office rents, travel expenditures and payments to subcontractors. The aggregate amount of employee compensation, excluding stock compensation expense, paid in the nine months ended February 29, 2004 and February 28, 2005 amounted to $128.7 million and $143.5 million, respectively. Investing activities primarily reflect capital expenditures for facilities and for information systems enhancements, the sale and 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 months to several years. Revenue from contracts is generally recognized as income on a percentage of completion basis as the work is performed. 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 instalments over the contract's duration, in some cases on the achievement of certain milestones. Accordingly, cash receipts do not necessarily correspond to costs incurred and revenue recognized on contracts.

As of February 28, 2005, our working capital amounted to $123.7 million, compared to $113.8 million at May 31, 2004. The other significant influence on our 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 67 days at February 28, 2005, compared to 69 days at November 30, 2004, and 60 days at May 31, 2004.

Net cash provided by operating activities was $10.6 million in the nine months ended February 28, 2005, compared to $30.8 million in the nine months ended February 29, 2004.

Net cash used in investing activities was $26.0 million in the nine months ended February 28, 2005, compared to $21.6 million in the nine months ended February 29, 2004.

Net cash provided by financing activities was $0.6 million in the nine months ended February 28, 2005, compared to $40.9 million in the nine months ended February 29, 2004. This decrease is primarily due to the receipt of $44.3 million, following the sale of 1,500,000 American Depositary Shares in August 2003 by the Company.

As a result of these cash flows, cash and cash equivalents decreased by $13.8 million in the nine months ended February 28, 2005, compared to an increase of $48.8 million in the nine months ended February 29, 2004.

On December 1, 2004, the Company acquired the workforce of Biomines Research Solutions Private Limited, ("Biomines"), based in Chennai, India, for a cash consideration of U.S.$250,000.

On July 1, 2004, ICON acquired 70% of the common stock of Beacon Biosciences, Inc., for an initial cash consideration of $9.9 million.

On July 3, 2003, ICON entered into a facility agreement (the "Facility Agreement") for the provision of a term loan facility of U.S.$40 million, multi-currency overdraft facility of $5 million, and revolving credit facility of $15 million (the "Facilities") with

The Governor and Company of the Bank of Ireland and Ulster Bank Ireland Limited (the "Banks"). Our obligations under the Facilities are secured by certain composite guarantees and indemnities and pledges in favour of each of the banks. This facility bears interest at an annual rate equal to the Banks Prime Rate plus three quarters of one percent. ICON plc and its subsidiaries are entitled to make borrowings under a term loan facility of $40 million and a multi currency overdraft facility of $5 million. As at February 28, 2005, the full amount of these facilities were available to be drawn down. ICON Clinical Research, Inc. (a subsidiary of ICON plc) is entitled to make borrowings under a revolving credit facility of $15 million. As at February 28, 2005, the full amount of this facility was available to be drawn down.

The Company entered into an overdraft agreement with Allied Irish Banks plc ("AIB") whereby the company guarantees any overdraft of the subsidiary ICON Clinical Research GmbH up to an amount (euro)120,000 (U.S.$158,448). As of February 28, 2005, the full facility was available to be drawn down.

Inflation

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

New Accounting Pronouncements not yet adopted

In December 2004, the FASB issued Statement No. 123R, "Share-Based Payment - An Amendment of FASB Statements No. 123 and 95 ("SFAS No.123R"), which is effective for public companies in periods beginning after June 15, 2005. We will implement the proposed standard no later than the quarter that begins September 1, 2005. The cumulative effect of adoption, if any, applied on a modified prospective basis, would be measured and recognized on July 1, 2005. SFAS No. 123R addresses the accounting for transactions in which an enterprise receives goods and services in exchange for: (a) equity instruments of the enterprise; or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. SFAS No. 123R eliminates the ability to account for share-based compensation transactions using APB 25, and generally would require instead that such transactions be accounted for using a fair-value based method. Equity classified awards are measured at grant date at fair value and are not subsequently re-measured. Liability classified awards are re-measured at fair value at each balance sheet date until the awards are settled. We are currently evaluating option valuation methodologies and assumptions in light of SFAS No. 123R related to employee stock options. Current estimates of option values using the Black-Scholes method (as reported) may not be indicative of results from valuation methodologies ultimately adopted in the final rules.

In November 2004, the FASB issued statement No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4" ("SFAS No. 151"), which is effective for public companies prospectively for inventory costs incurred in periods beginning after June 15, 2005. This Statement amends the guidance in ARB No. 43, Chapter 4 "Inventory Pricing", to clarify that accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage) should be recognized as a current period change and to require the allocation of fixed production overhead to the costs of conversion based on normal capacity of the production facilities. We do not expect that the adoption of SFAS No. 151 will have a material impact on our financial position or results of operations.

In December 2004, the FASB issued Statement No. 153, "Exchanges of Nonmonetary assets - an amendment of APB Opinion No. 29" ("SFAS No. 153"), which is effective for public companies in periods beginning after June 15, 2005. The guidance in APB opinion No. 29, Accounting for Nonmonetary Transactions, is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. This statement amends Opinion 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. We do not expect that the adoption of SFAS No. 153 will have a material impact on our financial position or results of operations.

In November 2003 and March 2004, the Emerging Issues Task Force (EITF) reached partial consensus on EITF 03-1, "The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments," ("EITF 03-1"). EITF 03-1 addresses the meaning of other then temporary impairment and its application to investments classified as either available-for-sale or held-to-maturity under SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities" and investments accounted for under the cost method. The EITF agreed on certain quantitative and qualitative disclosures about unrealised losses pertaining to securities classified as

available-for-sale or held-to-maturity. In addition, EITF 03-1requires certain disclosures about cost method investments. The recognition and measurement provisions of EITF 03-1 have been deferred until additional guidance is issued.

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 thereunto duly authorized.

ICON plc

March 22, 2005	/s/ Sean Leech
Date	Sean Leech Chief Financial Officer