GOLDEN ENTERPRISES INC
Form 10-K
August 26, 2004

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

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

For the fiscal year ended May 31, 2004

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No. 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 PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER INCLUDING AREA CODE (205) 458-7316

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:
None

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:
Common Capital Stock, Par Value $0.662/3
(TITLE OF CLASS)

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this form 10-K or any amendment to this Form 10-K. ( )

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes____ No __X__

State the aggregate market value of the voting stock held by non-affiliates of the registrant as of August 6, 2004. Common Stock, Par Value $0.662/3 --$11,487,987

Indicate the number of shares outstanding of each of the Registrant's Classes of Common Stock, as of August 6, 2004.

CLASS	OUTSTANDING AT AUGUST 6, 2004
Common Stock, Par Value $0.662/3	11,852,830 shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Proxy Statement for the Annual Meeting of Stockholders to be held on September 23, 2004 are incorporated by reference into Part III.

EXPLANATORY NOTE

The Company has restated its consolidated balance sheet for the years ended May 31, 2003 and consolidated statements of operations, cash flows and retained earnings for the years ended May 31, 2003 and 2002 (the "2003 Restatement"). The restatement affects periods prior to 2002. The impact of the restatement on such prior periods was reflected as an adjustment to retained earnings June 1, 2001. The restatement is reported in this Annual Report on Form 10-K for the year ending May 31, 2004 and will be reported in amendments to our Quarterly Reports on Form 10-Q for its quarterly periods ended August 31, 2003, November 30, 2003 and February 29, 2004.

The restatement adjustment for years ended May 31, 2003 and 2002 resulted in a reduction in a previously reported net loss of approximately $.5 million and a reduction in a previously reported net income of approximately $.5 million respectively. Basic and diluted loss per share was reduced by $.04 per share for fiscal 2003. Basic and diluted earnings per share declined $.04 for fiscal year 2002. In addition, as a result of the cumulative effect of the restatement, retained earnings has been reduced by $1.9 million and $2.4 million as of May 31, 2003 and 2002 respectively. Also as the result of the cumulative effect of the restatement of periods prior to 2002, the cumulative effect was to reduce opening retained earnings June 1, 2001 by approximately $1.9 million.

For a discussion of the individual restatement adjustments, see "Item 8. Financial Statements - Note 2. Restatement of Prior Period Financial Statements" (Years ended May 31, 2003 and 2002). Additionally, see "Item 7. Management's Discussion and Analysis of Financial Condition and Resulting Operations." For more information on the impact of the restatement on years 2001 and 2000, see "Item 6. Selected Financial Data" in Part II of this report. These restatement adjustments reflect a correction of the Company's accounting for accruals for its vacation pay and self-insured health and casualty obligations. 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 prepaid amounts to an employee benefit trust which was incorrect. The Company also determined that it had not recorded liabilities for earned vacation not yet taken as required by Generally Accepted Accounting Principles (GAAP).

The Company 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.

All referenced amounts in this Annual Report for prior periods and prior period comparisons reflect the balances and amounts on a restated basis.

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GOLDEN ENTERPRISES, INC.

PART I

ITEM 1. - BUSINESS

Golden Enterprises, Inc. (the "Company") is a holding company which owns all of the issued and outstanding capital stock of Golden Flake Snack Foods, Inc., a wholly-owned operating subsidiary company ("Golden Flake"). Golden Enterprises is paid a fee by Golden Flake for providing management services for it.

The Company was originally organized under the laws of the State of Alabama as Magic City Food Products, Inc. on June 11, 1946. On March 11, 1958, it adopted the name Golden Flake, Inc. On June 15, 1963, the Company purchased Don's Foods, Inc. a Tennessee corporation which was merged into the Company on December 10, 1966. The Company was reorganized December 31, 1967 as a Delaware corporation without changing any of its assets, liabilities or business. On January 1, 1977, the Company, which had been engaged in the business of manufacturing and distributing potato chips, fried pork skins, cheese curls and other snack foods, spun off its operating division into a separate Delaware corporation known as Golden Flake Snack Foods, Inc. and adopted its present name of Golden Enterprises, Inc.

The Company owns all of the issued and outstanding capital stock of Golden Flake Snack Foods, Inc.

GOLDEN FLAKE SNACK FOODS, INC.

GENERAL

Golden Flake Snack Foods, Inc. ("Golden Flake") is a Delaware corporation with its principal place of business and home office located at One Golden Flake Drive, Birmingham, Alabama. Golden Flake manufactures and distributes a full line of salted snack items, such as potato chips, tortilla chips, corn chips, fried pork skins, baked and fried cheese curls, onion rings and buttered popcorn. These products are all packaged in flexible bags or other suitable wrapping material. Golden Flake also sells a line of cakes and cookie items, canned dips, pretzel, peanut butter crackers, cheese crackers, 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 Golden Flake's sales, which affords some protection against loss of volume due to a crop failure of major agricultural raw materials.

RAW MATERIALS

Golden Flake purchases raw materials used in manufacturing and processing its snack food products on the open market and under contract through brokers and directly from growers. A large part of the raw materials used by Golden Flake consists of farm commodities which are subject to precipitous change in supply and price. Weather varies from season to season and directly affects both the quality and supply available. Golden Flake has no control of the agricultural aspects and its profits are affected accordingly.

DISTRIBUTION

Golden Flake sells its products through its own sales organization and independent distributors to commercial establishments which sell food products in Alabama and in parts of Tennessee, Kentucky, Georgia, Florida, Mississippi, Louisiana, North Carolina, South Carolina, Arkansas and Missouri. The products are distributed by approximately 436 route salesmen who are supplied with selling inventory by the Company's trucking fleet which operates out of Birmingham, Alabama, Nashville, Tennessee, and Ocala, Florida. All of the route salesmen are employees of Golden Flake and use the direct store door delivery method. Golden Flake is not dependent upon any single customer, or a few customers, the loss of any one or more of which would have a material adverse effect on its business. No single customer accounts for more than 10% of its total sales. Golden Flake has a fleet of 866 company owned vehicles to support the route sales system, including 43 tractors and 123 trailers for long haul delivery to the various company warehouses located throughout its distribution areas, 632 store delivery vehicles and 68 cars and miscellaneous vehicles.

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COMPETITION

The snack foods business is highly competitive. In the area in which Golden Flake operates, many companies engage in the production and distribution of food products similar to those produced and sold by Golden Flake. Most, if not all, of Golden Flake's products are in direct competition with similar products of several local and regional companies and at least one national company, the Frito Lay Division of Pepsi Co., Inc., which is larger in terms of capital and sales volume than is Golden Flake. Golden Flake is unable to state its relative position in the industry. Golden Flake's marketing thrust is aimed at selling the highest quality product possible and giving good service to its customers, while being competitive with its prices. Golden Flake constantly tests the quality of its products for comparison with other similar products of competitors and maintains tight quality controls over its products.

EMPLOYEES

Golden Flake employs approximately 1,095 employees. Approximately 643 employees are involved in route sales and sales supervision, approximately 306 are in production and production supervision, and approximately 146 are management and administrative personnel.

Golden Flake believes that the performance and loyalty of its employees are the most important factors in the growth and profitability of its business. Since labor costs represent a significant portion of Golden Flake's expenses, employee productivity is important to profitability. Golden Flake considers its relations with its employees to be excellent.

Golden Flake has a 401(k) Profit Sharing Plan and an Employee Stock Ownership Plan designed to reward the long term employee for his loyalty. In addition, the employees are provided medical insurance, life insurance, and an accident and sickness salary continuance plan. Golden Flake believes that its employee wage rates are competitive with those of its industry and with prevailing rates in its area of operations.

OTHER MATTERS

The Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to these reports, are available via the Company's website. The website address is www.goldenflake.com. All required reports are made available on the website as soon as reasonably practicable after they are electronically filed with the Securities and Exchange Commission.

ENVIRONMENTAL MATTERS

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

RECENT DEVELOPMENTS

No significant changes have occurred in the kinds of products manufactured or in the markets of methods of distribution, and no material changes or developments have occurred in the business done and intended to be done by Golden Flake.

EXECUTIVE OFFICERS OF REGISTRANT
AND ITS SUBSIDIARY

NAME AND AGE	POSITION AND OFFICES WITH MANAGEMENT
John S. Stein, 67	Mr. Stein is Chairman of the Board. He was elected Chairman 1996. He served as Chief Executive Officer from 1991 to Apr and as President from 1985 to 1998 and from June 1, 2000 2001. Mr. Stein also served as President of Golden Flake S Inc. from 1976 to 1991. Mr. Stein retired as an employe Company on May 31, 2002. Mr. Stein is elected Chairman annuall present term will expire on May 31, 2005.
Mark W. McCutcheon, 49	Mr. McCutcheon is Chief Executive Officer and President of the President of Golden Flake Snack Foods, Inc., a wholly owned su the Company. He was elected President and Chief Executive Off Company on April 4, 2001 and President of Golden Flake on N 1998. He has been employed by Golden Flake since 1980. Mr. is elected Chief Executive Officer and President of the President of Golden Flake annually, and his present terms wil May 31, 2005.

Patty Townsend, 46	Ms. Townsend is Chief Financial Officer, Vice President and S Golden Enterprises, Inc. and Controller of Golden Flake S Inc. a wholly owned subsidiary of the Company. She was ele Financial Officer, Vice-President and Secretary of the Compa 2004 and Controller of Golden Flake on March 15, 1997. S employed with the Company since 1988. Ms. Townsend is ele position on an annual basis, and her present term of office on May 31, 2005.
Randy Bates, 50	Mr. Bates is Executive, Vice-President of Sales, Marketing and Tra for Golden Flake. He has held these positions since Octobe Mr. Bates was Vice-President of Sales from October 1, 1994 to Bates has been employed by Golden Flake since March 1979. Mr elected to his positions on an annual basis, and his prese office will expire on May 31, 2005.
David Jones, 52	Mr. Jones is Executive Vice-President of Operations, Human Res Quality Control for Golden Flake. He has held these position 20, 2002. Mr. Jones was Vice-President of Manufacturing f 2002 and Vice-President of Operations from 2000 to 2002. Mr been employed by Golden Flake since 1984. Mr. Jones is ele positions on an annual basis, and his present term of office on May 31, 2005.

ITEM 2. - PROPERTIES

The headquarters of the Company are located at One Golden Flake Drive, Birmingham Alabama 35205. The properties of the subsidiary are described below.

GOLDEN FLAKE

MANUFACTURING PLANTS AND OFFICE HEADQUARTERS

The main plant and office headquarters of Golden Flake are located at One Golden Flake Drive, Birmingham, Alabama, and are situated on approximately 40 acres of land which is serviced by a railroad spur track. This facility consists of three buildings which have a total of approximately 300,000 square feet of floor area. The plant manufactures a full line of Golden Flake products. Golden Flake maintains a garage and vehicle maintenance service center from which it services, maintains, repairs and rebuilds its fleet and delivery trucks. Golden Flake has adequate employee and fleet parking.

Approximately 17 acres of the Birmingham property is undeveloped. This property is zoned for industrial use and is readily available for future use. Plans for the utilization of this property have not been finalized.

Golden Flake also has a manufacturing plant in Ocala, Florida. This plant was placed in service in November 1984. The plant consists of approximately 100,000 square feet, with allowance for future expansion, and is located on a 28-acre site on Silver Springs Boulevard. The Company manufactures corn chips, tortilla chips and potato chips from this facility.

The manufacturing plants, office headquarters and additional lands are owned by Golden Flake free and clear of any debts.

DISTRIBUTION WAREHOUSES

Golden Flake owns branch warehouses in Birmingham, Montgomery, Midfield, Demopolis, Fort Payne, Muscle Shoals, Huntsville, Phenix City, Tuscaloosa, Mobile, Dothan and Oxford, Alabama; Gulfport and Jackson, Mississippi; Chattanooga, Knoxville, and Memphis, Tennessee; Decatur, Marietta, and Macon Georgia; Jacksonville, Panama City, Tallahassee and Pensacola, Florida; Baton Rouge and New Orleans, Louisiana; and Little Rock, Arkansas. The warehouses vary in size from 2,400 to 8,000 square feet. All distribution warehouses are owned free and clear of any debts.

VEHICLES

Golden Flake owns a fleet of 866 vehicles which includes 632 route trucks, 43 tractors, 123 trailers and 68 cars and miscellaneous vehicles. There are no liens or encumbrances on Golden Flake's vehicle fleet. Golden Flake also owns a 1987 Cessna Citation II aircraft.

ITEM 3. - LEGAL PROCEEDINGS

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

ITEM 4. - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not Applicable.

PART II

ITEM 5. - MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

MARKET AND DIVIDEND INFORMATION

The Company's common stock is traded in the over-the-counter market under the "NASDAQ" symbol, GLDC, and transactions are reported through the National Association of Securities Dealers Automated Quotation (NASDAQ) National Market System. The following tabulation sets forth the high and low sale prices for the common stock during each quarter of the fiscal years ended May 31, 2004 and 2003 and the amount of dividends paid per share in each quarter. The Company currently expects that comparable regular cash dividends will be paid in the future.

QUARTER	MARKET PRICE HIGH	MARKET PRICE LOW
FISCAL 2004		
First	$2.890	$2.150
Second	2.750	2.370
Third	3.500	2.340
Fourth	3.430	2.400
FISCAL 2003		
First	$4.490	$3.710
Second	5.530	2.760
Third	4.100	2.160
Fourth	2.500	1.640

As of August 6, 2004, there were approximately 1,500 shareholders of record.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS.

The following table provides Equity Compensation Plan information under which equity securities of the Registrant are authorized for issuance:

EQUITY COMPENSATION PLAN INFORMATION

Plan category	(a) Number of securities to be issued upon exercise of out-standing options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Nu av un (e co
Equity compensation plans approved by security holders	369,000	$3.776	
Equity compensation plans not approved by security holders	0	0	
Total	369,000	$3.776	

ISSUER PURCHASES OF EQUITY SECURITIES

The following table provides information of the repurchase by the Company of shares of its common stock during the fourth quarter of fiscal year ended May 31, 2004:

Period	(a) Total Number of Shares Purchased	(b) Average Price paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(Appr Val tha Pu t
March 1 to March 31	-0-	-0-	-0-	
April 1 to April 30	30,475(1)	$3.00(1)	-0-	
May 1 to May 31	-0-	-0-	-0-	
Total	30,475	$3.00	-0-	

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(1) On April 21, 2004, the Company purchased 30,475 shares of its common stock for $3.00 per share through a private purchase transaction.

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ITEM 6 - SELECTED FINANCIAL DATA

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

FINANCIAL REVIEW (DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

	Year Ended May 31, 2004	2003 Restated	2002 Restated	2001 Restat
Net sales (b)	$ 97,583	$ 96,604	$ 104,335	$ 102
Gain on sales of assets	14	304	756	
Other income	499	506	563	

Total revenues	8,096	97,414	105,694	104
Cost of sales	51,243	50,748	54,326	53
Selling, general and administrative expenses	46,595	47,686	47,653	46
Interest	220	269	189	
Restructuring charge	--	--	--	
(Loss) income before cumulative effect of a change in accounting policy and income taxes	38	(1,289)	3,486	4
Federal and state income taxes	84	(361)	1,367	1
Net (loss) income before cumulative effect of a change in accounting policy	(46)	(928)	2,119	2
Cumulative effect of a change in accounting policy net of taxes	--	--	413	
Net (loss) income	$ (46)	$ (928)	$ 2,532	$ 2
FINANCIAL DATA				
Depreciation and amortization	$ 2,347	$ 2,490	$ 2,594	$ 2
Capital expenditures, net of disposals	829	287	3,802	1
Working capital	6,697	8,818	10,989	12
Long-term debt	2,327	3,862	5,083	1
Stockholders' equity	22,456	24,078	27,233	27
Total assets	33,623	36,492	40,840	40
COMMON STOCK DATA				
Net (loss) income before cumulative effect of a change in accounting policy	$ (0.00)	$ (0.08)	$ 0.18	$
Cumulative effect of a change in accounting policy net of taxes	--	--	0.03	
Basic and diluted net (loss) income ..	(0.00)	(0.08)	0.21	
Dividends	.1250	.1875	0.25	
Book value	1.89	2.20	2.29	
Price range	3.50-2.15	5.530-1.640	4.550-2.950	4.750-2
FINANCIAL STATISTICS				
Current ratio	1.84	2.09	2.37	
Net (loss) income as percent of total revenues	0.00%	(1.0)%	2.4%	
Net (loss) income as percent of stockholders' equity (a)	(0.00)%	(5.1)%	10.1%	
OTHER DATA				
Weighted average common shares outstanding	11,879,891	11,883,305	11,898,097	11,965
Common shares outstanding at year end	11,852,830	11,883,305	11,883,305	11,932
Approximate number of stockholders	1,500	1,500	1,500	1

(a) Average amounts at beginning and end of fiscal year.

(b) Reflects on all periods presented, the effect on revenues of adopting the provisions of the Emerging Issues Task Force of the Financial Accounting Standards Board issue No. 01-9 Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products) (EITF 01-9)

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Golden Enterprises
Selected Financial Data

The 2004 Restatement adjustments affecting the years 2001 and 2000 are set forth in the following table:

		2001		
		As Previously Reported	As Restated	Pre Re
Income statement data;				
Net sales	$	102,797	102,797	$
Net Income		2,700	2,653	
Basic and diluted net income per share		0.23	0.22	
Financial position data (at May 31):				
Total assets	$	39,247	40,243	$
Stockholders' equity		29,800	27,865	

The 2004 restatement adjustments affecting the years 2001 and 2000 are adjustments with respect to self insurance accruals and accrued compensated absences, as described in "Item 8. Financial Statements - Note 2. Restatement of Previously Issued Financial Statements."

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ITEM 7. - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

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 7 has been revised to reflect the May 31, 2003 10-K/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 sheet for the years ended May 31, 2003 and consolidated statements of operations, cash flows and retained earnings for the years ended May 31, 2003 and 2002 (the "2003" Restatement). The restatement affects periods prior to 2002. The impact of the restatement on such prior periods was reflected as an adjustment to retained earnings June 1, 2001. The restatement is reported in this Annual Report on Form 10-K for the year ending May 31, 2004 and will be reported in amendments to our Quarterly Reports on form 10-Q for its quarterly periods ended August 31, 2003, November 30, 2003 and February 29, 2004.

The restatement adjustment for years ended May 31, 2003 and 2002 resulted in a reduction in a previously reported net loss of approximately $.5 million and a reduction in a previously reported net income of approximately $.5 million respectively. Basic and diluted loss per share was reduced by $.04 per share for fiscal 2003. Basic and diluted earnings per share declined $.04 for fiscal year 2002. In addition, as a result of the cumulative effect of the restatement, retained earnings has been reduced by $1.9 million and $2.4 million as of May 31, 2003 and 2002 respectively. Also, as the result of the cumulative effect of the restatement of periods prior to 2002, the cumulative effect was to reduce opening retained earnings June 1, 2001 by approximately $1.9 million. For a discussion of individual adjustment items, see "Item 8- Financial Statements- Note 2 Restatement."

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 crackers, cheese crackers, dried meat products and nuts packaged by other manufacturers using the Golden Flake label.

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

The Company sells its products through its own sales organization and independent distributors to commercial establishments that sell food products primarily in the Southeastern United States. The products are distributed by approximately 436 route representatives who are supplied with selling inventory by the Company's trucking fleet. All of the route representatives are employees of the Company and use the Company's direct-store delivery system.

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 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 estimates 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.

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.

In November 2001, the Emerging Issues Task Force reached a consensus on Issue No. 01-09 Accounting for Consideration given by a Vendor to a Customer (Including a Reseller of the Vendor's Products) effective for annual or interim periods beginning after December 15, 2001. The issue addresses the recognition, measurement and income statement classification for certain sales incentives. The Company implemented this new accounting policy in the fourth quarter of fiscal 2002. The effect of this accounting change is to adopt this policy as of the beginning of the fiscal 2002 (June 1, 2001). Certain of these expenses, including slotting fees, previously classified as selling, general, and administrative expenses, are now characterized as offsets to net sales. Reclassifications have been made to prior period financial statements to conform to current year presentation. Total vendor sales incentives now characterized as reductions of net sales that previously would have been classified as selling, general and administrative expenses were approximately $11.6 million, $12.8 million and $11.7 million for the years ended 2004, 2003 and 2002, respectively. There was no resulting impact on net operating results from adopting EITF 01-09.

Change in Accounting Policy

The Company changed its accounting policy in the fourth quarter of fiscal 2002 with regard to slotting fees. The effect of this accounting change was to adopt this policy as of the beginning of fiscal 2002 (June 1, 2001). Previously, slotting fees were expensed as incurred. The Company changed this accounting policy to capitalize and amortize such costs over the expected benefit period, which is generally one year. This change in accounting policy was made to more closely match the cost of the shelf space obtained with the slotting fees with the revenues produced by the shelf space. The cumulative effect of this change in accounting policy resulted in a non-cash cumulative adjustment of $413,401 ($0.03 per share), net of taxes. The accounting change also increased net income before the cumulative effect in 2002 by $197,141 ($0.02 per share).

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 May 31, 2004 and 2003 the Company had accounts receivables in the amount of $7.5 million and $7.8 million, net of an allowance for doubtful accounts of $0.2 million and $0.2 million, respectively.

Inventories

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

Accrued Expenses

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

OTHER MATTERS

Transactions with related parties, reported in Note 14 of the Notes to Consolidated Financial Statements, are conducted on an arm's-length basis in the ordinary course of business.

LIQUIDITY AND CAPITAL RESOURCES

Working capital was $6.7 million at May 31, 2004 compared to $8.3 million at May 31, 2003. Net cash provided by operations amounted to $2.9 million in fiscal year 2004, $4.6 million in fiscal year 2003 and $1.9 million in fiscal year 2002. The decrease in net cash provided by operations is primarily related to changes in receivables, inventories and accounts payable offset by the net loss for fiscal year 2004 of $45,846 compared to the net loss for fiscal year 2003 of $927,765.

Additions to property, plant and equipment, net of disposals were $0.8 million, $0.3 million and $3.8 million in fiscal years 2004, 2003 and 2002, respectively, and are expected to be about $1.9 million in 2005.

Cash dividends of $1.5 million, $2.2 million and $3.0 million were paid during fiscal years 2004, 2003, and 2002, respectively. The quarterly dividend was reduced to $.03125 from $.0625 in the third quarter of fiscal 2003 in response to a decrease in earnings.

The amount of cash used to purchase treasury shares in fiscal 2004 was $0.09 million. No cash was used to purchase treasury shares in fiscal 2003 and $0.2 million was used in 2002.

During fiscal 2004, the company re-paid debt, net of borrowings, of $1.4 million.

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

CONTRACTUAL OBLIGATIONS	TOTAL	2005	2006-2007	2008-2009	
Long-Term Debt	$ 999,562	$ 477,980	$ 521,582	$ -0-	$
Purchase Commitment	2,096,000	1,491,000	605,000	-0-	
Salary Continuation Plan	1,901,567	95,948	216,448	253,870	
Total Contractual Obligations	$ 4,997,129	$ 2,064,928	$ 1,343,030	$ 253,870	$

Other Commitments

The Company had letters of credit in the amount of $1,758,987 outstanding at May 31, 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.

Long-term liabilities as a percentage of total capitalization was 12.3% at May 31, 2004. The Company's current ratio at year end was 1.84 to 1.00.

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

Net sales increased by 1.0% in fiscal year 2004, decreased by 7.4% in fiscal year 2003, and increased by 1.5% in fiscal year 2002. The increase in fiscal 2004 was primarily due to less promotional payments to vendors that were subtracted from sales as required by EITF 01-9. The decrease in fiscal 2003 was due to a general sales weakness in the U.S. salty snacks category, particularly during the first part of the fiscal year.

Cost of sales as a percentage of net sales amounted to 52.5% in 2004, 52.5% in 2003, and 52.1% in 2002. Cost of sales stabilized in 2004 and the percentage increase in cost of sales for fiscal 2003 was caused by the lower sales volume and higher commodity prices and energy cost. The cost decrease in 2002 was due primarily to lower energy costs.

Selling, general and administrative expenses were 47.7% of net sales in 2004, 49.4% in 2003, and 45.7% in 2002. The 1.7% decrease for fiscal 2004 is attributed to the increase in net sales and a decrease in vendor sales incentives. The higher percentage cost for fiscal 2003 was due to significant increases in employee medical, workers' compensation, general and auto liability insurance costs, and energy costs. The more favorable cost percentage for fiscal 2002 was primarily due to lower selling and delivery cost brought about by the exiting of the fringe sales regions in Central Florida as part of the fiscal 2000 restructuring plan.

The Company's effective tax rates for 2004, 2003, and 2002 were 221.3%, (27.9%) and 39.2%, respectively. Note 9 to the Consolidated Financial Statements provides additional information about the provision for income taxes.

OFF-BALANCE SHEET ARRANGEMENT

The Company entered into a five-year term product purchase agreement during the year ending May 31, 2001 with a supplier. Under the terms of the agreement the minimum purchase quantity and the 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 the current market. The purchase product agreement as subsequently amended is described in more detail in Note 14 of the Notes to Consolidated Financial Statements.

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 cash equivalents, investment securities and bank loans, and commodity prices affecting the cost of its raw materials.

The Company's cash equivalents consist of short-term marketable securities. Presently these are variable rate money market funds. Its bank loans also carry variable rates. Assuming year end 2004 variable rate investment levels and bank loan balances, a one-point change in interest rates would impact interest income by $1,520 and interest expense by $9,996.

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. Futures 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 government 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 Securities and Exchange Commission.

RECENT DEVELOPMENTS

The Company restated its previously issued financial statements for the three years ended May 31, 2003. The restatement affected periods prior to May 31, 2001. The impact of the restatement on such prior periods was reflected as an adjustment to opening retained earnings as of June 1, 2000. The restatement was reported in amendment No. 1 to the retained earnings as of June 1, 2000. The restatement was reported in amendment No. 1 to the Company's Annual Report on Form 10-K/A for the year ended May 31, 2003. The Company also restated the Company's Quarterly Reports on Form 10-Q/A for the quarterly periods ended August 31, 2003, November 30, 2003 and February 29, 2004 with restated comparative information for comparative periods of the previous year.

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In connection with their audits of the restatement of previously issued annual financial statements and the consolidated financial statements for the year ended May 31, 2004, the Company's independent auditors identified and communicated to the Company and the Audit Committee "material weaknesses" (as defined under audit standards adopted by the Public Company Accounting Oversight Board) relating to the Company's accounting and public reporting of significant matters and management review and oversight of certain accounting matters.

In the past year, the Company undertook to review and analyze its internal audit program and has directed senior management to dedicate resources and take steps to strengthen controls. The company engaged the services of a third party consultant to assist in its review and analysis. The Company intends to identify and implement actions to improve the effectiveness of procedures and internal controls, including enhanced training with respect to financial reporting and disclosure responsibilities.

RECENT ISSUED ACCOUNTING PRONOUNCEMENTS

Effective June 1, 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets to be held and used, to be disposed of other than by sale and to be disposed of by sale. The adoption of this standard did not have a material impact on the Company's financial position, results of operations or cash flows.

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 or disposal activity. SFAS No. 146 is effective for exit or disposal activities initiated after December 31, 2002. The Company adopted SFAS No. 146 on June 1, 2003 and the adoption of this standard did not have a material impact on the Company's consolidated financial statements.

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 detailed in the stock-based compensation accounting policy as described earlier.

In April 2003, the FASB issued SFAS No. 149 "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This statement amends and clarifies the accounting and reporting for derivative instruments, including embedded derivatives, and for hedging activities under SFAS No. 133, "Accounting for Derivative instruments and Hedging Activities." SFAS No. 149 amends SFAS No. 133 to reflect the decisions made as part of the Derivatives Implementation Group and in other FASB projects or deliberations. SFA No. 149 is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designed after June 30, 2003 and did not have an impact on the Company.

In January 2003, the FASB issued FASB Interpretation No. 46 (FIN No. 46), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51." FIN No. 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 became effective February 1, 2003 for variable interest entities created after January 31, 2003, and July 31, 2003 for variable interest entities created prior to February 1, 2003. In December 2003, the FASB issued a revised FIN 46. The revised standard, FIN 46R, modifies or clarifies various provisions of FIN 46 and incorporates many FASB Staff Positions previously issued by the FASB. This standard replaces the original FIN 46 that was issued in January 2003. The adoption of these new standards did not have an impact on the Company's financial position, results of operations or cash flows.

In December 2003, the FASB issued a revised SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." The revised SFAS No. 132 revised employers' disclosures about pension plans and other post retirement benefit plans. It did not change the measurement or recognition of those plans required by SFAS No. 87, "Employers' Accounting for Pensions," SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits," and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The revised SFAS No. 132 retains the disclosure requirements contained in the original SFAS No. 132. It requires additional disclosures to those in the original SFAS No. 132 about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. The adoption of this new standard did not have an impact on the Company's financial position, results of operations or cash flows.

In December 2003, the SEC released Staff Accounting Bulletin ("SAB") 104.

SAB 104 revises or rescinds portions of the interpretative guidance included in SEC Topic 13, "Revenue Recognition," in order to make this interpretive guidance consistent with current authoritative accounting and auditing guidance and SEC rules and regulations. The principal revisions relate to the rescission of material no longer necessary because of private sector developments in U.S. generally accepted accounting principles. SAB 104 also rescinds the Revenue Recognition in Financial Statements Frequently Asked Questions and Answers document issued in conjunction with Topic 13. Selected portions of that document have been incorporated into Topic 13. The adoption of this new standard did not have an impact on the Company's financial position, results of operations or cash flows.

ITEM 7 A.- QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Included in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations- Market Risk beginning on page 16.

ITEM 8.- FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of the registrant and its subsidiary for the year ended May 31, 2004, consisting of the following, are contained herein:

Consolidated Balance Sheets	- May 31, 2004 and 2003
Consolidated Statements of Operations	- Years ended May 31, 2004, 2003 and 2002
Consolidated Statements of Cash Flows	- Years ended May 31, 2004, 2003 and 2002
Consolidated Statements of Changes in Stockholders' Equity	-Years ended May 31, 2004, 2003 and 2002
Notes to Consolidated Financial Statements	- Years ended May 31, 2004, 2003 and 2002
Quarterly Results of Operations	- Years ended May 31, 2004, and 2003

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Stockholders and
Board of Directors of
Golden Enterprises, Inc.

We have audited the accompanying consolidated balance sheets of Golden Enterprises, Inc. and subsidiary as of May 31, 2004 and 2003, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the three years in the period ended May 31, 2004. Our audits also included the financial statement schedule listed at Item 16(a)2. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Golden Enterprises, Inc. and subsidiary as of May 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended May 31, 2004, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, such financial statement schedule, when considering in relation to the basic consolidated financial statements, taken as a whole, presents fairly, in all material respects, the information set forth therein.

As described in Note 2, Restatement of prior period financial statements, the Company has restated previously issued financial statements.

As discussed in Note 3 to the financial statements, effective June 1, 2001 the Company changed its accounting policy with respect to slotting fees.

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

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
May 31, 2004 and 2003

ASSETS

	2004	Restated 2003
CURRENT ASSETS		
Cash and cash equivalents	$ 565,195	$ 1,278,333
Receivables:		
Trade accounts	7,445,741	7,835,874
Other	231,410	206,480
	7,677,151	8,042,354
Less: Allowance for doubtful accounts	185,000	196,100

	7,492,151	7,846,254
Notes receivable, current	45,760	42,253
	7,537,911	7,888,507
Inventories:		
Raw materials	1,198,534	1,016,050
Finished goods	2,504,515	2,289,145
	3,703,049	3,305,195
Prepaid expenses	2,292,943	2,881,121
Deferred income taxes	618,803	652,153
Total current assets	14,717,901	16,005,309
PROPERTY, PLANT AND EQUIPMENT		
Land	3,030,974	3,030,974
Buildings	16,925,279	16,897,204
Machinery and equipment	35,159,507	41,478,108
Transportation equipment	15,170,308	15,113,558
	70,286,068	76,519,844
Less: Accumulated depreciation	56,439,726	61,158,271
	13,846,342	15,361,573
OTHER ASSETS		
Notes receivable, long-term	1,819,986	1,865,747
Cash surrender value of life insurance	2,648,567	2,762,739
Other	589,760	496,175
Total other assets	5,058,313	5,124,661
TOTAL	$33,622,556	$36,491,543

LIABILITIES AND STOCKHOLDERS' EQUITY

	2004	Restated 2003
CURRENT LIABILITIES		
Checks outstanding in excess of bank balances	$ 1,293,534	$ 1,157,108
Accounts payable	1,816,879	1,700,934
Current portion of long-term debt	477,980	432,142
Other accrued expenses	4,334,798	4,289,448
Salary continuation plan	95,948	88,595
Total current liabilities	8,019,139	7,668,227

LONG-TERM LIABILITIES		
Note payable - bank, non-current	521,582	1,990,767
Salary continuation plan	1,805,619	1,870,991
Deferred income taxes	820,432	884,033
Total long-term liabilities	3,147,633	4,745,791
STOCKHOLDERS' EQUITY		
Common stock - $.66 2/3 par value:		
Authorized 35,000,000 shares;		
issued 13,828,793 shares	9,219,195	9,219,195
Additional paid-in capital	6,497,954	6,497,954
Retained earnings	17,363,237	18,893,553
Treasury shares - at cost (1,975,963 shares in 2004 and 1,945,488 shares in 2003)	(10,624,602)	(10,533,177)
Total stockholders' equity	22,455,784	24,077,525
TOTAL	$ 33,622,556	$ 36,491,543

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended May 31, 2004, 2003 and 2002

	2004	Restated 2003
Net sales	$ 97,583,493	$ 96,604,461
Cost of sales	51,243,037	50,747,626
Gross margin	46,340,456	45,856,835
Selling, general and administrative expenses	46,595,519	47,686,174
Operating (loss) income	(255,063)	(1,829,339)
Other income (expenses):		
Gain on sale of assets	13,861	304,221
Interest expense	(219,608)	(268,489)
Other income	498,613	506,296
Total other income (expenses)	292,866	542,028

Income (Loss) income before cumulative effect of a change in accounting policy and income taxes	37,803	(1,287,311)
Provision for income taxes	83,649	(359,546)
Net (loss) income before cumulative effect of a change in accounting policy	(45,846)	(927,765)
Cumulative effect of a change in accounting policy, net of taxes of $262,037	--	--
Net (loss) income	$ (45,846)	$ (927,765)
PER SHARE OF COMMON STOCK		
Net (loss) income before cumulative effect of a change in accounting policy	$ --	$ (0.08)
Cumulative effect of a change in accounting policy, net of taxes	--	--
Basic earnings	$ --	$ (0.08)
Diluted earnings	$ --	$ (0.08)

See Accompanying Notes to Consolidated Financial Statements

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GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years Ended May 31, 2004, 2003 and 2002

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Shares
Balance - May 31, 2001 as restated ...	$9,219,195	6,499,554	22,491,346	(10,345,168
Net income - 2002	--	--	2,532,105	--
Cash dividends paid	--	--	(2,974,005)	--
Treasury shares purchased	--	--	--	(193,419
Stock options exercised	--	(1,600)	--	5,410
Balance - May 31, 2002 as restated	9,219,195	6,497,954	22,049,446	(10,533,177
Net loss - 2003	--	--	(927,765)	--
Cash dividends paid	--	--	(2,228,128)	--

Balance - May 31, 2003 as restated	$9,219,195	$ 6,497,954	$ 18,893,553	$(10,533,177
Net loss - 2004	--	--	(45,846)	--
Cash dividends paid	--	--	(1,484,470)	--
Treasury shares purchased	--	--	--	(91,425
Balance - May 31, 2004	$9,219,195	$ 6,497,954	$ 17,363,237	$(10,624,602

See Accompanying Notes to Consolidated
Financial Statements

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GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended May 31, 2004, 2003 and 2002

	2004	Restated 2003	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) income	$(45,846)	$(927,765)	$
Adjustment to reconcile net (loss) income to net cash provided by operating activities:			
Cumulative effect of a change in accounting policy	--	--	
Depreciation	2,346,880	2,490,329	
Deferred income taxes	(30,251)	1,433	
Gain on sale of property and equipment	(13,861)	(304,221)	
Decrease (increase) in receivables - net	354,103	1,570,347	
Decrease (increase) in inventories	(397,854)	1,443,303	
Decrease (increase) in prepaid expenses	588,178	783,358	(
Decrease in cash surrender value of insurance	114,172	22,597	
Increase in other assets	(93,585)	(19,214)	
Increase (decrease) in accounts payable	115,945	(488,795)	
Increase in accrued expenses	45,350	60,940	
(Decrease) increase in salary continuation plan	(58,019)	(54,805)	
Net cash provided by operating activities	2,925,212	4,577,507	
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(973,076)	(851,111)	(
Proceeds from sale of property, plant and equipment	155,288	399,690	
Collection of notes receivable	42,254	119,636	
Investment securities available-for-sale:			
Proceeds from disposals	--	--	
Net cash used in investing activities	(775,534)	(331,785)	(

See Accompanying Notes to Consolidated
Financial Statements

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED
Years Ended May 31, 2004, 2003 and 2002

	2004	Restated 2003
CASH FLOWS FROM FINANCING ACTIVITIES		
Debt proceeds	10,304,286	11,543,824
Debt repayments	(11,727,633)	(13,121,345)
Increase (decrease) in checks outstanding in excess of bank balances	136,426	535,782
Purchases of treasury shares	(91,425)	--
Proceeds from exercise of stock options	--	--
Cash dividends paid	(1,484,470)	(2,228,128)
Net cash used in financing activities	(2,862,816)	(3,269,867)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(713,138)	975,855
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,278,333	302,478
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 565,195	$ 1,278,333
SUPPLEMENTAL INFORMATION		
Cash paid during the year for:		
Income taxes	$ (430,216)	$ (626,349)
Interest	219,608	268,489
Noncash items:		
Equipment traded in	--	22,123

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2004, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Golden Enterprises, Inc. and subsidiary ("Company") conform to accounting principles generally accepted in the United States of America and to general principles within the snack foods industry. The following is a description of the more significant accounting policies:

NATURE OF THE BUSINESS
The Company manufactures and distributes a full line of snack items that are

sold through its own sales organization and independent distributors to commercial establishments that sell food products primarily in the Southeastern United States.

CONSOLIDATION
The consolidated financial statements include the accounts of Golden Enterprises, Inc. and its wholly-owned subsidiary, Golden Flake Snack Foods, Inc., (the "Company"). All significant intercompany transactions and balances have been eliminated.

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.

REVENUE CLASSIFICATION CHANGES
In November 2001, the Emerging Issues Task Force reached a consensus on Issue No. 01-09 Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products) effective for annual or interim periods beginning after December 15, 2001. The issue addresses the recognition, measurement and income statement classification for certain sales incentives. The Company implemented this new accounting policy in the fourth quarter of fiscal 2002. The effect of this accounting change is to adopt this policy as of the beginning of the fiscal 2002 (June 1, 2001). Certain of these expenses, including slotting fees, previously classified as selling, general, and administrative expenses, are now characterized as offsets to net sales. Reclassifications have been made to prior period financial statements to conform to current year presentation. Total vendor sales incentives now characterized as reductions of net sales that previously would have been classified as selling, general and administrative expenses were approximately \$11.6 million, \$12.8 million and \$11.7 million for the years ended 2004, 2003 and 2002, respectively. There was no resulting impact on net operating results from adopting EITF 01-09.

CASH AND CASH EQUIVALENTS
The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment are stated at cost. For financial reporting purposes, depreciation and amortization have been provided principally on the straight-line method over the estimated useful lives of the respective assets. Accelerated methods are used for tax purposes.

Expenditures for maintenance and repairs are charged to operations as incurred; expenditures for renewals and betterments are capitalized and written off by depreciation and amortization charges. Property retired or sold is removed from the asset and related accumulated depreciation accounts and any profit or loss resulting therefrom is reflected in the statements of operations.

SELF-INSURANCE

The Company is self-insured for certain 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. Self-insurance claims filed and claims incurred but not reported are accrued based upon management's estimates of the aggregate liability for uninsured claims incurred. Automobile liability, general liability, workers' compensation, and property losses costs are covered by letters of credit with the Company's claims administrators.

ADVERTISING

The Company expenses advertising costs as incurred. These costs are included in selling, general and administrative expenses in the Consolidated Statement of Operations. Advertising expense amounted to $4,452,926, $5,031,409 and $4,371,719 for the fiscal years 2004, 2003 and 2002, respectively.

INCOME TAXES

Deferred income taxes are provided using the liability method to measure tax consequences resulting from differences between financial accounting standards and applicable income tax laws. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on date of enactment.

SEGMENT INFORMATION

The Company does not identify separate operating segments for management reporting purposes. The results of operations are the basis on which management evaluates operations and makes business decisions. The Company's sales are generated primarily within the Southeastern United States.

STOCK OPTIONS

The Company applies APB Opinion 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for all stock option plans. No stock-based compensation cost has been recognized in operations for stock options granted because the option exercise price was equal to or more than the market price of the underlying common stock on the date of grant.

SFAS No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," requires the Company to provide pro forma information regarding net income (loss) as if the compensation cost for the Company's stock option plans had been determined in accordance with the fair value based method prescribed in SFAS No. 123. To provide the required pro forma information, the Company estimates the fair value of each stock option at the grant date by using the Black-Scholes option-pricing model.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The following table represents the pro forma effect on net income (loss) and earnings (loss) per share as if the Company had applied the fair value based method recognition provisions of SFAS No 123 to stock-based employee compensation:

	Years Ended May 31,		
	2004	Restated 2003	Restated 2002
Net (loss) income as reported	$(45,846)	$ (927,765)	$ 2,532,1
Deduct: total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(12,291)	(12,660)	(52,2
Pro forma net (loss) income	$(58,137)	(940,425)	2,479,8
(Loss) earnings per share:			
Basic - as reported	$ --	$ (0.08)	$.
Basic - Pro forma	$ --	$ (0.08)	$
Diluted - as reported	$ --	$ (0.08)	$.
Diluted - Pro forma	$ --	$ (0.08)	$.

SHIPPING AND HANDLING COSTS
Shipping and handling costs, which include salaries and vehicle operations expenses relating to the delivery of products to customers by the Company are classified as Selling, General and Administrative (SG&A) expenses. Shipping and handling costs classified as SG&A amounted to $2.3 million, $2.3 million and $2.5 million for the fiscal years 2004, 2003 and 2002, respectively.

USE OF ESTIMATES
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RECENT ISSUED ACCOUNTING PRONOUNCEMENTS
In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which addresses financial accounting and reporting obligations associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development or normal use of assets. The Company adopted SFAS No. 143 on June 1, 2003 and the adoption did not have a material impact on the Company's consolidated financial statements.

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
May 31, 2004, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Effective June 1, 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets to be held and used, to be disposed of other than by sale and to be disposed of by sale. The adoption of this standard did not have a material impact on the Company's financial position, results of operations or cash flows.

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 or disposal activity. SFAS No. 146 is effective for exit or disposal activities initiated after December 31, 2002. The Company adopted SFAS No. 146 on June 1, 2003 and the adoption of this standard did not have a material impact on the Company's consolidated financial statements.

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 detailed in the stock-based compensation accounting policy as described earlier.

In April 2003, the FASB issued SFAS No. 149 "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This statement amends and clarifies the accounting and reporting for derivative instruments, including embedded derivatives, and for hedging activities under SFAS No. 133, "Accounting for Derivative instruments and Hedging Activities." SFAS No. 149 amends SFAS No. 133 to reflect the decisions made as part of the Derivatives Implementation Group and in other FASB projects or deliberations. SFA No. 149 is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designed after June 30, 2003 and did not have an impact on the Company.

In January 2003, the FASB issued FASB Interpretation No. 46 (FIN No. 46), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51." FIN No. 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 became effective February 1, 2003 for variable interest entities created after January 31, 2003, and July 31, 2003 for variable interest entities created prior to February 1, 2003. In December 2003, the FASB issued a revised FIN 46. The revised standard, FIN 46R, modifies or clarifies various provisions of FIN 46 and incorporates many FASB Staff Positions previously issued by the FASB. This standard replaces the original FIN 46 that was issued in January 2003. The adoption of these new standards did not have an impact on the Company's financial position, results of operations or cash flows.

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
May 31, 2004, 2003 and 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

In December 2003, the FASB issued a revised SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." The revised SFAS No. 132 revised employers' disclosures about pension plans and other postretirement benefit plans. It did not change the measurement or recognition of those plans required by SFAS No. 87, "Employers' Accounting for Pensions," SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits," and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The revised SFAS No. 132 retains the disclosure requirements contained in the original SFAS No. 132. It requires additional disclosures to those in the original SFAS No. 132 about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. The adoption of this new standard did not have an impact on the Company's financial position, results of operations or cash flows.

In December 2003, the SEC released Staff Accounting Bulletin ("SAB") 104. SAB 104 revises or rescinds portions of the interpretatative guidance included in SEC Topic 13, "Revenue Recognition," in order to make this interpretive guidance consistent with current authoritative accounting and auditing guidance and SEC rules and regulations. The principal revisions relate to the rescission of material no longer necessary because of private sector developments in U.S. generally accepted accounting principles. SAB 104 also rescinds the Revenue Recognition in Financial Statements Frequently Asked Questions and Answers document issued in conjunction with Topic 13. Selected portions of that document have been incorporated into Topic 13. The adoption of this new standard did not have an impact on the Company's financial position, results of operations or cash flows.

RECLASSIFICATIONS
Certain items included in prior years' consolidated financial statements have been reclassified to conform to current year presentation.

NOTE 2 - RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS

Prior period financial statements have been restated to reflect adjustments to the Company's financial information previously reported on Form 10-K for the years ended May 31, 2003, and 2002. The Company's 2003 quarterly information and comparative 2002 information has also been restated to reflect adjustments to the Company's previously reported financial information on Form 10-Q. The restatement affected periods prior to 2002. The impact of the restatement on such prior periods has reflected as an adjustment to retained earnings as of June 1, 2001. In addition, the restatement impacts the first, second and third quarters of 2004. The restated amounts for these quarters are presented in Note 16, Quarterly Results of Operations (Unaudited). Each of the restatement adjustments is an "error" within the meaning of APB Opinion 20, Accounting Changes.

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
May 31, 2004, 2003, and 2002

NOTE 2 - RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS - CONTINUED

The Following table presents the impact of the restatement adjustments on net earnings for the years ended May 31, 2003, 2002 and retained earnings as of June 1, 2001:

	Year Ended May 31,		Retained Earnings June 1,
	2003	2002	2001
Net (loss) income as originally reported	$(1,412,145)	$ 3,008,948	$24,426,345
Adjustments (pretax):			
Self-insurance liability	669,136	(523,974)	(1,445,533)
Compensated absences	47,826	8,398	(1,609,890)
Other Items	237,373	(237,373)	--
Total Adjustments (pretax)	954,335	(752,949)	(3,055,423)
Tax effect of restatement adjustments	(469,955)	276,106	1,120,424
Total net adjustments	484,380	(476,843)	(1,934,999)
Net (loss) income as restated	$ (927,765)	$ 2,532,105	$22,491,346
Per share of Common Stock:			
Net Loss- Basic as originally reported	$ (0.12)	$ 0.25	
Effect of net adjustments	0.04	(0.04)	
Net (loss) income - Basic as restated	$ (0.08)	0.21	
Net (loss) income - Diluted as originally reported	$ (0.12)	$ 0.25	
Effect of net adjustments	0.04	(0.04)	
Net (loss) income - Diluted as restated	$ (0.08)	$ 0.21	

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
May 31, 2004, 2003, and 2002

NOTE 2 -RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS - CONTINUED

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 prepaid 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.

Income tax adjustments: As a result of the restatement adjustments, the Company recognized an additional federal and state deferred valuation allowance of $120,000 in 2003. The remaining amounts pertain to the tax effects of the error correction themselves.

The following table sets forth the effects of the restatement adjustments discussed above on the Consolidated Statement of Operations for each of the years ended May 31, 2003 and 2002.

	Year Ended May 31, 2003		Year Ended
	As Originally Reported	As Restated	As Original Reported
Net sales	$ 96,367,088	$ 96,604,461	$104,572,60
Cost of goods sold	51,191,313	50,747,626	54,257,81
Selling, general and administrative expenses	47,959,449	47,686,174	47,205,69
Other income (expenses)	542,028	542,028	1,129,48
(Loss) income before cumulative effect of a change in accounting policy and income taxes	(2,241,646)	(1,287,311)	4,238,58
Provision for income taxes	(829,501)	(359,546)	1,643,03
Net (loss) income before cumulative effect of a change in accounting policy	(1,412,145)	(927,765)	2,595,54
Cumulative effect of a change in accounting policy, net of taxes of $262,037	--	--	413,40

Net (loss) income	$ (1,412,145)	$ (927,765)	$ 3,008,94
Net (loss) income per share- basic	$ (0.12)	$ (0.08)	$ 0.2
Average shares outstanding	11,883,305	11,883,305	11,898,09
Net (loss) income per share- diluted	$ (0.12)	$ (0.08)	$ 0.2
Average shares outstanding	11,883,305	11,883,305	11,900,89

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GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
May 31, 2004, 2003, and 2002

NOTE 2 -RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS - CONTINUED

The following table sets forth the effects of the restatement adjustments discussed above on the Consolidated Balance Sheet at May 31, 2003.

	May 31, 2003	
	As Originally Reported	As Restated
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,278,333	$ 1,278,333
Receivables:		
Trade accounts	7,835,874	7,835,874
Other	299,142	206,480
Allowance for doubtful accounts	(196,100)	(196,100)
Notes receivable, current	42,253	42,253
Inventories	3,305,195	3,305,195
Prepaid expenses	3,645,298	2,881,121
Deferred income taxes	--	652,153
Total current assets	16,209,995	16,005,309
Property, plant and equipment	15,361,573	15,361,573
Notes receivable, long-term	1,865,747	1,865,747
Cash surrender value of life insurance	2,762,739	2,762,739
Other	496,175	496,175
TOTAL ASSETS	$ 36,696,229	$ 36,491,543
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Checks outstanding in excess of bank balances	$ 1,157,108	$ 1,157,108
Accounts payable	1,700,934	1,700,934
Current portion of long-term debt	432,142	432,142
Other accrued expenses	2,381,975	4,289,448
Deferred income taxes	304,698	--
Salary continuation plan	88,595	88,595

Total current liabilities	6,065,452	7,668,227
Note payable - bank, non-current	1,990,767	1,990,767
Salary continuation plan	1,870,991	1,870,991
Deferred income taxes	764,032	884,033
TOTAL LIABILITIES	10,691,242	12,414,018
STOCKHOLDERS' EQUITY		
Common stock - $.66 2/3 par value:		
Authorized 35,000,000 shares;		
issued 13,828,793 shares	9,219,195	9,219,195
Additional paid-in capital	6,497,954	6,497,954
Retained earnings	20,821,015	18,893,553
Treasury shares - at cost (1,945,488 shares)	(10,533,177)	(10,533,177)
TOTAL STOCKHOLDERS' EQUITY	26,004,987	24,077,525
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 36,696,229	$ 36,491,543

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
May 31, 2004, 2003 and 2002

NOTE 3 - CHANGE IN ACCOUNTING POLICY

The Company changed its accounting policy in the fourth quarter of fiscal 2002 with regard to slotting fees. The effect of this accounting change was to adopt this policy as of the beginning of fiscal 2002 (June 1, 2001). Previously, slotting fees were expensed as incurred. The Company changed this accounting policy to capitalize and amortize such costs over the expected benefit period, which is generally one year. This change in accounting policy was made to more closely match the cost of the shelf space obtained with the slotting fees with the revenues produced by the shelf space. The cumulative effect of this change in accounting policy resulted in a noncash cumulative adjustment of $413,401 ($0.03 per share), net of taxes. The accounting change also increased net income before the cumulative effect in 2002 by $197,141 ($0.02 per share).

NOTE 4 - NOTES RECEIVABLE

Notes receivable as of May 31, 2004 and 2003 consist of the following:

	2004	
8% note, due in 120 monthly installments of $3,640 through November 1, 2010, collateralized by property	$ 220,823	$ 24

8% note, due in 360 monthly installments of $12,474 through November 1, 2030, collateralized by property	1,644,923	1,66
	1,865,746	1,90
Less current portion	45,760	4
	$1,819,986	$1,86

Maturities at May 31,

2006	$ 49,558
2007	53,672
2008	58,126
2009	62,951
2010	68,176
Thereafter	1,527,503

NOTE 5 - PREPAID EXPENSES

At May 31, prepaid expenses consist of the following:

	2004	Restated 2003
Prepaid slotting fees	$ 376,295	$ 333,79
Other prepaid expenses	1,916,648	2,547,32
	$2,292,943	$2,881,12

NOTE 6 - OTHER ACCRUED EXPENSES

At May 31, other accrued expenses consist of the following:

	2004	Restated 2003
Accrued payroll	$ 450,214	$ 448,25
Self insurance liability	1,969,332	1,832,59
Accrued vacation	1,463,539	1,461,00
Other accrued expenses	451,713	547,60
	$4,334,798	$4,289,44

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NOTE 7 - LINE OF CREDIT

The Company has a line of credit agreement with a local bank which 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.

NOTE 8 - LONG-TERM LIABILITIES

Long-term debt consist of the following:

	2004	2003
Note payable - bank - payable in equal monthly installments of $41,688 including interest at the LIBOR index rate plus 1.75% (2.85% at May 31, 2004) through April 3, 2011, secured by equipment	$ 999,562	$2,422,90
Less: current portion	477,980	432,14
	$ 521,582	$1,990,76

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
May 31, 2004, 2003 and 2002

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

Maturities at May 31,

2006	$491,782
2007	29,800

Other long-term obligations at May 31, 2004 and 2003, consist of the following:

	2004	2003

Salary continuation plan	$1,901,567	$1,959,586
Less current portion	(95,948)	(88,595)
	$1,805,619	$1,870,991

The Company is accruing the present values of the estimated future retirement payments over the period from the date of the agreements to the retirement dates, for certain key executives. The Company recognized compensation expense of approximately $30,576, $27,000 and $127,341 for fiscal 2004, 2003 and 2002, respectively.

NOTE 9 - INCOME TAXES

The provision for income taxes consists of the following:

	2004	Restated 2003	Restated 2002
Federal	$ 101,350	$ (320,635)	$ 1,416,947
State	12,550	(40,342)	175,379
	113,900	(360,977)	1,592,326
Federal	(27,859)	1,272	(200,560)
State	(2,392)	159	(24,836)
	(30,251)	1,431	(225,396)
	$ 83,649	$ (359,546)	$ 1,366,930

NOTE 9 - INCOME TAXES - CONTINUED

The effective tax rate for continuing operations differs from the expected tax using statutory rates. A reconciliation between the expected tax and actual tax follows:

	2004	Restated 2003	Restated 2002

Tax on income at statutory rates	$ 12,853	$(437,685)	$1,185,116
(Decrease) increase resulting from:			
State income taxes, less Federal income tax effect	8,741	(26,894)	149,000
Tax exempt interest	(1,388)	(1,356)	(9,303
Change in valuation allowance	55,000	120,000	--
Other - net	8,443	(13,611)	42,117
Total	$ 83,649	$(359,546)	$1,366,930

The tax effects of temporary differences that result in deferred tax assets and liabilities are as follows:

	2004	Resta 200
Deferred tax assets		
Salary continuation plan	$ 697,305	$ 718
Accrued vacation	536,680	53
Contribution carryforward	229,588	12
Inventory capitalization	65,688	5
Allowance for doubtful accounts	67,840	7
Other accrued expenses	8	