GOLDEN ENTERPRISES INC
Form 10-Q
October 08, 2004

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the quarterly period ended August 31, 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 by check mark whether registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ___ No X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of September 30, 2004.

Class	Outstanding At September 30, 2004
Common Stock, Par Value $0.66 2/3	11,852,830

GOLDEN ENTERPRISES, INC.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS

	August 31, 2004	May 31, 2004
	(Unaudited)	(Audited)
ASSETS		

Cash and cash equivalents	$ 1,235,373	$ 565,195
Receivables, net	7,419,631	7,492,151
Note receivable, current	46,682	45,760
Inventories:		
Raw material and supplies	1,378,552	1,198,534
Finished goods	2,663,386	2,504,515
	4,041,938	3,703,049
Prepaid expense	2,296,595	2,292,943
Deferred income taxes	618,803	618,803
Total current assets	15,659,022	14,717,901
Property, plant and equipment, net	14,104,892	13,846,342
Long-term note receivable	1,807,965	1,819,986
Other assets	3,258,814	3,238,327
	$ 34,830,693	$ 33,622,556

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Checks outstanding in excess of bank balances	$ 1,413,468	$ 1,293,534
Accounts payable	2,749,184	1,816,879
Other accrued expenses	4,240,745	4,334,798
Salary continuation plan	97,880	95,948
Note payable- bank, current	1,506,662	477,980
Total current liabilities	10,007,939	8,019,139
Long-Term Liabilities:		
Note payable-bank, non-current	0	521,582
Salary continuation plan	1,788,957	1,805,619
Total long-term liabilities	1,788,957	2,327,201
Deferred income taxes	760,241	820,432
Stockholder's Equity:		
Common Stock - $.66 - 2/3 par value:		
35,000,000 shares authorized		
Issued 13,828,793 shares	9,219,195	9,219,195
Additional paid-in capital	6,497,954	6,497,954
Retained earnings	17,181,009	17,363,237
	32,898,158	33,080,386
Less: Cost of common shares in treasury (1,975,963 at August 31, 2004 and May 31, 2004)	(10,624,602)	(10,624,602)
Total stockholders' equity	22,273,556	22,455,784
Total	$ 34,830,693	$ 33,622,556

See Accompanying Notes to Condensed Consolidated Financial Statements

GOLDEN ENTERPRISES, INC & SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	Three Months Ended August 31, 2004	Restated 2003
Net sales	$ 24,766,426	$ 24,580,778
Cost of sales	13,022,389	13,186,328
Gross margin	11,744,037	11,394,450
Selling, general and administrative expenses	11,549,736	10,762,608
Operating income	194,301	631,842
Other income (expenses):		
Investment income	37,519	39,909
Gain on sale of assets	12,952	47,431
Other income	98,669	19,784
Interest expense	(44,916)	(53,629)
Total other income (expenses)	104,224	53,495
Income before income taxes	298,525	685,337
Income tax expense	110,350	253,645
Net income	$ 188,175	$ 431,692
PER SHARE OF COMMON STOCK:		
Net income	$ 0.02	$ 0.04
Weighted average number of common shares outstanding	11,852,830	11,883,305
Cash dividends paid per share of common stock	$ 0.0313	$ 0.0313

See Accompanying Notes to Condensed Consolidated Financial Statements.

ITEM 1
GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended August 31, 2004	Restated August 31, 2003
Cash flows from operating activities:		
Net income	$ 188,175	431,692
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	547,387	594,933
Deferred income taxes	(60,191)	41,535
Gain on sale of property and equipment	(12,952)	(47,431)
Changes in operating assets and liabilities:		
(Increase) decrease in receivable- net	72,520	(3,222)
(Increase) in inventories	(338,889)	(63,011)
(Increase) decrease in pre-paid expenses	(3,652)	247,276
(Increase) in other assets- long term	(20,487)	0
Increase in accounts payable	932,305	1,205,284
(Decrease) in accrued expenses	(94,053)	(94,540)
(Decrease in salary continuation	(14,730)	(13,847)
Net cash provided by operating activities	1,195,433	2,298,669
Cash flows from investing activities:		
Purchase of property, plant and equipment	(825,128)	(119,783)
Proceeds from sale of property, plant and equipment	32,143	66,234
Collection of note receivable	11,099	10,250
Net cash (used in) investing activities	(781,886)	(43,299)
Cash flows from financing activities:		
Debt proceeds	1,506,662	0
Debt repayments	(999,562)	(925,162)
Increase (decrease) in checks outstanding in excess of bank balances	119,934	(457,414)
Cash dividends paid	(370,403)	(371,356)
Net cash provided by (used in) financing activities	256,631	(1,753,932)
Net increase in cash and cash equivalents	670,178	501,438
Cash and cash equivalents at beginning of year	565,195	1,278,333
Cash and cash equivalents at end of quarter	$ 1,235,373	$ 1,779,771
Supplemental information:		
Cash paid during the year for:		
Income taxes	$ 0	$ (248,830)
Interest	44,916	53,629

See Accompanying Notes to Condensed Consolidated Financial Statements.

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Throughout these notes to consolidated financial statements all referenced amounts for prior periods and prior period comparisons 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") Annual Report on Form 10-K for the year ended May 31, 2004.

2. The Company's quarterly financial information previously reported on Form 10-Q/A for the quarterly period ended August 31, 2003 includes restated consolidated financial statements at August 31, 2003 and for the three months ended August 31, 2003.

The following table presents the impact of the restatement adjustments on net earnings for the three months ended August 2003.

	Three Months Ended August 31, 2003
	2003
Net Income as originally reported	$ 258,945
Adjustments (pre-tax):	
Accrued vacation liability	(634)
Self insurance liability	273,407
Total adjustments (pre-tax)	272,773
Total taxes	100,026
Total net adjustments	172,747
Net income as restated	$ 431,692
Per share of common stock:	
Net income-basic as originally reported	$ 0.02
Effect of net adjustments	0.02

Net income- basic as restated	$ 0.04
Net income-diluted as originally reported	$ 0.02
Effect of net adjustments	0.02
Net income-diluted as restated	$ 0.04

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The following table sets forth the effects of the restatement adjustments discussed below on the Consolidated Statement of Operations for the 3 months ended August 31, 2003.

	Quarter Ended August 31, As Originally Reported	As
Net sales	$ 24,580,778	$
Cost of goods sold	12,882,936	
Selling, general and administrative expenses	11,338,773	
Other income (expenses)	53,495	
Income before cumulative effect of a change in accounting policy and income taxes	412,564	
Provision for income taxes	153,619	
Net income	$ 258,945	$
Net Income per share- basic	$ 0.02	$
Average shares outstanding	11,883,305	
Net Income per share- diluted	$ 0.02	$
Average shares outstanding	11,883,305	

The following table sets forth the effects of the restatement discussed below on the Consolidated Balance Sheet at August 31, 2003.

	August 31, 2003 As Originally Reported	As
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,779,771	$
Receivables, net	7,942,137	
Notes receivable, current	43,104	
Inventories	3,849,148	
Prepaid expenses	3,279,208	
Deferred income taxes	-0-	
Total current assets	16,893,368	
Property, Plant and Equipment	14,867,620	

Notes receivable, long-term	1,854,646	
Other	2,777,972	
TOTAL ASSETS	$ 36,393,606	$
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Checks outstanding in excess of bank balances	$ 699,694	$
Accounts payable	2,906,218	
Current portion of long-term debt	435,457	
Other accrued expenses	2,403,827	
Deferred income taxes	304,698	
Salary continuation plan	90,379	
Total current liabilities	6,840,273	
Long-term liabilities:		
Note payable- bank, non- current	1,062,290	
Salary continuation plan	1,855,360	
Deferred income taxes	743,107	
TOTAL LIABILITIES	10,501,030	
STOCKHOLDERS' EQUITY		
Common stock - $.66 2/3 par value:		
Authorized 35,000,000 shares:		
issued 13,828,793 shares	9,219,195	
Additional paid-in capital	6,497,954	
Retained earnings	20,708,604	
Treasury shares - at cost (1,945,488)	(10,533,177)	(
TOTAL STOCKHOLDERS' EQUITY	25,892,576	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 36,393,606	$

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 ended August 31, 2004 and 2003 are not necessarily indicative of the results to be expected for the full year. Certain prior year amounts have been reclassified to conform to the current year presentation.

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.

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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 three months ended August 31, 2004 and 2003:

	August 31, 2004
Weighted average number of common shares used in computing basic earnings per share	11,852,830
Effect of dilutive stock options	0

Weighted average number of common shares and dilutive potential common stock used in computing dilutive earnings per share	11,852,830
Stock options excluded from the above reconciliation because they are anti- dilutive	369,000

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	
	August 31, 2004	August 31, 2
Net income as reported	$188,175	$431,692
Earnings per share as reported-basic	.02	. 04
Earnings per share as reported-diluted	.02	.04
Stock based compensation costs, net of income tax, that would have been included in net income if the fair value method had been applied	(2,614)	(3,073)
Pro-forma net income	$185,561	$428,619
Pro-forma earnings per share-basic	$ .02	$ .04
Pro-for Pro-forma earnings per share-diluted	$ .02	$ .04

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 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 three months ended August 31, 2004 the Company's bank debt was increased by $.51 million compared to a decrease of $.92 million last year. The interest rate at August 31, 2004 was 3.29% compared to 2.86% at August 31, 2003.

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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.

INDEPENDENT ACCOUNTANT'S REPORT

We have reviewed the accompanying interim consolidated balance sheet of Golden Enterprises, Inc. and subsidiary as of August 31, 2004 and the related interim consolidated statements of income and cash flows for the three-month period then ended. These 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.

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 consolidated balance sheet as of May 31, 2004, and the related 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 consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of May 31, 2004, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

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

Birmingham, Alabama
October 8, 2004 DUDLEY, HOPTON-JONES, SIMS & FREEMAN PLLP

ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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.

The Management's Discussion and Analysis of Financial Condition and Results of Operations set forth in this Item 2 reflects the August 31, 2003 10-Q/A Amendment No. 1 "Restatement."

RESTATEMENT

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

The restatement adjustment for the three months ended August 31, 2003 resulted in an increase in net income of approximately $.17 million. Basic and Diluted net income per share was increase $.02 per share for the three month ended August 31, 2003. For a discussion of individual adjustment items, see Note 2 to the 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 436 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 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 Income. 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 August 31, 2004 and May 31, 2004 the Company had accounts receivables in the amount of $7.4 million and $7.5 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 Consolidated Financial Statements in the Annual Report to Stockholders for fiscal year ended May 31, 2004 are conducted on an arm's-length basis in the ordinary course of business.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital was $6.7 million at June 1, 2004 and $5.7 million at the end of the first quarter. Net cash provided by operating activities amounted to $1.20 million for the first quarter this year compared to $2.30 million for last year's first quarter.

Additions to property, plant and equipment, net of disposals, were $0.81 million this year and $0.10 million last year. Cash dividends of $0.37 million were paid during this year's first quarter compared to $0.37 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 and the Company's current ratio was 1.56 to 1.00 at August 31, 2004.

The following table summarizes the significant contractual obligations of the Company as of August 31, 2004:

CONTRACTUAL OBLIGATIONS	TOTAL	2005	2006-2007	2008-2009	TH
Long-Term Debt	-0-	-0-	-0-	-0-	
Purchase Commitment	2,096,000	1,491,000	605,000	-0-	
Salary Continuation Plan	1,901,567	95,948	216,448	253,870	
Total Contractual Obligations	$ 3,997,567	$ 1,586,948	$ 821,448	$ 253,870	$

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 $1,785,987 outstanding at August 31, 2004 to support the Company's commercial self-insurance program.

The Company signed a line of credit note with a financial institution with a limit of $2,262,500 on July 6, 2004. The interest rate will be a monthly variable rate based on the LIBOR rate plus 1.75%. The purpose of the line of credit is to pay off the current line of credit and to purchase new vehicles. The line of credit note expires on November 30, 2004, at which time the Company plans to convert the line of credit into a note with a fixed monthly payment and maturity date which will be collateralized by the above equipment purchased.

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 August 31, 2004, net sales increased 0.8% from the comparable period in fiscal 2004. This year's first quarter cost of sales was 52.6% of net sales compared to 53.6% last year, and selling, general and administrative expenses were 46.6% of net sales this year and 43.8% last year. The increase in selling, general and administrative expenses, was primarily in selling and delivery expenses and employee benefit costs.

The Company's Gain on sales of assets for the first quarter in the amount of $12,952 was from the sale of used transportation equipment for cash.

For last year's first quarter the Gain on sale of assets was $47,431 from the sale of used transportation equipment for cash.

The Company's investment income decreased 6.0% from last year.

The Company's effective tax rate for the first quarter was 37.0% compared to 37.0% for last year's first quarter.

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 August 31, 2004 variable rate investment levels and bank loan balances, a one-point change in interest rates would impact interest income by $8,274 on an annual basis and interest expense by $15,067.

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 under the heading- Market Risk- beginning on page 15.

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 period covered by this quarterly report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this quarterly report, 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 Security and Exchange Act of 1934 is recorded, processed summarized and reported within the specified time periods. 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.

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 August 31, 2003, 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 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.

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

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.

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: October 8, 2004

/s/ MARK W. MCCUTCHEON

Mark W. McCutcheon
President and
Chief Executive Officer

Dated: October 8, 2004

/s/ PATTY TOWNSEND

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