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CHAMPIONS SPORTS INC  
Form 10QSB  
September 12, 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 July 31, 2003  
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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  
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CHAMPIONS SPORTS, INC.  
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(Exact name of registrant as specified in its charter)

Delaware 52-1401755  
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(State or other jurisdiction of (I.R.S. Employer  
organization) Identification No.)

Suite 214, 2420 Wilson Blvd., Arlington VA 22201  
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(Address of principal executive offices)  
(Zip code)

(703) 526-0400  
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(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 September 12, 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

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	July 31, 2003	April 30, 2003
	-----	-----
Current assets		
Cash and cash equivalents .....	\$ 167,359	\$ 195,101
Accounts receivable - trade .....	--	--
Inventories .....	26,929	23,750
Prepaid expenses .....	10,276	10,836
	-----	-----
Total current assets	204,564	229,687
Property and equipment		
Furniture and equipment	589,437	586,506
Leasehold improvements	584,772	584,772
	-----	-----
	1,174,209	1,171,278
Accumulated depreciation and amortization .....	(936,956)	(924,851)
	-----	-----
	237,253	246,427
Other assets		
Deposits .....	11,052	11,052
	-----	-----
Total assets .....	\$ 452,869	\$ 487,166
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable .....	\$ 65,563	\$ 65,246
Dividend payable on preferred stock .....	575,192	575,192
Other accrued expenses .....	63,831	49,280
Deferred revenue .....	--	--
Current portion of deferred lease concession .....	4,363	3,322
	-----	-----
Total current liabilities .....	708,949	693,040
	-----	-----
Capital lease obligation, net of current portion .....	--	--
Deferred lease concession, net of current portion .....	1,017	3,875
	-----	-----
Total liabilities	709,966	696,915
	-----	-----
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 July 31 and April 30, 2002 .....	531,250	531,250
Common stock, par value \$.001 per share, 50,000,000		

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shares authorized and 8,514,459 shares issued and outstanding for July 31 and		
April 30, 2002 .....	8,514	8,514
Additional paid-in capital		
	5,397,598	5,397,598
Accumulated deficit .....	(6,194,459)	(6,147,111)
	-----	-----
Total stockholders' equity .....	(257,097)	(209,749)
	-----	-----
Total liabilities and stockholders' equity .....	\$ 452,869	\$ 487,166
	=====	=====

See notes to consolidated financial statements

CHAMPIONS SPORTS, INC. AND SUBSIDIARIES  
Consolidated Statements of Operations

	July 31,	
	2003	2002
	----	----
Revenue		
Food and beverage .....	\$ 532,647	\$ 507,115
Merchandise, memorabilia, and consulting fees .	7,163	8,133
Interest income .....	104	1,180
Other income .....	3,281	1,654
	-----	-----
	543,195	518,082
Costs and expenses		
Cost of food and beverage sales\ .....	159,052	120,513
Cost of merchandise and memorabilia .....	7,562	21,897
Restaurant payroll and related costs .....	179,402	181,347
Restaurant occupancy costs .....	67,366	72,402
Other restaurant costs .....	100,127	87,066
General and administrative .....	64,929	98,183
Depreciation and amortization .....	12,105	12,105
Interest .....	--	50
	590,543	593,563
	-----	-----
Operating income (loss) before income tax expense	(47,348)	(75,481)
Income tax expense .....	--	--

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Net loss .....	(47,348)	(75,481)
Less preferred stock dividends .....	(15,938)	(15,938)
	-----	-----
Net income (loss) available to common stockholders .....	\$ (63,286)	\$ (91,419)
	=====	=====
Basic earnings (loss) per share .....	\$ (0.01)	\$ (0.01)
	=====	=====
Earnings (loss) per common share - assuming dilution .....	\$ (0.01)	\$ (0.01)
	=====	=====

See notes to consolidated financial statements

CHAMPIONS SPORTS, INC. AND SUBSIDIARIES  
Increase (Decrease) in Cash and Cash Equivalents  
For the three months ended July 31

	2003	2002
Cash flows from operating activities:		
Net loss .....	\$ (47,348)	\$ (75,481)
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization .....	12,104	12,104
Changes in assets and liabilities:		
Accounts receivable .....	--	54
Inventories .....	(3,179)	(3,300)
Prepaid expenses .....	560	1,297
Accounts payable .....	317	48,436
Other accrued expenses .....	14,551	6,531
Deferred revenues .....	--	(35,340)
Deferred lease concessions .....	(1,817)	(1,090)
Net cash provided (used) by operating activities ....	(24,812)	(46,789)
Cash flows from investing activities:		
Stock subscriptions .....	5,000	
Purchases of property and equipment .....	(2,930)	(5,298)
Net cash (used) by investing activities .....	(2,930)	(298)
Cash flows from financing activities:		
Principal payments on capital lease .....	--	(1,929)
Net increase (decrease) in cash and cash equivalents .....	(27,742)	(49,016)

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Cash and cash equivalents at beginning of year .....	195,101	449,282
Cash and cash equivalents at July 31 .....	\$ 167,359	\$ 400,266
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

July 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 July 31, 2003, the consolidated statements of operations and the consolidated statements of cash flows for the three months ended July 31, 2003 and July 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 July 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 July 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 a most severe 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

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that the Company will be able to structure a merger or acquisition on terms satisfactory to the Company

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

#### Results of Operation

For the three months ended July 31, 2003, the Company's net loss was \$47,348 and the net loss available to common shareholders was \$63,286, (\$0.01) per common share. The Company's total assets decreased by \$34,297 to \$452,869 from \$487,166 at April 30, 2003.

For the three months ended July 31, 2002, the Company's net loss was \$75,481, and the net loss available for common shareholders was \$91,419, (\$0.01) per common share. The Company's total assets decreased by \$53,874 to \$731,815 from \$785,689 at April 30, 2002.

#### Revenues

The Company's total revenues were \$543,195 for the three months ended July 31, 2003 versus \$518,082 for the three-month period ended July 31, 2002, an increase of \$25,113 or 4.8%. By component, food and beverage sales increased 5.0% from the previous year. This increase in food and beverage sales is attributed to an increase in customer volume. Merchandise, memorabilia and consulting revenues were \$7,163 for the three months ended July 31, 2003 compared to \$8,133 for the three months ended July 31, 2002 Interest income was less than 1.0% of the Company's total revenue for both comparable periods. Other income also represented less than 1.0% of total revenues for the three months ended July 31, 2003 and 2002.

#### Expenses

Cost of food and beverage was 29.9% and 23.8% of related sales for the three months ended July 31, 2003 and 2002. This increase is attributed to higher wholesasle prices, as there was no increases in selling prices during the three month period. Cost of merchandise and memorabilia sales for the three months ended July 31, 2003 was \$7,562 compared to \$21,897 in the preceding year. Restaurant payroll and related costs were 33.7% of related food and beverage sales for the three months ended July 31, 2003 and 35.8% for the three months ended July 31, 2002. Restaurant occupancy costs were \$67,366 or 12.6% of food and beverage sales compared to \$72,402 or 14.3% of related sales during the three months ended July 31, 2002. This decrease in occupancy costs is attributed to the percentage paid to the landlord in common area charges and base rent. Other restaurant costs were 18.8% of related food and beverage sales for the three months ended July 31, 2003 compared to 17.7% of related sales during the three months ended July 31, 2002. General and administrative expense for the Company's corporate office was 12.0% of the Company's total revenues for the three months ended July 31, 2003 compared to 18.9 % of total revenues for the three months ended July 31,2002. Depreciation and amortization expense were constant at approximately 2.2% of the Company's total revenues during each comparable period.

#### Liquidity and Capital Resources

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The Company's cash position as of July 31, 2003 was \$167,359 compared to \$195,101 on April 30, 2003, a decrease of \$27,742. For the three month period, the Company's operations used \$24,812 in cash in excess of revenues. The Company purchased equipment for its San Antonio location for \$2,930. The Company met its liquidity needs during the period from its cash reserves and cash flow provided from its San Antonio location.

The Company's cash position as of July 31, 2002 was \$400,266 compared to \$449,282 on April 30, 2002, a decrease of \$49,016. For the three month period, the Company's operations used \$46,789 in cash in excess of revenues. The Company received \$5,000 from a common share subscription. The Company purchased equipment for its restaurant in San Antonio totaling \$5,298 and finished paying for a capital lease of \$1,929. The Company met its liquidity needs during the period from its revenues, cash reserves and cash flow provided from its San Antonio location.

The Company's working capital was a negative \$504,385 on July 31 2003 and a negative \$463,353 on April 30, 2003.

Stockholder's equity was a negative \$257,097 as of July 31, 2003 compared to a negative \$209,749 as of April 30, 2003.

Other

The Company's independent auditor has expressed substantial doubt the Company can continue as a going concern. The Company is facing a severe 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 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.



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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

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 hereunto duly authorized.

CHAMPIONS Sports, Inc.

/s/ James Martell

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James Martell  
Chairman, President and  
Chief Executive Officer

/s/ James E. McCollam

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

September 12 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 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

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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: September 12, 2003

By: /s/ JAMES MARTELL

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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 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;

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(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: September 12, 2003

By: /s/ JAMES E. McCOLLAM

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JAMES E. McCOLLAM  
Chief Financial Officer