

INTERNATIONAL ASSETS HOLDING CORP  
Form 10QSB  
August 09, 2006  
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## U.S. Securities and Exchange Commission

Washington D.C. 20549

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### Form 10-QSB

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

For the quarterly period ended June 30, 2006

Commission File Number 000-23554

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## INTERNATIONAL ASSETS HOLDING CORPORATION

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

Delaware  
(State of incorporation)

220 East Central Parkway, Suite 2060

59-2921318  
(IRS Employer Identification No.)

Altamonte Springs, FL 32701

(Address of principal executive offices)

(407) 741-5300

(Issuer's telephone number)

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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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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The issuer had 7,833,603 outstanding shares of common stock as of August 4, 2006.

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**Table of Contents****INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES**

## Condensed Consolidated Balance Sheets

(Dollars in thousands, except par value)

	June 30, 2006 (unaudited)	September 30, 2005 (audited)
<b><u>Assets</u></b>		
Cash	\$ 15,779	\$ 6,615
Cash and cash equivalents deposited with brokers, dealers and clearing organization	8,859	13,627
Receivable from brokers, dealers and clearing organization	5,206	3,610
Receivable from customers	21,447	15,648
Financial instruments owned, at fair value	69,173	71,376
Physical commodities inventory, at cost	9,594	
Trust certificates, at cost	23,098	24,539
Investment in asset management joint venture	656	677
Investment in INTL Consilium managed funds, at fair value	2,450	3,270
Deferred income tax asset, net		82
Fixed assets and leasehold improvements at cost, net of accumulated depreciation and amortization	669	564
Intangible assets, net of accumulated amortization	166	233
Goodwill	6,318	6,054
Other assets	606	724
Total assets	\$ 164,021	\$ 147,019
<b><u>Liabilities and Stockholders' Equity</u></b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,052	\$ 608
Financial instruments sold, not yet purchased, at fair value	86,961	92,016
Payable to lenders under loans and overdrafts	19,511	12,847
Payable to brokers, dealers and clearing organization	3,117	4,372
Payable to customers	9,621	3,206
Accrued compensation and benefits	3,821	2,059
Income taxes payable	2,195	1,153
Deferred income taxes, net	146	
Deferred acquisition consideration payable	1,418	2,353
Other liabilities	324	333
Total liabilities	128,166	118,947
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 7,832,603 shares at June 30, 2006 and 7,425,936 shares at September 30, 2005	78	74
Additional paid-in capital	30,407	28,050
Retained earnings (deficit)	5,370	(52)
Total stockholders' equity	35,855	28,072
Total liabilities and stockholders' equity	\$ 164,021	\$ 147,019

See accompanying notes to condensed consolidated financial statements.



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Condensed Consolidated Statements of Operations

For the Nine Months ended June 30, 2006 and 2005

(In thousands, except per share amounts)

(Unaudited)

	2006	2005
<b>Revenues:</b>		
Sales of physical commodities	\$ 54,289	\$
Net dealer inventory and investment gains	30,607	17,801
Equity in income from asset management joint venture	275	94
Other	943	630
Total revenues	86,114	18,525
Cost of sales of physical commodities	54,651	
Operating revenues	31,463	18,525
Interest expense	1,627	787
Net revenues	29,836	17,738
<b>Non-interest expenses:</b>		
Compensation and benefits	12,336	7,980
Clearing and related expenses	5,868	4,870
Occupancy and equipment rental	490	329
Professional fees	542	462
Depreciation and amortization	305	233
Business development	773	595
Insurance	152	136
Other	760	658
Total non-interest expenses	21,226	15,263
Income before income tax expense and minority interest	8,610	2,475
Income tax expense	3,188	870
Income before minority interest	5,422	1,605
Minority interest in income of consolidated entity		37
Net income	\$ 5,422	\$ 1,568
<b>Earnings per share:</b>		
Basic	\$ 0.72	\$ 0.22
Diluted	\$ 0.66	\$ 0.20
<b>Weighted average number of common shares outstanding:</b>		
Basic	7,570	7,263

Diluted	8,263	8,028
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See accompanying notes to condensed consolidated financial statements.

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Condensed Consolidated Statements of Operations

For the Three Months ended June 30, 2006 and 2005

(In thousands, except per share amounts)

(Unaudited)

	2006	2005
Revenues:		
Sales of physical commodities	\$ 26,592	\$
Net dealer inventory and investment gains	15,415	5,941
Equity in income from asset management joint venture	59	25
Other	331	316
Total revenues	42,397	6,282
Cost of sales of physical commodities	28,286	
Operating revenues	14,111	6,282
Interest expense	621	314
Net revenues	13,490	5,968
Non-interest expenses:		
Compensation and benefits	4,901	2,586
Clearing and related expenses	2,062	1,588
Occupancy and equipment rental	147	116
Professional fees	301	238
Depreciation and amortization	109	80
Business development	363	215
Insurance	56	50
Other	309	197
Total non-interest expenses	8,248	5,070
Income before income tax expense and minority interest	5,242	898
Income tax expense	1,956	298
Income before minority interest	3,286	600
Minority interest in income of consolidated entity		24
Net income	\$ 3,286	\$ 576
Earnings per share:		
Basic	\$ 0.43	\$ 0.08
Diluted	\$ 0.39	\$ 0.07
Weighted average number of common shares outstanding:		
Basic	7,710	7,416

Diluted	8,398	8,013
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See accompanying notes to condensed consolidated financial statements.

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Condensed Consolidated Statements of Cash Flows

For the Nine Months Ended June 30, 2006 and 2005

(In thousands)

(Unaudited)

	2006	2005
Cash flows from operating activities:		
Net income	\$ 5,422	\$ 1,568
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation, amortization and loss on disposals	306	233
Deferred income taxes	228	225
Equity in income from asset management joint venture	(275)	(95)
Amortization of stock option expense for consultants	21	
Unrealized investment gain from INTL Consilium managed funds	(175)	(141)
Changes in operating assets and liabilities:		
Receivable from brokers, dealers and clearing organization	(1,596)	202
Receivable from customers	(5,453)	(2,699)
Financial instruments owned, at fair value	2,203	(25,847)
Physical commodities inventory, at cost	(9,594)	
Prepaid income taxes		107
Other assets	118	(215)
Accounts payable and accrued expenses	444	(71)
Financial instruments sold, not yet purchased, at fair value	(3,960)	35,816
Payable to brokers, dealers and clearing organization	(1,255)	(6,828)
Payable to customers	6,415	(547)
Accrued compensation and benefits	1,762	(764)
Income taxes payable	1,402	400
Other liabilities	(9)	319
Net cash provided by (used in) operating activities	(3,996)	1,663
Cash flows from investing activities:		
Distribution of earnings from asset management joint venture	296	
Payments related to acquisition of INTL Global Currencies	(1,199)	
Investment in INTL Consilium managed fund	(1,005)	
Investment withdrawals from INTL Consilium managed fund	2,000	
Purchase of fixed assets, leasehold improvements and intangible assets	(344)	(148)
Net cash used in investing activities	(252)	(148)
Cash flows from financing activities:		
Payable to lenders under loans and overdrafts	6,664	(1,173)
Exercise of stock options	1,980	660
Net cash provided by (used in) financing activities	8,644	(513)
Net increase in cash and cash equivalents	4,396	1,002
Cash and cash equivalents at beginning of period	20,242	21,084

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Cash and cash equivalents at end of period	\$ 24,638	\$ 22,086
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 1,576	\$ 787
Income taxes paid	\$ 1,569	\$ 139
Supplemental disclosure of noncash investing activities:		
Assumption of trust certificates, at cost, with related financial instruments sold, not yet purchased, at market value and receivable from customers	\$	\$ 29,740