

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
/X/

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

For the quarterly period ended June 30, 1996

OR

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

For the transition period from _____ to _____

Commission file number 0-26058

ROMAC INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

FLORIDA (I.R.S. Employer
(State or other jurisdiction of incorporation or organization) Identification No.)

59-3264661

120 West Hyde Park Place
Suite 200
Tampa, Florida 33606
(Address of principal executive offices) (zip-code)

Registrant's telephone number, including area code: (813) 258-8855

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) had been subject to such filing requirements for the past 90 days. YES X NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of June 30, 1996.

11,713,550 shares of \$.01 par value Common Stock

PART I --- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENT

ROMAC INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS

	June 30, 1996	December 31, 1995
	-----	-----
	(unaudited)	
Assets:		
Current Assets:		
Cash and cash equivalents	\$43,095,240	\$619,766
Short-term investments	97,250	7,903,559
Trade receivables, net of allowance for doubtful accounts of \$525,423 and \$623,150, respectively	12,961,802	7,353,790
Notes receivable from franchisees, current	232,060	136,464
Receivables from related parties, current	214,772	186,219
Deferred tax asset	308,374	308,374
Prepaid expenses and other current assets	1,056,900	321,276
	-----	-----
Total current assets	57,966,398	16,829,448
Note receivable from franchisees, less current portion	81,325	20,000
Receivables from related parties, less current portion	560,151	486,513
Deferred tax asset	118,505	118,505
Furniture and equipment, net	3,011,638	2,405,284
Other assets, net	11,870,884	1,091,944
	-----	-----
Total assets	\$73,608,901	\$20,951,694
		=====
Liabilities and Shareholders' Equity:		
Current Liabilities:		
Accounts payable and other accrued liabilities	\$583,867	\$673,332
Accrued payroll costs	2,689,998	1,457,901
Current portion of notes payable and capital lease obligations	217,521	208,072
Current portion of payables to related parties	669,807	23,000
Income taxes payable	1,343,032	572,546
	-----	-----
Total current liabilities	5,504,225	2,934,851
Notes payable and capital lease obligations, less current portion	357,777	494,485
Payables to related parties, less current portion	-	5,993
Other long-term liabilities, less current portion	627,091	592,105
	-----	-----
Total liabilities	6,489,093	4,027,434
Commitment and contingencies	-	-
Shareholders' Equity:		
Preferred stock, par value \$.01; 15,000,000 shares authorized, none issued and outstanding	-	-
Common stock, par value \$.01; 15,000,000 shares authorized, 12,051,924 and 9,966,208 issued, respectively	120,519	99,662
Additional paid-in-capital	61,030,137	13,172,415
Stock subscriptions receivable	(13,589)	(17,589)
Retained earnings	6,907,709	4,594,740
Less reacquired stock at cost; 338,374 shares, respectively	(924,968)	(924,968)
	-----	-----
Total shareholders' equity	67,119,808	16,924,260
	-----	-----
Total liabilities and shareholders' equity	\$73,608,901	\$20,951,694
	=====	=====

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

ROMAC INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30, 1996	June 30 1995	Six Months Ended June 30, 1996	June 30, 1995
	----- (unaudited)	----- (unaudited)	----- (unaudited)	----- (unaudited)
Net service revenues	\$21,465,489	\$10,051,649	\$38,354,762	\$19,613,996
Direct costs of service	12,028,765	5,333,689	21,747,558	10,692,758
Gross profit	9,436,724	4,717,960	16,607,204	8,921,238
Selling, general and administrative expenses	7,082,346	3,750,894	12,454,721	7,113,354
Depreciation and amortization	538,460	128,667	775,224	218,098
Other (income) expense	(315,366)	37,101	(462,805)	(423,503)
Income before income taxes	2,131,284	801,298	3,840,064	2,013,289
Provision for income taxes	843,583	320,520	1,527,095	805,316
Net income	\$1,287,701	\$480,778	\$2,312,969	\$1,207,973
Net income per share - Primary	\$0.12	\$0.06	\$0.21	\$0.16
Weighted average shares outstanding - Primary	11,181,567	7,537,160	10,759,888	7,649,900
Net income per share - Fully Diluted	\$0.11	\$0.06	\$0.21	\$0.16
Weighted average shares outstanding - Fully Diluted	11,306,520	7,537,160	10,822,364	7,649,900

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

ROMAC INTERNATIONAL, INC.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 1996
(UNAUDITED)

Common Stock:	
Balance at December 31, 1995	\$99,662
Exercise of stock options	737
Issuance of common stock	20,120

Balance at June 30, 1996	\$120,519
	=====
Additional Paid-in Capital:	
Balance at December 31, 1995	\$13,172,415
Exercise of stock options	202,588
Issuance of common stock	47,490,320
Tax benefit related to employee stock options	164,814

Balance at June 30, 1996	\$61,030,137
	=====
Stock repurchase obligations:	
Balance at December 31, 1995	\$ -

Balance at June 30, 1996	\$ -
	=====
Stock subscriptions receivable:	
Balance at December 31, 1995	\$(17,589)
Payments on stock subscriptions receivable	4,000

Balance at June 30, 1996	\$(13,589)
	=====
Retained Earnings:	
Balance at December 31, 1995	\$4,594,740
Net income	2,312,969

Balance at June 30, 1996	\$6,907,709
	=====
Reacquired stock:	
Balance at December 31, 1995	\$(924,968)

Balance at June 30, 1996	\$(924,968)
	=====

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

ROMAC INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended	
	June 30, 1996	June 30, 1995
	----- (unaudited)	----- (unaudited)
Cash flows from operating activities:		
Net income	\$2,312,969	\$1,207,973
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	775,224	218,098
Provision for losses on accounts and notes receivable	(97,727)	160,868
(Increase) decrease in operating assets:		
Trade receivables, net	(5,510,285)	(2,319,638)
Notes receivable from franchisees, current	(95,596)	(88,686)
Prepaid expenses and other current assets	(735,624)	440,496
Notes receivable from franchisees, less current portion	(61,325)	40,321
Other assets, net	(109,109)	(366,503)
Increase (decrease) in operating liabilities:		
Accounts payable and other accrued liabilities	(89,465)	(128,878)
Accrued payroll costs	1,232,097	(34,714)
Income taxes payable	935,302	695,085
Other long-term liabilities	34,986	(49,311)
	-----	-----
Cash (used in) provided by operating activities	(1,408,555)	(224,889)
Cash flows from investing activities:		
Capital expenditures	(892,263)	(501,583)
Acquisitions	(11,159,146)	-
Proceeds from the sale of short-term investments	7,806,309	146,496
	-----	-----
Cash (used in) provided by investing activities	(4,245,100)	(355,087)
Cash flows from financing activities:		
Payments on notes receivable from stock subscriptions	4,000	18,593
Payments on notes payable	(127,259)	(68,066)
Payments on payable to related parties	(5,993)	(47,264)
Issuance of payables to related parties	646,807	-
Payments on receivables from related parties	103,211	20,286
Issuance of receivables from related parties	(205,402)	(38,951)
Net proceeds from secondary offering	47,510,440	-
Proceeds from exercise of stock options	203,325	-
	-----	-----
Cash provided by (used in) financing activities	48,129,129	(115,402)
	-----	-----
Increase (Decrease) in cash and cash equivalents	42,475,474	(695,378)
Cash and cash equivalents at beginning of period	619,766	705,144
	-----	-----
Cash and cash equivalents at end of period	\$43,095,240	\$9,766
	=====	=====
Supplemental Cash Flows Information		
Cash paid during the period for:		
Interest	\$46,367	\$30,003
Income Taxes	\$550,000	\$108,449

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

ROMAC INTERNATIONAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1996
(Unaudited)

Note A --- Summary of Significant Accounting Policies

Principles of Consolidation. The Consolidated Financial Statements include the accounts of Romac International, Inc. (the "Company") and its subsidiaries. All material intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Interim Financial Information. The Consolidated Financial Statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and, in management's opinion, include all adjustments necessary for a fair statement of results for such interim periods. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to SEC rules and regulations; however, the Company believes that the disclosures made are adequate to make the information presented not misleading.

Revenue Recognition. Net service revenues consist of sales from Company-owned and licensed offices, and royalties received from franchised operations, less credits and discounts. The Company recognizes revenue for Professional Temporary and Contract Services based on hours worked by assigned personnel on a weekly basis. Search revenues are recognized in contingency search engagements upon the successful completion of the assignment. In a retained search engagement the initial retainer is recognized upon execution of the agreement, with the balance recognized on completion of the search. Reserves are established to estimate losses due to placed candidates not remaining in employment for the Company's guarantee period, typically 90 days. Franchise fees are determined based upon a contractual percentage of the revenue billed by franchisees. Costs relating to the support of franchised operations are included in the Company's selling, general and administrative expenses. The Company includes revenues and related direct costs of licensed offices in its net service revenues and direct costs of services, respectively. Commissions paid to licensees is based upon a percentage of the gross profit generated, and is included in the company's direct cost of services.

Cash and Cash Equivalents. The Company classifies all highly-liquid investments with a maturity of three months or less as cash equivalents.

Income Taxes. The Company accounts for income taxes under the principles of FAS 109 Accounting for Income Taxes. FAS 109 requires an asset and liability approach to the recognition of deferred tax assets and liabilities for the expected future tax consequences of differences between the carrying amounts and the tax bases of other assets and liabilities.

Note B --- Acquisitions

On June 18, 1996, the Company completed the acquisition of the fixed assets and intangible assets of Bayshare, Inc. ("Bayshare"), the former Romac franchise for the San Francisco area. The purchase price was approximately \$5.0 million and is subject to adjustment upon attainment of certain operating results.

The following unaudited, pro forma, selected income statement data has been prepared to reflect the effect on the Company as if the acquisitions (which were accounted for under the purchase method) of Venture Networks Corporation, Inc. (January 1, 1996), PCS Group, Inc. (February 5, 1996), Strategic Outsourcing, Inc. (March 1, 1996), and Bayshare (June 1, 1996) had occurred as of January 1, 1995.

	Six Months Ended	
	June 30,	
	1996	1995
	----	----
	(unaudited)	(unaudited)
Pro forma net service revenues	\$43,975,062	\$28,120,151
Pro forma gross profit	19,272,060	13,252,676
Pro forma income before income taxes	4,514,141	2,733,610
Pro forma net income	\$2,708,485	\$1,640,166
	=====	=====
Pro forma net income per share - primary	\$0.25	\$0.21
	=====	=====
Pro forma weighted average shares		
outstanding - primary	10,759,888	7,649,900
	=====	=====
Pro forma net income per share - fully diluted	\$0.25	\$0.21
	=====	=====
Pro forma weighted average shares		
outstanding - fully diluted	10,822,364	7,649,900
	=====	=====

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

Results of Operations for each of the Three and Six Months Ended June 30,
1996 and 1995.

Revenues. Net service revenues increased 112.9% and 95.9% respectively, to \$21.5 million and \$38.4 million for the three and six month periods ending June 30, 1996 as compared to \$10.1 million and \$19.6 million for the same periods in 1995. These increases were primarily as a result of a \$7.4 million and \$12.6 million increase in revenues from internal Company-owned operations and a \$4.0 million and \$5.6 million increase in revenues from acquired operations for the three and six month periods ending June 30, 1996.

Professional Temporary revenues increased 51.8% and 44.0% respectively, to \$8.5 million and \$15.7 million for the three and six month periods ending June 30, 1996 as compared to \$5.6 million and \$10.9 million for the same periods in 1995. These increases were primarily a result of a \$2.4 million and \$3.9 million increase in revenues from internal Company-owned operations and an approximate \$511,000 increase in revenues from acquired operations for the three and six month periods ending June 30, 1996. The increases attributable to Company-owned operations resulted from an increase in the number of hours billed during the three and six month periods ended June 30, 1996 as compared to the same periods in 1995. The average hourly bill rate for Company-owned operations remained relatively consistent for all periods involved. Contract Services revenues increased 265.2% and 252.4% respectively, to \$8.4 million and \$14.8 million for the three and six month periods ending June 30, 1996 as compared to \$2.3 million and \$4.2 million for the same periods in 1995. These increases were primarily a result of a \$3.7 million and \$6.3 million increase in revenues from internal Company-owned operations and a \$2.5 million and \$3.8 increase in revenues from acquired operations for the three and six month periods ending June 30, 1996. The increases attributable to Company-owned operations resulted from an increase in the number of hours billed during the three and six month periods ended June 30, 1996 as compared to the same periods in 1995. The average hourly bill rate for Company-owned operations remained relatively consistent for all periods involved. Search revenues increased 114.3% and 75.6% respectively, to \$4.5 million and \$7.9 million for the three and six month periods ending June 30, 1996 as compared to \$2.1 million and \$4.5 million for the same periods in 1995. These increases were primarily a result of a \$1.4 million and \$2.4 million increase in revenues from internal Company-owned operations and a \$1.1 million and \$1.3 million increase in revenues from acquired operations for the three and six month periods ending June 30, 1996. The increase attributable to Company-owned operations resulted primarily from an increase in the number of Search Division sales consultants, which increased the number of placements made by the Search Division during the three and six month periods ending June 30, 1996 as compared to the same periods in 1995. The average fee for each placement made during the periods involved remained relatively constant.

Franchise and licensee revenues, which are included in the aforementioned division revenues, were \$1.0 million and \$1.9 million for the three and six month periods ending June 30, 1996. These amounts were consistent with the same periods in 1995.

Gross Profit. Gross profit increased 100.0% and 86.5% respectively, to \$9.4 million and \$16.6 million for the three and six month periods ending June 30, 1996 as compared to \$4.7 million and \$8.9 million for the same periods in 1995. Gross profit as a percentage of net service revenues decreased to 43.7% and 43.2% respectively, for the three and six month periods ending June 30, 1996 as compared to 46.5% and 45.4% for the same periods in 1995. These decreases were primarily a result of the continuing change in the Company's business mix whereby revenues from the Contract Services Division, traditionally lower gross margins than Search and Professional Temporary division revenues, increase to 39.1% and 38.5% respectively, of the Company's total revenues for the three and six month periods ended June 30, 1996 as compared to 22.8% and 21.4% for the same periods in 1995.

Selling, general and administrative expenses. Selling, general and administrative expenses increased 86.8% and 76.1% respectively, to \$7.1 million and \$12.5 million for the three and six month periods ended June 30, 1996 as compared to \$3.8 million and \$7.1 million for the same periods in 1995. Selling, general and administrative expenses as a percentage of net service revenues decreased to 33.0% and 32.6% respectively, for the three and six month periods ended June 30, 1996 as compared to 37.6% and 36.2% for the same periods in 1995. This decrease in selling, general and administrative expense as a percentage of net service revenues resulted from greater operating efficiencies and economies of scale gained from a larger revenue base.

Depreciation and amortization expense. Depreciation and amortization expense increased 317.1% and 255.5% respectively, to approximately \$538,000 and \$775,000 for the three and six month periods ended June 30, 1996 as compared to approximately \$129,000 and \$218,000 for the same periods in 1995. Depreciation and amortization expense as a percentage of net service revenues increased to 2.5% and 2.0% respectively, for the three and six month periods ended June 30, 1996 as compared to 1.3% and 1.1% for the same periods in 1995. These increases were primarily a result of (i) the Company incurred two full calendar quarters of depreciation expense in 1996 for the approximately \$1.2 million of computer and telephone equipment that was purchased in March of 1995; (ii) the Company incurring additional amortization expense for the three and six month periods ended June 30, 1996 related to goodwill recorded as a result of the Company's acquisitions during the first six months of 1996; and (iii) a charge of approximately \$200,000 during the three month period ended June 30, 1996 to writedown certain computer equipment to net realizable value.

Other (income) expense. Other (income) expense increased to approximately \$315,000 of income for the three month period ended June 30, 1996 from approximately \$37,000 of expense for the same period in 1995. This increase was primarily due to an increase in the amount of termination fees received as a result of franchise terminations during the periods involved as the Company received franchise termination income of approximately \$155,000 during the three month period ended June 30, 1996 as compared to \$0 during the same period in 1995. In addition, during the three month period ended June 30, 1996, interest income increased by \$169,000 over the same period in 1995 as the proceeds from the Company's secondary offering were invested beginning June 4, 1996. Other income remained relatively constant, approximately \$462,000 as compared to \$424,000, for the six month periods ended June 30, 1996 and 1995.

Income Before Taxes. Income before taxes increased 162.2% and 90.0% respectively, to \$2.1 million and \$3.8 million for the three and six month periods ended June 30, 1996 as compared to approximately \$801,000 and \$2.0 million for the same periods in 1995. These increases were primarily a result of the above described factors.

Income Taxes. The effective tax rate was constant at approximately 40.0% for all periods involved.

Net Income. Net income increased to \$1.3 million and \$2.3 million for the three and six month periods ended June 30, 1996 as compared to approximately \$481,000 and \$1.2 million for the same periods in 1995. These increases were primarily a result of the above described factors.

Liquidity and Capital Resources

As of June 30, 1996 the Company's sources of liquidity included approximately \$43.1 million in cash and cash equivalents, approximately \$100,000 in short-term investments, and approximately \$9.3 million in additional net working capital. In addition, as of June 30, 1996, \$5.0 million was available for borrowing under the Company's line of credit.

During the first six months of 1996, cash flow used by operations was approximately \$1.4 million, resulting primarily from a significant increase in accounts receivable, partially offset by increased earnings. The increase in accounts receivable reflects the increased volume of business during the first six months of 1996 from Company-owned locations and the initial funding of the accounts receivable base in start-up and acquired operations.

During the first six months of 1996, the Company used approximately \$7.8 million in proceeds from the sale of its short-term investments plus an additional \$3.4 million in proceeds from its secondary offering to fund asset acquisitions of approximately \$11.2 million.

On June 4, 1996, the Company received \$47.5 million of net proceeds from the sale of 2,012,000 shares of its common stock in connection with its secondary offering.

During March 1996, the Company entered into a new unsecured line of credit agreement with NationsBank, N.A. This agreement provides for up to \$5.0 million of working capital to the Company for general corporate purposes. This agreement matures on March 13, 1997 and bears interest at 150 basis points above the average rate at which deposits in U.S. dollars were offered in the London interbank market (LIBOR). The total amount that may be outstanding under this agreement is limited to specified percentages of accounts receivable. This agreement contains restrictive covenants, and requires the maintenance of certain financial ratios. Prior to entering into this new agreement, the Company terminated its existing line of credit arrangement.

The Company believes its cash balance, short-term investments and its available line of credit borrowings will be sufficient to meet its anticipated cash requirements for the remainder of 1996.

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) April 19, 1996 Annual Meeting of Stockholders of Romac International, Inc.

(c) 1) To approve the Romac International, Inc. Non-Employee Director Stock Option Plan; Votes Cast For 2,692,576; Votes Cast Against 71,840; Votes Abstained 1,125; Votes Delivered Not Voted 391,159;

2) To amend the Romac International, Inc. Amended and Restated Incentive Stock Option Plan to increase the number of shares available to 3,000,000 from 1,534,500; Votes Cast For 2,636,576; Votes Cast Against 126,340; Votes Abstained 2,625; Votes Delivered Not Voted 391,159;

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits
None

(b) Reports:

Current Reports on Form 8-K and Form 8-K/A filed during the quarter ended June 30, 1996 were as follows:

i) Form 8-K/A dated February 16, 1996 (filed on April 30, 1996) regarding and including the audited financial statements of PCS Group, Inc.

ii) Form 8-K/A dated March 4, 1996 (filed on May 9, 1996) regarding and including the audited financial statements of Strategic Outsourcing, Inc.

SIGNATURES

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

ROMAC INTERNATIONAL, INC.
(Registrant)

/s/ Peter Dominici

Peter Dominici, Chief Financial Officer
Secretary and Treasurer

Date: August 13, 1996

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S ANNUAL REPORT FOR THE FISCAL YEAR ENDED DECEMBER 31, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1

YEAR		YEAR	
DEC-31-1996		DEC-31-1995	
JAN-01-1996		JAN-01-1995	
JUN-30-1996		DEC-31-1995	
	43,095,240		619,766
	97,250		7,903,559
	13,487,225		7,976,940
	525,423		623,150
	0		0
57,966,398		16,829,448	
	5,282,979		3,975,118
	2,271,341		1,569,834
	73,608,901		20,951,694
5,504,225		2,934,851	
	0		0
0		0	
	0		0
	120,519		99,662
	66,999,289		16,824,598
73,608,901		20,951,694	
	0		0
38,354,762		45,654,862	
		0	0
	21,747,558		25,460,019
(264,011)		(489,350)	
0		0	
47,115		133,033	
3,840,064		5,021,293	
1,527,095		2,008,497	
2,312,969		3,012,796	
	0		0
0		0	
	0		0
	0		0
2,312,969		3,012,796	
.21		.36	
.21		.36	