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GOLDEN ENTERPRISES INC
Form 10-K
August 28, 2006

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

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

For the fiscal year ended June 2, 2006

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 \$0.66(2)/3
(Title of Class)

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate 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

Indicate by check mark whether the Registrant is a shell company (as defined in

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Rule 12b-2 of the Exchange Act). Yes () No (X)

State the aggregate market value of the voting common stock held by non-affiliates of the registrant as of August 4, 2006.

Common Stock, Par Value \$0.66(2)/3 --\$17,470,091

Indicate the number of shares outstanding of each of the Registrant's Classes of Common Stock, as of August 4, 2006.

| Class ----- | Outstanding at August 4, 2006 ----- |
|-------------------------------------|--|
| Common Stock, Par Value \$0.66(2)/3 | 11,835,330 shares |

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Proxy Statement for the Annual Meeting of Stockholders to be held on September 21, 2006 are incorporated by reference into Part III.

TABLE OF CONTENTS

FORM 10-K ANNUAL REPORT -2006

GOLDEN ENTERPRISES, INC.

| | Page ----- |
|--|---------------|
| PART I. | |
| Item 1. Business | 3 |
| Item 1A. Risk Factors..... | 5 |
| Item 2. Properties..... | 6 |
| Item 3. Legal Proceedings..... | 7 |
| Item 4. Submission of Matters to a Vote of Security Holders..... | 8 |
| PART II. | |
| Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities..... | 8 |
| Item 6. Selected Financial Data..... | 10 |
| Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations..... | 11 |
| Item 7A. Quantitative and Qualitative Disclosure About Market Risk..... | 18 |
| Item 8. Financial Statements and Supplementary Data..... | 18 |
| Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure..... | 41 |
| Item 9A. Controls and Procedures..... | 41 |
| Item 9B. Other Information..... | 41 |
| PART III. | |
| Item 10. Directors and Executive Officers of the Registrant..... | 41 |
| Item 11. Executive Compensation..... | 41 |
| Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters..... | 41 |
| Item 13. Certain Relationships and Related Transactions..... | 42 |
| Item 14. Principal Accountant Fees and Services..... | 42 |
| PART IV. | |

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Item 15. Exhibits and Financial Statement Schedules..... 43

2

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 puff corn. 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, 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 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

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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, Missouri and Texas. The products are distributed by approximately 468 route salesmen and independent distributors 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

3

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 869 company owned vehicles to support the route sales system, including 47 tractors and 123 trailers for long haul delivery to the various company warehouses located throughout its distribution areas, 630 store delivery vehicles and 69 cars and miscellaneous vehicles.

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 are 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 991 employees. Approximately 585 employees are involved in route sales and sales supervision, approximately 293 are in production and production supervision, and approximately 113 are management and administrative personnel.

Golden Flake believes that the performance and loyalty of its employees are two of 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/her 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

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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 or methods of distribution, and no material changes or developments have occurred in the business done and intended to be done by Golden Flake.

4

ITEM 1A. - RISK FACTORS

Important factors that could cause the Company's actual business results, performance or achievements to differ materially from any forward looking statements or other projections contained in this Annual Form 10-K Report include, but are not limited to the principal risk factors set forth below. Additional risks and uncertainties, including risks not presently known to the Company, or that it currently deems immaterial, may also impair the Company's business and or operations. If the events, discussed in these risk factors occur, the Company's business, financial condition, results of operations or cash flow could be adversely affected in a material way and the market value of the Company's common stock could decline.

Competition

Price competition and consolidation within the Snack Food industry could adversely impact the Company's performance. The Company's business requires significant marketing and sales effort to compete with larger companies. These larger competitors sell a significant portion of their products through discounting and other price cutting techniques. This intense competition increases the possibility that the Company could lose one or more customers, lose market share and/or be forced to, increase discounts and reduce pricing, any of which could have an adverse impact on the Company's business, financial condition, results of operation and/or cash flow.

Commodity Fluctuations

Significant commodity price fluctuations for certain commodities purchased by the Company, particularly potatoes, could have a material impact on results of operations. In an attempt to manage commodity price risk, the Company, in the normal course of business, enters into contracts to purchase pre-established quantities of various types of raw materials, at contracted prices based on expected short term needs. The Company can also be adversely impacted by changes in the cost of natural gas and other fuel costs. Long term increases in the cost of natural gas and fuel costs could adversely impact the Company's cost of sales and selling, marketing and delivery expenses.

There are other risks and factors not described above that could also cause actual results to differ materially from those in any forward looking statement made by the Company.

5

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Executive Officers Of Registrant
And Its Subsidiary

| Name and Age ----- | Position and Offices with Management ----- |
|------------------------|--|
| John S. Stein, 69 | Mr. Stein is Chairman of the Board. He was elected Chairman on June 1, 1996. He served as Chief Executive Officer from 1991 to April 4, 2001, and as President from 1985 to 1998 and from June 1, 2000 to April 4, 2001. Mr. Stein also served as President of Golden Flake Snack Foods, Inc. from 1976 to 1991. Mr. Stein retired as an employee with the Company on May 31, 2002. Mr. Stein is elected Chairman annually, and his present term will expire on June 1, 2007. |
| Mark W. McCutcheon, 51 | Mr. McCutcheon is Chief Executive Officer and President of the Company and President of Golden Flake Snack Foods, Inc., a wholly owned subsidiary of the Company. He was elected President and Chief Executive Officer of the Company on April 4, 2001 and President of Golden Flake on November 1, 1998. He has been employed by Golden Flake since 1980. Mr. McCutcheon is elected Chief Executive Officer and President of the Company and President of Golden Flake annually, and his present terms will expire on June 1, 2007. |
| Patty Townsend, 48 | Ms. Townsend is Chief Financial Officer, Vice President and Secretary of Golden Enterprises, Inc. and Controller of Golden Flake Snack Foods, Inc. a wholly owned subsidiary of the Company. She was elected Chief Financial Officer, Vice-President and Secretary of the Company on March 1, 2004 and Controller of Golden Flake on March 15, 1997. She has been employed with the Company since 1988. Ms. Townsend is elected to her positions on an annual basis, and her present term of office will expire on June 1, 2007. |
| Randy Bates, 52 | Mr. Bates is Executive, Vice-President of Sales, Marketing and Transportation for Golden Flake. He has held these positions since October 26, 1998. Mr. Bates was Vice-President of Sales from October 1, 1994 to 1998. Mr. Bates has been employed by Golden Flake since March 1979. Mr. Bates is elected to his positions on an annual basis, and his present term of office will expire on June 1, 2007. |
| David Jones, 54 | Mr. Jones is Executive Vice-President of Operations, Human Resources and Quality Control for Golden Flake. He has held these positions since May 20, 2002. Mr. Jones was Vice-President of Manufacturing from 1998 to 2002 and Vice-President of Operations from 2000 to 2002. Mr. Jones has been employed by Golden Flake since 1984. Mr. Jones is elected to his positions on an annual basis, and his present term of office will expire on June 1, 2007. |

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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.

6

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 12 acres of the Birmingham property is undeveloped. This property is zoned for industrial use and is readily available for future use. The Company has executed a Purchase and Sale Agreement to sell this property for \$1.5 million. The purchaser has until December 23, 2006 to perform its due diligence in regard to the property and may extend the due diligence inspection period for two additional 90 days periods which would extend the due diligence inspection period to June 21, 2007. Purchaser may rescind the Purchase and Sale Agreement if it is not satisfied with its due diligence investigation. The property is located in close proximity to the University of Alabama at Birmingham Campus and purchaser has indicated that it intends to develop the property with student housing. At this time, the Company does not know whether the purchaser will close on the Purchase and Sale Agreement and purchase the property.

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; 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 869 vehicles which includes 630 route trucks, 47

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tractors, 123 trailers and 69 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.

7

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

Not Applicable.

PART II

ITEM 5. - MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

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 June 2, 2006 and June 3, 2005 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 Price | Low Price | Dividend Paid |
| Year Ended 2006 | | | | |
| First quarter | (13 weeks ended September 2, 2005) | \$4.890 | \$3.430 | \$.0313 |
| Second quarter | (13 weeks ended December 2, 2005) | 4.850 | 3.070 | .0313 |
| Third quarter | (13 weeks ended March 3, 2006) | 3.455 | 2.800 | .0313 |
| Fourth quarter | (13 weeks ended June 2, 2006) | 3.600 | 2.320 | .0313 |
| Year Ended 2005 | | | | |
| First quarter | (13 weeks ended August 27, 2004) | \$3.110 | \$2.330 | \$.0313 |
| Second quarter | (13 weeks ended November 27, 2004) | 3.000 | 2.450 | .0313 |
| Third quarter | (14 weeks ended March 5, 2005) | 4.109 | 2.010 | .0313 |
| Fourth quarter | (13 weeks ended June 3, 2005) | 4.130 | 3.170 | .0313 |

As of August 4, 2006, there were approximately 1,500 shareholders of record.

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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:

8

EQUITY COMPENSATION PLAN INFORMATION

| Plan category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities already authorized for issuance) (c) |
|--|---|---|---|
| Equity compensation plans approved by security holders | 369,000 | \$3.776 | 130,000 |
| Equity compensation plans not approved by security holders | 0 | 0 | 0 |
| Total | 369,000 | \$3.776 | 130,000 |

ISSUER PURCHASES OF EQUITY SECURITIES

The Company did not repurchase any shares of its common stock during the fiscal year ended June 2, 2006.

9

ITEM 6 - SELECTED FINANCIAL DATA

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

FINANCIAL REVIEW (Dollar amounts in thousands, except per share data)

| Operations | 2006 | 2005 | 2004 | 2003 |
|------------------------------|------------|------------|-----------|-----------|
| Net sales (b)..... | \$ 106,547 | \$ 103,144 | \$ 97,583 | \$ 96,600 |
| Gain on sales of assets..... | 139 | 107 | 14 | 30 |
| Other income..... | 483 | 521 | 499 | 50 |

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| | | | | |
|---|------------|------------|------------|------------|
| Total revenues..... | 107,169 | 103,772 | 98,096 | 97,41 |
| Cost of sales..... | 57,019 | 55,400 | 51,243 | 50,74 |
| Selling, general and administrative expenses..... | 49,168 | 48,022 | 46,595 | 47,68 |
| Interest..... | 295 | 255 | 220 | 26 |
| Income (Loss) before cumulative effect of a change in accounting policy and income taxes..... | 687 | 95 | 38 | (1,28 |
| Federal and state income taxes..... | 398 | (110) | 84 | (36 |
| Net income (loss) before cumulative effect of a change in accounting policy..... | 289 | (15) | (46) | (92 |
| Cumulative effect of a change in accounting policy net of taxes..... | ----- | ----- | ----- | ----- |
| Net income (loss)..... | \$ 289 | \$ (15) | \$ (46) | \$ (92 |
| Financial data | | | | |
| Depreciation and amortization..... | \$ 2,285 | \$ 2,268 | \$ 2,347 | \$ 2,49 |
| Capital expenditures, net of disposals..... | 1,343 | 2,454 | 832 | 28 |
| Working capital..... | 4,050 | 5,328 | 6,697 | 833 |
| Long-term debt..... | 1,915 | 2,426 | 2,327 | 3,86 |
| Stockholders' equity..... | 19,716 | 20,907 | 22,456 | 24,07 |
| Total assets..... | 33,728 | 34,402 | 33,623 | 36,49 |
| Common stock data | | | | |
| Net income (loss) before cumulative effect of a change in accounting policy..... | \$.02 | \$ (0.00) | \$ (0.00) | \$ (0.0 |
| Cumulative effect of a change in accounting policy net of taxes..... | ----- | ----- | ----- | ----- |
| Basic and diluted net income (loss)..... | .02 | (0.00) | (0.00) | (0.0 |
| Dividends..... | .1250 | .1250 | .1250 | .187 |
| Book value..... | 1.67 | 1.77 | 1.89 | 2.2 |
| Price range..... | 4.89-2.32 | 4.15-2.01 | 3.50-2.15 | 5.530-1.64 |
| Financial statistics | | | | |
| Current ratio..... | 1.36 | 1.54 | 1.84 | 2.0 |
| Net income (loss) as percent of total revenues..... | .27% | 0.00% | 0.00% | (1.0 |
| Net income (loss) as percent of stockholders' equity (a)..... | 1.5% | 0.00% | 0.00% | (5.1 |
| Other data | | | | |
| Weighted average common shares outstanding..... | 11,835,330 | 11,846,419 | 11,879,891 | 11,883,30 |
| Common shares outstanding at year end..... | 11,835,330 | 11,835,330 | 11,852,830 | 11,883,30 |
| Approximate number of stockholders..... | 1,500 | 1,500 | 1,500 | 1,50 |

(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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CONDITION AND RESULTS OF OPERATIONS

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

Management's Discussion and Analysis of
Financial Condition and Results of Operations

The following discussion provides an assessment of the Company's financial condition, results of operations, liquidity and capital resources and should be read in conjunction with the accompanying consolidated financial statements and notes.

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, popcorn, 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 468 route representatives and independent distributors 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 materially 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 \$10.5 million, \$11.6 million and \$11.6 million for the years ended 2006 2005 and 2004, respectively. There was no resulting impact on net operating results from adopting EITF 01-09.

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 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 June 2, 2006 and June 3, 2005, the Company had accounts receivables in the amount of \$8.4 million and \$7.7 million, net of an allowance for doubtful accounts of \$0.1 million and \$0.2 million,

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respectively.

12

The following table summarizes the Company's customer accounts receivable profile as of June 2, 2006:

| Amount Range ----- | No. of Customers ----- |
|------------------------------------|---------------------------|
| Less than \$1,000.00..... | 1,303 |
| \$1,001.00-\$10,000.00..... | 607 |
| \$10,001.00-\$100,000.00..... | 116 |
| \$100,001.00-\$500,000.00..... | 9 |
| \$500,001.00-\$1,000,000.00..... | 0 |
| \$1,000,001.00-\$2,500,000.00..... | 1 |
| | ----- |
| Total All Accounts..... | 2,036 |
| | ===== |

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 expenses in an effort to record those expenses in the period incurred. The most significant 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 third-party actuary also uses historical information for claims frequency and severity in order to establish loss development factors.

The actuarial calculation includes a margin of error to account for changes in inflation, health care costs, compensation and litigation cost trends as well as estimated future incurred claims. The Company utilized a 75% confidence level for estimating the ultimate outstanding casualty liability. Approximately 75% of each claim should be equal to or less than the ultimate liability recorded based on the historical trends experienced by the Company. If the Company chose a 50% factor, the liability would have been reduced by approximate \$0.2 million. If the Company chose a 90% factor, the liability would have increased by approximately \$0.2 million.

The Company used 5% and 4% investment rates to discount the estimated claims based on the historical payout pattern during 2006 and 2005, respectively. A one percentage point change in the discount rate would have impacted the liability by approximately \$60,500.

Actual ultimate losses could vary from those estimated by the third-party actuary. The Company believes the reserves established are reasonable estimates of the ultimate liability based on historical trends.

As of June 2, 2006, the Company's casualty reserve was \$1.9 million and at June 3, 2005 the casualty reserve was \$1.9 million.

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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 assumptions could result in an accrual requirement materially different from the calculated accrual.

13

OTHER MATTERS

Transactions with related parties, included in Note 13 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 \$4.1 million at June 2, 2006 compared to \$5.3 million at June 3, 2005. Net cash provided by operations amounted to \$2.6 million in fiscal year 2006, \$2.4 million in fiscal year 2005 and \$2.9 million in fiscal year 2004. During 2006, the principal source of liquidity for the Company's operating needs was provided from operating activities, credit facilities and cash on hand.

Additions to property, plant and equipment, net of disposals were \$1.3 million, \$2.5 million and \$0.8 million in fiscal years 2006, 2005 and 2004, respectively, and are expected to be about \$3.1 million in 2007.

Cash dividends of \$1.5 million, \$1.5 million and \$1.5 million were paid during fiscal years 2006, 2005, and 2004, respectively.

The amount of cash used to purchase treasury shares in fiscal 2005 was \$0.05 million and \$0.09 million in fiscal 2004. No cash was used to purchase treasury shares in fiscal 2006.

During fiscal 2006, the company's debt proceeds net of re-paid debt was (\$0.9) million.

The following table summarizes the significant contractual obligations of the Company as of June 2, 2006:

| Contractual Obligations | Total | 2007 | 2008-2009 | 2010-2011 | Thereaft |
|-------------------------------|--------------|------------|------------|------------|------------|
| ----- | ----- | ----- | ----- | ----- | ----- |
| Long-Term Debt | \$ 1,003,794 | \$ 750,176 | \$ 253,618 | \$ - | \$ |
| Salary Continuation Plan | 1,773,899 | 112,536 | 253,870 | 297,760 | 1,109,7 |
| Total Contractual Obligations | \$ 2,777,693 | \$ 862,712 | \$ 507,488 | \$ 297,760 | \$ 1,109,7 |
| | ===== | ===== | ===== | ===== | ===== |

Other Commitments

The Company had letters of credit in the amount of \$3,084,365 outstanding at June 2, 2006 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 \$2 million. The line-of-credit is subject to the Company's continued credit worthiness and compliance with the terms and conditions of the

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advance application. The Company's line of credit debt at June 2, 2006 was \$313,923 with an interest rate of 8.00%.

The Company's current ratio at year end was 1.36 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.

14

OPERATING RESULTS

Net sales increased by 3% in fiscal year 2006, increased by 6% in fiscal year 2005, and increased by 1% in fiscal year 2004. Fiscal 2005 included an extra week of sales. If the extra week is excluded, the increase in net sales for fiscal 2006 would have been 5%.

Cost of sales as a percentage of net sales amounted to 53.5% in 2006, 53.7% in 2005, and 52.5% in 2004.

Selling, general and administrative expenses were 46.1% of net sales in 2006, 46.5% in 2005 and 47.7% in 2004.

The Company's effective tax rates for 2006, 2005 and 2004 were 58.0%, 115.7% and 221.3%, respectively. Note 8 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 June 1, 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 13 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 2006 variable rate investment levels and bank loan balances, a one-point change in interest rates would impact interest income by \$80 and interest expense by \$10,038.

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

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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.

Higher fuel and commodity costs continue to be a challenge.

ENVIRONMENTAL MATTERS

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

15

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 continues 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 is identifying and implementing actions to improve the effectiveness of procedures and internal controls, including enhanced training with respect to financial reporting and disclosure responsibilities.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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 October, 2004, the American Jobs Creation Act of 2004 (The Act) was enacted into law. The FASB had issued Staff Position 109-1 and 109-2 to provide accounting and disclosure guidance relating to the enactment of this Act. The Act allows for a tax deduction of up to 9% (when fully phased-in) of the lesser of qualified production activities income" or taxable income as defined in the Act beginning in 2005. The tax benefits of this deduction are to be recognized in the year in which they are reported on the tax return. The Act also allows for a special one-time tax deductions of 85 percent of certain foreign earnings

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that are repatriated to a US taxpayer, provided certain criteria are met. The adoption of the Act did not have a material impact on the Company's financial position, results of operation or cash flows.

In November 2004, The FASB issued SFAS No. 151, "Inventory Cost or Amendment of ARB No. 43, Chapter 4." This Statement amends AR 13 No. 43, to clarify abnormal amounts of facility expense, freight, handling costs and wasted material should be recognized in current-period charges. In addition, this Statement requires that allocation of fixed production overhead to the costs on conversion be based on the normal capacity of the production facilities. This provision is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. SFAS No. 151 is not expected to have an impact on the Company's financial position, results of operations or cash flows.

In December 2004, the FASB revised its SFAS No. 123 (SFAS No. 123R), "Accounting for Stock Based Compensation." The revision established standards for the accounting of transactions in which an entity exchanges its equity instruments for goods or services particularly transaction in which an entity obtains employee services in share based payment transactions. The revised statement requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost is to be recognized over the period during which the employee is required to provide service in exchange for the award. Changes in fair value during the requisite service period are to be recognized as compensation cost over that period. In addition the revised statement amends

16

SFAS No. 95, "Statement of Cash Flows," to require that excess tax benefits be reported as a financing cash flow rather than as a reduction of taxes paid. The provisions of the revised statement are effective for financial statements issued for the first annual reporting period beginning after June 15, 2005, with early adoption encouraged. The adoption of this standard is not expected to have a material impact on the company's financial position, results of operations, or cash flows.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets - An Amendment of APB Opinion No. 29." APB Opinion No. 29, "Accounting For Nonmonetary Transactions," is based on the opinion that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. SFAS No. 153 amends Opinion No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets whose results are not expected to significantly change the future cash flows of the entity. The provisions of this Statement is effective for nonmonetary asset exchanges occurring in the Company's fiscal year 2006. The adoption of SFAS No. 153 did not have a material impact on the Company's financial position, results of operations or cash flows.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3." This statement carries forward without change the guidance contained in APB Opinion No. 20 for reporting the correction of an error in previously issued financial statements and changes the requirements for the accounting for and reporting of a change in accounting principle. This Statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS No. 154 is not expected to have a significant impact on the Company's results of operations or financial position.

In September 2005, FASB issued its consensus on EITF Issue No. 04-13, Accounting for Purchases and Sales of Inventory with the Same Counterparty. This consensus

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concludes that an entity is required to treat sales and purchases of inventory between the entity and the same counterparty as one transaction for purposes of applying APB Opinion No. 29, Accounting for Nonmonetary Transactions, when the transactions are entered into in contemplation of each other. The consensus should be applied to new arrangements entered into, or modifications or renewals of existing arrangements, in the first interim or annual reporting period beginning after March 15, 2006. This consensus is not expected to have a material effect on the Company's financial position, results of operation or cash flows.

In March 2005, the FASB issued FIN No. 47 (FIN47) "Accounting for Conditional Asset Retirement Obligations, an Interpretation of SFAS No. 143." This Interpretation clarifies that a conditional retirement obligation refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. The liability should be recognized when incurred, generally upon acquisition, construction or development of the asset. FIN 47 is effective no later than the end of the fiscal year ending after December 15, 2005. The Company adopted the provisions of FIN 47 during the fourth quarter of 2005. The adoption had no impact on the financial condition, results of operations or cash flows.

17

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 15.

ITEM 8.- FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of the registrant and its subsidiary for the year ended June 2, 2006, consisting of the following, are contained herein:

| | |
|---|---------------------------------------|
| Consolidated Balance Sheets | - As of June 2, 2006 and June 3, 2005 |
| Consolidated Statements of Operations | - Years ended 2006, 2005, and 2004 |
| Consolidated Statements of Cash Flows | - Years ended 2006, 2005, and 2004 |
| Consolidated Statements of Changes in Stockholders' Equity | - Years ended 2006, 2005, and 2004 |
| Notes to Consolidated Financial Statements | - Years ended 2006, 2005, and 2004 |
| Quarterly Results of Operations | - Years ended 2006, 2005, and 2004 |

18

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

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Enterprises, Inc. and subsidiary as of June 2, 2006 and June 3, 2005, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the three years in the three year period ended June 2, 2006. Our audits also included the financial statement schedule listed at Item 15(a) Schedule II. 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 June 2, 2006 and June 3, 2005, and the consolidated results of their operations and their cash flows for each of the three years in the three year period ended June 2, 2006, 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 discussed in Note 2 to the financial statements, effective May 29, 2004 the Company changed its accounting policy with respect to the casualty insurance liability.

Birmingham, Alabama
July 24, 2006

DUDLEY, HOPTON-JONES, SIMS & FREEMAN PLLP

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
As of June 2, 2006 and June 3, 2005
ASSETS

| | 2006 | 2005 |
|--|------------|------------|
| | ---- | ---- |
| CURRENT ASSETS | | |
| Cash and cash equivalents..... | \$ 321,627 | \$ 371,204 |
| Receivables: | | |
| Trade accounts..... | 8,477,457 | 7,656,766 |
| Other..... | 19,321 | 191,165 |
| | ----- | ----- |
| | 8,496,778 | 7,847,931 |
| Less: Allowance for doubtful accounts..... | 133,422 | 156,467 |
| | ----- | ----- |

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| | | |
|---|---------------------|---------------------|
| Notes receivable, current..... | 8,363,356 53,672 | 7,691,464 49,558 |
| | ----- | ----- |
| | 8,417,028 | 7,741,022 |
| | ----- | ----- |
| Inventories: | | |
| Raw materials..... | 1,425,605 | 1,100,715 |
| Finished goods..... | 2,850,466 | 2,869,352 |
| | ----- | ----- |
| | 4,276,071 | 3,970,067 |
| | ----- | ----- |
| Prepaid expenses..... | 1,608,459 | 2,436,748 |
| Deferred income taxes..... | 669,976 | 589,946 |
| | ----- | ----- |
| Total current assets..... | 15,293,161 | 15,108,987 |
| | ----- | ----- |
| PROPERTY, PLANT AND EQUIPMENT | | |
| Land..... | 3,010,974 | 3,030,974 |
| Buildings..... | 16,628,236 | 16,670,043 |
| Machinery and equipment..... | 36,561,024 | 35,170,539 |
| Transportation equipment..... | 15,662,458 | 15,937,371 |
| | ----- | ----- |
| | 71,862,692 | 70,808,927 |
| Less: Accumulated depreciation..... | 58,279,641 | 56,561,891 |
| | ----- | ----- |
| | 13,583,051 | 14,247,036 |
| | ----- | ----- |
| OTHER ASSETS | | |
| Notes receivable, long-term..... | 1,716,756 | 1,770,428 |
| Cash surrender value of life insurance..... | 2,431,626 | 2,581,358 |
| Other..... | 703,488 | 693,938 |
| | ----- | ----- |
| Total other assets..... | 4,851,870 | 5,045,724 |
| | ----- | ----- |
| TOTAL..... | \$ 33,728,082 | \$ 34,401,747 |
| | ===== | ===== |

See Accompanying Notes to Consolidated Financial Statements

20

LIABILITIES AND STOCKHOLDERS' EQUITY

| | 2006 | 2005 |
|---|-----------|--------------|
| | ----- | ----- |
| CURRENT LIABILITIES | | |
| Checks outstanding in excess of bank balances... \$ | 2,619,026 | \$ 1,493,153 |
| Accounts payable..... | 2,210,026 | 2,270,035 |
| Accrued income taxes..... | 509,318 | - |
| Current portion of long-term debt..... | 750,177 | 690,332 |
| Line of credit outstanding..... | 313,923 | 522,008 |
| Other accrued expenses..... | 4,727,753 | 4,701,726 |

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| | | |
|---|---------------|---------------|
| Salary continuation plan..... | 112,536 | 103,912 |
| | ----- | ----- |
| Total current liabilities..... | 11,242,759 | 9,781,166 |
| | ----- | ----- |
| LONG-TERM LIABILITIES..... | | |
| Note payable - bank, non-current..... | 253,618 | 1,013,846 |
| Salary continuation plan..... | 1,661,363 | 1,735,885 |
| Deferred income taxes..... | 854,028 | 964,047 |
| | ----- | ----- |
| Total long-term liabilities..... | 2,769,009 | 3,713,778 |
| | ----- | ----- |
| 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..... | 14,676,759 | 15,867,248 |
| Treasury shares - at cost (1,993,463 shares in 2006 and 2005)..... | (10,677,594) | (10,677,594) |
| | ----- | ----- |
| Total stockholders' equity..... | 19,716,314 | 20,906,803 |
| | ----- | ----- |
| TOTAL..... | \$ 33,728,082 | \$ 34,401,747 |
| | ===== | ===== |

21

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Fiscal Years Ended June 2, 2006, June 3, 2005 and May 28, 2004

| | 2006 | 2005 | 2004 |
|--|----------------|----------------|---------------|
| | ---- | ---- | ---- |
| Net sales..... | \$ 106,546,696 | \$ 103,143,979 | \$ 97,583,490 |
| Cost of sales..... | 57,018,901 | 55,399,901 | 51,243,030 |
| | ----- | ----- | ----- |
| Gross margin..... | 49,527,795 | 47,744,078 | 46,340,460 |
| Selling, general and administrative expenses.. | 49,168,289 | 48,022,149 | 46,595,510 |
| | ----- | ----- | ----- |
| Operating income (loss)..... | 359,506 | (278,071) | (255,060) |
| | ----- | ----- | ----- |

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| | | | |
|------------------------------------|------------|-------------|-----------|
| Other income (expenses):..... | | | |
| Gain on sale of assets..... | 138,884 | 107,382 | 13,86 |
| Interest expense..... | (294,549) | (255,132) | (219,60 |
| Other income..... | 483,481 | 520,862 | 498,61 |
| | ----- | ----- | ----- |
| Total other income (expenses)..... | 327,816 | 373,112 | 292,86 |
| | ----- | ----- | ----- |
| Income before income tax..... | 687,322 | 95,041 | 37,80 |
| | ----- | ----- | ----- |
| Provision for income taxes..... | 398,386 | 109,965 | 83,64 |
| | ----- | ----- | ----- |
| Net income (loss)..... | \$ 288,936 | \$ (14,924) | \$ (45,84 |
| | ===== | ===== | ===== |
| PER SHARE OF COMMON STOCK | | | |
| Net income..... | \$ 0.02 | \$ - | \$ |
| Basic earnings..... | \$ 0.02 | \$ - | \$ |
| | ===== | ===== | ===== |
| Diluted earnings..... | \$ 0.02 | \$ - | \$ |
| | ===== | ===== | ===== |

See Accompanying Notes to Consolidated Financial Statements

22

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Fiscal Years Ended June 2, 2006, June 3, 2005 and May 28, 2004

| | Common Stock | Additional Paid-in Capital | Retained Earnings | Treasury Shares | Tot Stockho Equ |
|--------------------------------|-----------------|----------------------------------|----------------------|--------------------|-----------------------|
| | ----- | ----- | ----- | ----- | ----- |
| Balance - May 30, 2003..... | \$ 9,219,195 | \$6,497,954 | \$ 18,893,553 | \$ (10,533,177) | \$ 24,0 |
| Net loss - 2004..... | - | - | (45,846) | - | (|
| Cash dividends paid..... | | | (1,484,470) | | (1,4 |
| Treasury shares purchased..... | - | - | - | (91,425) | (|
| | ----- | ----- | ----- | ----- | ----- |
| Balance - May 28, 2004..... | 9,219,195 | 6,497,954 | 17,363,237 | (10,624,602) | 22,4 |
| Net loss - 2005..... | - | - | (14,924) | - | (|
| Cash dividends paid..... | - | - | (1,481,065) | - | (1,4 |
| Treasury shares purchased..... | - | - | - | (52,992) | (|

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| | | | | | |
|-----------------------------|--------------|-------------|---------------|-----------------|---------|
| Balance - June 3, 2005..... | 9,219,195 | 6,497,954 | 15,867,248 | (10,677,594) | 20,9 |
| Net income - 2006..... | - | - | 288,936 | - | 2 |
| Cash dividends paid..... | - | - | (1,479,425) | - | (1,4 |
| Balance - June 2, 2006..... | \$ 9,219,195 | \$6,497,954 | \$ 14,676,759 | \$ (10,677,594) | \$ 19,7 |

See Accompanying Notes to Consolidated Financial Statements

23

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Fiscal Years Ended June 2, 2006, June 3, 2005 and May 28, 2004

| | 2006 | |
|--|----------------|---------|
| | ---- | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers..... | \$ 105,874,804 | \$102,9 |
| Interest income..... | 146,072 | 1 |
| Rental income..... | 36,469 | |
| Other operating cash payments/receipts..... | 300,940 | 3 |
| Cash paid to suppliers & employees for cost of goods sold..... | (55,762,586) | (53,5 |
| Cash paid for suppliers & employees for selling, general & administrative. | (47,888,447) | (47,2 |
| Income taxes..... | 231,982 | |
| Interest expense..... | (294,549) | (2 |
| Net cash provided by operating activities..... | 2,644,685 | 2,4 |
| CASH FLOWS FROM INVESTING ACTIVITIES..... | | |
| Purchase of property, plant and equipment..... | (1,670,021) | (2,7 |
| Proceeds from sale of property, plant and equipment..... | 188,221 | 1 |
| Collection of notes receivable..... | 49,558 | |
| Net cash used in investing activities..... | (1,432,242) | (2,5 |
| CASH FLOWS FROM FINANCING ACTIVITIES..... | | |
| Debt proceeds..... | 21,525,001 | 16,9 |
| Debt repayments..... | (22,433,469) | (15,7 |
| Increase in checks outstanding in excess of bank balances..... | 1,125,873 | 1 |
| Purchases of treasury shares..... | - | (|
| Cash dividends paid..... | (1,479,425) | (1,4 |
| Net cash used in financing activities..... | (1,262,020) | (1 |
| NET (DECREASE) IN CASH AND | | |

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| | | |
|--|------------|------|
| CASH EQUIVALENTS..... | (49,577) | (1 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR..... | 371,204 | 5 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR..... | \$ 321,627 | \$ 3 |

See Accompanying Notes to Consolidated Financial Statements

24

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED
For the Fiscal Years Ended June 2, 2006, June 3, 2005 and May 28, 2004

| | 2006 | 2005 |
|---|--------------|--------------|
| | ---- | ---- |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income (loss)..... | \$ 288,936 | \$ (14,936) |
| Adjustment to reconcile net income (loss) to net cash provided... by operating activities: | | |
| Depreciation..... | 2,284,669 | 2,267,700 |
| Deferred income taxes..... | (190,049) | 172,400 |
| Gain on sale of property and equipment..... | (138,884) | (107,300) |
| Change in receivables - net..... | (671,892) | (199,300) |
| Change in inventories..... | (306,004) | (267,000) |
| Change in prepaid expenses..... | 828,289 | (143,800) |
| Change in cash surrender value of insurance..... | 149,732 | 67,200 |
| Change in other assets..... | (9,550) | (104,100) |
| Change in accounts payable..... | (60,009) | 453,100 |
| Change in accrued expenses..... | 26,027 | 366,900 |
| Change in salary continuation plan..... | (65,898) | (61,700) |
| Change in accrued income taxes..... | 509,318 | |
| Net cash provided by operating activities..... | \$ 2,644,685 | \$ 2,429,000 |

See Accompanying Notes to Consolidated Financial Statements

25

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Years Ended June 2, 2006, June 3, 2005 and May 28, 2004

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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 inter-company 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.

Fiscal Year

The Company ends its fiscal year on the Friday closest to the last day in May. The years ended June 2, 2006, June 3, 2005 and May 28, 2004 included 52, 53, and 52 weeks, respectively.

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, receivables, accounts payable and short and long-term debt approximate fair value.

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.

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.

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
For the Fiscal Years Ended June 2, 2006, June 3, 2005 and May 28, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Self-Insurance

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 loss costs are covered by letters of credit with the company's claim administrators.

As discussed in Note 2, the Company changed its accounting policy with respect to these casualty insurance liabilities in the fourth quarter of fiscal 2005. The Company now uses a third-party actuary to estimate the casualty insurance obligations on an annual basis, using the fully developed actuarial method of accounting for the self-insurance liability. The third-party actuary also uses historical information for claims frequency and severity in order to establish loss development factors.

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 \$5,970,393, \$5,503,641 and \$4,609,366 for the fiscal years 2006, 2005 and 2004, 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 the 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.

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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.

27

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
 For the Fiscal Year Ended June 2, 2006, June 3, 2005 and May 28, 2004

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:

| | Year End | | |
|---|------------|-------------|-------------|
| | 2006 | 2005 | 2004 |
| Net income (loss) as reported..... | \$ 288,936 | \$ (14,924) | \$ (45,846) |
| Deduct: total stock-based employee compensation expense... determined under fair value based method for all awards, net of related tax effects..... | (10,458) | (10,458) | (12,291) |
| Pro forma net income (loss)..... | \$ 278,478 | (25,382) | (58,137) |
| Earnings per share:..... | | | |
| Basic - as reported..... | \$ 0.02 | \$ - | \$ - |
| Basic - Pro forma..... | \$ 0.02 | \$ - | \$ - |
| Diluted - as reported..... | \$ 0.02 | \$ - | \$ - |
| Diluted - Pro forma..... | \$ 0.02 | \$ - | \$ - |

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 \$2,991,430 million, \$2,788,746 million and \$2,347,827 million for the fiscal years 2006, 2005 and 2004, respectively.

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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.

Recently Issued Accounting Pronouncements

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.

28

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
For the Fiscal Years Ended June 2, 2006, June 3, 2005 and May 28, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 October, 2004, the American Jobs Creation Act of 2004 (The Act) was enacted into law. The FASB had issued Staff Position 109-1 and 109-2 to provide accounting and disclosure guidance relating to the enactment of this Act. The Act allows for a tax deduction of up to 9% (when fully phased-in) of the lesser of qualified production activities income" or taxable income as defined in the Act beginning in 2005. The tax benefits of this deduction are to be recognized in the year in which they are reported on the tax return. The Act also allows for a special one-time tax deductions of 85 percent of certain foreign earnings that are repatriated to a US taxpayer, provided certain criteria are met. The adoption of the Act did not have a material impact on the Company's financial position, results of operation or cash flows.

In November 2004, The FASB issued SFAS No. 151, "Inventory Cost or Amendment of ARB No. 43, Chapter 4." This Statement amends AR 13 No. 43, to clarify abnormal amounts of facility expense, freight, handling costs and wasted material should be recognized in current-period charges. In addition, this Statement requires that allocation of fixed production overhead to the costs on conversion be based on the normal capacity of the production facilities. This provision is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. SAFS No. 151 is not expected to have an impact on the Company's financial position, results of operations or cash flows.

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In December 2004, the FASB revised its SFAS No. 123 (SFAS No. 123R), "Accounting for Stock Based Compensation." The revision established standards for the accounting of transactions in which an entity exchanges its equity instruments for goods or services particularly transaction in which an entity obtains employee services in share based payment transactions. The revised statement requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost is to be recognized over the period during which the employee is required to provide service in exchange for the award. Changes in fair value during the requisite service period are to be recognized as compensation cost over that period. In addition the revised statement amends SFAS No. 95, "Statement of Cash Flows," to require that excess tax benefits be reported as a financing cash flow rather than as a reduction of taxes paid. The provisions of the revised statement are effective for financial statements issued for the first annual reporting period beginning after June 15, 2005, with early adoption encouraged. The adoption of this standard is not expected to have a material impact on the company's financial position, results of operations, or cash flows.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets - An Amendment of APB Opinion No. 29." APB Opinion No. 29, "Accounting For Nonmonetary Transactions," is based on the opinion that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. SFAS No. 153 amends Opinion No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets whose results are not expected to significantly change the future cash flows of the entity. The provisions of this Statement is effective for nonmonetary asset exchanges

29

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
For the Fiscal Years Ended June 2, 2006, June 3, 2005 and May 28, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

occurring in the Company's fiscal year 2006. The adoption of SFAS No. 153 did not have a material impact on the Company's financial position, results of operations or cash flows.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3." This statement carries forward without change the guidance contained in APB Opinion No. 20 for reporting the correction of an error in previously issued financial statements and changes the requirements for the accounting for and reporting of a change in accounting principle. This Statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS No. 154 is not expected to have a significant impact on the Company's results of operations or financial position.

In September 2005, FASB issued its consensus on EITF Issue No. 04-13, Accounting for Purchases and Sales of Inventory with the Same Counterparty. This consensus concludes that an entity is required to treat sales and purchases of inventory between the entity and the same counterparty as one transaction for purposes of

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applying APB Opinion No. 29, Accounting for Nonmonetary Transactions, when the transactions are entered into in contemplation of each other. The consensus should be applied to new arrangements entered into, or modifications or renewals of existing arrangements, in the first interim or annual reporting period beginning after March 15, 2006. This consensus is not expected to have a material effect on the Company's financial position, results of operation or cash flows.

In March 2005, the FASB issued FIN No. 47 (FIN47) "Accounting for Conditional Asset Retirement Obligations, an Interpretation of SFAS No. 143." This Interpretation clarifies that a conditional retirement obligation refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. The liability should be recognized when incurred, generally upon acquisition, construction or development of the asset. FIN 47 is effective no later than the end of the fiscal year ending after December 15, 2005. The Company adopted the provisions of FIN 47 during the fourth quarter of 2005. The adoption had no impact on the financial condition, results of operations or cash flows.

30

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
 For the Fiscal Years Ended June 2, 2006, June 3, 2005 and May 28, 2004

NOTE 2 - CHANGE IN ACCOUNTING POLICY

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. The accounting change also increased net income before the cumulative effect in 2005 by \$240,028 (\$.02) per share.

| | | First | | Second | | Third |
|---------------------------------|----|-------|----|--------|----|--------|
| | | | | | | |
| Basic earnings per share | | | | | | |
| Net income (loss) - as reported | \$ | 0.02 | \$ | - | \$ | (0.04) |
| Net income (loss) - pro forma | | 0.01 | | - | | (0.01) |
| Diluted earnings per share | | | | | | |
| Net income (loss) - as reported | \$ | 0.02 | \$ | - | \$ | (0.04) |
| Net income (loss) - pro forma | | 0.01 | | - | | (0.01) |

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NOTE 3- NOTES RECEIVABLE

Notes receivable as of June 2, 2006 and June 3, 2005 consist of the following:

| | 2006 | |
|---|-----------------|-----------|
| | ---- | |
| 8% note, due in 120 monthly installments of \$3,640 through November 1, 2010, collateralized by property..... | \$ 164,608 | \$ |
| 8% note, due in 360 monthly installments of \$12,474 through November 1, 2030, collateralized by property..... | 1,605,820 | |
| | ----- | |
| | 1,770,428 | |
| Less current portion..... | 53,672 | |
| | ----- | |
| | \$ 1,716,756 | \$ |
| | ===== | ===== |
| Maturities at Year End | | |
| | 2008..... | 58,126 |
| | 2009..... | 62,951 |
| | 2010..... | 68,176 |
| | 2011..... | 51,630 |
| | 2012..... | 32,804 |
| | Thereafter..... | 1,443,069 |

31

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
For the Fiscal Years Ended June 2, 2006, June 3, 2005 and May 28, 2004

NOTE 4 - PREPAID EXPENSES

At June 2, 2006 and June 3, 2005, prepaid expenses consist of the following:

| | 2006 | | 2005 |
|-----------------------------|--------------|----|-----------|
| | ----- | | ----- |
| Prepaid slotting fees..... | \$ 177,479 | \$ | 421,198 |
| Other prepaid expenses..... | 1,430,980 | | 2,015,550 |
| | ----- | | ----- |
| | \$ 1,608,459 | \$ | 2,436,748 |
| | ===== | | ===== |

NOTE 5 - OTHER ACCRUED EXPENSES

At June 2, 2006 and June 3, 2005, other accrued expenses consist of the following:

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| | 2006 | 2005 |
|-------------------------------|--------------|--------------|
| | ----- | ----- |
| Accrued payroll..... | \$ 461,050 | \$ 468,047 |
| Self insurance liability..... | 1,885,500 | 1,931,800 |
| Accrued vacation..... | 1,402,369 | 1,410,187 |
| Other accrued expenses..... | 978,834 | 891,692 |
| | ----- | ----- |
| | \$ 4,727,753 | \$ 4,701,726 |
| | ===== | ===== |

NOTE 6- LINE OF CREDIT

The Company has a line of credit agreement with a local bank which permits borrowing up to \$2 million. The balance on the line of credit at June 2, 2006 was \$313,923 a rate of 8.00%. 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 7 - LONG-TERM LIABILITIES

At June 2, 2006 and June 3, 2005, long-term debt consists of the following:

| | 2006 | 2005 |
|--|--------------|--------------|
| | ----- | ----- |
| Note payable - bank - payable in equal monthly installments of \$65,108 including interest at the LIBOR index rate plus 1.75% (6.77% at June 2, 2006) through November 30, 2007, secured by equipment..... | \$ 1,003,794 | \$ 1,704,170 |
| Less: current portion..... | 750,176 | 690,330 |
| | ----- | ----- |
| | \$ 253,618 | \$ 1,013,840 |
| | ===== | ===== |
| | | 200 |
| | | ----- |
| Maturities at June 2, 2006..... | | \$ 253,618 |
| | | ===== |

NOTE 7- LONG-TERM LIABILITIES - CONTINUED

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Other long-term obligations at June 2, 2006 and June 3, 2005 consist of the following:

| | 2006 | 2005 |
|-------------------------------|--------------|--------------|
| | ----- | ----- |
| Salary continuation plan..... | \$ 1,773,899 | \$ 1,839,797 |
| Less: current portion..... | (112,536) | (103,912) |
| | ----- | ----- |
| | \$ 1,661,363 | \$ 1,735,885 |
| | ===== | ===== |

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 \$38,058, \$34,178 and \$30,576 for fiscal 2006, 2005 and 2004, respectively.

NOTE 8 - INCOME TAXES

At June 2, 2006, June 3, 2005 and May 28, 2004 the provision for income taxes consists of the following:

| | 2006 | 2005 | 2004 |
|--------------|------------|-------------|------------|
| | ----- | ----- | ----- |
| Current: | | | |
| Federal..... | \$ 523,353 | \$ (55,620) | \$ 101,350 |
| State..... | 65,082 | (6,890) | 12,550 |
| | ----- | ----- | ----- |
| | 588,435 | (62,510) | 113,900 |
| Deferred: | | | |
| Federal..... | (169,111) | 155,191 | (27,859) |
| State..... | (20,938) | 17,284 | (2,392) |
| | ----- | ----- | ----- |
| | (190,049) | 172,475 | (30,251) |
| | ----- | ----- | ----- |
| Total..... | \$ 398,386 | \$ 109,965 | \$ 83,649 |
| | ===== | ===== | ===== |

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
For the Fiscal Years Ended June 2, 2006, June 3, 2005 and May 28, 2004

NOTE 8- 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:

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| | 2006 | 2005 |
|---|------------|------------|
| | ----- | ----- |
| Tax on income at statutory rates..... | \$ 233,689 | \$ 32,327 |
| (Decrease) increase resulting from:..... | | |
| State income taxes, less Federal income tax effect..... | 42,954 | (4,547) |
| Tax exempt interest..... | (881) | (1,142) |
| Change in valuation allowance..... | 36,040 | 57,559 |
| Other - net..... | 86,584 | 25,768 |
| | ----- | ----- |
| Total..... | \$ 398,386 | \$ 109,965 |
| | ===== | ===== |

The tax effects of temporary differences that result in deferred tax assets and liabilities are a

| | 2006 |
|---|--------------|
| | ----- |
| Deferred tax assets..... | |
| Salary continuation plan..... | \$ 650,489 |
| Accrued vacation..... | 514,248 |
| Contribution carryforward..... | 423,569 |
| Inventory capitalization..... | 16,463 |
| Allowance for doubtful accounts..... | 48,926 |
| Other accrued expenses..... | 155,421 |
| | ----- |
| Gross deferred tax assets before valuation allowance..... | 1,809,116 |
| Less valuation allowance..... | (268,599) |
| | ----- |
| Total deferred tax assets..... | 1,540,517 |
| | ----- |
| Deferred tax liabilities..... | |
| Property and equipment..... | 1,659,487 |
| Prepaid expenses..... | 65,082 |
| | ----- |
| Total deferred tax liabilities..... | 1,724,569 |
| | ----- |
| Net deferred tax liability..... | \$ (184,052) |
| | ===== |

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
For the Fiscal Years Ended June 2, 2006, June 3, 2005 and May 28, 2004

NOTE 9- EMPLOYEE BENEFIT PLANS

The Company has trustee "Qualified Profit-Sharing Plans" that were amended and restated effective June 1, 1996 to add a 401(k) salary reduction provision. Under this provision, employees can contribute up to fifty percent of their

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compensation to the plan on a pretax basis subject to regulatory limits; and the Company, at its discretion, can match up to 4 percent of the participants' compensation. The annual contributions to the plans are determined by the Board of Directors. Total plan expenses for the years ended June 2, 2006, June 3, 2005, and May 28, 2004 were \$122,641, \$129,529 and \$94,683 respectively.

The Company has an Employee Stock Ownership Plan that covers all full-time employees. The annual contributions to the plan are amounts determined by the Board of Directors of the Company. Annual contributions are made in cash or common stock of the Company. The Employee Stock Ownership Plan expenses for the years ended June 2, 2006, June 3, 2005 and May 28, 2004 were \$-0-. Each participant's account is credited with an allocation of shares acquired with the Company's annual contributions, dividends received on ESOP shares and forfeitures of terminated participants' nonvested accounts.

The Company has a salary continuation plan with certain of its key officers whereby monthly benefits will be paid for a period of fifteen years following retirement. The Company is accruing the present value of such retirement benefits until the key officers reach normal retirement age at which time the principal portion of the retirement benefits paid are applied to the liability previously accrued. The change in the liability for the Salary Continuation Plan is as follows:

| | 2006 | 2005 |
|---|--------------|--------------|
| | ----- | ----- |
| Accrued Salary Continuation Plan - beginning of year..... | \$ 1,839,797 | \$ 1,901,567 |
| Benefits Accrued..... | 38,058 | 34,178 |
| Benefits Paid..... | (103,956) | (95,948) |
| | ----- | ----- |
| Accrued Salary Continuation Plan - end of year..... | \$ 1,773,899 | \$ 1,839,797 |
| | ===== | ===== |

NOTE 10 - LONG-TERM INCENTIVE PLANS

The Company has a long-term incentive plan currently in effect under which future stock option grants may be issued. This Plan (the 1996 Plan) is administered by the Stock Option Committee of the Board of Directors, which has sole discretion, subject to the terms of the Plan, to determine those employees, including executive officers, eligible to receive awards and the amount and type of such awards. The Stock Option Committee also has the authority to interpret the Plan, formulate the terms and conditions of award agreements and make all other determinations required in the administration thereof. All options outstanding at the end of the 2006, 2005, and 2004 are exercisable.

The 1996 Plan provides for the granting of Incentive Stock Options as defined under the Internal Revenue Code. Under the Plan, grants may be made to selected officers and employees, of incentive stock option with a term not exceeding ten years from the issue date and at a price not less than the fair market value of the Company's stock at the date of grant.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
For the Years Ended June 2, 2006, June 3, 2005 and May 28, 2004

NOTE 10 - LONG-TERM INCENTIVE PLANS - CONTINUED

Five hundred thousand shares of the Company's stock have been reserved for issuance under this Plan. The following is a summary of transactions:

| Shares Under Option | 2006 | | 2005 | | 2004 | |
|---------------------------------|---------|---------------------------------|---------|---------------------------------|---------|---------------------------------|
| | Shares | Weighted Average Exercise Price | Shares | Weighted Average Exercise Price | Shares | Weighted Average Exercise Price |
| Outstanding - beginning of year | 369,000 | \$ 3.78 | 369,000 | \$ 3.78 | 369,000 | \$ 3.78 |
| Granted..... | - | - | - | - | - | - |
| Exercised..... | - | - | - | - | - | - |
| Forfeited..... | - | - | - | - | - | - |
| Cancelled..... | - | - | - | - | - | - |
| Outstanding - end of year..... | 369,000 | \$ 3.78 | 369,000 | \$ 3.78 | 369,000 | \$ 3.78 |

Pro forma information regarding net income and earnings per share is presented as if the Company had accounted for its employees stock options under the fair value method. The per share weighted average fair value of the stock options granted during fiscal 2002 was \$.25. The fair value of these options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate 5.05 percent; dividend yield 6.56 percent; expected option life of 5 years; and expected volatility of 15 percent.

The Black-Scholes options pricing model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect an option's fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of it employee stock options.

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
For the Fiscal Years Ended June 2, 2006, June 3, 2005 and May 28, 2004

NOTE 11 - NET INCOME PER SHARE

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Basic earnings per common share are computed by dividing earnings available to stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects per share amounts that would have resulted if dilutive potential common stock equivalents had been converted to common stock, as prescribed by Statement of Financial Accounting Standards No. 128, "Earnings per Share". At June 2, 2006, the effect of options was computed on the 40,000 shares of common stock that were dilutive at that time. Options on the remaining 329,000 shares were not included in the computation of diluted earnings per share because the options' exercise price were greater than the average market price of the common shares and, therefore, the effect would be antidilutive. At June 3, 2005 and May 28, 2004 options on all 329,000 common shares were antidilutive. The following reconciles the information used to compute basic and diluted earnings per share:

| | Average Common Stock Shares | | |
|--|-----------------------------|------------|------------|
| | 2006 | 2005 | 2004 |
| Basic weighted average shares outstanding... | 11,835,330 | 11,846,419 | 11,879,891 |
| Effect of options..... | 329 | - | - |
| Diluted shares..... | 11,835,659 | 11,846,419 | 11,879,891 |

NOTE 12 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The Statement of Financial Accounting Standards No. 107, Disclosures About Fair Value of Financial Instruments requires disclosure of fair value information about financial instruments, whether or not recognized on the face of the balance sheet, for which it is practical to estimate that value. SFAS 107 defines fair value as the quoted market prices for those instruments that are actively traded in financial markets. In cases where quoted market prices are not available, fair values are estimated using present value or other valuation techniques. The fair value estimates are made at a specific point in time, based on available market information and judgments about the financial instrument, such as estimates of timing and amount of expected future cash flows. Such estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument, nor do they consider the tax impact of the realization of unrealized gains or losses. In many cases, the fair value estimates cannot be substantiated by comparison to independent markets, nor can the disclosed value be realized in immediate settlement of the instrument.

The carrying amounts for cash and cash equivalents approximate fair value because of the short maturity, generally less than three months, of these instruments.

The fair value of notes receivable is estimated by using a discount rate that approximates the current rate for comparable notes. At June 2, 2006 and June 3, 2005 the aggregate fair value was approximately \$2,090,955 and \$2,364,641 compared to a carrying amount of \$1,770,428 and \$1,819,986, respectively.

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GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
For the Fiscal Years Ended June 2, 2006, June 3, 2005 and May 28, 2004

NOTE 12 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS -CONTINUED

The interest rate on the Company's long-term debt is reset monthly to reflect the 30 day LIBOR rate. Consequently, the carrying value of the bank debt approximates fair value.

The carrying value of the Company's salary continuation plan and accrued liability approximates fair value because present value is used in accruing this liability.

The Company does not hold or issue financial instruments for trading purposes and has no involvement with forward currency exchange contracts.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Rental expense was \$354,261 in 2006, \$316,724 in 2005 and \$493,028 in 2004. At June 2, 2006, the Company was not obligated under any significant operating leases.

The Company leases its airplane to a major shareholder of the Company for approximately \$20,000 per month. The lease provides for their personal use of the airplane for up to 100 flight hours per year and is for a term of one year with automatic renewal at the option of either party.

The Company had letters of credit in the amount of \$3,084,365 outstanding at June 2, 2006 to support the Company's commercial self-insurance program. The Company pays a commitment fee of 0.50% to maintain the letters of credit.

The Company entered into a five-year term product purchase commitment during the year ending June 1, 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. The Company, as of June 2, 2006, has no outstanding long term product purchase commitments.

The Company has entered into various other short term purchase commitments with suppliers for raw materials in the normal course of business.

The Company is subject to routine litigation and claims incidental to its business. In the opinion of management, such routine litigation and claims should not have a material adverse effect upon the Company's consolidated financial statements taken as a whole.

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For the Fiscal Years Ended June 2, 2006, June 3, 2005 and May 28, 2004

NOTE 14 - CONCENTRATIONS OF CREDIT RISK

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 are limited.

The Company's notes receivable require collateral and management believes they are well secured.

NOTE 15 - QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a summary of the unaudited quarterly results of operations of the years ended June 2, 2006 and June 3, 2005.

| | Net Sales | Net (Loss) Income | Per Share Net (Loss) Income |
|-------------------|----------------|----------------------|-----------------------------------|
| | ----- | ----- | ----- |
| Quarter | | | |
| 2006 | | | |
| ---- | | | |
| First..... | \$ 26,031,836 | \$ (64,242) | \$ (0.01) |
| Second..... | 25,430,115 | (289,031) | (0.02) |
| Third..... | 26,819,759 | 490,297 | 0.04 |
| Fourth..... | 28,264,986 | 151,912 | 0.01 |
| | ----- | ----- | ----- |
| For the year..... | \$ 106,546,696 | \$ 288,936 | \$ 0.02 |
| | ===== | ===== | ===== |
| 2005 | | | |
| ---- | | | |
| First..... | \$ 24,766,426 | \$ 65,737 | \$ 0.01 |
| Second..... | 24,851,760 | 47,151 | - |
| Third..... | 27,012,648 | (136,754) | (0.01) |
| Fourth..... | 26,513,145 | 8,942 | - |
| | ----- | ----- | ----- |
| For the year..... | \$ 103,143,979 | \$ (14,924) | \$ - |
| | ===== | ===== | ===== |

Quarterly net income amounts for 2005 have been adjusted from amounts reported in the Company's 10-Q's to reflect the change in accounting discussed in Note 2.

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GOLDEN ENTERPRISES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
For the Fiscal Years Ended June 2, 2006, June 3, 2005 and May 28, 2004

NOTE 16 - SUPPLEMENTARY STATEMENT OF INCOME INFORMATION

The following tabulation gives certain supplementary statement of income information for continuing operations for the years ended June 2, 2006, June 3, 2005 and May 28, 2004:

| | 2006 | 2005 | 2004 |
|------------------------------|--------------|--------------|--------------|
| | ----- | ----- | ----- |
| Maintenance and repairs..... | \$ 6,274,607 | \$ 6,036,556 | \$ 5,914,221 |
| Depreciation..... | 2,284,669 | 2,267,718 | 2,346,880 |
| Payroll taxes..... | 2,341,678 | 2,379,888 | 2,241,443 |
| Advertising costs..... | 5,970,393 | 5,503,641 | 4,609,366 |

Amounts for other taxes, rents and research and development costs are not presented because each of such amounts is less than 1% of total revenues.

NOTE 17 - SUBSEQUENT EVENT

A purchase and sales agreement was executed by and between Golden Flake Snack Foods, Inc. as Seller, and Educational Development Company of America, LLC & Waterbury Companies, LLC as Purchaser, with an effective date of June 26, 2006, for the sale of approximately 12 acres of land located adjacent to the Company's office headquarters and manufacturing plant in Birmingham, Alabama. The purchase price is \$1,500,000.00.

40

ITEM 9. - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS
ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable.

ITEM 9A. - 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 fiscal year ended June 2, 2006. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of the end of the fiscal year ended June 2, 2006, 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.

ITEM 9B. - OTHER INFORMATION

Not Applicable.

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PART III

ITEM 10. - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

With the exception of information set forth under the caption Executive Officers of the Registrant and Its Subsidiary which appears in Part I of this Form 10-K on Page 6, the information required by this item is incorporated by reference to the sections entitled "Election of Directors," "Additional Information Concerning the Board of Directors," "Executive Compensation and Other Information," "Section 16(a) Beneficial Ownership Reporting Compliance" and "Code of Conduct and Ethics" of the Company's Proxy Statement for the 2006 Annual Meeting of Stockholders to be held September 21, 2006.

ITEM 11. - EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the sections entitled "Executive Compensation and Other Information" of the Company's Proxy Statement for the 2006 Annual Meeting of Stockholders to be held September 21, 2006. See Item 5 of this Annual Report on Form 10-K for information concerning the Company's equity compensation plans.

ITEM 12. - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated by reference to the sections entitled "Security Ownership of Certain Beneficial Owners and Management" and "Section 16(a) Beneficial Ownership Reporting Compliance," of the Company's Proxy Statement for the 2006 Annual Meeting of Stockholders to be held September 21, 2006.

41

ITEM 13. - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated by reference to the section entitled "Certain Transactions" of the Company's Proxy Statement for the 2006 Annual Meeting of Stockholders to be held September 21, 2006.

ITEM 14. - PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference to the section entitled "Independent Accountants" of the Company's Proxy Statement for the 2006 Annual Meeting of Stockholders to be held September 21, 2006.

Prior to September 29, 2006, the Company will file a definitive Proxy Statement with the Securities and Exchange Commission pursuant to Regulation 14A which involves the election of directors.

42

PART IV

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ITEM 15.- EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. LIST OF FINANCIAL STATEMENTS

The following consolidated financial statements of Golden Enterprises, Inc., and subsidiary required to be included in Item 8 are listed below:

Consolidated Balance Sheets - June 2, 2006 and June 3, 2005

Consolidated Statements of Operations- Years ended June 2, 2006, June 3, 2005 and May 28, 2004

Consolidated Statements of Changes in Stockholders' Equity- Years ended June 2, 2006, June 3, 2005, and May 28, 2004

Consolidated Statements of Cash Flows- Years ended June 2, 2006, June 3, 2005 and May 28, 2004

Notes to Consolidated Financial Statements

(a) 2. LIST OF FINANCIAL STATEMENT SCHEDULES

The following consolidated financial statements schedule is included in Item 15 (c):

Schedule II- Valuation and Qualifying Accounts

All other schedules are omitted because the information required therein is not applicable, or the information is given in the financial statements and notes thereto.

(a) 3. 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

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

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- 10.8 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).
 - 10.9 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).
 - 10.10 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).
 - 10.11 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).
 - 10.12 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).
 - 10.13 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).
 - 10.14 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).
 - 10.15 Lease of aircraft executed by and between Golden Flake Snack Foods, Inc., a wholly-owned subsidiary of Golden Enterprises, Inc., and Joann F. Bashinsky dated February 1, 2006.
 - 10.16 Purchase and Sale Agreement executed by and between Golden Flake Snack Foods, Inc., as Seller, and Educational Development Company of America, LLC & Waterbury Companies, LLC, as Purchaser, with an effective date of June 26, 2006, for the sale of approximately 12 acres of land located adjacent to the Company's Office Headquarters and Manufacturing Plant in Birmingham, Alabama.
- (14) Code of Ethics
- 14.1 Golden Enterprises, Inc.'s Code of Conduct and Ethics adopted by the Board of Directors on April 8, 2004 (incorporated by reference to Exhibit 14.1 to Golden Enterprises, Inc. May 31, 2004 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.'s June 3, 2005 Form 10-K filed with the Commission)

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- 21 Subsidiaries of the Registrant (incorporated by reference to Exhibit 21 to Golden Enterprises, Inc. May 31, 2004 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.
 - 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 Sarbanes-Oxley Act of 2002.

- (99) Additional Exhibits
 - 99.1 A copy of excerpts of the Last Will and Testament and Codicils thereto of Sloan Y. Bashinsky, Sr. and of the SYB Common Stock Trust created by Sloan Y. Bashinsky, Sr. providing for the creation of a Voting Committee to vote the shares of common stock of Golden Enterprises, Inc. held by SYB, Inc. and the Estate/Testamentary Trust of Sloan Y. Bashinsky, Sr. (incorporated by reference to Exhibit 99.1 to Golden Enterprises, Inc.'s June 3, 2005 Form 10-K filed with the Commission).

46

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GOLDEN ENTERPRISES, INC.

| | |
|---|--------------------------|
| By /s/Patty Townsend ----- | August 25, 2006 ----- |
| Patty Townsend Vice President, Secretary and Principal Financial Officer | Date |

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

| Signature ----- | Title ----- | Date ---- |
|---------------------------|-------------------|-----------------|
| /s/John S. Stein ----- | Chairman of Board | August 25, 2006 |
| John S. Stein | | |

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| | | |
|--|--|-----------------|
| /s/Mark W. McCutcheon ----- Mark W. McCutcheon | Chief Executive Officer, President and Director | August 25, 2006 |
| /s/Patty Townsend ----- Patty Townsend | Vice President, Secretary and Principal Financial Officer | August 25, 2006 |
| /s/F. Wayne Pate ----- F. Wayne Pate | Director | August 25, 2006 |
| /s/Edward R. Pascoe ----- Edward R. Pascoe | Director | August 25, 2006 |
| /s/John P. McKleroy, Jr. ----- John P. McKleroy, Jr. | Director | August 25, 2006 |
| /s/James I. Rotenstreich ----- James I. Rotenstreich | Director | August 25, 2006 |
| /s/John S.P. Samford ----- John S.P. Samford | Director | August 25, 2006 |
| /s/J. Wallace Nall, Jr. ----- J. Wallace Nall, Jr. | Director | August 25, 2006 |
| /s/Joann F. Bashinsky ----- Joann F. Bashinsky | Director | August 25, 2006 |

47

SCHEDULE II

GOLDEN ENTERPRISES, INC. AND SUBSIDIARY

VALUATION AND QUALIFYING ACCOUNTS

For the Fiscal Years Ended June 2, 2006, June 3, 2005 and May 28, 2004

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| Allowance for Doubtful Accounts | Balance at Beginning of Year | Additions Charged to Costs and Expenses | Deductions | Balance at end of Year |
|---------------------------------|------------------------------|---|------------|------------------------|
| Year ended May 28, 2004 | \$196,100 | \$131,771 | \$142,871 | \$184,000 |
| Year ended June 3, 2005 | \$185,000 | \$174,455 | \$202,988 | \$156,467 |
| Year ended June 2, 2006 | \$156,467 | \$23,676 | \$46,721 | \$133,422 |

48

INDEX TO EXHIBITS

| | Page |
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49

Page

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50

Page

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| | | |
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