

INTERNATIONAL ASSETS HOLDING CORP
Form 10QSB
May 10, 2006
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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 March 31, 2006

Commission File Number 000-23554

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)

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 7,578,336 outstanding shares of common stock as of May 4, 2006.

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Condensed Consolidated Balance Sheets

(Dollars in thousands, except par value)

	March 31, 2006 (unaudited)	September 30, 2005 (audited)
<u>Assets</u>		
Cash	\$ 9,439	\$ 6,615
Cash and cash equivalents deposited with brokers, dealers and clearing organization	9,009	13,627
Receivable from brokers, dealers and clearing organization	22,572	3,610
Receivable from customers	19,580	15,648
Financial instruments owned, at fair value	73,704	71,376
Physical commodities inventory, at cost	10,270	
Trust certificates, at cost	24,539	24,539
Investment in asset management joint venture	597	677
Investment in INTL Consilium managed funds, at fair value	4,371	3,270
Deferred income tax asset, net	82	82
Fixed assets and leasehold improvements at cost, net of accumulated depreciation and amortization	694	564
Intangible assets, net of accumulated amortization	175	233
Goodwill	6,073	6,054
Other assets	959	724
Total assets	\$ 182,064	\$ 147,019
<u>Liabilities and Stockholders' Equity</u>		
Liabilities:		
Accounts payable	\$ 154	\$ 190
Financial instruments sold, not yet purchased, at fair value	99,991	92,016
Payable to banks under loans and overdrafts	29,480	12,847
Payable to brokers, dealers and clearing organization	1,122	4,372
Payable to customers	14,475	3,206
Accrued compensation and benefits	2,335	2,059
Accrued expenses	670	418
Income taxes payable	967	1,153
Deferred acquisition consideration payable	1,572	2,353
Other liabilities	292	333
Total liabilities	151,058	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 7,576,336 shares at March 31, 2006 and 7,425,936 shares at September 30, 2005	76	74
Additional paid-in capital	28,846	28,050
Retained earnings (deficit)	2,084	(52)
Total stockholders' equity	31,006	28,072
Total liabilities and stockholders' equity	\$ 182,064	\$ 147,019

See accompanying notes to condensed consolidated financial statements.

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Condensed Consolidated Statements of Operations

For the Six Months ended March 31, 2006 and 2005

(In thousands, except per share amounts)

(Unaudited)

	2006	2005
Revenues:		
Sales of physical commodities	\$ 27,696	\$
Net dealer inventory and investment gains	15,192	11,860
Equity in income from asset management joint venture	216	69
Other	607	313
Total revenues	43,711	12,242
Cost of sales of physical commodities	26,365	
Operating revenues	17,346	12,242
Interest expense	1,001	473
Net revenues	16,345	11,769
Non-interest expenses:		
Compensation and benefits	7,054	5,178
Clearing and related expenses	3,548	3,135
Occupancy and equipment rental	502	360
Professional fees	285	224
Depreciation and amortization	196	153
Business development	419	380
Insurance	433	302
Other	540	460
Total non-interest expenses	12,977	10,192
Income before income tax expense and minority interest	3,368	1,577
Income tax expense	1,232	572
Income before minority interest	2,136	1,005
Minority interest in income of consolidated entity		13
Net income	\$ 2,136	\$ 992
Earnings per share:		
Basic	\$ 0.28	\$ 0.14
Diluted	\$ 0.26	\$ 0.12
Weighted average number of common shares outstanding:		
Basic	7,499	7,186

Diluted	8,184	8,037
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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 March 31, 2006 and 2005

(In thousands, except per share amounts)

(Unaudited)

	2006	2005
Revenues:		
Sales of physical commodities	\$ 15,883	\$
Net dealer inventory and investment gains	8,250	6,020
Equity in income from asset management joint venture	129	30
Other	399	107
Total revenues	24,661	6,157
Cost of sales of physical commodities	15,645	
Operating revenues	9,016	6,157
Interest expense	472	296
Net revenues	8,544	5,861
Non-interest expenses:		
Compensation and benefits	3,620	2,559
Clearing and related expenses	1,941	1,705
Occupancy and equipment rental	248	187
Professional fees	156	113
Depreciation and amortization	107	79
Business development	248	202
Insurance	219	169
Other	320	264
Total non-interest expenses	6,859	5,278
Income before income tax expense and minority interest	1,685	583
Income tax expense	595	197
Income before minority interest	1,090	386
Minority interest in income of consolidated entity		7
Net income	\$ 1,090	\$ 379
Earnings per share:		
Basic	\$ 0.14	\$ 0.05
Diluted	\$ 0.13	\$ 0.05
Weighted average number of common shares outstanding:		
Basic	7,561	7,289

Diluted	8,241	8,075
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See accompanying notes to condensed consolidated financial statements.

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Condensed Consolidated Statements of Cash Flows

For the Six Months Ended March 31, 2006 and 2005

(In thousands)

(Unaudited)

	2006	2005
Cash flows from operating activities:		
Net income	\$ 2,136	\$ 992
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation, amortization and loss on disposals	196	153
Deferred income taxes		153
Equity in income from asset management joint venture	(216)	(69)
Amortization of stock option expense for consultants	12	
Unrealized investment gain from INTL Consilium managed funds	(96)	(87)
Changes in operating assets and liabilities:		
Receivable from brokers, dealers and clearing organization	(18,962)	(4,060)
Receivable from customers	(3,735)	(1,207)
Financial instruments owned, at fair value	(2,328)	(13,226)
Physical commodities inventory, at cost	(10,270)	
Income taxes receivable		27
Other assets	(235)	(189)
Financial instruments sold, not yet purchased, at fair value	7,778	12,035
Accounts payable	(36)	(139)
Payable to brokers, dealers and clearing organization	(3,250)	(8,821)
Payable to customers	11,269	5,555
Accrued compensation and benefits	276	(922)
Accrued expenses	252	172
Income taxes payable	175	253
Other liabilities	(41)	305
Net cash used in operating activities	(17,075)	(9,075)
Cash flows from investing activities:		
Distribution of earnings from asset management joint venture	296	
Payments related to acquisition of INTL Global Currencies	(800)	
Investment in INTL Consilium managed fund	(1,005)	
Purchase of fixed assets and leasehold improvements	(268)	(98)
Net cash used in investing activities	(1,777)	(98)
Cash flows from financing activities:		
Payable to banks under loans and overdrafts	16,633	(41)
Exercise of stock options	425	639
Net cash provided by financing activities	17,058	598
Net decrease in cash and cash equivalents	(1,794)	(8,575)
Cash and cash equivalents at beginning of period	20,242	21,084

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Cash and cash equivalents at end of period	\$ 18,448	\$ 12,509
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 968	\$ 473
Income taxes paid	\$ 1,068	\$ 138
Supplemental disclosure of noncash investing activities:		
Assumption of trust certificates, at cost, net of partial releases, with related financial instruments sold, not yet purchased, at market value and receivable from customers	\$	