

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 June 30, 2005

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 2200, 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 July 31, 2005 was 5,145,894.

Transitional small business disclosure format Yes  No

PART I - FINANCIAL INFORMATION

Item 1, Financial Statements.

GENERAL EMPLOYMENT ENTERPRISES, INC.  
CONSOLIDATED BALANCE SHEET

	June 30 2005	September 30 2004
(In Thousands)	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,845	\$ 4,437
Accounts receivable, less allowances (June 2005--\$365; Sept. 2004--\$281)	1,921	1,833
Other current assets	518	486
Total current assets	7,284	6,756
Property and equipment:		
Furniture, fixtures and equipment	3,971	4,812
Accumulated depreciation and amortization	(3,319)	(4,274)

Net property and equipment	652	538
Total assets	\$ 7,936	\$ 7,294

#### LIABILITIES AND SHAREHOLDERS' EQUITY

##### Current liabilities:

Accrued compensation and payroll taxes	\$ 1,704	\$ 1,244
Other current liabilities	656	882
Total current liabilities	2,360	2,126

##### Shareholders' equity:

Preferred stock, authorized -- 100 shares; issued and outstanding -- none	--	--
Common stock, no-par value; authorized -- 20,000 shares; issued and outstanding -- 5,146 shares in June 2005 and 5,136 shares in September 2004	51	51
Capital in excess of stated value of shares	4,786	4,777
Retained earnings	739	340
Total shareholders' equity	5,576	5,168
Total liabilities and shareholders' equity	\$ 7,936	\$ 7,294

See notes to consolidated financial statements.

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#### GENERAL EMPLOYMENT ENTERPRISES, INC.

##### CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)

	Three Months		Nine Months	
	Ended June 30		Ended June 30	
(In Thousands, Except Per Share)	2005	2004	2005	2004

##### Net revenues:

Contract services	\$3,011	\$2,934	\$8,741	\$ 8,870
Placement services	2,308	1,821	6,212	4,346

Net revenues	5,319	4,755	14,953	13,216
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##### Operating expenses:

Cost of contract services	2,133	2,179	6,193	6,440
Selling	1,403	1,030	3,814	2,681
General and administrative	1,548	1,576	4,604	4,968

Total operating expenses	5,084	4,785	14,611	14,089
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Income (loss) from operations	235	(30)	342	(873)
Investment income	24	8	57	31

Income (loss) from continuing operations	259	(22)	399	(842)
Income (loss) from discontinued operations	--	10	--	(77)

Net income (loss)	\$ 259	\$ (12)	\$ 399	\$ (919)
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##### Average number of shares:

Basic	5,143	5,136	5,140	5,130
Diluted	5,283	5,136	5,361	5,130

##### Per share - basic:

Income (loss) from continuing operations	\$ .05	\$ --	\$ .08	\$ (.16)
Income (loss) from discontinued operations	--	--	--	(.02)

Net income (loss)	\$ .05	\$ --	\$ .08	\$ (.18)
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##### Per share - diluted:

Income (loss) from continuing operations	\$ .05	\$ --	\$ .07	\$ (.16)
Income (loss) from discontinued operations	--	--	--	(.02)
Net income (loss)	\$ .05	\$ --	\$ .07	\$ (.18)

See notes to consolidated financial statements.

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

(In Thousands)	Nine Months Ended June 30	
	2005	2004
Operating activities:		
Net income (loss)	\$ 399	\$ (919)
Depreciation and other noncurrent items	200	462
Accounts receivable	(88)	181
Accrued compensation and payroll taxes	460	168
Other current items, net	(521)	(348)
Net cash provided (used) by operating activities	450	(456)
Investing activities:		
Acquisition of property and equipment	(51)	(15)
Net cash used by investing activities	(51)	(15)
Financing activities:		
Exercises of stock options	9	13
Net cash provided by financing activities	9	13
Increase (decrease) in cash and cash equivalents	408	(458)
Cash and cash equivalents at beginning of period	4,437	3,905
Cash and cash equivalents at end of period	\$4,845	\$3,447

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-KSB for the year ended September 30, 2004.

Discontinued Operations

In September 2004, the Company completed a transaction to sell the assets and business operations of its Pittsburgh, Pennsylvania staffing business ("GenTech"). The results of GenTech are reflected in the consolidated statement of operations as discontinued operations for all periods presented.

#### Income Taxes

There were no provisions for income taxes for the periods ended June 30, 2005, because of the utilization of losses carried forward from prior years. There were no credits for income taxes as a result of the pretax losses for the periods ended June 30, 2004, because the losses were carried forward and there was not sufficient assurance that a future tax benefit would be realized.

#### Lease Obligations

In January 2005, the Company entered into an amendment of the lease agreement that covers office space for its corporate headquarters in Oakbrook Terrace, Illinois. The amended lease expires in 2015, and may be cancelled by the Company in 2012 under certain conditions. The previous lease was scheduled to expire in January 2006. Under the amended lease, the Company's base annual rent expense is reduced by approximately \$120,000. Minimum payments during the non-cancelable term of the lease total approximately \$1,600,000.

#### Non-cash Transactions

During 2005, the Company disposed of leasehold improvements, furniture and equipment having an original cost of \$1,155,000 and having negligible book value. The Company also received a non-cash allowance of \$263,000 from a landlord for leasehold improvements and recorded a deferred rent credit in that amount. The amortization of these balances will result in increased depreciation expense and reduced rent expense over the term of the lease.

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

### Overview

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 June 30, 2005, the Company operated 19 offices located in 10 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 Company experienced an increase in the demand for its placement services during the nine months ended June 30, 2005, compared with the same period of the prior year, as the U.S. jobs market improved. The national unemployment rate decreased to 5.0% in June 2005 from 5.6% in June 2004.

As a result of the increased demand for the Company's services, consolidated net revenues for the nine months ended June 30, 2005 were up 13% compared with the prior year. Placement service revenues increased 43% due to increases in both the number of placements and the average placement fee, while contract service revenues declined slightly during the period. As a result of the

change in the mix, placement service revenues increased to 42% of consolidated revenues from 33% last year.

Due to the growth in revenues, the Company achieved income from operations of \$342,000 this year, which was a significant improvement from the \$873,000 operating loss last year.

The Company had net cash flow of \$408,000 for the year to date, and the balance of cash and cash equivalents was \$4,845,000 as of June 30, 2005.

## Results of Operations

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

	Nine Months Ended June 30	
	2005	2004
Net revenues:		
Contract services	58.5%	67.1%
Placement services	41.5	32.9
Net revenues	100.0	100.0
Operating expenses:		
Cost of contract services	41.4	48.7
Selling	25.5	20.3
General and administrative	30.8	37.6
Total operating expenses	97.7	106.6
Income (loss) from operations	2.3%	(6.6)%

## Net Revenues

Consolidated net revenues for the nine months ended June 30, 2005 were up \$1,737,000 (13%) from the prior year. That was due to the combination of a \$129,000 (1%) decrease in contract service revenues and a \$1,866,000 (43%) increase in placement service revenues.

The decrease in contract service revenues occurred because of a 4% decline in the number of billable hours, while the average hourly billing rate was up 2%. Reflecting stronger demand during the period, placement service revenues were up because of a 26% increase in the number of placements and a 12% increase in the average placement fee.

## Operating Expenses

Total operating expenses for the nine months ended June 30, 2005 were up \$522,000 (4%) compared with the prior year.

The cost of contract services was down \$247,000 (4%), as a result of the lower volume of contract business. The gross profit margin on contract business increased to 29.1% for the nine months ended June 30, 2005, compared with 27.4% the prior year.

Selling expenses increased \$1,133,000 (42%) for the period. Commission expense was up 52% due to the higher placement service revenues, and recruitment advertising expense was 37% higher than the prior year. Selling expenses represented 25.5% of consolidated net revenues, which was up 5.2 points from the prior year because of the change in revenue mix.

General and administrative expenses decreased \$364,000 (7%) for

the nine months ended June 30, 2005. Office rent and occupancy costs were down 19% for the period, while other office operating costs declined 47%. These reductions are attributable to a combination of office closings, lease renegotiations, and lower depreciation and amortization expense. All other general and administrative expenses were up 3%. General and administrative expenses represented 30.8% of consolidated revenues, and that was down 6.8 points from the prior year.

There was no provision for income taxes for the nine months ended June 30, 2005, because of the utilization of losses carried forward from prior years. There was no credit for income taxes as a result of the pretax losses for the nine months ended June 30, 2004, because the losses were carried forward and there was not sufficient assurance that a future tax benefit would be realized.

## Outlook

The improvement in national hiring patterns and the increased demand for the Company's services resulted in improved operating performance for the Company in the first nine months of fiscal 2005. Management believes that the Company is well positioned for growth in the future. In recent years, many unprofitable branch operations were closed, and general and administrative expenses were reduced significantly. Existing branch offices have the capacity to accommodate additional consulting staff and higher volumes of business. Management believes that continued improvement for the Company will depend on continued improvement in the U.S. jobs market.

## Financial Condition

As of June 30, 2005, the Company had cash and cash equivalents of \$4,845,000, which was an increase of \$408,000 from September 30, 2004. Net working capital at June 30, 2005 was \$4,924,000, which was an increase of \$294,000 from September 30, 2004, and the current ratio was 3.1 to 1. The Company had no long-term debt. Shareholders' equity as of June 30, 2005 was \$5,576,000, which represented 70% of total assets.

During the nine months ended June 30, 2005, the net cash provided by operating activities was \$450,000. Net income for the period, together with depreciation and other non-cash charges, provided \$599,000, while working capital items used \$149,000.

The Company's primary source of liquidity is normally from its operating activities. Management believes that existing cash balances will be adequate to finance current operations for the foreseeable future.

As of September 30, 2004 there were approximately \$4,300,000 of losses available to reduce federal taxable income in future years through 2024, and there were approximately \$7,000,000 of losses available to reduce state and local taxable income in future years, expiring from 2006 through 2024.

## Off-Balance Sheet Arrangements

As of June 30, 2005, and during the nine 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 June 30, 2005, 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 June 30, 2005 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, 2006, 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. As of June 30, 2005, the Company 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 6, Exhibits.

The following exhibits are filed as a part of Part I 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.

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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: August 2, 2005                      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 June 30, 2005 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: August 2, 2005            /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 June 30, 2005 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: August 2, 2005

/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 June 30, 2005 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: August 2, 2005                      By: /s/ Herbert F. Imhoff, Jr.  
Herbert F. Imhoff, Jr.  
Chairman of the Board, Chief  
Executive Officer and President  
(Chief executive officer)

Date: August 2, 2005                      By: /s/ Kent M. Yauch  
Kent M. Yauch  
Vice President, Chief Financial  
Officer and Treasurer  
(Chief financial officer)