

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-QSB

Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended December 31, 2003

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 1-05707

GENERAL EMPLOYMENT ENTERPRISES, INC.
(Exact name of small business issuer as specified in its charter)

Illinois 36-6097429
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

One Tower Lane, Suite 2100, Oakbrook Terrace, Illinois 60181
(Address of principal executive offices) (Zip Code)

(630) 954-0400
(Issuer's telephone number)

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act 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

The number of shares outstanding of the issuer's common stock as of December 31, 2003 was 5,120,776.

Transitional small business disclosure format Yes No

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

GENERAL EMPLOYMENT ENTERPRISES, INC.
CONSOLIDATED BALANCE SHEET

	December 31 2003	September 30 2003
(In Thousands)	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,301	\$ 3,905
Accounts receivable, less allowances (Dec. 2003--\$274; Sept. 2003--\$238)	2,094	2,095
Other current assets	479	500

Total current assets	5,874	6,500
Property and equipment:		
Furniture, fixtures and equipment	4,953	5,037
Accumulated depreciation and amortization	(4,020)	(3,934)
Net property and equipment	933	1,103
Goodwill	1,088	1,088
Total assets	\$ 7,895	\$ 8,691

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:			
Accrued compensation and payroll taxes	\$ 853	\$ 1,054	
Other current liabilities	971	1,113	
Total current liabilities	1,824	2,167	
Shareholders' equity:			
Preferred stock, authorized -- 100 shares; issued and outstanding -- none	--	--	
Common stock, no-par value; authorized -- 20,000 shares; issued and outstanding -- 5,121 shares	51	51	
Capital in excess of stated value of shares	4,745	4,736	
Retained earnings	1,275	1,737	
Total shareholders' equity	6,071	6,524	
Total liabilities and shareholders' equity	\$ 7,895	\$ 8,691	

See notes to consolidated financial statements.

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GENERAL EMPLOYMENT ENTERPRISES, INC. CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)

	Three Months Ended December 31	
(In Thousands, Except Per Share)	2003	2002
Net revenues:		
Contract services	\$3,392	\$3,280
Placement services	1,171	1,620
Net revenues	4,563	4,900
Operating expenses:		
Cost of contract services	2,370	2,217
Selling	803	1,124
General and administrative	1,869	2,221
Total operating expenses	5,042	5,562
Loss from operations	(479)	(662)
Investment income	17	18
Loss before income taxes	(462)	(644)
Credit for income taxes	--	--
Net loss	\$ (462)	\$ (644)
Net loss per share - basic and diluted	\$(.09)	\$(.13)
Average number of shares - basic and diluted	5,121	5,121

See notes to consolidated financial statements.

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GENERAL EMPLOYMENT ENTERPRISES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

(In Thousands)	Three Months Ended December 31	
	2003	2002
Operating activities:		
Net loss	\$ (462)	\$ (644)
Depreciation and other noncurrent items	179	189
Accounts receivable	1	71
Accrued compensation and payroll taxes	(201)	(158)
Other current items, net	(121)	(94)
Net cash used by operating activities	(604)	(636)
Investing activities:		
Acquisition of property and equipment	--	(45)
Net cash used by investing activities	--	(45)
Decrease in cash and cash equivalents	(604)	(681)
Cash and cash equivalents at beginning of period	3,905	4,759
Cash and cash equivalents at end of period	\$3,301	\$4,078

See notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. This financial information should be read in conjunction with the financial statements included in the Company's annual report on Form 10-K for the year ended September 30, 2003.

Income Taxes

There were no credits for income taxes as a result of the pretax losses for the three months ended December 31, 2003 and 2002, because the losses must be carried forward for income tax purposes and there was not sufficient assurance that future tax benefits would be realized.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview of Operations

The Company provides contract and placement staffing services for business and industry, specializing in the placement of information technology, engineering and accounting professionals. As of December 31, 2003, the Company operated 21 offices located in major metropolitan business centers in 11 states.

The Company's business is highly dependent on national employment trends in general and on the demand for information technology and other professional staff in particular. The demand for the Company's employment services has been adversely affected by the lingering weakness in the employment market caused by economic and political uncertainties that followed the U.S. economic recession and terrorist attacks in 2001.

Through competitive pricing practices, the Company was able to stimulate the demand for its contract services during the quarter ended December 31, 2003, which resulted in an increase in billable hours. However, weakness in the demand for placement services persisted throughout the quarter, and the Company had fewer full-time placements than the prior-year quarter. Soft market conditions and competitive pressures resulted in lower average fees in both operating divisions.

To control operating costs, the Company closed eight branch offices during the last twelve months due to unprofitable operations.

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A summary of operating data, expressed as a percentage of consolidated net revenues, is presented below. Percentages may not add due to rounding.

	Three Months Ended December 31	
	2003	2002
Net revenues:		
Contract services	74.3%	66.9%
Placement services	25.7	33.1
Net revenues	100.0	100.0
Operating expenses:		
Cost of contract services	51.9	45.2
Selling	17.6	22.9
General and administrative	41.0	45.3
Total operating expenses	110.5	113.5
Loss from operations	(10.5)%	(13.5)%

First Quarter Results of Operations

Net Revenues

Consolidated net revenues for the three months ended December 31, 2003 were down \$337,000 (7%) from the prior year. That was due to the combination of a \$112,000 (3%) increase in contract services revenues and a \$449,000 (28%) decrease in placement service revenues.

The increase in contract services revenues occurred because of an 18% increase in the number of billable hours, which was partially offset by a 14% decrease in the average hourly billing rate. Placement service revenues were down for the period because of a 20% decline in the number of placements, together with a 9% decrease in the average placement fee.

Operating Expenses

Total operating expenses for the three months ended December 31, 2003 were down \$520,000 (9%) compared with the prior year.

The cost of contract services was up \$153,000 (7%), as a result of the higher contract service revenues and lower profit margins. Due to competitive market conditions, the gross profit margin on contract services declined 2.3 points to 30.1% for the three months ended December 31, 2003, compared with 32.4% the prior year.

Selling expenses decreased \$321,000 (29%) for the period. Commission expense was down 30% due to the lower placement service revenues, while recruitment advertising expense was 40% lower than the prior year. Selling expenses represented 17.6% of consolidated net revenues, which was down 5.3 points from the prior year.

General and administrative expenses decreased \$352,000 (16%) for the three months ended December 31, 2003. Compensation in the operating divisions decreased 18% due to a reduction in the size of the consulting staff. Office rent and occupancy costs were down 21% for the period, due to the effect of office closings, and all other general and administrative expenses were down 13%. General and administrative expenses represented 41.0% of consolidated revenues, and that was down 4.3 points from the prior year because expenses declined more sharply than revenues.

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Other Items

The loss from operations was \$479,000 for the three months ended December 31, 2003, which was \$183,000 (28%) better than the prior year's operating loss of \$662,000.

Investment income for the three months ended December 31, 2003 was \$17,000, compared with \$18,000 the prior year.

There were no credits for income taxes as a result of the pretax losses for the three months ended December 31, 2003 and 2002, because the losses must be carried forward for income tax purposes and there was not sufficient assurance that future tax benefits would be realized.

As a result, the net loss for the three months ended December 31, 2003 was \$462,000, compared with a net loss of \$644,000 the prior year.

Outlook

The Company's current priority is to minimize the impact of the weak labor market, to return the Company to profitability as soon as possible, and to be positioned for growth when the demand for its services improves. Returning the Company to profitability will require an increase in overall revenues.

It is not known how long the weakness in the U. S. labor market will continue to have an adverse effect on the Company's operations. Management believes that the Company's placement service revenues will continue at depressed levels until there is a sustained increase in national business spending on computer equipment and software, leading to a rebound in hiring in the technology sector of the economy. The reduced number of branch offices and consulting staff could inhibit the Company's rate of revenue growth when the demand for its services improves in the future.

Management believes that it has taken appropriate actions within its control to reduce costs to date, consistent with positioning the Company for the future, and it will continue to evaluate the

Company's operations and take appropriate actions to meet the economic challenges ahead.

Liquidity and Capital Resources

As of December 31, 2003, the Company had cash and cash equivalents of \$3,301,000, which was a decrease of \$604,000 from September 30, 2003. Net working capital at December 31, 2003 was \$4,050,000, which was a decrease of \$283,000 from September 30, 2003, and the current ratio was 3.2 to 1. The Company had no long-term debt. Shareholders' equity as of December 31, 2003 was \$6,071,000, which represented 77% of total assets.

During the three months ended December 31, 2003, the net cash used by operating activities was \$604,000. The \$462,000 net loss for the period was partially offset by depreciation and other non-cash expenses of \$179,000, and working capital items used \$321,000. As part of the Company's cash conservation measures, there were no capital expenditures or cash dividends paid during the period.

The Company's primary source of liquidity is normally from its operating activities. Despite recent losses, management believes that existing cash and securities will be adequate to finance current operations for the foreseeable future. Nevertheless, if operating losses were to continue indefinitely, or if the Company's business were to deteriorate further, such losses would have a material, adverse effect on the Company's financial condition. External sources of funding are not likely to be available to support continuing losses.

Off-Balance Sheet Arrangements

As of December 31, 2003, and during the three months then ended, there were no transactions, agreements or other contractual arrangements to which an unconsolidated entity was a party, under which the Company (a) had any direct or contingent obligation under a guarantee contract, derivative instrument or variable interest in the unconsolidated entity, or (b) had a retained or contingent interest in assets transferred to the unconsolidated entity.

Forward-Looking Statements

As a matter of policy, the Company does not provide forecasts of future financial performance. However, the Company and its representatives may from time to time make written or verbal forward-looking statements, including statements contained in press announcements, reports to shareholders and filings with the Securities and Exchange Commission. All statements which address expectations about future operating performance and cash flows, future events and business developments, and future economic conditions are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's then-current expectations and assumptions. Actual outcomes could differ significantly. The Company and its representatives do not assume any obligation to provide updated information.

Some of the factors that could affect the Company's future performance include, but are not limited to, general business conditions, the demand for the Company's services, competitive market pressures, the ability of the Company to attract and retain qualified personnel for regular full-time placement and contract project assignments, and the ability to attract and retain qualified corporate and branch management.

Item 3. Controls and Procedures.

Disclosure Controls and Procedures

As of December 31, 2003, the Company's management evaluated, with the participation of its principal executive officer and its principal financial officer, the effectiveness of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act"). Based on that evaluation, the Company's principal executive officer and its principal financial officer concluded that the Company's disclosure controls and procedures were adequate as of December 31, 2003 to ensure that information required to be disclosed in reports filed or submitted by the Company under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms.

Internal Control over Financial Reporting

Under Rules 13a-15 and 15d-15 of the Exchange Act, companies are required to maintain internal control over financial reporting, as defined, and company managements are required to evaluate and report on internal control over financial reporting. Under an extended compliance period for these rules, the Company must begin to comply with the evaluation and disclosure requirements with its annual report for the fiscal year ending September 30, 2005, and the Company must begin to comply with a requirement to perform a quarterly evaluation of changes to internal control over financial reporting that occur thereafter.

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There was no change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Exhibits

The following exhibits are filed as a part of this report:

No. Description of Exhibit

- 31.01 Certification of the principal executive officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
- 31.02 Certification of the principal financial officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
- 32.01 Certifications required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

Reports on Form 8-K

The Company filed the following reports on Form 8-K during the

quarter ended December 31, 2003:

The Company reported that it issued a press release on November 24, 2003 containing information regarding its results of operations and financial condition for the fiscal year ended September 30, 2003.

The Company reported that it engaged BDO Seidman, LLP to serve as the Company's independent auditors and to audit the Company's consolidated financial statements for the fiscal year ending September 30, 2004, and that Ernst & Young LLP was dismissed as the Company's auditors, effective as of December 23, 2003.

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GENERAL EMPLOYMENT ENTERPRISES, INC.
(Registrant)

Date: February 5, 2004 By: /s/ Kent M. Yauch
Kent M. Yauch
Vice President, Chief Financial Officer
and Treasurer (Principal financial and
accounting officer and duly authorized
officer)

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EXHIBIT 31.01

CERTIFICATION

I, Herbert F. Imhoff, Jr., certify that:

1. I have reviewed this Form 10-QSB quarterly report for the period ended December 31, 2003 of General Employment Enterprises, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 5, 2004

/s/ Herbert F. Imhoff, Jr.
Herbert F. Imhoff, Jr.
Chairman of the Board, Chief
Executive Officer, and President
(Principal executive officer)

CERTIFICATION

I, Kent M. Yauch, certify that:

1. I have reviewed this Form 10-QSB quarterly report for the period ended December 31, 2003 of General Employment Enterprises, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 5, 2004

/s/ Kent M Yauch
Kent M. Yauch
Vice President, Chief Financial
Officer and Treasurer
(Principal financial officer)

CERTIFICATIONS PURSUANT TO SECTION 1350
OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

In connection with the Quarterly Report of General Employment Enterprises, Inc. (the "Company") on Form 10-QSB for the quarter ended December 31, 2003 as filed with the Securities and Exchange Commission (the "Report"), each of the undersigned hereby certifies, in his capacity as an officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of the operations of the Company.

Date: February 5, 2004

By: /s/ Herbert F. Imhoff, Jr.
Herbert F. Imhoff, Jr.
Chairman of the Board, Chief
Executive Officer and President
(Chief executive officer)

Date: February 5, 2004

By: /s/ Kent M. Yauch
Kent M. Yauch
Vice President, Chief Financial
Officer and Treasurer
(Chief financial officer)