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GOLDEN ENTERPRISES INC
Form 10-Q
October 11, 2005

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 (thirteen weeks) period ended September 2, 2005

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

(Address of Principle Executive Offices)

(Zip Code)

(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 the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes () No (X)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes () No (X)

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of September 30, 2005.

| Class | Outstanding at |
|-------|--------------------|
| ----- | September 30, 2005 |
| ----- | ----- |

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Common Stock, Par Value \$0.66 2/3

11,835,330

GOLDEN ENTERPRISES, INC.

INDEX

| | |
|----------|---|
| Part I. | FINANCIAL INFORMATION |
| Item 1 | Consolidated Financial Statements (unaudited) |
| | Condensed Consolidated Balance Sheets September 2, 2005 (unaudited) and June 3, 2005 |
| | Condensed Consolidated Statements of Operations (unaudited) Thirteen Weeks Ended September 2, 2005 and August 27, 2004 |
| | Condensed Consolidated Statements of Cash Flows (unaudited)- Thirteen Weeks Ended September 2, 2005 and August 27, 2004 |
| | Notes to Condensed Consolidated Financial Statements (unaudited) |
| | Report of Independent Registered Public Accounting Firm |
| Item 2 | Management's Discussion and Analysis of Financial Condition and Results of Operations |
| Item 3 | Quantitative and Qualitative Disclosure About Market Risk |
| Item 5 | Controls and Procedures |
| Part II. | OTHER INFORMATION |
| Item 1 | Legal Proceedings |
| Item 2 | Unregistered Sales of Equity Securities and Use of Proceeds |
| Item 3 | Defaults Upon Senior Securities |
| Item 4 | Submission of Matters to a Vote of Security Holders |
| Item 5 | Other Information |
| Item 6 | Exhibits |

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GOLDEN ENTERPRISES, INC. AND SUBSIDIARY CONDENSED CONSOLIDATED BALANCE SHEETS

| | September 2, 2005 ----- (Unaudited) |
|---|--|
| ASSETS | |
| Cash and cash equivalents | \$ 290,0 |
| Receivables, net | 7,798,8 |
| Note Receivable, current | 50,5 |
| Inventories: | |
| Raw material and supplies | 1,188,7 |
| Finished goods | 2,662,2 ----- |
| | 3,851,0 ----- |
| Prepaid expense | 2,753,4 |
| Deferred income taxes | 589,9 ----- |
| Total current assets | 16,008,5 ----- |
| Property, plant and equipment, net | 14,053,2 |
| Long-term Note Receivable | 1,757,4 |
| Other assets | 3,249,3 ----- |
| | \$34,393,9 ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | |
| Current Liabilities: | |
| Checks outstanding in excess of bank balances | \$ 1,532,5 |
| Accounts payable | 2,889,2 |
| Other accrued expenses | 4,615,4 |
| Salary continuation plan | 106,0 |
| Bank note | 723,7 |
| Line of credit outstanding | 565,6 ----- |
| Total current liabilities | 10,432,6 ----- |
| Long-Term Liabilities: | |
| Note payable-bank, non-current | 806,4 |

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| | |
|--|------------|
| Salary Continuation Plan | 1,718,1 |
| | ----- |
| Total long-term liabilities | 2,524,5 |
| | ----- |
| Deferred income taxes | 964,0 |
| | ----- |
| Stockholder's Equity: | |
| Common Stock - \$.66 - 2/3 par value: | |
| 35,000,000 shares authorized | |
| Issued 13,828,793 shares | 9,219,1 |
| Additional paid-in capital | 6,497,9 |
| Retained earnings | 15,433,1 |
| | ----- |
| | 31,150,2 |
| Less: Cost of common shares in treasury (1,993,463 at September 2, 2005 and June 3, 2005) | (10,677,59 |
| | ----- |
| Total stockholders' equity | 20,472,7 |
| | ----- |
| Total | \$34,393,9 |
| | ===== |

See Accompanying Notes to Condensed Consolidated Financial Statements

3

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

| | | |
|--|----|-----------------|
| | | T Sept 20 |
| | | ----- |
| Net Sales | \$ | 2 |
| Cost of sales | | 1 |
| | | ----- |
| Gross margin | | 1 |
| Selling, general and administrative expenses | | 1 |
| | | ----- |
| Operating (loss) income | | ----- |
| Other income (expenses): | | |
| Investment income | | |
| Gain on sale of assets | | |

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| | | |
|---|----|-------|
| Other income | | |
| Interest expense | | |
| Total other income (expenses) | | ----- |
| (Loss) income before taxes | | ----- |
| Provision for income taxes | | |
| Net (loss) income | \$ | ===== |
| PER SHARE OF COMMON STOCK: | | |
| Basic earnings | \$ | |
| Diluted earnings | \$ | |
| Weighted average number of common stock shares outstanding: | | |
| Basic | | 1 |
| Diluted | | 1 |
| Cash dividends paid per share of common Stock | \$ | ===== |

See Accompanying Notes to Condensed Consolidated Financial Statements

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

CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|--|--|----|
| Cash received from customers | | \$ |
| Interest income | | |
| Rental income | | |
| Other operating cash payments | | |
| Cash paid to suppliers & employees for cost of goods sold | | (|
| Cash paid to suppliers & employees for selling, general & administrative | | (|
| Income taxes (paid) | | |
| Interest expenses paid | | |
| Net cash from operating activities | | |

CASH FLOWS FROM INVESTING ACTIVITIES

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Purchase of property plant & equipment
 Proceeds from sale of property, plant & equipment
 Collection of notes rec.

Net cash used in investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Debt proceeds
 Debt repayments
 Increase in checks outstanding in excess of bank balance
 Purchases of treasury shares
 Proceeds from exercise of stock options
 Cash dividends paid

Net cash (used in) provided by financing activities

Net change in cash and cash equivalents
 Cash and Cash equivalents at beginning of period

Cash and Cash equivalents at end of period

5

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) CONTINUED...

Reconciliation of Net Income to Net Cash from Operating Activities

CASH FLOWS FROM OPERATING ACTIVITIES

| | Thirteen Weeks Ended | |
|---|----------------------|---------------|
| | September 2, 2005 | August 200 |
| | ----- | |
| Net (Loss) income | \$ (64,242) | \$ 1 |
| Adjustment to reconcile net (loss) income to net cash provided by operating activities: | | |
| Depreciation and amortization | 575,644 | 5 |
| Deferred income taxes | -0- | (|

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| | | |
|--|------------|--------|
| Gain on sale of property and equipment | (78,634) | |
| Changes in operating assets and liabilities: | | |
| Change in receivable- net | (107,405) | |
| Change in inventories | 119,037 | (3 |
| Change in pre-paid expenses | (316,676) | |
| Change in other assets- long term | 25,962 | (|
| Change in accounts payable | 619,179 | 9 |
| Change in accrued expenses | (86,255) | (|
| Change in salary continuation plan accrual | (15,692) | (|
| | ----- | ----- |
| Net cash provided by operating activities | \$ 670,918 | \$ 1,1 |

See Accompanying Notes to Condensed Consolidated Financial Statements

6

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. The accompanying unaudited condensed consolidated financial statements of Golden Enterprises, Inc. (the "Company") 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 year ended June 3, 2005.
2. The consolidated results of operations for the thirteen weeks ended September 2, 2005 are not necessarily indicative of the results to be expected for the fifty-two week fiscal year ending June 2, 2006. Certain prior year amounts have been reclassified to conform to the current year presentation.
3. The Company changed its accounting policy in the fourth quarter of fiscal 2005 with regard to casualty insurance reserves. The effect of this accounting change was to adopt this policy as of the beginning of fiscal 2005 (May 29, 2004). Previously, casualty insurance reserves were calculated using the case reserves method. The Company changed this accounting policy to the fully developed actuarial method of estimating insurance reserves. This change in accounting policy was made to improve the quality of the accounting estimate. The fully developed method reflects future costs inherent in the total population of claims including claims reported and IBNR (incurred but not reported). The estimate includes the recognition of inflation trends and the fact that injuries may become more severe over time. The cumulative effect of this change in accounting policy did not have a material effect on the financial statements. 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 year ended June 3, 2005.

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4. The following tables summarize the prepaid assets accounts:

Prepaid Breakdown

| | September 2, 2005 |
|---------------------------|-------------------|
| | ----- |
| Truck Shop Supplies | \$ 657,189 |
| Insurance Deposit | 393,155 |
| Slotting Fees | 247,473 |
| Deferred Advertising Fees | 543,004 |
| Prepaid Insurance | 690,971 |
| Prepaid Taxes/ Licenses | 149,106 |
| Prepaid Dues/ Supplies | 6,978 |
| Other | 65,548 |
| | ----- |
| | \$ 2,753,424 |
| | ===== |

7

5. 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.
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 7 below.
7. The following table provides a reconciliation of the denominator used in computing basic earnings per share to the denominator used in computing diluted earnings per share for the thirteen weeks ended September 2, 2005 and August 27, 2004:

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| | September 2, 2005 | Aug |
|--|-------------------|-----|
| | ----- | --- |
| Weighted average number of common shares used in computing basic earnings per share | 11,835,330 | |
| Effect of dilutive stock options | 26,619 | |
| | ----- | |
| Weighted average number of common shares and dilutive potential common stock used in computing dilutive earnings per share | 11,861,949 | |
| | ===== | |
| Stock options excluded from the above reconciliation because they are anti-dilutive | 0 | |
| | ===== | |

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.

| | Thirteen Weeks | September 2, 2005 | Aug |
|--|----------------|-------------------|-----|
| | ----- | ----- | --- |
| Net (loss) income as reported | \$ | (64,242) | \$ |
| 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) | |
| | | ----- | --- |
| Pro-forma net (loss) income | \$ | (66,856) | \$ |
| | | ===== | == |
| Earnings per share as reported-basic | \$ | (.01) | \$ |
| Earnings per share as reported-diluted | \$ | (.01) | \$ |
| Pro-forma earnings per share-basic | \$ | (.01) | \$ |
| Pro-for earnings per share-diluted | \$ | (.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 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 thirteen weeks ended September 2, 2005 the Company's bank debt was decreased by \$.13 million compared to an increase of \$.51 million last year. The interest rate at September 2, 2005 was 5.26% compared to 3.29% at August 27, 2004.
11. The Company has a letter of credit in the amount of \$3,084,365 outstanding at September 2, 2005 to support the Company's commercial self-insurance program.
12. The Company has a line-of-credit agreement with a local bank that permits borrowing up to \$2 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. The Company's line-of-credit debt at September 2, 2005 was \$565,678 with an interest of 6.50%.
13. 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.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have reviewed the accompanying interim consolidated balance sheet of Golden Enterprises, Inc. and subsidiary as of September 2, 2005 and the related interim consolidated statements of income and cash flows for the thirteen week 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 Public 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 expressions 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.

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We previously audited in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of June 3, 2005 and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the fiscal year then ended (not presented herein), and in our report dated August 5, 2005 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 June 3, 2005, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

As discussed in Note 3 to the accompanying consolidated financial statements, the Company has changed its accounting policy with respect to the casualty insurance liability.

Birmingham, Alabama
October 7, 2005

DUDLEY, HOPTON-JONES, SIMS & FREEMAN PLLP

10

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.

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 puff corn. 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

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approximately 448 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.

11

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.

Change in Accounting Policy

The Company is self-insured for certain casualty losses relating to automobile liability, general liability, workers' compensation, property losses and medical claims. The Company also has stop loss coverage to limit the exposure arising from these claims. Automobile liability, general liability, workers' compensation, and property losses costs are covered by letters of credit with the company's claim administrators.

The Company changed its accounting policy in the fourth quarter of fiscal 2005 with regard to the casualty insurance obligations. The Company adopted the use of a third-party actuary to estimate the casualty insurance obligations on an annual basis. This change in accounting policy was made to determine the ultimate loss and reserve requirements through actuarial assumptions including compensation trends, health care cost trends and discount rates. The third-party

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actuary also uses historical information for claims frequency and severity in order to establish loss development factors. The cumulative effect of this change in accounting policy did not have a material effect on the financial statements.

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 September 2, 2005 and June 3, 2005 the Company had accounts receivables in the amount of \$7.8 million and \$7.4 million, net of an allowance for doubtful accounts of \$0.1 million and \$0.2 million, respectively.

The following table summarizes the Company's customer accounts receivable profile as of September 2, 2005:

| Amount Range ----- | No. of ----- |
|------------------------------------|-----------------|
| Less than \$1,000.00..... | |
| \$1,001.00-\$10,000.00..... | |
| \$10,001.00-\$100,000.00..... | |
| \$100,001.00-\$500,000.00..... | |
| \$500,001.00-\$1,000,000.00..... | |
| \$1,000,001.00-\$2,500,000.00..... | |
| Total All Accounts..... | |

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. In 2005, the Company adopted the use of a third-party actuary to estimate the casualty insurance obligations on an annual basis. In determining the ultimate loss and reserve requirements, the third-party actuary uses various actuarial assumptions including compensation trends, health care cost trends and discount rates. The

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third-party actuary also uses historical information for claims frequency and severity in order to establish loss development factors.

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 June 3, 2005 are conducted on an arm's-length basis in the ordinary course of business.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital was \$5.3 million at June 3, 2005 and \$5.6 million at the end of the first quarter. Net cash provided by operating activities amounted to \$0.7 million for the first quarter this year compared to \$1.20 million for last year's first quarter.

Additions to property, plant and equipment, net of disposals, were \$0.20 million this year, and \$0.81 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 no cash was used to increase investment securities this year. The Company's current ratio was 1.53 to 1.00 at September 2, 2005.

The following table summarizes the significant contractual obligations of the Company as of September 2, 2005:

| Contractual Obligations ----- | Total ----- | 2006 ----- | 2007-2008 ----- | 2009-2010 ----- |
|----------------------------------|----------------|---------------|--------------------|--------------------|
| Long-Term Debt | \$ 1,530,149 | \$ 723,702 | \$ 567,533 | \$ 238,914 |
| Purchase Commitment | 605,000 | 605,000 | -0- | -0- |
| Salary Continuation Plan | 1,824,105 | 106,004 | 239,133 | 280,476 |
| | ----- | ----- | ----- | ----- |
| Total Contractual Obligations | \$ 3,959,254 | \$ 1,434,706 | \$ 806,666 | \$ 519,390 |
| | ===== | ===== | ===== | ===== |

13

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

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

OPERATING RESULTS

For the thirteen weeks ended September 2, 2005, net sales increased 5% from the comparable period in fiscal 2005. This year's first quarter cost of sales was 54.7% of net sales compared to 52.6% last year, and selling, general and administrative expenses were 46.0% of net sales this year and 46.6% last year.

The following tables compares manufactured products to resale products:

Manufactured Products-Resale Products

| | Thirteen Weeks Ended September 2, 2005 | | Thirteen Weeks Ended August 27, 2004 | |
|-----------------------|---|--------|---|--------|
| Sales | | % | | % |
| | | - | | - |
| Manufactured Products | \$20,636,098 | 79.3% | \$19,939,801 | 80.5% |
| Resale Products | 5,395,738 | 20.7% | 4,826,625 | 19.5% |
| | ----- | ----- | ----- | ----- |
| Total | \$26,031,836 | 100.0% | \$24,766,426 | 100.0% |
| | | GM | | GM |
| | | % | | % |
| | | - | | - |
| Gross Margin | | | | |
| Manufactured Products | \$9,720,624 | 47.1% | \$9,789,502 | 49.1% |
| Resale Products | 2,082,967 | 38.6% | 1,954,535 | 40.5% |
| | ----- | ----- | ----- | ----- |
| Total | \$11,803,931 | 45.3% | \$11,744,037 | 47.4% |

14

The Company's Gain on sales of assets for the thirteen weeks ended in the amount of \$78,634 was from the sale of used transportation equipment and property for cash.

For last year's thirteen weeks the Gain on sale of assets was \$12,952 from the sale of used transportation equipment for cash.

The Company's investment income decreased 2.0% from last year.

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

UNCERTANTIES

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On August 29th, Hurricane Katrina ravaged the Gulf Coast Region of Alabama, Mississippi and Louisiana. The hurricane impacted our employees, customers and Golden Enterprises property. The total assessment of this impact has yet to be determined. All of our employees in this region are safe, many however are displaced. The Company does not anticipate a material effect from Katrina's impact.

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 September 2, 2005 variable rate investment levels and bank loan balances, a one-point change in interest rates would impact interest income by \$50 on an annual basis and interest expense by \$15,301.

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.

15

ITEM 3

QUANTITATIVE AND QUALITATIVE
DISCLOSURE ABOUT MARKET RISK

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Included in Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations- Market Risk beginning on page 14.

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 ended 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 Securities and Exchange Act of 1934 is recorded, processed, summarized and reported within the specified time periods.

PART II OTHER INFORMATION

ITEM 1

LEGAL PROCEEDINGS

There are no material pending legal proceedings against the Company or its subsidiary other than routine litigation incidental to the business of the Company and its subsidiary.

ITEM 2

UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The Company did not sale any equity securities during the period covered by this report.

Registrant Purchases of Equity Securities.

The Company did not purchase any shares of its equity securities during the period covered by this report.

ITEM 3

DEFAULTS UPON SENIOR SECURITIES

Not applicable.

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ITEM 4

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not Applicable.

ITEM 5

OTHER INFORMATION

Not Applicable.

ITEM 6

EXHIBITS

- (3) Articles of Incorporation and By-laws of Golden Enterprises, Inc.

- 3.1 Certificate of Incorporation of Golden Enterprises, Inc. (originally known as "Golden Flake, Inc.") dated December 11, 1967 (incorporated by reference to Exhibit 3.1 to Golden Enterprises, Inc. May 31, 2004 Form 10-K filed with the Commission).

- 3.2 Certificate of Amendment of Certificate of Incorporation of Golden Enterprises, Inc. dated December 22, 1976 (incorporated by reference to Exhibit 3.2 to Golden Enterprises, Inc. May 31, 2004 Form 10-K filed with the Commission).

- 3.3 Certificate of Amendment of Certificate of Incorporation of Golden Enterprises, Inc. dated October 2, 1978 (incorporated by reference to Exhibit 3 to Golden Enterprises, Inc. May 31, 1979 Form 10-K filed with the Commission).

- 3.4 Certificate of Amendment of Certificate of Incorporation of Golden Enterprises, Inc. dated October 4, 1979 (incorporated by reference to Exhibit 3 to Golden Enterprises, Inc. May 31, 1980 Form 10-K filed with the Commission).

- 3.5 Certificate of Amendment of Certificate of Incorporation of Golden Enterprises, Inc. dated September 24, 1982 (incorporated by reference to Exhibit 3.1 to Golden Enterprises, Inc. May 31, 1983 Form 10-K filed with the Commission).

- 3.6 Certificate of Amendment of Certificate of Incorporation of Golden Enterprises, Inc. dated September 22, 1983 (incorporated by reference to Exhibit 19.1 to Golden Enterprises, Inc. Form 10-Q Report for the quarter ended November 30, 1983 filed with the Commission).

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- 3.7 Certificate of Amendment of Certificate of Incorporation of Golden Enterprises, Inc. dated October 3, 1985 (incorporated by reference to Exhibit 19.1 to Golden Enterprises, Inc. Form 10-Q Report for the quarter ended November 30, 1985 filed with the Commission).

17

- 3.8 Certificate of Amendment of Certificate of Incorporation of Golden Enterprises, Inc. dated September 23, 1987 (incorporated by reference to Exhibit 3.1 to Golden Enterprises, Inc. May 31, 1988 Form 10-K filed with the Commission).

- 3.9 By-Laws of Golden Enterprises, Inc. (incorporated by reference to Exhibit 3.4 to Golden Enterprises, Inc. May 31, 1988 Form 10-K filed with the Commission).

(10) Material Contracts.

- 10.1 A Form of Indemnity Agreement executed by and between Golden Enterprises, Inc. and Each of its Directors (incorporated by reference as Exhibit 19.1 to Golden Enterprises, Inc. Form 10-Q Report for the quarter ended November 30, 1987 filed with the Commission).

- 10.2 Amended and Restated Salary Continuation Plans for John S. Stein (incorporated by reference to Exhibit 19.1 to Golden Enterprises, Inc. May 31, 1990 Form 10-K filed with the Commission).

- 10.3 Indemnity Agreement executed by and between the Company and S. Wallace Nail, Jr. (incorporated by reference as Exhibit 19.4 to Golden Enterprises, Inc. May 31, 1991 Form 10-K filed with the Commission).

- 10.4 Salary Continuation Plans - Retirement Disability and Death Benefits for F. Wayne Pate (incorporated by reference to Exhibit 19.1 to Golden Enterprises, Inc. May 31, 1992 Form 10-K filed with the Commission).

- 10.5 Indemnity Agreement executed by and between the Registrant and F. Wayne Pate (incorporated by reference as Exhibit 19.3 to Golden Enterprises, Inc. May 31, 1992 Form 10-K filed with the Commission).

- 10.6 Golden Enterprises, Inc. 1996 Long-Term Incentive Plan (incorporated by reference as Exhibit 10.1 to Golden Enterprises, Inc. May 31, 1997 Form 10-K filed with the Commission).

- 10.7 Lease of Aircraft executed by and between Golden Flake Snack Foods, Inc., a wholly-owned subsidiary of Golden Enterprises, Inc., and Sloan Y. Bashinsky, Sr. (incorporated by reference as Exhibit 10.1 to Golden Enterprises, Inc. May 31, 1999 Form 10-K filed with the Commission).

- 10.8 Equipment Purchase and Sale Agreement dated October 2000 whereby Golden Flake Snack Foods, Inc., a wholly-owned subsidiary of Golden

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Enterprises, Inc., sold the Nashville, Tennessee Plant Equipment (incorporated by reference as Exhibit 10.1 to Golden Enterprises, Inc. May 31, 2001 Form 10-K filed with the Commission).

- 10.9 Real Property Contract of Sale dated October 2000 whereby Golden Flake Snack Foods, Inc. sold the Nashville, Tennessee Plant Real Property (incorporated by reference as Exhibit 10.2 to Golden Enterprises, Inc. May 31, 2001 Form 10-K filed with the Commission).

18

- 10.10 Amendment to Salary Continuation Plans, Retirement and Disability for F. Wayne Pate dated April 9, 2002 (incorporated by reference to Exhibit 10.2 to Golden Enterprises, Inc. May 31, 2002 Form 10-K filed with the Commission).

- 10.11 Amendment to Salary Continuation Plans, Retirement and Disability for John S. Stein dated April 9, 2002 (incorporated by reference to Exhibit 10.3 to Golden Enterprises, Inc. May 31, 2002 Form 10-K filed with the Commission).

- 10.12 Amendment to Salary Continuation Plan, Death Benefits for John S. Stein dated April 9, 2002 (incorporated by reference to Exhibit 10.4 to Golden Enterprises, Inc. May 31, 2002 Form 10-K filed with the Commission).

- 10.13 Retirement and Consulting Agreement for John S. Stein dated April 9, 2002 (incorporated by reference to Exhibit 10.5 to Golden Enterprises, Inc. May 31, 2002 Form 10-K filed with the Commission).

- 10.14 Salary Continuation Plan for Mark W. McCutcheon dated May 15, 2002 (incorporated by reference to Exhibit 10.6 to Golden Enterprises, Inc. May 31, 2002 Form 10-K filed with the Commission).

- 10.15 Trust Under Salary Continuation Plan for Mark W. McCutcheon dated May 15, 2002 (incorporated by reference to Exhibit 10.7 to Golden Enterprises, Inc. May 31, 2002 Form 10-K filed with the Commission).

(18) Letter Re: Change in Accounting Principles

- 18.1 Letter from the Registrant's Independent Accountant dated August 12, 2005 indicating a change in the method of applying accounting practices followed by the Registrant for the fiscal year ended June 3, 2005. (incorporated by reference to Exhibit 18.1 to Golden Enterprises, inc. May 31, 2005 Form 10-K filed with the Commission)

(31) Certifications

- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.

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- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.

- 32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002,

- 32.2 Certification of Chief Financial Officer pursuant to Section 906 of the SarbanesOxley Act of 2002.

19

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 11, 2005

/s/Mark W. McCutcheon

Mark W. McCutcheon
President and
Chief Executive Officer

Dated: October 11, 2005

/s/ Patty Townsend

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

20