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CHAMPIONS SPORTS INC
Form 10QSB
March 14, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

Mark One

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

For the quarterly period ended January 31, 2003

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 0-17263

CHAMPIONS SPORTS, INC.

(Exact name of registrant as specified in its charter)

Delaware 52-1401755

(State or other jurisdiction of (I.R.S. Employer
organization) Identification No.)

2420 Wilson Blvd., Suite 214, Arlington VA 22201

(Address of principal executive offices)
(Zip code)

(703) 526-0400

(Registrant's telephone number, including area code)

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

As of March 14, 2003 the Registrant had a total of 8,514,459 shares of common stock outstanding.

CHAMPIONS SPORTS, Inc.

FORM 10-QSB

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CHAMPIONS SPORTS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
Assets

	January 31, 2003	April 30, 2002

Current assets		
Cash and cash equivalents	196,296	449,282
Accounts receivable - trade	25	54
Inventories	24,137	25,555

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Prepaid expenses	16,123	14,035
	-----	-----
Total current assets	236,581	488,926
Property and equipment		
Furniture and equipment	588,272	577,371
Leasehold improvements	584,772	584,772
	-----	-----
	1,173,044	1,162,143
Accumulated depreciation and amortization	(912,746)	(876,432)
	-----	-----
	260,298	285,711
Deposits	11,052	11,052
Total assets	507,931	785,689
	=====	=====

Liabilities and Stockholders' Equity

Current liabilities		
Accounts payable	34,971	88,104
Dividend payable on preferred stock	575,193	511,442
Other accrued expenses	34,481	52,790
Deferred revenue	-	124,871
Current portion of deferred lease concession	4,363	4,363
Current portion of capital lease obligation	-	1,929
	-----	-----
Total current liabilities	649,008	783,499
Capital lease obligation, net of current portion	-	-
Deferred lease concession, net of current portion	3,925	7,195
	-----	-----
Total liabilities	652,933	790,694
Stockholders' equity		
Preferred stock		
Series A, 12% Convertible Cumulative;		
\$10 par value; preferred as to		
dividends and liquidation; 56,075 shares		
authorized and 53,125 shares issued and		
outstanding for January 31, 2003		
and April 30, 2002	531,252	531,252
Common stock, par value \$.001 per share,		
50,000,000 shares authorized and		
8,514,459 shares issued and		
outstanding for January 31, 2003		
and April 30, 2002	8,514	8,514
Additional paid-in capital	5,397,598	5,392,599
Accumulated deficit	(6,082,366)	(5,937,370)
	-----	-----
Total stockholders' equity	(145,002)	(5,005)
Total liabilities and stockholders' equity	507,931	876,235
	=====	=====

See notes to consolidated financial statements

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CHAMPIONS SPORTS, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
Unaudited

	Three months January 31		Nine months ended January 31	
	2003	2002	2003	2002
	Unaudited		Unaudited	

Revenue				
Food and beverage	443,847	506,775	1,404,772	1,404,772
Merchandise, memorabilia, and consulting fees	6,713	9,040	111,389	111,389
Interest income	571	1,035	2,609	2,609
Other income	2,052	2,094	5,955	5,955
	-----	-----	-----	-----
	453,183	518,944	1,524,725	1,524,725
Costs and expenses				
Cost of food and beverage sales	108,810	129,464	337,140	337,140
Cost of merchandise and memorabilia	6,365	6,517	34,990	34,990
Restaurant payroll and related costs	172,974	172,720	519,179	519,179
Restaurant occupancy costs	47,657	62,690	182,040	182,040
Other restaurant costs	86,635	85,744	265,929	265,929
General and administrative	61,765	86,469	230,798	230,798
Depreciation and amortization	12,105	12,105	36,314	36,314
Interest	-	313	50	50
	---	---	--	--
	496,311	556,022	1,606,440	1,606,440
	-----	-----	-----	-----
Operating income (loss) before income tax expense	(43,128)	(37,078)	(81,715)	(81,715)
Income tax expense	-	-	-	-
Net income (loss)	(43,128)	(37,078)	(81,715)	(81,715)
Less: preferred stock dividends	(15,938)	(15,938)	(47,814)	(47,814)
Net income (loss) available to common stockholders	(59,066)	(53,016)	(129,529)	(129,529)
	=====	=====	=====	=====
Basic earnings (loss) per share	(0.01)	(0.00)	(0.02)	(0.02)
	=====	=====	=====	=====
Earnings (loss) per common share - assuming full dilution	(0.01)	(0.01)	(0.02)	(0.02)
	=====	=====	=====	=====

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See notes to consolidated financial statements

CHAMPIONS SPORTS, INC. AND SUBSIDIARIES
 Consolidated Statements of Cash Flows
 Increase (Decrease) in Cash and Cash Equivalents
 UNAUDITED

	January 31	
	2003	2002
Cash flows from operating activities:		
Net profit (loss)	(81,715)	(67,996)
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	36,314	36,314
Changes in assets and liabilities:		
Accounts receivable	29	1,026
Inventories	1,418	2,051
Prepaid expenses	(2,088)	2,647
Accounts payable	(52,664)	(65,880)
Other accrued expenses	(18,309)	(14,249)
Deferred revenues	(124,871)	(64,625)
Deferred lease concessions	(3,270)	(3,270)
	-----	-----
Net cash provided (used) by operating activities	(245,156)	(173,982)
Cash flows from investing activities:		
Stock subscriptions	5,000	20,000
Purchases of property and equipment	(10,901)	(7,280)
	-----	-----
Net cash (used) by investing activities	(5,901)	12,720
Cash flows from financing activities:		
Principal payments on capital lease	(1,929)	(7,540)
	-----	-----
Net increase (decrease) in cash and cash equivalents	(252,986)	(168,802)
Cash and cash equivalents at beginning of year	449,282	451,650
	-----	-----
Cash and cash equivalents at January 31	196,296	282,849
	=====	=====

Supplemental disclosures of cash flow information:

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Cash paid during the year for interest	50	1,035
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See notes to consolidated financial statements

CHAMPIONS SPORTS, INC.

Notes to Consolidated Financial Statements

January 31, 2003

Summarized Financial Information

Company or group of companies for which report is filed:

CHAMPIONS Sports, Inc. and Subsidiaries

The consolidated balance sheet as of January 31, 2003, the consolidated statements of operations and the consolidated statements of cash flows for the three months and nine months ended January 31, 2003 and January 31, 2002 have been prepared by the company, without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and changes in cash flow at January 31, 2002 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's 10-KSB as of April 30, 2002. The results of operations for the period ended January 31, 2003 are not necessarily indicative of the operating results for the full year.

This document contains "forward-looking statements" (within the meaning of the Private Securities Litigation Act of 1995) that inherently involve risk and uncertainties. The Company's actual results could differ materially from those anticipated in the forward-looking statements as a result of unforeseen external factors. These factors may include, but are not limited to, changes in general economic conditions, the ongoing threat of terrorism, customer acceptance of products offered and other general competitive factors, and the ability to have access to financing sources on reasonable terms. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis, judgment, belief or expectation only as of the date hereof.

Item 2. Managements Discussion and Analysis of Financial Condition and Results of Operations

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Results of Operation

For the nine month period ended January 31, 2003, the Company's net loss was \$81,715 or (\$0.02) per common share as compared to a net loss of \$67,996 or (\$0.01) per common share for the nine month period ended January 31, 2002. For the nine months ended January 31, 2003 and January 31, 2002, the net loss was from the Company's ongoing operations.

Dividends accrued for the Company's Preferred Stock (net of conversions) totaled \$47,814. The Company's assets decreased to \$507,931 at January 31, 2003 from \$785,689 at April 30, 2002. For the three months ended January 31, 2003 the Company's net loss from its ongoing operations was \$43,128 compared to a net operating loss of \$37,078 during the three months ended January 31, 2002.

Revenues

The Company's total revenues decreased 4.8% to \$1,524,725 for the nine months ended January 31, 2003 versus \$1,601,970 for the nine month period ended January 31, 2002. By component, food and beverage sales decreased 3.8% from the previous year for the nine months and 12.4% for the three months period from the previous year. The decrease in food and beverage sales is attributed to a decrease in customer volume, and the current economic slowdown. Merchandise and memorabilia sales for the nine months ended January 31, 2003 decreased to \$111,389 compared to \$124,687. The Company provided memorabilia and consulting services to one Marriott CHAMPIONS during each comparable period. For the three months ended January 31, 2003 and 2002, merchandise and memorabilia sales were less than 2% of the Company's total revenues. For the nine months ended January 31, 2003 and 2002, other income was less than 1% of the Company's total revenues. Interest income in all comparable periods was also less than 1% the Company's total revenue.

Expenses

Cost of food and beverage decreased to 24.0% of related sales compared for the nine months ended January 31, 2003 compared to 25.8% related sales for the comparable period. This is attributed to stable prices at the wholesale level. Cost of merchandise and memorabilia sales for the nine months ended January 31, 2003 was \$34,990 compared to \$70,467 in the preceding year. Restaurant payroll and related costs were 37.0% of related food and beverage sales contrasted to 34.9% for the nine months ended January 31, 2002. The increase is attributed to increases in health insurance benefits. Restaurant occupancy costs were \$182,040 for the nine months and \$47,657 for the three months ended January 31, 2003 compared to \$185,828 for the nine months and \$62,690 for the three month comparable period in 2002. Other restaurant costs were 18.9% of food and beverage sales for the nine months and 19.5% of food and beverage sales for the three months ended January 31, 2003 compared to 17.7% of food and beverage sales for the comparable nine month and 16.9% for the three months in 2002. General and administrative expense was \$230,798 for the nine months ended January 31, 2003 compared to \$231,169 for the nine months ended January 31, 2002. Depreciation and amortization expense accounted for approximately 2.5 % of the Company's total revenues during the nine months ended January 31, 2003 and 2002.

Liquidity and Capital Resources

The Company's cash position on January 31, 2003 decreased by \$252,986 to \$196,296 from \$449,282 on April 30, 2002. For the nine months ended January 31, 2003, the Company's ongoing operations used cash totaling \$245,156. For the comparable period ending January 31, 2002, the Company's ongoing operations used cash of \$173,982. For the nine months ended January 31, 2003, the Company purchased equipment for its San Antonio location for \$10,901. During the nine months ended January 31, 2002, the Company purchased equipment for its San Antonio CHAMPIONS for \$7,280.

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The Company met its cash needs during the nine months ended January 31, 2003 and 2002 from its revenues and from cash flow from its San Antonio, Texas operation. The Company is facing liquidity problems and is uncertain that it will be able to continue operations with out an infusion of cash. The Company continues to review and evaluate its operations and priorities. The Company is actively pursuing merger or acquisition candidates and other financing possibilities to meet its liquidity needs. There is no assurance that the Company will be able to structure a merger or acquisition, or raise additional financing on terms satisfactory to the Company.

In January 2002, the Company entered into an agreement with a private investor, to purchase from the Company 4,000,000 shares of the Company's common restricted stock at a purchase price of \$0.125 per share in the aggregate amount of \$500,000 payable in monthly installments to be used by the Company to provide general working capital. The purchaser has paid a total of \$60,000 as of January 31, 2003 and has not met the payment terms of the agreement. The Company believes that the agreement may not be fulfilled

The Company's working capital was a negative \$412,427 on January 31, 2003 and negative \$294,573 on April 30, 2002.

Stockholder's equity was a negative \$145,002 as of January 31, 2003 compared to a negative \$5,005 as of April 30, 2002.

Other

In November 2002, the Company's Board of Directors voted to defer the annual meeting of shareholders in order to preserve the Company's cash position. The Board further voted to defer the payment of the annual dividend on the Company's 12% Preferred Stock to preserve the Company's cash position. This amount is accrued on the Company's books as a current liability.

Part II. Other Information

Item 4. Submission of Matters to A Vote of Security Holders

None

Item 6. Exhibits and Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

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CHAMPIONS Sports, Inc.

/s/ James Martell
James Martell
President

/s/ James E. McCollam
James E. McCollam
Corporate Secretary,
Chief Accounting Officer
and Controller

March 17, 2003