

Edgar Filing: CHAMPIONS SPORTS INC - Form 10QSB

CHAMPIONS SPORTS INC
Form 10QSB
March 15, 2002

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 January 31, 2002

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 15, 2002 the Registrant had a total of 8,514,459 shares of common stock outstanding.

Edgar Filing: CHAMPIONS SPORTS INC - Form 10QSB

CHAMPIONS SPORTS, Inc.

FORM 10-QSB

INDEX

| | Page |
|--|------|
| Part I. | |
| Financial Information | |
| Item 1. Financial Statements | |
| Consolidated Balance Sheets as of January 31, 2002 (unaudited) and April 30, 2001 | 3 |
| Consolidated Statements of Operations: Three months and nine months ended January 31, 2002, and January 31, 2001, (unaudited) | 4 |
| Consolidated Statements of Cash Flows: Nine months ended January 31, 2002, and January 31, 2001 (unaudited) | 5 |
| Notes to Consolidated Financial Statements | 6 |
| Item 2. Management's Discussions and Analysis of Financial Condition and Results of Operations | 7 |
| Part II. | |
| Other Information and Signatures | |
| Item 4. Submission of Matters to a Vote of Security Holders | 9 |
| Item 6. Exhibits and Reports on Form 8-K | 9 |
| Signatures | 10 |

2

CHAMPIONS SPORTS, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
Assets

January 31 April 30,
2002 2001

Edgar Filing: CHAMPIONS SPORTS INC - Form 10QSB

UNAUDITED

| | | |
|--|-------------|-------------|
| Current assets | | |
| Cash and cash equivalents | \$ 282,849 | \$ 451,650 |
| Accounts receivable - trade | 300 | 1,326 |
| Inventories | 23,005 | 25,056 |
| Prepaid expenses | 14,764 | 17,411 |
| Deferred tax asset | -- | -- |
| Total current assets | 320,918 | 495,443 |
| ----- | | |
| Property and equipment | | |
| Furniture and equipment | 570,261 | 562,981 |
| Leasehold improvements | 584,772 | 584,772 |
| | 1,155,033 | 1,147,753 |
| Accumulated depreciation and amortization | (864,327) | (828,013) |
| | 290,706 | 319,740 |
| ----- | | |
| Other assets | | |
| Available for sale investments, at cost | 50,000 | 50,000 |
| Deposits | 11,052 | 11,052 |
| Total assets | \$ 672,676 | \$ 876,235 |
| ===== | | |
| Liabilities and Stockholders' Equity | | |
| Current liabilities | | |
| Accounts payable | \$ 60,360 | \$ 126,240 |
| Dividend payable on preferred stock | 511,442 | 447,692 |
| Other accrued expenses | 44,230 | 58,479 |
| Deferred Revenues | -- | 64,625 |
| Current portion of deferred lease concession | 4,363 | 4,363 |
| Current portion of capital lease obligation | 4,683 | 10,283 |
| Total current liabilities | 625,078 | 711,682 |
| ----- | | |
| Capital lease obligation, net of current portion | -- | 1,940 |
| Deferred lease concession, net of current portion | 8,286 | 11,556 |
| Total liabilities | 633,364 | 725,178 |
| ----- | | |
| Stockholders' equity | | |
| Series A, 12% Convertible Cumulative; \$10 par value; preferred as to dividends and liquidation; 56,075 shares authorized; 53,125 shares issued and outstanding for January 31, 2002 and April 30, 2001 respectively | 531,252 | 531,252 |
| Common stock, par value \$.001 per share, 50,000,000 shares authorized; 8,514,459 shares issued and outstanding at January 31, 2002 and April 30, 2001, respectively | 8,514 | 8,514 |
| Additional paid-in capital | 5,357,598 | 5,337,599 |
| Accumulated deficit | (5,858,052) | (5,726,308) |

Edgar Filing: CHAMPIONS SPORTS INC - Form 10QSB

| | | |
|--|------------|------------------------------|
| Total stockholders' equity | 39,312 | ----- 151,057 |
| Total liabilities and stockholders' equity | \$ 672,676 | ----- \$ 876,235 ===== |

See notes to consolidated financial statements

3

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

| | Three months ended January 31, | | Nine Mon ended Jan |
|---|-----------------------------------|--------------|-----------------------|
| | 2002 | 2001 | 2002 |
| | Unaudited | | Unaudited |
| Revenue | | | |
| Food and beverage | \$ 506,775 | \$ 460,900 | \$ 1,460,392 |
| Merchandise, memorabilia, and consulting fees ... | 9,040 | 9,389 | 124,687 |
| Interest income | 1,035 | 7,171 | 6,915 |
| Other income | 2,094 | 38 | 9,976 |
| | \$ 518,944 | \$ 477,498 | \$ 1,601,970 |
| Costs and expenses | | | |
| Cost of food and beverage sales | \$ 129,464 | \$ 115,847 | \$ 376,913 |
| Cost of merchandise and memorabilia | 6,517 | 32,333 | 70,467 |
| Restaurant payroll and related costs | 172,720 | 159,468 | 510,132 |
| Restaurant occupancy costs | 62,690 | 107,354 | 185,828 |
| Other restaurant costs | 85,744 | 95,029 | 257,795 |
| General and administrative | 86,469 | 90,331 | 231,169 |
| Depreciation and amortization | 12,105 | 12,105 | 36,314 |
| Interest | 313 | 830 | 1,348 |
| | \$ 556,022 | \$ 613,298 | \$ 1,669,966 |
| Operating income (loss) before income tax expense | (\$ 37,078) | (\$ 135,800) | (\$ 67,996) |
| Loss from discontinued operations | -- | (141,825) | -- |
| Gain/(Loss) on security held for sale | -- | -- | -- |
| Income tax expense | -- | -- | -- |
| Net income (loss) | (\$ 37,078) | (\$ 277,625) | (\$ 67,996) |
| Less: preferred stock dividends | (15,938) | (15,938) | (47,814) |

Edgar Filing: CHAMPIONS SPORTS INC - Form 10QSB

| | | | |
|--|-------------|--------------|--------------|
| Net income (loss) available to common stockholders | (\$ 53,016) | (\$ 293,563) | (\$ 115,810) |
| Basic earnings (loss) per share | (\$ 0.01) | (\$ 0.03) | (\$ 0.01) |
| Earnings (loss) per common share - assuming dilution | (\$ 0.01) | (\$ 0.03) | (\$ 0.01) |

See notes to consolidated financial statements

4

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

| | 2002 | 2001 |
|--|-------------|-------------|
| Cash flows from operating activities: | | |
| Net income (loss) | (\$ 67,996) | (\$446,149) |
| Adjustments to reconcile net income to net cash provided (used) by operating activities: | | |
| Depreciation and amortization | 36,314 | 36,314 |
| Loss from discontinued operations | -- | 220,234 |
| Loss on securities held for sale | -- | 50,000 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 1,026 | 110,608 |
| Inventories | 2,051 | (27,717) |
| Prepaid expenses | 2,647 | 9,104 |
| Deferred revenues | (64,625) | 100,000 |
| Accounts payable | (65,880) | 70,214 |
| Other accrued expenses | (14,249) | (16,575) |
| Deferred lease concessions | (3,270) | (3,638) |
| Net cash provided (used) by operating activities | (173,982) | 102,395 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (7,280) | (19,913) |
| Leasehold improvements | -- | (13,810) |
| Investment in discontinued operation | (220,234) | -- |
| Stock subscription receivable | 20,000 | -- |
| Net cash (used) by investing activities | 12,720 | (253,957) |
| Cash flows from financing activities: | | |
| Principal payments on capital lease | (7,540) | (6,150) |
| Net increase (decrease) in cash and cash equivalents | (168,802) | (157,712) |

Edgar Filing: CHAMPIONS SPORTS INC - Form 10QSB

| | | |
|--|---------|---------|
| Cash and cash equivalents at April 30, | 451,650 | 591,208 |
| Cash and cash equivalents at January 31, | 282,849 | 433,496 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid during the year for interest | 1,348 | 2,453 |

See notes to consolidated financial statements

5

CHAMPIONS SPORTS, INC.

Notes to Consolidated Financial Statements

January 31, 2002

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, 2002, the consolidated statements of operations and the consolidated statements of cash flows for the three months and nine months ended January 31, 2002 and January 31, 2001 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, 2001. The results of operations for the period ended January 31, 2002 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

Results of Operation

For the nine month period ended January 31, 2002, the Company's net loss was \$67,996 or (\$0.01) per common share as compared to a net loss of \$446,149 or (\$0.06) per common share for the nine month period ended January 31, 2001. For the nine months ended January 31, 2002, the net loss was from the Company's ongoing operations. For the nine months ended January 31, 2001, the Company's ongoing operations generated a loss of \$175,915, the Company's loss from its discontinued operation was \$220,234 and a loss of \$50,000 from a security held for trade.

Dividends accrued for the Company's Preferred Stock (net of conversions) totaled \$47,814. The Company's assets decreased to \$672,676 at January 31, 2002 from \$876,235 at April 30, 2001. For the three months ended January 31, 2002 the Company's net loss from its ongoing operations was \$37,078 compared to a net operating loss of \$135,800 during the three months ended January 31, 2001.

Revenues

The Company's total revenues increased 2.6% to \$1,601,970 for the nine months ended January 31, 2002 versus \$1,561,045 for the nine month period ended January 31, 2001. By component, food and beverage sales increased 3.2% from the previous year for the nine months and 9.9% for the three months period from the previous year. The increase in food and beverage sales is attributed to a increase in customer volume. Merchandise and memorabilia sales for the nine months ended January 31, 2002 increased slightly to \$124,687 compared to \$121,129. The Company provided memorabilia and consulting services to one Marriott CHAMPIONS during each comparable period. For the three months ended January 31, 2002 and 2001, merchandise and memorabilia sales were less than 2% of the Company's total revenues. For the nine months ended January 31, 2002 and 2001, 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 remained constant at approximately 25.5% of related sales for all comparable periods. This is attributed to stable prices at the wholesale level. Cost of merchandise and memorabilia sales for the nine months ended January 31, 2002 was \$70,467 compared to \$97,464 in the preceding year. During the nine months ended January 31, 2001, the Company wrote down memorabilia inventory of approximately \$23,000. Restaurant payroll and related costs were approximately 35.0% of related food and beverage sales for all comparable periods. Restaurant occupancy costs were \$185,828 for the nine months and \$62,690 for the three months ended January 31, 2002 compared to \$213,473 for the nine month and \$107,354 for the three month comparable period in 2001. The increase in 2001 was attributed to a retroactive increase in common area charges and real estate taxes passed on by the landlord. Other restaurant costs were 17.7% of food and beverage sales for the nine months and 16.9% of food and beverage sales for the three months ended January 31, 2002 compared to 19.6% of food and beverage sales for the comparable nine month and 20.6% for the three months in 2001. General and administrative expense was \$231,169 for the nine months ended January 31, 2002 compared to \$255,630 for the nine months ended January 31, 2001. Depreciation and amortization expense accounted for 2.3 % of

Edgar Filing: CHAMPIONS SPORTS INC - Form 10QSB

the Company's total revenues during the nine months ended January 31, 2002 and 2000.

7

Liquidity and Capital Resources

The Company's cash position on January 31, 2002 decreased by \$168,802 to \$282,849 from \$451,650 on April 30, 2002. For the nine months ended January 31, 2002, the Company's ongoing operations used cash totaling \$173,982. For the comparable period ending January 31, 2001, the Company's ongoing operations provided cash of \$102,395. At January 31, 2002 and 2001, the Company held \$50,000 of restricted securities of a privately held company. For the nine months ended January 31, 2002, the Company purchased equipment for its San Antonio location for \$7,280. During the nine months ended January 31, 2001, the Company purchased equipment for its San Antonio CHAMPIONS for \$19,913 and made leasehold improvements in that same location totaling \$13,810.

The Company met its cash needs during the nine months ended January 31, 2002 and 2001 from its revenues and from cash flow from its San Antonio, Texas operation. The Company anticipates that the revenues generated from its location in San Antonio, Texas along with revenues generated from its consulting and sales of memorabilia will be sufficient to meet its operating obligations for the next twelve months. In January 2002, the Company entered into an agreement with a private investor, JMS New York, Inc., 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 Company's working capital was a negative \$304,160 on January 31, 2002 and negative \$216,239 on April 30, 2001.

Stockholder's equity was \$39,312. as of January 31, 2002 compared to \$151,057 as of April 30, 2001.

Other

In November 2001, 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

8

None

Item 6. Exhibits and Reports on Form 8-K

Edgar Filing: CHAMPIONS SPORTS INC - Form 10QSB

On January 15, 2002, Champions Sports, Inc. entered into an agreement with a private investor, JMS New York, Inc. 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 24 equal monthly installments to be used by the Company to provide general working capital.

9

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
President

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

March 15, 2001

10