SECURITIES AND EXCHANGE COMMISSION

FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

Filing Date: **2004-08-12** | Period of Report: **2004-06-30**
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FILER

CET SERVICES INC

CIK:**944627**| IRS No.: **330285964** | State of Incorp.:**CA** | Fiscal Year End: **1231**
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SIC: **4955** Hazardous waste management

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U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

(X) QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended JUNE 30, 2004

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 1-13852

CET SERVICES, INC.
(Exact name of small business issuer as specified in its charter)

CALIFORNIA	33-0285964
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
7032 SOUTH REVERE PARKWAY, ENGLEWOOD, CO	80112
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (720) 875-9115

(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 (X) No ( ).

As of July 15, 2004, 5,554,489 shares of common stock, no par value per share, were outstanding.

PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CET SERVICES, INC.

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	JUNE 30, 2004 (UNAUDITED)	DECEMBER 31, 2003
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS:		
Cash	$ 986,916	$ 1,050,945
Restricted cash	248,049	1,209,983
Accounts receivable	70,520	89,089
Real estate inventories	3,670,034	3,087,740
Prepaid expenses	35,495	45,695
Total Current Assets	5,011,014	5,483,452
EQUIPMENT AND IMPROVEMENTS:		
Field equipment	38,235	55,436
Vehicles	4,073	4,073

Furniture & fixtures	56,647	56,647
Office equipment	140,803	137,474
Leasehold improvements	24,931	24,931
	264,689	278,561
Less allowance for depreciation and amortization	(242,016)	(239,333)
Equipment and improvements, net	22,673	39,228
OTHER ASSETS:		
Deposits	8,269	8,269
Total Other Assets	8,269	8,269
	$ 5,041,956	$ 5,530,949

</TABLE>

(Continued)

CET SERVICES, INC.

CONSOLIDATED BALANCE SHEETS
(continued)

<TABLE>
<CAPTION>

<S>	JUNE 30, 2004 (UNAUDITED) <C>	DECEMBER 31, 2003 <C>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 284,761	$ 319,213
Accrued expenses	30,277	33,771
Accrued construction expense	91,447	
Retainage payable	125,514	48,231
Construction loan	-	750,033
Note payable	161,000	-
Total current liabilities	692,999	1,151,248
LONG-TERM DEBT	298,668	-
STOCKHOLDERS' EQUITY:		
Common stock (no par value) - authorized 20,000,000 shares; 5,554,489 and 5,534,489 shares issued and outstanding in 2004 and 2003, respectively	8,331,007	8,331,007
Paid-in capital	104,786	104,786
Accumulated deficit	(4,385,504)	(4,056,092)
Total stockholders' equity	4,050,289	4,379,701
	$ 5,041,956	$ 5,530,949

</TABLE>

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

CET SERVICES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED	
	JUNE 30,	JUNE 30,

	2004	2003
<S>	<C>	<C>
REVENUE	$ 2,248,649	$ 151,376
COST OF REVENUE:		
Direct	2,235,521	111,295
Indirect	2,478	36,867
	2,237,999	148,162
Gross profit	10,650	3,214
OPERATING EXPENSES:		
Selling, general and administrative expenses	203,992	262,989
Bad debt recovery, net	-	(278,421)
		(15,432)
Operating (loss) profit	(193,342)	18,646
OTHER INCOME :		
Gain on sale of equipment	4,225	64,418
Interest (expense) income, net	(592)	243
Other income (expense)	-	(1)
	3,633	64,660
(Loss) income before income taxes	(189,709)	83,306
INCOME TAX BENEFIT	-	127,393
NET (LOSS) INCOME	$ (189,709)	$ 210,699
(Loss) earnings per common share - basic	$ (0.03)	$ .04
Weighted average number of common shares outstanding	5,554,489	5,757,792
(Loss) earnings per common share - diluted	$ (0.03)	$ .04
Weighted average number of common shares outstanding	5,554,489	5,758,490

</TABLE>

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

CET SERVICES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

<TABLE>
<CAPTION>

	SIX MONTHS ENDED	
	JUNE 30, 2004	JUNE 30, 2003
<S>	<C>	<C>
REVENUE	$ 2,747,034	$ 577,135
COST OF REVENUE:		
Direct	2,692,349	452,242
Indirect	7,751	75,645
	2,700,100	527,887
Gross profit	46,934	49,248
OPERATING EXPENSES:		
Selling, general and administrative expenses	382,845	462,863
Bad debt recovery, net	-	(278,421)
	382,845	184,442

Operating loss	(335,911)	(135,194)
OTHER INCOME :		
Gain on sale of equipment	4,225	64,418
Interest income (expense), net	2,058	(1,391)
Other income	216	2,442
	6,499	65,469
Loss before income taxes	(329,412)	(69,725)
INCOME TAX BENEFIT	-	127,393
NET(LOSS) INCOME	$ (329,412)	$ 57,668
(Loss) earnings per common share - basic	$ (0.06)	$ 0.01
Weighted average number of common shares outstanding	5,554,489	5,757,792
(Loss) earnings per common share - diluted	$ (0.06)	$ 0.01
Weighted average number of common shares outstanding	5,554,489	5,758,299

</TABLE>

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

CET SERVICES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<TABLE>
<CAPTION>

	SIX MONTHS ENDED	
	JUNE 30, 2004	JUNE 30, 2003
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$ (329,412)	$ 57,668
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	18,894	21,900
Gain on disposal of equipment	(4,225)	(64,418)
Changes in operating assets and liabilities:		
Decrease in accounts receivable	18,569	210,340
Decrease in contracts in process	-	42,295
Decrease in retention and other receivables	-	48,083
Increase in income tax		(127,393)
Decrease in prepaid expenses	10,200	73,858
Decrease in inventory and deposits	-	372,284
Increase in real estate inventories	(582,294)	(180,865)
Decrease in accounts payable	(34,452)	(274,167)
Increase in retainage payable	77,283	-
Increase in accrued construction expense	91,447	-
Decrease in accrued expenses	(3,494)	(29,071)
Net cash (used in) provided by operating activities	(737,484)	150,514
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of vehicles and office equipment	(3,329)	(4,073)
Proceeds from sales of equipment	5,215	71,624
Decrease (increase) in restricted cash	961,934	(200,000)
Net cash provided by (used in) investing activities	963,820	(132,449)
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Payments on) proceeds from construction loan	(750,033)	29,076
Proceeds from long term debt	298,668	
Proceeds from notes payable	161,000	300,000
Net cash (used in) provided by financing activities	(290,365)	329,076

(DECREASE) INCREASE IN CASH	(64,029)	347,141
CASH AT BEGINNING OF PERIOD	1,050,945	391,304
CASH AT END OF PERIOD	$ 986,916	$ 738,445

</TABLE>

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

CET SERVICES, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 1. BASIS OF PRESENTATION. The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial statements and with the instructions to Form 10-QSB and Item 310(b) of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The consolidated balance sheet at December 31, 2003 has been derived from the audited consolidated financial statements at that date. Operating results for the six months ended June 30, 2004 are not necessarily indicative of results that may be expected for the year ending December 31, 2004. For further information, refer to the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2003.

NOTE 2. EARNINGS PER SHARE. The Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 128, Earnings Per Share ("SFAS 128") requires the presentation of basic earnings per share ("EPS") and, for companies with potentially dilutive securities such as convertible debt, options and warrants, diluted EPS.

In 2003, basic earnings per share data was computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share was adjusted for the assumed dilution, using the treasury stock method, of potentially dilutive securities including stock options and warrants to purchase common stock. The weighted average number of fully diluted common shares outstanding includes 698 shares and 507 shares for the three months and six months ended June 30, 2003, respectively, representing the dilutive effect of stock options.

In 2004, basic loss per share data was computed by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted loss per share is equivalent to basic loss per share since the computation does not give effect to potentially dilutive securities including stock options and warrants, as their effect would have been anti-dilutive.

NOTE 3. STOCK-BASED COMPENSATION. SFAS No. 123, Accounting for Stock-Based Compensation, establishes financial accounting and reporting standards for stock-based employee compensation plans. SFAS No. 123 encourages entities to adopt a fair-value-based method of accounting for stock compensation plans. However, SFAS No. 123 also permits entities to continue to measure compensation costs under Accounting Principles Board Opinion 25 with the requirement that pro forma disclosures of net income and earnings per share be included in the notes to financial statements. The Company follows the disclosure requirements of SFAS No. 123 and SFAS 148 by presenting pro forma results of net income and earnings per share data; however, the Company uses the intrinsic value method as prescribed by APB 25 to account for its stock-based employee compensation plans.

Had compensation cost for these plans been determined consistent with SFAS No. 123, the Company's net (loss) profit and (loss) earnings per share would have been increased to the following pro forma amounts:

<TABLE>
<CAPTION>

	Three Months Ended June 30,	Three Months Ended June 30,

	2004	2003
Net (loss) profit:		
As reported	$(189,709)	$ 210,699
Stock compensation expense	(928)	(1,329)
Pro forma	$(190,637)	$ 209,370

Basic and diluted net (loss) profit per common share:		
As reported	$ (0.03)	$ 0.04
Pro forma	$ (0.03)	$ 0.04

	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Net (loss) profit:		
As reported	$(329,412)	$ 57,668
Stock compensation expense	(1,856)	(3,399)
Pro forma	$(331,268)	$ 54,269
Basic and diluted net (loss) profit per common share:		
As reported	$ (0.06)	$ 0.01
Pro forma	$ (0.06)	$ 0.01

NOTE 4. SEGMENT INFORMATION. The Company operates in two business segments - water/wastewater construction, and residential housing development and construction. All of the Company's operations and customers are located in Colorado. A summary of the Company's business segments is shown below (in thousands).

Three months ended: June 30, 2004	Residential Housing	Water/wastewater Construction	Corporate	Total
Revenues	$ 2,099	$ 150	$ -	$ 2,249
Net income (loss)	$ (31)	$ 43	$ (202)	$ (190)
Depreciation and amortization	$ -	$ 1	$ 8	$ 9
Segment assets	$ 3,918	$ 9	$ 1,115	$ 5,042

Three months ended: June 30, 2003				
Revenues	$ -	$ 151	$ -	$ 151
Net income (loss)	$ (22)	$ 42	$ 191	$ 211
Depreciation and amortization	$ -	$ 2	$ 8	$ 10
Segment assets	$ 1882	$ 79	$ 4,012	$ 5,973

Six months ended: June 30, 2004	Residential Housing	Water/wastewater Construction	Corporate	Total

Revenues	$ 2,429	$ 318	$ -	$ 2,747
Net income (loss)	$ (43)	$ 81	$ (367)	$ (329)
Interest income	$ -	$ -	$ 2	$ 2
Depreciation and amortization	$ -	$ 3	$ 16	$ 19
Segment assets	$ 3,918	$ 9	$ 1,115	$ 5,042

Six months ended: June 30, 2003

Six months ended: June 30, 2003				
Revenues	$ -	$ 577	$ -	$ 577
Net income (loss)	$ (44)	$ 59	$ 43	$ 58
Interest expense	$ -	$ (1)	$ -	$ (1)
Depreciation and amortization	$ -	$ 4	$ 18	$ 22
Segment assets	$ 1,882	$ 79	$ 4,012	$ 5,973

NOTE 5. RESTRICTED CASH. At June 30, 2004, approximately $200,000 was held in a restricted cash account to support construction, down from $962,000 at December 31, 2003. Also, an additional $48,000 was deposited on a restricted basis to support two letters of credit issued by Vectra Bank, totaling $367,000 which were required by the City of Westminster to assure completion of the infrastructure at the redevelopment site. These letters of credit expired on July 2, 2004 and were replaced by two new letters of credit totaling approximately $50,000 and a reduction to the restricted cash requirement to $50,000.

NOTE 6. REAL ESTATE INVENTORIES.

Real estate inventories consist of the following (in thousands):

	June 30, 2004	December 31, 2003
Townhomes under construction and finished lots	$1,524	$1,482
Land under development	$2,146	$1,606
	$3,670	$3,088

NOTE 7. CONSTRUCTION LOAN. In June 2003, the Company secured a $1.63 million construction loan from Vectra Bank for the Westminster Redevelopment Project. Under the terms of the loan, which carried an interest rate of prime plus one percent, proceeds, net of normal selling and closing costs, from the sale of housing units were applied to the loan. The loan was completely repaid in June, 2004.

NOTE 8. CONSTRUCTION CONTRACT. In June 2003, the Company entered into a fixed price construction contract with a local general contractor in the amount of $2,448,000 to build housing units. Under the terms of the contract, certain funds are withheld as retainage payable. At June 30, 2004, approximately $98,000 remained to be incurred on the contract.

NOTE 9. NOTES PAYABLE. In March 2004, the Company obtained a draw note payable in the amount of $380,600 to Guarantee Bank payable in one year to finance the purchase of two parcels of property located in Westminster, Colorado. Through June 30, 2004, the Company had draws of $161,000 under the note which was used to purchase one of the parcels of property. The note bears interest at the rate of prime plus 1%

with a minimum of 5.5% with monthly interest only payments. The principal is due at maturity and the note is collateralized by a first deed of trust on the properties.

In June 2004, the Company signed a Brownfields Cleanup Revolving Loan Fund Agreement with the City of Aurora, Colorado, for $471,495 to finance the remediation of a five-acre site on which the Company intends to construct 54 residential townhomes. The Loan is for a period of three years with interest at 2% per annum payable monthly. The principal is to be repaid at 1/54th of the outstanding balance within 30 days of each residential unit sale and the note is collateralized by a deed of trust on the property. At June 30, 2004 the Company had drawn approximately $299,000 on the loan.

NOTE 10. LEGAL. Except as set forth below, the Company is not a party to any material legal proceedings, which are pending before any court, administrative agency, or other tribunal. Further, the Company is not aware of any material litigation, which is threatened against it in any court, administrative agency, or other tribunal. Management believes that no pending litigation in which the Company is named as a defendant is likely to have a material adverse effect on the Company's financial position or results of operations.

Since early 1998, the Company has been the subject of an investigation by the Office of the Inspector General (OIG) of the Environmental Protection Agency (EPA). While initially broad in scope, the investigation is now focused on labor billing-rates to the EPA beginning in the 1992-1994 period and selected subsequent years. The Company has cooperated fully in all OIG inquiries and will continue to do so when and if required. Independent audits by the Defense Contract Audit Agency (DCAA), subsequent to initiation of the OIG investigation, were not adverse nor did they result in claims against the Company. In an effort to resolve the dispute, the Company requested non-binding arbitration, which allows for a full discussion of the issues before a neutral party. The OIG rejected this proposal. Subsequently, during the third quarter of 2002, the Company attempted to reach a settlement agreement in order to limit further legal costs. In response to this initiative, OIG has offered to settle the case for $8.7 million based on certain scenarios and imputed costs generated within its offices. The Company strongly disputes and rejects the basis upon which the scenarios were developed and denies any wrongdoing in dealings with the EPA. No loss provision has been made at June 30, 2004 relating to this matter, as the probable outcome is unknown. If the Company does not prevail in its defense of this dispute, it could have a material adverse effect on the Company's financial position, results of operations, and liquidity.

NOTE 11. RECENT ACCOUNTING PRONOUNCEMENTS. The Company has evaluated all recent accounting pronouncements and believes such pronouncements do not have a material effect on the Company's financial statements.

NOTE 12. RELATED PARTY TRANSACTIONS. In March 2004, the Company sold a townhome to Steven H. Davis, Chief Executive Officer, President and Director for $160,949 which was comparable to the price received for similar units from outside customers. The sales price approximated the cost of the unit. In addition, the Company agreed to lease the unit on a month-to-month basis from Mr. Davis for $1,050 per month to serve as the model unit for the outside marketing firm.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

This Quarterly Report on Form 10-QSB contains forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995), and information relating to the Company that is based on beliefs of management of the Company, as well as assumptions made by and information currently available to management of the Company. When used in this Report, the words "estimate," "project," "believe," "anticipate," "intend," "expect," and similar expressions are intended to identify forward-looking statements. Such statements reflect the current views of the Company with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

RESULTS OF OPERATIONS

QUARTER ENDED JUNE 30, 2004 COMPARED TO THE QUARTER ENDED JUNE 30, 2003

REVENUE. Revenues for the second quarter of 2004 were $2,248,649, up from the $151,376 reported for the year-earlier period. The increase for the current period is largely the result of closings on housing units at the Westminster development project.

COST OF REVENUE. Cost of revenue for the June 2004 period was $2,237,999 up from the $148,162 recorded in the second quarter of 2003, reflecting increased activity on development sites.

SELLING, GENERAL & ADMINISTRATIVE COSTS. Selling, General and Administrative costs were $203,992, down 22% from the year-earlier comparable of $262,989. However, the 2003 period benefited from a net recovery of $278,421 on previously written off debt of $546,000, less a write down of $321,000 related to a modification of a settlement agreement concluding a lengthy litigation.

OTHER INCOME (EXPENSE). Other income was $3,633 and $64,660 in the respective periods reflecting gains on the sales of equipment.

NET LOSS. For the June 2004 quarter, a net (loss) income of ($189,709), or ($0.03) a share, was incurred, compared to the net income of $210,699, or $0.04 a share, in the second quarter of 2003, which arose from a gain on the sale of equipment and an income tax recovery of $127,393.

RESULTS OF OPERATIONS

SIX MONTHS ENDED JUNE 30, 2004 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 2003

REVENUE. Revenues were $2,747,034, up from the $577,135 reported for the year-earlier period. The increase for the current period is largely the result of closings on housing units at the Westminster development project.

COST OF REVENUE. Cost of revenue was $2,700,100, up from the $527,887 recorded in 2003, reflecting increased activity on development sites.

SELLING, GENERAL & ADMINISTRATIVE COSTS. Selling, General and Administrative costs were $382,845, down 17% from $462,863 in the first half of 2003. Again, as noted in the discussion of the second quarter results, the prior year first half benefited from a net bad debt recovery of $278,421.

OTHER INCOME (EXPENSE). Other income was $6,499 and $65,469 in the respective periods reflecting gains on the sales of equipment.

NET LOSS. A net (loss) income of ($329,412), or ($0.06) a share was incurred, compared to the net income of $57,668, or $0.01 a share in the first six months of 2003, which arose totally from non-recurring items.

LIQUIDITY AND CAPITAL RESOURCES

The Company's sources of liquidity and capital resources historically have been net cash provided by operating activities, funds available under its financing arrangements, and proceeds from offerings of equity securities. In the past, these sources have been sufficient to meet its needs and finance the Company's business. The Company can give no assurance that the historical sources of liquidity and capital resources will be available for future development and acquisitions, and it may be required to seek alternative financing sources not necessarily favorable to the Company.

The Company is currently engaged in a redevelopment project under an agreement with the City of Westminster, Colorado. The project includes the purchase of certain property, the demolition of existing structures, environmental remediation, and construction of 50 new affordable housing units. Under the Development Agreement, the City of Westminster has provided approximately $901,000 toward the $1,601,000 purchase price of the property, paid the Company approximately $185,000 for demolition work, and provided other assistance. The Company is required to sell at least 10 of the 50 housing units at a base price of $170,000, or less, to qualified

buyers; to make certain off-site improvement along street frontages; and to provide the necessary insurance for the project. At June 30, 2004, the Company had capitalized $2.3 million of costs related to permits, architectural designs, and land acquisitions. The Company recorded the $901,000 received in 2002 from the City of Westminster as a reduction to the cost of the property acquired.

The Westminster development is segmented into three sites. Construction at Site I, consisting of 23 housing units, is virtually complete. Construction at Site II and III is expected to begin during the third quarter. The estimated aggregate sales price for all three sites is approximately $8.7 million, approximately half of which should be realized in 2004. The Company believes sufficient resources are available to complete Site I and initiate work on Site II and III. Proceeds from the sale of Site I housing units plus additional construction loans will be required to complete Site II and III. Failure to achieve such financing on acceptable terms would have a material adverse impact on the Company's financial position, results from operations, and liquidity.

The Company has also acquired a five-acre Brownfields remediation site in Aurora, Colorado and plans to construct 54 residences with a total estimated value of $9.5 million. At June 30, 2004, the Company had capitalized approximately $1,338,000 of costs related to permits, architectural design, remediation and property acquisition. In June 2004, the Company signed a Brownfields Cleanup Revolving Loan Fund Agreement with the City of Aurora, Colorado, for $471,495 to finance the remediation (see Note 9 - Notes Payable). Preliminary site plans have been approved and remediation activity is under way. The Company is engaged in ongoing discussions with the City of Aurora regarding a definitive development plan and with potential lenders regarding financing for the project. However, there can be no assurance that the Company will be successful in obtaining financing on acceptable terms. Failure to achieve such financing would have a major adverse impact on the Company financial position, results of operations, and liquidity.

In January 2004, the Company entered into two Buy and Sell Real Estate agreements, one of which involved a residential property site in Westminster, Colorado, and was purchased for $258,000 on March 31, 2004. To finance this transaction, the Company obtained a draw note payable and has drawn $161,000 (see Note 9 - Notes Payable). The other agreement covers a vacant 10-acre tract in Jefferson County, Colorado, with a purchase price of $1.5 million. Completion of this transaction is dependent upon the mutual resolution of a number of conditions and contingencies with government entities and upon obtaining financing on terms satisfactory to the Company.

At June 30, 2004, the Company's working capital was approximately $4.3 million, virtually unchanged from December 31, 2003. Cash, including restricted cash, declined to approximately $1.23 million from approximately $2.26 million at 2003 year-end, reflecting an increase in real estate inventory of approximately $600,000 and a reduction of approximately $750,000 in the outstanding construction loan.

CONTRACTUAL OBLIGATIONS

<TABLE>
<CAPTION>

Contractual Obligations	Payments Due By Period Total	Less Than 1 Year	1-3 Years
<S>	<C>	<C>	<C>
Operating Leases	89,565	56,765	32,800
Note Payable	298,668	-	298,668
Note Payable	161,000	161,000	-
Total	$549,233	$217,765	$331,468

</TABLE>

ITEM 3. CONTROLS AND PROCEDURES

As of June 30, 2004, under the supervision and with the participation of the Company's Chief Executive Officer and the Chief Financial Officer, management has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of June 30, 2004. There were no changes in internal control over financial reporting that occurred during the fiscal quarter covered by this report that have materially affected, or are reasonably likely to affect, the Company's internal control over financial reporting.

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Except as set forth below, the Company is not a party to any material legal proceedings which are pending before any court, administrative agency, or other tribunal. Further, the Company is not aware of any material litigation which is threatened against it in any court, administrative agency, or other tribunal. Management believes that no pending litigation in which the Company is named as a defendant is likely to have a material adverse effect on the Company's financial position or results of operations.

Since early 1998, the Company has been the subject of an investigation by the Office of the Inspector General (OIG) of the Environmental Protection Agency (EPA). While initially broad in scope, the investigation is now focused on labor billing-rates to the EPA beginning in the 1992-1994 period and selected subsequent years. The Company has cooperated fully in all OIG inquiries and will continue to do so when and if required. Independent audits by the Defense Contract Audit Agency (DCAA), subsequent to initiation of the OIG investigation, were not adverse nor did they result in claims against the Company. In an effort to resolve the dispute, the Company requested non-binding arbitration which allows for a full discussion of the issues before a neutral party. The OIG rejected this proposal. Subsequently, during the third quarter of 2002, the Company attempted to reach a settlement agreement in order to limit further legal costs. In response to this initiative, OIG has offered to settle the case for $8.7 million based on certain scenarios and imputed costs generated within its offices. The Company strongly disputes and rejects the basis upon which the scenarios were developed and denies any wrongdoing in dealings with the EPA.

ITEM 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

The Annual meeting of the Shareholders of the Company was held on June 2, 2004 for the purposes of electing directors to the Board of Directors and ratifying the selection of Gelfond Hochstadt Pangburn, P.C. as the Company's independent accountants for the year ended December 31, 2004.

The following votes were cast by Shareholders with respect to the election of directors at the Annual Meeting:

NAME	SHARES VOTED FOR	SHARES WITHHELD
Craig C. Barto*	5,280,407	6,500
Steven H. Davis*	5,256,107	30,800
John D. Hendrick*	5,256,107	30,800
George Pratt*	5,280,407	6,500

* Re-elected as a Director.

The following votes were cast by Shareholders with respect to the selection of Gelfond Hochstadt Pangburn, P.C. as the Company's independent accountants for the year ended December 31, 2004:

	SHARES VOTED FOR	SHARES VOTED AGAINST
Gelfond Hochstadt Pangburn, P.C.	5,286,907	0

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

The following exhibits are filed herewith:

Exhibit 31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350

Exhibit 32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350

(b) Reports on Form 8-K

During the quarter ended June 30, 2004, the Company filed one report on Form 8-K dated April 21, 2004, reporting information under Items 4 and 7 of that form.

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.

CET SERVICES, INC.

Dated: August 12, 2004

By: /s/ Steven H. Davis
Steven H. Davis, President and Chief Executive Officer

By: /s/ Dale W. Bleck
Dale W. Bleck, Chief Financial Officer

EXHIBIT INDEX

Exhibits No.	Description
Exhibit 31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350
Exhibit 32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven H. Davis, certify that:

1. I have reviewed this quarterly report of CET Services, 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 small business issuer as of, and for, the periods presented in this report;

4. The small business issuer'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 small business issuer 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 small business issuer, 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 small business issuer'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 small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer'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 small business issuer'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 small business issuer's internal control over financial reporting.

Date: Aug 12, 2004

/s/ Steven H. Davis

Steven H. Davis
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Dale W. Bleck, certify that:

1. I have reviewed this quarterly report of CET Services, 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 small business issuer as of, and for, the periods presented in this report;

4. The small business issuer'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 small business issuer 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 small business issuer, 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 small business issuer'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 small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer'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 small business issuer'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 small business issuer's internal control over financial reporting.

Date: Aug 12, 2004

/s/ Dale W. Bleck

Dale W. Bleck
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
CET SERVICES, INC.
PURSUANT TO 18 U.S.C. SECTION 1350

I hereby certify that, to the best of my knowledge, the Quarterly Report on Form 10-QSB of CET Services, Inc. for the period ending June 30, 2004:

(1) 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 aspects, the financial condition and results of operations of CET Services, Inc.

/s/ Steven H. Davis

Steven H. Davis
Chief Executive Officer
Aug 12, 2004

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to CET Services, Inc. and will be retained by CET Services, Inc. and furnished to the Securities and Exchange Commission upon request.

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
CET SERVICES, INC.
PURSUANT TO 18 U.S.C. SECTION 1350

I certify that, to the best of my knowledge, the Quarterly Report on Form 10-QSB of CET Services, Inc. for the period ending June 30, 2004:

(1) 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 aspects, the financial condition and results of operations of CET Services, Inc.

/s/ Dale W. Bleck

Dale W. Bleck
Chief Financial Officer
Aug 12, 2004

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to CET Services, Inc. and will be retained by CET Services, Inc. and furnished to the Securities and Exchange Commission upon request.