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CHAMPIONS SPORTS INC  
Form 10QSB  
March 15, 2004

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, 2004  
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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 \_\_\_\_\_  
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Commission file number 0-17263  
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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 16, 2004 the Registrant had a total of 8,771,859 shares of common stock outstanding.

CHAMPIONS SPORTS, Inc.

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CHAMPIONS SPORTS, INC. AND SUBSIDIARIES  
Consolidated Balance Sheets  
Assets

	January 31 2004	April 30 2003
	-----	
Current assets		
Cash and cash equivalents	\$84,703	\$195,101
Inventories	31,201	23,750

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Prepaid expenses	12,224	10,836
	-----	-----
Total current assets	128,128	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	(961,165)	(924,851)
	-----	-----
	213,044	246,427
Deposits	11,052	11,052
	-----	-----
Total assets	\$352,224	\$487,166
	=====	=====
Liabilities and Stockholders' (Deficiency of Net Assets)		
Current liabilities		
Accounts payable	\$61,422	\$65,246
Dividend payable on preferred stock	389,864	575,192
Other accrued expenses	38,173	49,280
Current portion of deferred lease concession	2,232	3,322
	-----	-----
Total current liabilities	491,691	693,040
Deferred lease concession, net of current portion	968	3,875
	---	---
Total liabilities	492,659	696,915
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 January 31, 2004 and April 30, 2003	359,650	531,250
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 January 31, 2004 and April 30, 2003	8,772	8,514
Additional paid-in capital	5,576,816	5,397,598
Accumulated deficit	(6,085,673)	(6,147,111)
	-----	-----
Total stockholders' (deficiency of net assets)	(140,435)	(209,749)
	-----	-----
Total liabilities and stockholders' (deficiency of net assets)	\$352,224	\$487,166
	=====	=====

See notes to consolidated financial statements

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

	Three months ended January 31, 2004		2003
	Unaudited		Unaudited
	-----	-----	-----
Revenue			
Food and beverage	\$456,445	\$443,847	\$1,442,78
Merchandise, memorabilia, and consulting fees	4,594	6,713	17,51
Interest income	8	571	13
Other income	1,029	2,052	5,72
	-----	-----	-----
	462,076	453,183	1,466,15
	-----	-----	-----
Costs and expenses			
Cost of food and beverage sales	\$148,113	\$108,810	\$423,06
Cost of merchandise and memorabilia	3,753	6,365	16,16
Restaurant payroll and related costs	154,008	172,974	486,98
Restaurant occupancy costs	55,245	47,657	184,76
Other restaurant costs	96,178	86,635	280,75
General and administrative	28,783	61,765	154,11
Depreciation and amortization	12,105	12,105	36,31
Interest	-	-	-
	-----	-----	-----
	498,185	496,311	1,582,16
	-----	-----	-----
Operating income (loss) before income tax expense	(36,109)	(43,128)	(116,01
Income tax expense	-	-	-
	-----	-----	-----
Net income (loss)	\$ (36,109)	\$ (43,128)	\$ (116,01
Less: preferred stock dividends	-	(10,790)	(21,58
	-----	-----	-----
Net income (loss) available to common stockholders	\$ (36,109)	\$ (53,918)	\$ (137,59
	=====	=====	=====
Basic earnings (loss) per share	\$ (0.00)	\$ (0.01)	\$ (0.0
	=====	=====	=====
Earnings (loss) per common share - assuming dilution	\$ (0.00)	\$ (0.01)	\$ (0.0
	=====	=====	=====

See notes to consolidated financial statements

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CHAMPIONS SPORTS, INC. AND SUBSIDIARIES  
 Consolidated Statements of Cash Flows  
 Increase (Decrease) in Cash and Cash Equivalents  
 January 31

	2004 ----	2003 ----
Cash flows from operating activities:		
Net profit (loss)	\$(116,014)	\$(81,715)
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
Inventories	(7,451)	1,418
Prepaid expenses	(1,388)	(2,088)
Accounts payable	(3,824)	(52,664)
Other accrued expenses	(11,107)	(18,309)
Deferred revenues	-	(124,871)
Deferred lease concessions	(3,997)	(3,270)
	-----	-----
Net cash provided (used) by operating activities	(107,467)	(245,156)
Cash flows from investing activities:		
Stock subscriptions	-	5,000
Purchases of property and equipment	(2,931)	(10,901)
	-----	-----
Net cash (used) by investing activities	(2,931)	(5,901)
Cash flows from financing activities:		
Principal payments on capital lease	-	(1,929)
	-----	-----
Net increase (decrease) in cash and cash equivalents	(110,398)	(252,986)
Cash and cash equivalents at beginning of year	195,101	449,282
	-----	-----
Cash and cash equivalents at January 31	\$84,703 =====	\$196,296 =====
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	-	50
See notes to consolidated financial statements		

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## CHAMPIONS SPORTS, INC. Notes to Consolidated Financial Statements January 31, 2004

### 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, 2004 the consolidated statements of operations and the consolidated statements of cash flows for the three months and nine months ended January 31, 2004 and January 31, 2003 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, 2004 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 January 31, 2004 are not necessarily indicative of the operating results for the full year.

The Company's independent auditor, for the year ending April 30, 2003, has expressed substantial doubt the Company can continue as a going concern. The Company is still facing grave liquidity and cash problems as of January 31, 2004 and through the date of the filing of this 10-QSB The Company 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 and any other financing possibilities 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 or to improve its liquidity. If the situation does not improve, the Company might be forced to discontinue its operations.

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, 2004, the Company's net loss was \$116,014 or (\$0.01) per common share as compared to a net loss of \$81,715 or (\$0.01) per common share for the nine month period ended January 31, 2003. For the nine months ended January 31, 2004 and January 31, 2003, the net loss was from the Company's ongoing operations.

The Company's assets decreased to \$352,224 at January 31, 2004 from \$487,166 at April 30, 2003. For the three months ended January 31, 2004 the Company's net loss from its ongoing operations was \$36,109 compared to a net operating loss of \$43,128 during the three months ended January 31, 2003.

### Revenues

The Company's total revenues decreased 3.8% to \$1,466,151 for the nine months ended January 31, 2004 versus \$1,524,725 for the nine month period ended January 31, 2003. By component, food and beverage sales increased 2.7% from the previous year for the nine months and 2.8% for the three months period from the previous year. The increase in food and beverage sales is attributed to an increase in menu prices. Merchandise and memorabilia sales for the nine months ended January 31, 2004 decreased to \$17,512 compared to \$111,389. The Company did not provide any memorabilia and consulting services to Marriott International during the nine month period ended January 31, 2004. For the three months ended January 31, 2004 and 2003, merchandise and memorabilia sales were approximately 1% 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 increased to 29.3% of related sales compared for the nine months ended January 31, 2004 compared to 24.0% related sales for the comparable period. This is attributed to higher prices at the wholesale level. Cost of merchandise and memorabilia sales for the nine months ended January 31, 2004 was \$16,167 compared to \$34,990 in the preceding year. Restaurant payroll and related costs were 33.8% of related food and beverage sales contrasted to 37.0% for the nine months ended January 31, 2003. Restaurant occupancy costs were \$184,767 for the nine months and \$55,245 for the three months ended January 31, 2004 compared to \$182,040 for the nine months and \$47,657 for the three month comparable period in 2003. The increase in occupancy costs is attributed to an increase in real estate taxes and common area charges passed on by the landlord. Other restaurant costs were 19.5% of food and beverage sales for the nine months and 21.1% of food and beverage sales for the three months ended January 31, 2004 compared to 18.9% of food and beverage sales for the comparable nine month and 19.5% for the three months in 2003. General and administrative expense was \$154,111 for the nine months ended January 31, 2004 compared to \$230,798 for the nine months ended January 31, 2003. Depreciation and amortization expense accounted for approximately 2.5% of the Company's total revenues during the nine months ended January 31, 2004 and 2003 and during the three months ended January 31, 2004 and 2003.

### Liquidity and Capital Resources

The Company's cash position on January 31, 2004 decreased by \$110,398 to \$84,703 from \$195,101 on April 30, 2003. For the nine months ended January 31, 2004, the Company's ongoing operations used cash totaling \$107,467. For the comparable period ending January 31, 2003, the Company's ongoing operations used cash of \$245,156. For the nine months ended January 31, 2004, the Company purchased equipment for its San Antonio location for \$2,931. During the nine

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months ended January 31, 2003, the Company purchased equipment for its San Antonio CHAMPIONS for \$10,901.

The Company met its cash needs during the nine months ended January 31, 2004 and 2003 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 without 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 to improve its liquidity.

The Company's working capital was a negative \$373,078 on January 31, 2004 and negative \$463,353 on April 30, 2003.

Stockholder's equity was a negative \$149,950 as of January 31, 2004 compared to a negative \$209,749 as of April 30, 2003.

Other

The Company's independent auditor, for the year ending April 30, 2003, has expressed substantial doubt the Company can continue as a going concern. The Company is still facing grave liquidity and cash problems as of January 31, 2004 and through the date of the filing of this 10-QSB The Company 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 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 on terms satisfactory to the Company or to improve its liquidity. If the situation does not improve, the Company might be forced to discontinue its operations. The Company's Board of Directors voted to defer the annual meeting of shareholders and to cancel the payment of the annual dividend on the Company's 12% Preferred Stock to preserve the Company's cash position. The Board of Directors granted to James Martell, Chairman, President, and Chief Executive Officer of Champions Sports, Inc., an option to purchase 8,000,000 shares of the Company's restricted shares pursuant to Rule 144.

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



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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

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.

CHAMPIONS Sports, Inc.

/s/ James Martell  
James Martell

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President

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

March 16, 2004

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

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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: March 16, 2004

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 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

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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: March 16, 2004

By:/s/ JAMES E. McCOLLAM

-----  
JAMES E. McCOLLAM  
Chief Financial Officer

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

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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 January 31, 2004 (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.

March 16, 2004

/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 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 January 31, 2004 (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.

March 16, 2004

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/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.