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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 November 30, 2003  
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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  
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(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

One Golden Flake Drive  
Birmingham, Alabama  
-----

35205  
-----

(205) 458-7316  
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(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 December 31, 2003.

Class \_\_\_\_\_ Outstanding at  
December 31, 2003  
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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 three months ended November 30, 2003 as filed on January 13, 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 second quarter Form 10-Q as filed on January 13, 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

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

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED BALANCE SHEETS

	Restated November 30, 2003	Restated May 31, 2003
	----- (Unaudited)	----- (Audited)
<b>ASSETS</b>		
Cash and cash equivalents	\$ 427,833	\$ 1,278,333
Receivables, net	7,426,452	7,846,254
Note Receivable, current	43,972	42,253
Inventories:		
Raw material and supplies	1,943,367	1,496,992
Finished goods	2,470,607	2,289,145
	-----	-----
	4,413,974	3,786,137
	-----	-----
Prepaid expense	\$ 3,874,652	2,881,121
Deferred income taxes	407,230	652,153
	-----	-----
Total current assets	16,594,113	16,486,251
	-----	-----
Property, plant and equipment, net	14,543,906	15,361,573
Long-term Note Receivable	1,843,322	1,865,747
Other assets	2,777,822	2,777,972
	-----	-----
	\$ 35,759,163	\$ 36,491,543
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

<b>Current Liabilities:</b>		
Checks outstanding in excess of bank balances	\$ 1,283,936	\$ 1,157,108
Accounts payable	2,694,158	1,700,934
Other accrued expenses	4,274,163	4,289,448
Salary continuation plan	92,198	88,595
Note payable- bank, current	438,796	432,142
	-----	-----

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Total current liabilities	8,783,251	7,668,227
	-----	-----
Long-Term Liabilities:		
Note payable-bank, non-current	843,862	1,990,767
Salary Continuation Plan	1,839,261	1,870,991
	-----	-----
Total long-term liabilities	2,683,123	3,861,758
	-----	-----
Deferred income taxes	722,303	884,033
	-----	-----
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	18,386,514	18,893,553
	-----	-----
	34,103,663	34,610,702
Less: Cost of common shares in treasury (1,945,488 at November 30, 2003 and May 31, 2003)	(10,533,177)	(10,533,177)
	-----	-----
Total stockholders' equity	23,570,486	24,077,525
	-----	-----
Total	\$ 35,759,163	\$ 36,491,543
	=====	=====

See Accompanying Notes to Restated Condensed Consolidated Financial Statements

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

	Restated Three Months Ended NOVEMBER 30,		
	2003	2002	2001
	-----	-----	-----
Net Sales	\$ 23,296,981	\$ 23,491,688	\$ 47,296,981
Cost of sales	12,218,622	12,727,270	25,218,622
	-----	-----	-----
Gross margin	11,078,359	10,764,418	22,078,359
Selling, general and administrative expenses	11,431,717	11,391,793	22,431,717

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Operating (loss)	(353,358)	(627,375)	
Other income (expenses):			
Investment income	39,565	41,632	
Gain on sale of assets	17,454	9,300	
Other income	21,148	22,605	
Interest expense	(48,320)	(70,715)	
Total other income (expenses)	29,847	2,822	
(Loss) before income taxes	(323,511)	(624,553)	
Income tax expense	(127,490)	(239,116)	
Net (loss)	\$ (196,021)	\$ (385,437)	\$
PER SHARE OF COMMON STOCK:			
Net (loss)	\$ (0.02)	\$ (0.03)	\$
Weighted average number of common stock shares outstanding	11,883,305	11,883,305	11,
Cash dividends paid per share of common Stock	\$ 0.0313	\$ 0.0625	\$

See Accompanying Notes to Restated Condensed Consolidated Financial Statements

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

	Restated SIX MONTHS ENDED November 30, 2003	Restated SIX MONTHS ENDED November 30, 2002
Cash flows from operating activities:		
Net (Loss)	\$ 235,671	\$ (163,207)
Adjustment to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,184,264	1,287,773
Deferred income taxes	83,193	(293,186)
Gain on sale of property and equipment	(64,885)	(246,589)
Changes in operating assets and liabilities:		
Decrease in receivable- net	419,802	1,264,178
(Increase) Decrease in inventories	(627,837)	295,131
(Increase) in pre-paid expenses	(993,531)	(400,483)
Increase in other assets- long term	150	0
Increase in accounts payable	993,224	762,158

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(Decrease) in accrued expenses	(15,285)	(965,942)
(Decrease) increase in salary continuation	(28,127)	(26,587)
	-----	-----
Net cash provided by operating activities	1,186,639	1,513,246
	-----	-----
Cash flows from investing activities:		
Purchase of property, plant and equipment	(434,515)	(444,541)
Proceeds from sale of property, plant and equipment	132,804	355,799
Collection of note receivable	20,706	22,501
Investment securities available- for sale:		
Purchases		(1,957,466)
Proceeds from disposal		1,870,000
	-----	-----
Net cash (used in)		
Investing activities	(281,005)	(153,707)
Cash flows from financing activities:		
Debt repayments	(1,140,251)	(605,734)
Increase in checks outstanding in excess of bank balances	126,828	617,309
Cash dividends paid	(742,711)	(1,485,417)
	-----	-----
Net cash (used in) financing activities	(1,756,134)	(1,473,842)
Net (decrease) in cash and cash equivalents	(850,500)	(114,303)
Cash and cash equivalents at beginning of year	1,278,333	286,480
	-----	-----
Cash and cash equivalents at end of quarter	\$ 427,833	\$ 172,177
	=====	=====
Supplemental information:		
Cash paid during the year for:		
Income taxes	\$ 71,170	\$ 49,267
Interest	101,949	140,817

See Accompanying Notes to Restated Condensed Consolidated Financial Statements

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

NOTES TO RESTATED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Throughout these notes to restated consolidated financial statements all referenced amounts for current and 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

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for a fair presentation have been included. For further information, refer to the restated 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 November 30, 2003 includes restated consolidated financial statements at November 30, 2003 and May 31, 2002 and for the six months ended November 30, 2003 and November 30, 2002.

The following table presents the impact of the restatement adjustments on net earnings for the three and six months ended November 30, 2003 and 2002, respectively.

	Three Months Ended November 30,		Six Months Ended November 30,	
	2003	2002	2003	2002
Net Income (loss) as originally reported	\$(319,115)	\$(381,529)	\$(60,170)	\$(415,210)
Adjustments (pre-tax):				
Accrued Vacation Liability	(634)	10,950	(1,268)	21,900
Self Insurance Liability	195,004	(83,946)	468,410	272,296
Other	-0-	66,825	-0-	103,724
	-----	-----	-----	-----
Total adjustments (pre-tax)	194,370	(6,171)	467,142	397,920
Total taxes	71,276	(2,263)	171,301	145,917
	-----	-----	-----	-----
Total net adjustments	123,094	(3,908)	295,841	252,003
Net (loss) income as restated	\$ (196,021)	\$ (385,437)	\$ 235,671	\$ (163,207)
	=====	=====	=====	=====
Per share of Common Stock:				
Net loss - Basic as originally reported	\$ (0.03)	\$ (0.03)	\$ (0.01)	\$ (0.03)
Effect of net adjustments	0.01	-0-	0.03	0.02
	-----	-----	-----	-----
Net (loss) income - Basic as restated	\$ (0.02)	\$ (0.03)	\$ 0.02	\$ (0.01)
	=====	=====	=====	=====
Net loss-Diluted as originally reported	\$ (0.03)	\$ (0.03)	\$ (0.01)	\$ (0.04)
Effect of net adjustments	0.01	-0-	0.03	0.03
	-----	-----	-----	-----
Net (loss) income-Diluted as restated	\$ (0.02)	\$ (0.03)	\$ 0.02	\$ (0.01)
	=====	=====	=====	=====

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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 November 30, 2003 and 2002, respectively.

Quarter Ended November 30, 2003	Quarter Ended November 30, 2002
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	As Originally Reported	As Restated	As Originally Reported	As Restated
Net Sales	\$ 23,296,981	\$ 23,296,981	\$ 23,424,863	\$ 23,491,688
Cost of Goods Sold	12,232,132	12,218,622	12,697,000	12,727,270
Selling, General and Administrative Expenses	11,612,577	11,431,717	11,349,067	11,391,793
Other income (expenses)	29,847	29,847	2,822	2,822
(Loss) income before cumulative effect of a change in accounting policy and income taxes	(517,881)	(323,511)	(618,382)	(624,553)
Provision for income taxes	(198,766)	(127,490)	(236,853)	(239,116)
Net (Loss) income	\$ (319,115)	\$ (196,021)	\$ (381,529)	\$ (385,437)
Net Loss per share- Basic	\$ (0.03)	\$ (0.02)	\$ (0.03)	\$ (0.03)
Average Shares Outstanding	11,883,305	11,883,305	11,883,305	11,883,305
Net Loss per share- Diluted	\$ (0.03)	\$ (0.02)	\$ (0.03)	\$ (0.03)
Average Shares Outstanding	11,883,305	11,883,305	11,902,341	11,902,341

	Six Months Ended November 30, 2003		Six Months Ended November 30, 2002	
	As Originally Reported	As Restated	As Originally Reported	As Restated
Net Sales	\$ 47,877,759	\$ 47,877,759	\$ 48,228,286	\$ 48,332,010
Cost of Goods Sold	25,115,068	25,043,986	25,594,329	25,407,483
Selling, General and Administrative Expenses	22,951,350	22,555,289	23,544,964	23,437,614
Other income (expenses)	83,342	83,342	234,766	234,766
(Loss) income before cumulative effect of a change in accounting policy and income taxes	(105,317)	361,826	(676,241)	(278,321)
Provision for income taxes	(45,147)	126,155	(261,031)	(115,114)
Net (Loss) income	\$ (60,170)	\$ 235,671	\$ (415,210)	\$ (163,207)
Net Loss per share- Basic	\$ (0.01)	\$ 0.02	\$ (0.03)	\$ (0.01)
Average Shares Outstanding	11,883,305	11,883,305	11,883,305	11,883,305
Net Loss per share- Diluted	\$ (0.01)	\$ 0.02	\$ (0.04)	\$ (0.01)
Average Shares Outstanding	11,883,305	11,883,305	11,902,341	11,902,341

The following table sets forth the effects of the restatement discussed below on the Consolidated Balance Sheet at November 30, 2003 and May 31, 2003.

November 30, 2003	May 31, 2003
As Originally	As Originally



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	Reported	As Restated	Reported	As Restated
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 427,833	\$ 427,833	\$ 1,278,333	\$ 1,278,333
Receivables, net	7,519,113	7,426,452	7,938,916	7,846,254
Notes receivable, current	43,972	43,972	42,253	42,253
Inventories	4,413,974	4,413,974	3,786,137	3,786,137
Prepaid expenses	4,372,447	3,874,652	3,645,298	2,881,121
Deferred income taxes	-0-	407,230	-0-	652,153
<b>Total current assets</b>	<b>16,777,339</b>	<b>16,594,113</b>	<b>16,690,937</b>	<b>16,486,251</b>
Property, Plant and Equipment	14,543,906	14,543,906	15,361,573	15,361,573
Notes receivable, long-term	1,843,322	1,843,322	1,865,747	1,865,747
Other	2,777,822	2,777,822	2,777,972	2,777,972
<b>Total Assets</b>	<b>\$ 35,942,389</b>	<b>\$ 35,739,163</b>	<b>\$ 36,696,229</b>	<b>\$ 36,491,543</b>
<b>Liabilities and Stockholders' Equity</b>				
<b>Current liabilities</b>				
Checks outstanding in excess of bank balances	\$ 1,283,936	\$ 1,283,936	\$ 1,157,108	\$ 1,157,108
Accounts payable	2,694,158	2,694,158	1,700,934	1,700,934
Current portion of long-term debt	438,796	438,796	432,142	432,142
Other accrued expenses	2,521,070	4,274,163	2,381,975	4,289,448
Deferred income taxes	304,698	-0-	304,698	-0-
Salary continuation plan	92,198	92,198	88,595	88,595
<b>Total current liabilities</b>	<b>7,334,857</b>	<b>8,783,251</b>	<b>6,065,452</b>	<b>7,668,227</b>
<b>Long-term liabilities</b>				
Note payable- bank, non- current	843,862	843,862	1,990,767	1,990,767
Salary continuation plan	1,839,261	1,839,261	1,870,991	1,870,991
Deferred income taxes	722,303	722,303	764,032	884,033
<b>Total Liabilities</b>	<b>10,740,283</b>	<b>12,188,677</b>	<b>10,691,242</b>	<b>12,417,018</b>
<b>Stockholders' equity</b>				
<b>Common stock - \$.66 2/3 par value:</b>				
<b>Authorized 35,000,000 shares:</b>				
issued 13,828,793 shares	9,219,195	9,219,195	9,219,195	9,219,195
Additional paid-in capital	6,497,954	6,497,954	6,497,954	6,497,954
Retained earnings	20,708,604	18,386,514	20,821,015	18,893,553
Treasury shares - at cost (1,945,488)	(10,533,177)	(10,533,177)	(10,533,177)	(10,533,177)
<b>Total stockholders' equity</b>	<b>25,202,106</b>	<b>23,570,486</b>	<b>26,004,987</b>	<b>24,077,525</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 35,942,389</b>	<b>\$ 35,759,163</b>	<b>\$ 36,696,229</b>	<b>\$ 36,494,543</b>

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

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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 and six-months ended November 30, 2003 and 2002 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.

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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 six months ended November 30, 2003 and 2002:

	November 30,	
	2003	2002
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	19,036
Weighted average number of common shares and dilutive potential common stock used in computing dilutive earnings per share	11,883,305	11,902,341
Stock options excluded from the above reconciliation because they are anti-dilutive	369,000	329,000

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 November 30,		For the Six Months Ended November 30,	
	2003	2002	2003	2002
Net (loss) as reported	(\$196,021)	(\$385,437)	\$235,671	(\$163,207)
(Loss) per share as reported-basic	(.02)	(.03)	.02	(.01)
(Loss) per share as reported-diluted	(.02)	(.03)	.02	(.01)
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)	(6,146)	(6,330)
Pro-forma net (loss)	(199,094)	(388,602)	229,525	(169,537)
Pro-forma (loss) per share-basic	(.02)	(.03)	.02	(.01)
Pro-forma (loss) per share-diluted	(.02)	(.03)	.02	(.01)

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

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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.

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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 six months ended November 30, 2003 the Company's bank debt was reduced by \$1.14 million compared to \$.61 million last year. The interest rate at November 30, 2003 was 2.87% compared to 3.44% at November 30, 2002.
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

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We have reviewed the accompanying restated interim consolidated balance sheet of Golden Enterprises, Inc. and subsidiary as of November 30, 2003 and the related restated interim consolidated statements of operations and cash flows for the six-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.

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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 November 30, 2003 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 November 30, 2003 and May 31, 2003 and its consolidated statements of operations and cash flows for the three months ended November 30, 2003 and 2002. 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 November 30, 2003.

The restatement adjustment for the three months ended November 30, 2003 and 2002 resulted in a decrease in net loss of approximately \$.12 million and an increase in net loss of \$.004 million respectively. For the six months ended November 30, 2003 and 2002, the restatement adjustments resulted in a decrease in net loss of approximately \$0.30 million and \$.25 million respectively. Basic and Diluted net loss per share was decreased \$.01 per share for the three months ended November 30, 2003 and \$.00 for the prior year. Basic and Diluted net loss per share was decreased \$.03 per share for the six months ended November 30, 2003 and \$.02 for the prior year. For a discussion of individual adjustment items, see Note 2 to the Restated Condensed Consolidated Financial Statements.

#### OVERVIEW

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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 433 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.

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### 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

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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 November 30, 2003 and May 31, 2003 the Company had accounts receivables in the amount of \$7.4 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.

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### 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, 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 \$7.8 million at the end of the second quarter. Net cash provided by operating activities amounted to \$1.19 million for the six months this year compared to \$1.51 million for last

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year's first six months.

Additions to property, plant and equipment, net of disposals, were \$0.37 million this year and \$0.34 million last year. Cash dividends of \$0.74 million were paid during this year's first six months compared to \$1.49 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 increase in investment securities using \$0.09 million of cash last year. The Company's current ratio was 1.89 to 1.00 at November 30, 2003.

### 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 November 30, 2003 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.

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### OPERATING RESULTS

For the three months ended November 30, 2003, net sales decreased 0.8% from the comparable period in fiscal 2003. The decrease in net sales was distributed evenly between private label and branded sales. This year's second quarter cost of sales was 52.4% of net sales compared to 54.2% last year, and selling, general and administrative expenses were 49.1% of net sales this year and 48.5% last year. The increase was primarily due to significant increases in employee medical costs.

For the year-to-date net sales decreased 0.9% from last year. Cost of sales was 52.3% of net sales compared to 52.6% last year. Selling, general and administrative expenses were 47.1% of net sales this year, and 48.5% last year.

The Company's Gain on sales of assets for the second quarter in the amount of \$17,454 was from the sale of used transportation equipment for cash.

For last year's second quarter the Gain on sale of assets was \$9,300 which was from the sale of used transportation equipment for cash.

The Company's second quarter investment income decreased 5.0% from last year. For the six months investment increase was down 4.3%.



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The Company's effective tax rate for the second quarter was -39.4% compared to -38.3% for last year's second quarter and 34.9% for the six months this year and -41.4% last year.

### MARKET RISK

The principal market 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 November 30, 2003 variable rate investment levels and bank loan balances, a one-point change in interest rates would impact interest income by \$1,966 on an annual basis and interest expense by \$12,827.

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.

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### 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

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### QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Included in Item 2, Management's Discussion and Analysis of Financial

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Condition and Results of Operations- Market Risk beginning on page 17.

### ITEM 4

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#### 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 November 30, 2003. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of the end of the quarterly period ended November 30, 2003, 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 November 30, 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 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. Managements 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.

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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

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### 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 September 30, 2003, we filed a current report on Form 8-K dated September 30, 2003 disclosing that on September 30, 2003, Golden Enterprises, Inc. issued a press release announcing its earnings for the first quarter and ended August 31, 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.

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(Registrant)

Dated: August 26, 2004

/s/ Mark W. McCutcheon

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Mark W. McCutcheon  
President and  
Chief Executive Officer

Dated: August 26, 2004

/s/ Patty Townsend

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