

BRL HOLDINGS INC
Form 10QSB
February 19, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2003

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 0-15260

Element 21 Golf Company

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

88-0218411

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

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200 Perimeter Road, Manchester, NH
(Address of Principal Executive Offices)

03103
(Zip Code)

(603) 641-8443
(Registrant's telephone number, including area code)

BRL Holdings, Inc.

Former name, former address and formal fiscal year, if changed since last report.

*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*

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date, 62,193,302 shares of common stock, par value \$.01 per share as of February 14, 2004.

Transitional Small Business Disclosure Format (Check One) Yes No X

*Element 21 Golf Company
(formerly BRL Holdings, Inc.)*

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Part 1. Financial Information

ITEM 1. Financial Statement

ELEMENT 21 GOLF COMPANY

(Formerly BRL HOLDINGS, INC.)

(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED BALANCE SHEETS

December 31, 2003 and June 30, 2003

December 31, June 30,
2003 2003
(Unaudited)

ASSETS

Current Assets:

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<i>Cash</i>	\$ 161	\$ 89
<i>Other receivables</i>	6,113	19,500
<i>Prepaid expenses and other</i>		
<i>current assets</i>	180,000	-
<i>Total current assets</i>	186,274	19,589
<i>Other assets:</i>		
<i>Investments</i>	2,717	2,717
<i>Total assets</i>	\$ 188,991	\$ 22,306

LIABILITIES AND STOCKHOLDERS'

EQUITY (DEFICIENCIES)

<i>Current liabilities:</i>		
<i>Accounts payable</i>	\$ 310,635	\$ 252,190
<i>Accounts payable – related party</i>	20,687	20,687
<i>Accrued expenses</i>	300,187	558,771
<i>Total current liabilities</i>	631,509	831,648
<i>Other liabilities – related party</i>	-	-
<i>Total liabilities</i>	631,509	831,648

Stockholders' equity (Deficiency):

Preferred stock of \$.10 per share

value, authorized 5,000,000

shares, no shares outstanding

at December 31, 2003 and

- -

June 30, 2003

Common stock of \$.01 par value,

authorized 50,000,000 shares,

63,193,302 and 49,906,220

issued and outstanding at

December 31, 2003 and	621,933	499,062
June 30, 2003 respectively		
Additional paid-in capital	8,201,984	7,826,135
Accumulated deficit prior to		
development stage activities	(8,102,149)	(8,102,149)
Development stage accumulated		(1,032,390)
earnings (deficit)	(1,164,286)	
Total Stockholders' Deficit	(442,518)	(809,342)
Total liabilities and stockholders'		
equity (deficit)	188,991	22,306

The accompanying notes are an integral part of the consolidated financial statements.

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ELEMENT 21 GOLF COMPANY

(FORMERLY BRL HOLDINGS, INC.)

(A DEVELOPMENT STAGE ENTERPRISE

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Three Months and Six Months Ended December 31, 2003

and the Cumulative Period (October 4, 2002) to December 31, 2003

(Unaudited)

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	<i>Three Months Ended</i>		<i>Six Months Ended</i>		<i>Inception (October 4, 2002) To December 31, 2003</i>
	<i>December 31,</i>		<i>December 31,</i>		
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>	
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<i>Revenues</i>	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Cost of goods sold</i>	-	-	-	-	-
<i>Gross profit</i>	-	-	-	-	-
<i>Costs and expenses:</i>					
<i>Research and development</i>	-	-	-	-	-
<i>Purchased technologies cost</i>	-	(2,445)	-	(2,445)	(2,445)
<i>General and administrative</i>					
<i>income (expense)</i>	(338,894)	(511,973)	(493,858)	(550,795)	(1,351,257)
<i>Total costs and expenses</i>	(338,894)	(514,418)	(493,858)	(553,240)	(1,353,702)
<i>(Loss)/Gain from operations</i>	(338,894)	(514,418)	(493,858)	(553,240)	(1,353,702)
<i>Other Income (Costs):</i>					
<i>Gain on settlement</i>					
<i>Of liabilities</i>	-	-	361,962	-	361,962
<i>Loss from investments</i>	-	(288,585)	-	(288,585)	(294,103)
<i>Other income (cost)</i>	-	90,017	-	90,017	210,017
<i>Total other income (cost)</i>	-	(198,568)	361,962	(198,568)	277,876
<i>Gain (loss) before provision for</i>	(338,894)	(712,986)	(131,896)	(751,808)	(1,075,826)

<i>(benefit from)</i>					
<i>income taxes</i>					
<i>Provision for</i>	-	-	-	-	-
<i>income taxes</i>					
<i>Net gain (loss)</i>	\$ (338,894)	\$ (712,986)	\$ (131,896)	\$ (751,808)	\$ (1,075,826)
<i>Weighted average shares</i>	62,193,302	36,039,486	56,049,761	11,763,475	21,418,816
<i>Basic and fully diluted</i>	\$ (0.00)	\$ (0.02)	\$ (0.00)	\$ (0.06)	\$ (0.05)
<i>loss per share</i>					

The accompanying notes are an integral part of the consolidated financial statements.

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ELEMENT 21 GOLF COMPANY

(FORMERLY BRL HOLDINGS, INC.)

(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Six Months Ended December 31, 2003 and 2002 and

the Cumulative Period from Inception to December 31, 2003

(Unaudited)

<i>Six Months Ended</i>	<i>Inception</i>
<i>December 31,</i>	<i>(October 4, 2002)</i>
<i>2003</i>	<i>To December 31,</i>
<i>2002</i>	<i>2003</i>

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*Cash flows from
operating
activities:*

<i>Net (loss) Gain</i>	<i>\$ (131,896)</i>	<i>\$ (751,808)</i>	<i>\$ (1,075,826)</i>
------------------------	---------------------	---------------------	---------------------------

*Adjustments to
reconcile net
loss to net cash*

*used
in development
activities:*

<i>Depreciation and amortization</i>	-	-	
--	---	---	--

<i>Common stock issued in exchange for purchased</i>	-	2,445	-
--	---	-------	---

technology

<i>Common stock issued for services</i>	478,287		479,487
---	---------	--	---------

<i>Common stock issued in settlement</i>	20,433	-	20,433
--	--------	---	--------

of liabilities

<i>Net effect of subsidiary transactions</i>	-	97,769	105,581
--	---	--------	---------

*Common stock
issued in
exchange for*

<i>common stock of subsidiary</i>	-	212,362	212,362
---------------------------------------	---	---------	---------

(Increase)

*Decrease in
current assets:*

<i>Accounts receivable</i>	-	-	-
--------------------------------	---	---	---

<i>Inventories</i>	-	-	-
--------------------	---	---	---

<i>Other receivables</i>	13,387	(20,084)	(119,317)
------------------------------	--------	----------	-----------

<i>Prepaid expenses and</i>	(180,000)	(1,050)	(179,475)
---------------------------------	-----------	---------	-----------

<i>other current assets</i>			
<i>Increase (Decrease) in current liabilities:</i>			
<i>Accounts payable</i>	58,445	80,478	265,552
<i>Accrued expenses</i>	(258,584)	270,268	293,687
<i>Other liabilities</i>	-	109,173	-
<i>Net cash used in operating activities</i>	\$ 72	\$ (447)	\$ 2,484

The accompanying notes are an integral part of the consolidated financial

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ELEMENT 21 GOLF COMPANY

(FORMERLY BRL HOLDINGS, INC.)

(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Six Months Ended December 31, 2003 and 2002 and

the Cumulative Period from Inception to December 31, 2003

(Unaudited)

<i>Six Months Ended</i>	<i>Inception</i>
<i>December 31,</i>	<i>(October 4, 2002)</i>

To December 31,

	2003	2002	2003
<i>Cash flows from investing activities:</i>			
<i>Purchase of fixed assets</i>	\$ -	\$ -	\$ -
<i>Purchase of intangible assets</i>	-	-	-
<i>Investments</i>	-	-	(2,717)
<i>Net cash used in investing activities</i>	-	-	(2,717)
<i>Cash flows from financing activities:</i>			
<i>Notes receivable</i>	-	-	-
<i>Notes payable</i>	-	-	-
<i>Issuance of common stock, net</i>	-	-	-
<i>Net cash provided by investing activities</i>	-	-	-
<i>Net increase (decrease) in cash</i>	72	(447)	(233)
<i>Cash at beginning of period</i>	89	1,148	394
<i>Cash at end of period</i>	\$ 161	\$ 701	\$ 161

The accompanying notes are an integral part of the consolidated financial statements.

Supplemental Disclosures of cash Flow Information:

Cash paid during the period for:

<i>Interest</i>	\$ -	\$ -	\$ -
<i>Income taxes</i>	\$ -	\$ -	\$ -
<i>Supplemental disclosure of non-cash Investing and Financing Activities:</i>			
<i>Cash paid for interest</i>	-	-	-
<i>Stock issued for acquisition</i>	-	-	212,362
<i>of subsidiary</i>			
<i>Stock issued in payment of services</i>	478,287	-	478,287
<i>Liabilities repaid through issuance</i>			
<i>of common stock</i>	20,433	-	20,433

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(FORMERLY BRL HOLDING, INC.)

(A DEVELOPMENT STAGE ENTERPRISE)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003

(UNAUDITED)

Note 1 Basis of presentation

The accompanying unaudited consolidated financial statements have been prepared from the books and records of Element 21 Golf Company (formerly BRL Holdings, Inc.) (the "Company") or "Element 21") in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Rule 310 of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete consolidated financial statements and should be read in conjunction with the Company's audited consolidated financial statements at and for the fiscal year ended June 30, 2003. In the opinion of management, all adjustments (consisting only of normal recurring accruals and adjustments associated with the Element 21 Technologies, Inc. acquisition) considered necessary for a fair presentation have been included. Operating results for the six months ended December 31, 2003 are not necessarily indicative of the results that may be expected for the year ended June 30, 2004.

Note 2 Investment in related parted securities

On April 1, 2002 we divested our majority interest in the AssureTec Systems, Inc. subsidiary by exchanging with AssureTec founders and consultants shares in AssureTec Systems, Inc. held by the Company. After divesting these shares previously held, the Company currently holds as an investment through its Assuretec Holdings, Inc. (formerly Tech Ventures, Inc.) subsidiary of 2,716,900 shares of AssureTec stock carried at a nominal value equal to the par value of the stock. (See our 8-K Current Report dated April 1, 2002, which has been previously filed with the Securities and Exchange Commission and which is incorporated herein by reference.)

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Note 3 Consolidation of financial statements

The consolidated statements as at June 30, 2003 include the company's wholly owned subsidiaries Assuretec Holdings, Inc. Element 21 Technologies, Inc. and Assuretec Holdings Inc.'s wholly owned inactive subsidiaries IJAM Entertainment, Inc. and Advanced Conductor Technologies, Inc. For the three month period ended December 31, 2001 and prior to the formation of Assuretec Holdings, Inc., the Company was consolidated with AssureTec Systems, Inc., which consolidation commenced on November 9, 2001 being the date the company purchased its 100% interest in Systems. Prior to November 9, 2001, from January 1 2001 through October 2001 the Company had no business activities other than administrative costs necessary for remaining a publicly reporting entity. On April 1, 2002 the Company divested itself of its controlling interest in AssureTec Systems, Inc. retaining an investment interest carried at nominal value (see Item 2).

Note 4 Stock-Based Compensation

Statements of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123) establishes a fair value method of accounting for stock-based compensation plans and for transactions in which an entity acquires goods or services from non-employees in exchange for equity instruments. SFAS 123 also encourages, but does not require companies to record compensation cost for stock-based employee compensation. The Company has chosen to continue to account for stock-based compensation utilizing the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees". Accordingly, compensation cost for stock options is measured as the excess, if any, of the fair market price of the Company's stock at the date of grant over the amount an employee must pay to acquire the stock.

Note 5 Future Operations/Going Concern

These interim financial statements have been presented on the basis that the Company is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has no business operations of its own and has no sources of revenue. Its investment in its subsidiaries is not expected to produce a significant amount of cash or revenue for the Company.

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Key financial ratios are as follows:

	<i>December 31, 2003</i>	<i>June 30, 2003</i>
<i>Negative Working capital</i>	\$ (445,235)	\$ (812,059)
<i>Accumulated deficit</i>	(9,266,435)	(9,134,359)
<i>Net loss</i>	(131,896)	(1,096,720)

All of which raise substantial doubt about the Company's ability to continue as a going concern.

Managements' plans for the Company include securing a merger or acquisition, raising additional capital and other strategies designed to optimize shareholder values. Those plans are described below, however, no assurance can be made that management will be successful in fulfilling all elements of its plan. The failure to achieve these plans will have a material adverse effect on the Company's financial position, results of operations and ability to continue as a going concern.

In October of 2002, the Company acquired Element 21 Golf Company ("Element 21"), a development stage company recently formed to design, develop and market scandium alloy golf clubs. This acquisition will be accounted for as a reverse acquisition using the purchase method of accounting, as the shareholders of Element 21 will control the Company immediately following the acquisition. Consequently, as of the acquisition date the reporting entity will consist of the operations of Element 21. Element 21 has not yet commenced its principal operations.

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The Company has not filed federal or state tax returns for any of the calendar years subsequent to December 31, 1993. Management expects there will be no federal tax liability for these years then ended.

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The net current and long-term deferred taxes consisted of the following components as of June 30:

2003 Tax Effect

Asset Liability

Item	Total	Current	Long-Term	Current	Long-Term
Book to tax adjustment	\$ 100,837	\$ -	\$ -	\$ 100,837	\$ -
Net operating loss deduction	711,264	-	711,264	-	-
	812,101	-	711,264	100,837	-
Valuation allowance	(812,101)	(-)	(711,264)	(100,837)	-
	\$ -	\$ -	\$ -	\$ -	\$ -

2002 Tax Effect

Asset Liability

Item	Total	Current	Long-Term	Current	Long-Term
Book to tax adjustment	\$ (4,172)	\$ -	\$ -	\$ (4,172)	\$ -
Net operating loss deduction	550,180	-	550,180	-	-
	546,008	-	550,180	(4,172)	-
Valuation allowance	(546,008)	-	(550,180)	4,172	-
	\$ -	\$ -	\$ -	\$ -	\$ -

Changes in the valuation allowance were as follows:

Balance June, 30, 2001	\$ 425,758
Net increase	120,250

<i>Balance June 30, 2002</i>	<i>546,008</i>
<i>Net increase</i>	<i>266,093</i>
<i>Balance June 30, 2003</i>	<i>\$ 812,101</i>

A valuation allowance equivalent to 100% of the deferred tax asset has been established since it is more probable than not that the Company will not be able to recognize a tax benefit for the asset. The net operating losses expire at various dates through 2023.

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During Fiscal 2003, The Company, under the terms of the Element 21 agreement, is obligated to issue 6,432,000 shares of common stock, at no value, upon the exercised of a like number of options. In addition, the Company has authorized the issuance of 5,963,167 shares of common stock for services rendered by consultants to the Company during 2003 at prices ranging from \$.06 to \$.10 per share. Consulting services, pursuant to these shares, in the aggregate of \$486,396 were charged to operations in 2003. In June 2003, 2,000,000 of these shares were issued at an average exercise price of .0006 per share.

A summary of the Company's stock option plans as of June 30, 2003 and 2002 and changes during the year are presented below:

	<i>Director Plan</i>		<i>Option Plan</i>		<i>Options Granted to Service Providers</i>	
	<i>Number of Options</i>	<i>Weighted Average Exercise Price</i>	<i>Number of Options</i>	<i>Exercise Price</i>	<i>Number of Options</i>	<i>Weighted average Exercise Price</i>
<i>Options outstanding,</i>						
<i>June 30, 2000</i>	22,000	\$ 17.19		\$	226,100	\$ 4.32
<i>Options Granted</i>	3,200	.625			-	

<i>September 30, 2000</i>						
<i>Options expired</i>	-				(29,184)	4.32
<i>June 30, 2001</i>						
<i>Options outstanding</i>	25,200	8.63			196,916	4.32
<i>June 30, 2001</i>						
<i>Options granted</i>	40,000	.16				
<i>September 2001</i>						
<i>Options granted</i>			500,000	.07		
<i>October 2001</i>						
<i>Options exercised</i>			(500,000)	.07		
<i>March 2002</i>						
<i>Options expired</i>	-	-	-	-	(71,316)	4.32
<i>June 30, 2002</i>						
<i>Options outstanding</i>	65,200	\$ 5.90	\$ 0	\$ -	125,600	\$ 4.32
<i>June 30, 2002</i>						
<i>Options expired</i>	(8,000)				(94,800)	4.32
<i>June 30, 2003</i>						
<i>Options outstanding</i>	57200	\$ 5.90	0	\$ -	30,800	\$ 4.32
<i>June 30, 2003</i>						

As of June 30, 2003, all outstanding options are currently exercisable. The range of exercise prices is \$.17 to \$37.50 as of June 30, 2003 and 2002, respectively. The weighted average remaining contractual life of options outstanding under the director plan and those granted to service providers was 6.3 years and 0.8 years respectively at June 30, 2003 and 2002.

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The weighted average fair value of the options granted during the years ended June 30, 2003 and 2002 is presented below:

	2003	2002
Director Plan	N/A	\$0.17
Option Plan	N/A	\$0.06
Options granted to service providers	N/A	N/A

At June 30, 2002 shares available for grant under the Directors Plan and the Option Plan were 211,000 shares and 21,690, respectively. Both of these plans expired in September 2002 and there are no shares available at June 30, 2003 under either of these plans.

During fiscal 2003 and 2002, the Company issued 2,000,000 and 1,414,968 shares of common stock to Directors, officers, consultants and the Company's legal counsel for services rendered by them and recorded expenses of \$1,200 and \$134,822, respectively.

Note 7 Stock Options

During Fiscal 2003, The Company, under the terms of the Element 21 agreement issued 6,432,000 shares of common stock, at no value, upon the exercised of a like number of options. In addition, the Company has authorized the issuance of 5,963,167 shares of common stock for services rendered by consultants to the Company during 2003 at prices ranging from \$.06 to \$.10 per share. Consulting services, pursuant to these shares, in the aggregate of \$486,396 were charged to operations in 2003. In June 2003, 2,000,000 of these shares were issued at an average exercise price of .0006 per share. During the six months ended December 31, 2003 the Company authorized the issuance of 1,148,957 shares of common stock to consultants to the Company and issued 2,000,000 shares to an outside public relations firm at a prices ranging from of \$.06 to \$.12 per share.

There have been no changes in the Company's stock option plans during the six-month period ended December 31, 2003. A summary of the Company's stock option plans as of June 30, 2003 and 2002 are presented below:

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Options Granted to

<i>Director</i>	<i>Option</i>	<i>Service</i>
<i>Plan</i>	<i>Plan</i>	<i>Providers</i>

Number

of Options