INTERNATIONAL ASSETS HOLDING CORP
Form 10-K/A
August 27, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2009

Commission File Number 000-23554

INTERNATIONAL ASSETS HOLDING CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**59-2921318**
(State or other jurisdiction of	**(I.R.S. Employer**

incorporation or organization)	**Identification No.)**

708 Third Avenue, Suite 1500

New York, NY 10017

(Address of principal executive offices) (Zip Code)

(212) 485-3500

(Registrant s telephone number, including area code)

Securities registered under Section 12(b) of the Exchange Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, $.01 par value	**NASDAQ Global Market**

Securities registered under Section 12(g) of the Exchange Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of accelerated filer , large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	x	Smaller reporting company	¨

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

As of March 31, 2009, the aggregate market value of the common stock held by non-affiliates of the registrant was approximately $23.8 million.

As of December 10, 2009, there were 17,513,279 shares of the registrant s common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the Registrant s Annual Meeting of Stockholders to be held on March 3, 2010 are incorporated by reference into Part III of this Annual Report on Form 10-K.

Explanatory Note

International Assets Holding Corporation (the Company) is filing this Amendment No. 1 on Form 10-K/A (this Amendment) to its Annual Report on Form 10-K for the fiscal year ended September 30, 2009, which was originally filed on December 14, 2009 (the Original Filing), to amend and restate in their entirety Item 6- Selected Financial Data and Item 7 Management s Discussion and Analysis of Results of Operations and Financial Condition.

The amendments to Item 6 and Item 7 have been made in response to comments from the staff of the Securities and Exchange Commission regarding the presentation and discussion of non-GAAP information in these Items.

Pursuant to Rule 12b-15 under the Securities and Exchange Act of 1934, as amended, this Amendment amends the Original Filing and contains new certifications pursuant to Section 302 and 906 of the Sarbanes-Oxley Act of 2002. This Amendment continues to speak as of the date of the original filing, and the Company has not updated the disclosure contained therein to reflect events that have occurred since the filing of the Original Filing. Accordingly, this Amendment should be read in conjunction with the Company s other filings made with the United States Securities Exchange Commission subsequent to the filing of the Original Filing, including any amendments to those filings.

Item 6. Selected Financial Data

The following selected financial and operating data are derived from our consolidated financial statements and should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations, included in Item 7 and our consolidated financial statements included in Item 8. This information does not include pro forma financial information reflecting the FCStone transaction. Amounts below of total stockholders equity, total assets, extraordinary gain and net income at September 30, 2009 reflect the FCStone transaction, which occurred on that date.

Selected Summary Financial Information (U.S. GAAP)

(In millions, except share and per share numbers)	2009	2008	2007	2006	2005
Operating revenues	$ 91.3	$ 117.0	$ 47.3	$ 35.1	$ 26.1
Interest expense	8.0	11.2	9.3	2.1	1.3
Non-interest expenses:					
- Compensation	40.8	36.5	29.2	16.4	11.0
- Clearing	17.5	14.7	11.2	7.6	6.5
- Other	12.1	11.7	7.2	4.0	3.2
Income before taxes	12.9	42.9	(9.6)	5.0	4.1
Taxes	2.6	16.2	(3.4)	1.6	1.5
Minority interest	0.5	(1.0)	(0.6)		
Income from continuing operations	9.8	27.7	(5.6)	3.4	2.6
Discontinued operations	0.7	(0.1)	(1.1)	(0.1)	
Income before extraordinary gain	9.1	27.8	(4.5)	3.5	2.6
Extraordinary gain	18.5				
Net income	$ 27.6	$ 27.8	$ (4.5)	$ 3.5	$ 2.6
Earnings per share:					
- Basic	$ 3.11	$ 3.30	$ (0.56)	$ 0.45	$ 0.36
- Diluted	$ 2.80	$ 2.95	$ (0.56)	$ 0.41	$ 0.33
Number of shares:					
- Basic	8,895,697	8,434,976	8,086,837	7,636,808	7,303,065
- Diluted	10,182,586	9,901,706	8,086,837	8,387,761	8,023,891
Selected Balance Sheet Information:					
Total assets	$ 1,555.7	$ 438.0	$ 361.2	$ 199.9	$ 147.0
Convertible notes	$ 16.7	$ 16.8	$ 24.9	$ 26.9	$
Stockholders equity	$ 238.8	$ 74.8	$ 35.6	$ 33.9	$ 28.1

Adjusted Non-GAAP Financial Information (Unaudited)

(In millions, except employee count and ratios)	**2009**	**2008**	**2007**	**2006**	**2005**
U.S. GAAP Data:					
Operating revenues	$ 91.3	$ 117.0	$ 47.3	$ 35.1	$ 26.1
Income from continuing operations	$ 9.8	$ 27.7	$ (5.6)	$ 3.4	$ 2.6
Net income (loss) (a)	$ 27.6	$ 27.8	$ (4.5)	$ 3.5	$ 2.6
Stockholders equity (a)	$ 238.8	$ 74.8	$ 35.6	$ 33.9	$ 28.1
Adjusted Non-GAAP Data (Unaudited):					
Data adjusted (on a marked to market basis):					
Operating revenues as stated above	$ 91.3	$ 117.0	$ 47.3	$ 35.1	$ 26.1
Marked to market adjustment	6.9	(26.9)	23.4	7.6	
Adjusted operating revenues, marked to market	$ 98.2	$ 90.1	$ 70.7	$ 42.7	$ 26.1
Net income (loss) as stated above	$ 27.6	$ 27.8	$ (4.5)	$ 3.5	$ 2.6
Marked to market adjustment	6.9	(26.9)	23.4	7.6	
Tax effect at average rate of 37.5%	(2.5)	10.1	(8.8)	(2.9)	
Adjusted net income (loss)	$ 32.0	$ 11.0	$ 10.1	$ 8.2	$ 2.6
Stockholders equity as stated above	$ 238.8	$ 74.8	$ 35.6	$ 33.8	$ 28.1
Cumulative marked to market adjustment	6.9	(26.9)	23.4	7.6	
Tax effect at blended rate of 37.5%	(2.5)	10.1	(8.8)	(2.9)	
Adjusted stockholders equity	$ 245.7	$ 77.3	$ 54.9	$ 38.6	$ 28.1
Return on average adjusted stockholders equity (b)	16.0%	16.6%	21.6%	24.6%	9.9%
Other Data:					
Employees (c)	625	195	170	89	67
Compensation and benefits / adjusted operating revenues	41.5%	40.5%	41.3%	38.4%	42.1%
Leverage ratio: (total assets to equity)	6.5	5.9	10.1	5.9	5.2

(a) Net income and stockholders equity include a $18.5 million extraordinary gain related to the FCStone transaction.

(b) Return on average adjusted stockholders equity excludes the effect of the $18.5 million extraordinary gain related to the FCStone transaction.

(c) The number of employees listed above includes the number of employees of FCStone as of September 30, 2009.

As discussed in previous filings and elsewhere in this Form 10-K, U.S. generally accepted accounting principles (U.S. GAAP) require the Company to carry derivatives at fair market value but physical commodities inventory at the lower of cost or market value. These requirements may have a significant temporary impact on our reported earnings. Under U.S. GAAP, gains and losses on commodities inventory and derivatives which the Company intends to be offsetting are often recognized in different periods. Additionally, U.S. GAAP does not require us to reflect changes in estimated values of forward commitments to purchase and sell commodities.

For these reasons, management primarily assesses the Company s operating results on a marked-to-market basis. Management relies on these adjusted operating results to evaluate the performance of the Company s commodities business segment and its personnel.

The Unaudited Adjusted Data in the table above reflect the Company s adjusted operating revenues, adjusted net income and adjusted stockholders equity, which have been adjusted to reflect the marked-to-market differences in the Company s commodities business during each period (in the case of operating revenues and net income) and the cumulative differences (in the case of stockholders equity). The Company has also included the estimated tax liability which would have been incurred as a result of these adjustments, utilizing a blended tax rate of 37.5%.

Adjusted operating revenues, adjusted net income and adjusted stockholders equity are financial measures that are not recognized by U.S. GAAP, and should not be considered as alternatives to operating revenues, net income or stockholders equity calculated under U.S. GAAP or as an alternative to any other measures of performance derived in accordance with U.S. GAAP. The Company has included these non-GAAP financial measures because it believes that they permit investors to make more meaningful comparisons of performance between the periods presented. In addition, these non-GAAP measures are used by management in evaluating the Company s performance.

The Company determines the fair value of physical commodities inventory on a marked-to-market basis by applying quoted market prices to the inventory owned by the Company on the balance sheet date. In the Company s precious metals business, the Company obtains the closing COMEX nearby futures price for the last business day of the month and then adjusts that price to reflect an exchange for physical transaction, utilizing bids obtained from one or more market participants. In the Company s base metals business, for copper inventory, the Company obtains the closing COMEX or LME nearby futures price and then adjusts that price to reflect any freight charges to the relevant delivery point. For the Company s lead inventory, the Company obtains the closing LME nearby futures month price and then adjusts that price to reflect any tolling and freight charges to the relevant delivery point. Under U.S. GAAP, our physical commodities inventory would be classified as level 2 assets.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

FCStone Transaction

On September 30, 2009, the Company acquired FCStone Group, Inc. through its merger with a subsidiary of the Company in exchange for 8,239,319 shares of the Company s common stock.

FCStone is an integrated risk management company that provides risk management consulting and transaction execution services to commercial commodity intermediaries, end-users and producers. The Company believes that the transaction will create a leading global provider of consulting and trade execution services.

Under the terms of the merger agreement, the shareholders of FCStone received 0.2950 of a share of the Company s common stock in exchange for each share of FCStone s common stock. Additionally, as a result of the merger, each outstanding FCStone stock option was converted into an option to purchase shares of the Company s common stock, with adjustments to the number of shares and the exercise price to reflect the exchange ratio. The shares of the Company s common stock issued to FCStone stockholders in connection with the transaction represented approximately 47.5% of the outstanding shares of the Company s common stock.

The purchase price for the transaction was approximately $137.6 million, consisting of the fair value of common stock issued in the merger of $135.5 million and estimated acquisition costs of $2.1 million.

At September 30, 2009, the acquisition of FCStone increased the Company s total assets by $1,173.7 million, total liabilities by $1,016.0 million, minority interest by $1.6 million and stockholders equity by $156.1 million.

The Company recognized $18.5 million of extraordinary income for the 2009 fiscal year related to the acquisition. The extraordinary income, also defined as negative goodwill, was the result of the sum of the fair values of the assets acquired less the liabilities assumed exceeding the acquisition cost. See Note 18 to the Consolidated Financial Statements for additional information on the acquisition.

Pro Forma Condensed Combined Income Statement (Unaudited)

The following unaudited pro forma condensed combined income statement has been derived from the historical consolidated financial statements of International Assets and FCStone. The transaction has been accounted for under Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations* (SFAS 141). The Company has provided the pro forma income statement in order to provide investors with information that reflects the impact of the FCStone transaction on the Company, and to assist investors in assessing the Company s performance in the future. The Company believes this information is useful in light of the significance of the FCStone transaction.

Set forth below is a brief description of consolidated accounting treatment of material items arising in this transaction under SFAS 141.

Material Items	**SFAS 141**
Negative goodwill (excess of FCStone s net asset value over purchase price paid by International Assets)	Applied first to write down goodwill, intangible assets and other non-current assets of FCStone, with any remaining balance treated as an extraordinary gain in International Assets income statement.
FCStone s goodwill, intangible assets and other non-current assets	Negative goodwill (excess of net asset value over purchase price) is first applied to write down FCStone s goodwill, intangible assets and other non-current assets, potentially reducing all of these to zero.
Purchase price	Determined using the weighted-average of the closing market prices of International Assets common stock for a period beginning two days before and ending two days after September 30, 2009.
Acquisition costs incurred by International Assets	These are included in the purchase price.

The transactions reflected in the pro forma income statement include (1) the exchange of all outstanding shares of FCStone common stock at the exchange ratio; and (2) the exchange of unvested and vested FCStone stock options for vested International Assets stock options with adjustments to the number of shares and strike price to reflect the exchange ratio.

The following unaudited pro forma condensed combined income statement for the fiscal year ended September 30, 2009 is presented on a basis to reflect the merger and related transactions as if they had occurred on October 1, 2008. Because of different fiscal period ends, the unaudited pro forma condensed combined income statement for the fiscal year ended September 30, 2009 combines International Assets historical consolidated income statement for the fiscal year then ended with FCStone s historical consolidated statement of operations for the fiscal year ended August 31, 2009. Pro forma adjustments are made in order to reflect the potential effect of the transaction on the income statement.

The process of valuing FCStone s tangible and intangible assets and liabilities, as well as evaluating accounting policies for conformity, is not yet complete. Accordingly, the purchase price allocation adjustments included in the pro forma financial statements are preliminary and have been made solely for the purpose of providing these pro forma financial statements. For purposes of the pro forma financial statements, International Assets has made preliminary allocations, where sufficient information is available to make a fair value estimate, to those tangible and intangible assets acquired and liabilities assumed based on preliminary estimates of their fair value as of September 30, 2009. For those assets and liabilities where insufficient information is available to make a reasonable estimate of fair value, the pro forma financial statements reflect the carrying value of these assets and liabilities at September 30, 2009. Any excess of the adjusted net assets of FCStone over the fair value of the consideration transferred has been reflected as an extraordinary gain from negative goodwill.

International Assets currently expects that the process of determining fair value of the tangible and intangible assets acquired and liabilities assumed will be completed within one year of closing the transaction. Material revisions to International Assets preliminary estimates could be necessary as more information becomes available through the completion of this final determination. The actual amounts recorded may be materially different from the information presented in these pro forma financial statements due to a number of factors, including:

- changes in the market conditions and financial results which may impact cash flow projections in the valuation; and

- other changes in market conditions which may impact the fair value of FCStone s net assets.

The pro forma financial statements should be read in conjunction with the pro forma notes. The pro forma financial statements and pro forma notes were based on, and should be read in conjunction with:

- International Assets historical audited consolidated financial statements for the fiscal year ended September 30, 2009 and the related notes included in this Form 10-K for the fiscal year ended September 30, 2009;