GOLDEN ENTERPRISES INC
Form 10-Q/A
August 26, 2004

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q/A
(Amendment No. 1)

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

For the quarterly period ended February 29, 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 0-4339

GOLDEN ENTERPRISES, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	63-0250005
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Golden Flake Drive Birmingham, Alabama	35205

(205) 458-7316
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes __X__ No _____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of March 31, 2004.

Class	Outstanding at March 31, 2004
Common Stock, Par Value $0.66 2/3	11,883,305

Explanatory Note

This form 10-Q/A amends the Registrant's quarterly report on form 10-Q as of and for the nine months ended February 29, 2004 as filed on April 12, 2004 and is being filed to reflect the restatement of the Registrant's Consolidated Financial Statements for accruals for its vacation pay and self-insured health and casualty obligations. See Note 2 to the restated Consolidated Financial Statements for the year ended May 31, 2003, for further discussion on this matter. Each item of the 2004 third quarter Form 10-Q as filed on April 12, 2004 that was affected by the restatement has been amended and restated.

The Registrant did not amend its Annual Report on Form 10-K or Quarterly Reports on Form 10-Q for periods affected by the restatement that ended prior to May 31, 2003, and the financial statements and related financial information contained in such reports should no longer be relied on.

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GOLDEN ENTERPRISES, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. RESTATED FINANCIAL STATEMENTS (UNAUDITED)

The restated consolidated financial statements, including the notes to th
consolidated financial statements, set forth in this item 1 have been rev
the restatement of the original Form 10-Q.

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS

	Restated February 29, 2004 (Unaudited)
ASSETS	
Cash and cash equivalents	$ 478,984
Receivables, net	7,902,129
Note Receivable, current	44,857
Inventories:	
Raw material and supplies	1,736,407
Finished goods	2,553,827
	4,290,234
Prepaid expense	4,087,489
Deferred income taxes	344,770
Total current assets	17,148,463
Property, plant and equipment, net	14,118,829
Long-term Note Receivable	1,831,771
Other assets	2,777,822
	$ 35,876,885
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current Liabilities:	
Checks outstanding in excess of bank balances	$ 1,704,403
Accounts payable	2,279,488
Other accrued expenses	4,749,044
Salary continuation plan	94,055
Note payable-bank, current	1,195,304
Total current liabilities	10,022,294
Long-Term Liabilities:	
Note payable-bank, non-current	724,447
Salary Continuation Plan	1,822,683

Total long-term liabilities	2,547,130
Deferred income taxes	714,358
Stockholder's Equity:	
Common Stock - $.66 - 2/3 par value:	
35,000,000 shares authorized	
Issued 13,828,793 shares	9,219,195
Additional paid-in capital	6,497,954
Retained earnings	17,409,131
	33,126,280
Less: Cost of common shares in treasury (1,945,488 at February 29, 2004 and May 31, 2003)	(10,533,177)
Total stockholders' equity	22,593,103
Total	$ 35,876,885

See Accompanying Notes to Restated Condensed Consolidated Financial Statements

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GOLDEN ENTERPRISES, INC. AND SUBSIDARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Restated		
	Three Months Ended		
	FEBRUARY 29,	FEBRUARY 28,	FEB
	2004	2003	
Net Sales	$ 24,102,358	$ 24,021,750	$ 7
Cost of sales	13,021,969	12,654,027	3
Gross margin	11,080,389	11,367,723	3
Selling, general and administrative expenses	12,079,649	12,172,446	3
Operating (loss)	(999,260)	(804,723)	
Other income (expenses):			
Investment income	37,730	39,356	
Gain on sale of assets	2,787	22,737	
Other income	31,989	29,365	
Interest expense	(48,778)	(66,205)	
Total other income (expenses)	23,728	25,253	

(Loss) before income taxes		(975,532)		(779,470)	
Income tax expense		(369,504)		(295,835)	
Net (loss)	$	(606,028)	$	(483,635)	$
PER SHARE OF COMMON STOCK:					
Net (loss)	$	(0.05)	$	(0.04)	$
Weighted average number of common stock shares outstanding		11,883,305		11,883,305	1
Cash dividends paid per share of common Stock	$	0.0313	$	0.0313	$

See Accompanying Notes to Restated Condensed Consolidated Financial Statements

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GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	RESTATED NINE MONTHS ENDED	
	February 29, 2004	February 2003
Cash flows from operating activities:		
Net (Loss)	$ (370,357)	$ (6
Adjustment to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,771,247	1,
Deferred income taxes	137,708	(3
Gain on sale of property and equipment	(67,672)	(2
Changes in operating assets and liabilities:		
(Increase) Decrease in receivable- net	(55,875)	1,
(Increase) Decrease in inventories	(504,097)	
(Increase) in pre-paid expenses	(1,206,368)	(2
Decrease in other assets- long term	150	
Increase in accounts payable	578,554	
Increase (Decrease) in accrued expenses	459,596	(8
(Decrease) in salary continuation	(42,848)	(
Net cash provided by operating activities	700,038	2,
Cash flows from investing activities:		
Purchase of property, plant and equipment	(608,318)	(5

Proceeds from sale of property, plant and equipment	147,488	
Collection of note receivable	31,372	
Investment securities available- for sale:		
Purchases	0	(2,
Proceeds from disposal	0	2,
Net cash (used in) Investing activities	(429,458)	(1
Cash flows from financing activities:		
Debt repayments	(503,158)	(9
Increase in checks outstanding in excess of bank balances	547,295	
Cash dividends paid	(1,114,066)	(1,
Net cash (used in) financing activities	(1,069,929)	(1,9
Net (decrease) in cash and cash equivalents	(799,349)	(
Cash and cash equivalents at beginning of year	1,278,333	
Cash and cash equivalents at end of quarter	$ 478,984	$
Supplemental information:		
Cash paid during the year for:		
Income taxes	$ 42,958	$
Interest	150,727	

See Accompanying Notes to Restated Condensed Consolidated Financial Statements

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Throughout these notes to restated consolidated financial statements, all referenced amounts for current and prior periods and prior period comparison reflect the balances and amounts on a restated basis.

1. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 to Regulation S-X. Accordingly, they do not include all information and footnotes required by GAAP 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. For further information, refer to the consolidated financial statements and footnotes included in the Golden Enterprises, Inc. and subsidiary ("the Company") Amended Annual Report on Form 10-K/A for the year ended May 31, 2003.

2. This amendment to the Company's quarterly financial information previously reported on Form 10-Q for the quarterly period ended February 29, 2004 includes restated consolidated financial statements at February 29, 2004 and May 31, 2003 and for the nine months ended

February 29, 2004 and February 28, 2003.

The following table presents the impact of the restatement adjustments on net earnings for the three and nine months ended February 29, 2004 and February 28, 2003, respectively.

	Three Months Ended		Nine Months End	
	February 29,	February 28,	February 29,	Feb
	2004	2003	2004	
Net loss as originally reported	$ (549,956)	$ (433,780)	$ (610,126)	$
Adjustments (pre-tax):				
Accrued Vacation Liability	(633)	66,825	(1,901)	
Self Insurance Liability	(87,907)	10,950	380,503	
Other	-0-	(156,498)	-0-	
Total adjustments (pre-tax)	(88,540)	(78,723)	378,602	
Total taxes	(32,468)	(28,868)	138,833	
Total net adjustments	(56,072)	(49,855)	239,769	
Net loss as restated	$ (606,028)	$ (483,635)	$ (370,357)	$
Per share of Common Stock:				
Net Loss -Basic as originally reported	$ (0.05)	$ (0.04)	$ (0.05)	$
Effect of net adjustments	-0-	-0-	0.02	
Net loss- Basic as restated	$ (0.05)	$ (0.04)	$ (0.03)	$
Net loss-Diluted as originally reported	$ (0.05)	$ (0.04)	$ (0.05)	$
Effect of net adjustments	-0-	-0-	0.02	
Net loss-Diluted as restated	$ (0.05)	$ (0.04)	$ (0.03)	$

The following table sets forth the effects of the restatement adjustments discussed below on the Consolidated Statement of Operations for each of the quarters ended February 29, 2004 and February 28, 2003, respectively.

	Quarter Ended		Quarter Ended	
	February 29,	February 29,	February 28,	February 28,
	2004	2004	2003	2003
	As Originally Reported	As Restated	As Originally Reported	As Restated
Net Sales	$24,102,358	$24,102,358	$23,954,925	$24,021,750
Cost of Goods Sold	12,876,483	13,021,969	12,582,983	12,654,027
Selling, General and Administrative				

Expenses	12,136,595	12,079,649	12,097,942	12,172,446
Other income (expenses)	23,728	23,728	25,253	25,253
(Loss) income before cumulative effect of a change in accounting policy and income taxes	(886,992)	(975,532)	(700,747)	(779,470)
Provision for income taxes	(337,036)	(369,504)	(266,967)	(295,835)
Net (Loss) income	$ (549,956)	$ (606,028)	$ (433,780)	$ (483,635)
Net Loss per share- Basic	$ (0.05)	$ (0.05)	$ (0.04)	$ (0.04)
Average Shares Outstanding	11,883,305	11,883,305	11,883,305	11,883,305
Net Loss per share- Diluted	$ (0.05)	$ (0.05)	$ (0.04)	$ (0.04)
Average Shares Outstanding	11,883,305	11,883,305	11,884,631	11,884,631

	Nine Months Ended		Nine Months Ended	
	February 29,	February 29,	February 28,	February 28,
	2004	2004	2003	2003
	As Originally Reported	As Restated	As Originally Reported	As Restated
Net Sales	$71,980,117	$71,980,117	$ 72,183,211	$72,353,760
Cost of Goods Sold	37,991,551	38,065,955	38,177,312	38,061,510
Selling, General and Administrative Expenses	35,087,945	34,634,938	35,642,906	35,610,060
Other income (expenses)	107,070	107,070	260,019	260,019
(Loss) income before cumulative effect of a change in accounting policy and income taxes	(992,309)	(613,706)	(1,376,988)	(1,057,791)
Provision for income taxes	(382,183)	(243,349)	(527,998)	(410,949)
Net (Loss)	$ (610,126)	$ (370,357)	$ (848,990)	$ (646,842)
Net Loss per share- Basic	$ (0.05)	$ (0.03)	$ (0.07)	$ (0.05)
Average Shares Outstanding	11,883,305	11,883,305	11,883,305	11,883,305
Net Loss per share- Diluted	$ (0.05)	$ (0.03)	$ (0.07)	$ (0.05)
Average Shares Outstanding	11,883,305	11,883,305	11,884,631	11,884,631

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The following table sets forth the effects of the restatement discussed below on the Consolidated Balance Sheet at February 29, 2004 and May 31, 2003.

	February 29, 2004		
	As Originally Reported	As Restated	As
Assets			

Current Assets			
Cash and cash equivalents	$ 478,984	$ 478,984	$ 1,
Receivables, net	7,994,790	7,902,129	7,
Notes receivable, current	44,857	44,857	
Inventories	4,290,234	4,290,234	3,
Prepaid expenses	4,333,975	4,087,489	3,
Deferred income taxes	-0-	344,770	
Total current assets	17,142,840	17,148,770	16,
Property, Plant and Equipment	14,118,829	14,118,829	15,
Notes receivable, long-term	1,831,771	1,831,771	1,
Other	2,777,822	2,777,822	2,
Total Assets	$ 35,871,262	$ 35,876,885	$ 36,
Liabilities and Stockholders' Equity			
Current liabilities			
Checks outstanding in excess of bank balances	$ 1,704,403	$ 1,704,403	$ 1,
Accounts payable	2,279,488	2,279,488	1,
Current portion of long-term debt	1,195,304	1,195,304	
Other accrued expenses	2,751,030	4,749,044	2,
Deferred income taxes	304,699	-0-	
Salary continuation plan	94,055	94,055	
Total current liabilities	8,328,979	10,022,294	6,
Long-term liabilities			
Note payable- bank, non- current	724,447	724,447	1,
Salary continuation plan	1,822,683	1,822,683	1,
Deferred income taxes	714,358	714,358	
Total Liabilities	11,590,467	13,283,782	10,
Stockholders' equity			
Common stock - $.66 2/3 par value:			
Authorized 35,000,000 shares:			
issued 13,828,793 shares	9,219,195	9,219,195	9,
Additional paid-in capital	6,497,954	6,497,954	6,
Retained earnings	19,096,823	17,409,131	20,
Treasury shares - at cost (1,945,488)	(10,533,177)	(10,533,177)	(10,
Total stockholders' equity	24,280,795	22,593,103	26,
Total liabilities and stockholders' equity	$ 35,871,262	$ 35,876,885	$ 36,

The following table presents the impact of the restatement adjustments on stockholders' equity as of June 1, 2000.

Stockholders' Equity - June 1, 2000, as previously reported	$ 24,686,435
Self-Insurance liability	(1,336,817)
Compensated absences	(1,643,177)
Tax effect of restatement adjustments	1,092,764
Decrease in Stockholders Equity	$ (1,887,230)

Stockholders' Equity - June 1, 2000, as restated	$ 22,799,205

Self-Insurance liability: The Company determined that there had been an error in its accounting for self-insurance related liabilities. The adjustments required included recognition of previously unrecorded liabilities and reductions in amounts previously recognized as pre-paid amounts to an employee trust which were incorrect.

Compensated absences: The Company determined that it had not recorded liabilities for earned vacation not yet taken as required by GAAP.

Other items: This category includes adjustments previously identified but deemed to be immaterial. Adjustments in this category change the timing of the items that were previously recognized.

3. The results of operations for the three months and nine months ended February 29, 2004 and February 28, 2003 are not necessarily indicative of the results to be expected for the full year.

4. The principal raw materials used in the manufacture of the Company's snack food products are potatoes, corn, vegetable oils and seasoning. The principal supplies used are flexible film, cartons, trays, boxes and bags. These raw material and supplies are generally available in adequate quantities in the open market from sources in the United States and are generally contracted up to a year in advance.

5. In June 2002, the FASB issued SFAS No. 146, "Accounting for Cost Associated with Exit or Disposal Activities." SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. Costs covered by SFAS No. 146 includes lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operations, plant closing or other exit disposal activity. SFAS No. 146 is effective for exit or disposal activities initiated after December 31, 2002. The adoption of this standard did not have a material impact on the Company's financial position, results of operations or cash flows.

6. In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of FASB Statement No. 123." SFAS No. 148. amends SFAS No. 123, "Accounting for Stock-Based Compensation" to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No.123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company has adopted the disclosure requirements of SFAS No. 148 effective May 31, 2003 in its consolidated financial statements. The Company will continue to account for stock-based compensation using the methods described in Note 8 below.

7. The following table provides a reconciliation of the denominator used in computing basic earnings per share to the denominator used in

computing diluted earnings per share for the nine months ended February 29, 2004 and February 28, 2003:

	For Februar 2004
Weighted average number of common shares used in computing basic earnings per share	11,8
Effect of dilutive stock options	
Weighted average number of common shares and dilutive potential common stock used in computing dilutive earnings per share	11,8
Stock options excluded from the above reconciliation because they are anti-dilutive	3

8. The Company applies APB Opinion No. 25 in accounting for all of its stock option plans and, accordingly, no compensation cost has been recognized for its stock options in the financial statements. The table below presents the pro-forma net income effect of the options using the Black-Scholes option pricing model prescribed under SFAS No. 123.

	For the Three Months Ended February 29, 2004	February 28, 2003	For the February 2004
Net (loss) as reported	($606,028)	($483,635)	($370,357
(Loss) per share as reported-basic	(.05)	(.04)	(.03
(Loss) per share as reported-diluted	(.05)	(.04)	(.03
Stock based compensation costs, net of income tax, that would have been included in net income if the fair value method had been applied	(3,073)	(3,165)	(9,219
Pro-forma net (loss)	(609,101)	(486,800)	(379,576
Pro-forma (loss) per share-basic	(.05)	(.04)	(.03
Pro-forma (loss) per share-diluted	(.05)	(.04)	(.03

9. The Company entered into a five year term product purchase commitment during the year ending May 31, 2001 with a supplier. Under the terms of the agreement the minimum purchase quantity

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and the unit purchase price were fixed resulting in a minimum first year commitment of approximately $2,171,000. After the first year, the minimum purchase quantity was fixed and the purchase unit price was negotiable, based on current market. Subsequently, in September 2002, the product purchase agreement was amended to fix the purchase unit price and establish specific annual quantities.

10. The interest rate on the Company's bank debt is reset monthly to reflect the 30 days LIBOR rate. Consequently, the carrying value of the bank debt approximates fair value. During the nine months ended February 29, 2004 the Company's bank debt was reduced by $.50 million compared to $.98 million last year. The interest rate at February 29, 2004 was 2.85% compared to 3.09% at February 28, 2003.

11. The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash equivalents and trade receivables.

    The Company maintains deposit relationships with high credit quality financial institutions. The Company's trade receivables result primarily from its snack food operations and reflect a broad customer base, primarily large grocery store chains located in the Southeastern United States. The Company routinely assesses the financial strength of its customers. As a consequence, concentrations of credit risk is limited.

    The Company's notes receivable require collateral and buyer investment and management believes they are well secured.

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INDEPENDENT ACCOUNTANT'S REPORT

We have reviewed the accompanying restated interim consolidated balance sheet of Golden Enterprises, Inc. and subsidiary as of February 29, 2004 and the related restated interim consolidated statements of operations and cash flows for the nine-month period then ended. These restated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial statements consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As discussed in Note 2 to the accompanying restated consolidated financial statements, the Company has restated previously issued financial statements.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited in accordance with the standards of the Public Company Accounting Oversight Board (United States), the restated consolidated balance sheet as of May 31, 2003, and the related restated consolidated statements of operations, changes in stockholders' equity and cash flows for the year then ended (not presented herein), and in our report dated July 21, 2004 we expressed an unqualified opinion on those related consolidated financial statements. In our opinion, the information set forth in the accompanying restated condensed consolidated balance sheet as of May 31, 2003, is fairly stated in all material respects in relation to the restated consolidated balance sheet from which it has been derived.

Birmingham, Alabama
July 21, 2004 DUDLEY, HOPTON-JONES, SIMS & FREEMAN PLLP

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ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Management's Discussion and Analysis of Financial Condition and Results of Operations set forth in this Item 2 has been revised to reflect the February 29, 2004 10-Q/A Amendment No. 1 "Restatement."

The purpose of this discussion is to provide additional information about Golden Enterprises, Inc., its financial condition and the results of its operations. Readers should refer to the consolidated financial statements and other financial data presented throughout this report to fully understand the following discussion and analysis.

RESTATEMENT

The Company has restated its consolidated balance sheets as of February 29, 2004 and May 31, 2003 and its consolidated statements of operations and cash flows for the three months ended February 29, 2004 and 2003. The restatement affects periods prior to 2002. The impact of the restatement on such prior periods was reflected as an adjustment to operating retained earnings June 1, 2001. The restatement is reported in this Quarterly Report on Form 10-Q/A for its quarterly period ended February 29, 2004.

The restatement adjustment for the three months ended February 29, 2004 and 2003 resulted in an increase in net loss of approximately $.06 million and $.05 million, respectively. For the nine months ended February 29, 2004 and 2003, the restatement adjustments resulted in a decrease in net loss of approximately $0.24 million and $.20 million respectively. Basic and Diluted net loss per share was increased $.00 per share for the three month ended February 29, 2004 and $.00 for the prior year. Basic and Diluted net loss per share was a decrease $.02 per share for the nine months ended February 29, 2004 and $.02 for the prior year. For a discussion of individual adjustment items, see Note 2 to the Restated Condensed Consolidated Financial Statements.

OVERVIEW

The Company manufactures and distributes a full line of snack items, such as potato chips, tortilla chips, corn chips, fried pork skins, baked and fried cheese curls, onion rings and buttered popcorn. The products are all packaged in flexible bags or other suitable wrapping material. The Company also sells a line of cakes and cookie items, canned dips, pretzels, peanut butter cracker, cheese cracker, dried meat products and nuts packaged by other manufacturers using the Golden Flake label.

No single product or product line accounts for more than 50% of the Company's sales, which affords some protection against loss of volume due to a crop failure of major agricultural raw materials. Raw materials used in manufacturing and processing the Company's snack food products are purchased on the open market and under contract through brokers and directly from growers. A large part of the raw materials used by the Company consists of farm commodities which are subject to precipitous changes in supply and price. Weather varies from season to season and directly affects both the quality and supply available. The Company has no control of the agricultural aspects and its profits are affected accordingly.

The Company sells its products through its own sales organization and independent distributors to commercial establishments that sell food products primarily in the Southeastern United States. The products are distributed by approximately 434 route representatives who are supplied with selling inventory by the Company's trucking fleet. All of the route representatives are employees of the Company and use the Company's direct-store delivery system.

BASIS OF PRESENTATION

The Company's discussion and analysis of its financial condition and results of operations are based upon the accompanying unaudited condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 to Regulation S-X. Accordingly, they do not include all information and footnotes required by GAAP 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.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's discussion and analysis of its financial condition and results of operations are based upon the Company's unaudited condensed consolidated financial statements, the preparation of which in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that in certain circumstances affect amounts reported in the consolidated financial statements. In preparing these financial statements, management has made its best estimate and judgments of certain amounts included in the financial statements, giving due considerations to materiality. The Company does not believe there is a great likelihood that materially different amounts would be reported under different conditions or using different assumptions related to the accounting policies described below. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates.

The Company believes the following to be critical accounting policies. That is, they are both important to the portrayal of the company's financial condition and results and they require management to make judgments and estimates about matters that are inherently uncertain.

Revenue Recognition

The Company recognizes sales and related costs upon delivery or shipment of products to its customers. Sales are reduced by returns and allowances to customers.

Accounts Receivable

The Company records accounts receivable at the time revenue is recognized. Amounts for bad debt expense are recorded in selling, general and administrative expenses on the Consolidated Statements of Operations. The amount of the allowance for doubtful accounts is based on management's estimate of the accounts receivable amount that is uncollectible. Management records a general reserve based on analysis of historical data. In addition, management records specific reserves for receivable balances that are considered high-risk due to known facts regarding the customer. The allowance for bad debts is reviewed quarterly, and it is determined whether the amount should be changed. Failure of a major customer to pay the Company amounts owed could have a material impact on the financial statements of the Company. At February 29, 2004 and May 31, 2003 the Company had accounts receivables in the amount of $7.9 million and $7.8 million, net of an allowance for doubtful accounts of $0.2 million and $0.2 million, respectively.

Inventories

Inventories are stated at the lower of cost or market. Cost is computed on the first-in, first out method.

Accrued Expenses

Management estimates certain material expenses in an effort to record those expenses in the period incurred. The most material accrued estimates relate to a salary continuation plan for certain key executives of the Company, and to insurance-related expenses, including self-insurance. Workers' compensation and general liability insurance accruals are recorded based on insurance claims processed as well as historical claims experience for claims incurred, but not yet reported. These estimates are based on historical loss development factors. Employee medical insurance accruals are recorded based on medical claims processed as well as historical medical claims experienced for claims incurred but not yet reported. Differences in estimates and assumption could result in an accrual requirement materially different from the calculated accrual.

OTHER MATTERS

Transactions with related parties, reported in Note 14 of the Notes to Restated Consolidated Financial Statements in the Annual Report to Stockholders for fiscal year ended May 31, 2003 are conducted on an arm's-length basis in the ordinary course of business.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital was $8.8 million at June 1, 2003 and $7.1 million at the end of the third quarter. Net cash provided by operating activities amounted to $.70 million for the nine months this year compared to $2.07 million for last year's first nine months.

Additions to property, plant and equipment, net of disposals, were $0.53 million this year and $0.50 million last year. Cash dividends of $1.11 million were paid during this year's first nine months compared to $1.86 million last year. No cash was used to purchase treasury stock this year and last year, and no cash was used to increase investment securities this year compared to a net decrease in investment securities providing $0.01 million of cash last year. The Company's current ratio was 1.71 to 1.00 at February 29, 2004.

OFF-BALANCE SHEET ARRANGEMENT

The Company entered into a five-year term product purchase commitment during the year ending May 31, 2001 with a supplier. Under the terms of the agreement the minimum purchase quantity and the unit purchase price were fixed resulting in a minimum first year commitment of approximately $2,171,000. After the first year, the minimum purchase quantity was fixed and the purchase unit price was negotiable, based on current market. Subsequently, in September 2002, the product purchase agreement was amended to fix the purchase unit price and establish specific annual quantities.

Other Commitments

The Company had letters of credit in the amount of $1,759,000 outstanding at February 29, 2004 to support the Company's commercial self-insurance program.

The Company has a line-of-credit agreement with a local bank that permits borrowing up to $1 million. The line-of-credit is subject to the Company's continued credit worthiness and compliance with the terms and conditions of the advance application.

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Available cash, cash from operations and available credit under the line of credit are expected to be sufficient to meet anticipated cash expenditures and normal operating requirements for the foreseeable future.

OPERATING RESULTS

For the three months ended February 29, 2004, net sales increased 0.3% from the comparable period in fiscal 2003. The increase in net sales was distributed evenly between private label and branded sales. This year's third quarter cost of sales was 54.0% of net sales compared to 52.7% last year, and selling, general and administrative expenses were 50.1% of net sales this year and 50.7% last year. The increase was primarily due to significant increases in employee medical costs and commodity costs.

For the year-to-date net sales decreased 0.5% from last year. Cost of sales was 52.9% of net sales compared to 52.6% last year. Selling, general and administrative expenses were 48.1% of net sales this year, and 49.2% last year.

The Company's gain on sales of assets for the third quarter in the amount of $2,787 was from the sale of used transportation equipment for cash.

For last year's third quarter the gain on sale of assets was $22,737 which was from the sale of used transportation equipment for cash.

Golden Enterprises Audit Committee has engaged a private CPA firm to execute an internal audit in compliance with Sarbanes-Oxley. This engagement will measure the effectiveness of the companies internal control framework plus establish new guidelines where applicable.

The Company's third quarter investment income decreased 4.1% from last year. For the nine months investment income was down 4.2%.

The Company's effective tax rate for the third quarter was -37.9% compared to -38.0% for last year's third quarter and -39.7% for the nine months this year and -38.8% last year.

MARKET RISK

The principal markets risks (i.e., the risk of loss arising from adverse changes in market rates and prices) to which the Company is exposed are interest rates on its investment securities, bank loans, and commodity prices, affecting the cost of its raw materials.

The Company's investment securities consist of short-term marketable securities. Presently these are variable rate money market mutual funds.

Assuming February 29, 2004 variable rate investment levels and bank loan balances, a one-point change in interest rates would impact interest income by $38 on an annual basis and interest expense by $19,198.

The Company is subject to market risk with respect to commodities because its ability to recover increased costs through higher pricing may be limited by the competitive environment in which it operates. The Company purchases its raw materials on the open market, under contract through brokers and directly from growers. Future contracts have been used occasionally to hedge immaterial amounts of commodity purchases but none are presently being used.

INFLATION

Certain costs and expenses of the Company are affected by inflation, and the Company's prices for its products over the past several years have remained relatively flat. The Company will contend with the effect of further inflation through efficient purchasing, improved manufacturing methods, pricing, and by monitoring and controlling expenses.

ENVIRONMENTAL MATTERS

There have been no material effects of compliance with governmental provisions regulating discharge of materials into the environment.

FORWARD-LOOKING STATEMENTS

This discussion contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from those forward-looking statements. Factors that may cause actual results to differ materially include price competition, industry consolidation, raw material costs and effectiveness of sales and marketing activities, as described in the Company's filings with the Securities and Exchange Commission.

ITEM 3

QUANTITATIVE AND QUALITATIVE
DISCLOSURE ABOUT MARKET RISK

Included in Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations- Market Risk beginning on page 17.

ITEM 4

CONTROLS AND PROCEDURES

The Company performed an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the quarterly period ended February 29, 2004. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of the end of the quarterly period ended February 29, 2004 the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in reports that the Company files or submits under the Securities and Exchange Act of 1934 is recorded, processed, summarized and reported within the specified time periods.

During the performance of the audit for the fiscal year ended May 31, 2004, the Company's independent auditors, Dudley, Hopton-Jones, Sims & Freeman, PLLP (the "Auditor"), identified and communicated to the Company material weaknesses relating to the Company's accounting for its vacation pay (which was not in conformity with generally accepted accounting principles ("GAAP")) and self insured obligations. During the quarterly period ended February 29, 2004, the Company did not accrue for earned vacation pay and its liabilities were understated for certain incurred as well as incurred but not reported self-insured casualty claims and health costs. Based upon the forgoing, the Company has restated its audited financial statements for fiscal year 2003 and for the first three quarters of fiscal year 2004 to properly account for accruals for its vacation pay and self-insured health and casualty

obligations. The Company believed, during the years being restated, that it was correctly following proper accounting practices. For a full discussion of the Restatement see "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations." and Note 2 to "Notes to Restated Consolidated Financial Statements (Unaudited)" in this amendment.

The Company has accepted the recommendations of its Auditor to reduce the recurrence of material weaknesses and is implementing policies and procedures to strengthen the Company's internal controls, including, among other things, the following: (1) developing written policies and procedures to be followed with respect to accounting for vacation pay and self-insured obligations; (2) formally designating management level personnel responsible for accounting for vacation pay and self-insured obligations; (3) expanding internal audit activities to include a quarterly examination of vacation pay and self-insured obligations; (4) implementing a fully developed actuarially based method of measuring liabilities related to self-insured obligations; and (5) implementing quarterly communications among management, internal auditor, and the Audit Committee prior to filing Forms 10-Q.

Other than as described above, there has not been any change in the Company's internal controls over financial reporting 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 and Reports on Form 8-K

(a) 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 Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.2 Certification of Chief Financial Officer pursuant to

Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K:

On December 29, 2003, we filed a current report on Form 8-K dated December 29, 2003 disclosing that on December 29, 2003, Golden Enterprises, Inc. issued a press release announcing its earnings for the second quarter and ended November 30, 2003. A copy of the Earnings Press Release was attached as Exhibit 99.1.

SIGNATURES

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

GOLDEN ENTERPRISES, INC.
(Registrant)

Dated: August 26, 2004

/s/ Mark W. McCutcheon

Mark W. McCutcheon
President and
Chief Executive Officer

Dated: August 26, 2004

/s/ Patty Townsend

Patty Townsend
Vice-President and
Chief Financial Officer
(Principal Accounting Officer)