UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2005

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 1-10427

ROBERT HALF INTERNATIONAL INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**94-1648752**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2884 Sand Hill Road, Menlo Park, California	**94025**
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: **(650) 234-6000**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, Par Value $.001 per Share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. (Check one): Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company. ☐ Yes ☒ No

As of June 30, 2005, the aggregate market value of the Common Stock held by non-affiliates of the registrant was approximately $3,898,744,000 based on the closing sale price on that date. This amount excludes the market value of 12,494,397 shares of Common Stock directly or indirectly held by registrant's directors and officers and their affiliates.

As of February 28, 2006, there were outstanding 171,495,944 shares of the registrant's Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement to be mailed to stockholders in connection with the registrant's annual meeting of stockholders, scheduled to be held in May 2006, are incorporated by reference in Part III of this report. Except as expressly incorporated by reference, the registrant's Proxy Statement shall not be deemed to be part of this report.

PART I

Item 1. Business

Robert Half International Inc. (the "Company") provides specialized staffing and risk consulting services through such divisions as *Accountemps®, Robert Half® Finance & Accounting, OfficeTeam®, Robert Half® Technology, Robert Half® Management Resources, Robert Half® Legal, The Creative Group®,* and *Protiviti®*. The Company, through its *Accountemps, Robert Half Finance & Accounting*, and *Robert Half Management Resources* divisions, is the world's largest specialized provider of temporary, full-time, and project professionals in the fields of accounting and finance. *OfficeTeam* specializes in highly skilled temporary administrative support personnel. *Robert Half Technology* provides information technology professionals. *Robert Half Legal* provides temporary, project, and full-time staffing of attorneys and specialized support personnel within law firms and corporate legal departments. *The Creative Group* provides project staffing in the advertising, marketing, and web design fields. *Protiviti* began operations in May 2002 and provides business and technology risk consulting and internal audit services. *Protiviti*, which primarily employs risk consulting and internal audit professionals formerly associated with major accounting firms, is a wholly-owned subsidiary of the Company.

The Company's business was originally founded in 1948. Prior to 1986, the Company was primarily a franchisor, under the names *Accountemps* and *Robert Half* (now called *Robert Half Finance & Accounting*), of offices providing temporary and full-time professionals in the fields of accounting and finance. Beginning in 1986, the Company and its current management embarked on a strategy of acquiring franchised locations. All of the franchises have been acquired. The Company believes that direct ownership of offices allows it to better monitor and protect the image of its tradenames, promotes a more consistent and higher level of quality and service throughout its network of offices and improves profitability by centralizing many of its administrative functions. Since 1986, the Company has significantly expanded operations at many of the acquired locations, opened many new locations and acquired other local or regional providers of specialized temporary service personnel. The Company has also expanded the scope of its services by launching the new product lines *OfficeTeam*, *Robert Half Technology*, *Robert Half Management Resources*, *Robert Half Legal* and *The Creative Group*.

In 2002, the Company hired more than 700 professionals who had been affiliated with the internal audit and business and technology risk consulting practice of Arthur Andersen LLP, including more than 50 individuals who had been partners of Andersen. These professionals formed the base of the Company's new Protiviti Inc. subsidiary. *Protiviti®* has enabled the Company to enter the market for independent internal audit and business and technology risk consulting services, which market the Company believes offers synergies with its traditional lines of business.

Accountemps

The *Accountemps* temporary services division offers customers a reliable and economical means of dealing with uneven or peak work loads for accounting, tax and finance personnel caused by such predictable events as vacations, taking inventories, tax work, month-end activities and special projects and such unpredictable events as illness and emergencies. Businesses increasingly view the use of temporary employees as a means of controlling personnel costs and converting such costs from fixed to variable. The cost and inconvenience to clients of hiring and firing regular employees are eliminated by the use of *Accountemps* temporaries. The temporary workers are employees of *Accountemps* and are paid by *Accountemps* only when working on customer assignments. The customer pays a fixed rate only for hours worked.

Accountemps clients may fill their regular employment needs by using an *Accountemps* employee on a trial basis and, if so desired, "converting" the temporary position to a regular position. The client typically pays a one-time fee for such conversions.

OfficeTeam

The Company's *OfficeTeam* division, which commenced operations in 1991, places temporary and full-time office and administrative personnel, ranging from word processors to office managers. *OfficeTeam* operates in much the same fashion as the *Accountemps* and *Robert Half Finance & Accounting* divisions.

Robert Half Finance & Accounting

The Company's *Robert Half Finance & Accounting* division specializes in the placement of full-time accounting, financial, tax and banking personnel. Fees for successful placements are paid only by the employer and are generally a percentage of the new employee's annual compensation. No fee for placement services is charged to employment candidates.

Robert Half Technology

The Company's *Robert Half Technology* division, which commenced operations in 1994, specializes in providing information technology contract consultants and placing full-time employees in areas ranging from multiple platform systems integration to end-user support, including specialists in programming, networking, systems integration, database design and help desk support.

Robert Half Legal

Since 1992, the Company has been placing temporary and full-time employees in attorney, paralegal, legal administrative and legal secretarial positions through its *Robert Half Legal* division. The legal profession's requirements (the need for confidentiality, accuracy and reliability, a strong drive toward cost-effectiveness, and frequent peak workload periods) are similar to the demands of the clients of the *Accountemps* division.

Robert Half Management Resources

The Company's *Robert Half Management Resources* division, which commenced operations in 1997, specializes in providing senior level project professionals in the accounting and finance fields, including chief financial officers, controllers, and senior financial analysts, for such tasks as financial systems conversions, expansion into new markets, business process reengineering and post-merger financial consolidation.

The Creative Group

The Creative Group division commenced operations in 1999 and serves clients in the areas of advertising, marketing and web design and places project consultants in a variety of positions such as creative directors, graphics designers, web content developers, web designers, media buyers, and public relations specialists.

Protiviti

Protiviti provides independent internal audit and business and technology risk consulting services. *Protiviti* helps clients identify, measure, and manage operational and technology-related risks they face within their industries and throughout their systems and processes. *Protiviti* offers a full spectrum of professional consulting services, technologies, and skills for business and technology risk management and the continual transformation of internal audit functions.

Marketing and Recruiting

The Company markets its staffing services to clients as well as employment candidates. Local marketing and recruiting are generally conducted by each office or related group of offices. Local advertising directed to clients and employment candidates consists primarily of yellow pages advertisements, classified advertisements, websites, trade shows, outdoor mass-transit media, branded speaking events and advertising on the Internet. Direct marketing through e-mail, regular mail and telephone solicitation also constitutes a significant portion of the Company's total advertising. National advertising conducted by the Company consists primarily of radio, print advertisements in national newspapers, magazines and certain trade journals. The Company has initiated programs to take advantage of the Internet as a resource for recruiting candidates and filling client orders. Recent Internet initiatives include forging traffic building alliances with leading Internet career search sites. The Company plans to expand its use of the Internet in all aspects of sales and recruitment. Joint marketing arrangements have been entered into with major software manufacturers and typically provide for development of proprietary skills tests, cooperative advertising, joint mailings and similar promotional activities. The Company also actively seeks endorsements and affiliations with professional organizations in the business management, office administration and professional secretarial fields. The Company also conducts public relations activities designed to enhance public recognition of the Company and its services. Local employees are encouraged to be active in civic organizations and industry trade groups.

Protiviti markets its risk consulting and internal audit services to a variety of clients in a range of industries. Industry and competency teams conduct targeted marketing efforts, both locally and nationally, including print advertising and branded speaking events, with support from *Protiviti* management. National advertising conducted by *Protiviti* consists primarily of print advertisements in national newspapers, magazines and selected trade journals. *Protiviti* has initiated a national direct mail program to share information with clients on current corporate governance and risk management issues. It conducts public relations activities, such as press releases and newsletters, designed to enhance recognition for the *Protiviti* brand, establish its expertise in key issues surrounding its business and promote its services. *Protiviti* plans to expand both the services and value added content on the *Protiviti.com* website and increase traffic through targeted Internet advertising. Local employees are encouraged to be active in civic organizations and industry trade groups.

The Company and its subsidiaries own many trademarks, service marks and tradenames, including the *Robert Half® Finance & Accounting, Accountemps®, OfficeTeam®, Robert Half® Technology, Robert Half® Management Resources, Robert Half® Legal, The Creative Group®* and *Protiviti®* marks, which are registered in the United States and in a number of foreign countries.

Organization

Management of the Company's staffing operations is coordinated from its headquarters facilities in Menlo Park and Pleasanton, California. The Company's headquarters provides support and centralized services to its offices in the administrative, marketing, public relations, accounting, training and legal areas, particularly as it relates to the standardization of the operating procedures of its offices. As of March 1, 2006, the Company conducted its staffing services operations through more than 330 offices in 42 states, the District of Columbia and thirteen foreign countries. Office managers are responsible for most activities of their offices, including sales, local advertising and marketing and recruitment.

The day-to-day operations of *Protiviti* are managed by a committee consisting of key operating personnel, with operational and administrative support provided by individuals located in Pleasanton and Menlo Park, California. As of March 1, 2006, *Protiviti* had more than 50 offices in 22 states and eleven foreign countries.

Competition

The Company's staffing services face competition in attracting clients as well as skilled specialized employment candidates. The staffing business is highly competitive, with a number of firms offering services similar to those provided by the Company on a national, regional or local basis. In many areas the local companies are the strongest competitors. The most significant competitive factors in the staffing business are price and the reliability of service, both of which are often a function of the availability and quality of personnel.

The Company believes it derives a competitive advantage from its long experience with and commitment to the specialized employment market, its national presence, and its various marketing activities.

Protiviti faces competition in its efforts to attract clients and win proposal presentations. The risk consulting and internal audit businesses are highly competitive due to many new firms entering the market and the evolution of established firms in the business space. In addition, the changing regulatory environment is increasing opportunities for non-attestation audit and risk consulting services. The principal competitors of *Protiviti* remain the "big four" accounting firms. Significant competitive factors include reputation, technology, tools, project methodologies, price of services and depth of skills of personnel. *Protiviti* believes its competitive strengths lie in its unique ability to couple the deep skills and proven methodologies of its "big four" heritage with the customer focus and attention of a smaller organization.

Employees

The Company has approximately 11,000 full-time staff employees, including approximately 2,200 engaged directly in *Protiviti* operations. The Company placed approximately 219,000 employees on temporary assignments with clients during 2005. Temporary employees placed by the Company are the Company's employees for all purposes while they are working on assignments. The Company pays the related costs of employment, such as workers' compensation insurance, state and federal unemployment taxes, social security and certain fringe benefits. The Company provides access to voluntary health insurance coverage to interested temporary employees.

Other Information

The Company's current business constitutes three business segments. (See Note M of Notes to Consolidated Financial Statement in Item 8. Financial Statements and Supplementary Data for financial information about the Company's segments.)

The Company is not dependent upon a single customer or a limited number of customers. The Company's staffing services operations are generally more active in the first and fourth quarters of a calendar year. *Protiviti* has been in operation only since May 2002, so there does not exist sufficient information to determine to what extent, if any, its business may be seasonal. Order backlog is not a material aspect of the Company's staffing services business. While backlog is of greater importance to *Protiviti*, the Company does not believe, based upon the length of time of the average *Protiviti* engagement, that backlog is a material aspect of the *Protiviti* business. No material portion of the Company's business is subject to government contracts.

Information about foreign operations is contained in Note M of Notes to Consolidated Financial Statements in Item 8. The Company does not have export sales.

Available Information

The Company's Internet address is *www.rhi.com*. The Company makes available, free of charge, through its website, its Annual Reports on Form 10-K, its Quarterly Reports on Form 10-Q, and its Current Reports on Form 8-K, and any amendments to those reports, as soon as is reasonably practicable after such reports are filed with or furnished to the Securities and Exchange Commission. Also available on the Company's website are its Corporate Governance Guidelines, its Code of Business Conduct and Ethics, and the charters for its Audit Committee, Compensation Committee and Nominating and Governance Committee, each of which is available in print to any stockholder who makes a request to Robert Half International Inc., 2884 Sand Hill Road, Menlo Park, CA 94025, Attn: Corporate Secretary. The Company's Code of Business Conduct and Ethics is the Code of Ethics required by Item 406 of Securities and Exchange Commission Regulation S-K. The Company intends to satisfy any disclosure obligations under Item 5.05 of Form 8-K regarding any amendment or waiver relating to its Code of Business Conduct and Ethics by posting such information on its website.

Item 1A. Risk Factors

The Company's business prospects are subject to various risks and uncertainties that impact its business. The most important of these risks and uncertainties are as follows:

Business Highly Dependent Upon the State of the Economy. The demand for the Company's services, in particular its staffing services, is highly dependent upon the state of the economy and upon the staffing needs of the Company's clients. Any variation in the economic condition or unemployment levels of the U.S. or of any of the foreign countries in which the Company does business, or in the economic condition of any region of any of the foregoing, or in any specific industry may severely reduce the demand for the Company's services and thereby significantly decrease the Company's revenues and profits.

Availability of Candidates. The Company's staffing services business consists of the placement of individuals seeking employment. There can be no assurance that candidates for employment will continue to seek employment through the Company. Candidates generally seek temporary or regular positions through multiple sources, including the Company and its competitors. Any shortage of candidates could materially adversely affect the Company.

Highly Competitive Business. The staffing services business is highly competitive and, because it is a service business, the barriers to entry are quite low. There are many competitors, some of which have greater resources than the Company, and new competitors are entering the market all the time. In addition, long-term contracts form a negligible portion of the Company's revenue. Therefore, there can be no assurance that the Company will be able to retain clients or market share in the future. Nor can there be any assurance that the Company will, in light of competitive pressures, be able to remain profitable or, if profitable, maintain its current profit margins.

Reputation. The success of the Company's staffing and *Protiviti* businesses is highly dependent upon their reputations. Any event that adversely impacts the reputation of either business could materially adversely affect the Company.

Potential Liability to Employees and Clients. The Company's temporary services business entails employing individuals on a temporary basis and placing such individuals in clients' workplaces. The Company's ability to control the workplace environment is limited. As the employer of record of its temporary employees, the Company incurs a risk of liability to its temporary employees for various workplace events, including claims of physical injury, discrimination or harassment. While such claims have not historically had a material adverse effect upon the Company, there can be no assurance that such claims in the future will not result in adverse publicity or have a material adverse effect upon the Company. The Company also incurs a risk of liability to its clients resulting from allegations of errors, omissions or theft by its temporary employees. The Company maintains insurance with respect to many of such claims. While such claims have not historically had a material adverse effect upon the Company, there can be no assurance that the Company will continue to be able to obtain insurance at a cost that does not have a material adverse effect upon the Company or that such claims (whether by reason of the Company not having insurance or by reason of such claims being outside the scope of the Company's insurance) will not have a material adverse effect upon the Company.

Dependence Upon Personnel. The Company is engaged in the services business. As such, its success or failure is highly dependent upon the performance of its management personnel and employees, rather than upon technology or upon tangible assets (of which the Company has few). There can be no assurance that the Company will be able to attract and retain the personnel that are essential to its success.

Government Regulation. The Company's business is subject to regulation or licensing in many states and in certain foreign countries. While the Company has had no material difficulty complying with regulations in the past, there can be no assurance that the Company will be able to continue to obtain all necessary licenses or approvals or that the cost of compliance will not prove to be material. Any inability of the Company to comply with government regulation or licensing requirements could materially adversely affect the Company.

Government Regulation of the Workplace. The Company's temporary services business entails employing individuals on a temporary basis and placing such individuals in clients' workplaces. Increased government regulation of the workplace or of the employer-employee relationship, or judicial or administrative proceedings related to such regulation, could materially adversely affect the Company.

Demand for Services. The operations of both the staffing services business and *Protiviti* include services related to Sarbanes-Oxley and other regulatory compliance. There can be no assurance that there will be ongoing demand for these services.

Reliance on Short-Term Contracts. Because long-term contracts are not a significant part of the Company's staffing services business, future results cannot be reliably predicted by considering past trends or extrapolating past results.

The Company and certain subsidiaries are defendants in several class action lawsuits alleging various wage and hour claims that could cause the Company to incur substantial liabilities. The Company and certain subsidiaries are defendants in several class action lawsuits brought by or on behalf of the Company's current and former employees alleging violations of federal and state law with respect to certain wage and hour matters. The Company and certain subsidiaries are currently defendants in two class action lawsuits in California and one class action lawsuit in Massachusetts. All three lawsuits allege, among other things, the misclassification of certain employees as exempt employees under federal and state law and other related wage and hour violations and seek an unspecified amount for unpaid overtime compensation, statutory penalties, and other damages, as well as attorneys' fees. It is not possible to predict the outcome of these lawsuits. However, these lawsuits may consume substantial amounts of the Company's financial and managerial resources and might result in adverse publicity, regardless of the ultimate outcome of the lawsuits. In addition, the Company and its subsidiaries may become subject to similar lawsuits in other jurisdictions. An unfavorable outcome with respect to these lawsuits and any future lawsuits could, individually or in the aggregate, cause the Company to incur substantial liabilities that may have a material adverse effect upon the Company's business, financial condition or results of operations.

Protiviti Dependence on Personnel. Protiviti is a services business, and is dependent upon its ability to attract and retain personnel. While Protiviti has retained its key personnel to date, there can be no assurance that it will continue to be able to do so.

Protiviti Competition. *Protiviti* operates in a highly competitive business. As with the Company's staffing services business, the barriers to entry are quite low. There are many competitors, some of which have greater resources than *Protiviti* and many of which have been in operation far longer than *Protiviti*. In particular, *Protiviti* faces competition from the "big four" accounting firms, which have been in operation for a considerable period of time and have established reputations and client bases. Because the principal factors upon which competition is based are reputation, technology, tools, project methodologies, price of services and depth of skills of personnel, there can be no assurance that *Protiviti* will be successful in attracting and retaining clients.

Potential Liability. The business of *Protiviti* consists of providing internal audit and business and technology risk consulting services. Liability could be incurred or litigation could be instituted against the Company or *Protiviti* for claims related to these activities or to prior transactions or activities. There can be no assurance that such liability or litigation will not have a material adverse impact on *Protiviti* or the Company.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties

The Company's headquarters operations are located in Menlo Park and Pleasanton, California. As of March 1, 2006, placement activities were conducted through more than 330 offices located in the United States, Canada, the United Kingdom, Belgium, France, the Netherlands, Germany, the Czech Republic, Ireland, Italy, Luxembourg, Japan, Australia and New Zealand. As of March 1, 2006, *Protiviti* had more than 50 offices in the United States, Canada, Mexico, Australia, China, France, Germany, Italy, Netherlands, Japan, Singapore and the United Kingdom. All of the offices are leased.

Item 3. Legal Proceedings

On August 9, 2005, Plaintiff Lizette Greene, on behalf of herself and a putative class of salaried "inside sales persons," filed a complaint in United States District Court for the Northern District of California naming the Company and three of its wholly owned subsidiaries as Defendants. On December 1, 2005, the Plaintiff amended the Complaint. The Amended Complaint alleges that purported "inside sales persons" based in California have been misclassified under federal law as exempt employees and seeks an unspecified amount for unpaid overtime pay alleged to be due to them had they been paid as non-exempt, hourly employees. In addition, the Plaintiff also makes two claims under the California Private Attorney Generals Act seeking an unspecified amount for statutory penalties for alleged violations of the California Labor Code arising from the alleged misclassification of these employees as exempt employees. Plaintiff also makes a claim under California Business and Professions Code § 17200 claim for a putative nation wide class of purported "inside sales persons." This litigation is at a very early stage and discovery has not commenced. At this early stage of the litigation, it is not feasible to predict the outcome of or a range of loss, should a loss occur, from this proceeding, and accordingly, no amounts have been provided in the accompanying financial statements. The Company believes it has meritorious defenses to the allegations, and the Company intends to continue to vigorously defend against the litigation.

On December 6, 2004, Plaintiffs Ian O'Donnell and David Jolicoeur, on behalf of themselves and a putative class of salaried Staffing Managers, Account Executives and Account Managers, filed a complaint in Massachusetts Superior Court naming the Company and one of its wholly owned subsidiaries as Defendants. The complaint alleges that salaried Staffing Managers, Account Executives and Account Managers based in Massachusetts within the past two years have been misclassified under Massachusetts law as exempt employees and seeks an unspecified amount equal to three times their unpaid overtime compensation alleged to be due to them had they been paid as non-exempt, hourly employees, plus costs and legal fees. The complaint also makes similar allegations under the U.S. Fair Labor Standards Act on behalf of all Staffing Managers, Account Executives and Account Managers employed in any state other than Massachusetts and California within the past three years and seeks an unspecified amount for unpaid overtime pay alleged to be due to them had they been paid as non-exempt, hourly employees, plus an equal amount as liquidated damages. The case has been removed to the United States District Court for the District of Massachusetts. Plaintiffs have filed a motion with the Court seeking conditional certification of the class and permission to mail class members a notice regarding their right to opt into the case as a plaintiff. The Company has opposed such motion and has commenced discovery. On November 30, 2005, plaintiffs filed a motion with the Court seeking permission to amend the complaint to allege that the Company failed to pay its exempt employees on a "salary basis." If the motion to amend is allowed, the putative class would expand beyond Staffing Managers, Account Executives and Account Managers as initially proposed, and would include all Company employees classified as exempt during the time period covered by the lawsuit. The Company has opposed the motion to amend the complaint. Because the litigation is at an early stage, it is not feasible to predict its outcome or a range of loss, should a loss occur. Accordingly, no amounts have been provided in the accompanying financial statements. The Company believes it has meritorious defenses to the allegations, and the Company intends to continue to vigorously defend against the litigation.

On September 10, 2004, Plaintiff Mark Laffitte, on behalf of a putative class of salaried Account Executives and Staffing Managers, filed a complaint in California Superior Court naming the Company and three of its wholly owned subsidiaries as Defendants. The complaint alleges that salaried Account Executives and Staffing Managers based in California have been misclassified under California law as exempt employees and seeks an unspecified amount for unpaid overtime pay alleged to be due to them had they been paid as non-exempt hourly employees. In addition, the plaintiff seeks an unspecified amount for statutory penalties for alleged violations of the California Labor Code arising from the alleged misclassification of these employees as exempt employees. This litigation is at an early stage and discovery has commenced. At this early stage of the litigation, it is not feasible to predict the outcome of or a range of loss, should a loss occur, from this proceeding, and accordingly, no amounts have been provided in the accompanying financial statements. The Company believes it has meritorious defenses to the allegations, and the Company intends to vigorously defend against litigation.

The Company is involved in a number of other lawsuits arising in the ordinary course of business. While management does not expect any of these matters to have a material adverse effect on the Company's results of operations, financial position or cash flows, litigation is subject to certain inherent uncertainties.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Price, Dividends and Related Matters

The Company's Common Stock is listed for trading on the New York Stock Exchange under the symbol "RHI". On December 31, 2005, there were approximately 3,200 holders of record of the Common Stock.

Following is a list by fiscal quarters of the sales prices of the stock:

2005	Sales Prices High	Sales Prices Low
4th Quarter	$39.86	$31.98
3rd Quarter	$36.45	$24.66
2nd Quarter	$27.09	$23.95
1st Quarter	$31.12	$26.06

2004	Sales Prices High	Sales Prices Low
4th Quarter	$30.18	$25.03
3rd Quarter	$30.00	$24.31
2nd Quarter	$30.98	$23.47
1st Quarter	$26.50	$20.69

Cash dividends of $.07 per share were paid in each quarter of 2005. Cash dividends of $.06 per share were paid in each of the second, third and fourth quarters of 2004. Prior to the second quarter of 2004, the Company did not pay any cash dividends.

The remainder of the information required by this item is incorporated by reference to Part III, Item 12 of this Form 10-K.

Issuer Purchases of Equity Securities

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet Be Purchased Under Publicly Announced Plans (c)
October 1, 2005 to October 31, 2005	668,810(a)	$36.87	—	10,179,082
November 1, 2005 to November 30, 2005	304,046(b)	$36.20	269,100	9,909,982
December 1, 2005 to December 31, 2005	644,800	$37.95	644,800	9,265,182
Total October 1, 2005 to December 31, 2005	1,617,656		913,900	

(a) Represents shares repurchased in connection with employee stock plans, whereby Company shares were tendered by employees for the payment of applicable withholding taxes and/or exercise price.

(b) Includes 34,946 shares repurchased in connection with employee stock plans, whereby Company shares were tendered by employees for the payment of applicable withholding taxes and/or exercise price.

(c) Commencing in October 1997, the Company's Board of Directors has, at various times, authorized the repurchase, from time to time, of the Company's common stock on the open market or in privately negotiated transactions depending on market conditions. Since plan inception, a total of 48,000,000 shares have been authorized for repurchase, of which 38,734,818 shares have been repurchased as of December 31, 2005.

Item 6. Selected Financial Data

The selected five-year financial data presented below should be read in conjunction with the information contained in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, and the Company's Consolidated Financial Statements and the Notes thereto contained in Item 8. Financial Statements and Supplementary Data.

	Years Ended December 31,				
	2005	2004	2003	2002	2001
			(in thousands)		
Income Statement Data:					
Net service revenues	$3,338,439	$2,675,696	$1,974,991	$1,904,951	$2,452,850
Direct costs of services, consisting of payroll, payroll taxes and insurance costs for temporary and risk consulting employees	1,965,390	1,619,394	1,248,253	1,190,216	1,436,272
Gross margin	1,373,049	1,056,302	726,738	714,735	1,016,578
Selling, general and administrative expenses	991,488	824,382	707,349	709,542	823,478
Amortization of intangible assets	335	1,025	10,277	6,281	5,335
Interest income, net	(10,948)	(3,770)	(2,603)	(4,585)	(8,519)
Income before income taxes	392,174	234,665	11,715	3,497	196,284
Provision for income taxes	154,304	94,061	5,325	1,329	75,177
Net income	$ 237,870	$ 140,604	$ 6,390	$ 2,168	$ 121,107

	Years Ended December 31,				
	2005	2004	2003	2002	2001
		(in thousands, except per share amounts)			
Net Income Per Share:					
Basic	$ 1.42	$ .83	$ .04	$ .01	$ .69
Diluted	$ 1.36	$ .79	$ .04	$ .01	$ .67
Shares:					
Basic	167,664	169,742	168,719	172,484	174,489
Diluted	174,382	176,866	173,175	177,791	181,489
Cash Dividends Declared Per Share	$ .28	$ .18	$ .00	$ .00	$ .00

	December 31,				
	2005	2004	2003	2002	2001
			(in thousands)		
Balance Sheet Data:					
Goodwill and other intangible assets, net	$ 165,857	$ 167,931	$ 162,508	$ 161,912	$ 160,632
Total assets	$1,318,686	$1,198,657	$ 985,647	$ 937,996	$ 994,162
Long-term debt financing	$ 2,698	$ 2,266	$ 2,343	$ 2,414	$ 2,480
Stockholders' equity	$ 970,873	$ 911,870	$ 788,661	$ 744,966	$ 805,696

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Certain information contained in Management's Discussion and Analysis and in other parts of this report may be deemed forward-looking statements regarding events and financial trends that may affect the Company's future operating results or financial positions. These statements may be identified by words such as "estimate", "forecast", "project", "plan", "intend", "believe", "expect", "anticipate", or variations or negatives thereof or by similar or comparable words or phrases. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the statements. These risks and uncertainties include, but are not limited to, the following: changes in levels of unemployment and other economic conditions in the United States or foreign countries where the Company does business, or in particular regions or industries; reduction in the supply of candidates for temporary employment or the Company's ability to attract candidates; the entry of new competitors into the marketplace or expansion by existing competitors; the ability of the Company to maintain existing client relationships and attract new clients in the context of changing economic or competitive conditions; the impact of competitive pressures, including any change in the demand for the Company's services, on the Company's ability to maintain its margins; the possibility of the Company incurring liability for its activities, including the activities of its temporary employees, or for events impacting its temporary employees on clients' premises; the possibility that adverse publicity could impact the Company's ability to attract and retain clients and candidates; the success of the Company in attracting, training, and retaining qualified management personnel and other staff employees; whether governments will impose additional regulations or licensing requirements on personnel services businesses in particular or on employer/employee relationships in general; whether there will be ongoing demand for Sarbanes-Oxley or other regulatory compliance services; and litigation relating to prior or current transactions or activities, including litigation that may be disclosed from time to time in the Company's SEC filings. Additionally, with respect to Protiviti, other risks and uncertainties include the fact that future success will depend on its ability to retain employees and attract clients; there can be no assurance that there will be ongoing demand for Sarbanes-Oxley or other regulatory compliance services; failure to produce projected revenues could adversely affect financial results; and there is the possibility of involvement in litigation relating to prior or current transactions or activities. Further information regarding these and other risks and uncertainties is contained in Item 1A. "Risk Factors." Because long-term contracts are not a significant part of the Company's business, future results cannot be reliably predicted by considering past trends or extrapolating past results.

Critical Accounting Policies and Estimates

As described below, the Company's most critical accounting policies and estimates are those that involve subjective decisions or assessments.

Accounts Receivable Allowances. The Company maintains accounts receivable allowances for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Estimates used in determining the accounts receivable allowances were based on current trends and historical loss statistics. Actual results may differ from these estimates, which may materially affect the Company's future financial results.

Income Tax Assets and Liabilities. In establishing its deferred income tax assets and liabilities, the Company makes judgments and interpretations based on the enacted tax laws and published tax guidance that are applicable to its operations. The Company records deferred tax assets and liabilities and evaluates the need for valuation allowances to reduce the deferred tax assets to realizable amounts. The likelihood of a material change in the Company's expected realization of these assets is dependent on future taxable income, its ability to use foreign tax credit carryforwards and carrybacks, final U.S. and foreign tax settlements, and the effectiveness of its tax planning strategies in the various relevant jurisdictions. While management believes that its judgments and interpretations regarding deferred income tax assets and liabilities are appropriate, significant differences in actual experience may materially affect the future financial results of the Company.

Employee Retirement Plans. The determination of the Company's obligations for its defined benefit retirement agreement for the Company's Chief Executive Officer is dependent upon various assumptions, including, among others, expected retirement age, mortality, expected post retirement Consumer Price Index increases, and discount rates. Management believes its assumptions are appropriate; however, significant differences in actual experience or significant changes in assumptions may materially affect the Company's future financial results.

Goodwill Impairment. The Company assesses the impairment of goodwill and identifiable intangible assets annually, or more often if events or changes in circumstances indicate that the carrying value may not be recoverable. This assessment is based upon a discounted cash flow analysis. The estimate of cash flow is based upon, among other things, certain assumptions about expected future operating performance and an appropriate discount rate determined by management. The Company's estimates of discounted cash flow may differ from actual cash flow due to, among other things, economic conditions, changes to its business model or changes in its operating performance. Significant differences between these estimates and actual cash flow could materially affect the future financial results of the Company. The Company completed its annual goodwill impairment analysis during each of the years ended December 31, 2005 and 2004, and determined that no adjustment to the carrying value of goodwill was required.

Workers' Compensation. The Company self-insures or retains a portion of the exposure for losses related to workers' compensation. The Company has established reserves for workers' compensation claims based on historical loss statistics and periodic third party actuarial valuations. While management believes that its assumptions and estimates are appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Company's future financial results.

Stock Option Plans. The Company has a long history of issuing stock options to employees and directors as an integral part of its compensation programs. Accounting principles generally accepted in the United States of America allow alternative methods of accounting for these plans. The Company has chosen to account for its stock option plans under Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25"). Under APB 25, the intrinsic value of the options is used to record compensation expense and, as a result, no compensation expense related to stock options is included in determining net income and net income per share in the Financial Statements. Restricted stock and stock unit grants are accounted for in accordance with APB 25. APB 25 mandates that restricted stock grants with performance conditions are calculated using the intrinsic value. As required by Statement of Financial Accounting Standards ("SFAS") No. 148, *Accounting for Stock-Based Compensation—Transition and Disclosure*, calculations of pro forma net income (loss) and net income (loss) per share, computed in accordance with the method prescribed by SFAS No. 123, *Share-Based Payment* ("SFAS 123"), are set forth in Note A to the Financial Statements.

Recent Accounting Pronouncements

In June 2005, the Emerging Issues Task Force ("EITF") issued Issue No. 05-6, *Determining the Amortization Period for Leasehold Improvements* ("EITF 05-6"), which requires that leasehold improvements that are placed in service significantly after and not contemplated at or near the beginning of a lease term be amortized over the shorter of the useful life of the assets or a term that includes required lease periods and renewal periods that are deemed to be reasonably assured at the date the leasehold improvements are purchased. The adoption of EITF 05-6 during the three months ended September 30, 2005 did not have an impact on the Company's Financial Statements.

In March 2005, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations, An Interpretation of FASB Statement No. 143,* ("FIN 47") which requires an entity to recognize a liability for the fair value of a conditional asset retirement obligation when incurred if the liability's fair value can be reasonably estimated. The Company adopted the provisions of FIN 47 in the three months ended December 31, 2005. The adoption of FIN 47 did not have a material impact on its consolidated financial position, results of operations or cash flows.

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections—A replacement of APB Opinion No. 20 and FASB Statement No. 3* ("SFAS 154"). SFAS 154 applies to all voluntary changes in accounting principle, and changes the requirements for accounting for and reporting of a change in accounting principle. SFAS 154 requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle unless it is impracticable. APB Opinion No. 20 previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. The provisions in SFAS 154 are effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. Accordingly, the Company will adopt SFAS 154 effective January 1, 2006. The adoption of SFAS 154 is not expected to have a material effect on the Company's results of operations.

During December 2004, the FASB issued SFAS No. 123 (revised 2004), *Share-Based Payment* ("SFAS 123R"), which revises SFAS 123 and supersedes APB 25. SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized as expense based on their fair values. In April 2005, the SEC amended the effective date of SFAS 123R to be the first annual period beginning after June 15, 2005. The pro forma disclosures previously permitted under SFAS 123 will no longer be an alternative to expense recognition. Under SFAS 123R, the Company will be required to select a valuation technique, or option pricing model that meets the criteria as stated in the standard. Allowable valuation models include a binomial model and the Black-Scholes model. The Company is required to adopt the provisions of SFAS 123R in the first quarter of 2006. The Company is in the process of assessing the impact on the Company's results of operations from the adoption of SFAS 123R for its effect on prospective option grants. The adoption of SFAS 123R requires the Company to value stock options granted prior to its adoption of SFAS 123R under the fair value method and expense these amounts in the income statement over the stock option's remaining vesting period. This will result in the Company expensing approximately $17 million, before income tax effects, in 2006 that would previously have been presented in a pro forma footnote disclosure. In addition, SFAS 123R will require the Company to reflect the tax savings resulting from tax deductions in excess of expense reflected in its financial statements as a financing cash flow, which will impact the Company's future reported cash flow from operating activities.

In March 2005, the SEC staff issued Staff Accounting Bulletin No. 107 ("SAB 107") to give guidance on the implementation of SFAS 123R. The Company will consider SAB 107 during implementation of SFAS 123R.

Results of Operations for the Three Years Ended December 31, 2005

Temporary and consultant staffing services revenues were $2.6 billion, $2.2 billion and $1.7 billion for the years ended December 31, 2005, 2004 and 2003, respectively, increasing by 21% and 25% in 2005 and 2004, respectively. Permanent placement revenues were $219 million, $136 million and $95 million for the years ended December 31, 2005, 2004 and 2003, respectively, increasing by 61% and 43% in 2005 and 2004, respectively. Improvement in the U.S. labor markets contributed to the increase in temporary and permanent staffing services revenues for the years ended December 31, 2005 and 2004. Risk consulting and internal audit services revenues were $479 million, $352 million and $133 million for the years ended December 31, 2005, 2004 and 2003, respectively, increasing by 36% and 164% in 2005 and 2004, respectively. The 2005 and 2004 increases in risk consulting and internal audit services revenues is primarily due to increased brand acceptance in the marketplace and expanding demand related to increased focus on internal accounting controls and other corporate governance requirements, including the Sarbanes-Oxley Act of 2002. There can be no assurances that there will be ongoing demand for Sarbanes-Oxley or other regulatory compliance services, or that future results can be reliably predicted by considering past trends or extrapolating past results. We expect total Company revenues to continue to be impacted by general macroeconomic conditions in 2006.

The Company's temporary and permanent staffing services business has more than 330 offices in 42 states, the District of Columbia and twelve foreign countries, while Protiviti has more than 45 offices in 22 states and ten foreign countries. Revenues from foreign operations represented 19%, 18% and 18% of revenues for the years ended December 31, 2005, 2004 and 2003, respectively.

Gross margin dollars from the Company's temporary and consultant staffing services represent revenues less direct costs of services, which consist of payroll, payroll taxes and insurance costs for temporary employees. Gross margin dollars from permanent placement staffing services are equal to revenues, as there are no direct costs associated with such revenues. Gross margin dollars for risk consulting and internal audit services represent revenues less direct costs of services, which consist primarily of professional staff payroll, payroll taxes, insurance costs and reimbursable expenses. Gross margin dollars for the Company's temporary and consultant staffing services were $963 million, $787 million and $610 million for the years ended December 31, 2005, 2004 and 2003, respectively, increasing by 22% and 29% in 2005 and 2004, respectively. Gross margin amounts equaled 36%, 36% and 35% of revenues for temporary and consultant staffing services for the years ended December 31, 2005, 2004 and 2003, respectively. The higher 2004 temporary and consultant gross margin percentage is primarily the result of higher bill rates and conversion revenues. Gross margin dollars for the Company's permanent placement staffing division were $219 million, $136 million and $95 million for the years ended December 31, 2005, 2004 and 2003, respectively, increasing by 61% and 43% in 2005 and 2004, respectively. Gross margin dollars for the Company's risk consulting and internal audit division were $190 million, $133 million and $22 million for the years ended December 31, 2005, 2004 and 2003, respectively. Gross margin amounts equaled 40%, 38% and 16% of revenues for risk consulting and internal audit services for the years ended December 31, 2005, 2004 and 2003, respectively. The 2005 and 2004 improvements in risk consulting and internal audit services gross margin dollars is primarily the result of higher revenues and improved staff utilization.

Selling, general and administrative expenses were $991 million in 2005, compared to $824 million in 2004 and $707 million in 2003. Selling, general and administrative expenses as a percentage of revenues were 30%, 31% and 36% for the years ended December 31, 2005, 2004 and 2003, respectively. Selling, general and administrative expenses consist primarily of staff compensation, advertising, depreciation and occupancy costs. The lower 2005 and 2004 selling, general and administrative expense percentages resulted primarily from leveraging fixed operating costs.

For acquisitions, the Company allocates the excess of cost over the fair market value of the net tangible assets first to identifiable intangible assets, if any, and then to goodwill. Identifiable intangible assets are amortized over their lives, typically ranging from two to five years. Goodwill is not amortized, but is tested at least annually for impairment. The Company completed its annual goodwill impairment test during each of the years ended December 31, 2005 and 2004, and determined that no adjustment to the carrying value of goodwill was required. Net intangible assets, consisting primarily of goodwill, represented 13% of total assets and 17% of total stockholders' equity at December 31, 2005.

Interest income for the years ended December 31, 2005, 2004 and 2003 was $12.1 million, $5.0 million and $3.4 million, respectively, while interest expense for the years ended December 31, 2005, 2004 and 2003 was $1.1 million, $1.2 million and $0.8 million, respectively. Higher average cash balances in 2005 and 2004 and higher interest rates during those years yielded higher interest income.

The provision for income taxes was 39%, 40% and 45% of income before taxes for the years ended December 31, 2005, 2004 and 2003, respectively. The decreases in 2005 and 2004 are due primarily to the diminishing impact of permanent non-deductible tax items, which became increasingly less significant relative to the Company's improved financial results, and to the utilization of net operating loss carryforwards in certain states and international locations.

Liquidity and Capital Resources

The change in the Company's liquidity during the years ended December 31, 2005, 2004 and 2003 is primarily the net effect of funds generated by operations and the funds used for capital expenditures, repurchases of common stock, payment of dividends and principal payments on outstanding notes payable.

In connection with the preparation of its report on Form 10-Q for the quarterly period ended March 31, 2005, the Company concluded that it was appropriate to classify its auction rate securities as marketable securities. Previously, such investments had been classified as cash and cash equivalents. Accordingly, adjustments have been made to the Company's Consolidated Statements of Cash Flows for the years ended December 31, 2004 and 2003 to reflect the gross purchases and sales of these securities as investing activities rather than as a component of cash and cash equivalents.

Cash, cash equivalents and marketable securities were $458 million, $437 million and $377 million at December 31, 2005, 2004 and 2003, respectively. Operating activities and investing activities provided $328 million and $22 million, respectively, during the year ended December 31, 2005, partially offset by $232 million of net cash used in financing activities. Operating activities provided $162 million during the year ended December 31, 2004, partially offset by $37 million and $76 million of net cash used in investing activities and financing activities, respectively. Operating activities provided $113 million during the year ended December 31, 2003, partially offset by $57 million and $8 million of net cash used in investing activities and financing activities, respectively.

Operating activities—Net cash provided by operating activities for the year ended December 31, 2005 was composed of net income of $238 million adjusted for non-cash items of $122 million, and net cash used for changes in working capital of $32 million. Net cash provided by operating activities for the year ended December 31, 2004 was composed of net income of $141 million adjusted for non-cash items of $93 million, and net cash used for changes in working capital of $72 million. Net cash provided by operating activities for the year ended December 31, 2003 was composed of net income of $6 million adjusted for non-cash items of $98 million, and net cash provided by changes in working capital of $9 million.

Investing activities—Cash provided by investing activities for the year ended December 31, 2005 was $22 million. This was primarily composed of proceeds from sales and maturities of marketable securities of $92 million, partially offset by capital expenditures of $62 million, purchases of goodwill and other intangible assets of $4 million, and deposits to trusts for employee benefits and retirement plans of $3 million. Cash used in investing activities for the year ended December 31, 2004 was $37 million. This was primarily capital expenditures of $33 million. Cash used in investing activities for the year ended December 31, 2003 was $57 million. This was primarily capital expenditures of $37 million and purchases of goodwill and other intangible assets of $18 million.

Financing activities—Cash used in financing activities for the year ended December 31, 2005 was $232 million. This included repurchases of $262 million in common stock and $48 million in cash dividends to stockholders, partially offset by proceeds of $77 million from exercises of stock options. Cash used in financing activities for the year ended December 31, 2004 was $76 million. This included common stock repurchases of $90 million and cash dividends to stockholders of $31 million, partially offset by proceeds of $44 million from exercises of stock options. Financing activities for the year ended December 31, 2003 was $8 million. This included common stock repurchases of $33 million, partially offset by proceeds of $25 million from exercises of stock options.

As of December 31, 2005, the Company is authorized to repurchase, from time to time, up to 9.3 million additional shares of the Company's common stock on the open market or in privately negotiated transactions, depending on market conditions. During the years ended December 31, 2005, 2004 and 2003, the Company repurchased approximately 7.6 million, 2.7 million and 1.6 million shares of common stock on the open market for a total cost of $222 million, $64 million and $25 million, respectively. Additional stock repurchases were made in connection with employee stock plans, whereby Company shares were tendered by employees for the payment of applicable statutory withholding taxes. During the years ended December 31, 2005, 2004 and 2003, such repurchases totaled approximately 1.6 million, 1.0 million and 0.5 million shares at a cost of $53 million, $25 million and $8 million, respectively. Repurchases of securities have been funded with cash generated from operations.

The Company's working capital at December 31, 2005 included $458 million in cash and cash equivalents. The Company's working capital requirements relate primarily to accounts receivable. While there can be no assurances in this regard, the Company expects that internally generated cash will be sufficient to support the working capital needs of the Company, the Company's fixed payments, dividends, and other obligations on both a short- and long-term basis.

On February 15, 2006, the Company announced a quarterly dividend of $.08 per share to be paid to all shareholders of record on February 27, 2006. The dividend will be paid on March 15, 2006.

The Company's cash flows generated from operations are also the primary source for funding various contractual obligations. The table below summarizes the Company's major commitments as of December 31, 2005 (in thousands):

	Payments due by period				
Contractual Obligations	**2006**	**2007 and 2008**	**2009 and 2010**	**Thereafter**	**Total**
Long-term debt obligations	$ 557	$ 1,113	$ 554	$ 2,804	$ 5,028
Operating lease obligations	72,934	115,632	74,440	24,044	287,050
Purchase obligations	19,375	10,017	—	—	29,392
Other long-term liabilities	—	1,014	1,011	4,534	6,559
Total	$92,866	$127,776	$76,005	$31,382	$328,029

Long-term debt obligations consist of promissory notes and related interest as well as other forms of indebtedness issued in connection with certain acquisitions and other payment obligations. Operating lease obligations consist of minimum rental commitments for 2006 and thereafter under non-cancelable leases in effect at December 31, 2005. Purchase obligations consist of purchase commitments primarily related to telecom service agreements, software licenses and subscriptions, and computer hardware and software maintenance agreements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to the impact of foreign currency fluctuations. The Company's exposure to foreign currency exchange rates relates primarily to the Company's foreign subsidiaries. Exchange rates impact the U.S. dollar value of the Company's reported earnings, investments in its foreign subsidiaries, and the intercompany transactions with its foreign subsidiaries.

For the year ended December 31, 2005, approximately 19% of the Company's revenues were generated outside of the United States. These operations transact business in their functional currency. As a result, fluctuations in the value of foreign currencies against the U.S. dollar have an impact on the Company's reported results. Revenues and expenses denominated in foreign currencies are translated into U.S. dollars at the monthly average exchange rates prevailing during the period. Consequently, as the value of the U.S. dollar changes relative to the currencies of the Company's non-U.S. markets, the Company's reported results vary.

Fluctuations in currency exchange rates impact the U.S. dollar amount of the Company's stockholders' equity. The assets and liabilities of the Company's non-U.S. subsidiaries are translated into U.S. dollars at the exchange rates in effect at period end. The resulting translation adjustments are recorded in stockholders' equity as a component of accumulated other comprehensive income.

Item 8. Financial Statements and Supplementary Data

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands, except share amounts)

	December 31, 2005	December 31, 2004
ASSETS		
Cash and cash equivalents	$ 458,358	$ 345,283
Marketable securities	—	91,526
Accounts receivable, less allowances of $20,766 and $17,294	451,260	391,641
Deferred income taxes and other current assets	107,290	87,866
Total current assets	1,016,908	916,316
Goodwill and other intangible assets, net	165,857	167,931
Property and equipment, net	110,515	95,783
Deferred income taxes	25,406	18,627
Total assets	$1,318,686	$1,198,657
LIABILITIES		
Accounts payable and accrued expenses	$ 89,133	$ 70,696
Accrued payroll costs and retirement obligations	239,509	195,634
Income taxes payable	7,703	12,600
Current portion of notes payable and other indebtedness	356	77
Total current liabilities	336,701	279,007
Notes payable and other indebtedness, less current portion	2,698	2,266
Other liabilities	8,414	5,514
Total liabilities	347,813	286,787
Commitments and Contingencies (Note I)		
STOCKHOLDERS' EQUITY		
Preferred stock, $.001 par value authorized 5,000,000 shares; issued and outstanding zero shares	—	—
Common stock, $.001 par value authorized 260,000,000 shares; issued and outstanding 170,681,605 and 172,980,880 shares	171	173
Capital surplus	875,843	702,331
Deferred compensation	(86,178)	(63,944)
Accumulated other comprehensive income	24,987	32,570
Retained earnings	156,050	240,740
Total stockholders' equity	970,873	911,870
Total liabilities and stockholders' equity	$1,318,686	$1,198,657

The accompanying Notes to Consolidated Financial Statements
are an integral part of these financial statements.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	Years Ended December 31, 2005	2004	2003
Net service revenues	$3,338,439	$2,675,696	$1,974,991
Direct costs of services, consisting of payroll, payroll taxes and insurance costs for temporary and risk consulting employees	1,965,390	1,619,394	1,248,253
Gross margin	1,373,049	1,056,302	726,738
Selling, general and administrative expenses	991,488	824,382	707,349
Amortization of intangible assets	335	1,025	10,277
Interest income, net	(10,948)	(3,770)	(2,603)
Income before income taxes	392,174	234,665	11,715
Provision for income taxes	154,304	94,061	5,325
Net income	$ 237,870	$ 140,604	$ 6,390
Basic net income per share	$ 1.42	$ .83	$ .04
Diluted net income per share	$ 1.36	$ .79	$ .04
Shares:			
Basic	167,664	169,742	168,719
Diluted	174,382	176,866	173,175
Cash dividends declared per share	$ .28	$ .18	$ .00

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except per share amounts)

	Years Ended December 31, 2005	2004	2003
COMMON STOCK—SHARES:			
Balance at beginning of period	172,981	171,776	170,909
Net issuances of restricted stock	1,408	1,303	901
Repurchases of common stock	(9,214)	(3,657)	(2,054)
Exercises of stock options	5,507	3,559	2,020
Balance at end of period	170,682	172,981	171,776
COMMON STOCK—PAR VALUE:			
Balance at beginning of period	$ 173	$ 172	$ 171
Net issuances of restricted stock	1	1	1
Repurchases of common stock	(9)	(4)	(2)
Exercises of stock options	6	4	2
Balance at end of period	$ 171	$ 173	$ 172
CAPITAL SURPLUS:			
Balance at beginning of period	$ 702,331	$595,051	$543,457
Net issuances of, and other changes to, restricted stock—excess over par value	49,862	39,730	25,008
Net issuances of stock units	856	—	—
Exercises of stock options—excess over par value	76,994	44,327	25,257
Tax impact of equity incentive plans	45,800	23,223	1,329
Balance at end of period	$ 875,843	$702,331	$595,051
DEFERRED COMPENSATION:			
Balance at beginning of period	$ (63,944)	$ (47,408)	$ (46,311)
Net issuances of, and other changes to, restricted stock	(49,863)	(39,731)	(25,009)
Net issuances of stock units	(856)	—	—
Amortization of deferred compensation	28,485	23,195	23,912
Balance at end of period	$ (86,178)	$ (63,944)	$ (47,408)
ACCUMULATED OTHER COMPREHENSIVE INCOME:			
Balance at beginning of period	$ 32,570	$ 20,018	$ 846
Translation adjustments, net of tax	(7,583)	12,552	19,172
Balance at end of period	$ 24,987	$ 32,570	$ 20,018
RETAINED EARNINGS:			
Balance at beginning of period	$ 240,740	$220,828	$246,803
Repurchases of common stock—excess over par value	(274,779)	(89,597)	(32,365)
Cash dividends ($.28 per share and $.18 per share)	(47,781)	(31,095)	—
Net income	237,870	140,604	6,390
Balance at end of period	$ 156,050	$240,740	$220,828
COMPREHENSIVE INCOME:			
Net income	$ 237,870	$140,604	$ 6,390
Translation adjustments, net of tax	(7,583)	12,552	19,172
Total comprehensive income	$ 230,287	$153,156	$ 25,562

The accompanying Notes to Consolidated Financial Statements
are an integral part of these financial statements.

ROBERT HALF INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Years Ended December 31,		
	2005	**2004**	**2003**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 237,870	$ 140,604	$ 6,390
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of intangible assets	335	1,025	10,277
Amortization of deferred compensation	28,485	23,195	23,912
Depreciation expense	50,994	48,947	55,627
Benefit for deferred income taxes	(13,371)	(12,925)	(5,019)
Tax impact of equity incentive plans	45,800	23,223	1,329
Provision for doubtful accounts	10,097	9,721	11,140
Changes in assets and liabilities, net of effects of acquisitions:			
Increase in accounts receivable	(76,897)	(153,386)	(22,377)
Increase in accounts payable, accrued expenses, accrued payroll costs and retirement obligations	54,970	74,069	7,309
(Decrease) increase in income taxes payable	(5,646)	12,706	—
Change in other assets, net of change in other liabilities	(5,109)	(5,346)	24,217
Net cash flows provided by operating activities	327,528	161,833	112,805
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of goodwill and other intangible assets and other assets	(4,474)	(1,730)	(18,123)
Capital expenditures	(61,751)	(32,867)	(36,822)
Increase in trusts for employee benefits and retirement plans	(2,965)	(409)	(1,531)
Purchases of marketable securities	(602)	(15,513)	(29,943)
Proceeds from sales and maturities of marketable securities	92,128	14,008	29,342
Net cash flows provided by (used in) investing activities	22,336	(36,511)	(57,077)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repurchases of common stock	(262,382)	(89,601)	(33,330)
Cash dividends paid	(47,781)	(31,095)	—
Increase (decrease) in notes payable and other indebtedness	711	(71)	(66)
Proceeds from exercises of stock options	77,000	44,331	25,259
Net cash flows used in financing activities	(232,452)	(76,436)	(8,137)
Effect of exchange rate changes on cash and cash equivalents	(4,337)	9,895	11,404
Net increase in cash and cash equivalents	113,075	58,781	58,995
Cash and cash equivalents at beginning of period	345,283	286,502	227,507
Cash and cash equivalents at end of period	$ 458,358	$ 345,283	$286,502
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid (refunded) during the year for:			
Interest	$ 507	$ 494	$ 435
Income taxes, net of refunds	$ 131,967	$ 71,363	$ (15,537)
Purchase of goodwill and other intangible assets and other assets:			
Assets acquired			
Goodwill and other intangible assets	$ 1,750	$ 1,581	$ 17,594
Other	2,724	434	539
Liabilities incurred			
Other	—	(285)	(10)
Cash paid, net of cash acquired	$ 4,474	$ 1,730	$ 18,123
Non-cash items:			
Stock repurchases awaiting settlement	$ 12,406	$ —	$ —

The accompanying Notes to Consolidated Financial Statements are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A—Summary of Significant Accounting Policies

Nature of Operations. Robert Half International Inc. (the "Company") provides specialized staffing and risk consulting services through such divisions as *Accountemps®*, *Robert Half® Finance & Accounting*, *OfficeTeam®*, *Robert Half® Technology*, *Robert Half® Management Resources*, *Robert Half® Legal*, *The Creative Group®*, and *Protiviti®*. The Company, through its *Accountemps*, *Robert Half Finance & Accounting*, and *Robert Half Management Resources* divisions, is the world's largest specialized provider of temporary, full-time, and project professionals in the fields of accounting and finance. *OfficeTeam* specializes in highly skilled temporary administrative support personnel. *Robert Half Technology* provides information technology professionals. *Robert Half Legal* provides temporary, project, and full-time staffing of attorneys and specialized support personnel within law firms and corporate legal departments. *The Creative Group* provides project staffing in the advertising, marketing, and web design fields. *Protiviti* provides business and technology risk consulting and internal audit services. *Protiviti*, which primarily employs risk consulting and internal audit professionals formerly associated with major accounting firms, is a wholly-owned subsidiary of the Company. Revenues are predominantly derived from specialized staffing services. The Company operates in the United States, Canada, Mexico, Europe, Asia, Australia and New Zealand. The Company is a Delaware corporation.

Basis of Presentation. The Consolidated Financial Statements ("Financial Statements") of the Company are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and the rules of the Securities and Exchange Commission ("SEC").

Certain reclassifications have been made to the 2004 and 2003 financial statements to conform to the 2005 presentation. In connection with the preparation of its report on Form 10-Q for the quarterly period ended March 31, 2005, the Company concluded that it was appropriate to classify its auction rate securities as marketable securities. Previously, such investments had been classified as cash and cash equivalents. Accordingly, the Company has revised the classification to report these securities as marketable securities in a separate line item on its Consolidated Statements of Financial Position as of December 31, 2004. As of December 31, 2005 the Company had no marketable securities. Corresponding adjustments have also been made to the Company's Consolidated Statements of Cash Flows for the periods ended December 31, 2005, 2004 and 2003, to reflect the gross purchases and sales of these securities as investing activities rather than as a component of cash and cash equivalents. This change in classification does not affect previously reported cash flows from operations or from financing activities in the Company's previously reported Consolidated Statements of Cash Flows, or the Company's previously reported Consolidated Statements of Operations for any period.

As of December 31, 2004, $92 million of these current investments were originally classified as cash and cash equivalents on the Company's Consolidated Statements of Financial Position.

For the years ended December 31, 2004 and 2003, net cash used in investing activities related to these current investments of $2 million and $1 million, respectively, were included in cash and cash equivalents in the Company's Consolidated Statements of Cash Flows.

Principles of Consolidation. The Financial Statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All intercompany balances have been eliminated.

Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. As of December 31, 2005, such estimates included allowances for uncollectible accounts receivable, workers' compensation losses, income and other taxes, and certain employee retirement plans.

Note A—Summary of Significant Accounting Policies (Continued)

Revenue Recognition. The Company derives its revenues from three segments: temporary and consultant staffing, permanent placement staffing, and risk consulting and internal audit services. Net service revenues as presented on the Consolidated Statements of Operations represent services rendered to customers less sales adjustments and allowances. The Company records revenue on a gross basis as a principal versus on a net basis as an agent in the presentation of revenues and expenses. The Company has concluded that gross reporting is appropriate because the Company (i) has the risk of identifying and hiring qualified employees, (ii) has the discretion to select the employees and establish their price and duties and (iii) bears the risk for services that are not fully paid for by customers.

Temporary and consultant staffing revenues—Temporary and consultant staffing revenues are recognized when the services are rendered by the Company's temporary employees. Temporary employees placed by the Company are the Company's legal employees while they are working on assignments. The Company pays all related costs of employment, including workers' compensation insurance, state and federal unemployment taxes, social security and certain fringe benefits. The Company assumes the risk of acceptability of its employees to its customers.

Permanent placement staffing revenues—Permanent placement staffing revenues are recognized when employment candidates accept offers of permanent employment. The Company has a substantial history of estimating the effect of permanent placement candidates who do not remain with its clients through the 90-day guarantee period. Allowances are established to estimate these losses. Fees to clients are generally calculated as a percentage of the new employee's annual compensation. No fees for permanent placement services are charged to employment candidates.

Risk consulting and internal audit revenues—Risk consulting and internal audit services are generally provided on a time-and-material basis or fixed-fee basis. Revenues earned under time-and-material arrangements are recognized as services are provided. Revenues on fixed-fee arrangements are recognized using a proportional performance method as hours are incurred relative to total estimated hours for the engagement. The Company periodically evaluates the need to provide for any losses on these projects, and losses are recognized when it is probable that a loss will be incurred. Reimbursements, including those relating to travel and out-of-pocket expenses, are included in risk consulting and internal audit service revenues, and equivalent amounts of reimbursable expenses are included in direct costs of services.

Costs of Services. Direct costs of staffing services consist of payroll, payroll taxes and insurance costs for the Company's temporary employees. There are no direct costs associated with permanent placement staffing services. Risk consulting and internal audit costs of services include professional staff payroll, payroll taxes and insurance costs, as well as reimbursable expenses.

Advertising Costs. The Company expenses all advertising costs as incurred.

Cash and Cash Equivalents. The Company considers all highly liquid investments with a maturity at the date of purchase of three months or less as cash equivalents.

Marketable Securities. During the three months ended June 30, 2005, the Company sold all of its marketable securities. At December 31, 2004, the Company held $92 million of marketable securities, which consisted of auction rate securities classified as available-for-sale. The Company's investments in these securities are recorded at cost, which approximates fair market value due to their variable interest rates, which typically reset every 35 days, and, despite the long-term nature of their stated contractual maturities, the Company had the ability to quickly liquidate these securities. As a result, the Company has no cumulative gross unrealized holding gains (losses) or gross realized gains (losses) from these marketable securities. All income generated from these current investments is recorded as interest income.

Note A—Summary of Significant Accounting Policies (Continued)

Intangible Assets. Intangible assets primarily consist of the cost of acquired companies in excess of the fair market value of their net tangible assets at the date of acquisition. Identifiable intangible assets are amortized over their lives, typically ranging from two to five years. Goodwill is not amortized, but is tested at least annually for impairment. The Company completed its annual goodwill impairment analysis during each of the years ended December 31, 2005 and 2004, and determined that no adjustment to the carrying value of goodwill was required.

Income Tax Assets and Liabilities. In establishing its deferred income tax assets and liabilities, the Company makes judgments and interpretations based on the enacted tax laws and published tax guidance that are applicable to its operations. The Company records deferred tax assets and liabilities and evaluates the need for valuation allowances to reduce the deferred tax assets to realizable amounts. The likelihood of a material change in the Company's expected realization of these assets is dependent on future taxable income, its ability to use foreign tax credit carryforwards and carrybacks, final U.S. and foreign tax settlements, and the effectiveness of its tax planning strategies in the various relevant jurisdictions.

Workers' Compensation. The Company self-insures or retains a portion of the exposure for losses related to workers' compensation. The Company has established reserves for workers' compensation claims based on historical loss statistics and periodic third party actuarial valuations.

Foreign Currency Translation. The results of operations of the Company's foreign subsidiaries are translated at the monthly average exchange rates prevailing during the period. The financial position of the Company's foreign subsidiaries is translated at the current exchange rates at the end of the period, and the related translation adjustments are recorded as a component of accumulated other comprehensive income within Stockholders' Equity. Gains and losses resulting from foreign currency transactions are included as a component of selling, general and administrative expenses in the Consolidated Statements of Operations, and have not been material for all periods presented.

Stock Option Plans. The Company accounts for its stock option plans in accordance with Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25"). Under APB 25, the intrinsic value of the options is used to record compensation expense and, as a result, no compensation expense related to stock options is included in determining net income and net income per share in the Financial Statements. Restricted stock and stock unit grants are accounted for in accordance with APB 25, which mandates that restricted stock grants with performance conditions are calculated using the intrinsic value. Had compensation expense for the stock options and performance-based restricted stock granted been based on the estimated fair value at the award dates, as prescribed by Statement of Financial Accounting Standards ("SFAS") No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"), the Company's pro forma net income (loss) and net income (loss) per share would have been as follows (in thousands, except per share amounts):

	Years Ended December 31,		
	2005	**2004**	**2003**
Net Income (Loss)			
As reported	$237,870	$140,604	$ 6,390
Stock-based employee compensation expense, net of related tax effects	17,148	14,149	14,586
Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(31,466)	(29,898)	(34,423)
Pro forma	$223,552	$124,855	$(13,447)

Note A—Summary of Significant Accounting Policies (Continued)

	Years Ended December 31,		
	2005	2004	2003
Net Income (Loss) Per Share			
Basic			
As reported	$1.42	$.83	$ .04
Pro forma	$1.33	$.74	$(.08)
Diluted			
As reported	$1.36	$.79	$ .04
Pro forma	$1.29	$.71	$(.08)

The fair value of each option is estimated, as of the grant date, using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 2005, 2004 and 2003: expected dividend yields of 0.92%, 0.85% and 0% for grants in 2005, 2004 and 2003, respectively; expected volatility of 47.1%, 49.4% and 50.9% for 2005, 2004 and 2003, respectively; risk-free interest rates of 3.8%, 3.6% and 3.1% for 2005, 2004 and 2003, respectively; and expected lives of 6.1 years, 6.0 years and 5.9 years for 2005, 2004 and 2003, respectively.

Property and Equipment. Property and equipment are recorded at cost. Depreciation expense is computed using the straight-line method over the following useful lives:

Computer hardware	2 to 3 years
Computer software	2 to 5 years
Furniture and equipment	5 years
Leasehold improvements	Term of lease, 5 years maximum

Internal-use Software. The Company capitalizes direct costs incurred in the development of internal-use software. Amounts capitalized are reported as a component of computer software within property and equipment. The Company capitalized approximately $4.5 million, $5.1 million and $10.8 million of internal-use software development costs for the years ended December 31, 2005, 2004 and 2003, respectively.

Note B—New Accounting Pronouncements

In June 2005, the Emerging Issues Task Force ("EITF") issued Issue No. 05-6, *Determining the Amortization Period for Leasehold Improvements* ("EITF 05-6"), which requires that leasehold improvements that are placed in service significantly after and not contemplated at or near the beginning of a lease term be amortized over the shorter of the useful life of the assets or a term that includes required lease periods and renewal periods that are deemed to be reasonably assured at the date the leasehold improvements are purchased. The adoption of EITF 05-6 during the three months ended September 30, 2005 did not have an impact on the Company's Financial Statements.

In March 2005, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations, An Interpretation of FASB Statement No. 143,* ("FIN 47") which requires an entity to recognize a liability for the fair value of a conditional asset retirement obligation when incurred if the liability's fair value can be reasonably estimated. The Company adopted the provisions of FIN 47 in the three months ended December 31, 2005. The adoption of FIN 47 did not have a material impact on its consolidated financial position, results of operations or cash flows.

Note B—New Accounting Pronouncements (Continued)

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections—A replacement of APB Opinion No. 20 and FASB Statement No. 3* ("SFAS 154"). SFAS 154 applies to all voluntary changes in accounting principle, and changes the requirements for accounting for and reporting of a change in accounting principle. SFAS 154 requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle unless it is impracticable. APB Opinion No. 20 previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. The provisions in SFAS 154 are effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. Accordingly, the Company will adopt SFAS 154 effective January 1, 2006. The adoption of SFAS 154 is not expected to have a material effect on the Company's results of operations.

During December 2004, the FASB issued SFAS No. 123 (revised 2004), *Share-Based Payment* ("SFAS 123R"), which revises SFAS 123 and supersedes APB 25. SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized as expense based on their fair values. In April 2005, the SEC amended the effective date of SFAS 123R to be the first annual period beginning after June 15, 2005. The pro forma disclosures previously permitted under SFAS 123 will no longer be an alternative to expense recognition. Under SFAS 123R, the Company will be required to select a valuation technique, or option pricing model that meets the criteria as stated in the standard. Allowable valuation models include a binomial model and the Black-Scholes model. The Company is required to adopt the provisions of SFAS 123R in the first quarter of 2006. The Company is in the process of assessing the impact on the Company's results of operations from the adoption of SFAS 123R for its effect on prospective option grants. The adoption of SFAS 123R requires the Company to value stock options granted prior to its adoption of SFAS 123R under the fair value method and expense these amounts in the income statement over the stock option's remaining vesting period. This will result in the Company expensing approximately $17 million, before income tax effects, in 2006 that would previously have been presented in a pro forma footnote disclosure. In addition, SFAS 123R will require the Company to reflect the tax savings resulting from tax deductions in excess of expense reflected in its financial statements as a financing cash flow, which will impact the Company's future reported cash flow from operating activities.

In March 2005, the SEC staff issued Staff Accounting Bulletin No. 107 ("SAB 107") to give guidance on the implementation of SFAS 123R. The Company will consider SAB 107 during implementation of SFAS 123R.

Note C—Deferred Income Taxes and Other Current Assets

Deferred income taxes and other current assets consisted of the following (in thousands):

	December 31, 2005	December 31, 2004
Deferred income taxes	$ 45,429	$36,794
Deposits in trusts for employee benefits and retirement plans	34,612	31,647
Other	27,249	19,425
	$107,290	$87,866

Note D—Goodwill and Other Intangible Assets, Net

The following table sets forth the activity in goodwill and other intangible assets from December 31, 2003 through December 31, 2005 (in thousands):

	Goodwill	Other Intangible Assets	Total
Balance as of December 31, 2003	$161,963	$ 545	$162,508
Purchase of intangible assets	881	700	1,581
Translation adjustments	888	—	888
Increase in unamortized retirement costs	—	3,979	3,979
	163,732	5,224	168,956
Amortization of intangible assets	—	(1,025)	(1,025)
Balance as of December 31, 2004	163,732	4,199	167,931
Purchase of intangible assets	1,250	500	1,750
Translation adjustments	(851)	76	(775)
Decrease in unamortized retirement costs	—	(2,714)	(2,714)
	164,131	2,061	166,192
Amortization of intangible assets	—	(335)	(335)
Balance as of December 31, 2005	$164,131	$ 1,726	$165,857

The estimated remaining amortization expense is $0.4 million for 2006, and $0.2 million thereafter.

Note E—Property and Equipment, Net

Property and equipment consisted of the following (in thousands):

	December 31, 2005	December 31, 2004
Computer hardware	$ 110,440	$ 98,296
Computer software	190,069	168,086
Furniture and equipment	100,690	89,560
Leasehold improvements	75,401	69,203
Other	13,544	10,870
Property and equipment, cost	490,144	436,015
Accumulated depreciation	(379,629)	(340,232)
Property and equipment, net	$ 110,515	$ 95,783

Note F—Accrued Payroll Costs and Retirement Obligations

Accrued payroll costs and retirement obligations consisted of the following (in thousands):

	December 31, 2005	December 31, 2004
Payroll and benefits	$134,541	$100,507
Employee retirement obligations	50,327	47,825
Workers' compensation	21,424	19,398
Payroll taxes	33,217	27,904
	$239,509	$195,634

Note F—Accrued Payroll Costs and Retirement Obligations (Continued)

Included in employee benefits and retirement obligations is $42 million at December 31, 2005 and 2004 related to a defined benefit retirement agreement for the Company's Chief Executive Officer. The amount of this obligation has been calculated in accordance with the current provisions of the employee's retirement agreement, which was initially entered into in 1985. The key assumptions used in this calculation include: expected retirement age, mortality, expected post retirement Consumer Price Index increases of 2.8% and 2.9%, and discount rates of 4.0% and 3.8% at December 31, 2005 and 2004, respectively.

Note G—Notes Payable and Other Indebtedness

The Company issued promissory notes as well as other forms of indebtedness in connection with certain acquisitions and other payment obligations. These are due in varying installments, carry varying interest rates and, in aggregate, amounted to $3.1 million at December 31, 2005 and $2.3 million at December 31, 2004. At December 31, 2005, $2.1 million of the notes were collateralized by a standby letter of credit. The following table shows the schedule of maturities for notes payable and other indebtedness at December 31, 2005 (in thousands):

2006	$ 356
2007	352
2008	350
2009	104
2010	113
Thereafter	1,779
	$3,054

At December 31, 2005, the notes carried fixed rates and the weighted average interest rate for the above was approximately 8.7%, 8.7% and 8.6% for the years ended December 31, 2005, 2004 and 2003, respectively.

The Company has an uncommitted letter of credit facility ("the facility") of up to $35.0 million, which is available to cover the issuance of debt support standby letters of credit. The Company had used $27.0 million and $30.9 million in debt support standby letters of credit as of December 31, 2005 and 2004, respectively. Of the debt support standby letters of credit outstanding as of December 31, 2005 and 2004, $24.8 million and $28.7 million, respectively, satisfy workers' compensation insurer's collateral requirements. There is a service fee of 1.0% on the used portion of the facility. The facility is subject to certain financial covenants and expires on August 31, 2006.

Note H—Income Taxes

The provision (benefit) for income taxes for the years ended December 31, 2005, 2004 and 2003 consisted of the following (in thousands):

	Years Ended December 31,		
	2005	2004	2003
Current:			
Federal	$128,497	$ 78,681	$ 4,773
State	27,746	17,517	3,430
Foreign	11,432	10,788	2,141
Deferred:			
Federal and state	(13,380)	(15,259)	(1,178)
Foreign	9	2,334	(3,841)
	$154,304	$ 94,061	$ 5,325

Note H—Income Taxes (Continued)

Income (loss) before the provision for income taxes for the years ended December 31, 2005, 2004 and 2003 consisted of the following (in thousands):

	Years Ended December 31,		
	2005	2004	2003
Domestic	$359,709	$219,434	$18,985
Foreign	32,465	15,231	(7,270)
	$392,174	$234,665	$11,715

The income taxes shown above varied from the statutory federal income tax rates for these periods as follows:

	Years Ended December 31,		
	2005	2004	2003
Federal U.S. income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal tax benefit	4.3	4.2	12.6
Tax-free interest income	(0.4)	(0.2)	(2.8)
Non-deductible expenses	0.3	0.3	(2.1)
Non-U.S. income taxed at different rates, net of foreign tax credits	(0.4)	1.0	8.4
Other, net	0.5	(0.2)	(5.6)
Effective tax rate	39.3%	40.1%	45.5%

The deferred portion of the tax provision consisted of the following (in thousands):

	Years Ended December 31,		
	2005	2004	2003
Amortization of franchise rights	$ 912	$ 600	$ 731
Amortization of other intangibles	449	(476)	(3,493)
Accrued expenses, deducted for tax when paid	(10,239)	(9,428)	442
Capitalized costs for books, deducted for tax	226	3,324	4,489
Depreciation	(6,815)	(4,441)	(4,290)
Other, net	2,096	(2,504)	(2,898)
	$(13,371)	$(12,925)	$(5,019)

The deferred income tax amounts included on the Consolidated Statements of Financial Position are comprised of the following (in thousands):

	December 31,	
	2005	2004
Current deferred income tax assets, net	$45,429	$36,794
Long-term deferred income tax assets, net	25,406	18,627
	$70,835	$55,421

Note H—Income Taxes (Continued)

The components of the deferred income tax amounts at December 31, 2005 and 2004 were as follows (in thousands):

	December 31, 2005	December 31, 2004
Deferred Income Tax Assets		
Provision for bad debts	$ 5,774	$ 4,574
Employee retirement and other benefit obligations	37,442	30,619
Workers' compensation	8,512	7,560
Deferred compensation	10,102	10,498
Credits and net operating loss carryforwards	26,818	23,462
Property and equipment basis differences	4,373	—
Other	8,276	5,452
Total deferred income tax assets	101,297	82,165
Deferred Income Tax Liabilities		
Amortization of intangible assets	(12,845)	(11,251)
Property and equipment basis differences	—	(2,109)
Unremitted earnings of foreign subsidiaries	(3,036)	(3,409)
Other	(3,446)	(2,821)
Total deferred income tax liabilities	(19,327)	(19,590)
Valuation allowance	(11,135)	(7,154)
Total deferred income tax assets, net	$ 70,835	$ 55,421

The Company has net operating loss carryforwards in a number of states. The tax benefit of these net operating losses is $4.6 million. These state net operating losses expire in 2007 and later. The Company has net operating loss carryforwards in foreign countries. The tax benefit of these net operating losses is $11.1 million. These net operating losses expire in 2007 and later.

The Company has not provided deferred income taxes or foreign withholding taxes on $13.9 million and $19.0 million of undistributed earnings of its non-U.S. subsidiaries as of December 31, 2005 and 2004 respectively, since the Company intends to reinvest these earnings indefinitely. Foreign tax credits associated with these earnings are expected to offset any U.S. tax liability which would arise upon repatriation.

During December 2004, the FASB issued FSP No. 109-2, *Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004* ("FSP 109-2"), which provides guidance on the accounting for the potential impact of the repatriation provisions of the American Jobs Creation Act of 2004 (the "Jobs Act") on enterprises' income tax expense and deferred tax liability. The Jobs Act, which was signed into law on October 22, 2004, introduces relief on the potential income tax impact of repatriating foreign earnings and certain other provisions. FSP 109-2 states that an enterprise is allowed time beyond the financial reporting period of enactment to evaluate the effect of the Jobs Act on its plan for reinvestment or repatriation of foreign earnings for purposes of applying SFAS 109. The Company has completed its assessment and will not repatriate any foreign earnings under the provisions of the Jobs Act.

Note I—Commitments and Contingencies

Rental expense, primarily for office premises, amounted to $75.6 million, $74.6 million and $72.2 million for the years ended December 31, 2005, 2004 and 2003, respectively. The approximate minimum rental commitments for 2006 and thereafter under non-cancelable leases in effect at December 31, 2005 were as follows (in thousands):

2006	$ 72,934
2007	63,601
2008	52,031
2009	43,549
2010	30,891
Thereafter	24,044
	$287,050

Additionally, as of December 31, 2005, the Company had future purchase commitments of approximately $29.4 million over the next three years primarily related to telecom service agreements, software licenses and subscriptions, and computer hardware and software maintenance agreements.

On August 9, 2005, Plaintiff Lizette Greene, on behalf of herself and a putative class of salaried “inside sales persons,” filed a complaint in United States District Court for the Northern District of California naming the Company and three of its wholly owned subsidiaries as Defendants. On December 1, 2005, the Plaintiff amended the Complaint. The Amended Complaint alleges that purported “inside sales persons” based in California have been misclassified under federal law as exempt employees and seeks an unspecified amount for unpaid overtime pay alleged to be due to them had they been paid as non-exempt, hourly employees. In addition, the Plaintiff also makes two claims under the California Private Attorney Generals Act seeking an unspecified amount for statutory penalties for alleged violations of the California Labor Code arising from the alleged misclassification of these employees as exempt employees. Plaintiff also makes a claim under California Business and Professions Code § 17200 claim for a putative nation wide class of purported “inside sales persons.” This litigation is at a very early stage and discovery has not commenced. At this early stage of the litigation, it is not feasible to predict the outcome of or a range of loss, should a loss occur, from this proceeding, and accordingly, no amounts have been provided in the accompanying financial statements. The Company believes it has meritorious defenses to the allegations, and the Company intends to continue to vigorously defend against the litigation.

On December 6, 2004, Plaintiffs Ian O’Donnell and David Jolicoeur, on behalf of themselves and a putative class of salaried Staffing Managers, Account Executives and Account Managers, filed a complaint in Massachusetts Superior Court naming the Company and one of its wholly owned subsidiaries as Defendants. The complaint alleges that salaried Staffing Managers, Account Executives and Account Managers based in Massachusetts within the past two years have been misclassified under Massachusetts law as exempt employees and seeks an unspecified amount equal to three times their unpaid overtime compensation alleged to be due to them had they been paid as non-exempt, hourly employees, plus costs and legal fees. The complaint also makes similar allegations under the U.S. Fair Labor Standards Act on behalf of all Staffing Managers, Account Executives and Account Managers employed in any state other than Massachusetts and California within the past three years and seeks an unspecified amount for unpaid overtime pay alleged to be due to them had they been paid as non-exempt, hourly employees, plus an equal amount as liquidated damages. The case has been removed to the United States District Court for the District of Massachusetts. Plaintiffs have filed a motion with the Court seeking conditional certification of the class and permission to mail class members a notice regarding their right to opt into the case as a plaintiff. The Company has opposed such motion and has commenced discovery. On November 30, 2005, plaintiffs filed a motion with the Court seeking permission to amend the complaint to allege that the Company failed to pay its exempt employees on a “salary basis.” If the motion to amend is allowed, the

Note I—Commitments and Contingencies (Continued)

putative class would expand beyond Staffing Managers, Account Executives and Account Managers as initially proposed, and would include all Company employees classified as exempt during the time period covered by the lawsuit. The Company has opposed the motion to amend the complaint. Because the litigation is at an early stage, it is not feasible to predict its outcome or a range of loss, should a loss occur. Accordingly, no amounts have been provided in the accompanying financial statements. The Company believes it has meritorious defenses to the allegations, and the Company intends to continue to vigorously defend against the litigation.

On September 10, 2004, Plaintiff Mark Laffitte, on behalf of a putative class of salaried Account Executives and Staffing Managers, filed a complaint in California Superior Court naming the Company and three of its wholly owned subsidiaries as Defendants. The complaint alleges that salaried Account Executives and Staffing Managers based in California have been misclassified under California law as exempt employees and seeks an unspecified amount for unpaid overtime pay alleged to be due to them had they been paid as non-exempt hourly employees. In addition, the plaintiff seeks an unspecified amount for statutory penalties for alleged violations of the California Labor Code arising from the alleged misclassification of these employees as exempt employees. This litigation is at an early stage and discovery has commenced. At this early stage of the litigation, it is not feasible to predict the outcome of or a range of loss, should a loss occur, from this proceeding, and accordingly, no amounts have been provided in the accompanying financial statements. The Company believes it has meritorious defenses to the allegations, and the Company intends to vigorously defend against litigation.

The Company is involved in a number of other lawsuits arising in the ordinary course of business. While management does not expect any of these matters to have a material adverse effect on the Company's results of operations, financial position or cash flows, litigation is subject to certain inherent uncertainties.

Note J—Stockholders' Equity

Stock Repurchase Program. As of December 31, 2005, the Company is authorized to repurchase, from time to time, up to 9.3 million additional shares of the Company's common stock on the open market or in privately negotiated transactions, depending on market conditions. During the years ended December 31, 2005, 2004 and 2003, the Company repurchased approximately 7.6 million, 2.7 million and 1.6 million shares of common stock on the open market for a total cost of $222 million, $64 million and $25 million, respectively. Additional stock repurchases were made in connection with employee stock plans, whereby Company shares were tendered by employees for the payment of applicable statutory withholding taxes. During the years ended December 31, 2005, 2004 and 2003, such repurchases totaled approximately 1.6 million, 1.0 million and 0.5 million shares at a cost of $53 million, $25 million and $8 million, respectively. Repurchases of securities have been funded with cash generated from operations.

The repurchased shares are held in treasury and are presented as if retired. Treasury stock is accounted for using the cost method. Treasury stock activity for the three years ended December 31, 2005 (consisting of stock option exercises and the purchase of shares for the treasury) is presented in the Consolidated Statements of Stockholders' Equity.

Note K—Stock Plans

Under various stock plans, officers, employees and outside directors have received or may receive grants of restricted stock, stock units, stock appreciation rights or options to purchase common stock. Grants have been made at the discretion of the Committees of the Board of Directors. Grants generally vest in four years.

Options currently outstanding under the plans have an exercise price equal to the fair market value of the Company's common stock at the date of grant, may consist of both incentive stock options and nonstatutory stock options under the Internal Revenue Code, and generally have a term of 10 years.

Note K—Stock Plans (Continued)

The Company accounts for these plans under APB 25. Therefore, the intrinsic value of the options is used to record compensation expense and, as a result, no compensation expense has been recognized for its stock option plans. As required by SFAS No. 148, *Accounting for Stock-Based Compensation—Transition and Disclosure*, calculations of pro forma net income (loss) and net income (loss) per share, computed in accordance with the method prescribed by SFAS 123, are set forth in Note A to the Financial Statements.

Recipients of restricted stock do not pay any cash consideration to the Company for the shares, have the right to vote all shares subject to such grant, and receive all dividends with respect to such shares, whether or not the shares have vested. Recipients of stock units do not pay any cash consideration for the units, do not have the right to vote, and do not receive dividends with respect to such units. Compensation expense for restricted stock and stock units is recognized on a straight-line basis over the vesting period, using the stock's fair market value on the grant date, except for performance based grants where the measurement date is the date that the performance criteria is met.

The following table reflects activity under all stock plans from December 31, 2002 through December 31, 2005, and the weighted average exercise prices (in thousands, except per share amounts):

		Stock Option Plans	
	Restricted Stock Plans	Number of Shares	Weighted Average Price Per Share
Outstanding, December 31, 2002	3,502	29,066	$16.38
Granted	1,015	3,680	$19.40
Exercised	—	(2,019)	$15.64
Restrictions lapsed	(1,139)	—	—
Forfeited	(118)	(1,540)	$20.53
Outstanding, December 31, 2003	3,260	29,187	$16.57
Granted	1,275	1,968	$26.69
Exercised	—	(3,561)	$12.55
Restrictions lapsed	(1,073)	—	—
Forfeited	(18)	(916)	$20.90
Outstanding, December 31, 2004	3,444	26,678	$17.67
Granted	1,490	489	$30.55
Exercised	—	(5,508)	$13.98
Restrictions lapsed	(1,030)	—	—
Forfeited	(56)	(686)	$23.04
Outstanding, December 31, 2005	3,848	20,973	$18.77

The weighted average price per share of restricted stock granted in 2005, 2004 and 2003 was $30.41, $27.44 and $22.38, respectively.

Note K—Stock Plans (Continued)

The following table summarizes information about options outstanding as of December 31, 2005 (in thousands, except number of years and per share amounts):

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding as of December 31, 2005	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable as of December 31, 2005	Weighted Average Exercise Price
$9.72 to $12.34	3,731	2.25	$10.97	3,729	$10.97
$12.51 to $16.94	3,935	5.21	$14.94	3,152	$14.74
$16.95 to $19.31	4,282	3.92	$18.35	3,869	$18.48
$19.45 to $22.56	4,765	5.33	$21.64	4,029	$21.71
$22.70 to $27.82	3,582	7.40	$25.59	1,586	$25.51
$27.84 to $34.75	678	7.31	$30.43	300	$29.43
Total	20,973	4.89	$18.77	16,665	$17.74

At December 31, 2005, the total number of available shares to grant under the plans (consisting of either restricted stock, stock units, stock appreciation rights or options) was approximately 8.4 million. Of the 21.0 million options outstanding at December 31, 2005, 16.7 million options were exercisable with a weighted average exercise price of $17.74, and 4.3 million options were not exercisable with a weighted average exercise price of $22.76.

Note L—Net Income Per Share

The calculation of net income per share for the three years ended December 31, 2005 is reflected in the following table (in thousands, except per share amounts):

	Years Ended December 31,		
	2005	2004	2003
Net Income	$237,870	$140,604	$ 6,390
Basic:			
Weighted average shares	167,664	169,742	168,719
Diluted:			
Weighted average shares	167,664	169,742	168,719
Potentially dilutive shares	6,718	7,124	4,456
Diluted shares	174,382	176,866	173,175
Net Income Per Share:			
Basic	$ 1.42	$ .83	$ .04
Diluted	$ 1.36	$ .79	$ .04

The weighted average diluted common shares outstanding for the years ended December 31, 2005, 2004 and 2003 excludes the dilutive effect of approximately 0.1 million, 0.9 million and 11.8 million options, respectively, since such options have an exercise price in excess of the respective year's average market value of the Company's common stock. Had such options been included, the dilutive effect would have been calculated using the treasury method.

The computation of potentially dilutive shares includes unvested restricted stock.

Note M—Business Segments

The Company, which defines its segments based on the nature of services, has three reportable segments: temporary and consultant staffing, permanent placement staffing, and risk consulting and internal audit services. The temporary and consultant segment provides specialized staffing in the accounting and finance, administrative and office, information technology, legal, advertising, marketing and web design fields. The permanent placement segment provides full-time personnel in the accounting, finance, administrative and office, and information technology fields. The risk consulting segment provides business and technology risk consulting and internal audit services.

The accounting policies of the segments are set forth in Note A—Summary of Significant Accounting Policies. The Company evaluates performance based on income or loss from operations before interest income, intangible amortization expense, and income taxes.

The following table provides a reconciliation of revenue and operating income (loss) by reportable segment to consolidated results (in thousands):

	Years Ended December 31,		
	2005	2004	2003
Net service revenues			
Temporary and consultant staffing	$2,640,211	$2,187,468	$1,746,852
Permanent placement staffing	219,234	135,882	94,840
Risk consulting and internal audit services	478,994	352,346	133,299
	$3,338,439	$2,675,696	$1,974,991
Operating income (loss)			
Temporary and consultant staffing	$ 250,161	$ 151,855	$ 38,259
Permanent placement staffing	44,602	16,919	2,559
Risk consulting and internal audit services	86,798	63,146	(21,429)
	381,561	231,920	19,389
Amortization of intangible assets	335	1,025	10,277
Interest income, net	(10,948)	(3,770)	(2,603)
Income before income taxes	$ 392,174	$ 234,665	$ 11,715

The Company does not report total assets by segment. The following table represents identifiable assets by business segment (in thousands):

	December 31,	
	2005	2004
Accounts receivable		
Temporary and consultant staffing	$332,557	$280,965
Permanent placement staffing	35,978	22,548
Risk consulting and internal audit services	103,491	105,422
	$472,026	$408,935

Note M—Business Segments (Continued)

The Company operates internationally, with operations in the United States, Canada, Mexico, Europe, Asia, Australia and New Zealand. The following tables represent revenues and long-lived assets by geographic location (in thousands):

	Years Ended December 31,		
	2005	2004	2003
Net service revenues			
Domestic	$2,702,387	$2,186,811	$1,622,071
Foreign	636,052	488,885	352,920
	$3,338,439	$2,675,696	$1,974,991

	December 31,	
	2005	2004
Assets, long-lived		
Domestic	$ 96,339	$85,639
Foreign	14,176	10,144
	$110,515	$95,783

Note N—Quarterly Financial Data (Unaudited)

The following tabulation shows certain quarterly financial data for 2005 and 2004 (in thousands, except per share amounts):

2005	Quarter 1	2	3	4	Year Ended December 31,
Net service revenues	$769,948	$816,711	$867,015	$884,765	$3,338,439
Gross margin	$313,834	$336,281	$356,010	$366,924	$1,373,049
Income before income taxes	$ 85,277	$ 94,283	$105,641	$106,973	$ 392,174
Net income	$ 51,593	$ 57,229	$ 64,439	$ 64,609	$ 237,870
Basic net income per share	$ .30	$ .34	$ .39	$ .39	$ 1.42
Diluted net income per share	$ .29	$ .33	$ .37	$ .37	$ 1.36

2004	Quarter 1	2	3	4	Year Ended December 31,
Net service revenues	$572,282	$641,230	$707,987	$754,197	$2,675,696
Gross margin	$216,027	$254,632	$282,335	$303,308	$1,056,302
Income before income taxes	$ 25,441	$ 55,661	$ 71,208	$ 82,355	$ 234,665
Net income	$ 15,416	$ 32,441	$ 43,080	$ 49,667	$ 140,604
Basic net income per share	$ .09	$ .19	$ .25	$ .29	$ .83
Diluted net income per share	$ .09	$ .18	$ .24	$ .28	$ .79

Note O—Subsequent Event

On February 15, 2006, the Company announced a quarterly dividend of $.08 per share to be paid to all shareholders of record on February 27, 2006. The dividend will be paid on March 15, 2006.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
of Robert Half International Inc.:

We have completed integrated audits of Robert Half International Inc.'s 2005 and 2004 consolidated financial statements and of its internal control over financial reporting as of December 31, 2005, and an audit of its 2003 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of operations, of stockholders' equity and cash flows present fairly, in all material respects, the financial position of Robert Half International Inc. and its subsidiaries at December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting, that the Company maintained effective internal control over financial reporting as of December 31, 2005 based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control – Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

San Francisco, California
March 1, 2006

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures. Management, including the Company's Chairman and Chief Executive Officer and the Vice Chairman and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, the Chairman and Chief Executive Officer and the Vice Chairman and Chief Financial Officer concluded that the disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports the Company files and submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting. There have been no changes in the Company's internal controls over financial reporting identified in connection with the evaluation required by Rule 13a-15 of the Securities Exchange Act of 1934 that occurred during the Company's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting. Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2005 using criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and concluded that the Company maintained effective internal control over financial reporting as of December 31, 2005.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Our assessment of the effectiveness of our internal control over financial reporting as of December 31, 2005 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Item 9B. Other Information

None.

PART III

Except as provided below in this Part III, the information required by Items 10 through 14 of Part III is incorporated by reference from Item 1 of this Report and from the registrant's Proxy Statement, under the captions *"Nomination and Election of Directors," "Beneficial Stock Ownership," "Compensation of Directors," "Compensation of Executive Officers," and "Independent Public Accountants"* which Proxy Statement will be mailed to stockholders in connection with the registrant's annual meeting of stockholders which is scheduled to be held in May 2006.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights A	Weighted average exercise price of outstanding options, warrants and rights B	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column A) C
Equity compensation plans approved by security holders	11,166,678	$17.63	8,377,769
Equity compensation plans not approved by security holders(a)	9,806,360	$20.07	0
Total	20,973,038	$18.77	8,377,769

(a) These plans, by their terms, expressly prohibited any grants to directors or executive officers. All such plans were terminated in May 2005, and no future grants may be made under such plans. The information in the table reflects shares issuable upon the exercise of options granted before such plans were terminated.

All future grants will be made pursuant to the Stock Incentive Plan, which was approved by stockholders in May 2005. Such plan authorizes the issuance of stock options, restricted stock, stock units and stock appreciation rights to directors, executive officers and employees.

Description of Equity Plans Not Approved by Stockholders

All of the following plans were terminated in May 2005. No future grants may be made under any of these plans.

StockPlus Plan. The StockPlus Plan authorized the grant of stock options to employees other than directors and executive officers. No option could have a term of more than ten years.

Stock Option Plan for Field Employees. The Stock Option Plan for Field Employees authorized the grant of stock options to employees or consultants other than directors and executive officers. No option could have a term of more than ten years.

Restricted Stock Plan for Field Employees. The Restricted Stock Plan for Field Employees authorized the grant of shares of restricted stock to employees or consultants other than directors and executive officers. Recipients of awards did not pay for the stock, but the grants are subject to time-based vesting conditions.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements

The following consolidated financial statements of the Company and its subsidiaries are included in Item 8 of this report:

Consolidated statements of financial position at December 31, 2005 and 2004.

Consolidated statements of operations for the years ended December 31, 2005, 2004 and 2003.

Consolidated statements of stockholders' equity for the years ended December 31, 2005, 2004 and 2003.

Consolidated statements of cash flows for the years ended December 31, 2005, 2004 and 2003.

Notes to consolidated financial statements.

Report of independent registered public accounting firm.

Selected quarterly financial data for the years ended December 31, 2005 and 2004 are set forth in Note N—Quarterly Financial Data (Unaudited) included in Item 8 of this report.

2. Financial Statement Schedules

Schedule II—Valuation and Qualifying Accounts

Schedules I, III, IV and V have been omitted as they are not applicable.

3. Exhibits

Exhibit No.	Exhibit
3.1	Restated Certificate of Incorporation, incorporated by reference to Exhibit 3.1 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2001.
3.2	By-Laws, incorporated by reference to Exhibit 3.2 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003.
4.1	Restated Certificate of Incorporation of Registrant (filed as Exhibit 3.1).
*10.1	Form of Power of Attorney and Indemnification Agreement, incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2002.
*10.2	Employment Agreement between the Registrant and Harold M. Messmer, Jr., incorporated by reference to (i) Exhibit 10.(c) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1985, (ii) Exhibit 10.2(b) to Registrant's Registration Statement on Form S-1 (No. 33-15171), (iii) Exhibit 10.2(c) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1987, (iv) Exhibit 10.2(d) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1988, (v) Exhibit 28.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1990, (vi) Exhibit 10.8 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1991, (vii) Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1993, (viii) Exhibit 10.7 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, (ix) Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1995, (x) Exhibit 10.7 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, (xi) Exhibit 10.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, (xii) Exhibit 10.2 to

Exhibit No.	Exhibit
	the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, (xiii) Exhibit 10.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, (xiv) Exhibit 10.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1999, and (xv) Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2004.
*10.3	Key Executive Retirement Plan—Level II, as amended, incorporated by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.
*10.4	Restated Retirement Agreement, as amended, between the Registrant and Harold M. Messmer, Jr., incorporated by reference to (i) Exhibit 10.4 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, (ii) Exhibit 10.4 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, and (iii) Exhibit 10.4 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003.
*10.5	Excise Tax Restoration Agreement dated November 5, 1996, incorporated by reference to Exhibit 10.6 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.
*10.6	Outside Directors' Option Plan, as amended, incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2004.
*10.7	Equity Incentive Plan, as amended, incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2000.
*10.8	Deferred Compensation Plan, incorporated by reference to Exhibit 10.24 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1989.
*10.9	Annual Performance Bonus Plan, incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2000.
*10.10	Severance Agreement dated as of August 2, 2000, between Registrant and Paul F. Gentzkow, incorporated by reference to Exhibit 10.5 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2000.
*10.11	Agreement dated as of July 31, 1995, between Registrant and Paul F. Gentzkow, incorporated by reference to Exhibit 10.6 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2000.
*10.12	Severance Agreement dated as of October 1, 1991, between Registrant and Paul F. Gentzkow, incorporated by reference to Exhibit 10.7 to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2000.
*10.13	Form of Amended and Restated Severance Agreement, incorporated by reference to Exhibit 10.13 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.
*10.14	Form of Change in Control Severance Agreement, incorporated by reference to Exhibit 10.14 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.
*10.15	Form of Indemnification Agreement for Directors of the Registrant, incorporated by reference to (i) Exhibit 10.27 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1989 and (ii) Exhibit 10.19 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.
*10.16	Form of Indemnification Agreement for Executive Officers of Registrant, incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2000.

Exhibit No.	Exhibit
*10.17	Senior Executive Retirement Plan, as amended, incorporated by reference to Exhibit 10.1 to the Registrant's Annual Report on Form 10-K for the fiscal quarter ended June 30, 2003.
*10.18	Collateral Assignment of Split Dollar Insurance Agreement, incorporated by reference to (i) Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2000, and (ii) Exhibit 10.18 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003.
*10.19	Form of Part-Time Employment Agreement, incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2001.
*10.20	StockPlus Plan, incorporated by reference to Exhibit 10.20 to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2002.
*10.21	Restricted Stock Plan for Field Employees, incorporated by reference to Exhibit 10.21 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2002.
*10.22	Stock Option Plan for Field Employees, incorporated by reference to Exhibit 10.22 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2002.
*10.23	Equity Incentive Plan—Form of Restricted Stock Agreement, incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K dated October 21, 2004.
*10.24	Equity Incentive Plan—Form of Stock Option Agreement, incorporated by reference to Exhibit 99.3 to the Registrant's Current Report on Form 8-K dated October 21, 2004.
*10.25	Outside Directors' Option Plan—Form of Stock Option Agreement, incorporated by reference to Exhibit 99.4 to the Registrant's Current Report on Form 8-K dated October 21, 2004.
*10.26	Summary of Outside Director Cash Remuneration, incorporated by reference to Exhibit 10.26 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2004.
*10.27	Stock Incentive Plan.
*10.28	Annual Performance Bonus Plan, incorporated by reference to Exhibit 99.2 to Registrant's Current Report on Form 8-K dated May 3, 2005.
*10.29	Stock Incentive Plan—Form of Restricted Share Agreement for Executive Officers, incorporated by reference to Exhibit 99.3 to Registrant's Current Report on Form 8-K dated May 3, 2005.
*10.30	Stock Incentive Plan—Form of Stock Option Agreement for Executive Officers, incorporated by reference to Exhibit 99.4 to Registrant's Current Report on Form 8-K dated May 3, 2005.
*10.31	Stock Incentive Plan—Form of Restricted Share Agreement for Outside Directors, incorporated by reference to Exhibit 99.5 to Registrant's Current Report on Form 8-K dated May 3, 2005.
*10.32	Stock Incentive Plan—Form of Stock Option Agreement for Outside Directors, incorporated by reference to Exhibit 99.6 to Registrant's Current Report on Form 8-K dated May 3, 2005.
21.1	Subsidiaries of the Registrant.
23.1	Accountant's Consent.
31.1	Rule 13a-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a) Certification of Chief Financial Officer.
32.1	Rule 1350 Certification of Chief Executive Officer.
32.2	Rule 1350 Certification of Chief Financial Officer.

* Management contract or compensatory plan.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

ROBERT HALF INTERNATIONAL INC.
(Registrant)

Date: March 6, 2006 By: /s/ M. KEITH WADDELL

M. Keith Waddell
Vice Chairman, President and
Chief Financial Officer
(Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: March 6, 2006 By: /s/ HAROLD M. MESSMER, JR.

Harold M. Messmer, Jr.
Chairman of the Board,
Chief Executive Officer,
and a Director
(Principal Executive Officer)

Date: March 6, 2006 By: /s/ ANDREW S. BERWICK, JR.

Andrew S. Berwick, Jr., Director

Date: March 6, 2006 By: /s/ FREDERICK P. FURTH

Frederick P. Furth, Director

Date: March 6, 2006 By: /s/ EDWARD W. GIBBONS

Edward W. Gibbons, Director

Date: March 6, 2006 By: /s/ THOMAS J. RYAN

Thomas J. Ryan, Director

Date: March 6, 2006 By: /s/ J. STEPHEN SCHAUB

J. Stephen Schaub, Director

Date: March 6, 2006 By: /s/ M. KEITH WADDELL

M. Keith Waddell
Vice Chairman, President,
Chief Financial Officer and a Director
(Principal Financial Officer)

Date: March 6, 2006 By: /s/ MICHAEL C. BUCKLEY

Michael C. Buckley
Vice President-Finance and Treasurer
(Principal Accounting Officer)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors of
Robert Half International Inc.:

Our audits of the consolidated financial statements, of management's assessment of the effectiveness of internal control over financial reporting and of the effectiveness of internal control over financial reporting referred to in our report dated March 1, 2006 appearing in the 2005 Annual Report to Shareholders of Robert Half International Inc. (which report, consolidated financial statements and assessment are included in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

San Francisco, California
March 1, 2006

Schedule II—Valuation and Qualifying Accounts
(in thousands)

	Balance at Beginning of Period	Charged to Expenses	Deductions	Translation Adjustments	Balance at End of Period
Year Ended December 31, 2003					
Allowance for doubtful accounts receivable	$12,578	11,140	(11,045)	935	$13,608
Deferred tax valuation allowance	$ 1,889	2,257	—	—	$ 4,146
Year Ended December 31, 2004					
Allowance for doubtful accounts receivable	$13,608	9,721	(6,506)	471	$17,294
Deferred tax valuation allowance	$ 4,146	5,977	(2,969)	—	$ 7,154
Year Ended December 31, 2005					
Allowance for doubtful accounts receivable	$17,294	10,097	(5,584)	(1,041)	$20,766
Deferred tax valuation allowance	$ 7,154	6,126	(1,375)	(770)	$11,135