

GOTTSCHALKS INC  
Form 11-K  
June 25, 2004

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

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FORM 11-K

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(MARK ONE)

Annual Report Pursuant to Section 15(d) of the Securities Exchange Act of 1934 (No Fee Required)

**For the fiscal year ended December 31, 2003**

OR

Transition Report Pursuant to Section 15(d) of the Securities Exchange Act of 1934 (No Fee Required) for the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-09100

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

GOTTSCHALKS Inc. Retirement Savings Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

GOTTSCHALKS Inc.  
7 River Park Place East  
Fresno, CA 93720  
(559) 434-4800

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SIGNATURE

The Plan

. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustee (or other persons who administer the employee benefit plan) has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

GOTTSCHALKS Inc

.  
Retirement Savings Plan

Date: June 25, 2004

By /s/ J. Gregory Ambro  
Chief Administrative Officer

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GOTTSCHALKS Inc.  
Retirement Savings Plan  
Financial Statements  
December 31, 2003 and 2002

GOTTSCHALKS INC.  
RETIREMENT SAVINGS PLAN

Financial Statements and Supplemental Schedules  
December 31, 2003 and 2002

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INDEPENDENT ACCOUNTANTS' REPORT

To the Participants and  
Plan Administrator of the  
GOTTSCHALKS Inc.  
Retirement Savings Plan

We have audited the financial statements of the GOTTSCHALKS Inc. Retirement Savings Plan (the Plan) as of December 31, 2003 and 2002, and for the years then ended, as listed in the accompanying table of contents. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Plan's management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2003 and 2002, and the changes in net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules, as listed in the accompanying table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

By /s/ Mohler, Nixon & Williams

MOHLER, NIXON & WILLIAMS  
Accountancy Corporation

Campbell, California  
May 25, 2004

GOTTSCHALKS INC.  
RETIREMENT SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

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	December 31,	
	2003	2002
	-----	-----
Assets:		
Investments, at fair value	\$32,270,052	\$22,715,665
Participant loans	1,038,666	1,049,277
	-----	-----
Assets held for investment purposes	33,308,718	23,764,942
Employer's contribution receivable	252,317	286,039
	-----	-----
Net assets available for benefits	\$33,561,035	\$24,050,981
	=====	=====

See notes to financial statements.

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GOTTSCHALKS INC.  
RETIREMENT SAVINGS PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	Years ended December 31,	
	2003	2002
Additions to net assets attributed to:		
Investment income (loss):		
Dividends and interest	\$ 505,554	\$ 532,904
Net realized and unrealized appreciation (depreciation) in fair value of investments	7,466,154	(4,608,726)
	7,971,708	(4,075,822)
Contributions:		
Participants'	3,672,193	4,153,580
Employer's	1,127,934	1,347,118
	4,800,127	5,500,698
Total additions	12,771,835	1,424,876
Deductions from net assets attributed to:		
Withdrawals and distributions	(3,083,458)	(2,824,979)
Administrative expenses	(178,323)	(97,788)
Total deductions	(3,261,781)	(2,922,767)
Net increase (decrease) in net assets	9,510,054	(1,497,891)
Net assets available for benefits:		
Beginning of year	24,050,981	25,548,872
End of year	\$33,561,035	\$24,050,981

See notes to financial statements.

GOTTSCHALKS INC.  
RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002

Note 1 - The Plan and its significant accounting policies

General -

The following description of the GOTTSCHALKS Inc. Retirement Savings Plan (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

The Plan is a defined contribution plan that was established in 1986 by Gottschalks Inc. (the Company) to provide benefits to eligible employees, as defined in the Plan document. The Plan covers all full-time employees of the Company who have a minimum of one year of service with not less than 1,000 hours of service, are age 21 or older and not otherwise covered by a collective bargaining agreement, or a leased employee. The Plan administrator believes that the Plan is currently designed and operated in compliance with the applicable requirements of the Internal Revenue Code, as amended and the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

Effective January 1, 2002, the Plan was amended to comply with recent changes to the relevant provisions of the Internal Revenue Code.

Administration -

The Company has appointed the Plan Administration Committee (the Committee) to manage the operation and administration of the Plan. A third-party administrator, appointed by the Committee, processes and maintains the records of participant data. The Company has contracted with The Charles Schwab Trust Company (Charles Schwab) to act as the trustee. All significant expenses incurred for administering the Plan are paid by the Company, except for loan fees, which are paid by the participants, and an annual management trustee fee, which is paid by the Plan.

Estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Basis of accounting -

The financial statements of the Plan are prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

Forfeited accounts -

Forfeited nonvested accounts at December 31, 2003 totaled approximately \$1,800 and will be used to reduce future employer contributions. Forfeitures utilized to reduce the employer's contribution for the years ended December 31, 2003 and 2002 amounted to approximately \$53,000 and \$31,200, respectively.

Investments -

Investments of the Plan are held by Charles Schwab, and invested based solely upon instructions received from participants for participant directed funds. Participants can direct their employee contributions among any of the investment options. No assurance of actual fund performance can be given. Employer contributions to the Plan are nonparticipant-directed and invested in the Gottschalks Inc. Common Stock Fund.

The Plan's investments in a common collective trust, mutual funds and common stock are valued at fair value as of the last day of the Plan year, as measured by quoted market prices or as reported by Charles Schwab. Participant loans are valued at cost, which approximates fair value.

Cash and cash equivalents -

All highly liquid investments purchased with an original maturity of three months or less (generally money market funds) are considered to be cash equivalents. These investments are usually held for a short period of time, pending long-term investment.

Income taxes -

The Plan has received a favorable determination letter dated August 20, 2003. The Company believes that the Plan is operated in accordance with, and qualifies under, the applicable requirements of the Internal Revenue Code and related state statutes, and that the trust, which forms a part of the Plan, is exempt from federal income and state franchise taxes.

Reconciliation of financial statements to Form 5500 -

The differences between the information reported in the financial statements and the information reported in the Form 5500 arise primarily from presenting the financial statements on the accrual basis of accounting.

Risks and uncertainties -

The Plan provides for various investment options in any combination of investment securities offered by the Plan, including Company common stock. Investment securities are exposed to various risks, such as interest rate, market fluctuations and credit risks. Due to the risk associated with certain investment securities, it is at least reasonably possible that changes in market values, interest rates or other factors in the near term could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits and the statements of changes in net assets available for benefits.

Note 2 - Related party transactions

Certain Plan investments are managed by Charles Schwab, the trustee of the Plan. Any purchases and sales of these funds are performed in the open market at fair market value. Such transactions, while considered party-in-interest transactions under ERISA regulations, are permitted under the provisions of the Plan and are specifically exempt from the prohibition of party-in-interest transactions under ERISA.

Employer contributions are invested in common stock of the Company. In addition, as allowed by the Plan, participants may elect to invest a portion of their accounts in the common stock of the Company. Aggregate



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investment in Company common stock at December 31, 2003 and 2002 was as follows:

<u>Date</u>	<u>Number of shares</u>	<u>Fair value</u>	<u>Cost</u>
2003	1,926,972	\$6,782,941	\$8,030,506
2002	1,511,716	\$2,343,160	\$7,530,657

The Gottschalks Inc. Common Stock Fund invests primarily in the Company's common stock. The remainder of the fund is invested in the Schwab Retirement Money Fund to allow for timely handling of exchanges, withdrawals and distributions. Investments in the Retirement Money Fund were \$31,265 and \$10,678 at December 31, 2003 and 2002, respectively.

Note 3 - Participation and benefits

Participant contributions -

Participants may elect to have the Company contribute up to 100% of their eligible pre-tax compensation not to exceed the amount allowable under current income tax regulations. Participants who elect to have the Company contribute a portion of their compensation to the Plan agree to accept an equivalent reduction in taxable compensation. Contributions withheld are invested in accordance with the participant's direction and are allocated to funds in whole percentage increments.

Participants are also allowed to make rollover contributions of amounts received from other tax-qualified employer-sponsored retirement plans. Such contributions are deposited in the appropriate investment funds in accordance with the participant's direction and the Plan's provisions.

Employer contributions -

The Company is allowed to make matching contributions as defined in the Plan and as approved by the Board of Directors. The Company's contributions may be made in the form of cash or common stock of the Company. An employee must be employed on the last day of the calendar quarter and have made a contribution to the Plan during the quarter to receive matching contributions. During 2003 and 2002, the Company made discretionary contributions on a quarterly basis of up to 3% of a participants' quarterly eligible compensation. The Company's actual contribution is reduced by available forfeitures, if any, during the Plan year.

Vesting -

Participants are immediately vested in their contributions. Participants vest ratably and are fully vested in the employer's matching contributions allocated to their account after four years of credited service, after age 65 or because of disability or death.

Participant accounts -

Each participant's account is credited with the participant's contribution, Plan earnings or losses and an allocation of the Company's contribution, if any. Allocation of the Company's contribution is based on participant contributions or eligible compensation, as defined in the Plan.

Payment of benefits -

Upon termination, the participants or beneficiaries will receive their total benefits in a lump sum amount in cash, or for any portion of the account that is invested in employer stock only, in cash or employer stock, equal to the value of the participant's vested interest in their account. The Plan allows for automatic lump sum distribution of participant vested account balances that do not exceed \$5,000.

Loans to participants -

The Plan allows participants to borrow not less than \$500 and up to the lesser of \$50,000 or 50% of their vested account balance. The loans are secured by the participant's vested balance. Such loans bear interest at the available market financing rates and must be repaid to the Plan within a five-year period, unless the loan is used for the purchase of a principal residence in which case the maximum repayment period may be longer. The specific terms and conditions of such loans are established by the Committee. Outstanding loans at December 31, 2003 carry interest rates ranging from 5% to 10.5%.

Note 4 - Plan obligations

Included in net assets available for benefits at December 31, 2003 and 2002 are benefits due to withdrawing participants for benefit claims, which have been processed and approved for payment prior to year end, but not yet paid, of approximately \$137,600 and \$84,400, respectively.

Note 5 - Investments

The following table presents the fair values of investments and investment funds that include 5% or more of the Plan's net assets at December 31:

	<u>2003</u>		<u>2002</u>
Schwab S&P 500 Fund	\$ 5,342,798	\$	3,774,495
Gottschalks Inc. Common Stock Fund	1,496,415		695,275
Gottschalks Inc. Common Stock Fund	5,317,791 *		1,658,563 *
One Group Bond Fund	3,422,508		3,396,246
Schwab Value Advantage Money Fund	46		2,562,386
Capital World Growth & Income Fund	1,890,178		
Gartmore Morley Stable Value	2,737,837		
Janus World Wide Fund			1,398,094
Other funds individually less than 5% of net assets	<u>13,101,145</u>		<u>10,279,883</u>
	\$ <u>33,308,718</u>	\$	<u>23,764,942</u>

\*Nonparticipant-directed

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The Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value as follows for the years ended December 31:

	<u>2003</u>		<u>2002</u>
Strategy Portfolio Funds	\$ 2,728,997	\$	(2,050,072)
Mutual Funds	1,108,545		(950,185)
Gottschalks Inc. Common Stock Fund	3,617,623		(1,608,469)
Common Collective Trust	<u>10,989</u>		<u>                    </u>
	\$ <u>7,466,154</u>	\$	<u>(4,608,726)</u>

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Note 6 - Nonparticipant-directed investments

Information about the net assets and the significant components of the changes in net assets relating to participant and nonparticipant-directed matching accounts is as follows for the years ended December 31:

	<u>2003</u>		<u>2002</u>
Net assets:	<u>\$ 5,317,791</u>		<u>\$ 1,658,563</u>
	Years ended December 31,		
	<u>2003</u>		<u>2002</u>
Changes in net assets:			
Contributions	\$ 1,127,934		\$ 1,347,118
Net appreciation (depreciation)	2,882,862		(1,284,070)
Benefits paid to participants	<u>(351,568)</u>		<u>(219,254)</u>

)

)

\$ 3,659,228

\$(156,206)

Note 7 - Plan termination or modification

The Company intends to continue the Plan indefinitely for the benefit of its participants; however, it reserves the right to terminate or modify the Plan at any time by resolution of its Board of Directors and subject to the provisions of ERISA. In the event the Plan is terminated in the future, participants would become fully vested in their accounts.

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SUPPLEMENTAL SCHEDULES

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EIN: 77-0159791  
PLAN #001GOTTSCHALKS INC.  
RETIREMENT SAVINGS PLANSCHEDULE H, LINE 4i -SCHEDULE OF ASSETS (HELD AT END OF YEAR)  
DECEMBER 31, 2003

	Identity of issue, borrower, lessor or similar party	Description of investment including mat rate of interest, collateral, par or mat
	Cash	
* **	Schwab Retirement Money Fund	Mutual Fund
*	Schwab Value Advantage Money Fund	Mutual Fund
*	Gottschalks Inc. Common Stock Fund	Common Stock
* **	Gottschalks Inc. Common Stock Fund	Common Stock
	Loomis Sayles Bond Fund	Mutual Fund
*	Managers Special Equity Fund	Mutual Fund
	Morgan Stanley Institution Mid-Cap Value Fund	Mutual Fund
	PIMCO Foreign Bond Fund	Mutual Fund
	PIMCO High-Yield Fund	Mutual Fund
*	Schwab S&P 500 Fund	Mutual Fund
	One Group Bond Fund	Mutual Fund
	Axa Rosenberg U.S. Small Cap Institutional Fund	Mutual Fund
	Capital World Growth & Income Fund	Mutual Fund
	Gartmore Morley Stable Value	Common Collective Trust
	Dodge & Cox Stock Fund	Mutual Fund
	Masters' Select International Fund	Mutual Fund
	PIMCO Short Term Institutional Fund	Mutual Fund
	Royce Low - Priced Stock Fund	Mutual Fund
	Tweedy, Browne Global Value Fund	Mutual Fund
	Wilshire Target Large Growth Investment Fund	Mutual Fund
*	Participant loans	Interest rates ranging from 5% to 10.5%

\* Parties-in-interest

\*\* Nonparticipant-directed

EIN: 77-0159791  
 PLAN #001

GOTTSCHALKS INC.  
 RETIREMENT SAVINGS PLAN

SCHEDULE H, LINE 4j - SCHEDULE OF REPORTABLE TRANSACTIONS  
 YEAR ENDED DECEMBER 31, 2003

Identity of party involved	Description of assets (include interest rate and maturity in case of a loan)	Purchase price	Selling price	Lease rental	Expense incurred with transaction	C a
Gottschalks Inc.	Common Stock	\$ 1,234,068				\$ 1,2
Gottschalks Inc.	Common Stock		\$ 358,076			\$ 7