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GOLDEN ENTERPRISES INC
Form 10-Q
April 12, 2004

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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 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

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Common Stock, Par Value \$0.66 2/3

11,883,305

GOLDEN ENTERPRISES, INC.

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PART I. FINANCIAL INFORMATION

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS

| | February 29, 2004 ----- (Unaudited) | May 31, 2003 ----- (Audited) |
|---------------------------|--|---------------------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 478,984 | \$ 1,278,333 |
| Receivables, net | 7,994,790 | 7,938,916 |
| Note Receivable, current | 44,857 | 42,253 |
| Inventories: | | |
| Raw material and supplies | 1,736,407 | 1,496,992 |
| Finished goods | 2,553,827 | 2,289,145 |

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| | | |
|------------------------------------|---------------|--------------|
| | 4,290,234 | 3,786,137 |
| Prepaid expense | 4,333,975 | 3,645,298 |
| Total current assets | 17,142,840 | 16,690,937 |
| Property, plant and equipment, net | 14,118,829 | 15,361,573 |
| Long-term Note Receivable | 1,831,771 | 1,865,747 |
| Other assets | 2,777,822 | 2,777,972 |
| | \$ 35,871,262 | \$36,696,229 |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|--|--------------|--------------|
| Current Liabilities: | | |
| Checks outstanding in excess of bank balances | \$ 1,704,403 | \$ 1,157,108 |
| Accounts payable | 2,279,488 | 1,700,934 |
| Accrued and deferred income taxes | 304,699 | 304,698 |
| Other accrued expenses | 2,751,030 | 2,381,975 |
| Salary continuation plan | 94,055 | 88,595 |
| Note payable- bank, current | 1,195,304 | 432,142 |
| Total current liabilities | 8,328,979 | 6,065,452 |
| Long-Term Liabilities: | | |
| Note payable-bank, non-current | 724,447 | 1,990,767 |
| Salary Continuation Plan | 1,822,683 | 1,870,991 |
| Total long-term liabilities | 2,547,130 | 3,861,758 |
| Deferred income taxes | 714,358 | 764,032 |
| 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 | 19,096,823 | 20,821,015 |
| | 34,813,972 | 36,538,164 |
| Less: Cost of common shares in treasury (1,945,488 at February 29, 2004 and May 31, 2003) | (10,533,177) | (10,533,177) |

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| | | |
|----------------------------|---------------|--------------|
| Total stockholders' equity | 24,280,795 | 26,004,987 |
| | ----- | ----- |
| Total | \$ 35,871,262 | \$36,696,229 |
| | ===== | ===== |

See Accompanying Notes to Condensed Consolidated Financial Statements

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ITEM1- GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|---------------|-------------------|---------------|
| | FEBRUARY 29, | FEBRUARY 28, | FEBRUARY 29, | FEBRUARY 28, |
| | 2004 | 2003 | 2004 | 2003 |
| | ----- | ----- | ----- | ----- |
| (UNAUDITED) | | | | |
| Net Sales | \$ 24,102,358 | \$ 23,954,925 | \$ 71,980,117 | \$ 72,183,211 |
| Cost of sales | 12,876,483 | 12,582,983 | 37,991,551 | 38,177,312 |
| | ----- | ----- | ----- | ----- |
| Gross margin | 11,225,875 | 11,371,942 | 33,988,566 | 34,005,899 |
| | | | | |
| Selling, general and administrative expenses | 12,136,595 | 12,097,942 | 35,087,945 | 35,642,906 |
| | ----- | ----- | ----- | ----- |
| Operating (loss) | (910,720) | (726,000) | (1,099,379) | (1,637,007) |
| | ----- | ----- | ----- | ----- |
| Other income (expenses): | | | | |
| Investment income | 37,730 | 39,356 | 117,204 | 122,406 |
| Gain on sale of assets | 2,787 | 22,737 | 67,672 | 269,326 |
| Other income | 31,989 | 29,365 | 72,921 | 75,309 |
| Interest expense | (48,778) | (66,205) | (150,727) | (207,022) |
| | ----- | ----- | ----- | ----- |
| Total other income (expenses) | 23,728 | 25,253 | 107,070 | 260,019 |
| | ----- | ----- | ----- | ----- |
| (Loss) before income taxes | (886,992) | (700,747) | (992,309) | (1,376,988) |
| Income tax expense | (337,036) | (266,967) | (382,183) | (527,998) |
| | ----- | ----- | ----- | ----- |
| Net (loss) | \$ (549,956) | \$ (433,780) | \$ (610,126) | \$ (848,990) |
| | ===== | ===== | ===== | ===== |
| PER SHARE OF COMMON STOCK: | | | | |
| Net (loss) | \$ (0.05) | \$ (0.04) | \$ (0.05) | \$ (0.07) |
| | ===== | ===== | ===== | ===== |
| Weighted average number of common stock shares outstanding | 11,883,305 | 11,883,305 | 11,883,305 | 11,883,305 |
| | ===== | ===== | ===== | ===== |
| Cash dividends paid per share of common stock | \$ 0.0313 | \$ 0.0313 | \$ 0.0938 | \$ 0.0938 |
| | ===== | ===== | ===== | ===== |

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See Accompanying Notes to Condensed Consolidated Financial Statements

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

| | NINE MONTHS ENDED | |
|---|-------------------------|-------------------------|
| | February 29, 2004 | February 28, 2003 |
| Cash flows from operating activities: | | |
| Net (Loss) | \$ (610,126) | \$ (848,990) |
| Adjustment to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,771,247 | 1,891,986 |
| Deferred income taxes | (49,674) | (18,963) |
| Gain on sale of property and equipment | (67,672) | (269,326) |
| Changes in operating assets and liabilities: | | |
| (Increase) Decrease in receivable- net | (55,874) | 1,564,132 |
| (Increase) Decrease in inventories | (504,097) | 394,341 |
| (Increase) in pre-paid expenses | (688,677) | (775,413) |
| Decrease in other assets- long term | 150 | 0 |
| Increase in accounts payable | 578,554 | 240,641 |
| Increase in accrued income taxes | 0 | 21,174 |
| Increase (Decrease) in accrued expenses | 369,055 | (89,740) |
| (Decrease) in salary continuation | (42,848) | (40,488) |
| | 700,038 | 2,069,354 |
| Cash flows from investing activities: | | |
| Purchase of property, plant and equipment | (608,318) | (592,032) |
| Proceeds from sale of property, plant and equipment | 147,488 | 362,738 |
| Collection of note receivable | 31,372 | 109,589 |
| Investment securities available- for sale: | | |
| Purchases | 0 | (2,482,884) |
| Proceeds from disposal | 0 | 2,494,000 |
| | Net cash (used in) | |

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| | | |
|---|-------------|-------------|
| Investing activities | (429,458) | (108,589) |
| Cash flows from financing activities: | | |
| Debt repayments | (503,158) | (979,864) |
| Increase in checks outstanding in excess of bank balances | 547,295 | 852,544 |
| Cash dividends paid | (1,114,066) | (1,856,772) |
| | ----- | ----- |
| Net cash (used in) financing activities | (1,069,929) | (1,984,092) |
| | ----- | ----- |
| Net (decrease) in cash and cash equivalents | (799,349) | (23,327) |
| Cash and cash equivalents at beginning of year | 1,278,333 | 286,480 |
| | ----- | ----- |
| Cash and cash equivalents at end of quarter | \$ 478,984 | \$ 263,153 |
| | ===== | ===== |
| Supplemental information: | | |
| Cash paid during the year for: | | |
| Income taxes | \$ 42,958 | \$ 88,206 |
| Interest | 150,727 | 207,022 |

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ITEM 1

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

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4. 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.
5. 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 7 below.

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6. 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 2003:

| | For the Three Months Ended February 29, 2004 | For the Nine Months Ended February 28, 2003 |
|--|---|--|
| Weighted average number of common shares used in computing basic earnings per share | 11,883,305 | 11,883,305 |
| Effect of dilutive stock options | 0 | 1,326 |
| Weighted average number of common shares and dilutive potential common stock used in computing dilutive earnings per share | 11,883,305 | 11,884,631 |
| Stock options excluded from the above reconciliation because they are anti-dilutive | 369,000 | 329,000 |

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7. 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, February 28, | | For the Nine Months Ended February 29, February 28, | |
|---|---|-------------|--|-------------|
| | 2004 | 2003 | 2004 | 2003 |
| Net (loss) as reported | (\$549,956) | (\$433,780) | (\$610,126) | (\$848,990) |
| (Loss) per share as reported-basic | (.05) | (.04) | (.05) | (.07) |
| (Loss) per share as reported-diluted | (.05) | (.04) | (.05) | (.07) |
| 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) | (9,495) |
| Pro-forma net (loss) | (553,029) | (436,945) | (619,345) | (858,485) |
| Pro-forma (loss) per share-basic | (.05) | (.04) | (.05) | (.07) |
| Pro-forma (loss) per share-diluted | (.05) | (.04) | (.05) | (.07) |

8. 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.

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Subsequently, in September 2002, the product purchase agreement was amended to fix the purchase unit price and establish specific annual quantities.

9. 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.
10. 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 interim consolidated balance sheet of Golden Enterprises, Inc. and subsidiary as of February 29, 2004 and the related interim consolidated statements of operations and cash flows for the nine-month period then ended. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. 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 auditing standards generally accepted in the United States of America, 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.

Birmingham, Alabama
April 12, 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

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.

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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.

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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.

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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 \$8.0 million and \$7.9 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 13 of the Notes to 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.

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LIQUIDITY AND CAPITAL RESOURCES

Working Capital was \$10.6 million at June 1, 2003 and \$8.8 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 \$1.51 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 2.06 to 1.00 at February 29, 2004.

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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.

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 0.6% 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 53.4% of net sales compared to 52.5% last year, and selling, general and administrative expenses were 50.4% of net sales this year and 50.5% 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 0.3% from last year. Cost of sales was 52.8% of net sales compared to 52.9% last year. Selling, general and administrative expenses were 48.7% of net sales this year, and 49.4% 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.

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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 -38.0% compared to -38.1% for last year's third quarter and -38.5% for the nine months this year and -38.3% last year.

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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

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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

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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 12.

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 the evaluation, and as of the end of the period covered by this quarterly report, the Chief Executive Officer and Chief Financial Officer concluded that the Company's Disclosure Controls and Procedures were effective. There were no changes in the Company's internal controls over financial reporting during the Company's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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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,

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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: April 12, 2004

/s/Mark W. McCutcheon

Mark W. McCutcheon
President and
Chief Executive Officer

Dated: April 12, 2004

/s/ Patty Townsend

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