

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
	<u> </u>	<u> </u>
Net cash used in operating activities	(1,789,437)	(1,620,048)
	<u> </u>	<u> </u>
Cash flows from investing activities:		
Proceeds from sale of property		4,750
Investment in		