ESCALADE INC
Form 10-K/A
March 14, 2007

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

Form 10-K/A (Amendment No. 1)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2005
Or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____________ to _____________

Commission File Number 0-6966

ESCALADE, INCORPORATED
(Exact name of registrant as specified in its charter)

Indiana	13-2739290
(State of incorporation)	(I.R.S. EIN)
817 Maxwell Ave, Evansville, Indiana	47711
(Address of principal executive office)	(Zip Code)

812-467-1334
(Registrant's Telephone Number)

Securities registered pursuant to Section 12(b) of the Act

Common Stock, No Par Value	The NASDAQ Stock Market LLC
(Title of Class)	(Name of Exchange on Which Registered)

Securities registered pursuant to section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Yes [ ] No [X]

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 [X]

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated

filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.
Large accelerated filer [ ]   Accelerated filer [X]   Non-accelerated filer [ ]

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

Aggregate market value of common stock held by nonaffiliates of the registrant as of July 9, 2005 based on the closing sale price as reported on the NASDAQ National Market System: $123,376,213

The number of shares of Registrant's common stock (no par value) outstanding as of February 21, 2006: 13,011,142

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's Proxy Statement relating to its annual meeting of stockholders scheduled to be held on April 22, 2006 are incorporated by reference into Part III of this Report.

2

ESCALADE, INCORPORATED AND SUBSIDIARIES

Table of Contents

3

Explanatory Note

This Amendment No. 1 on Form 10-K/A to the Annual Report on Form 10-K for the fiscal year ended December 31, 2005, filed with the Securities and Exchange Commission (SEC) on March 10, 2006 is being filed to restate the 2005 and 2004 consolidated financial statements and other financial information to give effect to adjustments resulting from the identification of errors related to the over statement of the provision for income taxes and the over statement of employee benefit costs. On February 13, 2007, the Audit Committee of the Board of Directors of Escalade, Incorporated ("Escalade"), upon the recommendation of Escalade's management and in conjunction with Escalade's independent registered public accounting firm, BKD, LLP, determined that the errors identified were material to the financial statements for the years ended December 31, 2005 and December 25, 2004 and that, as a result, the previously issued financial statements for those periods should no longer be relied on. A new footnote (Note 2) has been added to the restated consolidated financial statements to discuss the restatement effects and the original footnotes have been renumbered. This Form 10-K/A (Amendment No.1) amends and restates Items 1, 1A , 6, 7, 8, 9A , and 15 of the March 10, 2006 filing. Only the adjustments described herein and no other material information in our March 10, 2006 filing is amended hereby. Except for the foregoing amended information, this Form 10-K/A does not reflect events occurring after March 10, 2006, nor does it modify or update those disclosures, except as discussed above or in Note 2 to the Consolidated

Financial Statements. Management is not aware of any subsequent events that would affect the 2005 or 2004 consolidated financial statements.

Part I

ITEM 1--BUSINESS

General

Escalade, Incorporated ("Escalade" or "Company") operates in two business segments: sporting goods and office products. Escalade and its predecessors have more than 75 years of manufacturing and selling experience in these two industries.

The following table presents the percentages contributed to Escalade's net sales by each of its business segments:

	2005	2004	2003
Sporting goods	65%	64%	63%
Office/graphic arts	35	36	37
Total net sales	100%	100%	100%

For additional segment information, see Note 14 - Operating Segment and Geographic Information in the consolidated financial statements.

Sporting Goods

Headquartered in Evansville, Indiana, Escalade Sports manufactures and distributes widely recognized brands in family game room and outdoor sporting goods products through traditional department stores, mass merchandise retailers, and sporting goods specific retailers. Escalade is the world's largest producer of table tennis tables, the world's largest unit producer of pool tables, and the largest game table importer in the United States. Some of the Company's most recognized brands include:

Product Segment	Brand Names
Table Tennis	Ping-Pong(R), STIGA(R)
Pool Tables and accessories	Mizerak(TM), Murrey(R), Mosconi(TM), Black Widow(TM)
Basketball Backboards and Goals	Goalrilla(TM), Goaliath(R), Silverback(TM)
Game Tables (Air Hockey and Soccer)	Harvard Game(R), Rhino(TM), Murrey Game(TM)
Archery	Fred Bear(R), Indian Archery(R), Jennings(R)
Fitness	The STEP(R), USWeight(TM)
Play Systems	ChildLife(R)

The largest sporting goods customer is Sears Roebuck & Co. ("SEARS"), which accounted for 33%, 42% and 38% of total sporting goods revenues in 2005, 2004 and 2003, respectively. On a consolidated basis, SEARS accounted for 22%, 27% and 24% of Escalade revenues in 2005, 2004 and 2003, respectively. Escalade Sports has been a preferred supplier of sporting goods products to SEARS for more than 30 years, winning numerous awards for delivering outstanding products and service. Although the Company does not have long-term supplier contracts with SEARS, the strong relationship with SEARS supports the Company's belief that SEARS will continue to be a significant customer far into the future.

Escalade Sports manufactures in the U.S.A. and Mexico; and imports product from China, where the Company employs a number of contract manufacturers.

Certain products produced by Escalade Sports are subject to regulation by the Consumer Product Safety Commission. The Company believes it is in full compliance with all applicable regulations.

Office Products

Operating under the Martin Yale name, the office product business gained a worldwide presence with the 2003 acquisition of a manufacturer and distributor of data shredding equipment headquartered in Germany. In addition to data shredding equipment and accessories, Martin Yale products include: paper trimmers, folding machines, paper drills, collators, bursting machines, letter openers, and office related products such as keyboard drawers and hole punches. Martin Yale brands include Martin Yale(TM), Premier(R), Master(TM), Mead Hatcher(TM), Intimus(R), and Paper Monster(R).

Martin Yale manufactures product in the United States, Germany and China. In addition to the sales offices located at manufacturing plants, Martin Yale also has offices in the United Kingdom and France. Products are sold throughout the world to office products retailers, wholesalers and catalog distributors. No single customer accounted for more than 10% of sales during 2005.

Marketing and Product Development

In both the sporting goods and office product business segments, Escalade has rigorously developed strategic plans to enhance and promote product branding. The Company constantly evaluates the quality-to-price paradigm of its customers, and then designs and redesigns its products to achieve the best fit. Marketing efforts are then initiated through its retail partners in the form of advertising and other promotion allowances. In general, the Company does not directly advertise to end-users.

In order to meet customer needs, each operating segment conducts its own independent research and development efforts to design new products and enhance already existing products. On a consolidated basis, the Company incurred research and development costs of approximately $2.0 million, $2.3 million and $2.9 million in 2005, 2004 and 2003, respectively.

Competition

Escalade is subject to competition with various manufacturers in each product line produced or sold by Escalade. The Company is not aware of any other single company that is engaged in both the same industries as Escalade or that produces the same range of products as Escalade within such industries. Nonetheless, competition exists for many Escalade products within both the sporting goods and office product industries and some competitors are larger and have substantially greater resources than the Company. Escalade believes that its long-term success depends on its ability to strengthen its relationship with existing customers, attract new customers and develop new products that satisfy the quality and price requirements of sporting goods and office product customers.

Licenses, Trademarks and Brand Names

Escalade Sports has an agreement and contract with Sweden Table Tennis AB for the exclusive right and license to distribute and produce table tennis equipment under the brand name STIGA(R) for the United States and Canada.

Escalade is the owner of several registered trademarks and brand names. In the sporting goods segment, the Company holds the Ping-Pong(R), Harvard(R), Accudart(R), Indian Archery(R) and Goaliath(R), registered trademarks and utilizes the Goalrilla(TM), Silverback(TM), Rhino Play(TM), U. S. Weight(TM), The Step(R), Murrey(R), Mosconi(R), and Mizerak(R) brand names. In the office/graphic arts segment, the Company owns the Premier(R) and Intimus(R) registered trademark and utilizes the Martin Yale(TM), Master Products(TM), Mead Hatcher(TM), Taros(TM), and Paper Monster(TM) brand names.

Backlog and Seasonality

Sales are based primarily on standard purchase orders and in most cases orders are shipped within the same month received. Unshipped orders at the end of the fiscal year (backlog), were not material, and therefore not an indicator of future results. Consumer demand for sporting goods is extremely seasonal and driven by Christmas season demand. Over the past three years approximately 61% of sporting goods sales has come in the second half of the year. The Company expects sporting goods sales to continue to be seasonal in the future. Demand for Office Products has not been seasonal and is not expected to be so in the future.

Employees

The number of employees at December 31, 2005 and December 25, 2004 for each business segment were as follows:

	2005	2004
Sporting Goods		
USA	335	341
Mexico	207	160
	542	501
Office/Graphic Arts		
USA	120	121
Mexico	--	96
Europe	137	171
Asia	6	--
	263	388
Total	805	889

The International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers AFL-CIO represent hourly rated employees at the Escalade Sports' Evansville, Indiana factory; approximately 109 employees at December 31, 2005. Labor contract negations to renew the current 3-year contract which expires April 27, 2006 will begin in March 2006. Management acknowledges that differences between Company offers and union demands during negotiations can occur, but has no reason to expect such differences to result in protracted conflicts.

Escalade believes that its employee relations are satisfactory.

Sources of Supplies

Raw materials for Escalade's various product lines consist of wood, steel, plastics, fiberglass and packaging. Escalade relies upon suppliers in various countries and upon various third party Asian manufacturers for certain of its game tables and non-security paper shredders. The Company believes that these sources will continue to provide adequate supplies as needed and that all other materials needed for the Company's various operations are available in adequate quantities from a variety of domestic and foreign sources.

SEC Reports

Our Internet site (www.escaladeinc.com) makes available free of charge to interested parties our annual report on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, and all amendments to those reports, as well as all other reports and schedules we file electronically with the Securities and Exchange Commission (the "Commission"), as soon as reasonably practicable after such material is electronically filed with or furnished to the Commission. Interested parties may also find reports, proxy and information statements and other information on issuers that file electronically with the Commission at the Commission's internet site (http://www.sec.gov).

7

ITEM 1A--RISK FACTORS

Failure to improve and maintain the quality of internal controls over financial reporting could materially and adversely affect the Company's ability to provide timely and accurate financial information about the Company, which could harm the Company's reputation and share price.

In connection with the preparation of the financial statements for the year ended December 30, 2006, Management identified a deficiency in the internal controls over financial reporting relating to the calculation of income tax provisions which rose to the level of a "material weakness." The errors resulted in an overstatement of income tax expense and an understatement of net income of $1.0 million and $0.4 million for the years ended December 31, 2005 and December 25, 2004, respectively and an increase of $0.7 million to the December 28, 2003 retained earnings balance. The financial statements for these fiscal years have been restated and the assessment of internal controls over financial reporting as of December 31, 2005 has been revised to reflect this material weakness in this Form 10-K/A (Amendment No. 1). Management cannot be certain that other deficiencies will not arise or be identified or that the Company will be able to correct and maintain adequate controls over financial processes and reporting in the future. Any failure to maintain adequate controls or to adequately implement required new or improved controls could harm operating results or cause failure to meet reporting obligations in a timely and accurate manner. Ineffective internal controls over financial reporting could also cause investors to lose confidence in the Company's reported financial information, which could adversely affect the trading price of the Company's common stock.

The Company's disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. However, Management, including the Chief Executive Officer and Chief Financial Officer, do not expect that disclosure controls and procedures will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

Our markets are highly competitive and we may not continue to compete successfully.

The sporting goods and office products markets are highly competitive. We compete with a variety of regional, national and international manufacturers for customers, employees, products, services and other important aspects of our business. Some of our current and potential competitors are larger than we are and have substantially greater financial resources that may be devoted to sourcing, promoting and selling their products. It is possible that increased competition or improved performance by our competitors may reduce our market share, profit margin and projected operating results, and may adversely affect our business and financial performance in other ways.

A large portion of our sales are to a major customer, the loss of which could have a material adverse impact on the Company.

SEARS is our largest customer, which accounted for 22%, 27% and 24% of our total consolidated revenues in 2005, 2004 and 2003, respectively. We have been a preferred supplier of sporting goods products to SEARS for more than 30 years and we have won numerous awards from SEARS for delivering outstanding products and services. However, we have never had a long-term supplier contract with SEARS and do not expect to obtain any such contract in the future. In addition, SEARS continues to reshape its product mix and positioning in the consumer market, and we have no control over decisions that could adversely affect our sales to SEARS. We believe that sales to SEARS will continue, but there can be no assurances that this will occur.

Our business is seasonal and our annual results are highly dependent on the success of our second half sales.

8

Our business is highly seasonal in nature. Our highest sales and operating income historically occur during the third and fourth fiscal quarters, which is due largely to the holiday selling season. In 2005, approximately 61% of our sporting goods sales has come in the second half of the year. Any decrease in our second half sales, whether because of a slow holiday selling season or otherwise, could have a material adverse effect on our business, financial condition and operating results for the entire fiscal year.

We may pursue strategic acquisitions, which could have an adverse impact on our business.

We may from time to time acquire complementary companies or businesses. Acquisitions may result in difficulties in assimilating acquired companies, and may result in the diversion of our capital and our management's attention from other business issues and opportunities. We may not be able to successfully integrate operations that we acquire, including their personnel, financial systems, distribution, operations and general store operating procedures. If we fail to successfully integrate acquisitions, our business could suffer. In addition, the integration of any acquired business, and their financial results, into ours may adversely affect our operating results. We expect to do additional acquisitions in the future, but we currently do not have any agreements with respect to any such acquisitions.

Our ability to expand our business will be dependent upon the availability of adequate capital.

The rate of our expansion will also depend on the availability of adequate capital, which in turn will depend in large part on cash flow generated by our business and the availability of equity and debt capital. We cannot assure you that we will be able to obtain equity or debt capital on acceptable terms or at all.

Our growth may strain our resources, which could adversely affect our business and financial performance.

Both our sporting goods and office products businesses have grown over the past several years through strategic acquisitions. Our growth places additional demands on our management and our operational systems. If we are not successful in continuing to support our operational and financial systems, expanding our management team and increasing and effectively managing our customers and suppliers, our growth may result in operational inefficiencies and ineffective management of the business, which could adversely affect our business and financial performance.

Our expanding international operations expose us to the unique risks inherent in foreign operations.

We have operations in Mexico and Europe, and rely on Asian suppliers for various raw materials and products. Our foreign operations encounter risks similar to those faced by our U.S. operations, as well as risks inherent in foreign operations, such as local customs and regulatory constraints, foreign trade policies, competitive conditions, foreign currency fluctuations and unstable political and economic conditions. Our acquisition of Schleicher in Germany and our business relationships in Asia have increased our exposure to these foreign operating risks, which could have an adverse impact on our international income and worldwide profitability.

Our business may be adversely affected by the actions of and risks associated with our third-party suppliers.

The raw materials that we purchase for our own manufacturing operations and many of the products that we sell are sourced from a wide variety of third-party suppliers. We cannot control the supply, design, function or cost of many of the products that we offer for sale and are dependent on the availability and pricing of key materials and products. Disruptions in the availability of raw materials used in production of these products may adversely affect our sales and result in customer dissatisfaction. In addition, global sourcing of many of the products we sell is an important factor in our financial performance. Our ability to find qualified suppliers and access products in a timely and efficient manner is a significant challenge, especially with respect to goods sourced outside the United States. Political instability, the financial

instability of suppliers, merchandise quality issues, trade restrictions, tariffs, currency exchange rates, transport capacity and costs, inflation and other factors relating to foreign trade are beyond our control.

Historically, instability in the political and economic environments of the countries in which we or our suppliers obtain products and raw materials has not had a material adverse effect on our operations. However, we cannot predict the effect that future changes in economic or political conditions in such foreign countries may have on our operations. In the event of disruptions or delays in supply due to economic or political conditions in foreign countries, such disruptions or delays could adversely affect our results of operations unless and until alternative supply arrangements could be made. In addition, products and materials purchased from alternative sources may be of lesser quality or more expensive than the products and materials we currently purchase abroad.

These and other issues affecting our suppliers could adversely affect our business and financial performance.

A deterioration in our relationships with our suppliers or in the financial condition of our suppliers could adversely affect our liquidity, financial position and results of operations.

Our access to equipment, parts and supplies is dependent upon close relationships with our suppliers and our ability to purchase products from our principal suppliers on competitive terms. We do not enter into long-term supply contracts with these suppliers, and we have no current plans to do so in the future. These suppliers are not required to use us to distribute their equipment and are free to change the prices and other terms at which they sell to us. Any deterioration or change in our relationships with, or in the financial condition of, our significant suppliers, including some of our competitors, could have an adverse impact on our ability to generate equipment sales and to provide maintenance services. If one of these suppliers terminated or significantly curtailed its relationship with us, or if one of these suppliers ceased operations, we would be forced to expand our relationship with other suppliers, seek out new relationships with other suppliers or risk a loss in market share due to diminished product offerings and availability. Any change in one or more of these suppliers' willingness or ability to continue to supply us with their products could have an adverse impact on our liquidity, financial position and results of operations.

Our quarterly operating results are subject to fluctuation.

Our operating results have fluctuated from quarter to quarter in the past, and we expect that they will continue to do so in the future. Our earnings may not continue to grow at rates similar to the growth rates achieved in recent years and may fall short of either a prior fiscal period or market expectations. Factors that could cause these quarterly fluctuations include the following: international, national and local general economic and market conditions; the size and growth of the overall sporting goods and office products markets; intense competition among manufacturers, marketers, distributors and sellers of our products; demographic changes; changes in consumer preferences; popularity of particular designs, categories of products and sports; seasonal demand for our products; the size, timing and mix of purchases of our products; fluctuations and difficulty in forecasting operating results; our ability to sustain, manage or forecast our growth and inventories; new product development and introduction; our ability to secure and protect trademarks, patents and other intellectual property; performance and reliability of our products; our customer service; the loss of significant customers or suppliers; our dependence on distributors; business disruptions; increased costs of freight and transportation to meet delivery deadlines; changes in our business strategy or development plans; general risks associated with doing business outside the United States, including, without limitation, import duties, tariffs, quotas and political and economic instability; changes in government regulations; any liability and other claims asserted against us; our ability to attract and retain qualified personnel; and other factors referenced or incorporated by reference in this Form 10-K and any other filings with the Securities and Exchange Commission.

Our operating results may be impacted by changes in the economy that impact business and consumer spending.

In general, our sales depend on discretionary spending by our customers. A deterioration of current economic conditions or an economic downturn in any of our major markets or in general could result in declines in sales and impair our

growth. Accordingly, our operating results are directly impacted by the health of the North American, European and Asian economies. Our business and financial performance may be adversely affected by current and future economic conditions, including unemployment levels, energy costs, interest rates, recession, inflation, the impact of natural disasters and terrorist activities, and other matters that influence business and consumer spending.

Our failure to improve our operational efficiency and reduce our administrative costs could have a material adverse effect on our liquidity, financial position and results of operations.

Our ability to improve our profit margins is largely dependent on the success of our initiatives to streamline our infrastructure, improve our operational efficiency and the reduction of administrative costs at every level of the Company. Our failure to implement these initiatives successfully, or the failure of such initiatives to result in improved profitability, could have a material adverse effect on our liquidity, financial position and results of operations.

Our stock price may fluctuate based on market expectations.

The public trading of our stock is based in large part on market expectations that our business will continue to grow and that we will achieve certain levels of net income. If our quarterly financial performance does not meet market expectations, our stock price would likely decline. Any decrease in our stock price may be disproportionate to any shortfall in our financial performance.

Our intellectual property rights are valuable, and any inability to protect them could reduce the value of our products.

We obtain patents, trademarks and copyrights for our intellectual property, which represent important assets to the Company. If we fail to adequately protect our intellectual property through patents, trademarks and copyrights, our intellectual property rights may be misappropriated by others, invalidated or challenged, and our competitors could duplicate our products or may otherwise limit any competitive design or manufacturing advantages we may have. We believe that our success is likely to depend upon continued innovation, technical expertise, marketing skills and customer support and services rather than on legal protection of our intellectual property rights. However, we intend to aggressively assert our intellectual property rights when necessary.

We may be subject to product liability claims and our insurance may not be sufficient to cover damages related to those claims.

We may be subject to lawsuits resulting from injuries associated with the use of sporting goods equipment and office products that we sell. We may incur losses relating to these claims or the defense of these claims. There is a risk that claims or liabilities will exceed our insurance coverage. In addition, we may be unable to retain adequate liability insurance in the future. In addition, we are subject to regulation by the Consumer Product Safety Commission and similar state regulatory agencies. If we fail to comply with government and industry safety standards, we may be subject to claims, lawsuits, fines and adverse publicity that could have a material adverse effect on our business, results of operations and financial condition.

These risks are not exhaustive.

Other sections of this Form 10-K may include additional factors which could adversely impact our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

ITEM 1B--UNRESOLVED STAFF COMMENTS

None.

ITEM 2--PROPERTIES

At December 31, 2005, the Company operated from the following locations:

Location	Square Footage	Owned or Leased	Use
Sporting Goods			
Evansville, Indiana, USA	346,000	Owned	Manufacturing and distributio and marketing; administration
Evansville, Indiana, USA	122,000	Leased	Warehousing
Olney, Illinois, USA	121,100	Leased	Manufacturing and distributio
Gainesville, Florida, USA	155,000	Owned	Manufacturing and distributio
National City, California, USA	51,000	Leased	Warehousing and distribution
Rosarito, Mexico	70,000	Owned	Manufacturing and distributio
Rosarito, Mexico	83,000	Leased	Manufacturing
Reynosa, Mexico	128,000	Owned	Manufacturing and distributio
Office Products			
Wabash, Indiana, USA	141,000	Owned	Manufacturing and distributio and marketing; administration
Sanford, N. Carolina, USA	4,100	Leased	Sales and marketing
Markdorf, Germany	70,300	Owned	Manufacturing and distributio and marketing; administration
Paris, France	13,000	Leased	Distribution; sales and marke
Crawley, UK	8,300	Leased	Sales and marketing

The Company has no idle facilities, and believes that its facilities are in excellent condition and suitable for their respective operations. The Company also believes that it is in compliance with all applicable environmental regulations and is not subject to any proceeding by any federal, state or local authorities regarding such matters. The Company provides regular maintenance and service on its plants and machinery as required.

During 2005 the Company concluded a facility consolidation effort in the Office Product business that consolidated a Tijuana, Mexico facility into the Wabash, Indiana facility.

During 2005 the Company began and substantially completed construction of a new manufacturing facility in Reynosa, Mexico. Certain Sporting Goods products currently manufactured in the Rosarito, Mexico facility will be transitioned to this new plant. The transition is expected to be complete in the second quarter of 2006.

ITEM 3--LEGAL PROCEEDINGS

The Company is involved in litigation arising in the normal course of its business, but the Company does not believe that the disposition or ultimate resolution of such claims or lawsuits will have a material adverse affect on the business or financial condition of the Company.

The Company is not aware of any probable or levied penalties against the Company relating to the American Jobs Creation Act.

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

None.

Part II

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

The Company's common stock is traded under the symbol "ESCA" on the NASDAQ National Market. The following table sets forth, for the calendar periods indicated, the high and low sales prices of the Common Stock as reported by the NASDAQ National Market:

Prices	High	Low
2005		
Fourth quarter ended December 31, 2005	$13.45	$11.29
Third quarter ended October 1, 2005	15.18	12.67
Second quarter ended July 9, 2005	15.00	12.52
First quarter ended March 19, 2005	15.15	11.78
2004		
Fourth quarter ended December 25, 2004	$16.96	$11.80
Third quarter ended October 2, 2004	17.67	10.47
Second quarter ended July 10, 2004	23.64	15.43
First quarter ended March 20, 2004	20.58	14.25

The closing market price on February 21, 2006 was $12.18 per share.

Depending on profitability and cash flows from operations, the Board of Directors anticipates issuing annual dividends. Dividends issued/declared over the last three years are as follows:

Record Date	Payment Date	Amount per Common Share
March 5, 2004	March 12, 2004	$0.12
March 11, 2005	March 18, 2005	$0.15

March 17, 2006	March 21, 2006	$0.20

On April 18, 2004, The Board of Directors declared a 2 for 1 stock split payable to stockholders of record on May 11, 2004, which was distributed on May 25, 2004. All per share amounts have been adjusted to reflect the 2 for 1 stock split.

There were approximately 248 holders of record of the Company's Common Stock at February 21, 2006. The approximate number of stockholders, including those held by depository companies for certain beneficial owners, was 1,367.

13

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Share (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximat Dollar Value Shares (or Units) that Yet Be Purchased Under the Pl or Program
Share purchases prior to 10/01/2005 under the current repurchase program	385,350	$ 8.92	385,350	$1,724,9
Fourth quarter purchases:				
10/02/2005 - 10/29/2005	7,740	$ 12.73	7,740	$ 98,5
10/30/2005 - 11/26/2005	None	None	None	No
11/27/2005 - 12/31/2005	56,874	$ 12.00	56,874	$ 682,4
Total share purchases under the current program	449,964	$ 9.38	449,964	$3,000,0

The Company has one stock repurchase program which was established in February 2003 by the Board of Directors and which initially authorized management to expend up to $3,000,000 to repurchase shares on the open market as well as in private negotiated transactions. In each of February 2005 and 2006, the Board of Directors increased the remaining amount on this plan to its original level of $3,000,000. The repurchase plan has no termination date and there have been no share repurchases that were not part of a publicly announced program.

14

ITEM 6--SELECTED FINANCIAL DATA
(In thousands, except per share data)
Certain 2005 and 2004 amounts below have been restated to reflect adjustments resulting from errors made in calculating income tax expense and employee benefit expense in 2005 and 2004 - see Note 2 to the consolidated financial statements in Item 8.

At and For Years Ended	December 31, 2005 (Restated)	December 25, 2004 (Restated)	December 27, 2003	December 28, 2002	Dece 2
Income Statement Data					
Net sales					
Sporting goods	$ 120,996	$ 141,644	$ 134,750	$ 122,628	$
Office and graphic arts products	64,621	76,040	81,518	27,596	
Total net sales	185,617	217,684	216,268	150,224	
Net income	12,916	8,180	14,850	11,138	
Weighted-average shares	13,055	12,980	12,968	12,972	
Per Share Data					
Basic earnings per share	$ 0.99	$ 0.63	$ 1.15	$ 0.86	$
Cash dividends	$ 0.15	$ 0.12	0	0	
Balance Sheet Data					
Working capital	42,350	36,852	24,657	27,041	
Total assets	124,860	134,969	134,437	96,788	
Short-term bank debt	711	11,638	21,568	11,223	
Long-term bank debt	18,487	15,542	15,020	16,700	
Total stockholders' equity	76,623	71,034	61,283	45,875	

Fiscal year 2005 was adversely impacted by lower sales to SEARS, a major sporting goods customer, and the rationalization of certain products in the Office Products business. These events are more fully described in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Fiscal year 2004 was negatively impacted by restructuring charges and a goodwill impairment loss which are more fully described in Management's Discussion and Analysis of Financial Condition and Results of Operations.

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

As discussed more fully in Note 2, Restatement of Financial Statements, in Item 8 of this form 10-K/A (Amendment No. 1), previously issued consolidated financial statements for 2005 and 2004 have been restated. The following section should be read in conjunction with Item 1: Business; Item 1A: Risk Factors; Item 6: Selected Financial Data; and Item 8: Financial Statements and Supplementary Data.

Forward-Looking Statements

This report contains forward-looking statements relating to present or future trends or factors that are subject to risks and uncertainties. These risks include, but are not limited to, the impact of competitive products and pricing, product demand and market acceptance, new product development, the continuation and development of key customer and supplier relationships, Escalade's ability to control costs, general economic conditions, fluctuation in operating results, changes in the securities market and other risks detailed from time to time in Escalade's filings with the Securities and Exchange Commission. Escalade's future financial performance could differ materially from the expectations of management contained herein. Escalade undertakes no obligation to release revisions to these forward-looking statements after the date of this report.

15

Overview

Escalade, Incorporated ("Escalade" or "Company") manufactures and distributes products for two industries: Sporting Goods and Office Products. Within these industries the Company has successfully built a substantial market presence in niche markets. This strategy is heavily dependent on brand recognition and excellent customer service. The Company's strategic advantage is established relationships with major retailers which allow the Company to bring new products to the market in a very cost effective manner. In addition to strategic customer relations, the Company has over 75 years of manufacturing and sourcing experience that enable it to be a low cost supplier.

Where the Company has a strong market position in mature product lines such as table tennis tables and basketball, the Company does not expect significant internal growth. However, in product lines such as paper shredders, wooden swing sets, archery and billiards, the Company is not among the market leaders and consequently anticipates significant internal growth potential. To enhance internal growth the Company has developed a strategy of acquiring companies or product lines that complement or expand the Company's product lines. A key objective is the acquisition of product lines with strong brand recognition that the Company can take to market through its established distribution channels. Significant synergies are achieved through assimilation of acquired product lines into the existing company structure. Management believes that key indicators in measuring the success of this strategy are revenue growth and earnings growth. The following table sets forth the percentage growth in revenues and net income over the past three years:

	2005 (Restated)	2004 (Restated)	2003
Net revenue			
Sporting Goods	-14.6%	5.1%	9.9%
Office Products	-15.0%	-6.7%	195.4%
Total	-14.7%	0.7%	44.0%
Net Income	57.9%	-44.9%	33.3%

Results of Operations

The following schedule sets forth certain consolidated statement of income data as a percentage of net revenue for the periods indicated:

	2005 (Restated)	2004 (Restated)
Net revenue	100.0%	100.0%
Cost of products sold	70.0%	72.8%
Gross margin	30.0%	27.2%
Selling, administrative and general expenses	19.6%	18.3%
Restructuring costs	-0.3%	-1.1%
Goodwill impairment loss	0.0%	0.6%
Operating income	10.7%	7.2%

Consolidated Revenue and Gross Margin

In 2005, a primary objective was improving profitability in the Office Products business that was reorganized in 2004. As a direct result, operating income in 2005 increased 57.9% over that achieved in 2004 and as a percentage of sales, operating income increased from 7.2% in 2004 to 10.7% in 2005; higher than the results achieved in 2003 - a year before the restructuring. Net sales in 2005 were down compared to 2004 and 2003 in both Sporting Goods and Office Products. In Sporting Goods the decline was primarily related to lower sales at SEARS, the

Company's largest retail customer. The decline in Office Products is attributed to the planned rationalization of non-core, low margin third party products and unprofitable customers. At the end of 2004 the Company announced it would begin seeking acquisitions in the Sporting Goods market. During 2005 the Company acquired substantially all of the assets of ChildLife, a premier supplier of wooden swing sets which contributed approximately $4.5 million to net sales in 2005.

The overall gross margin ratio of the Company for 2005 improved over 2004 and 2003 as a direct result of rationalizing low margin products and customers in the Office Products business. The gross margin ratio in Sporting Goods was down slightly compared to 2004 reflecting a change in product mix, but was unchanged compared to 2003. The gross margin in Office Products for 2005 was up substantially over 2004 and 2003 reflecting the elimination of low margin products and customers as well as synergies garnered from the consolidation of distribution and manufacturing operations in North America.

Consolidated Selling, General and Administrative Expenses

Total selling, general and administrative expenses for 2005 were down compared to 2004 and 2003 primarily due to variable costs associated with lower sales volume such as sales commissions. As a percentage of net revenues, selling, general and administrative expenses for 2005 were up compared to 2004 and 2003 due to non-variable costs in the Office Products business and slightly higher personnel costs as the Company builds a high quality management team to accelerate growth and profitability. The ratio in Sporting Goods was relatively unchanged from 2004 and 2003. On a continuous basis, Management aggressively reviews cost structures to improve profitability. However, Management does not expect significant improvement in the ratio between selling, general and administrative expenses and net sales to come from cost reductions. Instead, Management believes that future improvements will come from increased sales while holding these costs in check.

Provision for Income Taxes

The effective income tax rate experienced in 2005 was 32.9%, a decline from the 41.3% rate experienced in 2004 but higher than the 30.0% rate experienced in 2003. The primary difference between 2005 and 2004 was the favorable tax treatment for certain European operations which were profitable in 2005, but not profitable in 2004 and as such did not receive the associated tax benefit. In addition, the 2004 results included a charge reflecting the settlement of a state income tax audit. The 2003 tax rate benefited from favorable tax treatment of European operations and favorable tax treatment of intellectual property royalties paid to wholly owned subsidiaries. The favorable tax treatment accorded to intellectual property royalties was eliminated in the state tax audit settlement. Consequently, in the future the Company does not expect to achieve the same effective tax rate achieved in 2003, but rather an effective tax rate similar to that achieved in 2005.

Sporting Goods

Net sales, operating income, and net income for the Sporting Goods business segment for the three years ended December 31, 2005 were as follows:

In Thousands	2005	2004	2003
Net Sales	$120,996	$141,644	$134,750
Operating income	13,283	17,926	16,507
Net income	7,386	10,747	9,720

The major factor in the sales decline between 2005 and 2004 was sales to SEARS which were down roughly $19 million compared to 2004. Approximately $7 million of this decline relates to a decision by SEARS not to carry an arcade product that was introduced in 2004. The remainder of the shortfall, approximately $12 million, reflects a decision by SEARS in 2005, to change its focus from increasing sales to increasing gross margins. As a result, SEARS increased consumer prices and decreased spending on advertising which resulted in lower overall sales volume. Other than the arcade product previously mentioned, the Company did not lose any product placement at SEARS to competitors, but was negatively impacted by the lower sales volume. Sporting goods sales were also

negatively impacted by consumer focus on electronics during the 2005 holiday season which particularly impacted sales of table games such as air hockey and soccer. These declines were partially offset by increased product placement at specialty retailers and sales related to the ChildLife acquisition which added $4.5 million in wooden swing set sales to 2005. Overall, year-end inventories at major customers appear to be in line with historical balances and the Company does not expect this to have a major impact on 2006. The Company believes that it continues to have a very strong relationship with SEARS, and that SEARS will continue to be a significant customer. However, the Company can not determine at this time what impact the current SEARS strategy will have on future sales. The Company continues to focus on diversifying product offerings through acquisition and innovation. It is also focused on diversifying distribution channels through increasing product placement in the specialty dealer channel. Management anticipates that its strategy to grow the specialty dealer channel as well as broader customer diversification in other channels will enable it to replace in 2006 a significant portion of the sales volume lost in 2005.

Revenues in 2004 were higher than 2003 due to the introduction of an arcade product at SEARS that generated $7 million in sales to SEARS and increased sales of Archery products related to its 2003 acquisition of Bear Archery.

As a percentage of net sales, operating income from Sporting Goods declined in 2005 to 11.0% compared to 12.7% in 2004 and 12.3% in 2003. This decline is attributed to a change in product mix which resulted in a lower gross margin ratio. Management anticipates improvement in this ratio as it diversifies into higher margin products and distribution channels.

Office Products

Net sales, operating income, and net income for the Office Products business segment for the three years ended December 31, 2005 were as follows:

In Thousands	2005	2004	2003
Net Sales	$64,621	$76,040	$81,518
Operating income	8,760	573	5,506
Net income (loss)	5,683	(1,634)	4,223

Net sales in 2005 declined 15% compared to the prior year primarily due to the rationalization of low margin products and unprofitable customers. The products rationalized are non-core products produced by third-parties and relate to the shredder acquisition in 2003. This rationalization was an integral part of the restructuring plans announced in 2004. The Company also terminated relationships with several European customers where it could not achieve profitable sales agreements. Although a lesser factor, further reductions in government spending on high security shredders added to the 2005 sales decline. High security shredders sales peaked in 2003 after the introduction of new security standards in 2002. Completion of the product rationalization plan in 2006 will result in a further reduction of sales. However, the introduction of a new line of shredders with a more competitive price point is expected to offset this reduction in sales and result in 2006 net sales roughly equal to the level achieved in 2005.

Net sales in 2004 were lower than 2003 as a result of declining government purchases of high security shredders; a declining market for the third party products acquired with the data shredder acquisition in 2003; and higher customer program costs that are charged against revenues as incurred.

Net operating income increased significantly in 2005 compared to 2004 as a result of improved gross margins; synergies gained through the consolidation of distribution and manufacturing in North America; and the absence of restructuring costs and the goodwill impairment loss recorded in 2004. The improved gross margin accounted for roughly $3.1 million, or 38% of the increase in net operating income. Management believes it can sustain this level of profitability in 2006.

Net operating income in 2004 was substantially down from 2003 due to restructuring costs of $2.4 million; a goodwill impairment loss of $1.3 million; and other unusual charges in the fourth quarter totaling $4.2 million.

18

Management believes that the restructuring charges incident to the European operations and the manufacturing operations related to the Master Product(TM) brands were necessary to make the Company more competitive. The goodwill impairment loss represents an adjustment to goodwill directly associated with the Master Product(TM) brand. The unusual write-downs in the fourth quarter of 2004 consisted of $2.2 million in inventory write-downs related to third party products with low margins and deteriorated market demand; $0.6 million in estimated settlement and legal costs; and $1.4 million in adjustments to assets related to joint ventures in China and Brazil.

Financial Condition and Liquidity

The Company's continued profitability enables it to continue to maintain a very strong balance sheet. The current ratio, a basic measure of liquidity (current assets divided by current liabilities), increased to 2.5 as of December 31, 2005; significantly higher than 1.8 as of December 25, 2004 and 1.4 at December 27, 2003. Accounts receivable balances at the end of 2005 declined significantly from the prior year as a direct result of the lower sales volume to SEARS and unexpected fourth quarter order cancellations of sporting goods products resulted in higher inventory levels at the end of 2005 compared to 2004. Management believes that it will be able to sell this product in the first half of 2006 without any adverse impact on operating results. Because of strong cash flows, the Company had no short term notes payable to banks as of the end of 2005, compared to $11.6 million at the end of 2004. Long term debt, including current portion, increased a modest $3.3 million resulting in an overall debt reduction of $8.3 million. As a percentage of stockholders' equity, long-term bank debt was 24% at December 31, 2005 compared to 22% at December 25, 2004.

Cash provided by net income, adjusted for non-cash related items, totaled $24.6 million in 2005; up from the $15.4 million generated in 2004, and comparable to the $26.5 million generated in 2003. The major factors for the increase in 2005 were higher profits and a decline in accounts receivable incident to a lower sales volume. Cash provided by operations in 2004 was lower than that recorded in 2003 primarily due to lower profits.

Spending on property, plant and equipment in 2005 totaled $8.4 million, of which $6.6 million related to a new manufacturing facility in Reynosa, Mexico which will be completed during the first quarter of 2006. The Company expects to spend an additional $0.6 million on this plant in 2006. The Company also invested $3.2 million in acquiring substantially all of the assets of ChildLife, a manufacturer of premium wooden swing sets. The Company anticipates expenditures for property, plant and equipment in 2006 to be roughly in line with prior years.

On February 27, 2006, the Company acquired substantially all of the assets and liabilities of Family Industries, Inc., a manufacturer of residential wooden swing sets, for $7.1 million in cash. The Company is actively engaged in seeking additional acquisitions, but cannot at this time predict whether or not it will close any such deals in 2006.

Cash used in financing activities in 2005 was slightly higher than 2004 due principally to the stock repurchase program under which the Company acquired 163,354 shares of its own stock.

The Company's working capital requirements are primarily funded from cash flows from operations and revolving credit agreements with its bank. During 2005 the Company's maximum borrowings under its primary revolving credit lines aggregated $37.4 million and the Company met all its debt covenants. Rising interest rates resulted in an increase in the effective interest rate in 2005 to 5.8%, compared to 3.4% in 2004. The Company's relationship with its primary lending bank remains strong and the Company expects to have access to the same level of revolving credit that was available in 2005. In addition, the Company believes it can quickly reach agreement with its current lending bank or an alternate lending source to increase available credit should the need arise.

On March 10, 2006, The Company announced the payment of an annual dividend of $0.20 per share to all shareholders of record on March 17, 2006, payable on March 24, 2006.

New Accounting Pronouncements

The following new accounting pronouncements have not yet been adopted by the Company. A more detailed description may be found in the Notes to the Consolidated Financial Statements.

19

In December, 2004, the Financial Accounting Standards Board (FASB) issued SFAS 123R Stock-Based Payments (SFAS 123R), an amendment to SFAS 123 Accounting for Stock-Based Compensation which eliminates the ability to account for share-based compensation transactions using Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and generally requires that such transactions be accounted for using a fair value-based method. The effective date of this standard is fiscal years beginning after June 15, 2005. Therefore, the effective date of this standard for the Company is January 1, 2006. SFAS 123R applies to all awards granted after the required effective date and to awards modified, repurchased, or cancelled after that date as well as for the unvested portion of awards existing as of the effective date. The cumulative effect of initially applying this Statement, if any, is recognized as of the required effective date. Beginning January 1, 2006, the Company will comply with SFAS 123R using a modified version of prospective application. Under this transition method, compensation cost is recognized for the portion of outstanding awards, for which the requisite service has not yet been rendered, based on the grant-date fair value of those awards calculated under SFAS 123 for either recognition or pro forma disclosures. The Company will not restate financial statements for prior periods but will continue to include pro forma disclosures required for those periods by SFAS 123. Based on the fair value of options outstanding as of December 31, 2005 on the respective grant dates and the option-pricing model assumptions detailed in Note 1 to the Consolidated Financial Statments, the Company will recognize compensation expense related to stock options of $494 thousand in 2006, $372 thousand in 2007 and $351 thousand in 2008. These amounts will increase depending on the number and value of options issued in future years.

In November 2004, the FASB issued SFAS No. 151 Inventory Costs, an amendment of ARB No. 43, chapter 4. SFAS No. 51 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material. This standard is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company does not believe the adoption of this standard will have a material effect on the Company's financial statements.

Off Balance Sheet Financing Arrangements

The Company has no financing arrangements that are not recorded on the Company's balance sheet.

Contractual Obligations

The following schedule summarizes the Company's contractual obligations as of December 31, 2005:

Payments Due by Period

Contractual Obligations	Total	Less than 1 year	1 -3 years	3 - 5 yea
Long-term debt	$ 19,553	$ 1,066	$ 15,787	$
Future interest payments (1)	3,216	961	1,419	
Future interest payments (receipts) under the Interest rate swap agreement (2)	(191)	(79)	(112)	
Operating Leases	2,424	1,240	957	2
Minimum payments under royalty agreements	1,150	350	700	
Total	$ 26,152	$ 3,538	$ 18,751	$ 2

Notes:
(1) Assumes that the Company will not increase borrowings under its long-term credit agreements and that the effective interest rate experienced in 2005 (5.8%) will continue for the life of the agreements.
(2) Assumes that the LIBOR rate (4.3%) at December 31, 2005 will remain unchanged for the term of the swap agreement.

20

Critical Accounting Estimates

The methods, estimates and judgments used in applying the Company's accounting policies have a significant impact on the results reported in its financial statements. Some of these accounting policies require difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. The most critical accounting estimates are described below and in the Notes to the Consolidated Financial Statements.

Product Warranty
The Company provides limited warranties on certain of its products, for varying periods. Generally, the warranty periods range from 90 days to one year. However, some products carry extended warranties of seven-year, ten-year, and lifetime warranties. The Company records an accrued liability and expense for estimated future warranty claims based upon historical experience and management's estimate of the level of future claims. Changes in the estimated amounts recognized in prior years are recorded as an adjustment to the accrued liability and expensed in the current year. To the extent there are product defects in current products that are unknown to management and do not fall within historical defect rates, the product warranty reserve could be understated and the Company could be required to accrue additional product warranty costs thus negatively affecting gross margin.

Inventory Valuation Reserves
The Company evaluates inventory for obsolescence and excess quantities based on demand forecasts based on specified time frames; usually one year. The demand forecast is based on historical usage, sales forecasts and current as well as anticipated market conditions. All amounts in excess of the demand forecast are deemed to be excess or obsolete and a reserve is established based on the anticipated net realizable value. To the extent that demand forecasts are greater than actual demand and the Company fails to reduce manufacturing output accordingly, the Company could be required to record additional inventory reserves which would have a negative impact on gross margin.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due between 30 and 60 days after the issuance of the invoice. Accounts are considered delinquent when more than 90 days past due. Delinquent receivables are reserved or written off based on individual credit evaluation and specific circumstances of the customer. To the extent that actual bad debt losses exceed the allowance recorded by the Company, additional reserves would be required which would increase selling, general and administrative costs.

CO-OP Advertising

The Company offers co-operative advertising allowances to certain retailers to encourage product promotions. These agreements are typically based on a percentage of retailer purchases up to a maximum allowance and the Company is never directly involved with the media provider. The Company accrues the estimated cost of these programs based on the sales volume of the retailer and historical trends. As costs are accrued they are recorded as a reduction in sales. To the extent that actual co-operative advertising costs exceed the Company's estimates, additional co-operative advertising allowances would be required which would reduce net revenues.

Volume Rebates

The Company has various rebate programs with its retailers that are based on purchase volume. Typically these programs are based on achieving specified sales volumes and the rebate is calculated as a percentage of purchases. Based on the terms of the agreement, purchase levels and historical trends the Company accrues the estimated cost of these programs and records the same as a reduction in sales. To the extent that actual rebate program costs exceed the Company's estimates, additional rebate program allowances would be required which would reduce net revenues.

Catalog Allowances

A number of large office supply dealers operate through catalogs distributed to businesses throughout the country. Product content is decided by the dealer each time a new catalog is issued; typically once a year. Catalog allowances are required by the dealer as an inducement to include the Company's products. The

allowance is based on a fixed cost per page and/or a percentage of purchases by the dealer. The fixed portion of the allowance is often paid when the catalog is distributed and is recognized when incurred and the variable portion is accrued based on dealer purchases and historical trends. Catalog allowances are recorded as a reduction in sales. To the extent that actual catalog costs exceed the estimated costs associated with variable agreement provisions, additional catalog allowances would be required which would negatively impact net revenues.

Effect of Inflation

The Company cannot accurately determine the precise effects of inflation; however, there were some increases in sales and costs due to inflation in 2005. The Company attempts to pass on increased costs and expenses through price increases when necessary. The Company is working on reducing expenses; improving manufacturing technologies; and redesigning products to keep these costs under control.

Capital Expenditures

As of December 31, 2005, the Company had no material commitments for capital expenditures.

ITEM 7A -- QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to financial market risks, including changes in currency exchange rates, interest rates and marketable equity security prices. To mitigate these risks, the Company utilizes derivative financial instruments, among other strategies. At the present time, the only derivative financial instrument used by the company is an interest rate swap. The Company does not use derivative financial instruments for speculative purposes.

A substantial majority of revenue, expense and capital purchasing activities are transacted in U.S. dollars. However, the Company's foreign subsidiaries enter into transactions in other currencies, primarily the Euro. To protect against reductions in value and the volatility of future cash flows caused by changes in currency exchange rates, the Company carefully considers the use of transaction and balance sheet hedging programs. Such programs reduce, but do not entirely eliminate, the impact of currency exchange rate changes. Presently the Company does not employ currency exchange hedging financial instruments, but has adjusted transaction and cash flows to mitigate adverse currency fluctuations. Historical trends in currency exchanges indicate that it is reasonably possible that adverse changes in exchange rates of 20% for the Euro could be experienced in the near term. Such adverse changes would not have resulted in a material impact on income before taxes for the year ended December 31, 2005.

A substantial portion of the Company's debt is based on U.S. prime and LIBOR interest rates. In an effort to lock-in current low rates and mitigate the risk of unfavorable interest rate fluctuations the Company has entered into an interest rate swap agreement. This agreement effectively converted a portion of its variable rate debt into fixed rate debt.

An adverse movement of equity market prices would have an impact on the Company's long-term marketable equity securities that are included in other assets on the consolidated balance sheet. At December 31, 2005 the aggregate book value of long-term marketable equity securities was $3.2 million. Due to the unpredictable nature of the equity market the Company has not employed any hedge programs relative to these investments.

ITEM 8 -- FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data required by Item 8 are set forth in Part IV, Item 15.

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

None.

ITEM 9A --CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Escalade maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 13a-14(c). In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Also, the Company has investments in certain unconsolidated entities. As the Company does not control or manage these entities, its disclosure controls and procedures with respect to such entities are necessarily substantially more limited than those it maintains with respect to its consolidated subsidiaries.

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. In connection with the restatement discussed above in the explanatory note to this Form 10-K/A and in Note 2 to our financial statements, the Company's Chief Executive Officer and Chief Financial Officer reevaluated that the Company's disclosure controls and procedures and concluded that such controls and procedures were not effective as of December 31, 2005 because of a material weakness in internal control over financial reporting (described below in Management's Report on Internal Control over Financial Reporting) relating to errors in calculating the provision for income taxes.

Management's Report on Internal Control over Financial Reporting (Revised)

Escalade's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Escalade's internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting of the Company includes those policies and procedures that:

(1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions of the Company;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's financial statements.

All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error or circumvention through collusion or improper overriding of controls. Therefore, even those internal control systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

The management of Escalade assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2005. In making its assessment of internal control over financial reporting, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework and implemented a process to monitor and assess both the design and operating effectiveness of the Company's internal controls.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. In the Company's Annual Report on Form 10-K for the year ended December 31, 2005, filed on March 10, 2006, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2005. Subsequently, management identified a material weakness in the Company's internal control over financial reporting with respect to calculating the provision for income taxes. This material weakness resulted in this amendment to the Annual Report on Form 10-K for the year ended December 31, 2005. Solely as a result of this material weakness, management has revised its earlier assessment and has now concluded that the Company's internal control over financial reporting was not effective as of December 31, 2005.

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2005 has been audited by BKD LLP, an independent registered public accounting firm that audited the Company's consolidated financial statements included in this annual report. The attestation report on management's assessment of the Company's internal control over financial reporting prepared by the independent registered public accounting firms are included below in this Item 9A.

/s/ Daniel A. Messmer, President and Chief Executive Officer /s/ Terry Frandsen, Chief Fi

Changes in Internal Control over Financial Reporting

Management of the Company has evaluated, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, changes in the Company's internal controls over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) during the fourth quarter of 2005. In connection with such evaluation, there have been no changes to the Company's internal control over financial reporting that occurred since the beginning of the Company's fourth quarter of 2005 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

Audit Committee, Board of Directors and Stockholders
Escalade, Incorporated
Evansville, Indiana

We have audited management's revised assessment included in the accompanying Management's Report on Internal Control over Financial Reporting that Escalade, Incorporated (Company) did not maintain effective internal control over financial reporting as of December 31, 2005, because of the effect of the material weakness related to the overstatement of the provision for income taxes, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit. We did not examine the effectiveness of internal control over financial reporting of Martin Yale International, GmbH, a wholly owned

subsidiary, whose consolidated financial statements reflect total assets and net sales of $24,132 and $33,302 (dollars in thousands), respectively, included in the related consolidated financial statement amounts as of and for the year ended December 31, 2005. The effectiveness of this subsidiary's internal control over financial reporting was audited by other accountants whose report has been furnished to us, and our opinion, insofar as it relates to the effectiveness of the subsidiary's internal control over financial reporting, is based solely on the report of the other accountants.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. An audit includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control and performing such other procedures as we consider necessary in the circumstances. We believe that our audit and the report of the other accountants provide a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the company, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The following material weakness has been identified and included in management's assessment. The Company overstated its provision for income taxes. As a result of the material weakness, the Company's consolidated financial statements, for the year ended December 31, 2005, and for each of the quarters in 2005 have been restated. This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of the 2005 consolidated financial statements, and this report does not affect our report dated February 17, 2006, on those consolidated financial statements, except as to the restatement discussed in Note 2 to the 2005 consolidated financial statements, which is as of March 13, 2007.

As stated in the 4th paragraph of Management's Report on Internal Control Over Financial Reporting, management's assessment of the effectiveness of the Company's internal control over financial reporting has been revised.

In our opinion, based on our audit and the report of other accountants, management's revised assessment that Escalade, Incorporated did not maintain effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, based on our audit and the report of other accountants, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria Escalade, Incorporated has not maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of Escalade, Incorporated, and our report dated February 17, 2006, except for Note 2, as to which the date is March 13, 2007, expressed an unqualified opinion thereon.

Evansville, Indiana
February 17, 2006, except as to the 4th paragraph of Management's Report on Internal Control Over Financial Reporting (Revised), which is as of March 13, 2007

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Martin Yale International GmbH,
Markdorf/Germany

We have audited management's assessment, included in the accompanying "Management's Report on Internal Control over Financial Reporting", that Martin Yale International GmbH, Markdorf/Germany maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control-- Integrated Framework issued by the Committee of Sponsoring

Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Martin Yale International GmbH, Markdorf/Germany maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on criteria established in Internal Control-- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also in our opinion, Martin Yale International GmbH, Markdorf/Germany maintained, in all material respects, effective internal control over financial reporting as of

December 31, 2005, based on criteria established in Internal Control-- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2005, and the related consolidated statements of income, and cash flows for the period ended December 31, 2005, and the related financial statement schedule in the period ended December 31, 2005, and our report dated February 16, 2006, expressed an unqualified opinion thereon.

/s/ FALK & Co GmbH
Wirtschaftsprufungsgesellschaft

Steuerberatungsgesellschaft
Heidelberg/Germany
February 16, 2006

ITEM 9B -- OTHER INFORMATION

None.

Part III

ITEM 10 -- DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information required under this item with respect to Directors and Executive Officers is contained in the registrant's Proxy Statement relating to its annual meeting of stockholders scheduled to be held on April 22, 2006 under the captions "Certain Beneficial Owners," "Election of Directors," and "Executive Officers of the Registrant" and is incorporated herein by reference.

ITEM 11 -- EXECUTIVE COMPENSATION

Information required under this item is contained in the registrant's Proxy Statement relating to its annual meeting of stockholders scheduled to be held on April 22, 2006 under the caption "Executive Compensation" and is incorporated herein by reference, except that the information required by Items 402(k) and (l) of Regulation S-K which appear within such caption under the sub-headings "Compensation and Stock Option Committees", "Report of Audit Committee" and "Financial Performance" are specifically not incorporated by reference into this Form 10-K or into any other filing by the registrant under the Securities Act of 1933 or the Securities Exchange Act of 1934.

27

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

Except for the information required by Item 201(d) of Regulation S-K, which is included below, information required by this item is contained in the registrant's proxy statement relating to its annual meeting of stockholders scheduled to be held on April 22, 2006 under the caption "Certain Beneficial Owners" and is incorporated herein by reference.

Equity Compensation Plan Information

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options Warrants and Rights
Equity compensation plans approved by security holders (1)	730,569	$11.95
Equity compensation plans not approved by security holders	--	--
Total	730,569	

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(1) These plans are the Company's 1997 Incentive Stock Option Plan and the 1997 Director Stock Option Plan.

ITEM 13 -- CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

ITEM 14 -- PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is contained in the registrant's proxy statement relating to its annual meeting of stockholders scheduled to be held on April 22, 2006 under the caption "Principal Accounting Firm Fees" and is incorporated herein by reference.

Part IV

ITEM 15--EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(A) Documents filed as a part of this report:

(1) Financial Statements
  Report of Independent Registered Public Accounting Firm
  Consolidated financial statements of Escalade, Incorporated and subsidiaries:
    Consolidated balance sheets--December 31, 2005 and December 25, 2004
    Consolidated statements of income--fiscal years ended December 31, 2005, December 25, 2004, and December 27, 2003
    Consolidated statements of stockholders' equity--fiscal years ended December 31, 2005, December 25, 2004, and December 27, 2003
    Consolidated statements of cash flows--fiscal years ended December 31, 2005, December 25, 2004 and December 27, 2003
    Notes to consolidated financial statements

(2) Financial Statement Schedules
  Report of Independent Registered Accounting Firm on financial statement schedules For the three-year period ended December 31, 2005:
    Schedule II--Valuation and qualifying accounts

All other schedules are omitted because of the absence of conditions under which they are required or because the required information is given in the consolidated financial statements or notes thereto.

(3) Exhibits

3.1	Articles of incorporation of Escalade, Incorporated(a)
3.2	By-Laws of Escalade, Incorporated (a)
4.1	Form of Escalade, Incorporated's common stock certificate (a)
10.1	Licensing agreement between Sweden Table Tennis AB and

	Indian Industries, Inc. dated January 1, 1995 (d)
10.2	Amended and Restated Credit Agreement dated October 24, 2001 between Escalade, Incorporated and Bank One, Indiana, N.A. dated August 29, 2002 (g)
10.3	First Amendment to Amended and Restated Credit Agreement dated October 24, 2001 between Escalade, Incorporated and Bank One, Indiana, N.A. dated August 29, 2002 (h)
10.4	Third Amendment to amend and restate the credit agreement between Escalade, Incorporated and Bank One, N.A. The effective date is June 1, 2003 (i)
10.5	Credit Agreement dated as of September 5, 2003 by and between Indian-Martin, Inc. and Bank One, National Association (excluding exhibits and schedules not deemed to be material). The effective date is September 7, 2003 (j)
10.6	Revolving Note dated as of September 5, 2003 in principal amount of $45,000,000, executed by Indian-Martin, Inc. in favor of Bank One, National Association (j)
10.7	Pledge Agreement dated as of September 5, 2003 by and between Indian-Martin, Inc. and Bank One, National Association (j)
10.8	Collateral Assignment and Security Agreement dated as of September 5, 2003 by and between Indian-Martin, Inc. and Bank One, National Association (j)
10.9	Receivables Purchase Agreement dated as of September 5, 2003 by and between Indian-Martin, Inc. and Indian-Martin AG (j)
10.10	Receivables Purchase Agreement dated as of September 5, 2003 by and between Indian-Martin, Inc. and Indian Industries, Inc. Substantially similar Receivables Purchase Agreements were also entered into by Indian-Martin, Inc. and each of Escalade, Incorporated's other domestic operating subsidiaries, Harvard Sports, Inc., Martin Yale Industries, Inc., Master Products Manufacturing Company, Inc., U.S. Weight, Inc. and Bear Archery, Inc. (j)
10.11	Services Agreement dated as of September 5, 2003 by and between Indian-Martin, Inc. and Martin Yale Industries, Inc. Substantially similar Services Agreements were also entered into by Indian-Martin, Inc. and each of Escalade, Incorporated's other domestic operating subsidiaries, Harvard Sports, Inc., Indian Industries, Inc., Master Products Manufacturing Company, Inc., U.S. Weight, Inc. and Bear Archery, Inc. (j)
10.12	Escalade Subordination Agreement dated as of September 5, 2003 between Escalade, Incorporated and Bank One, National Association (j)
10.13	Offset Waiver Agreement dated as of September 5, 2003 between Escalade, Incorporated, Bank One, National Association, Indian-Martin, Inc., Harvard Sports, Inc., Indian Industries, Inc., Martin Yale Industries, Inc., Master Products Manufacturing Company, Inc., U.S. Weight, Inc. and Bear Archery, Inc. (j)
10.14	Loan Agreement dated September 1, 1998 between Martin Yale Industries, Inc. and City of Wabash, Indiana (f)
10.15	Trust Indenture between the City of Wabash, Indiana and Bank One Trust Company, NA as Trustee dated September 1, 1998 relating to the Adjustable Rate Economic Development Revenue Refunding Bonds, Series

	1998 (Martin Yale Industries, Inc. Project) (f)
10.16	First Amendment to Credit Agreement dated September 5, 2003 by and between Indian-Martin, Inc. and Bank One, National Association, a national banking association. The Effective date of the Amendment was July 15, 2004. (k)

29

10.17	Fourth amendment to amended and restated credit agreement dated June 1, 2003 by and between Escalade, Incorporated and Bank One, N.A. a national banking association. The Effective date of amendment was July 15, 2004. (l)
10.18	Euro revolving note dated July 15, 2004, in principal amount of (euro)2,500,000, executed by Escalade, Incorporated in favor of Bank One, N.A., London branch. (l)
10.19	Uncommitted overdraft facility not to exceed 1.0 million Euro and 500 thousand pounds sterling between Escalade, Incorporated and Bank One, N.A., London branch. (l)

(4) Executive Compensation Plans and Arrangements

10.20	The Harvard Sports/Indian Industries, Inc. 401(k) Plan as amended and merged in 1993 (c)
10.21	Martin Yale Industries, Inc. 401(k) Retirement Plan as amended in 1993 (c)
10.22	Incentive Compensation Plan for Escalade, Incorporated and its subsidiaries (a)
10.23	Example of contributory deferred compensation agreement between Escalade, Incorporated and certain management employees allowing for deferral of compensation (a)
10.24	1997 Director Stock Compensation and Option Plan (e)
10.25	1997 Incentive Stock Option Plan (e)
10.26	1997 Director Stock Compensation and Option Plan Certificate (m)
10.27	1997 Incentive Stock Option Plan Certificate (m)
10.28	Escalade, Incorporated schedule of Directors Compensation (n)
10.29	Escalade, Incorporated schedule of Executive Officers Compensation (n)
21	Subsidiaries of the Registrant (n)
23.1	Consent of BKD, LLP
23.2	Consent of FALK & Co GmbH
31.1	Chief Executive Officer Rule 13a-14(a)/15d-14(a) Certification
31.2	Chief Financial Officer Rule 13a-14(a)/15d-14(a) Certification
32.1	Chief Executive Officer Section 1350 Certification
32.2	Chief Financial Officer Section 1350 Certification

(a) Incorporated by reference from the Company's Form S-2 Registration Statement, File No. 33-16279, as declared

effective by the Securities and Exchange Commission on September 2, 1987
(b) Intentionally not used
(c) Incorporated by reference from the Company's 1993 Annual Report on Form 10-K
(d) Incorporated by reference from the Company's 1995 Annual Report on Form 10-K
(e) Incorporated by reference from the Company's 1997 Proxy Statement
(f) Incorporated by reference from the Company's 1998 Third Quarter Report on Form 10-Q
(g) Incorporated by reference from the Company's 2001 Third Quarter Report on Form 10-Q
(h) Incorporated by reference from the Company's 2002 Third Quarter Report on Form 10-Q
(i) Incorporated by reference from the Company's 2003 Second Quarter Report on Form 10-Q
(j) Incorporated by reference from the Company's 2003 Third Quarter Report on Form 10-Q
(k) Incorporated by reference from the Company's 2004 Second Quarter Report on Form 10-Q
(l) Incorporated by reference from the Company's 2004 Third Quarter Report on Form 10-Q
(m) Incorporated by reference from the Company's 2004 Annual Report on Form 10-K

(n) Previously filed on March 10, 2006 as part of the Company's 2005 Annual Report on Form 10-K

ESCALADE, INCORPORATED AND SUBSIDIARIES

Index to Financial Statements

The following consolidated financial statements of the Registrant and its subsidiaries and Independent Accountants' Report are submitted herewith:

[GRAPHIC OMITTED]
BKD LLP

Report of Independent Registered Public Accounting Firm

Audit Committee, Board of Directors and Stockholders
Escalade, Incorporated
Evansville, Indiana

We have audited the accompanying consolidated balance sheets of Escalade, Incorporated as of December 31, 2005, and December 25, 2004, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2005. 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 did not audit the 2005 and 2004 consolidated financial statements of Martin Yale International, GmbH, a wholly owned subsidiary, which consolidated statements reflect total assets and net sales of $24,132 and $33,547 and $31,923 and $40,232 (dollars in thousands), respectively, included in the related consolidated financial statement amounts as of and for the years ended December 31, 2005 and December 25, 2004, respectively. Those consolidated statements were audited by other accountants, whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for Martin Yale International, GmbH, is based solely on the report of the other accountants.

Our audits also included auditing the adjustments to convert the financial statements of Martin Yale International, GmbH into accounting principles generally accepted in the United States of America for purposes of consolidation.

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 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 management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other accountants provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other accountants for 2005 and 2004, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Escalade, Incorporated as of December 31, 2005, and December 25, 2004, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Escalade, Incorporated's internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 17, 2006, except as to the 4th paragraph of Management's Report on Internal Control Over Financial Reporting (Revised), which is as of March 13, 2007 expressed an unqualified opinion on management's assessment and an adverse opinion on the effectiveness of the Company's internal control over financial reporting.

Evansville, Indiana
February 17, 2006, except for Note 2 as to which the date is March 13, 2007

32

FALK & Co

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Martin Yale International GmbH,
Markdorf/Germany

We have audited the accompanying consolidated balance sheet of Martin Yale International GmbH, Markdorf/Germany and Subsidiaries (the Company) as of December 31, 2005 and December 25, 2004 and the related consolidated statements of income and cash flows for each of the year ended December 31, 2005 and December 25, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit of 2005 and 2004 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 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 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2005 and December 25, 2004 and the consolidated results of its operations and its cash flows for each of the two years ended December 31, 2005 and December 25, 2004, in conformity with accounting principles generally accepted in Germany.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control -- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 16, 2006, expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

/s/ FALK & Co GmbH
Wirtschaftsprufungsgesellschaft
Steuerberatungsgesellschaft
Heidelberg/Germany,
February 16, 2006

33

ESCALADE, INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets

All Amounts in Thousands Except Share Information	December 31, 2005 (Restated)	December 25, 2004 (Restated)
Assets		
Current assets		
Cash and cash equivalents	$ 3,017	$ 3,050
Receivables, less allowances of $1,544 and $2,510	31,744	44,363
Inventories	33,049	30,482
Prepaid expenses	1,559	3,011
Deferred income tax benefit	1,382	2,062
Income tax receivable	--	690
Total current assets	70,751	83,658
Property, plant and equipment, net	20,307	16,498
Intangible assets	6,634	8,019
Goodwill	17,157	17,888
Investments	7,786	6,446
Interest rate swap	181	(386
Other assets	2,044	2,846
Total assets	$ 124,860	$ 134,969
Liabilities and Stockholders' Equity		
Current liabilities		
Notes payable--bank	$ --	$ 11,638
Current portion of long-term debt	1,066	354
Trade accounts payable	3,518	8,034
Accrued liabilities	23,728	26,780
Income tax payable	89	--
Total current liabilities	28,401	46,806
Long-term debt, less current portion	18,487	15,896
Deferred compensation	1,349	1,233
Commitments and contingencies - see note	--	--
Total liabilities	48,237	63,935

Stockholders' equity		
Preferred stock		
Authorized: 1,000,000 shares, no par value, none issued		
Common stock		
Authorized: 30,000,000 shares, no par value		
Issued and outstanding: 2005--12,946,869 shares, 2004--13,031,064 shares	12,947	13,031
Retained earnings	62,726	53,450
Accumulated other comprehensive income	950	4,553
Total stockholders' equity	76,623	71,034
Total liabilities and stockholders' equity	$ 124,860	$ 134,969

See notes to consolidated financial statements.

34

ESCALADE, INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Income

All Amounts in Thousands Except Per Share Data	Years Ended December 31, 2005 (Restated)	December 25, 2004 (Restated)	Dec
Net Sales	$ 185,617	$ 217,684	$
Costs, Expenses and Other Income			
Cost of products sold	130,021	158,391	
Selling, administrative and general expenses	36,401	39,933	
Restructuring costs	(631)	2,366	
Goodwill impairment loss	--	1,312	
Operating Income	19,826	15,682	
Interest expense	1,482	1,772	
Other expense (income)	(915)	(19)	
Income Before Income Taxes	19,259	13,929	
Provision for Income Taxes	6,343	5,749	
Net Income	$ 12,916	$ 8,180	$
Earnings Per Share Data			
Basic earnings per share	$ 0.99	$ 0.63	$

Diluted earnings per share	$ 0.98	$ 0.62	$

See notes to consolidated financial statements.

ESCALADE, INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

All Amounts in Thousands	Common Stock Shares	Common Stock Amount	Retained Earnings
Balances at December 28, 2002	13,018	13,018	32,881
Comprehensive income			
Net income			14,850
Unrealized gain on securities, net of tax			
Foreign Currency Translation Adjustment, net of tax			
Unrealized Loss on Interest Rate Swap Agreement, net of tax			
Total comprehensive income			
Exercise of stock options	120	120	230
Stock issued under the Director Stock Option Plan	4	4	47
Purchase of stock	(288)	(288)	(1,826)
Balances at December 27, 2003	12,854	12,854	46,182
Adjustment applicable to prior years (See Note 2)	--	--	703
Balances at December 27, 2003 (As restated, See Note 2)	12,854	12,854	46,885
Comprehensive income			
Net income			8,180
Unrealized gain on securities, net of tax			
Foreign Currency Translation Adjustment, net of tax			
Unrealized Gain on Interest Rate Swap Agreement, net of tax			
Total comprehensive income			
Exercise of stock options	226	226	814

Dividend Paid			(1,556)
Stock issued under the Director Stock Option Plan	10	10	52
Purchase of stock	(59)	(59)	(925)
Balances at December 25, 2004 (Restated)	13,031	13,031	53,450
Comprehensive income			
Net income			12,916
Unrealized loss on securities, net of tax			
Foreign Currency Translation Adjustment, net of tax			
Unrealized Gain on Interest Rate Swap Agreement, net of tax			
Total comprehensive income			
Exercise of stock options	82	82	231
Dividend Paid			(1,961)
Stock issued under the Director Stock Option Plan	6	6	90
Purchase of Stock	(172)	(172)	(2,000)
Balances at December 31, 2005 (Restated)	12,947	12,947	62,726

See notes to consolidated financial statements.

36

ESCALADE, INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(All Amounts in Thousands)

Years Ended	December 31 2005 (Restated)	December 25 2004 (Restated)	De
Operating Activities			
Net income	$ 12,916	$ 8,180	$
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	4,735	5,016	
Goodwill impairment	--	1,312	
Provision for doubtful accounts	561	1,523	
Deferred income taxes	413	569	
Provision for deferred compensation	116	132	
Deferred compensation paid	--	(307)	
(Gain) loss on disposals of assets	226	130	

Changes in			
Accounts receivable	13,553	(79)	
Inventories	(2,868)	(168)	
Prepaids	(122)	239	
Other assets	(1,706)	(385)	
Income tax payable	3,066	(3,444)	
Accounts payable and accrued expenses	(6,258)	3,031	
Net cash provided by operating activities	24,632	15,749	
Investing Activities			
Change in cash surrender value, net of loans and premiums	--	--	
Purchase of property and equipment	(8,395)	(2,410)	
Purchase of long-term investments	--	--	
Acquisitions, net of cash acquired	(3,213)	(632)	
Proceeds from sale of property and equipment	70	288	
Equity investment in Schleicher & Co. International AG	--	--	
Net cash used by investing activities	(11,538)	(2,754)	
Financing Activities			
Net increase (decrease) in notes payable--bank	(7,597)	(8,689)	
Proceeds from exercise of stock options	409	1,040	
Reduction of long-term debt	(354)	(354)	
Purchase of stock	(2,172)	(984)	
Cash dividend paid	(1,961)	(1,556)	
Net cash used by financing activities	(11,675)	(10,543)	
Effect of exchange rate changes on cash	(1,452)	(50)	
Increase (Decrease) in Cash and Cash Equivalents	(33)	2,402	
Cash and Cash Equivalents, Beginning of Year	3,050	648	
Cash and Cash Equivalents, End of Year	$ 3,017	$ 3,050	$
Supplemental Cash Flows Information			
Interest paid	$ 1,815	$ 1,741	$
Income taxes paid	5,561	8,418	

See notes to consolidated financial statements.

ESCALADE, INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Note 1 -- Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations
Escalade, Incorporated and its wholly owned subsidiaries (the "Company") are engaged in the manufacture and sale of sporting goods and office products. The Company is headquartered in Wabash, Indiana and has manufacturing facilities in the United States of America, Mexico, Germany and China. The Company sells products to customers throughout the world.

Principles of Consolidation
The consolidated financial statements include the accounts of Escalade, Incorporated and its wholly-owned subsidiaries. All material inter-company accounts and transactions have been eliminated.

Basis of Presentation
The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The books and records of Subsidiaries located in foreign countries are maintained according to generally accepted accounting principles in those countries. Upon consolidation the Company evaluates the differences in accounting principles and determines whether adjustments are necessary to convert the foreign financial statements to the accounting principles upon which the consolidated financial statements are based. As a result of this evaluation no material adjustments were identified.

Fiscal Year End
The Company's fiscal year is a 52 or 53 week period ending on the last Saturday in December. Fiscal 2005 was 53 weeks long ending on December 31, 2005, while fiscal 2004 and 2003, were each 52 weeks long ending on December 25, 2004, and December 27, 2003, respectively.

Cash and Cash Equivalents
Highly liquid financial instruments with insignificant interest rate risk and with original maturities of three months or less are classified as cash and cash equivalents.

Fair Values of Financial Instruments
Fair values of cash equivalents approximate cost due to the short period of time to maturity. Fair values of long-term investments, non-marketable debt investments, short-term debt, long-term debt and swaps, are based on quoted market prices or pricing models using current market rates. The Company believes the carrying value of short-term debt and long-term debt adequately reflects the fair value of these instruments. For the company's portfolio of non-marketable equity securities, management believes that the carrying value of the portfolio approximates the fair value at December 31, 2005. All of the estimated fair values are management's estimates; however, there is no readily available market and the estimated fair value may not necessarily represent the amounts that could be realized in a current transaction, and these fair values could change significantly.

Inventories
Inventory cost is computed on a currently adjusted standard cost basis (which approximates actual cost on a current average or first-in, first-out basis). Work in process and finished goods inventory are determined to be saleable based on a demand forecast within a specific time horizon, generally one year or less. Inventory in excess of saleable amounts is reserved, and the remaining inventory is valued at the lower cost or market. This inventory valuation reserve totaled $3.9 million and $6.3 million at fiscal year-end 2005 and 2004, respectively. Inventories, net of the valuation reserve, at fiscal year-ends were as follows:

In Thousands	2005	2004

Raw materials	$ 7,128	$ 8,562
Work in process	5,358	5,142
Finished goods	20,563	16,778
	$ 33,049	$ 30,482

ESCALADE, INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Accounts Receivable
Revenue from the sale of the Company's products is recognized as products are shipped to customers and accounts receivable are stated at the amount billed to customers. Interest and late charges that are billed to customers are not included in accounts receivable. The Company does not offer the right of return on any of its sales and the Company does not engage in consignment or contingency sales. The Company provides an allowance for doubtful accounts which is described in Note 3 - Certain Significant Estimates.

Property, Plant and Equipment
Property, plant and equipment are recorded at cost. Depreciation and amortization are computed for financial reporting purposes principally using the straight-line method over the following estimated useful lives: buildings, 20-30 years; leasehold improvements, term of the lease; machinery and equipment, 5-15 years; and tooling, dies and molds, 2-4 years. Property, plant and equipment consist of the following:

In Thousands	2005	2004
Land	$ 2,672	$ 1,853
Buildings and leasehold improvements	19,520	15,799
Machinery and equipment	33,725	34,562
Total cost	55,917	52,214
Accumulated depreciation and amortization	(35,610)	(35,716)
	$ 20,307	$ 16,498

Investments
Investments at fiscal year-ends are composed of the following:

In Thousands	2005	2004
Marketable equity securities available for sale	$ 3,172	$ 1,843
Non-marketable equity investments (cost method)	--	587
Non-marketable equity investments (equity method)	4,614	4,016
	$ 7,786	$ 6,446

Marketable Equity Securities Available for Sale. This consists of marketable equity securities recorded at fair value with unrealized gains and losses, net of tax, reported in accumulated other comprehensive income. Summarized financial data for these securities at fiscal year-end were as follows:

In Thousands	2005	2004
Cost basis	$ 2,984	$ 1,542
Unrealized gain	188	301
Approximate fair market value	$ 3,172	$ 1,843

Non-Marketable Equity Investments. The Company has minority equity positions in companies strategically related to the company's business. The Company does not have control over these companies and the accounting method employed is dependent on the degree of influence the Company can exert on the operations. Where the equity interest is less than 20% and the degree of influence is not significant, the cost method of accounting is employed. Where the equity interest is greater than 20% but not more than 50%, the equity method of accounting is utilized. Under the equity method, the company's proportionate share of income or losses is recorded in other expense (income) on the consolidated statement of income. The proportionate share of income was $1,455 thousand, $1,291 thousand, and $861 thousand in 2005, 2004 and 2003, respectively. Total cash dividends received from these equity investments amounted to $638 thousand, $331 thousand, and $293 thousand in 2005, 2004 and 2003, respectively. The Company considers whether the fair values of any of its

equity investments have declined below their carrying value whenever adverse events or changes in circumstances indicate that recorded values may not be recoverable. If the Company considered any such decline to be other than temporary (based on various factors, including historical financial results, product development activities and overall health of the investments' industry), a write-down is recorded to estimated fair value.

Intangible Assets
The Company has various intangible assets including consulting agreements, patents, trademarks, non-competition agreements and goodwill. Amortization is computed using the straight-line method over the following lives: consulting agreements, the life of the agreement; non-compete agreements, the lesser of the term or 5 years; and patents, 5 to 8 years. Trademarks are deemed to have indefinite useful lives and accordingly are not amortized, but evaluated on an annual basis to determine whether any impairment in value has occurred.

Employee Stock Option Plan
The Company has two stock-based compensation plans which were approved by the stockholders at the Company's 1997 annual meeting. Under these plans 1,800,000 common shares are reserved for issuance under an Incentive Stock Option Plan (ISO) and 600,000 common shares for issuance under a Director Stock Option Plan (DSO). The following table summarizes the option activity under the two plans:

	Incentive Stock		Director Stock	
	Granted	Outstanding	Granted	Outstandin

2005	250,000	713,324	2,767	17,245
2004	196,600	555,374	4,126	23,556
2003	174,800	606,800	2,378	32,590

The Company accounts for these plans under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock issued to Employees, and related interpretations. The Company grants selected executives and other key employees' stock option awards, which vest over four years of continued employment. The exercise price of each option, which has a five-year life, was equal to the market price of the Company's stock on the date of grant; therefore, no compensation expense was recognized. Options are exercisable commencing one year from the date of issuance to the extent vested.

In anticipation of the effective date of SFAS 123R Share-Based Payment (SFAS 123R) which requires the expensing of stock options based on fair-value assessments, the Company elected in the fourth quarter of fiscal 2005, to accelerate the vesting of 167,800 outstanding options where the exercise price ($19.21 per share) exceeded the market price for the Company's stock. This resulted in the immediate recognition of the pro-forma stock-based employee compensation costs associated with these options. Accordingly, the pro-forma compensation expense reported in the tables below reflects the additional stock-based employee compensation expense associated with these options.

Although the Company has elected to follow APB Opinion No. 25, Statement of Financial Accounting Standards (SFAS) No. 123 requires pro forma disclosures of net income and earnings per share as if the Company had accounted for its employee stock options under that statement. The fair value of each option grant was estimated on the grant date using an option-pricing model with the following assumptions:

	2005	2004
Risk-free interest rates	3.77%	3.07%
Dividend yields	1.20%	0%
Volatility factors of expected market price of common stock	53.8%	50%
Weighted average expected life of the options	4 years	5 years

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

In Thousands Except Per Share Amounts	2005 (Restated)	2004 (Restated)	2003
Net income, as reported	$ 12,916	$ 8,180	$ 14,850

Less: Total stock-based employee compensation cost determined under the fair value based method, net of income taxes	(1,823)	(801)	(440)
Pro forma net income	$ 11,093	$ 7,379	$ 14,410
Earnings per share			
Basic--as reported	$ 0.99	$ 0.63	$ 1.15
Basic--pro forma	$ 0.85	$ 0.57	$ 1.11
Diluted--as reported	$ 0.98	$ 0.62	$ 1.13
Diluted--pro forma	$ 0.84	$ 0.56	$ 1.09

Foreign Currency Translation
The functional currency for the foreign operations of Escalade is the local currency. The translation of foreign currencies into U.S. dollars is performed for balance sheet accounts using exchange rates in effect at the balance sheet dates and for revenue and expense accounts using a weighted average exchange rate during the year. The gains or losses resulting from the translation are included in Accumulated Other Comprehensive Income (Loss) in the Consolidated Statements of Stockholders' Equity and are excluded from net income. Gains or losses resulting from foreign currency transactions are included in Other expense (income) in the Consolidated Statements of Income and were insignificant in fiscal years 2005, 2004, and 2003.

Cost of Products Sold
Cost of products sold are comprised of those costs directly associated with or allocated to the products sold and include materials, labor and factory overhead.

Other Expense (Income)
The components of Other Expense (Income) were as follows:

In Thousands	2005	2004	2003
Amortization of intangibles	$ 1,210	$ 1,224	$ 1,048
Gain from European debt abatement	--	--	(1,442)
Investment income	(1,628)	(601)	(1,253)
Deferred compensation costs	116	133	(32)
Vendor charge-backs	(80)	(255)	(480)
Royalty income from patents	(382)	(711)	(187)
Other	(151)	191	(163)
	$ (915)	$ (19)	$ (2,509)

Income Taxes
Income tax in the consolidated statement of income includes deferred income tax provisions or benefits for all significant temporary differences in recognizing income and expenses for financial reporting and income tax purposes.

ESCALADE, INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Research and Development
Research and development costs are charged to expense as incurred. Research and development costs incurred during 2005, 2004 and 2003 were approximately $1,991 thousand, $2,299 thousand, and $2,947 thousand, respectively.

Reclassifications
Certain reclassifications have been made to the 2004 and 2003 financial statements to conform to the 2005 financial statement presentation. These reclassifications had no effect on net earnings.

New Accounting Pronouncements
In December, 2004, the Financial Accounting Standards Board (FASB) issued SFAS 123R Stock-Based Payment (SFAS 123R), an amendment to SFAS 123 Accounting for Stock-Based Compensation which eliminates the ability to account for share-based compensation transactions using Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and generally requires that such transactions be accounted for using a fair value-based method. The effective date of this standard is fiscal years beginning after June 15, 2005. Therefore, the effective date of this standard for the Company is January 1, 2006. SFAS 123R applies to all awards granted after the required effective date and to awards modified, repurchased, or cancelled after that date as well as for the unvested portion of awards existing as of the effective date. The cumulative effect of initially applying this Statement, if any, is recognized as of the required effective date. Beginning January 1, 2006, the Company will comply with SFAS 123R using a modified version of prospective application. Under this transition method, compensation cost is recognized for the portion of outstanding awards, for which the requisite service has not yet been rendered, based on the grant-date fair value of those awards calculated under SFAS 123 for either recognition or pro forma disclosures. The Company will not restate financial statements for prior periods but will continue to include pro forma disclosures required for those periods by SFAS 123. Based on the options outstanding as of December 31, 2005, the Company will recognize compensation expense related to stock options of $494 thousand in 2006, $372 thousand in 2007 and $351 thousand in 2008. These amounts will increase depending on the number and value of options issued in future years.

In November 2004, the FASB issued SFAS No. 151 Inventory Costs, an amendment of ARB No. 43, chapter 4. SFAS No. 51 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material. This standard is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company does not believe the adoption of this standard will have a material effect on the Company's financial statements.

Note 2 -- Restatement of Financial Statements

The consolidated financial statements for the years ended December 31, 2005 and December 25, 2004 have been restated. On February 13, 2007, the Audit Committee of the Company's Board of Directors, upon the recommendation of management and in consultation with the Company's registered public accounting firm, decided to restate these financial statements to correct the overstatements of the provision for income taxes and employee benefit costs. The effect of these errors on the financial statements for the years prior to December 25, 2004 was determined to be immaterial and has been reflected as an adjustment to the 2004 beginning of the year retained earnings balance. The errors causing the restatements were the result of computational errors in calculating the tax provision and a misapplication of the Company's year end accrual of its 401(K) plan matching contribution.

The following tables set forth the effects of the restatement on the Company's previously reported statements of income for the years ended December 31, 2005 and December 25, 2004:

42

ESCALADE, INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(Amounts in thousands, except per share amounts)	Year ended December 31, 20	
	As Previously Reported	Adjustments
Selling, administrative and general expenses	36,444	(43)
Operating income	19,783	43
Income before income taxes	19,216	43
Provision for income taxes	7,274	(931)
Net income	11,942	974
Basic earnings per share	$0.91	$0.08
Diluted earnings per share	$0.90	$0.08

(Amounts in thousands, except per share amounts)	Year ended December 25, 20	
	As Previously Reported	Adjustments
Selling, administrative and general expenses	40,045	(112)
Operating income	15,570	112
Income before income taxes	13,817	112
Provision for income taxes	5,990	(241)
Net income	7,827	353
Basic earnings per share	$0.60	$0.03
Diluted earnings per share	$0.59	$0.03

The following tables set forth the effect of the restatement on the consolidated balance sheet as of December 31, 2005 and December 25, 2004:

(Amounts in thousands)	As of December 31, 2005	
	As Previously Reported	Adjustments
Deferred tax asset (current)	1,818	(436)
Total current assets	71,187	(436)
Total assets	125,296	(436)
Accrued liabilities (current)	24,429	(701)
Income tax payable	1,854	(1,765)
Total current liabilities	30,867	(2,466)
Total liabilities	50,703	(2,466)
Retained earnings	60,696	2,030

Total stockholder's equity	74,593	2,030
Total liabilities & stockholder's equity	125,296	(436)

ESCALADE, INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(Amounts in thousands)	As of December 25, 2004	
	As Previously Reported	Adjustments
Deferred tax asset (current)	2,496	(434)
Income tax receivable	--	690
Total current assets	83,402	256
Total assets	134,713	256
Accrued liabilities (current)	27,438	(658)
Income tax payable	142	(142)
Total current liabilities	47,606	(800)
Total liabilities	64,735	(800)
Retained earnings	52,394	1,056
Total stockholder's equity	69,978	1056
Total liabilities & stockholder's equity	134,713	256

The restatement had no effect on net cash provided by operating activities for the years ended December 31, 2005 and December 25, 2004. The following tables set forth the effect on the individual line items within operating activites in the consolidated statement of cash flows for the years ended December 31, 2005 and December 25, 2004:

	For the year ended December 31	
(Amounts of thousands)	As Previously Reported	Adjustments
Net Income	11,942	974
Changes in:		
Deferred income tax	(466)	2
Income tax payable	1,426	(933)
Account payable and accrued expenses	(5,899)	43

	For the year ended December 25	
(Amounts of thousands)	As Previously Reported	Adjustments

Net Income	7,827	353
Changes in:		
Deferred income tax	(1,022)	219
Income tax payable	(205)	(460)
Account payable and accrued expenses	3,143	(112)

Note 3 -- Certain Significant Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities; the disclosure of contingent assets and liabilities at the date of the consolidated financial statements; and the reported amounts of revenues and expenses during the reporting period. These estimates and judgments are evaluated on an ongoing basis and are based on experience; current and expected future conditions; third party evaluations; and various other assumptions believed reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities as well as

identifying and assessing the accounting treatment with respect to commitments and liabilities. Actual results may differ from the estimates and assumptions used in the financial statements and related notes.

Listed below are certain significant estimates and assumptions related to the preparation of the consolidated financial statements:

Product Warranty
The Company provides limited warranties on certain of its products, for varying periods. Generally, the warranty periods range from 90 days to one year. However, some products carry extended warranties of seven-year, ten-year, and lifetime warranties. The Company records an accrued liability and expense for estimated future warranty claims based upon historical experience and management's estimate of the level of future claims. Changes in the estimated amounts recognized in prior years are recorded as an adjustment to the accrued liability and expense in the current year. A reconciliation of the liability is as follows:

In Thousands	2005	2004	2003
Beginning balance	$ 1,298	$ 1,634	$ 1,324
Additions	472	1,294	1,447
Deductions	(727)	(1,630)	(1,137)
Ending balance	$ 1,043	$ 1,298	$ 1,634

Inventory Valuation Reserves
The Company evaluates inventory for obsolescence and excess quantities based on demand forecasts based on specified time frames; usually one year. The demand forecast is based on historical usage, sales forecasts and current as well as anticipated market conditions. All amounts in excess of the demand forecast are deemed to be excess or obsolete and a reserve is established based on the

anticipated net realizable value. A reconciliation of the reserve is as follows:

In Thousands	2005	2004	2003
Beginning balance	$ 6,223	$ 5,465	$ 1,182
Additions	763	2,810	5,529
Deductions	(3,119)	(2,052)	(1,246)
Ending balance	$ 3,867	$ 6,223	$ 5,465

Allowance for Doubtful Accounts
The Company provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due between 30 and 60 days after the issuance of the invoice. Accounts are considered delinquent when more than 90 days past due. Delinquent receivables are reserved or written off based on individual credit evaluation and specific circumstances of the customer. A reconciliation of the allowance is as follows:

In Thousands	2005	2004	2003
Beginning balance	$ 2,510	$ 1,991	$ 550
Additions	561	1,523	2,196
Deductions	(1,527)	(1,004)	(755)
Ending balance	$ 1,544	$ 2,510	$ 1,991

Advertising Subsidies
The Company enters agreements with certain retailers to pay for direct advertising programs and/or provide in-store display units. These agreements are not based on retailer purchase volumes and do not obligate the retailer to continue carrying the Company's products. The Company determines the value of

the advertising services based on its own research and history of providing such services. The Company expenses these costs in the period in which they are incurred as a selling expense. A reconciliation of the liability is as follows:

In Thousands	2005	2004	2003
Beginning balance	$ 725	$ 779	$ 614
Additions	1,579	2,885	1,973
Deductions	(1,313)	(2,939)	(1,808)
Ending balance	$ 991	$ 725	$ 779

CO-OP Advertising
The Company offers co-operative advertising allowances to certain retailers to encourage product promotions. These agreements are typically based on a percentage of retailer purchases up to a maximum allowance and the Company is

never directly involved with the media provider. The Company accrues the estimated cost of these programs based on the sales volume of the retailer and historical trends. As costs are accrued they are recorded as a reduction in sales. A reconciliation of the liability is as follows:

In Thousands	2005	2004	2003
Beginning balance	$ 3,545	$ 2,782	$ 1,202
Additions	4,081	3,238	2,766
Deductions	(4,832)	(2,475)	(1,186)
Ending balance	$ 2,794	$ 3,545	$ 2,782

Volume Rebates

The Company has various rebate programs with its retailers that are based on purchase volume. Typically these programs are based on achieving specified sales volumes and the rebate is calculated as a percentage of purchases. Based on the terms of the agreement, purchase levels and historical trends the Company accrues the cost of these programs and records the same as a reduction in sales. A reconciliation of the liability is as follows:

In Thousands	2005	2004	2003
Beginning balance	$ 3,419	$ 2,435	$ 1,836
Additions	2,150	5,400	4,707
Deductions	(4,066)	(4,416)	(4,108)
Ending balance	$ 1,503	$ 3,419	$ 2,435

Catalog Allowances

A number of large office supply dealers operate through catalogs distributed to businesses throughout the country. Product content is decided by the dealer each time a new catalog is issued; typically once a year. Catalog allowances are required by the dealer as an inducement to include the Company's products. The allowance is based on a fixed cost per page and/or a percentage of purchases by the dealer. The fixed portion of the allowance is often paid when the catalog is distributed and is recognized in the period incurred and the variable portion is accrued based on dealer purchases and historical trends. Catalog allowances are recorded as a reduction in sales. A reconciliation of the liability is as follows:

In Thousands	2005	2004	2003
Beginning balance	$ 761	$ 1,027	$ 1,547
Additions	1,637	1,380	2,043
Deductions	(1,358)	(1,646)	(2,563)
Ending balance	$ 1,040	$ 761	$ 1,027

Note 4 -- Accrued Liabilities

Accrued liabilities consist of the following:

In Thousands	2005 (Restated)	2004 (Restated)
Employee compensation	$ 9,041	$ 9,589
Customer related allowances and accruals	10,379	10,465
Other accrued items	4,308	6,726
	$ 23,728	$ 26,780

Note 5 -- Operating Leases

The Company leases warehouse and office space under non-cancelable operating leases that expire at various dates through 2011. Terms of the leases, including renewals, taxes, utilities, and maintenance, vary by lease. Total rental expense included in the results of operations relating to non-cancelable leases with terms of more than one year was $1,275 thousand, $1,998 thousand, and $2,232 thousand in 2005, 2004, and 2003, respectively.

At December 31, 2005, minimum rental payments under non-cancelable leases with terms of more than one year were as follows:

In Thousands	Amount
2006	$ 1,240
2007	610
2008	347
2009	102
2010	100
2011 and beyond	25
	$ 2,424

Note 6 -- Restructuring Costs

In 2004 the Company initiated a facility consolidation plan and involuntary employee terminations in the office product segment in order to reduce costs and increase the competitiveness of the Company. Under this plan the Company closed two facilities in North America and reduced its workforce by approximately 100 individuals in North America and 20 in Europe. Restructuring reserves, before taxes, were composed of the following:

In Thousands	Severance and benefit costs	Facility closure costs	Total
Restructuring charges incurred	$ 1,656	$ 710	$ 2,366

Non-cash charges	--	(540)	(540)
Cash payments	(378)	--	(378)
Balance at December 25, 2004	1,278	170	1,448
Non-cash benefit	(631)	--	(631)
Cash payments	(448)	(170)	(618)
Balance at December 31, 2005	$ 199	$ --	$ 199

47

ESCALADE, INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

In December 2005, the Company settled two employment claims relating to the restructuring activities initiated in 2004. As a result, the Company reduced the restructuring liability by $631.

Note 7 -- Acquired Intangible Assets and Goodwill

The carrying basis and accumulated amortization of recognized intangible assets are summarized in the following table:

	2005		2004	
In Thousands	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents	$ 6,078	$ 2,982	$ 6,078	$ 2,158
Consulting agreements	876	874	810	760
Non-compete agreements	1,812	1,597	1,800	1,455
Customer list	622	360	630	271
Trademarks	3,180	121	3,466	121
	$ 12,568	$ 5,934	$ 12,784	$ 4,765

Amortization expense was $1,169 thousand, $1,324 thousand and $1,098 thousand for 2005, 2004 and 2003, respectively.

Estimated amortization expense for each reporting segment for each of the following four years is:

In Thousands	2006	2007	2008	2009
Sporting Goods	$ 949	$ 885	$ 852	$ 652
Office Products	118	118	--	--
	$ 1,067	$ 1,003	$ 852	$ 652

The Company evaluates the carrying value of its long-lived and intangible assets on an annual basis, or whenever events and circumstances indicate that the carrying value of the assets may be impaired. The Company determines impairment based on the asset's ability to generate cash flow greater than the carrying value of the asset, using a discounted probability-weighted analysis. If projected discounted cash flows are less than the carrying value of the asset, the asset is adjusted to its fair value.

The changes in the carrying amount of goodwill were:

In Thousands	Sporting Goods	Office Products	Total
Balance at December 27, 2003	$ 7,151	$ 11,626	$ 18,777
Impairment charge	--	(1,312)	(1,312)
Foreign currency translation adjustment	--	423	423
Balance at December 25, 2004	7,151	10,737	17,888
Foreign currency translation adjustment	--	(731)	(731)
Balance at December 31, 2005	$ 7,151	$ 10,006	$ 17,157

Note 8 -- Borrowings

Short-Term Debt
Short-term debt at fiscal year-ends was as follows:

In Thousands	2005	2004
Bank One Revolving line of credit	$ --	$ 11,638

The Company's directly owned subsidiary, Indian-Martin, Inc., has a revolving line of credit under which it can borrow funds from time to time to purchase eligible accounts receivable from the company's operating subsidiaries which accounts are and will be pledged to secure those borrowings. At December 31, 2005, this line of credit aggregated $30 million, of which there were no borrowings. At the company's option, borrowings can be made under the bank's prime interest rate minus 1.25% or LIBOR plus 1.38%. During 2005 and 2004, weighted average daily borrowings under this line were $6,843 thousand and $12,423 thousand with effective interest rates of 5.9% and 2.9%, respectively.

Long-Term Debt
Long-term debt at fiscal year-ends was as follows:

In Thousands	2005
Revolving term loan of $35,000, the amount available under this revolving term loan is reduced by $7,000 annually starting May 19, 2006, with the	

balance due May 19, 2008. At December 31, 2005, $10,000 had an interest rate of London Interbank Offered Rate (LIBOR) plus 1.00%, or 5.40%, and $5,787 had an interest rate of prime minus .75% or 6.50%, unsecured	$ 15,787
Revolving term loan of Euro 2,500 (approximately 2,961 US Dollars), the balance is due July 15, 2006 and bears an interest rate of EURIBOR plus 2.00%, or 3.85% at December 31, 2005, unsecured	711
Mortgage payable (Wabash, Indiana Adjustable Rate Economic Development Revenue Refunding Bonds), annual installments are optional, interest varies with short-term rates and is adjustable weekly based on market conditions, maximum rate is 10.00%, rate at December 31, 2005 is 1.55%, due September 2028, secured by plant facility, machinery and equipment, and a stand-by letter of credit	2,700
Contract payable for Accudart acquisition, due $167 annually beginning February 1, 2003 through February 1, 2006, non-interest bearing, secured by a stand-by letter of credit	167
Contract payable for acquisition of equity interest in Sweden Table Tennis, AB, unsecured and non-interest bearing. Annual payments of $188 due March of each year	188
	19,553
Portion classified as current	(1,066)
	$ 18,487

Maturities of long-term debt outstanding at December 31, 2005 are as follows: $1,066 thousand in 2006; $15,787 thousand in 2008; and $2,700 thousand in 2010 or thereafter.

49

ESCALADE, INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The mortgages payable and term loan agreements contain certain restrictive covenants, of which the more significant include maintenance of specified net worth and maintenance of specified ranges of debt service and leverage ratios.

Interest Rate Swap Agreement
In May 2003, the Company entered into an interest rate swap agreement having a notional amount of $10 million and a maturity date of May 19, 2008. This swap agreement is designated as a cash flow hedge, and effectively converts a portion of the Company's variable rate debt to fixed rate debt with a weighted average interest rate of 5.08%. The Company entered into this interest rate swap agreement to manage interest costs and cash flows associated with variable interest rates, primarily short-term changes in LIBOR; changes in the cash flows of the interest rate swap offset changes in the interest payments on the covered portion of the Company's revolving debt. In connection with this interest rate swap agreement the Company recorded an after tax charge of $368 thousand in Other Comprehensive Income (OCI). There was no impact on net income due to ineffectiveness. The Company's exposure to credit loss on its interest rate swap agreement in the event of non-performance by the counterparty is believed to be

remote due to the Company's requirement that the counterparty have a strong credit rating.

Note 9 -- Earnings Per Share

The shares used in the computation of the company's basic and diluted earnings per common share are as follows:

In Thousands	2005	2004
Weighted average common shares outstanding	13,055	12,980
Dilutive effect of stock options	153	247
Weighted average common shares outstanding, assuming dilution	13,208	13,227
Number of anti-dilutive stock options	424	181

Weighted average common shares outstanding, assuming dilution, includes the incremental shares that would be issued upon the assumed exercise of stock options outstanding.

Note 10 -- Employee Benefit Plans

The Company has an employee profit-sharing salary reduction plan, pursuant to the provisions of Section 401(k) of the Internal Revenue Code, for non-union employees. The Company's contribution is a matching percentage of the employee contribution as determined by the Board of Directors annually. The Company's expense for the plan was $490 thousand, $583 thousand, and $487 thousand for 2005, 2004 and 2003, respectively.

Note 11 -- Deferred Compensation Plan

In October 1985, the Board of Directors approved the adoption of a Contributory Deferred Compensation Plan pursuant to which some recipients of incentive compensation could elect to defer receipt thereof. For each dollar of deferred compensation, the Company provided a 75% matching amount. Amounts deferred earn interest at the rate of 9%. Such amounts are not intended to be recognized for tax purposes until receipt. All deferrals allowed under this plan have been

made. Participants have no vested rights in deferred amounts credited to their accounts and are general creditors of the Company until such amounts are actually paid.

Note 12 -- Stock Options

The Company has two stock-based compensation plans which are described in detail in Note 1. Stock option transactions under these plans are summarized as follows:

	2005		2004	
	Shares	Option Price	Shares	Option Price
Outstanding at beginning of year	578,930	$6.99 to 19.21	639,390	$2.42 to 10.68
Issued during year	252,767	$13.40 to 13.88	200,726	$17.24 to 19.21
Canceled or expired	(20,900)		(35,050)	
Exercised during year	(80,228)	$2.42 to 6.99	(226,136)	$2.42 to 10.68
Outstanding at end of year	730,569	$6.99 to 19.21	578,930	$6.99 to 19.21
Exercisable at end of year	376,502		192,354	
Weighted-average fair value of options granted during the year	$ 5.61		$ 9.99	

The following table summarizes information about fixed stock options outstanding at December 31, 2005:

	Options Outstanding			Op
Range of Exercise Prices	Number of Shares	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number o Shares
$ 3.60 - $ 3.80	85,680	0.2 years	$ 3.62	85,680
$ 6.99 - $10.68	221,196	1.7 years	$ 7.90	118,896
$13.40 - $19.21	423,693	3.7 years	$15.74	171,926
	730,569			376,502

Incentive stock options are generally exercisable at the rate of 25% over each of the four years following the date of grant.

During fiscal year 2005 the Company issued 2,767 Director Stock Options at an option price of $13.88. These options are exercisable after April 26, 2006 and have an expiration date of April 27, 2009.

ESCALADE, INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Note 13 -- Provision For Taxes

Income before taxes and the provision for taxes consisted of the following:

In Thousands	2005 (Restated)	2004 (Restated)	2003
Income (loss) before taxes:			
United States of America (USA)	$ 16,066	$ 14,152	$ 19,720
Non USA	3,193	(223)	1,503
	$ 19,259	$ 13,929	$ 21,223
Provision for taxes:			
Current			
Federal	$ 4,580	$ 4,688	$ 5,802
State	510	209	1,073
International	840	283	539
	5,930	5,180	7,414
Deferred			
Federal	334	510	(845)
State	79	59	(196)
	413	569	(1,041)
	$ 6,343	$ 5,749	$ 6,373

The Company has not provided for USA deferred taxes or foreign withholding taxes on undistributed earnings for non-USA subsidiaries where the company intends to reinvest these earnings indefinitely in operations outside the USA.

The provision for income taxes was computed based on financial statement income. A reconciliation of the provision for income taxes to the amount computed using the statutory rate follows:

In Thousands	2005 (Restated)	2004 (Restated)
Income tax at statutory rate	$ 6,548	$ 4,736
Increase (decrease) in income tax resulting from		
Permanent differences (goodwill impairment, investment income, dividends, and captive insurance earnings)	(348)	615
State tax expense, net of federal effect	386	171
Effect of foreign tax rates	(229)	359
Research credit	(121)	(69)
Internal Revenue Service audit settlement	278	--
Other	(171)	(63)
Recorded provision for income taxes	$ 6,343	$ 5,749

ESCALADE, INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

The components of the net deferred tax asset are as follows:

In Thousands	2005 (Restated)	2004 (Restated)
Assets		
Employee benefits	$ 559	$ 562
Valuation reserves	1,250	1,927
Deferred compensation	501	456
Depreciation	576	130
Unrealized loss on interest rate swap agreement	--	135
Net operating loss carry forward	557	481
Total assets	3,443	3,691
Liabilities		
Unrealized gain on sale of securities available-for-sale	(85)	(120)
Unrealized equity investment income	(1,156)	(517)
Unrealized gain on interest rate swap agreement	(62)	--
Goodwill and intangible assets	(395)	(202)
Total liabilities	(1,698)	(839)
Valuation Allowance		
Beginning balance	0	--
(Increase) decrease during period	(278)	--
Ending balance	(278)	--
	$ 1,467	$ 2,852

Deferred tax assets are included in the consolidation balance sheet as follows:

In Thousands	2005 (Restated)	2004 (Restated)
Deferred income tax asset - current	$ 1,382	$ 2,062
Deferred income tax asset - long-term	85	790
	$ 1,467	$ 2,852

The Company has a US federal unused net operating loss carry-forward of approximately $350 thousand and state unused net operating losses of approximately $3,619 thousand of which an estimated $3,269 thousand has been reserved as the Company does not expect to be able to utilize it. All operating loss carry-forwards expire in various amounts through 2018. The Company also has foreign net operating loss carry-forwards of approximately Euro 532 thousand (approximately 630 thousand US Dollars) which have no expiration date.

53

ESCALADE, INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Note 14 - Other Comprehensive Income

The components of other comprehensive income and related tax effects were as follows:

In Thousands	2005	2004
Change in net unrealized value of available-from-sale investments net of tax of $52, $(68), and $(69), in 2005, 2004 and 2003, respectively	$ (78)	$ 102
Change in foreign currency translation adjustment, net of tax of $2,592, $(1,178), and $(1,899), in 2005, 2004 and 2003, respectively	(3,893)	1,770
Change in unrealized gain (loss) on interest rate swap agreement net of tax of $(245), $(289), and $456, in 2005, 2004 and 2003, respectively	368	434
	$ (3,603)	$ 2,306

The components of accumulated other comprehensive income, net of tax, were as follows:

In Thousands	2005	2004	
Accumulated gain on available for sale investments	$ 103	$ 181	$
Foreign currency translation adjustment	730	4,623	
Unrealized gain (loss) on interest rate swap agreement	117	(251)	
	$ 950	$ 4,553	$

54

ESCALADE, INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Note 15 -- Operating Segment and Geographic Information

The following table presents certain operating segment information.

In Thousands	2005 (Restated)	2004 (Restated)	2003
Sporting Goods			
Net revenue	120,996	141,644	134,750
Operating income	13,283	17,926	16,507
Interest expense	874	963	906
Provision for taxes	4,154	6,045	5,467
Net income	7,386	10,747	9,720
Identifiable assets	67,641	63,458	64,627
Non-marketable equity investments (equity method)	--	--	--
Depreciation & amortization	2,657	3,001	3,314
Capital expenditures	7,403	1,109	1,363
Office Products			
Net revenue	64,621	76,040	81,518
Operating income	8,760	573	5,506
Interest expense	786	1,308	1,433
Provision for taxes	2,432	(351)	1,490
Net income	5,683	(1,634)	4,223
Identifiable assets	44,319	57,983	60,168
Non-marketable equity investments (equity method)	662	--	--
Depreciation & amortization	2,078	3,327	1,987
Capital expenditures	992	1,301	1,201
All Other			
Net revenue	--	--	--
Operating income	(2,217)	(2,817)	(1,017)
Interest expense	(178)	(499)	(57)
Provision for taxes	(243)	55	(584)
Net income	(153)	(933)	907
Identifiable assets	12,900	13,528	9,642
Non-marketable equity investments (equity method)	3,952	2,015	3,001
Depreciation & amortization	--	--	--
Capital expenditures	--	--	--
Total			
Net Revenue	185,617	217,684	216,268
Operating income	19,826	15,682	20,996
Interest expense	1,482	1,772	2,282
Provision for taxes	6,343	5,749	6,373
Net income	12,916	8,180	14,850
Identifiable assets	124,860	134,969	134,437
Non-marketable equity investments (equity method)	4,614	4,016	3,001
Depreciation & amortization	4,735	5,016	5,301
Capital expenditures	8,395	2,410	2,564

Each operating segment is individually managed and has separate financial results that are reviewed by the Company's chief operating decision-maker. Each segment contains closely related products that are unique to the particular segment. There were no changes to the composition of segments in 2005. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.

The sporting goods segment consists of home entertainment products such as pool tables and accessories; table tennis tables and accessories; soccer and hockey tables; archery equipment and accessories; basketball goals; and fitness, arcade and darting products. Customers include retailers and wholesalers located throughout the United States and Europe.

The office product segment consists of office machinery used in the office and graphic arts environment. Products include data shredders; folding machines; and paper trimmers and cutters. Customers include large office product retailers, office machine dealers, and office supply catalogs.

The All Other segment consists of general and administrative expenses not specifically related to the operating business segments and includes investment income from equity investments.

Interest expense is allocated to operating segments based on working capital usage and the provision for taxes is allocated based on a combined federal and state statutory rate of 36% adjusted for actual taxes on foreign income. Permanent tax adjustments and timing differences are included in the All Other segment.

Identifiable assets are principally those assets used in each segment. The assets in the All Other segment are principally cash and cash equivalents; deferred tax assets; marketable equity securities; investments; and the cash surrender value of life insurance.

The company has one customer in the sporting goods segment who accounted for 22%, 27% and 24% of consolidated total revenues in 2005, 2004 and 2003, respectively. No other customers accounted for 10% or more of consolidated revenues. Within the sporting goods segment this customer accounted for 33%, 42% and 38% of total revenues.

As of December 31, 2005, approximately 109 employees of the Company's labor force were covered by a collective bargaining agreement that expires April 27, 2006. Management acknowledges that differences between Company offers and union demands during negotiations can occur, but has no reason to expect such differences to result in protracted conflicts.

Raw materials for Escalade's various product lines consist of wood, particleboard, slate, standard grades of steel, steel tubing, plastic, vinyl, steel cables, fiberglass and packaging. Escalade relies upon suppliers in Europe and Brazil for its requirement of billiard balls and slate utilized in the production of home pool tables and upon various Asian manufacturers for certain of its table tennis needs and other items. Escalade sources some of its game table product line in China.

Revenues by geographic region/country were as follows:

In Thousands	2005	2004	2003

North America	$ 153,687	$ 177,340	$ 182,416
Europe	25,317	34,582	28,012
Other	6,613	5,762	5,840
	$ 185,617	$ 217,684	$ 216,268

Revenues are attributed to country based on location of customer and are for continuing operations.

Identified assets by geographic region/country were as follows:

In Thousands	2005 (Restated)	2004 (Restated)
North America	$ 100,908	$ 101,422
Europe	23,952	33,547
	$ 124,860	$ 134,969

Note 16 -- Summary of Quarterly Results

In thousands, except per share data (unaudited)	March 19 (Restated)	July 9 (Restated)	October (Restated
2005			
Net sales	$ 29,782	$ 47,551	$ 63,5
Operating income	1,748	3,899	8,4
Net income	1,238	2,431	5,8
Basic earnings per share	$ 0.09	$ 0.19	$ 0.

In thousands, except per share data (unaudited)	March 20 (Restated)	July 10 (Restated)	October (Restated
2004			
Net sales	$ 34,060	$ 52,516	$ 75,2
Operating income	1,492	3,303	6,8

Net income	621	2,016	4,4
Basic earnings per share	$ 0.05	$ 0.15	$ 0.

Note 17 -- Acquisitions

All of the Company's acquisitions have been accounted for using the purchase method of accounting.

2005

On February 28, 2005, Escalade Sports acquired substantially all of the assets of ChildLife, Inc., a manufacturer of premium residential play systems. The total purchase price was $3,272 thousand and included inventory, a consulting agreement, machinery and tooling, customer lists, and a non-compete agreement. The customer lists and non-compete agreement are being amortized over a five year period, and the consulting agreement is being amortized over a one year period.

2004

On October 25, 2004, Escalade Sports acquired substantially all of the assets of Lemont Industries, Inc., a manufacturer of tractor wheel weights. The total purchase price was $632 thousand in cash. The assets acquired included machinery, tooling, inventory and a non-compete agreement. The manufacturing process utilizes the same blow-molding technology currently employed by the Company in the production of vinyl weight sets and will increase the productivity of that product group through higher production levels.

57

ESCALADE, INCORPORATED AND SUBSIDIARIES
Notes to Consolidated Financial Statements

2003

On December 30, 2002 the Company increased its ownership interest to 51.2% of the outstanding shares of Schleicher & Co. International, AG ("Schleicher"), a manufacturer and distributor of data shredding equipment headquartered in Germany and publicly traded on the German Stock Exchange. Escalade then initiated and successfully completed in April 2003, a tender offer for all the remaining shares culminating in 100% ownership. The acquisition of Schleicher increased the Company's product offering in the office product industry and expanded the Company's presence into Europe.

The value assigned to the Schleicher acquisition is the sum of the per share amount paid to shareholders and amounts expended that directly relate to the tender offer agreement. The per share price was based on the market price of the Schleicher shares on the German stock exchange and valuation studies ordered by the German securities regulators. The total price paid exceeded the fair market value of Schleicher's net assets, resulting in goodwill of $4,566 thousand. No portion of the recorded goodwill is deductible for income tax purposes.

The estimated fair values of the assets acquired and liabilities assumed as of December 30, 2002 are as follows:

In thousands	Amount

Current assets (net of cash acquired)	$ 21,211
Property, plant and equipment	5,679
Other assets	2,043
Goodwill	4,566
Investments	262
Total assets acquired	33,761
Current liabilities	(20,856)
Long-term debt	(424)
Total liabilities assumed	(21,280)
Net assets acquired	$ 12,481

In June 2003 the company acquired substantially all of the assets of North American Archery Group, LLC (NAAG), a manufacturer and distributor of archery equipment and accessories located in Gainesville, Florida. NAAG had been operating under bankruptcy court protection since April 2002. This acquisition increased the Company's distribution network for archery products, provided access to significant brand names such as Fred Bear(R) and added archery production capability.

The estimated fair values of the assets acquired and liabilities assumed as of June 19, 2003 are as follows:

In thousands	Amount
Current assets (net of cash acquired)	$ 7,427
Property, plant and equipment	3,500
Other assets	484
Total assets acquired	11,411
Current liabilities	(1,556)
Net assets acquired	$ 9,855

The results of operations from the NAAG acquisition have been included in the consolidated operating results for 2003 subsequent to the date of acquisition.

The following unaudited pro forma financial information presents results as if the two acquisitions described above had occurred at the beginning of the respective periods:

Unaudited; in thousands except per share amounts	2003	2002
Net revenue	$ 225,211	$ 211,724
Net income	13,829	15,435

Earnings per share - basic	$ 1.07	$ 1.19
Earnings per share - diluted	$ 1.05	$ 1.15

These pro forma results have been prepared for comparative purposes only and include certain adjustments such as additional depreciation and amortization expenses as a result of identifiable tangible and intangible assets arising from the acquisition. The pro forma results are not necessarily indicative either of the results of operations that actually would have resulted had the acquisition been in effect at the beginning the respective periods or of future results.

Note 18 -- Commitments and Contingencies

At December 31, 2005, the Company had standby letters of credit issued by a bank in the amount of $500 thousand.

Additionally, the Company has obtained a letter of credit for the benefit of a certain mortgage holder. At December 31, 2005, the balance of the letter of credit was $2,734 thousand. It is to be used in the event of a default in either interest or principal payments.

The Company is involved in litigation arising in the normal course of its business. The Company does not believe that the disposition or ultimate resolution of existing claims or lawsuits will have a material adverse effect on the business or financial condition of the Company.

The Company has entered into various agreements whereby it is required to make royalty payments. At December 31, 2005, the Company had estimated minimum royalty payments for each of the following five years as follows:

In Thousands	Amount
2006	$ 350
2007	350
2008	350
2009	--
2010	--
2011 and beyond	100
	$ 1,150

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.

ESCALADE, INCORPORATED

By:

/s/ DANIEL A. MESSMER March 9, 2007

Daniel A. Messmer
President and Chief Executive Officer

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.

/s/ ROBERT E. GRIFFIN Robert E. Griffin	Chairman and Director	March 9, 2007
/s/ DANIEL A. MESSMER Daniel A. Messmer	President and Chief Executive Officer (Principal Executive Officer)	March 9, 2007
/s/ BLAINE E. MATTHEWS, JR. Blaine E. Matthews, Jr.	Director	March 9, 2007
/s/ RICHARD F. BAALMANN, JR. Richard F. Baalmann, Jr.	Director	March 9, 2007
/s/ EDWARD E. WILLIAMS Edward E. Williams	Director	March 9, 2007
/s/ RICHARD D. WHITE Richard D. White	Director	March 9, 2007
/s/ GEORGE SAVITSKY George Savitsky	Director	March 9, 2007
/s/ TERRY FRANDSEN Terry Frandsen	Chief Financial Officer, Secretary and Treasurer (Principal Financial and Accounting Officer)	March 9, 2007