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CHAMPIONS SPORTS INC
Form 10QSB
December 15, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

Mark One

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

For the quarterly period ended October 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 Boulevard, 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 December 15, 2003 the Registrant had a total of 8,771,859 shares of common stock outstanding.

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CHAMPIONS SPORTS, Inc.

FORM 10-QSB

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CHAMPIONS SPORTS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
Assets

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	October 31
	2003

Current assets	
Cash and cash equivalents	\$121,377
Inventories	27,598
Prepaid expenses	15,285

Total current assets	164,260
Property and equipment	
Furniture and equipment	589,437
Leasehold improvements	584,772

	1,174,209
Accumulated depreciation and amortization	(949,060)

	225,149
Deposits	11,052

Total assets	400,461
	Liabilities and Stockholders' (Deficiency of Net Assets)
Current liabilities	
Accounts payable	\$73,679
Dividend payable on preferred stock	389,864
Other accrued expenses	36,954
Current portion of deferred lease concession	3,322

Total current liabilities	503,819
Deferred lease concession, net of current portion	968

Total liabilities	504,787
Commitments and contingencies	
Stockholders' (deficiency of net assets)	
Preferred stock	
Series A, 12% Convertible Cumulative; \$10 par value;	
preferred as to dividends and liquidation;	
56,075 shares authorized and 35,965 and 53,125	
shares issued and outstanding	
at October 31 and April 30, 2003	359,650
Common stock, par value \$.001 per share, 50,000,000 shares	
authorized and 8,771,859 and 8,514,459 shares issued	
and outstanding at October 31, and April 30, 2003	8,772
Additional paid-in capital	5,568,940
Accumulated deficit	(6,041,688)

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Total stockholders' (deficiency of net assets)	(104,326)	-----
Total liabilities and stockholders' (deficiency of net assets)	400,461	=====

See notes to consolidated financial statements

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

	Three months ended October 31,		Six ended O	
	2003	2002	2003	Unaudited
	Unaudited			
	-----			----
Revenue				
Food and beverage	\$453,690	\$453,810	\$986,337	\$
Merchandise, memorabilia, and consulting fees .	5,755	96,543	12,918	
Interest income	21	858	125	
Other income	1,414	2,249	4,695	
	-----	-----	-----	
	460,880	553,460	1,004,075	1,
Costs and expenses				
Cost of food and beverage sales	115,901	107,817	274,953	
Cost of merchandise and memorabilia	4,852	6,728	12,414	
Restaurant payroll and related costs	153,575	164,858	332,977	
Restaurant occupancy costs	62,156	61,981	129,522	
Other restaurant costs	84,450	92,228	184,577	
General and administrative	60,399	70,850	125,328	
Depreciation and amortization	12,104	12,104	24,209	
Interest	--	--	--	
	--	--	--	
	493,437	516,566	1,083,980	1,
Operating income (loss) before income tax expense	(32,557)	36,894	(79,905)	
Income tax expense	--	--	--	
Net income (loss)	(32,557)	36,894	(79,905)	
	-----	-----	-----	
Less: preferred stock dividends	(10,790)	(10,790)	(21,580)	

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Net income (loss) available to common	(43,347)	26,104	(101,485)
	=====	=====	=====
stockholders			
Basic earnings (loss) per share	(0.00)	0.00	(0.01)
	=====	=====	=====
Earnings (loss) per common share - assuming dilution	(0.00)	0.00	(0.01)
	=====	=====	=====

See notes to consolidated financial statements

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

	October 31,	
	2003	2002
	----	----
Cash flows from operating activities:		
Net profit (loss)	(79,905)	(38,587)
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	24,209	24,209
Changes in assets and liabilities:		
Accounts receivable	--	(5,192)
Inventories	(3,848)	848
Prepaid expenses	(4,449)	(2,766)
Accounts payable	8,433	506
Other accrued expenses	(12,326)	645
Deferred revenues	--	(124,871)
Deferred lease concessions	(2,907)	(2,180)

Net cash provided (used) by operating activities	(70,793)	(147,388)
Cash flows from investing activities:		
Stock subscriptions	--	5,000
Purchases of property and equipment	(2,931)	(9,385)

Net cash (used) by investing activities	(2,931)	(4,385)
Cash flows from financing activities:		
Principal payments on capital lease	--	(1,929)

Net increase (decrease) in cash and cash equivalents	(73,724)	(153,702)

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Cash and cash equivalents at beginning of year ...	195,101	449,282

Cash and cash equivalents at October 31	121,377	295,580
		=====
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	--	50
See notes to consolidated financial statements		

CHAMPIONS SPORTS, INC.

Notes to Consolidated Financial Statements

October 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 October 31, 2003, the consolidated statements of operations for the three months and six months ended October 31, 2003 and October 31, 2002 and the consolidated statements of cash flows for the six months ended October 31, 2003 and October 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 October 31, 2003 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, 2003. The results of operations for the period ended October 31, 2003 are not necessarily indicative of the operating results for the full year.

The Company's independent auditor has expressed substantial doubt the Company can continue as a going concern, as of April 30, 2003. The Company is facing grave liquidity problem and has reduced its general and administrative expense to conserve cash. The Company continues to review and evaluate its operations and priorities. The Company is actively pursuing merger or acquisition candidates to meet its liquidity needs. There is no assurance that the Company will be able to structure a merger or acquisition on terms satisfactory to the Company.

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

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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

Results of Operation

For the six months ended October 31, 2003, the Company's net loss from operations was \$79,905 before preferred stock dividends of \$21,580, resulting in a net loss available to common shareholders of \$101,485. For the three months ended October 31, 2003, the Company's net loss from operations was \$32,557 before preferred stock dividends of \$10,790, resulting in a net loss available for common shareholders of \$43,347.

For the six months ended October 31, 2002, the Company's net loss from operations was \$38,587 before preferred stock dividends of \$21,580 resulting in a net loss available to common shareholders of \$60,167, (\$0.01) per common share. For the three months ended October 31, 2002, the Company's net profit for operations was \$36,894 before preferred stock dividends of \$10,790 resulting in a net income available for common shareholders of \$26,104.

The Company's assets decreased to \$400,461 at October 31, 2003 from \$487,166 at April 30, 2003, as a result of the net loss for the six-month period.

Revenues

The Company's total revenues decreased by 6.3% for the six-month period and decreased 16.7% for the three month period ended October 31, 2003. The Company's total revenues were \$1,004,075 and \$1,071,542 for the six months ended October 31, 2003 and 2002. By component, food and beverage sales increased 2.6% for the comparable six-month periods. For the three-month period, food and beverage sales were essentially the same for the comparable period. Merchandise and memorabilia sales for the six months ended October 31, 2003 were \$12,918 compared to \$104,676 in the comparable period. The Company did not provide any sports memorabilia to Marriott International during the six months ended October 31, 2003. The Company provided sports memorabilia to one Marriott Champions location during the six months ended October 31, 2002. Interest income and other income represent 2% or less of the Company's total revenues for the three months and six months ended October 31, 2003 and 2002.

Expenses

Cost of food and beverage were 27.9% and 23.8% of food and beverage sales for for the six months ended October 31, 2003 and 2002. The increase in the cost of food and beverage is attributed to increase in wholesale prices. Subsequently, the Company has increased menu prices to reflect the increased costs. Restaurant payroll and related costs decreased to 33.6% from 36.0% of related sales for the six months ended October 31, 2003 and 2002. Restaurant occupancy costs decreased slightly to 13.1% from 14.0% of restaurant sales for the six-month comparable periods. Other restaurant costs were 18.7% of sales for

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both the comparable periods. General and administrative expenses for the Company's corporate office were \$125,328 or 12.5% of the Company's total revenues for the six months ended October 31, 2003 compared to \$169,033 or 15.8% for the six months ended October 31, 2002. Depreciation and amortization expense represented 2.5% of the Company's total revenues during each six-month period.

Liquidity and Capital Resources

The Company's cash position on October 31, 2003 was \$121,377 compared to \$195,101 on April 30, 2003, as decrease of \$73,724. For the six months ended October 31, 2003 the Company's operating activities used \$70,793 in cash. The Company replaced aging equipment for it San Antonio Champions restaurant for \$2,931.

The Company's cash position on October 31, 2002 was \$295,580 compared to \$449,282 on April 30, 2002, a decrease of \$153,702. For the six months ended October 31, 2002 the Company's operating activities used \$147,388 in cash. The Company used its cash to repay equipment leases for \$1,929. The Company purchased equipment for its San Antonio Champions restaurant amounting to \$9,385.

During the six months ended October 31, 2003 and 2002, the Company met its cash needs from its revenues and cash reserves and from cash flow from its San Antonio operation.

On October 31, 2003 the Company's working capital was a negative \$339,559 versus a negative \$463,353 on April 30, 2003. The Company is uncertain that it will be able to meet its cash requirements for the next twelve months from its cash reserves and from its operating activities.

Stockholder's equity increased to \$(104,326) as of October 31, 2003 compared to \$(209,749) as of April 30, 2003, as a result of the net loss for the six-month period, and the conversion of 17,160 preferred shared to 257,400 common shares.

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.

Other

The Company, during the quarter ended October 31, in order possibly facilitate any merger or acquisition or infusion of cash that may help the Company to survive its grave financial situation without which the Company might be forced to discontinue its operations, decided to call and convert its outstanding preferred shares and dividends to common shares and cash at the following exchange: one (1) share of preferred stock converted to 15 shares of Champions Sports, Inc.'s common stock and also \$0.01 in cash."

The Company's independent auditor has expressed substantial doubt the Company can continue as a going concern. The Company is facing a severe and grave liquidity problem and has reduced it general and administrative expense to conserve cash. The Company continues to review and evaluate its operations and priorities. The Company is actively pursuing merger or acquisition candidates to

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meet its liquidity needs. There is no assurance that the Company will be able to structure a merger or acquisition on terms satisfactory to the Company.

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 4. CONTROLS AND PROCEDURES

Disclosure controls are procedures that are designed with the objective of ensuring that information required to be disclosed in Company's reports under the Securities Exchange Act of 1934, such as this Form 10Q-SB, is reported in accordance with the Securities and Exchange Commission's rules. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer as appropriate to allow timely decisions regarding required disclosure.

Within the 90 days prior to the date of this report, 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 Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to the Securities Exchange Act Rule 13a-14. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be in the Company's periodic SEC filings. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

Certifications of the Chief Executive Officer and Chief Financial Officer regarding, among other items, disclosure controls and procedures are included immediately after the signature section of this Form 10Q-SB.

Part II. Other Information

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

There were no matters submitted to a vote of Security Holders during the three month period ended October 31, 2003.

Item 6. Exhibits and Reports on Form 8-K

None.

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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.

CHAMPIONS Sports, Inc.

___/s/ James M. Martell

James M. Martell
President

___/s/ James E. McCollam

James E. McCollam
Controller and Chief
Accounting Officer

December 13, 2003

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

Section 302 Certification

I, JAMES MARTELL, certify that:

(1) I have reviewed this quarterly report on Form 10Q-SB of CHAMPIONS SPORTS, INC., a Delaware corporation (the "registrant");

(2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

(3) Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

(4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

(a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated

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subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

- (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
- (c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

(5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
- (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

(6) The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 13, 2003

By: /s/ JAMES MARTELL

JAMES MARTELL
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

Section 302 Certification

I, JAMES E. MCCOLLAM, certify that:

- (1) I have reviewed this quarterly report on Form 10Q-SB of CHAMPIONS

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SPORTS, INC., a Delaware corporation (the "registrant");

(2) Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report.

(3) Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

(4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

- (a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
- (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
- (c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

(5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
- (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

(6) The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 13, 2003

By: /s/ JAMES E. McCOLLAM

JAMES E. McCOLLAM
Chief Financial Officer

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The following certification will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liability of that section, nor will the certification be deemed incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the registrant specifically incorporates it by reference.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, James Martell, President and Chief Executive Officer of Champions Sports, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The accompanying Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended October 31, 2003 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

December 13, 2003

/s/ James Martell
James Martell
President and Chief Executive Officer

A signed original of the above certification has been provided to Champions Sports, Inc. and will be retained by Champions Sports, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The following certification will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liability of that section, nor will the certification be deemed incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the registrant specifically incorporates it by reference.

CERTIFICATION OF PRINCIPAL ACCOUNTING OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, James E. McCollam, Treasurer, Secretary and Principal Accounting Officer of Champions Sports, Inc. (the "Company"), certify, pursuant to Section 906 of

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the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The accompanying Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended October 31, 2003 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

December 13, 2003

/s/ James E. McCollam
James E. McCollam
Treasurer, Secretary and
Principal Accounting Officer

A signed original of the above certification has been provided to Champions Sports, Inc. Inc. and will be retained by Champions Sports, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.