

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 March 31, 2004

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 March 31, 2004 was 5,135,894.

Transitional small business disclosure format: Yes No

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

GENERAL EMPLOYMENT ENTERPRISES, INC.
CONSOLIDATED BALANCE SHEET

	March 31 2004	September 30 2003
(In Thousands)	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,360	\$ 3,905
Accounts receivable, less allowances (Mar. 2004--\$236; Sept. 2003--\$238)	1,870	2,095
Other current assets	560	500
Total current assets	5,790	6,500
Property and equipment:		
Furniture, fixtures and equipment	4,940	5,037
Accumulated depreciation and amortization	(4,139)	(3,934)

Net property and equipment	801	1,103
Goodwill	1,088	1,088
Total assets	\$ 7,679	\$ 8,691

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Accrued compensation and payroll taxes	\$ 1,170	\$ 1,054
Other current liabilities	862	1,113
Total current liabilities	2,032	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 -- 5,136 shares in March 2004 and 5,121 shares in September 2003	51	51
Capital in excess of stated value of shares	4,766	4,736
Retained earnings	830	1,737
Total shareholders' equity	5,647	6,524
Total liabilities and shareholders' equity	\$ 7,679	\$ 8,691

See notes to consolidated financial statements.

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

	Three Months		Six Months	
	Ended March 31		Ended March 31	
(In Thousands, Except Per Share)	2004	2003	2004	2003

Net revenues:

Contract services	\$ 3,193	\$ 3,394	\$ 6,585	\$ 6,674
Placement services	1,354	1,136	2,525	2,756

Net revenues	4,547	4,530	9,110	9,430
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Operating expenses:

Cost of contract services	2,367	2,394	4,737	4,611
Selling	878	894	1,681	2,018
General and administrative	1,753	2,348	3,622	4,569

Total operating expenses	4,998	5,636	10,040	11,198
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Loss from operations	(451)	(1,106)	(930)	(1,768)
Investment income	6	6	23	24

Net loss	\$ (445)	\$ (1,100)	\$ (907)	\$ (1,744)
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Average number of shares -

basic and diluted	5,132	5,121	5,127	5,121
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Net loss per share -

basic and diluted	\$ (.09)	\$ (.21)	\$ (.18)	\$ (.34)
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See notes to consolidated financial statements.

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

(In Thousands)	Six Months Ended March 31	
	2004	2003
Operating activities:		
Net loss	\$ (907)	\$(1,744)
Depreciation and other noncurrent items	324	374
Accounts receivable	225	53
Income tax refunds receivable	2	1,287
Accrued compensation and payroll taxes	116	111
Other current items, net	(313)	(209)
Net cash used by operating activities	(553)	(128)
Investing activities:		
Acquisition of property and equipment	(5)	(90)
Net cash used by investing activities	(5)	(90)
Financing activities:		
Exercises of stock options	13	--
Net cash provided by financing activities	13	--
Decrease in cash and cash equivalents	(545)	(218)
Cash and cash equivalents at beginning of period	3,905	4,759
Cash and cash equivalents at end of period	\$3,360	\$ 4,541

See notes to consolidated financial statements.

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 in fiscal 2004 and fiscal 2003, 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 March 31, 2004, the Company operated 21 branch offices located 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.

Consolidated net revenues for the second quarter of fiscal 2004 were up fractionally from the second quarter of last year, including a 19% increase in placement service revenues. The improvement is attributable to increases in the number of placements and billable contract hours, despite lower average hourly billing rates. It was the first year-over-year increase in quarterly revenues in over three years.

Consolidated net revenues for the first six months of fiscal 2004 were down 3% compared with last year. Soft market conditions and competitive pricing pressures resulted in lower average fees in both operating divisions. However, the effect of lower average fees was partially offset by an increase in the number of billable contract hours.

The Company closed six unprofitable branch offices during the last twelve months. These and other actions taken by management to control costs resulted in significant reductions in the Company's operating losses. For the six months ended March 31, 2004, the Company achieved a 10% reduction in total operating expenses, and the loss from operations was reduced by 47%.

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

	Six Months Ended March 31	
	2004	2003
Net revenues:		
Contract services	72.3%	70.8%
Placement services	27.7	29.2
Net revenues	100.0	100.0
Operating expenses:		
Cost of contract services	52.0	48.9
Selling	18.5	21.4
General and administrative	39.8	48.5
Total operating expenses	110.2	118.7
Loss from operations	(10.2)%	(18.7)%

Six Months Results of Operations

Net Revenues

Consolidated net revenues for the six months ended March 31, 2004 were down \$320,000 (3%) from the prior year. That was due to the combination of an \$89,000 (1%) decrease in contract service revenues and a \$231,000 (8%) decrease in placement service revenues.

The decrease in contract service revenues occurred because of a 14% decrease in the average hourly billing rate, which was substantially offset by a 14% increase in the number of billable hours. Placement service revenues were down for the period because of a 7% decrease in the number of placements, together with a 2% decrease in the average placement fee.

Operating Expenses

Total operating expenses for the six months ended March 31, 2004 were down \$1,158,000 (10%) compared with the prior year.

The cost of contract services was up \$126,000 (3%) as a result of the higher number of billable hours. Due to competitive market conditions, the gross profit margin on contract services declined 2.8 points to 28.1% for the six months ended March 31, 2004, compared with 30.9% the prior year.

Selling expenses decreased \$337,000 (17%) for the period. Commission expense was down 15% due to the lower placement service revenues and lower commissionable profits, while recruitment advertising expense was 38% lower than the prior year. Selling expenses represented 18.5% of consolidated net revenues, which was down 2.9 points from the prior year.

General and administrative expenses decreased \$947,000 (21%) for the six months ended March 31, 2004. Compensation in the operating divisions decreased 23% due to a reduction in the size of the consulting staff. Office rent and occupancy costs were down 22% for the period, due to the effect of office closings, and all other general and administrative expenses were down 17%. General and administrative expenses represented 39.8% of consolidated revenues, and that was down 8.7 points from the prior year because expenses declined more sharply than revenues.

There were no credits for income taxes as a result of the pretax losses in fiscal 2004 and fiscal 2003, because the losses must be carried forward for income tax purposes and there was not sufficient assurance that future tax benefits would be realized.

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.

Management believes that the key to returning the Company to profitability will be 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.

Management believes that it has taken appropriate actions within its control to reduce costs to date, consistent with positioning the Company for the future. 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 March 31, 2004, the Company had cash and cash equivalents of \$3,360,000, which was a decrease of \$545,000 from September 30, 2003. Net working capital at March 31, 2004 was \$3,758,000, which was a decrease of \$575,000 from September 30, 2003, and the current ratio was 2.8 to 1. The Company had no long-term debt. Shareholders' equity as of March 31, 2004 was \$5,647,000, which represented 74% of total assets.

During the six months ended March 31, 2004, the net cash used by operating activities was \$553,000. The \$907,000 net loss for the period was partially offset by depreciation and other non-cash expenses of \$324,000, and working capital items provided \$30,000.

The Company's primary source of liquidity is normally from its operating activities. Despite recent operating losses, the Company had positive cash flow of \$59,000 for the second quarter of fiscal 2004. Management believes that existing cash balances 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, 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 March 31, 2004, and during the six 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 March 31, 2004, 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 March 31, 2004 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. The Company maintains a system of internal control over financial reporting. However, as of March 31, 2004, it had not performed the required evaluations mentioned above.

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.

PART II - OTHER INFORMATION

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

At the annual meeting of shareholders on February 23, 2004, the shareholders elected all of the nominees for election as directors. The name of each director elected, together with the number of votes cast for elections and the number of votes withheld, are presented below:

Nominees	Votes For	Votes Withheld
Dennis W. Baker	4,709,873	81,367
Sheldon Brottman	4,655,372	135,868
Delain G. Danehey	4,709,773	81,467
Herbert F. Imhoff, Jr.	4,707,316	83,924
Joseph F. Lizzadro	4,709,556	81,684
Kent M. Yauch	4,707,948	83,292

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

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.

Reports on Form 8-K

The Company filed the following report on Form 8-K during the quarter ended March 31, 2004:

The Company reported that it issued a press release on January 27, 2004 containing information regarding its results of operations and financial condition for the quarter ended December 31, 2003.

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.

Date: May 6, 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)

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 March 31, 2004 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: May 6, 2004

/s/ Herbert F. Imhoff, Jr.
Herbert F. Imhoff, Jr.
Chairman of the Board, Chief

Executive Officer, and President
(Principal executive officer)

EXHIBIT 31.02

CERTIFICATION

I, Kent M. Yauch, certify that:

1. I have reviewed this Form 10-QSB quarterly report for the period ended March 31, 2004 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: May 6, 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 March 31, 2004 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: May 6, 2004

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

Date: May 6, 2004

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