

INTERNATIONAL ASSETS HOLDING CORP

Form 8-K/A

September 21, 2004

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U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K/A

Amendment No. 1

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 9, 2004

INTERNATIONAL ASSETS HOLDING CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

000-23554
(Commission File Number)

59-2921318
(IRS Employer ID No.)

220 E. Central Parkway, Suite 2060, Altamonte Springs, Florida 32701

(Address of principal executive offices) (Zip Code)

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407-741-5300

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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International Assets Holding Corporation

Current Report on Form 8-K/A

Item 9.01. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

On July 23, 2004, International Assets Holding Corporation (IAHC) filed a Form 8-K to report the acquisition of the foreign exchange business (the FX Business) of Global Currencies Limited (Global). Pursuant to Items 7 (a) and 7 (b) of Form 8-K, IAHC indicated that it would file certain financial information relating to the acquisition no later than September 22, 2004. This Amendment No. 1 is filed to provide the required financial information.

(a) FINANCIAL STATEMENTS OF BUSINESSES ACQUIRED

This Form 8-K/A includes the following financial statements of Global:

Audited consolidated balance sheets of Global as of December 31, 2003 and 2002; and related consolidated profit and loss accounts and cash flow statements for the years ended December 31, 2003 and 2002. No separate statement of total recognized gains and losses has been presented as all such gains and losses have been dealt with in the profit and loss account. The consolidated financial statements of Global were prepared in accordance with generally accepted accounting standards for the United Kingdom and this presentation is also consistent with generally accepted accounting standards for the U.S. (U.S. GAAP). The audit of these financial statements was conducted in accordance with generally accepted auditing standards in the United Kingdom and in accordance with the standards of the Public Company Accounting Oversight Board (United States).

Unaudited consolidated balance sheet of Global as of March 31, 2004 and the related consolidated profit and loss account, cash flows statement for the quarter ended March 31, 2004. No separate statement of total recognized gains and losses has been presented as all such gains and losses have been dealt with in the profit and loss account. The consolidated financial statements of Global were prepared in accordance with generally accepted accounting standards in the United Kingdom and in accordance with generally accepted accounting standards in the United States.

(b) PRO FORMA FINANCIAL INFORMATION.

This Form 8-K/A includes the following pro forma financial statements relating to the acquisition of the FX Business of Global:

Pro forma combined condensed balance sheets as of September 30, 2003 and December 31, 2003; and combined condensed statements of operations for the year ended September 30, 2003 and for the three months ended December 31, 2003.

(c) Exhibits

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|------------------------|
| 23.1 | Consent of Baker Tilly |

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FINANCIAL STATEMENTS OF BUSINESSES ACQUIRED

Global Currencies Limited

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GLOBAL CURRENCIES LIMITED

We have audited the balance sheets of Global Currencies Limited (the Company) as at 31 December 2003 and 31 December 2002 and the related consolidated profit and loss accounts and cash flow statements for each of the two years in the period ended 31 December 2003. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United Kingdom and in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall annual accounts presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2003 and 31 December 2002 and the results of its operations, changes in its shareholders' equity and cash flows for each of the two years in the period ended 31 December 2003, in conformity with generally accepted accounting principles in the United Kingdom. In addition they present fairly, in all material respects, the financial position of the Company as at 31 December 2003 and 31 December 2002 and the results of its operations for each of the two years in the period ended 31 December 2003.

BAKER TILLY

Registered Auditor

Chartered Accountants

2 Bloomsbury Street

London WC1B 3ST

6 July 2004

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Global Currencies Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the years ended 31 December 2003 and 2002

| | | 2003 | 2002 |
|--|--------------|-----------------|-----------------|
| | <i>Notes</i> | US\$ | US\$ |
| TURNOVER | 1 | 1,287,944,779 | 1,050,139,314 |
| COST OF SALES | | (1,283,623,455) | (1,044,300,094) |
| Gross profit | | 4,321,324 | 5,839,220 |
| Administrative expenses | | (1,914,655) | (2,169,439) |
| OPERATING PROFIT | | 2,406,669 | 3,669,781 |
| Investment income | 2 | 165,275 | 67,191 |
| Interest payable | | (63,854) | (93,864) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 3 | 2,508,090 | 3,643,108 |
| Taxation | 6 | (909,466) | (1,187,154) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | 1,598,624 | 2,455,954 |
| Dividends | 7 | (1,227,977) | |
| RETAINED PROFIT | | 370,647 | 2,455,954 |

The operating profit for the year arises from the group's continuing operations.

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

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Global Currencies Limited

BALANCE SHEETS

31 December 2003 and 2002

| | <i>Notes</i> | Group | | Company | |
|--|--------------|-------------------|-------------------|-------------------|-------------------|
| | | 2003 | 2002 | 2003 | 2002 |
| | | US\$ | US\$ | US\$ | US\$ |
| FIXED ASSETS | | | | | |
| Intangible fixed assets | 8 | 33,000 | 32,983 | | |
| Tangible assets | 9 | 154,908 | 302,292 | | |
| Investments | 10 | 303,620 | | 3,326,343 | 2,099,243 |
| | | <u>491,528</u> | <u>335,275</u> | <u>3,326,343</u> | <u>2,099,243</u> |
| CURRENT ASSETS | | | | | |
| Stock | 11 | | 65,201 | | 65,201 |
| Debtors | 12 | 10,057,687 | 12,565,089 | 372,868 | 3,762,715 |
| Cash at bank and in hand | | 9,440,923 | 8,616,727 | 13,804,033 | 12,304,939 |
| | | <u>19,498,610</u> | <u>21,247,017</u> | <u>14,176,901</u> | <u>16,132,855</u> |
| CREDITORS: Amounts falling due within one year | 13 | (11,395,556) | (14,468,094) | (11,871,187) | (12,961,748) |
| NET CURRENT ASSETS | | <u>8,103,054</u> | <u>6,778,923</u> | <u>2,305,714</u> | <u>3,171,107</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>8,594,582</u> | <u>7,114,198</u> | <u>5,632,057</u> | <u>5,270,350</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 14 | 3,303,442 | 2,898,188 | 3,303,442 | 2,898,189 |
| Share premium | 15 | 1,146,933 | 643,012 | 1,146,933 | 643,012 |
| Capital redemption reserve | 15 | 279,919 | 279,919 | 279,919 | 279,919 |
| Profit and loss account | 15 | 3,864,288 | 3,293,079 | 901,763 | 1,449,230 |
| EQUITY SHARE-HOLDERS FUNDS | 16 | <u>8,594,582</u> | <u>7,114,198</u> | <u>5,632,057</u> | <u>5,270,350</u> |

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Global Currencies Limited

CONSOLIDATED CASH FLOW STATEMENT

For the years ended 31 December 2003 and 2002

| | | 2003 | 2002 |
|---|---------------|----------------|------------------|
| | <i>Notes</i> | US\$ | US\$ |
| | <u> </u> | <u> </u> | <u> </u> |
| Cash flow from operating activities | 17a | 2,765,925 | 5,570,958 |
| Returns on investments and servicing of finance | 17b | 101,421 | (26,672) |
| Taxation | | (1,360,078) | (837,166) |
| Capital expenditure and financial investment | 17b | (60,650) | (558,375) |
| Acquisitions and disposals | 17b | (303,620) | |
| Equity dividends paid | | (261,994) | (677,579) |
| | | <u> </u> | <u> </u> |
| CASH INFLOW BEFORE FINANCING | | 881,004 | 3,471,166 |
| Financing | 17b | (56,808) | 99,800 |
| | | <u> </u> | <u> </u> |
| INCREASE IN CASH IN THE PERIOD | | 824,196 | 3,570,966 |
| | | <u> </u> | <u> </u> |

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN FUNDS

| | 2003 | 2002 |
|--|------------------|------------------|
| | US\$ | US\$ |
| | <u> </u> | <u> </u> |
| Increase in cash in the period | 824,196 | 3,570,966 |
| | <u> </u> | <u> </u> |
| MOVEMENT IN NET FUNDS IN PERIOD | 824,196 | 3,570,966 |
| NET FUNDS AT 1 JANUARY 2003 | 8,616,727 | 5,045,761 |
| | <u> </u> | <u> </u> |
| NET FUNDS AT 31 DECEMBER 2003 | 9,440,923 | 8,616,727 |
| | <u> </u> | <u> </u> |

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Global Currencies Limited

ACCOUNTING POLICIES

For the years ended 31 December 2003 and 2002

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate those of Global Currencies Limited and all of its subsidiary undertakings for the year. They are consolidated using the acquisition method. Their results are incorporated from the date that control passes. All financial statements are made up to 31 December 2003.

No profit and loss account is presented for Global Currencies Limited as provided by Section 230(3) of the Companies Act 1985.

TANGIBLE FIXED ASSETS

Depreciation is provided on tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

| | |
|------------------------|----------------------------|
| Leasehold improvements | over the life of the lease |
| Computer equipment | 33% straight line |
| Furniture and fittings | 10% straight line |
| Office equipment | 10% straight line |

GOODWILL

Goodwill is amortised over 15 years as, in the opinion of the directors, this represents the period over which it is effective.

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

TURNOVER

Turnover represents gross value of each individual transaction whatever the currency used.

FIXED ASSET INVESTMENTS

Fixed assets investments are stated at cost less any provision for diminution in value.

STOCK

Stock is valued at the lower of cost and net realisable value.

FOREIGN CURRENCIES

The current year and comparative figures are denominated in United States dollars. The exchange rates used at 31 December 2002 and 31 December 2003 are £1 to US\$1.6091 and £1 to US\$1.7821 respectively. Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. All differences are taken to the profit and loss account.

PENSION CONTRIBUTIONS

The costs of providing pensions for employees are charged in the profit and loss account over the average working life of employees.

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Global Currencies Limited

ACCOUNTING POLICIES

For the years ended 31 December 2003 and 2002

LEASES

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are operating leases and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

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Global Currencies Limited

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2003 and 2002

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The group's turnover and profit before taxation were all derived from its principal activity. Sales were contracted in the following geographical areas:

| | 2003 | 2002 |
|--------------------------|----------------------|----------------------|
| | US\$ | US\$ |
| United Kingdom | 766,432,153 | 605,819,122 |
| United States of America | 521,512,626 | 444,320,192 |
| | <u>1,287,944,779</u> | <u>1,050,139,314</u> |

2 INVESTMENT INCOME

| | 2003 | 2002 |
|--------------------------|---------|--------|
| | US\$ | US\$ |
| Bank interest receivable | 165,275 | 67,191 |

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

| | 2003 | 2002 |
|---|---------|---------|
| | US\$ | US\$ |
| Profit on ordinary activities before taxation is stated after charging/(crediting): | | |
| Depreciation and amounts written off tangible fixed assets: | | |
| Charge for the period owned assets | 193,241 | 567,044 |
| Operating lease rentals: | | |
| Land and buildings | 148,488 | 142,590 |
| Other | 16,784 | 15,557 |
| Amortisation of goodwill | 3,000 | 10,433 |
| Auditors' remuneration: | | |
| audit | 71,879 | 70,210 |
| non audit | 31,312 | 42,181 |

4 EXCEPTIONAL ITEM

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| | 2003 | 2002 |
|-------------------------------------|-------------------|-------------------|
| | US\$ | US\$ |
| | <u> </u> | <u> </u> |
| Impairment of tangible fixed assets | | 364,620 |
| | <u> </u> | <u> </u> |

Included in administrative expenses is £Nil (2002: £364,620) which represents the impairment of the company's website messaging interface and related software which in the opinion of the directors has a net book value of US\$23,280 as at 31 December 2003 (2002: US\$50,000), and has been impaired accordingly.

5 EMPLOYEES

| | 2003 | 2002 |
|--|-------------------|-------------------|
| | No. | No. |
| | <u> </u> | <u> </u> |
| The average monthly number of persons (including directors) employed by the group during the period was: | | |
| Office and management | 31 | 29 |
| | <u> </u> | <u> </u> |

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Global Currencies Limited

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2003 and 2002

5 EMPLOYEES (*continued*)

| | 2003 | 2002 |
|--------------------------------|-------------------|-------------------|
| | US\$ | US\$ |
| | <u> </u> | <u> </u> |
| Staff costs for above persons: | | |
| Wages and salaries | 3,047,825 | 3,561,762 |
| Social security costs | 411,364 | 302,321 |
| Other pension costs | 282,577 | 50,210 |
| | <u>3,741,766</u> | <u>3,914,293</u> |

In respect of the directors of Global Currencies Limited:

| | 2003 | 2002 |
|--------------------------------------|-------------------|-------------------|
| | US\$ | US\$ |
| | <u> </u> | <u> </u> |
| Emoluments | 1,059,207 | 2,021,237 |
| Money purchase pension contributions | 282,577 | |
| | <u>1,341,784</u> | <u>2,021,237</u> |

Highest paid director:

| | | |
|--------------------------------------|----------------|----------------|
| Emoluments | 181,207 | 421,838 |
| Money purchase pension contributions | 251,696 | |
| | <u>432,903</u> | <u>421,838</u> |

| | 2003 | 2002 |
|--|-------------------|-------------------|
| | No. | No. |
| | <u> </u> | <u> </u> |
| The number of directors to whom retirement benefits are accruing under money purchase schemes was: | 5 | 4 |

6 TAXATION

| | 2003 | 2002 |
|--|-------------------|-------------------|
| | US\$ | US\$ |
| | <u> </u> | <u> </u> |

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| | | |
|--|-------------------|-------------------|
| Current tax: | | |
| UK corporation tax on profits of the period | 905,682 | 1,372,540 |
| Adjustments in respect of previous periods | 10,946 | |
| | <u> </u> | <u> </u> |
| Total current tax | 916,628 | 1,372,540 |
| | <u> </u> | <u> </u> |
| Deferred taxation: | | |
| Origination and reversal of timing differences | (7,162) | (185,386) |
| | <u> </u> | <u> </u> |
| Total deferred tax | (7,162) | (185,386) |
| | <u> </u> | <u> </u> |
| Tax on profit on ordinary activities | 909,466 | 1,187,154 |
| | <u> </u> | <u> </u> |

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Global Currencies Limited

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2003 and 2002

6 TAXATION (continued)

| | 2003 | 2002 |
|---|-----------|-----------|
| | US\$ | US\$ |
| Factors affecting tax charge for period: | | |
| The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below: | | |
| Profit on ordinary activities before tax | 2,508,090 | 3,643,108 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2002: 30%) | 752,427 | 1,092,933 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 131,664 | 93,722 |
| Depreciation in excess of capital allowances | 21,591 | 61,297 |
| Higher rates on overseas earnings | | 124,588 |
| Adjustment to tax charge in respect of previous periods | 10,946 | |
| Tax charge for period | 916,628 | 1,372,540 |

7 DIVIDENDS

| | 2003 | 2002 |
|--------------------------------|-----------|------|
| | US\$ | US\$ |
| Interim (US\$0.7266 per share) | 1,227,977 | |

8 INTANGIBLE FIXED ASSETS

| | 2003 |
|-------------------------------------|--------|
| | US\$ |
| GROUP | |
| Cost | |
| 1 January 2003 | 46,237 |
| Difference on exchange | 17 |
| 31 December 2003 | 46,254 |
| Amounts written off | |
| 1 January 2003 and 31 December 2003 | 13,254 |

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| | |
|------------------|--------|
| Net book value | |
| 31 December 2003 | 33,000 |
| 31 December 2002 | 32,983 |

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Global Currencies Limited

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2003 and 2002

9 TANGIBLE FIXED ASSETS

| | Leasehold improvements | Computer equipment | Furniture and fittings | Office equipment | Total |
|---------------------|---------------------------|-----------------------|---------------------------|---------------------|-----------|
| | US\$ | US\$ | US\$ | US\$ | US\$ |
| GROUP | | | | | |
| Cost | | | | | |
| 1 January 2003 | 6,467 | 837,368 | 9,133 | 93,664 | 946,632 |
| Additions | | 60,650 | | | 60,650 |
| Exchange difference | 3 | | 5 | 1,952 | 1,960 |
| 31 December 2003 | 6,470 | 898,018 | 9,138 | 95,616 | 1,009,242 |
| Depreciation | | | | | |
| 1 January 2003 | 137 | 617,120 | 1,550 | 25,533 | 644,340 |
| Charge in year | 331 | 189,789 | 2,151 | 17,723 | 209,994 |
| 31 December 2003 | 468 | 806,909 | 3,701 | 43,256 | 854,334 |
| Net book value | | | | | |
| 31 December 2003 | 6,002 | 91,109 | 5,437 | 52,360 | 154,908 |
| 31 December 2002 | 6,330 | 220,248 | 7,583 | 68,131 | 302,292 |

10 FIXED ASSET INVESTMENTS

| | 2003 | 2002 |
|-------------------------|---------|------|
| | US\$ | US\$ |
| GROUP | | |
| Cost | | |
| Subsidiary undertakings | 303,620 | |

The group holds more than 20% of the equity of the following companies:

| Name of company | Proportion of ordinary shares held | | Nature of business |
|-----------------|---------------------------------------|------------|--------------------|
| | Directly | Indirectly | |
| | | | |

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| | | | |
|--|------|-------|-----------------------------|
| Sun Money Express (incorporated in Spain) | 0.1% | 99.9% | Foreign currency remittance |
|--|------|-------|-----------------------------|

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Global Currencies Limited

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2003 and 2002

The aggregate amount of capital and reserves and the result of the undertaking for the last relevant financial year were as follows:

| | Capital and reserves | Profit for the year |
|-------------------------|---------------------------------|--------------------------------|
| | US\$ | US\$ |
| | <u> </u> | <u> </u> |
| Sun Money Express | 431,000 | 55,000 |
| COMPANY Cost | | |
| Subsidiary undertakings | 3,326,343 | 2,099,243 |
| | <u> </u> | <u> </u> |

10 FIXED ASSET INVESTMENTS (continued)

The company holds more than 20% of the equity of the following companies:

| <u>Name of company</u> | Proportion of ordinary shares held | | <u>Nature of business</u> |
|--|---|--------------------------|---|
| | <u>Directly</u> | <u>Indirectly</u> | |
| Global Currencies (Europe) Limited | 100% | | Conversion of foreign debt and currency trading |
| Global Currencies (North America) Ltd | | 100% | Foreign currency trading |
| Global Remittance Limited (incorporated in England and Wales) | 100% | | Dormant |
| Global Remittance Limited (incorporated in Delaware, USA) | | 49% | Foreign currency remittance |
| Societe Africaine de Cash Management (incorporated in Senegal) | | 45% | Cash distribution |

The aggregate amount of capital and reserves and the result of the undertaking for the last relevant financial year were as follows:

| Capital and reserves | Profit for the year |
|---------------------------------|--------------------------------|
| 2003 | 2002 |
| US\$ | US\$ |
| <u> </u> | <u> </u> |

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| | | |
|---|-----------------------------|-----------------------------|
| Global Currencies (Europe) Limited | 4,389,232 | 838,505 |
| Global Currencies (North America) Limited | 2,670,990 | 73,613 |
| Global Remittance Limited | 100 | Nil |
| Global Remittance Limited | 206,996 | 5,996 |
| Societe Africaine de Cash Management | (82,945) | (98,832) |
| | <u> </u> | <u> </u> |

11 STOCKS

| | Group | | Company | |
|------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2003 | 2002 | 2003 | 2002 |
| | US\$ | US\$ | US\$ | US\$ |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Bonds for resale | | 65,201 | | 65,201 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Stock at 31 December 2002 consisted of Mexican par bonds held for resale after the year end.

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Global Currencies Limited

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2003 and 2002

12 DEBTORS

| | Group | | Company | |
|--|-------------------|-------------------|----------------|------------------|
| | 2003 | 2002 | 2003 | 2002 |
| | US\$ | US\$ | US\$ | US\$ |
| Due within one year: | | | | |
| Trade debtors | 9,112,491 | 12,199,234 | | |
| Amounts due from subsidiary undertakings | | | 357,903 | 3,735,569 |
| Other debtors | 820,243 | 313,789 | 14,965 | 27,146 |
| Prepayments and accrued income | 124,953 | 52,066 | | |
| | <u>10,057,687</u> | <u>12,565,089</u> | <u>372,868</u> | <u>3,762,715</u> |

Included in other debtors is a deferred tax asset of US\$ 192,548 (2002: US\$ 185,386) based on the tax effect of the following timing differences:

| | 2003 | 2002 |
|--------------------------|----------------|----------------|
| | US\$ | US\$ |
| Accelerated depreciation | <u>192,548</u> | <u>185,386</u> |

13 CREDITORS: Amounts falling due within one year

| | Group | | Company | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2003 | 2002 | 2003 | 2002 |
| | US\$ | US\$ | US\$ | US\$ |
| Trade creditors | 3,174,538 | 5,895,970 | 91,169 | 1,621,756 |
| Amounts due to subsidiary undertaking | | | 6,025,335 | 4,440,404 |
| Corporation tax | 409,454 | 860,066 | 292,307 | 382,197 |
| Other taxation and social security costs | 132,806 | 23,099 | | |
| Other creditors | 7,119,906 | 6,060,851 | 5,462,376 | 6,037,723 |
| Dividends payable | | | | |
| Accruals and deferred income | 558,852 | 1,628,108 | | 479,668 |
| | <u>11,395,556</u> | <u>14,468,094</u> | <u>11,871,187</u> | <u>12,961,748</u> |

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Global Currencies Limited

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2003 and 2002

14 SHARE CAPITAL

| | 2003 | 2002 |
|---|-------------------|-------------------|
| | US\$ | US\$ |
| | <u> </u> | <u> </u> |
| Authorised: | | |
| 1,912,511 Ordinary shares of £1 each | | 3,077,421 |
| 5,000,000 Ordinary shares of US\$1 each | 5,000,000 | |
| | <u> </u> | <u> </u> |
| Allotted, issued and fully paid: | | |
| 1,739,334 Ordinary shares of £1 each | | 2,798,762 |
| 61,790 Ordinary B shares of £1 each | | 99,426 |
| 3,303,442 Ordinary A shares of US\$1 each | 3,303,442 | |
| | <u> </u> | <u> </u> |
| | 3,303,442 | 2,898,188 |
| | <u> </u> | <u> </u> |

On 6 December 2002 the authorised share capital was increased to £2,500,000 and authorised share capital of \$5,000,000 was created.

The following shares were allotted and purchased during the year:-

| <u>Date allotted/repurchased</u> | <u>Type</u> | <u>Number of shares issued/ (purchased)</u> | <u>Nominal value on issue/ (purchase) US\$</u> | <u>Premium on issue/ (purchase) US\$</u> |
|----------------------------------|----------------|---|--|--|
| 30 April 2003 | Ordinary £1 | (110,131) | (177,212) | (225,428) |
| 1 May 2003 | Ordinary £1 | 264,464 | 425,549 | 540,434 |
| 31 July 2003 | Ordinary £1 | (106,610) | (171,546) | (249,342) |
| 6 October 2003 | Ordinary US\$1 | 198,187 | 198,187 | 248,909 |
| 31 December 2003 | Ordinary US\$1 | 130,274 | 130,274 | 189,348 |

On 1 January 2003 the company repurchased and subsequently cancelled its entire issued Ordinary and Ordinary B shares of £1 each and issued 2,974,981 Ordinary US\$ shares of \$1 each. No consideration was paid or received. The Ordinary B £1 shares were converted at a rate of £1 to US\$1.6091.

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Global Currencies Limited

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2003 and 2002

15 RESERVES

| | | Group and company | |
|----|--|--------------------------|------------------|
| | | 2003 | 2002 |
| | | US\$ | US\$ |
| a) | Share premium | | |
| | At 1 January 2003 | 643,012 | 392,936 |
| | Premium on issue of shares | 978,691 | 250,076 |
| | Premium on purchase of own shares | (474,770) | |
| | At 31 December 2003 | <u>1,146,933</u> | <u>643,012</u> |
| | | Group | Company |
| | | 2003 | 2002 |
| | | US\$ | US\$ |
| b) | Profit and loss | | |
| | At 1 January 2003 | 3,293,079 | 1,573,131 |
| | Profit for the period | 1,598,624 | 2,455,955 |
| | Dividend | (1,227,977) | (1,227,977) |
| | Foreign exchange difference on consolidation | 200,562 | (263,364) |
| | Purchase of own shares | | (472,643) |
| | At 31 December 2003 | <u>3,864,288</u> | <u>3,293,079</u> |
| | | Group and company | |
| | | 2003 | 2002 |
| | | US\$ | US\$ |
| c) | Capital redemption reserve | | |
| | At 1 January 2003 | 279,919 | |
| | Purchase of own shares | | 279,919 |
| | At 31 December 2003 | <u>279,919</u> | <u>279,919</u> |

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Global Currencies Limited

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2003 and 2002

16 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

| | Group | | Company | |
|--|-------------|-----------|-------------|-----------|
| | 2003 | 2002 | 2003 | 2002 |
| | US\$ | US\$ | US\$ | US\$ |
| Profit for the financial period | 1,598,624 | 2,455,955 | 680,510 | 1,261,994 |
| Dividend | (1,227,977) | | (1,227,977) | |
| Share premium on purchase of own shares | (474,770) | | | |
| Issue of ordinary share capital | 754,012 | 322,366 | 754,037 | 322,365 |
| Share premium on issue | 978,691 | 250,076 | 503,895 | 250,077 |
| Purchase of own shares | (348,758) | (472,643) | (348,758) | (472,643) |
| Foreign exchange difference on consolidation | 200,562 | (263,454) | | |
| Net addition to shareholders funds | 1,480,384 | 2,292,300 | 361,707 | 1,361,793 |
| Opening shareholders funds | 7,114,198 | 4,821,898 | 5,270,350 | 3,908,557 |
| Closing shareholders funds | 8,594,582 | 7,114,198 | 5,632,057 | 5,270,350 |

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Global Currencies Limited

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2003 and 2002

17 CASH FLOWS

| | 2003 | 2002 |
|---|-------------------|-------------------|
| | US\$ | US\$ |
| | <u> </u> | <u> </u> |
| a Reconciliation of operating profit to net cash inflow from operating activities | | |
| Operating profit | 2,406,669 | 3,669,781 |
| Depreciation | 209,994 | 576,044 |
| Amortisation | | 10,435 |
| Decrease in stocks | 65,201 | 37,564 |
| Decrease/(increase) in debtors | 2,507,402 | (1,319,871) |
| (Decrease)/increase in creditors | (2,621,974) | 2,861,522 |
| Net effect of foreign exchange differences | 198,633 | (264,517) |
| | <u> </u> | <u> </u> |
| Net cash flow from operating activities | 2,765,925 | 5,570,958 |
| | <u> </u> | <u> </u> |
| | 2003 | 2002 |
| | US\$ | US\$ |
| | <u> </u> | <u> </u> |
| b Analysis of cash flows for headings netted in the cash flow | | |
| Returns on investments and servicing of finance | | |
| Interest received | 165,275 | 67,192 |
| Interest paid | (63,854) | (93,864) |
| | <u> </u> | <u> </u> |
| Net cash (outflow)/inflow from returns on investments and servicing of finance | 101,421 | (26,672) |
| | <u> </u> | <u> </u> |
| Capital expenditure and financial investment | | |
| Purchase of intangible fixed assets | | (6,933) |
| Purchase of tangible fixed assets | (60,650) | (551,442) |
| | <u> </u> | <u> </u> |
| Net cash outflow from capital expenditure and financial investment | (60,650) | (558,375) |
| | <u> </u> | <u> </u> |
| Acquisitions and disposals | | |
| Purchase of subsidiary undertaking | (303,620) | |
| | <u> </u> | <u> </u> |
| Net cash outflow from acquisitions and disposals | (303,620) | |
| | <u> </u> | <u> </u> |
| Financing | | |
| Issue of ordinary share capital | 766,720 | 292,524 |
| Purchase of own shares | (823,528) | (192,724) |
| | <u> </u> | <u> </u> |

| | | |
|---|-----------------|---------------|
| Net cash (outflow)/inflow from financing | (56,808) | 99,800 |
|---|-----------------|---------------|

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Global Currencies Limited

NOTES TO THE FINANCIAL STATEMENTS

For the years ended 31 December 2003 and 2002

| | At 1 | | At 31 |
|--------------------------------|-------------------|-------------------|-------------------|
| | January | | December |
| | 2003 | Cash flow | 2003 |
| | US\$ | US\$ | US\$ |
| | <u> </u> | <u> </u> | <u> </u> |
| c Analysis of net funds | | | |
| Cash at bank and in hand | 8,616,727 | 824,196 | 9,440,923 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total | 8,616,727 | 824,196 | 9,440,923 |
| | <u> </u> | <u> </u> | <u> </u> |

18 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2003 the group had annual commitments under non-cancellable operating leases as follows:

| | 2003 | 2002 |
|--------------------------------|-------------------|-------------------|
| | US\$ | US\$ |
| | <u> </u> | <u> </u> |
| Land and buildings | | |
| expiring between 2 and 5 years | 153,680 | 203,680 |
| Other | | |
| expiring between 2 and 5 years | 39,477 | 9,869 |
| | <u> </u> | <u> </u> |
| | 193,157 | 213,549 |
| | <u> </u> | <u> </u> |

19 ULTIMATE CONTROLLING PARTY

There is not considered to be any ultimate controlling party.

20 RELATED PARTY TRANSACTIONS

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The company has taken advantage of the exemption conferred in FRS8 from disclosing related party transactions with group companies as it is a parent company that has 100% control over two subsidiary companies.

21 RECONCILIATION OF UK GAAP AND US GAAP PROFITS AND NET ASSETS

There are no material differences between UK GAAP and US GAAP reported profits and net assets.

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Global Currencies Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)

For the quarter ended 31 March 2004

| | <u>US\$</u> |
|--|----------------|
| TURNOVER | 366,538,771 |
| COST OF SALES | (365,827,522) |
| Gross profit | 711,249 |
| Administrative expenses | (332,535) |
| OPERATING PROFIT | 378,714 |
| Investment income | 2,098 |
| Interest payable | (77,766) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 303,046 |
| Taxation | (91,718) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | 211,328 |
| Dividends | 0 |
| RETAINED PROFIT | 211,328 |

The operating profit for the quarter arises from the group's continuing operations.

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

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Global Currencies Limited

BALANCE SHEET (UNAUDITED)

31 March 2004

| | 2004 |
|--|-------------------|
| | US\$ |
| FIXED ASSETS | |
| Intangible fixed assets | 32,250 |
| Tangible assets | 418,750 |
| Investments | |
| | <u>451,000</u> |
| CURRENT ASSETS | |
| Stock | |
| Debtors | 13,742,647 |
| Cash at bank and in hand | 4,709,869 |
| | <u>18,452,516</u> |
| CREDITORS: Amounts falling due within one year | (10,029,293) |
| NET CURRENT ASSETS | <u>8,423,223</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | <u>8,874,223</u> |
| CAPITAL AND RESERVES | |
| Called up share capital | 3,330,032 |
| Share premium | 1,188,656 |
| Capital redemption reserve | 279,919 |
| Profit and loss account | 4,075,616 |
| | <u>8,874,223</u> |
| EQUITY SHARE-HOLDERS FUNDS | <u>8,874,223</u> |

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Global Currencies Limited

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the quarter ended 31 March 2004

| | 2004 |
|---|-------------------|
| | US\$ |
| | <u> </u> |
| Cash flow from operating activities | (4,383,977) |
| Returns on investments and servicing of finance | (75,668) |
| Taxation | (331,153) |
| Capital expenditure and financial investment | (8,569) |
| Acquisitions and disposals | 0 |
| Equity dividends paid | 0 |
| | <u> </u> |
| CASH INFLOW BEFORE FINANCING | |
| Financing new shares | 68,313 |
| | <u> </u> |
| DECREASE IN CASH IN THE PERIOD | 4,731,054 |
| | <u> </u> |

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN FUNDS

| | US\$ |
|--|--------------------|
| | <u> </u> |
| Decrease in cash in the period | 4,731,054 |
| | <u> </u> |
| MOVEMENT IN NET FUNDS IN PERIOD | (4,731,054) |
| NET FUNDS AT 1 JANUARY 2004 | 9,440,923 |
| | <u> </u> |
| NET FUNDS AT 31 MARCH 2004 | 4,709,869 |
| | <u> </u> |

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Global Currencies Limited

ACCOUNTING POLICIES (UNAUDITED)

For the quarter ended 31 March 2004

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate those of Global Currencies Limited and all of its subsidiary undertakings for the year. They are consolidated using the acquisition method. Their results are incorporated from the date that control passes. All financial statements are made up to 31 March 2004.

No profit and loss account is presented for Global Currencies Limited as provided by Section 230(3) of the Companies Act 1985.

TANGIBLE FIXED ASSETS

Depreciation is provided on tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

| | |
|------------------------|----------------------------|
| Leasehold improvements | over the life of the lease |
| Computer equipment | 33% straight line |
| Furniture and fittings | 10% straight line |
| Office equipment | 10% straight line |

GOODWILL

Goodwill is amortised over 15 years as, in the opinion of the directors, this represents the period over which it is effective.

DEFERRED TAXATION

Deferred tax is recognized in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

TURNOVER

Turnover represents gross value of each individual transaction whatever the currency used.

FIXED ASSET INVESTMENTS

Fixed assets investments are stated at cost less any provision for diminution in value.

STOCK

Stock is valued at the lower of cost and net realisable value.

FOREIGN CURRENCIES

The current year and comparative figures are denominated in United States dollars. The exchange rates used at 31 March 2004 are £1 to US \$1.84. Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. All differences are taken to the profit and loss account.

PENSION CONTRIBUTIONS

The costs of providing pensions for employees are charged in the profit and loss account over the average working life of employees.

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Global Currencies Limited

ACCOUNTING POLICIES (UNAUDITED)

For the quarter ended 31 March 2004

LEASES

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalized is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are operating leases and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

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(B) PRO FORMA FINANCIAL INFORMATION

INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS

Basis for Pro Forma Financial Statements:

The following unaudited pro forma condensed consolidated financial statements are presented for illustrative purposes only and are not necessarily indicative of the combined financial position or results of operations for future periods or the results of operations or financial position that actually would have been realized had IAHC and the foreign exchange business of Global been a combined company during the specified periods. The unaudited pro forma combined condensed financial statements, including the related notes, are qualified in their entirety by reference to, and should be read in conjunction with, the historical consolidated financial statements and related notes thereto of IAHC, included in IAHC's Annual Report on Form 10-KSB filed December 29, 2003, for the fiscal year ended September 30, 2003, as well as the historical consolidated financial statements and related notes thereto of Global included in Item 9.01(a) of this filing. The following unaudited pro forma combined condensed financial statements give effect to IAHC's acquisition of the foreign exchange business of Global using the purchase method of accounting. The pro forma combined condensed financial statements are based on the respective historical audited and unaudited financial statements and related notes of IAHC and the foreign exchange business of Global.

The pro forma adjustments are preliminary and are based upon available information and certain assumptions that management believes are reasonable. The pro forma financial data do not necessarily reflect the results of operations or the financial position of IAHC that would have resulted had the acquisition been consummated as of the date or for the period indicated, and the pro forma financial data exclude the effects of certain purchase adjustments related to the acquisition that will be reflected in financial statements prepared in accordance with generally accepted accounting principles. The pro forma adjustments are based on management's preliminary assumptions regarding purchase accounting. The actual adjustments may differ materially from those presented in these pro forma financial statements. A change in the pro forma adjustments would result in a reallocation of the purchase price affecting the value assigned to the long-term tangible and intangible assets or, in some circumstances, resulting in a charge to the statement of operations. The effect of these changes on the statement of operations will depend on the nature and amounts of the assets and liabilities adjusted. See notes to the pro forma combined condensed financial statements.

The unaudited pro forma combined condensed balance sheet as of September 30, 2003 (labeled "Fiscal Year End") assumes that the acquisition of the foreign exchange business of Global took place on September 30, 2003. It combines IAHC's consolidated balance sheet as of September 30, 2003 with Global's balance sheet as of December 31, 2003, as adjusted to reflect the elimination of assets and liabilities of Global not acquired by IAHC and the consummation of the acquisition of the foreign exchange business of Global. In order to finance the acquisition of the foreign exchange business of Global, IAHC utilized the proceeds received by IAHC from its

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issuance of \$12,000,000 of subordinated convertible notes in March 2004. The pro forma balance sheet as of September 30, 2003 assumes the issuance of these notes as of September 30, 2003.

The unaudited pro forma combined condensed balance sheet as of December 31, 2003 assumes that the acquisition of the foreign exchange business of Global took place on December 31, 2003. It combines IAHC's consolidated balance sheet as of December 31, 2003 with Global's balance sheet as of March 31, 2004, as adjusted to reflect the elimination of the assets and liabilities of Global not acquired by IAHC and the consummation of the acquisition of the foreign exchange business of Global. In order to finance the acquisition of the foreign exchange business of Global, IAHC utilized the proceeds received by IAHC from its issuance of \$12,000,000 of subordinated convertible notes in March 2004. The pro forma balance sheet as of December 31, 2003 assumes the issuance of these notes as of December 31, 2003.

The unaudited pro forma combined condensed statements of operations assumes the acquisition took place on October 1, 2002 (the first day of IAHC's fiscal year), and combines IAHC's condensed consolidated statement of operations for the year ended September 30, 2003 and the three months ended December 31, 2003 with Global's statement of operations for the year ended December 31, 2003 and the three months ended March 31, 2004, respectively, as adjusted to reflect the elimination of the portion of Global's business not acquired by IAHC and the consummation of the acquisition as of October 1, 2003.

Description of Acquisition of the Foreign Exchange Business of Global:

On July 9, 2004, IAHC completed the acquisition of the foreign exchange business (the "FX Business") of Global Currencies Limited ("Global"), pursuant to the terms of the Acquisition Agreement dated as of June 25, 2004 by and among IAHC, Global, and the shareholders of Global Currencies (Holdings) Limited. The acquisition was structured as follows:

On or about June 23, 2004, Global formed two new U.K. companies—Global Currencies (Holdings) Limited ("GCH") and Global Currencies (FX) Limited ("GCFX"). GCH was formed as a wholly-owned, direct subsidiary of Global, and GCFX was formed as a wholly-owned, direct subsidiary of GCH. On or about June 23, 2004, Global contributed certain assets related to the FX Business to GCFX, including all pending contracts related to the FX Business. Global thereafter operated the FX Business through GCFX. On or about June 23, 2004, Global distributed all of the shares of GCH to its existing shareholders (the "Sellers").

On July 9, 2004, IAHC purchased all of the shares of GCH from the Sellers. At the closing, IAHC paid the Sellers \$1.0 million in cash and issued them 150,000 shares of IAHC's common stock. These shares had a value of approximately \$1,472,000 (based on IAHC's closing share price of \$9.81 per share on July 9, 2004). At the closing, IAHC also paid the Sellers approximately \$3.5 million, which amount represented the net amount of cash and liquid assets held by GCH and GCFX as of July 8, 2004.

IAHC is obligated to make certain earn-out payments to the Sellers. In particular, IAHC is obligated to pay the Sellers an amount equal to 20% of the gross foreign exchange trading

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profits generated by IAHC during the 30 months ending on December 31, 2006 (up to a maximum of \$4.0 million). Additionally, IAHC is obligated to pay the Sellers 10% of the gross foreign exchange trading profits in excess of \$10.0 million per year for the 12 months ended June 30, 2005 and June 30, 2006, and 10% of such profits in excess of \$5.0 million for the 6 months ended December 31, 2006.

IAHC funded the acquisition from its existing working capital. The incremental working capital was previously generated from the issuance by IAHC of \$12,000,000 of convertible subordinated notes in March 2004.

On July 13, 2004 Global Currencies (Holdings) Limited (GCH) changed its name to INTL Holdings (U.K.) Limited (IHL) and Global Currencies (FX) Limited (GCFX) changed its name to INTL Global Currencies Limited (IGC).

Additional Information:

The foreign exchange business of Global acquired by IAHC represented substantially all of Global's assets, turnover, cost of sales, gross profits and income before taxes.

The pro forma balance sheets reflect that the assets of Global related to its foreign exchange business represented 87% and 82% of Global's total assets as of December 31, 2003 and March 31, 2004, respectively.

The pro forma statement of operations reflects that turnover, cost of sales and gross profit of the foreign exchange business of Global represented 92%, 92% and 78% of Global's total turnover, cost of sales and gross profit for the year ended December 31, 2003 and 98%, 98% and 81% of such items for the quarter ended March 31, 2004.

The pro forma statement of operations reflects that income before taxes related to the foreign exchange business of Global represented 85% and 91% of Global's total income before taxes for the year ended December 31, 2003 and the quarter ended March 31, 2004, respectively.

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| <u>Unaudited Pro Forma Combined Condensed Statements of Operations for the Fiscal Year ended September 30, 2003</u> | PF-2 |
| <u>Unaudited Pro Forma Combined Condensed Balance Sheets for the First Fiscal Quarter ended December 31, 2003</u> | PF-3 |
| <u>Unaudited Pro Forma Combined Condensed Statements of Operations for the First Fiscal Quarter ended December 31, 2003</u> | PF-4 |
| <u>Schedule of adjustments for Unaudited Pro Forma Combined Condensed Balance Sheets for the Fiscal Year ended Sep 30, 2003</u> | PF-5 |
| <u>Schedule of adjustments for Unaudited Pro Forma Combined Condensed Balance Sheets for the Quarter ended Dec. 31, 2003</u> | PF-6 |
| <u>Notes to Unaudited Pro Forma Combined Condensed Financial Statements</u> | PF-7 |

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INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Unaudited Pro Forma Combined Condensed Balance Sheets

(Fiscal Year End)

| | HISTORICAL | | PRO FORMA | |
|---|---|--|------------------------|--|
| | Fiscal Year Ended September 30, 2003 | Fiscal Year Ended December 31, 2003 | Fiscal Year End | Fiscal Year Ended September 30, 2003 |
| | IAHC | Global | Adjustments | Combined |
| Cash | \$ 1,755,072 | \$ 9,440,923 | \$ 132,671(1)(2)(3)(4) | \$ 11,328,666 |
| Cash and cash equivalents deposited with brokers, dealers and clearing organization | 5,311,500 | | 0 | 5,311,500 |
| Receivables from brokers, dealers and clearing organization, net | 2,356,431 | | 0 | 2,356,431 |
| Other receivables | 427,510 | 751,833 | (545,831)(1) | 633,512 |
| Trade receivables | | 9,112,491 | (538,549)(1) | 8,573,942 |
| Securities owned, at market value | 6,144,899 | 303,620 | (303,620)(1) | 6,144,899 |
| Deferred income tax asset, net | 329,457 | 193,363 | 405,843(2) | 928,663 |
| Property and equipment, at cost | 295,680 | 187,908 | (30,054)(1) | 453,534 |
| Software development, net of accumulated amortization | 55,544 | | 0 | 55,544 |
| Deposit with clearing organization | 500,000 | | 0 | 500,000 |
| Debt Issuance Costs | | | 1,716,392(2) | 1,716,392 |
| Goodwill | | | 2,491,523(3) | 2,491,523 |
| Prepaid expenses and other assets | 159,510 | | 0 | 159,510 |
| Total assets | \$ 17,335,603 | \$ 19,990,138 | \$ 3,328,375 | \$ 40,654,116 |
| Liabilities and Stockholders Equity | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 130,156 | | \$ | \$ 130,156 |
| Trade payables | | 3,174,538 | (91,169)(1) | 3,083,369 |
| Other creditors | | 7,190,109 | (950,653)(1) | 6,239,456 |
| Foreign currency sold, not yet purchased | 308,031 | | 0 | 308,031 |
| Securities sold, not yet purchased, at market value | 6,195,149 | | 0 | 6,195,149 |
| Payable to brokers, dealers and clearing organization, net | | | 0 | |
| Accrued compensation and benefits | 1,177,848 | 132,806 | 0 | 1,310,654 |
| Income Tax payable | | 409,454 | (302,307)(1) | 107,147 |
| Accrued expenses | 182,452 | 488,649 | (488,649)(1) | 182,452 |
| Other liabilities | 43,639 | | 0 | 43,639 |
| Convertible subordinated notes payable | | | 12,000,000(2) | 12,000,000 |
| Total liabilities | 8,037,275 | 11,395,556 | 10,167,222 | 29,600,053 |

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| | | | | |
|--|-------------------|-------------------|----------------------|-------------------|
| Stockholders' equity: | | | | |
| Preferred stock | | | | |
| Common stock | 47,024 | 3,303,442 | (3,301,942)(1)(3)(4) | 48,524 |
| Additional paid-in capital | 11,783,124 | 1,426,852 | 936,148(1)(2)(3)(4) | 14,146,124 |
| Retained deficit | (2,531,820) | 3,864,288 | (4,473,053)(1)(2)(4) | (3,140,585) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total stockholders' equity | 9,298,328 | 8,594,582 | (6,838,847) | 11,054,063 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities and stockholders' equity | \$ 17,335,603 | \$ 19,990,138 | \$ 3,328,375 | \$ 40,654,116 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

See accompanying notes to unaudited pro forma combined condensed financial statements.

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INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Unaudited Pro Forma Combined Condensed Statements of Operations

| | HISTORICAL | | PRO FORMA | |
|---|-----------------------------|----------------------------|---------------------|-----------------------------|
| | Fiscal | Fiscal | | Fiscal |
| | Year ended September 30, | Year ended December 31, | | Year ended September 30, |
| | 2003 | 2003 | | 2003 |
| | IAHC | Global | Adjustments | Combined |
| Revenues: | | | | |
| Net dealer inventory and investment gains | \$ 9,537,067 | \$ 9,413,188(6) | \$ (3,712,852)(1) | \$ 15,237,403 |
| Commissions, net | 1,124,513 | | | 1,124,513 |
| Interest income | 52,875 | 165,275(6) | (34,275)(1) | 183,875 |
| Dividend income (expense), net | (22,115) | | | (22,115) |
| Other revenues | 106,097 | | | 106,097 |
| Total revenues | 10,798,437 | 9,578,463 | (3,747,127) | 16,629,773 |
| Interest expense | 43,682 | 369,376(6) | 730,347(1)(2) | 1,143,405 |
| Net revenues | 10,754,755 | 9,209,087 | (4,477,474) | 15,486,368 |
| Expenses: | | | | |
| Compensation and benefits | \$ 4,321,490 | \$ 4,023,866(6) | \$ (2,246,171)(1) | \$ 6,099,185 |
| Clearing and related expenses | 2,405,011 | 169,536(6) | | 2,574,547 |
| Wholesale commissions | 438,068 | 283,728(6) | (121,058)(1) | 600,738 |
| Occupancy and equipment rental | 438,111 | 198,706(6) | (62,358)(1) | 574,459 |
| Professional fees | 437,997 | 335,374(6) | (191,732)(1) | 581,639 |
| Depreciation and amortization | 362,341 | 209,994(6) | (3,063)(1) | 569,272 |
| Business development | 263,033 | 338,772(6) | (52,349)(1) | 549,456 |
| Insurance | 232,571 | 37,617(6) | (3,762)(1) | 266,426 |
| Bank charges | 4,451 | 343,808(6) | (69,055)(1) | 279,204 |
| Other expenses | 375,988 | 759,596(6) | (334,090)(1) | 801,494 |
| Total expenses | 9,279,061 | 6,700,997 | (3,083,638) | 12,896,420 |
| Income before income taxes | 1,475,694 | 2,508,090 | (1,393,836) | 2,589,948 |
| Income tax expense | 211,309 | 909,466(6) | (543,356)(1)(2) | 577,419 |
| Net income | \$ 1,264,385 | \$ 1,598,624 | \$ (850,480) | \$ 2,012,529 |
| Earnings per share: | | | | |
| Basic | \$ 0.34 | | | \$ 0.52 |
| Diluted | \$ 0.33 | | | \$ 0.50 |

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| Weighted average number of common shares outstanding: | | | |
|---|------------------|---------------|------------------|
| Basic | <u>3,688,892</u> | 150,000(2)(5) | <u>3,838,892</u> |
| Diluted | <u>3,862,761</u> | 150,000(2)(5) | <u>4,012,761</u> |

See accompanying notes to unaudited pro forma combined condensed financial statements.

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INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Unaudited Pro Forma Combined Condensed Balance Sheets**(First Fiscal Quarter)**

| | HISTORICAL | | PRO FORMA | |
|--|---|--|--------------------------|---|
| | First fiscal Quarter December 31, 2003 | First fiscal Quarter March 31, 2004 | | First fiscal Quarter December 31, 2003 |
| | IAHC | Global | Adjustments | Combined |
| Cash | \$ 1,381,024 | \$ 4,709,869 | \$ 1,017,565(1)(2)(3)(4) | \$ 7,108,458 |
| Cash and cash equivalents deposited with brokers, dealers and clearing organization | 8,403,954 | | 0 | 8,403,954 |
| Receivables from brokers, dealers and clearing organization, net | | | 0 | |
| Other receivables | 41,641 | 656,433 | (490,683)(1) | 207,391 |
| Trade receivables | | 12,893,666 | (2,049,546)(1) | 10,844,120 |
| Securities owned, at market value | 15,767,021 | 303,620 | (303,620)(1) | 15,767,021 |
| Deferred income tax asset, net | 71,698 | 192,548 | 507,304 | 771,550 |
| Property and equipment, at cost | 271,453 | 147,380 | (104,380)(1) | 314,453 |
| Software development, net of accumulated amortization | 0 | | 0 | |
| Deposit with clearing organization | 500,000 | | 0 | 500,000 |
| Debt Issuance Costs | | | 1,672,740(2) | 1,672,740 |
| Goodwill | | | 2,491,523(3) | 2,491,523 |
| Prepaid expenses and other assets | 315,741 | | 0 | 315,741 |
| Total assets | \$ 26,752,532 | \$ 18,903,516 | \$ 2,740,903 | \$ 48,396,951 |
| Liabilities and Stockholders Equity | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 87,014 | | \$ | \$ 87,014 |
| Trade payables | | 3,232,841 | (57,269)(1) | 3,175,572 |
| Other creditors | | 6,224,549 | (1,541,071)(1) | 4,683,478 |
| Foreign currency sold, not yet purchased | 1,245,110 | | 0 | 1,245,110 |
| Securities sold, not yet purchased, at market value | 13,275,631 | | 0 | 13,275,631 |
| Payable to brokers, dealers and clearing organization, net | 319,080 | | 0 | 319,080 |
| Accrued compensation and benefits | 1,169,965 | 185,066 | (81,768)(1) | 1,273,263 |
| Income Tax payable | 245,917 | 170,019 | (87,024)(1) | 328,912 |
| Accrued expenses | 149,312 | 216,818 | (221,286)(1) | 144,844 |
| Other liabilities | 42,110 | | 0 | 42,110 |
| Convertible subordinated notes payable | | | 12,000,000(2) | 12,000,000 |
| Total liabilities | 16,534,139 | 10,029,293 | 10,011,582 | 36,575,014 |
| Stockholders equity: | | | | |

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| | | | | |
|---|-------------------|-------------------|----------------------|-------------------|
| Preferred stock | | | | |
| Common stock | 47,339 | 3,332,273 | (3,330,773)(1)(3)(4) | 48,839 |
| Additional paid-in capital | 11,930,522 | 1,466,334 | 896,666(1)(2)(3)(4) | 14,293,522 |
| Retained deficit | (1,759,468) | 4,075,616 | (4,836,572)(1)(2)(4) | (2,520,424) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total stockholders equity | 10,218,393 | 8,874,223 | (7,270,679) | 11,821,937 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities and stockholders equity | \$ 26,752,532 | \$ 18,903,516 | \$ 2,740,903 | \$ 48,396,951 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

See accompanying notes to unaudited pro forma combined condensed financial statements.

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INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Unaudited Pro Forma Combined Condensed Statements of Operations

| | HISTORICAL | | PRO FORMA | |
|---|---|--|---------------------|---|
| | First Fiscal Quarter ended December 31, | First Fiscal Quarter ended March 31, | | First Fiscal Quarter ended December 31, |
| | 2003 | 2004 | | 2003 |
| | IAHC | Global | Adjustments | Combined |
| Revenues: | | | | |
| Net dealer inventory and investment gains | \$ 5,050,333 | \$ 1,619,998(7) | \$ (389,320)(1) | \$ 6,281,011 |
| Commissions, net | 245,836 | | | 245,836 |
| Interest income | 26,947 | 2,098(7) | (86)(1) | 28,959 |
| Dividend income (expense), net | 6,704 | | | 6,704 |
| Other revenues | (1,194) | | | (1,194) |
| Total revenues | 5,328,626 | 1,622,096 | (389,406) | 6,561,316 |
| Interest expense | 24,068 | 77,766(7) | 239,424(1)(2) | 341,258 |
| Net revenues | 5,304,558 | 1,544,330 | (628,830) | 6,220,058 |
| Expenses: | | | | |
| Compensation and benefits | \$ 1,939,352 | \$ 773,437(7) | \$ (212,371)(1) | \$ 2,500,418 |
| Clearing and related expenses | 1,567,645 | 42,163(7) | | 1,609,808 |
| Wholesale commissions | 800 | 30,479(7) | (18,141)(1) | 13,138 |
| Occupancy and equipment rental | 112,218 | 63,130(7) | (21,400)(1) | 153,948 |
| Professional fees | 94,084 | 42,845(7) | (26,118)(1) | 110,811 |
| Depreciation and amortization | 83,747 | 49,097(7) | (4,146)(1) | 128,698 |
| Business development | 80,580 | 85,158(7) | (23,217)(1) | 142,521 |
| Insurance | 71,331 | 4,395(7) | (879)(1) | 74,847 |
| Bank charges | 4,532 | 49,930(7) | (10,247)(1) | 44,215 |
| Other expenses | 74,241 | 100,650(7) | (32,577)(1) | 142,314 |
| Total expenses | 4,028,530 | 1,241,284 | (349,096) | 4,920,718 |
| Income before income taxes | 1,276,028 | 303,046 | (279,734) | 1,299,340 |
| Income tax expense | 503,676 | 91,718(7) | (109,355)(1)(2) | 486,039 |
| Net income | \$ 772,352 | \$ 211,328 | \$ (170,379) | \$ 813,301 |
| Earnings per share: | | | | |
| Basic | \$ 0.16 | | | \$ 0.17 |
| Diluted | \$ 0.14 | | | \$ 0.15 |
| Weighted average number of common shares outstanding: | | | | |

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| | | | |
|---------|------------------|---------------|------------------|
| Basic | <u>4,712,981</u> | 150,000(2)(5) | <u>4,862,981</u> |
| Diluted | <u>5,400,910</u> | 150,000(2)(5) | <u>5,550,910</u> |

See accompanying notes to unaudited pro forma combined condensed financial statements.

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INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Schedule of Adjustments for

Unaudited Pro Forma Combined Condensed Balance Sheets

(Fiscal Year End)

The purpose of this schedule is to report the detail of all balance sheet adjustments reported in the Pro Forma Combined Condensed Balance Sheets As of September 30, 2003.

| | PRO FORMA | | | PRO | PRO | PRO | PRO |
|---|--|--|-----------------------------------|--|---|---------------------------------|--------------------------------------|
| | Elimination of Other Business Not Acquired from Global | | | FORMA | FORMA | FORMA | FORMA |
| | | | (C) | | | | (G) |
| | (A) | (B) | (A+B) | (D) | (E) | (F) | (B+D+E+F) |
| | | | | | | IAHC Acquisition | |
| | | Elimination of other Global business not acquired. | December 31, 2003 | IAHC Issuance of Convertible Subordinated Notes. | IAHC Acquisition of the Forex Business of Global. | of the Forex Business of Global | Fiscal Year Ended September 30, 2003 |
| | December 31, 2003 Global Total | Adjustments | Forex Business of Global Acquired | Adjustments | Business of Global Adjustments | Equity elimination Adjustments | Total Adjustments |
| Cash | \$ 9,440,923 | \$ (1,118,966)(1) | \$ 8,321,957 | \$ 10,162,000(2) | \$ (1,020,023)(3) | \$ (7,890,340)(4) | \$ 132,671 |
| Cash and cash equivalents deposited with brokers, dealers and clearing organization | | | | | | | 0 |
| Receivables from brokers, dealers and clearing organization, net | | | | | | | 0 |
| Other receivables | 751,833 | (545,831)(1) | 206,002 | | | | (545,831) |
| Trade receivables | 9,112,491 | (538,549)(1) | 8,573,942 | | | | (538,549) |
| | 303,620 | (303,620)(1) | 0 | | | | (303,620) |

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| | | | | | | | |
|--|----------------------|-----------------------|----------------------|----------------------|---------------------|-----------------------|---------------------|
| Securities owned, at market value | | | | | | | |
| Deferred income tax asset, net | 193,363 | | 193,363 | 405,843(2) | | | 405,843 |
| Property and equipment, at cost | 187,908 | (30,054)(1) | 157,854 | | | | (30,054) |
| Software development, net of accumulated amortization | | | 0 | | | | 0 |
| Deposit with clearing organization | | | 0 | | | | 0 |
| Debt Issuance Costs | | | | 1,716,392(2) | | | 1,716,392 |
| Goodwill | | | | | 2,491,523(3) | | 2,491,523 |
| Prepaid expenses and other assets | | | | | | | |
| Total assets | \$ 19,990,138 | \$ (2,537,020) | \$ 17,453,118 | \$ 12,284,235 | \$ 1,471,500 | \$ (7,890,340) | \$ 3,328,375 |
| <u>Liabilities and Stockholders</u> | | | | | | | |
| <u>Equity</u> | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | | | | | | | 0 |
| Trade payables | 3,174,538 | (91,169)(1) | 3,083,369 | | | | (91,169) |
| Other creditors | 7,190,109 | (950,653)(1) | 6,239,456 | | | | (950,653) |
| Foreign currency sold, not yet purchased | | | 0 | | | | 0 |
| Securities sold, not yet purchased, at market value | | | 0 | | | | 0 |
| Payable to brokers, dealers and clearing organization, net | | | 0 | | | | 0 |
| Accrued compensation and benefits | 132,806 | | 132,806 | | | | 0 |
| Income Tax payable | 409,454 | (302,307)(1) | 107,147 | | | | (302,307) |
| Accrued expenses | 488,649 | (488,649)(1) | 0 | | | | (488,649) |
| Other liabilities | | | | | | | 0 |
| Convertible subordinated notes payable | | | | 12,000,000(2) | | | 12,000,000 |
| Total liabilities | 11,395,556 | (1,832,778) | 9,562,778 | 12,000,000 | 0 | 0 | 10,167,222 |

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| | | | | | | | |
|---|---------------|-----------------|---------------|---------------|--------------|----------------|--------------|
| Stockholders equity: | | | | | | | |
| Preferred stock | | | | | | | |
| Common stock | 3,303,442 | (270,685)(1)(4) | 3,032,757(4) | | 1,500(3) | (3,032,757)(4) | (3,301,942) |
| Additional | | | | | | | |
| paid-in capital | 1,426,852 | (116,917)(1)(4) | 1,309,935(4) | 893,000(2) | 1,470,000(3) | (1,309,935)(4) | 936,148 |
| Retained deficit | 3,864,288 | (316,641)(1)(4) | 3,547,647(4) | (608,765)(2) | | (3,547,647)(4) | (4,473,053) |
| <hr/> | | | | | | | |
| Total stockholders equity | 8,594,582 | (704,242) | 7,890,340 | 284,235 | 1,471,500 | (7,890,340) | (6,838,847) |
| <hr/> | | | | | | | |
| Total liabilities and stockholders equity | \$ 19,990,138 | \$ (2,537,020) | \$ 17,453,118 | \$ 12,284,235 | \$ 1,471,500 | \$ (7,890,340) | \$ 3,328,375 |
| <hr/> | | | | | | | |

See accompanying notes to unaudited consolidated financial statements.

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INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Schedule of Adjustments for

Unaudited Pro Forma Combined Condensed Balance Sheets

(First Fiscal Quarter)

The purpose of this schedule is to report the detail of all balance sheet adjustments reported in the Pro Forma Combined Condensed Balance Sheets as of December 31, 2003.

| PRO FORMA | | | PRO | PRO | PRO | PRO | |
|---|--|--|---|--|---|--|--------------|
| Elimination of Other Business Not Acquired from Global | | | FORMA | FORMA | FORMA | FORMA | |
| (C) | | | (D) | (E) | (F) | (G) | |
| (A) | (B) | (A+B) | (D) | (E) | (F) | (B+D+E+F) | |
| March 31, 2004 | Elimination of other Global business not acquired. | March 31, 2004 Forex Business of Global Acquired | IAHC Issuance of Convertible Subordinated Notes. Adjustments | IAHC Acquisition of the Forex Business of Global. Adjustments | IAHC Acquisition of the Forex Business of Global Equity elimination Adjustments | First fiscal Quarter December 31, 2003 Total Adjustments | |
| Total | Adjustments | Acquired | Adjustments | Adjustments | Adjustments | Adjustments | |
| Cash | \$ 4,709,869 | \$ (542,203)(1) | \$ 4,167,666 | \$ 9,952,000(2) | \$ (1,020,023)(3) | \$ (7,372,209)(4) | \$ 1,017,565 |
| Cash and cash equivalents deposited with brokers, dealers and clearing organization | | | | | | | 0 |
| Receivables from brokers, dealers and clearing organization, net | | | | | | | 0 |
| Other receivables | 656,433 | (490,683)(1) | 165,750 | | | | (490,683) |
| Trade receivables | 12,893,666 | (2,049,546)(1) | 10,844,120 | | | | (2,049,546) |
| Securities owned, at market value | 303,620 | (303,620)(1) | 0 | | | | (303,620) |
| | 192,548 | | 192,548 | 507,304 | | | 507,304 |

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| | | | | | | | |
|---|----------------------|-----------------------|----------------------|----------------------|---------------------|-----------------------|---------------------|
| Deferred income tax asset, net | | | | | | | |
| Property and equipment, at cost | 147,380 | (104,380)(1) | 43,000 | | | | (104,380) |
| Software development, net of accumulated amortization | | | 0 | | | | 0 |
| Deposit with clearing organization | | | 0 | | | | 0 |
| Debt Issuance Costs | | | | 1,672,740(2) | | | 1,672,740 |
| Goodwill | | | | | 2,491,523(3) | | 2,491,523 |
| Prepaid expenses and other assets | | | | | | | |
| Total assets | \$ 18,903,516 | \$ (3,490,432) | \$ 15,413,084 | \$ 12,132,044 | \$ 1,471,500 | \$ (7,372,209) | \$ 2,740,903 |

Liabilities and Stockholders Equity

Liabilities:

| | | | | | | | |
|--|-------------------|--------------------|------------------|-------------------|----------|----------|-------------------|
| Accounts payable | | | | | | | 0 |
| Trade payables | 3,232,841 | (57,269)(1) | 3,175,572 | | | | (57,269) |
| Other creditors | 6,224,549 | (1,541,071)(1) | 4,683,478 | | | | (1,541,071) |
| Foreign currency sold, not yet purchased | | | 0 | | | | 0 |
| Securities sold, not yet purchased, at market value | | | 0 | | | | 0 |
| Payable to brokers, dealers and clearing organization, net | | | 0 | | | | 0 |
| Accrued compensation and benefits | 185,066 | (81,768)(1) | 103,298 | | | | (81,768) |
| Income Tax payable | 170,019 | (87,024)(1) | 82,995 | | | | (87,024) |
| Accrued expenses | 216,818 | (221,286)(1) | (4,468) | | | | (221,286) |
| Other liabilities | | | | | | | 0 |
| Convertible subordinated notes payable | | | | 12,000,000(2) | | | 12,000,000 |
| Total liabilities | 10,029,293 | (1,988,418) | 8,040,875 | 12,000,000 | 0 | 0 | 10,011,582 |

Stockholders equity:

| | | | | | | | |
|-----------------|-----------|-----------------|--------------|------------|--------------|----------------|-------------|
| Preferred stock | | | | | | | |
| Common stock | 3,332,273 | (564,007)(1)(4) | 2,768,266(4) | | 1,500(3) | (2,768,266)(4) | (3,330,773) |
| | 1,466,334 | (248,186)(1)(4) | 1,218,148(4) | 893,000(2) | 1,470,000(3) | (1,218,148)(4) | 896,666 |

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| | | | | | | | |
|---|---------------|-----------------|---------------|---------------|--------------|----------------|--------------|
| Additional paid-in capital | | | | | | | |
| Retained deficit | 4,075,616 | (689,822)(1)(4) | 3,385,794(4) | (760,956)(2) | | (3,385,794)(4) | (4,836,572) |
| Total stockholders equity | 8,874,223 | (1,502,014) | 7,372,209 | 132,044 | 1,471,500 | (7,372,209) | (7,270,679) |
| Total liabilities and stockholders equity | \$ 18,903,516 | \$ (3,490,432) | \$ 15,413,084 | \$ 12,132,044 | \$ 1,471,500 | \$ (7,372,209) | \$ 2,740,903 |

See accompanying notes to unaudited consolidated financial statements.

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INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS

(1) Global Financial Statement Assumption:

The Global pro forma apportioned balance sheets report total assets related to the foreign exchange business of Global of 87% and 82% for the periods ended December 31, 2003 and March 31, 2004, respectfully.

The Global pro forma apportioned statement of operations reports income before taxes related to the foreign exchange business of Global of 85% and 91% for the periods ended December 31, 2003 and March 31, 2004, respectfully.

Other comparative measures including turnover, cost of sales and gross profit of Global were analyzed and compared to the seperated forex business of Global under the historical U.K. reporting format. Accordingly, turnover, cost of sales and gross profit were 92%, 92% and 78% for the period ended December 31, 2003 and 98%, 98% and 81% for the period ended March 31, 2004.

These significant proportions have been intepreted by IAHC as meaning substancially all of the assets of Global were employed by the forex business of Global.

Income Statement and Balance Sheet apportionment of Global total to forex business of Global:

Adjustment for elimination of other business activities conducted by Global Currencies Limited not acquired by IAHC.

These other business activities were allocated based on internal management segmental reports and legal entity reports maintained for the various business units of Global.

Certain revenues, costs, overhead and other operating gains and losses were allocated based on factors such as salaries, headcount and other subjective and objective factors. In particular:

Generally employees (and their associated direct costs) could be allocated specifically to the business activities that were acquired and those that remain as most employees had specific duties throughout the period under review.

Accounting and management costs were apportioned according to an estimate of time spent.

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Property costs were apportioned according to space occupied by the respective businesses

The IT and dealing systems were apportioned fully to the acquired business, general IT costs were apportioned according to headcount

Travelling and commissions paid to agents were attributable directly: no apportionment was necessary

Interest charges were allocated according to working capital requirement.

Bank charges were directly apportioned to the respective businesses

It should be noted that most of the acquired business was carried out by two separate legal entities within the Global Currencies Ltd group and those two entities were not very active in areas of business not acquired by IAHC

(2) Pro forma adjustment for the issuance of \$12,000,000 of convertible subordinated notes on March 12, 2004.

The proceeds from this debt offering were subsequently utilized to finance the purchase of the forex business of Global.

On August 13, 2004, IAHC converted these subordinated notes into 2,086,923 common shares.

Included is pro forma interest expense of \$840,000 and \$210,000 for the year and quarter ended September 30, 2003 and December 31, 2003, respectively.

Also included is \$174,608 and \$43,652 of interest expense for the amortization of debt issuance costs for the year and quarter ended September 30, 2003 and December 31, 2003, respectively.

The weighted average shares outstanding are not impacted by the pro forma presence of the convertible notes due to the fact that the historical average monthly closing price of IAHC's common stock was less than the conversion price of \$5.75 per share for the periods ended September 30, 2003 and December 31, 2003.

(3) Consideration paid for acquisition of forex business of Global.

| | | | |
|--|---------|--------------------|---------------------|
| IAHC Shares | 150,000 | \$ 9.81 /per share | \$ 1,471,500 |
| The shares have been valued at the closing price of the purchase date of July 9, 2004. | | | |
| Cash paid on closing date July 9, 2004 | | 4,527,398 | |
| Net asset value acquired | | <u>3,577,375</u> | |
| Excess of cash paid above net asset value acquired | | | \$ 950,023 |
| Costs of transaction (professional fees) | | | <u>\$ 70,000</u> |
| Cash paid with acquisition, exclusive of net asset value acquired | | | <u>\$ 1,020,023</u> |
| Goodwill acquired | | | \$ 2,491,523 |

Additional goodwill will be generated from this transaction during the period from the closing date to December 31, 2006.

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This additional goodwill will be the result of certain payments due to the prior shareholders of the Forex business of Global.

The additional goodwill will be based on the revenue generated by the forex business during the earnout period.

This additional prospective goodwill is not presented in this pro forma presentation.

- (4) The Global shareholder equity accounts have been allocated in the adjustment column based on the pro rata apportionment of the net asset value apportioned to the forex and other businesses of Global. Subsequently these shareholder equity balances are eliminated by IAHC in the consolidation process.

This shareholder equity elimination is offset by a decrease in cash in recognition of the pro forma net asset value (assets and liabilities) acquired from the Global purchase, as of this pro forma period.

- (5) 150,000 common shares issued as part of acquisition consideration. Assumed as outstanding for entire period.

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INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS

(Continued)

(6) Reclassification of Global Currencies Limited fiscal year ended December 31, 2003 statement of operations presentation into the IAHC classification format.

Classification per Global Currencies Limited presentation

| For the fiscal year ended December 31, 2003: | Turnover | Cost of Sales | Classification per Global Currencies Limited presentation | | | Reclassification per IAHC Presentation | |
|--|----------------------|------------------------|---|-------------------|---------------------------|--|---------------------|
| | | | Administrative Expenses | Investment Income | Interest Payable Taxation | | |
| Revenues: | | | | | | | |
| Net dealer inventory and investment gains | 1,287,944,779 | (1,278,531,591) | | | | \$ 9,413,188 | |
| Commissions, net | | | | | | | |
| Interest income, net | | | | 165,275 | | 165,275 | |
| Dividend income (expense), net | | | | | | | |
| Other revenues | | | | | | | |
| Total revenues | | | | | | 9,578,463 | |
| Interest expense | | 305,522 | | | 63,854 | 369,376 | |
| Net revenues | | | | | | 9,209,087 | |
| Expenses: | | | | | | | |
| Compensation and benefits | | (4,023,866) | | | | \$ 4,023,866 | |
| Clearing and related expenses | | (169,536) | | | | 169,536 | |
| Wholesale commissions | | (283,728) | | | | 283,728 | |
| Occupancy and equipment rental | | | (198,706) | | | 198,706 | |
| Professional fees | | (5,696) | (329,678) | | | 335,374 | |
| Depreciation and amortization | | | (209,994) | | | 209,994 | |
| Business development | | (15,845) | (322,927) | | | 338,772 | |
| Insurance | | | (37,617) | | | 37,617 | |
| Bank charges | | (162,671) | (181,137) | | | 343,808 | |
| Other expenses | | (125,000) | (634,596) | | | 759,596 | |
| Total expenses | | | | | | 6,700,997 | |
| Income before income taxes | | | | | | 2,508,090 | |
| Income tax expense | | | | | (909,466) | 909,466 | |
| Net income | 1,287,944,779 | (1,283,012,411) | (1,914,655) | 165,275 | 63,854 | (909,466) | \$ 1,598,624 |

(7) Reclassification of Global Currencies Limited first fiscal quarter ended March 31, 2004 statement of operations presentation into the IAHC classification format.

Classification per Global Currencies Limited presentation

| For the first fiscal quarter ended March 31, 2004: | Turnover | Cost of Sales | Classification per Global Currencies Limited presentation | | | Taxation | Reclassification per IAHC Presentation |
|--|--------------------|----------------------|---|-------------------|------------------|-----------------|--|
| | | | Administrative Expenses | Investment Income | Interest Payable | | |
| Revenues: | | | | | | | |
| Net dealer inventory and investment gains | 366,538,771 | (364,918,773) | | | | | \$ 1,619,998 |
| Commissions, net | | | | | | | |
| Interest income, net | | | | 2,098 | | | 2,098 |
| Dividend income (expense), net | | | | | | | |
| Other revenues | | | | | | | |
| Total revenues | | | | | | | 1,622,096 |
| Interest expense | | | | | 77,766 | | 77,766 |
| Net revenues | | | | | | | 1,544,330 |
| Expenses: | | | | | | | |
| Compensation and benefits | | (773,437) | | | | | \$ 773,437 |
| Clearing and related expenses | | (42,163) | | | | | 42,163 |
| Wholesale commissions | | (30,479) | | | | | 30,479 |
| Occupancy and equipment rental | | | (63,130) | | | | 63,130 |
| Professional fees | | | (42,845) | | | | 42,845 |
| Depreciation and amortization | | | (49,097) | | | | 49,097 |
| Business development | | (11,570) | (73,588) | | | | 85,158 |
| Insurance | | | (4,395) | | | | 4,395 |
| Bank charges | | (49,898) | (32) | | | | 49,930 |
| Other expenses | | (1,202) | (99,448) | | | | 100,650 |
| Total expenses | | | | | | | 1,241,284 |
| Income before income taxes | | | | | | | 303,046 |
| Income tax expense | | | | | | (91,718) | 91,718 |
| Net income | 366,538,771 | (365,827,522) | (332,535) | 2,098 | 77,766 | (91,718) | \$ 211,328 |

(8) Certain amounts in the 2003 IAHC financial statements have been reclassified to conform with the pro forma combined condensed presentation.

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Signatures

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INTERNATIONAL ASSETS HOLDING CORPORATION

Date: September 21, 2004

/s/ Sean M. O Connor

Sean M. O Connor
CEO

Date: September 21, 2004

/s/ Jonathan C. Hinz

Jonathan C. Hinz
CFO

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Exhibit Index

| <u>Exhibit No.</u> | <u>Description</u> |
|---------------------------|---------------------------|
| 23.1 | Consent of Baker Tilly |