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CHAMPIONS SPORTS INC
Form 10QSB
September 14, 2001

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, 2001

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 organization) (I.R.S. Employer Identification No.)

Suite 214, 2420 Wilson Blvd., 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 September 13, 2001 the Registrant had a total of 8,514,459 shares of common stock outstanding.

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CHAMPIONS SPORTS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

Assets

	July 31, 2001 ----	April 30, 2001 ----
Current assets		
Cash and cash equivalents	\$437,670	451,650
Accounts receivable - trade	-	1,326
Inventories	15,177	25,056
Prepaid expenses	22,416	17,411
	-----	-----
Total current assets	475,263	495,443
Property and equipment		
Furniture and equipment	562,981	562,981
Leasehold improvements	584,772	584,772
	-----	-----
	1,147,753	1,147,753
Accumulated depreciation and amortization	(840,118)	(828,013)
	-----	-----
	307,635	319,740
Other assets		
Available for sale investments, at cost	50,000	50,000
Deposits	11,052	11,052
	-----	-----
Total assets	\$843,950	\$876,235
	=====	=====

Liabilities and Stockholders' Equity

Current liabilities		
Accounts payable	\$121,756	\$126,240
Dividend payable on preferred stock	447,692	447,692
Other accrued expenses	67,299	58,479
Deferred revenue	64,625	64,625
Current portion of deferred lease concession	4,363	4,363
Current portion of capital lease obligation	9,839	10,283
	-----	-----
Total current liabilities	715,574	711,682
Capital lease obligation, net of current portion	-	1,940
Deferred lease concession, net of current portion	11,193	11,556
	-----	-----
Total liabilities	726,767	725,178
	-----	-----

Stockholders' equity	
Preferred stock	
Series A, 12% Convertible Cumulative;	
\$10 par value; preferred as to	

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dividends and liquidation; 56,075 shares authorized and 53,125 shares issued and outstanding for July 31 and April 30, 2001	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 July 31 and April 30, 2001	8,514	8,514
Additional paid-in capital	5,337,599	5,337,599
Accumulated deficit	(5,760,182)	(5,726,308)
	-----	-----
Total stockholders' equity	117,183	151,057
	-----	-----
Total liabilities and stockholders' equity	\$843,950	\$876,235
	=====	=====

See notes to consolidated financial statements

CHAMPIONS SPORTS, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
For the three months ended July 31

	2001	2000
	----	----
Revenue		
Food and beverage	\$530,409	\$503,391
Merchandise, memorabilia, and consulting fees	18,108	101,211
Interest income	3,429	6,822
Other income	2,994	1,942
	-----	-----
	554,940	613,365
Costs and expenses		
Cost of food and beverage sales	137,926	126,588
Cost of merchandise and memorabilia	34,793	33,143
Restaurant payroll and related costs	185,819	173,988
Restaurant occupancy costs	64,464	52,318
Other restaurant costs	86,797	86,345
General and administrative	66,335	87,018
Depreciation and amortization	12,105	12,105
Interest	578	674
	---	---
	588,817	572,179
Operating income (loss)		

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before income tax expense	(33,877)	41,186
Loss on restricted security held for sale	-	(50,000)
Income tax expense	-	-
Net loss	(33,877)	(8,814)
Less preferred stock dividends	(15,938)	(15,938)
	-----	-----
Net income (loss) available to common stockholders	\$ (49,815)	\$ (24,752)
	=====	=====
Basic earnings (loss) per share	\$ (0.00)	\$ (0.00)
	=====	=====
Earnings (loss) per common share - assuming dilution	\$ (0.00)	\$ (0.00)
	=====	=====

See notes to consolidated financial statements

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

	2001	2000
	----	----
Cash flows from operating activities:		
Net loss	\$ (33,877)	\$ (8,814)
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	12,104	12,104
Loss on restricted securities held for sale	-	50,000
Changes in assets and liabilities:		
Accounts receivable	1,326	(71,583)
Inventories	9,879	(3,201)
Prepaid expenses	(5,005)	12,620
Accounts payable	(4,480)	22,255
Other accrued expenses	8,820	8,163
Deferred lease concessions	(363)	(1,454)
Net cash provided (used) by operating activities	(11,596)	20,090
Cash flows from investing activities:		
Purchases of property and equipment	-	(15,187)
Net cash (used) by investing activities	-	(15,187)

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Cash flows from financing activities:		
Principal payments on capital lease	(2,384)	(1,948)
Net increase (decrease) in cash and cash equivalents	(13,980)	2,955
Cash and cash equivalents at beginning of year	451,650	591,208
Cash and cash equivalents at July 31	\$437,670	\$594,163
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$578	\$674

See notes to consolidated financial statements

CHAMPIONS SPORTS, INC.

Notes to Consolidated Financial Statements

July 31, 2001

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, 2001, the consolidated statements of operations and the consolidated statements of cash flows for the three months ended July 31, 2001 and July 31, 2000 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, 2001 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, 2001. The results of operations for the period ended July 31, 2001 are not necessarily indicative of the operating results for the full year.

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

Results of Operation

For the three months ended July 3, 2001, the Company's net loss was \$33,877 and the net loss available for common shareholders was \$49,815, (\$0.01) per common share. The Company's total assets decreased by \$32,285 to \$843,950 at July 31, 2001 from \$876,235 at April 30, 2001.

For the three months ended July 31, 2000, the Company's net loss was \$8,814 and the net loss available for common shareholders was \$24,752, (\$0.00) per common share. The Company's assets increased to \$1,434,672 as of July 31, 2000 from \$1,416,470 at April 30, 2000.

Revenues

The Company's total revenues were \$554,940 for the three months ended July 31, 2001 versus \$613,365 for the three-month period ended July 31, 2000, a decrease of \$58,425 or 9.5%. By component, food and beverage sales increased 5.4% from the previous year. This improvement in food and beverage sales is attributed to an increase in customer volume compared to the three months ended July 31, 2000. Merchandise, memorabilia and consulting revenues were \$18,108 for the three months ended July 31, 2001 compared to \$101,211 for the comparable period in 2000. Interest income was 0.6% of the Company's total revenue for the three months ended July 31, 2001 contrasted to 1.1% for the comparable period in 2000. Other income represented less than 1.0% of total revenues for the three months ended July 31, 2001 and 2000.

Expenses

Cost of food and beverage was 26.0% and 25.1 % of related sales for the three months ended July 31, 2001 and 2000. Cost of merchandise and memorabilia sales for the three months ended July 31, 2001 was \$34,793 compared to \$33,143 in the preceding year. Restaurant payroll and related costs were 35.0% of related food and beverage sales for the three months ended July 31, 2001 and 34.6% for the three months ended July 31, 2000. The increase in restaurant payroll is attributed a scarce labor market and the necessity to increase hourly wages to retain experienced workers. Restaurant occupancy costs were \$64,464 or 12.2% of food and beverage sales compared to \$52,318 or 10.4% of related sales during the three months ended July 31, 2000. This increase in occupancy costs is attributed to higher sales which in turn raises the percentage paid to the landlord in common area charges and base rent. Other restaurant costs decreased to 16.4% of related food and beverage sales for the three months ended July 31, 2001 compared to 17.2% of related sales during the three months ended July 31, 2000. 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, 2001 compared to 14.2 % of total revenues for the three months

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ended July 31, 2000. Depreciation and amortization expense were constant at approximately 2% of the Company's total revenues during each comparable period.

Liquidity and Capital Resources

The Company's cash position on July 31, 2001 was \$437,670 compared to \$451,650 on April 30, 2001, a decrease of \$13,980. For the three months ended July 31, 2001, the Company's operations used \$11,596 in cash. The Company used it cash to repay a capital lease for \$2,384. The Company met its liquidity needs during the period from its revenues, cash reserves and cash flow provided from its San Antonio location.

For the three months ended July 31, 2000, the Company's operating activities provided cash of \$20,090. The Company purchased restaurant equipment for \$15,187 and repaid capital leases for \$1,948. The Company realized a loss of \$50,000 on a restricted security held for sale. The Company met its liquidity needs during the period from its revenues and cash flow from its San Antonio location.

The Company anticipates that it will be able to meet its cash requirements for the next twelve months from its cash reserves and from its operating activities.

The Company's working capital was a negative \$240,311 on July 31, 2001 and negative \$216,239 on April 30, 2001.

Stockholder's equity was \$117,183 as of July 31, 2001 compared to \$876,235 as of April 30, 2001.

The Company continues to review and evaluate its operations and priorities. The Company is actively pursuing merger or acquisition candidates to meet its longer-term growth and liquidity needs. There is no assurance that the Company will be able to structure a merger or acquisition on terms satisfactory to the Company.

Other

This document contains "forward-looking statements" (within the meaning of the Private Securities Litigation Act of 1995) that inherently involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of unforeseen external factors. These factors may include, but are not limited to, changes in general economic conditions, customer acceptance of products and services offered and other general competitive factors.

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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

James Martell

Chairman, President and Chief Executive Officer

/s/ James E. McCollam

James E. McCollam

Corporate Secretary, Chief Accounting
Officer and Controller

September 14, 2001