

INTERNATIONAL ASSETS HOLDING CORP
Form 10QSB
August 16, 2004
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U.S. Securities and Exchange Commission

Washington D.C. 20549

Form 10-QSB

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2004

Commission File Number 000-23554

INTERNATIONAL ASSETS HOLDING CORPORATION

(Exact name of small business issuer as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

59-2921318
(IRS Employer
Identification No.)

220 East Central Parkway, Suite 2060

Altamonte Springs, FL 32701

(Address of principal executive offices)

(407) 741-5300

(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 No .

The issuer had 4,982,153 outstanding shares of common stock as of August 12, 2004.

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INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(Unaudited)

	June 30, 2004	September 30, 2003
	<u>2004</u>	<u>2003</u>
Assets		
Cash	\$ 8,312,427	\$ 1,755,072
Cash and cash equivalents deposited with brokers, dealers and clearing organization	7,669,951	5,311,500
Receivable from brokers, dealers and clearing organization, net	1,254,514	2,356,431
Other receivables	92,629	427,510
Financial instruments owned, at market value	18,412,380	6,144,899
Income taxes receivable	57,357	
Investment in asset management joint venture	453,582	
Deferred income tax asset, net	144,517	329,457
Property and equipment, at cost:		
Equipment, furniture and leasehold improvements	726,196	628,954
Less accumulated depreciation and amortization	(425,523)	(333,274)
Net property and equipment	300,673	295,680
Software development, net of accumulated amortization of \$1,035,501 at June 30, 2004 and \$979,958 at September 30, 2003		55,544
Deposit with clearing organization	500,000	500,000
Debt issuance costs, net of accumulated amortization of \$58,179 at June 30, 2004	1,832,648	
Prepaid expenses and other assets	217,613	159,510
Total assets	\$ 39,248,291	\$ 17,335,603
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable	\$ 163,973	\$ 130,156
Foreign currency sold, not yet purchased, at market value	1,152,712	308,031
Financial instruments sold, not yet purchased, at market value	11,537,126	6,195,149
Accrued compensation and benefits	1,576,552	1,177,848
Accrued expenses	167,549	182,452
Other liabilities	39,050	43,639
Convertible subordinated notes payable	12,000,000	
Total liabilities	26,636,962	8,037,275
Commitments and contingent liabilities		
Stockholders' equity:		
Preferred stock, \$.01 par value. Authorized 5,000,000 shares; no shares issued or outstanding		
Common stock, \$.01 par value. Authorized 12,000,000 shares; issued and outstanding 4,807,637 shares at June 30, 2004 and 4,702,384 shares at September 30, 2003	48,076	47,024
Additional paid-in capital	13,006,126	11,783,124
Retained deficit	(442,873)	(2,531,820)

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Total stockholders' equity	12,611,329	9,298,328
Total liabilities and stockholders' equity	\$ 39,248,291	\$ 17,335,603

See accompanying notes to condensed consolidated financial statements.

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INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

For the Nine Months Ended June 30, 2004 and 2003

(Unaudited)

	<u>2004</u>	<u>2003</u>
Revenues:		
Net dealer inventory and investment gains	\$ 15,883,882	\$ 6,025,702
Commissions, net	690,942	133,107
Interest income	130,746	25,290
Dividend income (expense), net	(334,651)	2,300
Equity in loss from asset management joint venture	(46,418)	
Other	238	4,210
	<u>16,324,739</u>	<u>6,190,609</u>
Total revenues		
Interest expense	463,709	14,543
	<u>15,861,030</u>	<u>6,176,066</u>
Net revenues		
Non-interest expenses:		
Compensation and benefits	\$ 6,080,007	\$ 2,421,877
Clearing and related expenses	4,505,727	1,728,783
Wholesale commission expense	5,800	
Occupancy and equipment rental	348,880	320,659
Professional fees	287,738	340,726
Depreciation and amortization	147,792	271,207
Business development	273,102	214,598
Insurance	222,606	162,841
Other	317,863	304,130
	<u>12,189,515</u>	<u>5,764,821</u>
Total non-interest expenses		
Income before income tax expense	3,671,515	411,245
Income tax expense	1,582,568	169,258
	<u>\$ 2,088,947</u>	<u>\$ 241,987</u>
Net income		
Earnings per share:		
Basic	\$ 0.44	\$ 0.07
	<u>\$ 0.37</u>	<u>\$ 0.07</u>
Diluted		
Weighted average number of common shares outstanding:		
Basic	4,759,287	3,375,557
	<u>5,672,977</u>	<u>3,525,142</u>
Diluted		

See accompanying notes to condensed consolidated financial statements.

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INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

For the Three Months Ended June 30, 2004 and 2003

(Unaudited)

	<u>2004</u>	<u>2003</u>
Revenues:		
Net dealer inventory and investment gains	\$ 4,675,548	2,394,437
Commissions, net	189,397	132,364
Interest income	66,975	12,532
Dividend income (expense), net	(253,900)	7,389
Equity in loss from asset management joint venture	(46,418)	
Other	(4,423)	6
	<u>4,627,179</u>	<u>2,546,728</u>
Total revenues		
Interest expense	305,587	13,711
	<u>4,321,592</u>	<u>2,533,017</u>
Net revenues		
Non-interest expenses:		
Compensation and benefits	1,801,560	965,769
Clearing and related expenses	1,106,087	858,762
Wholesale commission expense	1,000	
Occupancy and equipment rental	113,376	128,382
Professional fees	123,660	85,993
Depreciation and amortization	34,620	90,815
Business development	115,789	44,305
Insurance	73,642	62,749
Other expenses	134,840	105,582
	<u>3,504,574</u>	<u>2,342,357</u>
Total non-interest expenses		
Income before income tax expense	817,018	190,660
Income tax expense	382,866	75,392
	<u>434,152</u>	<u>115,268</u>
Net income		
Earnings per share:		
Basic	\$ 0.09	\$ 0.03
Diluted	\$ 0.07	\$ 0.02
Weighted average number of common shares outstanding:		
Basic	4,801,665	4,598,985
Diluted	6,207,691	4,790,781

See accompanying notes to condensed consolidated financial statements.

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INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

For the Nine Months Ended June 30, 2004 and 2003

(Unaudited)

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Net income	\$ 2,088,947	241,987
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	147,793	271,207
Amortization of debt issuance costs	58,179	
Deferred income taxes	184,940	169,258
Equity in loss from asset management joint venture	46,418	
Amortization of stock option expense for consultant	30,742	12,812
Loss on disposals of property and equipment		10,851
Cash provided by (used in) changes in:		
Receivable from or payable to brokers, dealers and clearing organization, net	1,101,917	(892,016)
Other receivables	334,881	163,072
Financial instruments owned, at market value	(12,267,481)	(2,631,384)
Income taxes receivable	(57,357)	
Deposit with clearing organization		(500,000)
Prepaid expenses and other assets	(58,103)	(88,849)
Foreign currency sold, not yet purchased, at market value	844,681	352,857
Financial instruments sold, not yet purchased, at market value	5,341,977	1,046,714
Accounts payable	33,817	(36,763)
Accrued compensation and benefits	398,704	133,201
Accrued expenses	(14,903)	81,555
Other liabilities	(4,589)	45,450
Net cash used in operating activities	(1,789,437)	(1,620,048)
Cash flows from investing activities:		
Proceeds from sale of property		4,750
Investment in asset management joint venture	(500,000)	
Principal collections of loans to officers		21,468
Purchase of property, equipment and software development	(97,242)	(276,054)
Net cash used in investing activities	(597,242)	(249,836)
Cash flows from financing activities:		
Issuance of convertible subordinated notes payable, net of debt issuance costs settled in cash of \$997,706	11,002,295	
Sale of preferred stock, net of costs of acquisition		3,510,571
Exercise of stock options	300,190	
Acquisition of common shares related to terminated 401k and RSP participants		(8,200)
Net cash provided by financing activities	11,302,485	3,502,371
Net increase in cash and cash equivalents	8,915,806	1,632,487

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Cash and cash equivalents at beginning of period	7,066,572	4,483,603
Cash and cash equivalents at end of period	<u>\$ 15,982,378</u>	<u>6,116,090</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 395,480</u>	<u>14,543</u>
Income taxes paid	<u>\$ 1,458,715</u>	
Supplemental disclosure of noncash financing activities:		
Issuance of warrants for placement agent services	<u>\$ 893,121</u>	<u>\$</u>
Conversion of preferred stock to common stock	<u>\$</u>	<u>\$ 21,875</u>
Issuance of common stock for finders fee services	<u>\$</u>	<u>\$ 75,000</u>
Retirement of 8,208 common shares held in treasury	<u>\$</u>	<u>\$ 8,200</u>

See accompanying notes to condensed consolidated financial statements.

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INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

June 30, 2004

(Unaudited)

(1) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions and requirements of Form 10-QSB and, therefore, do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. In the opinion of management, such financial statements reflect all adjustments (consisting of normal recurring items) necessary for a fair statement of the results of operations, cash flows and financial position for the interim periods presented. Operating results for the interim periods are not necessarily indicative of the results that may be expected for the full year. These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the fiscal year ended September 30, 2003, contained in the Company's Annual Report on Form 10-KSB for the fiscal year ended September 30, 2003 filed with the Securities and Exchange Commission.

Current Subsidiaries and Operations

As used in this Form 10-QSB, the term "Company" refers, unless the context requires otherwise, to International Assets Holding Corporation and its three wholly owned subsidiaries: INTL Trading, Inc. ("INTL Trading"), INTL Assets, Inc. ("INTL Assets") (known as International Asset Management Corp. prior to a name change on January 17, 2003) and IAHC (Bermuda) Ltd. ("IAHC Bermuda") (known as OffshoreTrader.com Ltd. prior to a name change on February 7, 2003) and its 50.1% interest in INTL Consilium, LLC ("INTL Consilium"). All significant intercompany balances and transactions have been eliminated in consolidation.

The Company operates as a wholesale international financial firm in four business segments: international equities market-making, international debt capital markets; commodities/foreign exchange trading and asset management. The Company acts as a market maker for equity securities, including American Depositary Receipts ("ADRs"), issued by non-U.S. issuers, and trades and invests in debt securities issued by non-U.S. issuers. These activities are primarily conducted through INTL Trading. During the quarter ended March 31, 2003, the Company also began to conduct fixed income trading and investing activities through IAHC Bermuda. During the quarter ended September 30, 2003, the Company began to conduct precious metals and foreign currency trading and investing activities through International Assets Holding Corporation.

On May 11, 2004 the Company signed a joint venture agreement with Consilium Investment Capital, Inc. ("CIC") of Fort Lauderdale, Florida and formed INTL Consilium, LLC. INTL Consilium, LLC is an investment management firm which primarily provides investment advice on emerging market securities.

On July 9, 2004, the Company acquired the foreign exchange business of Global Currencies Limited ("Global") through the purchase of two wholly owned subsidiaries of Global: INTL Global Currencies Limited and INTL Holdings (U.K.) Limited. Additional information regarding this transaction is contained in footnote 18.

(2) **Stock-Based Employee Compensation**

In October 1995, the Financial Accounting Standards Board (FASB) issued SFAS No. 123, *Accounting for Stock-Based Compensation*, which permits entities to recognize as expense over the vesting period the fair value of all stock-based awards calculated on the date of grant. Alternatively, SFAS No. 123 also allows entities to continue to apply the provisions of APB Opinion No. 25 which provides that entities must record compensation expense on the date of grant only if the current market price of the underlying stock exceeds the exercise price and that entities must provide pro forma disclosures as if the fair-value-based method defined in SFAS No. 123 had been applied. The Company has elected to continue to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosure required by SFAS No. 123.

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INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements, continued

If the Company had determined compensation expense based on the fair value at the grant date for its stock options under SFAS No. 123, the Company's net income and earnings per share would be reflected in the pro forma amounts indicated below:

<u>For the nine months ended June 30,</u>		<u>2004</u>	<u>2003</u>
Net income	As reported	\$ 2,088,947	241,987
	Pro forma	\$ 1,658,020	132,300
Basic earnings per share	As reported	\$ 0.44	0.07
	Pro forma	\$ 0.35	0.04
Diluted earnings per share	As reported	\$ 0.37	0.07
	Pro forma	\$ 0.29	0.04
<u>For the three months ended June 30,</u>		<u>2004</u>	<u>2003</u>
Net income	As reported	\$ 434,152	115,268
	Pro forma	\$ 292,500	2,995
Basic earnings per share	As reported	\$ 0.09	0.03
	Pro forma	\$ 0.06	
Diluted earnings per share	As reported	\$ 0.07	0.02
	Pro forma	\$ 0.05	

Pro forma net income reflects only options granted from 1996 to 2004. Therefore, the full impact of calculating compensation expense for stock options under SFAS No. 123 is not reflected in the pro forma net income amounts presented above because compensation expense is reflected over the options' expected life ranging from immediate vesting to 8.5 years and compensation expense for options granted prior to October 1, 1995 is not considered.

(3) Effects of Recent Accounting Pronouncements and Interpretations

In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46, Consolidation of Variable Interest Entities (FIN 46), which clarifies the application of Accounting Research Bulletin No. 51, to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. Effective July 1, 2003, the Company adopted FIN 46 with no material impact on its condensed consolidated financial statements. In December 2003, FASB issued Interpretation No. 46(R), Consolidation of Variable Interest Entities (FIN 46(R)), which revised and clarified FIN 46. The issuance of FIN 46(R) had no material impact on the Company's condensed consolidated

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financial statements or on its adoption of FIN 46 effective July 1, 2003.

On March 9, 2004, the SEC issued Staff Accounting Bulletin No. 105, Application of Accounting Principles to Loan Commitments (SAB 105). SAB 105 applies to those loan commitments that are accounted for as derivatives in accordance with paragraph three of SFAS No. 149,

Amendment of Statement 133 on Derivative Instruments and Hedging Activities and contains specific guidance on measuring those loan commitments at fair value. Additionally, it requires registrants to disclose their accounting policies related to loan commitments accounted for as derivatives, including the methods and assumptions used to estimate the fair value of the commitments, as well as any associated hedging strategies. SAB 105 is effective for new loan commitments entered into subsequent to March 31, 2004. The Company adopted SAB 105 with no material impact on its consolidated financial statements.

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INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements, continued**(4) Commission Revenue and Wholesale Commission Expense**

Commission revenues of \$690,942 and \$133,107 were reported for the nine months ended June 30, 2004 and 2003, respectively and \$189,397 and \$132,364 for three months ended June 30, 2004 and 2003, respectively. These revenues were related to introducing broker fees that the Company received in connection with its wholesale debt trading activities.

For the nine months ended June 30,	2004	2003
Wholesale commission revenue	\$ 1,270,674	255,495
Amounts paid to wholesale third party	(579,732)	(122,388)
Net wholesale commission revenue	690,942	133,107
For the three months ended June 30,	2004	2003
Wholesale commission revenue	\$ 328,101	254,752
Amounts paid to wholesale third party	(138,704)	(122,388)
Net wholesale commission revenue	189,397	132,364

(5) Agreements for Sale of Preferred Stock and Change in Management

On October 22, 2002, the Company entered into three Share Subscription Agreements (the "Subscription Agreements") with three individual investors for the sale of common shares and preferred shares. On December 6, 2002, the Company and three investors amended the Subscription Agreements to provide for the purchase of only shares of Series A preferred stock and the parties completed the transaction on the same date. Under the terms of the amended agreements, the Company sold 2,187,500 Series A preferred shares at a price of \$1.70 per share, or an aggregate price of \$3,718,750. The Company received \$3,510,571 in cash from the transaction, after deducting transaction costs of \$208,179 paid in cash. The Company also paid an additional \$75,000 in transaction costs through the issuance of 44,117 shares of the Company's common stock. The Subscription Agreements provided that the Series A preferred shares would be converted into shares of the Company's common stock upon the approval of the Company's shareholders. The Company's shareholders approved the conversion on February 28, 2003. On the same day, the 2,187,500 Series A preferred shares were converted into common shares on a one-for-one basis.

Pursuant to the Subscription Agreements, the Company agreed to appoint each of the new investors to its Board of Directors and the Company also agreed to appoint one of the new investors as Chief Executive Officer and another as President. The Company has entered into employment agreements with both of these individuals. In connection with the transactions contemplated by the Subscription Agreements, the shareholders also approved a new stock option plan and an amendment of the Company's Certificate of Incorporation to require the vote of at least 75% of the Company's shareholders to remove or change the Company's Chairman of the Board.

(6) Convertible Subordinated Notes and Debt Issuance Costs

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On March 12, 2004 the Company issued \$12,000,000 in principal amount of the Company's 7% convertible subordinated notes (the Notes) due December 31, 2014. The Notes were issued at par. The conversion features of the Notes were approved by the shareholders on March 26, 2004. The Notes are convertible by the holders at any time prior to the maturity date of December 31, 2014 into shares of the Company's common stock at a conversion price of \$5.75 per share. The Company may cause the outstanding principal balance of the Notes to be converted, in whole or in part, into shares of common stock at any time during 90 days following the occurrence of all of the following three events: (i) the closing price of the common stock exceeds \$8.00 per share (proportionately adjusted to reflect adjustments to conversion price) for 20 consecutive days; (ii) the Company files a registration statement under the Securities Act to register the issuance of the common stock pursuant to the conversion of the Notes; and, (iii) such registration statement is declared effective by the SEC.

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INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements, continued

Conversion of all of the Notes at \$5.75 would result in the issuance of approximately 2,086,956 common shares. The Notes are redeemable, in whole or in part at the option of the Company, at any time on or after December 31, 2009 at a redemption price in cash equal to 115% of the principal balance, plus accrued and unpaid interest to the date of redemption. The Notes are subordinated in right of payment to all of the Company's existing and future senior indebtedness, which includes all indebtedness and other liabilities of the Company except indebtedness evidenced by the Notes, indebtedness of the Company to any subsidiary and other indebtedness which is pari passu, or expressly subordinated or junior to the Notes. The Notes are also effectively subordinated to the existing and future indebtedness and other liabilities of the Company's subsidiaries. The Notes bear interest at the rate of 7% per annum, payable semi-annually on June 30 and December 31 of each year.

Debt issuance costs of \$1,890,828 were incurred in connection with the issuance of the Notes. Included in this total is \$997,706 of costs settled in cash for commissions, placement agent fees, professional fees and state fees. Also included in this total is \$893,121 for the black-scholes valuation (\$6.00 strike price, 3 year life, risk free rate 2.27%) for the 200,000 warrants issued to the placement agent for placement agent services. The total debt issuance costs will be amortized over the life of the Notes (through December 31, 2014) and charged to interest expense.

(7) Reclassifications

Certain prior period amounts have been reclassified to conform to current period presentation.

(8) Investment in Asset Management Joint Venture

On May 11, 2004 the Company signed a joint venture agreement with Consilium Investment Capital, Inc. (CIC) of Fort Lauderdale, Florida and formed INTL Consilium, LLC. INTL Consilium, LLC is an investment management firm which primarily provides investment advice with respect to emerging market securities. In June 2004 the Company made a capital contribution of \$500,000 and CIC contributed \$100,000 to INTL Consilium, LLC. The Company's total capital contribution was allocated as \$100,401 share capital and \$399,599 excess capital. The excess capital contribution was made by the Company in recognition of the asset management skills and relationships contributed by CIC. The excess capital contribution has a liquidation preference duration of three years. The Company will share in 50.1% of the profits and losses of INTL Consilium, LLC. The Company and CIC will each hold two seats on the board of directors of INTL Consilium, LLC. Two principals of CIC actively manage this business. The Company has assessed the joint venture under the consolidation criteria under FASB interpretation No. 46R and concluded INTL Consilium, LLC is not a variable interest entity. Accordingly, the Company assessed the consolidation criteria established by EITF 96-16 by reviewing the voting rights of each investee of INTL Consilium, LLC and due to certain specified operating matters that require board approval concluded to use the equity method of accounting for its investment in INTL Consilium, LLC.

For the nine months and three months ended June 30, 2004 the Company has recorded a loss of \$46,418 for its 50.1 percent allocation of the equity in joint venture loss for the period.

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INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements, continued**INTL Consilium, LLC****Condensed Statement of Operations**

For the period from inception May 11, 2004 through June 30, 2004

Revenues:	\$
Non-interest expenses:	
Compensation and benefits	35,379
Professional fees	13,841
Occupancy and equipment rental	6,694
Business development	12,768
Insurance	5,277
Other	18,691
	<hr/>
Total non-interest expenses	92,650
	<hr/>
Net loss	\$ (92,650)
	<hr/>

INTL Consilium, LLC**Condensed Balance Sheet**

	June 30,
	2004
	<hr/>
<u>Assets</u>	
Cash	508,401
Net property and equipment	7,550
Other assets	2,455
	<hr/>
Total assets	518,406
	<hr/>
<u>Liabilities and Stockholders' Equity</u>	
Liabilities:	11,056
Stockholders' Equity	
Common stock	200,401
Excess capital contribution	399,599
Retained deficit	(92,650)
	<hr/>

Total liabilities and stockholders' equity	518,406
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(9) Basic and Diluted Earnings Per Share

Basic earnings per share for the nine months and three months ended June 30, 2004 and 2003 have been computed by dividing net income by the weighted average number of common shares outstanding.

Common stock equivalents (including options, warrants and convertible subordinated notes) were excluded from the calculation of diluted earnings per share when the exercise prices of the common stock equivalents exceeded the average market price of the common stock (anti-dilutive). The number of shares which were excluded for the nine months and the three ended June 30, 2004 were 162,300 and 13,750, respectively. The number of shares which were excluded for the nine months and the three ended June 30, 2003 were 925,662 and 879,284, respectively.

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INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements, continued

For the nine months ended June 30,	2004	2003
Diluted earnings per share		
Numerator:		
Net income	\$ 2,088,947	241,987
Denominator:		
Weighted average number of common shares and dilutive potential common shares outstanding	5,672,977	3,525,142
Diluted earnings per share	\$ 0.37	0.07
For the three months ended June 30,	2004	2003
Diluted earnings per share		
Numerator:		
Net income	\$ 434,152	115,268
Denominator:		
Weighted average number of common shares and dilutive potential common shares outstanding	6,207,691	4,790,781
Diluted earnings per share	\$ 0.07	0.02

(10) Interest Income and Interest Expense

For the nine months ended June 30,	2004	2003
Interest income and interest expense		
Interest income	\$ 130,746	25,260
Interest expense		
Short trading position balances and other	129,954	14,543
Convertible subordinated notes payable	275,576	
Amortization of debt issuance costs	58,179	
Total interest expense	<u>463,709</u>	<u>14,543</u>
For the three months ended June 30,	2004	2003
Interest income and interest expense		
Interest income	\$ 66,975	12,532
Interest Expense		
Short trading position balances and other	49,620	13,711
Convertible subordinated notes payable	212,333	
Amortization of debt issuance costs	43,634	
Total interest expense	<u>305,587</u>	<u>13,711</u>

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INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements, continued**(11) Dividend Income and Expense**

<u>For the nine months ended June 30,</u>	<u>2004</u>	<u>2003</u>
Dividend income (expense), net is comprised of the following:		
Dividend income	\$ 181,027	76,325
Dividend expense	(515,678)	(74,025)
Dividend income (expense), net	<u>(334,651)</u>	<u>2,300</u>
<u>For the three months ended June 30,</u>	<u>2004</u>	<u>2003</u>
Dividend income (expense), net is comprised of the following:		
Dividend income	\$ 121,194	45,729
Dividend expense	(375,094)	(38,340)
Dividend income (expense), net	<u>(253,900)</u>	<u>7,389</u>

(12) Receivable From and Payable to Brokers, Dealers and Clearing Organization, net

Amounts receivable from brokers, dealers and clearing organizations, net at June 30, 2004 and September 30, 2003 of \$1,254,514 and \$2,356,431, respectively, consist of the following:

	<u>June 30, 2004</u>	
	<u>Receivable</u>	<u>Payable</u>
Open transactions, net	\$ 1,277,552	
Clearing fees and related charges payable		23,038
	<u>\$ 1,277,552</u>	<u>23,038</u>
	<u>September 30, 2003</u>	
	<u>Receivable</u>	<u>Payable</u>
Open transactions, net	\$ 2,376,168	

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Clearing fees and related charges payable		19,737
	<u>\$ 2,376,168</u>	<u>19,737</u>

As these amounts are short-term in nature, the carrying amount is a reasonable estimate of fair value.

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INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements, continued**(13) Financial Instruments Owned and Financial Instruments Sold, Not Yet Purchased, at Market Value**

Financial instruments owned and financial instruments sold, not yet purchased, at June 30, 2004 and September 30, 2003 consisted of trading and investment financial instruments at market values as follows:

	<u>Owned</u>	<u>Sold, not yet purchased</u>
June 30, 2004:		
Common stock and American Depository Receipts	\$ 1,497,048	2,318,275
Foreign ordinary stock, paired with its respective American Depository Receipts	7,473,358	7,497,067
Corporate and municipal bonds	3,894,332	686,733
Negotiable debt instruments	3,412,802	
Options and futures	834,303	816,844
Commodities	11,291	
Foreign government obligations	1,234,850	218,207
Other investments	54,396	
	<u>\$ 18,412,380</u>	<u>11,537,126</u>
	<u>Owned</u>	<u>Sold, not yet purchased</u>
September 30, 2003:		
Common stock and American Depository Receipts	\$ 1,395,065	2,223,180
Foreign ordinary stock, paired with its respective American Depository Receipts	2,615,667	2,687,873
Corporate and municipal bonds	1,594,522	813,975
Options and futures		