U.S. Securities and Exchange Commission
Washington D.C. 20549

Form 10-QSB

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

For the quarterly period ended December 31, 1997

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

Commission File Number 33-70334-A

INTERNATIONAL ASSETS HOLDING CORPORATION
(Exact name of small business issuer as specified in its charter)

| Delaware | 59-2921318 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (IRS Employer Identification No.) |

250 Park Avenue South, Suite 200
Winter Park, FL 32789
(Address of principal executive offices)

(407) 629-1400
(Issuer's telephone number)

NA

(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ].

The number of shares outstanding of Common Stock was 1,547,201 as of February 2, 1998.

Transitional small business disclosure format Yes [ ] No [X]

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INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheet

December 31, 1997

(Unaudited)

Assets

| | |
|---|---|
| Cash | $ 388,797 |
| Cash deposits with clearing broker | 2,284,189 |
| Foreign currency deposits with clearing broker | 6,821 |
| Investments | 1,313,689 |
| Other receivables | 152,917 |
| Securities owned, at market value | 2,561,131 |
| Income tax receivable | 3,655 |
| Deferred income tax benefit | 135,673 |
| Property and equipment, at cost: | |
| Leasehold improvements | 52,953 |
| Furniture and equipment | 882,407 |
| | 935,360 |
| Less accumulated depreciation and amortization | (493,528) |
| Net property and equipment | 441,832 |
| Other assets, net of accumulated amortization of $99,000 | 145,328 |
| Total assets | $ 7,434,032 |

See accompanying notes to condensed consolidated financial statements.

INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheet

December 31, 1997

(Unaudited)

Liabilities and Stockholders' Equity

| | | |
|---|---|---|
| Liabilities: | | |
| Securities sold, but not yet purchased, at market value | $ | 285,986 |
| Payable to clearing broker | | 360,006 |
| Accounts payable | | 244,481 |
| Accrued employee compensation and benefits | | 338,401 |
| Other accrued expenses | | 379,508 |
| Income taxes payable | | 27,904 |
| Deferred income taxes | | 17,701 |
| Other | | 110,175 |
| Total liabilities | | 1,764,162 |
| Stockholders' equity: | | |
| Preferred stock, $.01 par value. Authorized 1,000,000 shares; issued and outstanding -0- shares | | - |
| Common stock, $.01 par value. Authorized 3,000,000 shares; issued and outstanding 1,547,201 | | 15,472 |
| Additional paid-in capital | | 3,673,225 |
| Retained earnings | | 1,981,173 |
| Total stockholders' equity | | 5,669,870 |
| Total liabilities and stockholders' equity | $ | 7,434,032 |

See accompanying notes to condensed consolidated financial statements.

INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

For the Three Months Ended December 31, 1997 and 1996

(Unaudited)

| | | 1997 | 1996 |
|---|---|---|---|
| Revenues: | | | |
| Commissions | $ | 2,063,134 | 2,021,907 |
| Net dealer inventory and investment gains | | 481,586 | 521,784 |
| Other revenue | | 141,479 | 144,031 |
| Total revenues | | 2,686,199 | 2,687,722 |
| Expenses: | | | |
| Commissions and clearing fees | | 1,186,467 | 1,126,563 |
| Employee compensation and benefits | | 525,410 | 575,657 |
| Communications and promotions | | 457,272 | 335,665 |
| Other operating expenses | | 713,028 | 378,717 |
| Total expenses | | 2,882,177 | 2,416,602 |
| Income (Loss) before income taxes | | (195,978) | 271,120 |
| Income tax expense (benefit) | | (61,276) | 113,569 |
| Net income (loss) | $ | (134,702) | 157,551 |
| Basic earnings (loss) per share | $ | (.087) | .099 |
| Diluted earnings (loss) per share | $ | (.087) | .095 |
| Weighted average number of common shares outstanding | | 1,548,962 | 1,592,951 |
| Weighted average number of common shares and dilutive potential common shares outstanding | | 1,548,962 | 1,661,919 |

See accompanying notes to condensed consolidated financial statements.

INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

For the Three Months Ended December 31, 1997 and 1996

(Unaudited)

| | | 1997 | 1996 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Net income (loss) | $ | (134,702) | 157,551 |
| Adjustments to reconcile net income (loss) to net cash used for operating activities: | | | |
| Net amortization and appreciation of investments | | (21,432) | (23,450) |
| Depreciation and amortization | | 46,957 | 37,572 |
| Deferred income taxes | | (89,180) | (9,163) |
| Cash provided by (used for) changes in: | | | |
| Receivable from clearing broker, net | | 405,050 | (3,099) |
| Receivable from affiliated company | | - | 24,120 |
| Other receivables | | (94,315) | (11,005) |
| Securities owned, at market value | | (32,871) | (263,592) |
| Other assets | | 20,868 | 21,213 |
| Securities sold, but not yet purchased, at market value | | (396,068) | (386,965) |
| Payable to clearing broker, net | | 360,006 | - |
| Accounts payable | | 128,414 | 21,911 |
| Accrued employee compensation and benefits | | (562,572) | (371,638) |
| Other accrued expenses | | 111,194 | 35,704 |
| Income taxes payable | | 27,904 | (5,768) |
| Other liabilities | | 815 | 38 |
| Net cash used for operating activities | | (229,932) | (776,571) |
| Cash flows from investing activities | | | |
| Disposal of investments | | 1,950,000 | 2,250,000 |
| Acquisition of investments | | (1,941,874) | (2,271,996) |
| Acquisition of property, equipment and other assets | | (38,412) | (102,950) |
| Net cash used for investing activities | | (30,286) | (124,946) |

(continued)

See accompanying notes to condensed consolidated financial statements.

INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows, Continued

| | | 1997 | 1996 |
|---|---|---|---|
| Cash flows from financing activities: | | | |
| Acquisition of common shares related to repurchase program | | (22,822) | (21,431) |
| Acquisition of common shares related to terminated ESOP participants | | - | (429) |
| Net cash used for financing activities | | (22,822) | (21,860) |
| Net decrease in cash and cash equivalents | | (283,040) | (923,377) |
| Cash and cash equivalents at beginning of period | | 2,962,847 | 2,829,483 |
| Cash and cash equivalents at end of period | | 2,679,807 | 1,906,106 |
| Supplemental disclosure of cash flow information: | | | |
| Cash paid for interest | | 479 | 876 |
| Income taxes paid | $ | - | 128,500 |

See accompanying notes to condensed consolidated financial statements.

INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

December 31, 1997 and 1996

(1) Basis of Presentation
The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions and requirements of Form 10-QSB and, therefore, do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with generally accepted accounting principles. In the opinion of Management, such financial statements reflect all adjustments necessary for a fair statement of the results of operations, cash flows and financial position for the interim periods presented. Operating results for the interim periods are not necessarily indicative of the results that may be expected for the full year. These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ending September 30, 1997, filed on Form 10-KSB (SEC File Number 33-70334-A).

As used in this Form 10-QSB, the term "Company" refers, unless the context requires otherwise, to International Assets Holding Corporation and its five wholly owned subsidiaries; International Assets Advisory Corp. ("IAAC"), Global Assets Advisors, Inc. ("GAA"), International Financial Products, Inc. ("IFP"), GlobalNet Securities, Inc. ("GNSI") and International Asset Management Corp. ("IAMC"). All significant intercompany balances and transactions have been eliminated in consolidation.

(2) Securities Owned and Securities Sold, But Not Yet Purchased
Securities owned and Securities sold, but not yet purchased at December 31, 1997, consist of trading and investment securities at quoted market values as follows:

| | Owned | Sold, but not yet purchased |
|---|---|---|
| Obligations of U.S. Government | $ 229,722 | - |
| Common stock and American Depository Receipts | 1,256,099 | 252,168 |
| Proprietary unit investment trusts | 777,881 | - |
| Corporate and municipal bonds | 207,819 | 33,818 |
| Foreign government obligations | 89,610 | - |
| | $ 2,561,131 | 285,986 |

Notes to Condensed Consolidated Financial Statements, continued

(3) Stock Dividend

On November 14, 1997 the Company's Board of Directors declared a 10% stock dividend for shareholders of record on December 26, 1997 and payable on January 20, 1998. The 10% stock dividend increased the Company's issued and outstanding common shares by an additional 140,648 shares.

(4) Basic and Diluted Earnings (Loss) Per Share

On October 1, 1997 the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 128, Earnings Per Share. Comparative earnings per share data for the quarter ended December 31, 1996 has been restated to adhere to the provisions of SFAS No. 128.

Basic earnings (loss) per share for the three months ended December 31, 1997 and 1996, have been computed by dividing net income (loss) by the weighted average number of common shares outstanding. Diluted earnings per share for the three months ended December 31, 1996 have been computed by dividing net income by the weighted average number of common shares and dilutive potential common shares outstanding. Diluted loss per share for the three months ended December 31, 1997 is the same as basic loss per share because of the anti-dilutive impact of the potential common shares, due to the loss for the period.

Due to the issuance of the 10% stock dividend, the computations of basic and diluted earnings (loss) per share have been adjusted retroactively for all periods presented to reflect this change in capital caused by the stock dividend.

(5) Leases

The Company occupies leased office space of approximately 13,815 square feet at 250 Park Avenue South, Winter Park, Florida. The expiration date of the office lease is May 31, 2001. The lease includes an option to renew for an additional three years at a rental rate determined by the landlord.

The Company is obligated under various noncancelable operating leases for the rental of its office facilities and certain office equipment. Rent expense associated with operating leases amounted to $46,189 and $76,948 for the three months ended December 31, 1997, and 1996, respectively. The minimum lease payments under noncancelable operating leases as of December 31, 1997 are as follows:

| Fiscal Year (12 month period) Ending September 30, | |
|---|---|
| 1998 | 265,200 |
| 1999 | 316,000 |
| 2000 | 327,000 |
| 2001 | 233,000 |
| 2002 | 17,500 |
| Total future minimum lease payments | $1,158,700 |

(6) Stock Repurchase Program

On November 14, 1997 the Board of Directors authorized the Company to continue its repurchase of up to $500,000 in shares of the Company's common stock in the open market during the remainder of the fiscal year ended September 30, 1998. The stock purchases will be made in the open market from time to time as market conditions permit. The Company is required to comply with Rule 10b-18 and Regulation M of the Securities and Exchange Commission which regulate the specific terms in which shares may be repurchased. Since the inception of the repurchase program on March 13, 1996 the Company has repurchased and retired a total of 33,330 shares (as adjusted for the 10% stock dividend) at a total cost of $121,446.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

Certain statements in this discussion may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks including, but not limited to, changes in general economic and business conditions, interest rate and securities market fluctuations, competition from within and from outside the investment brokerage industry, new products and services in the investment brokerage industry, changing trends in customer profiles and changes in laws and regulations applicable to the Company. Although the Company believes that its expectations with respect to the forward-looking statements are based upon reasonable assumptions within the bounds of its knowledge of its business and operations, there can be no assurance that the actual results, performance or achievement of the Company will not differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements.

The Company's assets decreased from $7,928,214 at September 30, 1997, to $7,434,032 at December 31, 1997, or a decrease of $494,182. The Company's liabilities decreased from $2,100,820 at September 30, 1997, to $1,764,162 at December 31, 1997, or a decrease of $336,658. The decrease in the net assets (assets less liabilities) of $157,524 primarily relates to the $134,702 net loss incurred by the Company for the three month fiscal period ended December 31, 1997, net of stock repurchase costs from the stock repurchase program totaling $22,822 for the same period.

The Company's condensed consolidated balance sheet at December 31, 1997, reflects a payable to clearing broker, for trades which had not yet settled for cash, due to the costs from the purchase of securities exceeding the proceeds of securities sold.

Results of Operations:

The Company's principal activities, securities brokerage and the trading of and market-making in securities, are highly competitive and extremely volatile. The earnings of the Company are subject to wide fluctuations since many factors over which the Company has little or no control, particularly the overall volume of trading and the volatility and general level of market prices, may significantly affect its operations.

Three Months Ended December 31, 1997, as Compared to the Three Months Ended December 31, 1996

The Company's revenues are derived primarily from commissions earned on the sale of securities and trading income in securities purchased or sold for the Company's account. Total revenues decreased by approximately $1,500, or .06% for the three months ended December 31, 1997, as compared to the three months ended December 31, 1996. For the three months ended December 31, 1997, and 1996, approximately 77% and 75%, respectively, of the Company's revenues were derived from commissions earned on the sale of securities. For the three months ended December 31, 1997, and 1996, approximately 18% and 19%, respectively, of the Company's total revenues were from net dealer inventory and investment gains (trading revenue).

Commission revenue increased by approximately $41,000, or 2% for the three months ended December 31, 1997, as compared to the three months ended December 31, 1996. The average number of account executives increased from 41 as of December 31, 1996, to 49 as of December 31, 1997. During the three months ended December 31, 1997, the overall volume of customer ticket orders increased by approximately 12% and the average dollar amount of retail trades decreased by approximately 13%, as compared to the three months ended December 31, 1996. This approximate 12% increase in ticket volume was largely offset by the approximate 13% decrease in the average dollar amount of retail trades, resulting in the approximate 2% increase in total commission revenue for the three months ended December 31, 1997 over the same period in 1996.

Revenues from net dealer inventory and investment gains decreased by approximately $40,198, or 8% for the three months ended December 31, 1997, as compared to the three months ended December 31, 1996. The decrease in trading revenue is primarily attributable to a decrease in the Company's retail trading income due to the volatility of the Asian financial markets. The Company's trading department primarily concentrates on global securities that it believes are likely to be traded by the Company's clients. By focusing on these types of securities, trading revenue is more closely related to commission revenue and order flow.

Other revenue decreased by approximately $2,500 or 2% during the three months ended December 31, 1997, as compared to the three months ended December 31, 1996. The decrease in other revenue is primarily due to decreases in list rental income and subscription fee income.

The major expenses incurred by the Company relate to direct costs of its securities operations such as commissions and clearing fees, employee compensation and benefits, communications and promotions expense and other operating expenses. Total expenses increased by approximately $466,000, or 19% for the three months ended December 31, 1997, as compared to the same period in 1996. This increase in expenses is primarily attributable to increases in commissions and clearing fees, communications and promotions and other operating expenses.

Commissions and clearing fees increased approximately $60,000, or 5% during the three months ended December 31, 1997, as compared to the same period in 1996. This increase is partly attributable to increases in commissions expense directly related to increases in new broker expenses based on the increase in the average number of account representatives. The increase is also partly related to increases in clearing fees based on the 12% increase in retail ticket volume.

Employee compensation and benefits expense decreased by approximately $50,000, or 9% during the three months ended December 31, 1997, as compared to the three months ended December 31, 1996. The decrease in employee compensation and benefits is primarily due to a decrease in performance based bonus accruals based on the approximate $196,000 loss before income taxes incurred for the three months ended December 31, 1997 compared to the approximate $271,000 income before income taxes for the same period in 1996.

Communications and promotions expense increased by approximately $121,000, or 36% during the three months ended December 31, 1997, as compared to the three months ended December 31, 1996. This increase is primarily related to increases in expenditures for promotional print media including postage, printing and design costs.

Other operating expenses increased by approximately $334,000, or 88% during the three months ended December 31, 1997, as compared to the three months ended December 31, 1996. Approximately $130,000 of this increase is related to professional fees incurred by the Company for the defense of an arbitration matter. In addition, approximately $100,000 of the increase is for the arbitration award for a portion of the claimant's claim and an additional $100,000 of the increase is for partial reimbursement of the claimant's legal fees also awarded to the claimant in the same matter.

As a result of the above, the Company is reporting a loss before income taxes of approximately $196,000 for the three months ended December 31, 1997. This is compared to income before income taxes of approximately $271,000 for the three months ended December 31, 1996. The Company's effective income tax rate was approximately 31% for the three months ended December 31, 1997 and approximately 42% for the three months ended December 31, 1996.

Liquidity and Capital Resources

Substantial portions of the Company's assets are liquid. At December 31, 1997, approximately 87% of the Company's assets consisted of cash, cash equivalents, and marketable securities. All assets are financed by the Company's equity capital, short-term borrowings from securities lending transactions and other payables.

The Company's wholly owned registered securities broker/dealer subsidiary IAAC is subject to the requirements of the SEC and the NASD relating to liquidity and net capital levels. At December 31, 1997, IAAC had net capital of approximately $2,560,000, which was approximately $2,431,000 in excess of its minimum net capital requirement at that date.

In the opinion of management, the Company's existing capital and cash flow from operations will be adequate to meet the Company's capital needs for at least the next 12 months in light of known and reasonably estimated trends. In addition, management believes that the Company will be able to obtain additional short or medium-term financing that may be desirable in the ordinary conduct of its business. The Company has no plans for additional financing and there can be no assurance such financing will be available.

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

The Company was involved in a National Association of Securities Dealers (NASD) arbitration hearing that concluded on November 7, 1997. On January 16, 1998, the Company received notification from the NASD arbitration panel that an award of $99,845 plus $100,000 reimbursement for a portion of the claimant's legal fees was awarded to the claimant. The cost of both the award and legal fee reimbursement was accrued in other accrued expenses in the December 31, 1997 financial statements and was paid on January 22, 1998.

The Company is party to certain additional arbitration and/or litigation matters as of December 31, 1997 which relate primarily to matters arising in the ordinary course of business. Management of the Company anticipates that the final resolution of these additional items will not have a material adverse effect on the Company's consolidated financial statements.

The foregoing discussion contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve various risks and uncertainties with respect to current legal proceedings. Although the Company believes that its expectation with respect to the forward-looking statements are based upon reasonable assumptions within the bounds of its knowledge of its business and operations, there can be no assurances that the actual results, performance or achievement of the Company will not differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements.

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a). Exhibits

(11) The Statements of Computation of Earnings Per Share are attached hereto as Exhibit 11.

(27) Broker-Dealers and Broker Dealer Holding Companies Financial Data Schedule BD is attached hereto as Exhibit 27

b). Form 8-K

No reports were filed on Form 8-K during the three months ended December 31, 1997

## 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 02/10/98

/s/ Jerome F. Miceli
Jerome F. Miceli
President and Chief Operating Officer

Date 02/10/98

/s/ Jonathan C. Hinz
Jonathan C. Hinz
Chief Accounting Officer

INTERNATIONAL ASSETS HOLDING CORPORATION
STATEMENT OF COMPUTATION OF EARNINGS PER SHARE
EXHIBIT 11
For the Three Months Ended December 31, 1997 and 1996

| | 1997 (1) | 1996 |
|---|---|---|
| Basic Earnings (Loss) Per Share | | |
| Net income (loss) | $ (134,702) | $ 157,551 |
| Weighted average number of common shares outstanding | 1,548,962 | 1,592,951 |
| Basic earnings (loss) per share | $ (0.087) | $ 0.099 |
| Diluted Earnings (Loss) Per Share | | |
| Net income (loss) | $ (134,702) | $ 157,551 |
| Weighted average number of common shares outstanding | 1,548,962 | 1,592,951 |
| Weighted average number of net common shares that would be issued upon exercise of dilutive options and warrants assuming proceeds used to repurchase shares pursuant to the treasury stock method (2) | | 68,968 |
| Weighted average number of common shares and dilutive potential common shares outstanding | 1,548,962 | 1,661,919 |
| Diluted earnings (loss) per share | $ (0.087) | $ 0.095 |

- ---------------------------------------------------------------------------

(1) Diluted earnings (loss) per share is the same as basic earnings (loss) per share for 1997 because of the anti-dilutive impact of the dilutive potential common shares due to the net loss for 1997.

(2) The treasury stock method recognizes the use of proceeds that could be obtained upon exercise of options and warrants in computing diluted earnings per share. It assumes exercise of options and warrants as of the beginning of the period or when issued, if later, and that any proceeds would be used to purchase common stock at the average market price during the period.

BD
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3-MOS
SEP-30-1998
DEC-31-1997
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156,572
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3,874,820
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