

Sport Supply Group, Inc.
Three and Six Months Ended December 31, 2005
Unaudited Financial Statements

The accompanying financial statements were prepared by management and reflect all normal and recurring adjustments that are, in the opinion of management, necessary for a fair presentation. Management has prepared these financial statements to be in conformity with accounting principles generally accepted in the United States of America. The accompanying financial statements have not been audited nor reviewed by the Company's Independent Auditors.

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SPORT SUPPLY GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	<u>December 31, 2005</u>	<u>June 30, 2005</u>
CURRENT ASSETS :		
Cash and equivalents	633,103	863,886
Accounts receivable:		
Trade, less allowance for doubtful accounts of \$240,000 and \$303,000 respectively	8,038,405	10,728,855
Accounts receivable - other	238,946	98,040
Inventories:		
Inventories, net	20,467,167	16,299,531
Other current assets	355,649	349,568
Deferred tax assets	1,265,921	1,257,052
Deferred catalog expenses	2,112,739	879,255
Total current assets	<u>33,111,930</u>	<u>30,476,187</u>
PROPERTY, PLANT AND EQUIPMENT		
Land	8,663	8,663
Buildings	1,605,102	1,605,102
Computer equipment & software	11,065,048	11,028,904
Machinery and equipment	6,375,810	6,513,532
Furniture and fixtures	1,266,502	1,310,846
Leasehold improvements	2,459,379	2,452,627
	<u>22,780,503</u>	<u>22,919,674</u>
Less -- accumulated depreciation and amortization	<u>(17,715,161)</u>	<u>(17,401,300)</u>
PROPERTY, PLANT AND EQUIPMENT, NET	<u>5,065,343</u>	<u>5,518,374</u>
DEFERRED TAX ASSETS	2,129,809	2,129,809
TRADEMARKS		
net of accumulated amortization of \$1,300,000 and \$1,248,000 respectively	2,644,714	2,693,845
OTHER ASSETS		
net of accumulated amortization of \$817,000 and \$783,000 respectively	319,330	311,061
Total Assets	<u><u>43,271,126</u></u>	<u><u>41,129,276</u></u>
CURRENT LIABILITIES :		
Accounts payable	5,763,519	6,345,241
Other accrued liabilities	1,689,097	1,545,334
Customer deposits	731,703	1,308,122
Notes payable - current portion	-	25,202
Total current liabilities	<u>8,184,319</u>	<u>9,223,899</u>
NOTES PAYABLE	5,639,353	2,866,901
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stock, par value \$0.01, 100,000 shares authorized, no shares outstanding		
Common stock, par value \$0.01, 20,000,000 shares authorized, 9,411,739 and 9,362,397 issued, and 8,960,866 and 8,917,211 outstanding, respectively	94,117	93,624
Additional paid-in capital	48,188,561	48,101,331
Accumulated deficit	(15,006,487)	(15,355,197)
Treasury stock, at cost, 450,873 and 445,153 shares respectively	<u>(3,828,737)</u>	<u>(3,801,282)</u>
Total stockholders' equity	<u>29,447,454</u>	<u>29,038,476</u>
Total liabilities and stockholders' equity	<u><u>43,271,126</u></u>	<u><u>41,129,276</u></u>

The accompanying notes are an integral part of these financial statements.

SPORT SUPPLY GROUP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	-----For the Three Months Ended-----		-----For the Six Months Ended-----	
	<u>December 31, 2005</u>	<u>December 31, 2004</u>	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Net revenues	\$ 15,385,968	\$ 14,369,092	\$ 40,361,690	\$ 37,631,314
Cost of sales	<u>10,193,867</u>	<u>10,158,029</u>	<u>27,007,886</u>	<u>26,355,087</u>
Gross profit	5,192,101	4,211,063	13,353,804	11,276,227
Selling, general and administrative expense	<u>5,737,762</u>	<u>5,947,911</u>	<u>12,863,341</u>	<u>11,951,802</u>
Operating income (loss)	(545,661)	(1,736,848)	490,463	(675,575)
Interest expense	(69,987)	(44,894)	(133,198)	(97,179)
Other income (expense), net	<u>(16,713)</u>	<u>(13,518)</u>	<u>(8,555)</u>	<u>(13,063)</u>
Net income (loss) before income taxes	(632,361)	(1,795,260)	348,710	(785,817)
Income taxes	-	-	-	-
Income (loss) from continuing operations	<u>(632,361)</u>	<u>(1,795,260)</u>	<u>348,710</u>	<u>(785,817)</u>
Income from discontinued operations, net of taxes	-	-	-	-
Net income (loss)	<u>\$ (632,361)</u>	<u>\$ (1,795,260)</u>	<u>\$ 348,710</u>	<u>\$ (785,817)</u>
Earnings per share:				
Basic earnings (loss) per share:	<u>\$ (0.07)</u>	<u>\$ (0.20)</u>	<u>\$ 0.04</u>	<u>\$ (0.09)</u>
Diluted income (loss) per share	<u>\$ (0.07)</u>	<u>\$ (0.20)</u>	<u>\$ 0.04</u>	<u>\$ (0.09)</u>
Weighted average common shares outstanding:				
Basic	8,960,866	8,917,211	8,943,101	8,917,211
Diluted	9,238,210	9,140,474	9,230,218	9,103,262

The accompanying notes are an integral part of these financial statements

SPORT SUPPLY GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Common Stock Shares	Amount	Additional Paid in Capital	Accumulated Deficit	Treasury Stock Shares	Treasury Stock Amount	Total
Balance, June 30, 2005	9,362,364	\$ 93,624	\$ 48,101,331	\$ (15,355,197)	445,153	\$ (3,801,282)	\$ 29,038,476
Stock based compensation Issuance of common stock	49,375	493	3,850 83,380				3,850 83,873
Repurchase of treasury stock					5,720	(27,455)	(27,455)
Net income				348,710			348,710
Balance, December 31, 2005	9,411,739	\$ 94,117	\$ 48,188,561	\$ (15,006,487)	450,873	\$ (3,828,737)	\$ 29,447,454

The accompanying notes are an integral part of these financial statements.

SPORT SUPPLY GROUP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	---For The Six Months Ended---	
	<u>December 31, 2005</u>	<u>December 31, 2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 348,710	\$ (785,817)
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Provision for uncollectible accounts receivable	240,409	323,833
Stock-based compensation expense	3,850	-
Depreciation expense	658,501	891,272
Amortization expense	56,363	60,623
Gain/Loss on sale of property and equipment	12,338	268
Deferred taxes	(8,869)	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	2,309,135	3,727,415
(Increase) decrease in inventories	(4,167,636)	211,693
(Increase) decrease in prepaid expenses and other current assets	(1,327,564)	(192,204)
(Increase) decrease in other assets, net	(12,385)	18,125
Increase (decrease) in accounts payable	(581,723)	(1,110,288)
Increase (decrease) in accrued expenses	(432,656)	(331,749)
Increase (decrease) in taxes payable	88,000	(80,000)
Net cash (used in) provided by operating activities:	<u>(2,813,527)</u>	<u>2,733,171</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(217,807)	(433,165)
Cash paid for other assets	(3,119)	(5,707)
Net cash (used in) provided by investing activities:	<u>(220,926)</u>	<u>(438,872)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from bank line of credit	46,780,666	40,193,276
Payments on notes payable and line of credit	(44,033,415)	(42,394,350)
Cash paid for treasury shares	(27,455)	-
Proceeds from issuance of common stock	83,873	-
Net cash (used in) provided by financing activities:	<u>2,803,669</u>	<u>(2,201,074)</u>
Net change in cash	(230,784)	93,225
Cash at beginning of period	863,887	437,259
Cash at end of period	<u>\$ 633,103</u>	<u>\$ 530,484</u>
Supplemental Cash Flow Disclosures:		
Cash Paid for Interest	<u>\$ 135,278</u>	<u>\$ 95,682</u>
Cash Paid for Income Taxes	<u>\$ 41,459</u>	<u>\$ 160,061</u>
Cash Refunded for Income Taxes	<u>\$ (133,930)</u>	

The accompanying notes are an integral part of these financial statements

SPORT SUPPLY GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2005

Note 1 - Basis of Presentation

These consolidated financial statements reflect all normal and recurring adjustments that are, in the opinion of management, necessary to fairly present, in accordance with accounting principles generally accepted in the United States, Sport Supply Group, Inc.'s ("SSG") consolidated financial position as of December 31, 2005 and the results of its operations for the six month periods December 31, 2005 and December 31, 2004. The consolidated financial statements include the accounts of SSG and its wholly-owned subsidiary, Sport Supply Group Asia Limited, a Hong Kong corporation. All significant intercompany accounts and transactions have been eliminated in consolidation. Actual results could materially differ from those estimates. During the quarter SSG's Board of Directors voted to change the fiscal and tax year to June 30. Accordingly, these financial statements are based on the six month period ended December 31, 2005. Certain financial information for previous fiscal years has been reclassified to conform to the fiscal 2006 presentation.

On July 1, 2005 Emerson Radio Corp. sold all of its 53.2% position in SSG (4,746,023 shares of common stock) to Collegiate Pacific Inc ("Collegiate Pacific"). Collegiate Pacific is traded on the American Stock Exchange under the symbol BOO. This transaction resulted in a change of control that obligated SSG to make a payment of approximately \$1.1 million in the quarter ended September 2005. Further, on September 8, 2005, SSG entered into an Agreement and Plan of Merger pursuant to which Collegiate Pacific would acquire the remaining 46.8% of the outstanding capital stock of SSG that it does not already own. On November 22, 2005, SSG and Collegiate Pacific terminated the Agreement and Plan of Merger. Pursuant to the Termination Agreement, Collegiate Pacific agreed to reimburse SSG for all fees and expenses reasonably incurred by SSG in connection with the Agreement and Plan of Merger in an amount not to exceed \$350,000. SSG incurred approximately \$100,000 of merger related expenses that were in addition to the \$350,000 reimbursement from Collegiate Pacific. SSG believes Collegiate Pacific currently owns approximately 73% of the issued and outstanding shares of SSG.

These consolidated financial statements include estimates and assumptions made by management that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses and the provisions for and the disclosure of contingent assets and liabilities.

Note 2 - Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the average cost method. As of December 31, 2005 and June 30, 2005, inventories consisted of the following:

	December 31, 2005	June 30, 2005
Raw materials	\$ 1,650,866	\$ 1,422,302
Work-in-process	74,208	69,207
Finished and purchased goods	<u>20,408,414</u>	<u>16,489,622</u>
	22,133,488	17,981,131
Allowance for obsolete and slow moving items	<u>(1,666,321)</u>	<u>(1,681,600)</u>
Inventory, net	<u>\$ 20,467,167</u>	<u>\$ 16,299,531</u>

The inventory allowance for obsolete and slow moving items is determined based upon our periodic assessment of the net realizable value of our inventory.

SPORT SUPPLY GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2005

Note 3 - Notes Payable and Capital Lease Obligations

As of December 31, 2005 and June 30, 2005, notes payable and capital lease obligations consisted of the following:

	December 31, 2005	June 30, 2005
Note payable under revolving line of credit, Interest ranging from prime to prime plus 1.0% (7.25% at December 31, 2005 and 6.25% at June 30, 2005) due Oct. 31, 2007 and collateralized by substantially all assets	\$ 5,639,353	\$ 2,866,901
Capital lease obligation, interest at 9%, payable in annual installments of principal and interest through August 2005	--	25,202
Total	5,639,353	2,892,103
Less – current portion	--	(25,202)
Long-term debt and capital lease obligations, net	\$ 5,639,353	\$ 2,866,901

Borrowings under our revolving line of credit are subject to the terms of our amended Loan and Security Agreement with Wachovia Capital (formerly Congress Financial Corporation) which is available to finance our working capital requirements through October 31, 2007. This agreement provides for revolving loans and letters of credit which, in the aggregate, cannot exceed the lesser of \$20 million or a "Borrowing Base" amount based on specified percentages of eligible accounts receivable and inventories. We are required to maintain certain net worth levels and as of December 31, 2005 we were in compliance with this requirement. As of December 31, 2005 we had total available borrowings under our senior credit facility of approximately \$16.9 million, of which approximately \$5.6 million were outstanding. Amounts outstanding under the senior credit facility are secured by substantially all the assets of the Sport Supply Group, Inc. Pursuant to the Loan and Security Agreement, we are restricted from, among other things, paying cash dividends and entering into certain transactions without the lender's prior approval.

Maturities of our capital lease obligations and borrowings under the senior credit facility as of December 31, 2005, by fiscal year and in the aggregate, are as follows:

2006	\$ --
2007	--
2008	5,639,353
Total	\$ 5,639,353

As of December 31, 2005 and June 30, 2005 the carrying value of our long-term debt approximates its fair value due to the variable nature of interest rates charged.

SPORT SUPPLY GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2005

Note 4 - Stock-based Compensation

Prior to fiscal 2006, the Company accounted for its stock options under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25 and related interpretations. Effective July 1, 2005, the Company adopted the provisions of SFAS No. 123 (Revised 2004), *Share-Based Payments* ("SFAS 123 (R)") and selected the modified prospective method to initially report stock-based compensation amounts in the consolidated financial statements. The Company is currently using the Black-Scholes option pricing model to determine the fair value of all option grants.

The following table represents the effect on net income if we had applied the fair value based method and recognition provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," to stock based employee compensation prior to July 1, 2005

	For Six Months Ended	
	<u>Dec 31, 2005</u>	<u>Dec 31, 2004</u>
Net income, as reported	\$ 348,710	\$ (785,817)
Deduct: Total stock-based employee compensation expense determined under the fair value method for all awards	(3,850)	(64,286)
Proforma net income	\$ 344,860	\$(850,103)

Note 5 - Income Taxes

We have a net operating loss carry forward that can be used to offset future taxable income and can be carried forward for 15 to 20 years. As of December 31, 2005 we have deferred tax assets of approximately \$3.4 million, net of a \$7.8 million valuation allowance. As a result of the sale of Emerson's 53.2% interest in SSG on July 1, 2005, and the related change in control, the use of the company's net operating loss carry forwards may be restricted in future periods. Management will continue to evaluate the company's ability to realize the recorded net deferred tax through future profitable operating results. The amount of the deferred tax asset considered realizable, however, could be reduced or eliminated in the near term if estimates of future taxable income during the carry forward period are reduced.

Note 6 - Commitments and Contingencies

Leases

We lease a significant portion of our office, warehouse, distribution, fulfillment, computer equipment and manufacturing locations under noncancelable operating leases with terms ranging from one to three years. The majority of our leases contain renewal options that extend the leases beyond the current lease terms.

The following table summarizes SSG's future minimum lease payments under noncancelable operating leases for office, warehouse, computer equipment and manufacturing locations at December 31, 2005.

Less than 1 year	\$ 1,301,579
1-3 years	1,176,857
4-5 years	0
Total	\$ 2,478,436

SPORT SUPPLY GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2005

Note 7 - Product Liability and Other Claims

Because of the nature of our products and industry, we are periodically subject to product liability claims resulting from personal injuries. From time to time we may become involved in various lawsuits incidental to our business, some of which may relate to injuries allegedly resulting in substantial permanent paralysis. Significantly increased product liability claims continue to be asserted successfully against manufacturers throughout the United States resulting in general uncertainty as to the nature and extent of manufacturers' and distributors' liability for personal injuries.

There can be no assurance that our general product liability insurance will be sufficient to cover any successful claim made against us. In our opinion, any ultimate liability arising out of currently pending product liability and other claims will not have a material adverse effect on our financial condition or results of operations. However, any claims substantially in excess of our insurance coverage, or any substantial claim not covered by insurance, could have a material adverse effect on our results of operations and financial condition.

On October 5, 2005, two stockholders of SSG, Martin Kleinbart and William Stahl, each filed a separate lawsuit in the Court of Chancery of the State of Delaware in and for New Castle County against Collegiate Pacific, Inc., including Collegiate Pacific's Chairman and Chief Executive Officer, Michael J. Blumenfeld, SSG and certain former members of SSG's board of directors. The plaintiffs filed the lawsuits as a class action on behalf of the public stockholders of SSG in connection with the now terminated Agreement and Plan of Merger pursuant to which Collegiate Pacific was to have acquired the remaining outstanding capital stock of SSG that it did not already own at that time. On November 22, 2005, for reasons unrelated to the pending lawsuit, Collegiate Pacific and SSG entered into a Termination Agreement, dated November 22, 2005, which terminated the Agreement and Plan of Merger. The lawsuit alleged the consideration to be paid to the public shareholders of SSG was inadequate and that the defendants breached certain fiduciary duties owed to the SSG public stockholders.

On December 15, 2005, a stockholder of SSG, Jeffrey S. Abraham, as Trustee of the Law Offices of Jeffrey S. Abraham Money Purchase Plan, dated December 31, 1999, f/b/o Jeffrey S. Abraham, filed a lawsuit in the Court of Chancery of the State of Delaware in and for New Castle County against Emerson Radio Corp., Geoffrey P. Jurick, Arthur J. Coerver, Harvey Rothenberg, Collegiate Pacific and Michael J. Blumenfeld. The plaintiff also included SSG as a nominal defendant. The plaintiff filed the lawsuit on behalf of plaintiff and as a class action on behalf of the public stockholders of SSG in connection with the now terminated Agreement and Plan of Merger pursuant to which Collegiate Pacific was to have acquired the remaining shares of the outstanding capital stock of SSG that it does not already own and Collegiate Pacific's subsequent acquisition of an additional 1.66 million shares of SSG for approximately \$9.2 million cash from an institutional stockholder. The lawsuit alleges the defendants breached certain fiduciary duties owed to SSG's stockholders and that Collegiate Pacific was unjustly enriched from its use of certain SSG assets.

On January 12, 2006, a stockholder of SSG, Costa Brava Partnership III, L.P., filed a lawsuit in the Court of Chancery of the State of Delaware in and for New Castle County against SSG. The complaint requests the court to compel SSG to make certain books and records available to plaintiff. The complaint states that Costa Brava desires to investigate circumstances surrounding the sale of Emerson Radio's controlling interest in SSG to Collegiate Pacific; collateral transactions that personally benefited SSG's former CEO; the termination of a merger agreement with Collegiate Pacific; and a purchase of SSG shares by Collegiate Pacific from an unidentified SSG stockholder at or about the time the merger agreement was terminated.

The Company is a party to various other litigation matters, in most cases involving ordinary and routine claims incidental to the Company's business. We cannot estimate with certainty our ultimate legal and financial liability with respect to such pending litigation matters. However, we believe, based on our examination of such matters, that our ultimate liability will not have a material adverse effect on our financial position, results of operations or cash flows.