INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements

September 30, 2002 and 2001

(With Independent Auditors' Report Thereon)

Independent Auditors' Report

The Board of Directors
International Assets Holding Corporation
and Subsidiaries:

We have audited the accompanying consolidated balance sheets of International Assets Holding Corporation and Subsidiaries (the Company) as of September 30, 2002 and 2001, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of International Assets Holding Corporation and Subsidiaries at September 30, 2002 and 2001, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

November 14, 2002
Tampa, Florida

INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2002 and 2001

Assets		**2002**	**2001**
Cash	$	56,158	136,688
Cash and cash equivalents deposited with clearing organization		4,427,445	874,613
Receivable from clearing organization, net		—	934,764
Other receivables		200,000	23,429
Loans to officers		21,468	126,541
Securities owned, at market value		5,772,672	6,011,939
Deferred income tax asset, net		540,766	1,397,489
Property and equipment, at cost:			
Equipment, furniture and leasehold improvements		596,726	1,307,461
Less accumulated depreciation and amortization		(445,399)	(944,502)
Net property and equipment		151,327	362,959
Software development, net of accumulated amortization of $752,783 and $491,995 at September 30, 2002 and 2001, respectively		282,718	553,802
Prepaid expenses and other assets, net of accumulated amortization of $2,000 and $177,000 at September 30, 2002 and 2001, respectively		119,625	311,474
Total assets	$	11,572,179	10,733,698
Liabilities and Stockholders' Equity			
Liabilities:			
Accounts payable	$	81,535	312,673
Foreign currency sold, not yet purchased		15,773	208,092
Securities sold, not yet purchased, at market value		5,796,820	5,313,641
Payable to clearing organization, net		1,024,728	—
Accrued employee compensation and benefits		240,072	307,500
Accrued expenses		109,883	139,094
Payable to Joint Venture		—	2,032
Other liabilities		49,686	7,779
Total liabilities		7,318,497	6,290,811
Commitments and contingent liabilities			
Stockholders' equity:			
Preferred stock, $.01 par value. Authorized 5,000,000 shares; issued and outstanding 0 shares		—	—
Common stock, $.01 par value. Authorized 8,000,000 shares; issued and outstanding 2,375,575 shares and 2,294,376 shares at September 30, 2002 and 2001, respectively		23,756	22,944
Additional paid-in capital		8,026,131	7,945,161
Retained deficit		(3,796,205)	(3,525,218)
Total stockholders' equity		4,253,682	4,442,887
Total liabilities and stockholders' equity	$	11,572,179	10,733,698

See accompanying notes to consolidated financial statements.

INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended September 30, 2002 and 2001

		2002	2001
Revenues:			
Net dealer inventory and investment gains	$	4,511,052	1,320,097
Commissions (note 2)		408,307	3,031,928
Management and investment advisory fees (note 2)		6,292	92,142
Interest and dividends		222,333	245,423
Loss from joint venture		—	(20,353)
Other revenues		231,588	2,151
Total revenues		5,379,572	4,671,388
Expenses:			
Compensation and benefits		2,216,073	4,753,319
Clearing and related expenses		1,707,701	1,472,645
Professional fees		454,097	303,190
Occupancy and equipment rental		386,945	517,824
Depreciation and amortization		376,975	528,834
Promotion		230,024	714,675
Interest and dividends		212,615	121,413
Insurance		119,951	203,569
Communications		93,578	266,320
Technology		39,669	188,236
Other expenses		225,940	369,034
Total expenses		6,063,568	9,439,059
Operating loss before gain on sale of retail activity and income tax benefit		(683,996)	(4,767,671)
Gain on sale of retail activity (note 2)		413,009	—
Loss before income tax benefit		(270,987)	(4,767,671)
Income tax benefit		—	(1,462,743)
Net loss	$	(270,987)	(3,304,928)
Loss per share:			
Basic	$	(0.11)	(1.47)
Diluted	$	(0.11)	(1.47)
Weighted average number of common shares outstanding:			
Basic		2,359,040	2,242,845
Diluted		2,359,040	2,242,845

See accompanying notes to consolidated financial statements.

INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

Years ended September 30, 2002 and 2001

		Preferred stock	Common stock	Additional paid-in capital	Retained earnings (deficit)	Total stockholders' equity
Balances at September 30, 2000	$	—	22,095	7,666,333	(220,290)	7,468,138
Issuance of common stock for services		—	849	267,827	—	268,676
Income tax benefit from ISO disqualifying dispositions		—	—	11,001	—	11,001
Net loss		—	—	—	(3,304,928)	(3,304,928)
Balances at September 30, 2001		—	22,944	7,945,161	(3,525,218)	4,442,887
Sale of common stock with sale of retail activity		—	800	79,200	—	80,000
Exercise of incentive stock options		—	12	1,770	—	1,782
Net loss		—	—	—	(270,987)	(270,987)
Balances at September 30, 2002	$	—	23,756	8,026,131	(3,796,205)	4,253,682

See accompanying notes to consolidated financial statements.

INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended September 30, 2002 and 2001

		2002	2001
Cash flows from operating activities:			
Net loss	$	(270,987)	(3,304,928)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization		376,975	528,834
Deferred income taxes		856,723	(1,530,696)
Gain on sale of retail activity		(413,009)	—
Loss on disposals of property, equipment and software development		10,786	—
Non-cash compensation		—	198,656
Loss from joint venture		—	20,353
Tax benefit from disqualifying dispositions of incentive stock options		—	11,001
Cash provided by (used in) changes in:			
Other receivables		(240,631)	57,593
Securities owned, at market value		239,267	(2,695,426)
Income taxes receivable		—	452,032
Prepaid expenses and other assets		(19,297)	(57,859)
Foreign currency sold, not yet purchased		(192,319)	196,189
Accounts payable		(231,138)	51,955
Securities sold, not yet purchased, at market value		483,179	4,110,982
Payable to or receivable from clearing organization, net		1,959,492	(959,094)
Accrued employee compensation and benefits		(67,428)	(747,738)
Accrued expenses		(29,211)	(52,631)
Payable to joint venture		(2,032)	5
Other liabilities		41,907	(60,588)
Net cash provided by (used in) operating activities		2,502,277	(3,781,360)
Cash flows from investing activities:			
Proceeds from sale of retail activity		827,240	—
Principal collections of loans to officers		105,073	88,223
Purchase of property, equipment and software development		(44,070)	(567,421)
Net cash provided by (used in) investing activities		888,243	(479,198)
Cash flows from financing activities:			
Exercise of employee stock options		1,782	—
Sale of common stock with sale of retail activity		80,000	—
Net cash provided by financing activities		81,782	—
Net increase (decrease) in cash and cash equivalents		3,472,302	(4,260,558)
Cash and cash equivalents at beginning of year		1,011,301	5,271,859
Cash and cash equivalents at end of year	$	4,483,603	1,011,301

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INTERNATIONAL ASSETS HOLDING CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended September 30, 2002 and 2001

		2002	2001
Supplemental disclosures of cash flow information:			
Cash paid for interest:	$	2,338	5,679
Supplemental disclosure of noncash financing activities: During the year ended September 30, 2001 the Company paid for the following transactions by issuance of common stock:			
Software development services, 12,283 common shares	$	—	70,020
Employee bonus compensation, 15,000 common shares	$	—	35,000
Purchase promissory note due by an officer, 57,625 common shares	$	—	163,657

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the accounts of International Assets Holding Corporation (the Company or the parent company) and its three wholly owned subsidiaries, INTLTRADER.COM, Inc. (ITCI), International Assets Management Corp. and OffshoreTrader.com Ltd.

All significant intercompany balances and transactions have been eliminated in consolidation.

INTLTRADER.COM, Inc. is a registered broker/dealer under the Securities Act of 1934. Its securities transactions are cleared through Wexford Clearing Services Corporation (Wexford) (a wholly owned, guaranteed subsidiary of Prudential Securities Incorporated) on a fully disclosed basis.

International Assets Management Corp. was formed to manage the physical assets of the Company.

OffshoreTrader.com Ltd. was incorporated to explore global internet securities trading for non-U.S. citizens.

(b) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period. Actual results could differ from those estimates.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash, cash deposits with clearing organization and foreign currency. Cash deposits with clearing organization consist of cash, foreign currency and money market funds stated at cost, which approximate market. The money market funds earn interest at varying rates on a daily basis. For purposes of the consolidated statements of cash flows, the Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

(d) Foreign Currency

The value of a foreign currency, including a foreign currency sold, not yet purchased, is converted into its U.S. dollar equivalent at the foreign exchange rate in effect at the close of business on the statement of financial condition date.

(e) Financial Instruments

As of September 30, 2002 and 2001, the carrying value of the Company's financial instruments including cash, cash equivalents and cash deposits with clearing organization, receivables, accounts payable and accrued expenses approximate their fair values, based on the short-term maturities of these instruments. Additionally, the carrying value of securities owned and any securities and foreign currency sold, not yet purchased, approximate their fair value at September 30, 2002 and 2001 as they are based on quoted market prices.

(f) Valuation of Securities

Each listed security is valued at the last reported sale price on that day. Listed securities not traded on an exchange that day, and other securities, which are traded in the over-the-counter market, are valued at the market's current bid price for securities owned and current asked price for securities sold, not yet purchased. The value of a foreign security is determined in its national currency on the exchange on which it is traded, which value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect following the close of the stock exchange in the country where the security is issued and traded.

As of September 30, 2002, securities owned, at market value includes a limited partnership ownership interest of $59,228. The limited partnership ownership interest is recorded at fair value, which has been determined by management. This limited partnership ownership interest is held for the Company's investing purposes and is not held for sale to the Company's customers.

(g) Revenue Recognition

The revenues of the Company are derived principally from realized and unrealized trading income in securities purchased or sold for the Company's account. Until December 13, 2001, revenues were also derived from commissions earned on the sale of securities and from management and investment advisory fees. Realized and unrealized trading income (net dealer inventory and investment gains) are recorded on a trade date basis. Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur. Securities owned and securities sold, not yet purchased are stated at market value with related changes in unrealized appreciation or depreciation reflected in net dealer inventory and investment gains. Interest income is recorded on the accrual basis and dividend income is recognized on the ex-dividend date. Included in other receivables and other revenue is $200,000 related to a partial settlement with a legal matter.

(h) Depreciation and Amortization

Depreciation on property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Leasehold improvements are amortized using the straight-line method over the estimated period of benefit to be received from the assets, which approximates seven years.

Intangible assets, included in other assets in the accompanying consolidated balance sheets, are amortized using the straight-line method over the estimated period of benefit to be received from the assets, which approximates five years.

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Software development costs for internally developed software are capitalized, in accordance with the American Institute of Certified Public Accountants' Statement of Position 98-1: *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*, and when management authorizes and commits to funding the project and it is probable that the project will be completed and the software will be used to perform the intended functions. Costs of software that have reached that stage of functionality are amortized using the straight-line method over the estimated period of benefit to be received from these costs, which ranges from two to three years.

The Company assesses the recoverability of its capitalized software development costs on an ongoing basis based on estimates of related future undiscounted cash flows compared to net book value. If the future undiscounted cash flow estimate is less than net book value, the net book value is reduced to the estimated fair value. The Company also evaluates the amortization period of its capitalized software development costs to determine whether events or circumstances warrant revised estimates of useful lives.

(i) Advertising

The Company expenses costs of advertising as incurred and have included these expenses in promotion expenses in the accompanying consolidated statements of operations. Advertising costs for the years ended September 30, 2002 and 2001 were $11,139 and $168,015, respectively.

(j) Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to an amount that, in the opinion of management, is more likely than not to be realized.

The Company and its subsidiaries file consolidated Federal and state income tax returns.

(k) Stock Option Plan

In October 1995, the Financial Accounting Standards Board (FASB) issued SFAS No. 123, *Accounting for Stock-Based Compensation*, which permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant. Alternatively, SFAS No. 123 also allows entities to continue to apply the provisions of APB Opinion No. 25 which provides that compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price and pro forma disclosures as if the fair-value-based method defined in SFAS No. 123 had been applied. The Company has elected to continue to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosure provisions of SFAS No. 123.

(l) Loss Per Share

Basic loss per share has been computed by dividing net loss by the weighted average number of common shares outstanding.

Diluted loss per share is the same as basic loss per share because of the anti-dilutive impact of the potential common shares, due to the net loss for each of the periods. No options to purchase shares of common stock were considered in the calculation of diluted loss per share because of the anti-dilutive impact of the potential common shares, due to the net loss for the periods.

(m) Recent Accounting Pronouncements

In July 2001, the FASB issued Statement of Financial Accounting Standards (SFAS) 141, *Business Combinations*, and SFAS 142, *Goodwill and Other Intangible Assets*. SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 as well as all purchase method business combinations completed after June 30, 2001. SFAS 141 also specifies criteria that intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill, noting that any purchase price allocable to an assembled workforce may not be accounted for separately. SFAS 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS 142. SFAS 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*. The Company has adopted SFAS 141 with no impact on its financial statements and has not yet completed its evaluation of SFAS 142; however, management does not anticipate that the adoption of SFAS 142 will have a material impact on the Company’s earnings or financial position upon adoption.

In June 2001, the FASB issued SFAS No. 143 – *Accounting for Asset Retirement Obligations*. Statement 143 relates to the accounting for the obligations associated with the retirement of long-lived assets. The Company has not completed its evaluation of SFAS 143; however, management does not anticipate that the adoption of SFAS 143 will have a material impact on the Company's earnings or financial position upon adoption.

In August 2001, the FASB issued SFAS No. 144 – *Accounting for Impairment or Disposal of Long-lived Assets*. Statement 144 establishes methods of accounting and reporting for the impairment of long-lived assets other than goodwill and intangible assets not being amortized. The Company has not completed its evaluation of SFAS 144; however, management does not anticipate that the adoption of SFAS 144 will have a material impact on the Company’s earnings or financial position upon adoption.

In April 2002, FASB issued SFAS 145, *Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections*. SFAS 145 addresses the income statement classification of gains or losses from extinguishment of debt and the accounting for certain lease modifications. The Company adopted SFAS 145 upon issuance with no material impact on its consolidated financial statements.

In June 2002, FASB issued SFAS 146, *Accounting for Costs Associated with Exit or Disposal Activities*. SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities. SFAS 146 nullifies Emerging Issue Task Force Issue No. 94-3 and is effective for exit or disposal activities that are initiated after December 31, 2002. At the present time, the Company cannot determine the impact that the adoption of SFAS 146 will have on its consolidated financial statements.

(n) Reclassification

Certain amounts in the 2001 financial statements have been reclassified to conform with the 2002 presentation.

(2) Sale of Certain Operations

On December 13, 2001 the Company sold its two wholly owned subsidiaries, International Assets Advisory, LLC and Global Assets Advisors, LLC, and its 50% membership interest in International Assets New York, LLC (IANY). In connection with the disposition transaction, the Buyer also purchased 80,000 shares of the Company's common stock. The Company received total proceeds of $907,240 for these sale transactions. The Company allocated $827,240 of the proceeds to the sale of the two wholly owned subsidiaries and the 50% interest in IANY. The Company allocated $80,000 of the proceeds to the sale of common shares based on the fair market value of the stock. The Company had a book basis of $414,231 related to the sale of the two wholly owned subsidiaries and IANY. The $413,009 gain on sale of retail activity recorded in 2002 was determined by deducting the book basis of $414,231 from the proceeds of $827,240.

The book value of the assets sold on December 13, 2001 are as follows:

Other receivables	$	64,060
Other assets		211,146
Property and equipment		139,025
Total	$	414,231

Commission revenues from retail private client securities brokerage activity amounted to $393,646 and $2,996,822 for the years ended September 30, 2002 and 2001, respectively. Though certain costs associated with this activity are distinct and clearly identifiable; many are not and management has not historically operated, monitored or specifically allocated expenses to this activity in such a manner as to determine profitability by activity.

In the same sale transaction, International Assets Holding Corporation agreed to sell its money management activity, which had revenues from management and investment advisory fees of $6,292 and $92,142 for the years ended September 30, 2002 and 2001, respectively. The money management activity was primarily related and tied into the retail private client activity including the same sales staffing, operations and research support. It is separated only for purposes of securities licensing and regulation.

(3) Software Development Costs

Software development costs that have been capitalized are amortized over a period ranging from two to three years. These development efforts are for internally used software systems for the Company's Internet based trading systems including the proprietary foreign quote system functionality.

		2002	2001
Beginning balance, net	$	553,802	416,810
Acquisition of capitalized software		—	477,707
Dispositions		(10,296)	—
Amortization expense		(260,788)	(340,715)
Ending balance, net	$	282,718	553,802

(4) Related Party Transactions

On June 5, 2001, the Company purchased, by issuance of 57,625 common shares of the Company, a $150,000 promissory note, due by the then President of the Company to his former employer. The promissory note included $13,657 of accrued interest at 5.75% per annum. On July 11, 2001 the Company executed an unconditional and irrevocable agreement to forgive the $150,000 promissory note held by the Company with accrued interest, due from the former President of the Company, with forgiveness effective June 11, 2002. The forgiveness of the note was reflected as compensation and benefits expense in the third quarter of fiscal 2001.

On January 4, 2000 the Company, after approval by the Board of Directors, made a loan to the CEO of the Company including the execution and receipt of a $250,000 promissory note due January 3, 2001. The Board of Directors of the Company granted an extension of the due date of the promissory note to December 31, 2001. At the Board of Directors meeting held on February 15, 2002 the CEO requested an extension to repay the balance by mid calendar year 2002, which request was consented to by the Board of Directors. The promissory note includes interest of 6 percent per annum. On August 7, 2002 the CEO repaid the entire loan balance including the then principal and accrued interest balance of $42,724.

On August 28, 2000 the Company made a loan to a Vice President of the Company including the execution and receipt of a $66,000 promissory note due August 27, 2001. The Board of Directors of the Company granted an extension of the due date of the promissory note to August 31, 2002. The promissory note includes interest of 6.27 percent per annum. On August 30, 2001 the Vice President made a $47,000 loan payment to the Company. As of September 30, 2002 the remaining principal balance of the promissory note including accrued interest is $21,468. The Vice President has notified the Company that he intends to make payments of approximately $900 per month from October 1, 2002 through March 31, 2003. In addition, the Vice President intends to make a balloon payment on March 31, 2003 for the then remaining loan balance.

The Company has engaged, on a task-by-task basis, a creative design firm that is partially owned by a spouse of an officer of the Company. The Company incurred promotional expense related to this creative design firm totaling approximately $0 and $34,023 during the years ended September 30, 2002 and 2001, respectively.

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On February 1, 2002 the Company executed a six-month contract for investor relations services from an outside firm that is owned and managed by a cousin of the CEO of the Company. The contract was for $5,000 per month plus reimbursement for reasonable expenses related to the performance of the service contract. This services contract ceased on July 31, 2002 after the six-month term expired.

On August 9, 2002, the Board of Directors of the Company agreed to execute a list broker agreement between Veitia & Associates (V&A) and the Company regarding the management and leasing of the Company's list rental access, for the period October 1, 2002 to December 13, 2004. V&A will pay the Company 10% of any proceeds generated from this agreement. V&A is a company solely owned and controlled by the Chairman of the Company.

Also on August 9, 2002, the Board of Directors of the Company decided to cease the Company's ongoing efforts for the creation of a Company proprietary hedge fund. The original cost of the legal work expended in pursuit to develop a hedge fund for the Company, up to August 9, 2002, was approximately $15,000. The Board of Directors has agreed to allow V&A access to a copy of the hedge fund legal work generated up to August 9, 2002. V&A has indicated the intent to develop a hedge fund. In addition, the Board of Directors agreed that certain services, such as accounting support and operational support, be provided to the V&A hedge fund under a soft dollar arrangement in exchange for certain security order flow from V&A and/or its hedge fund. The Board of Directors gave its assent to this arrangement subject to resolving the details and subject also to the provision that the arrangement not affect in any adverse way the operations of the Company.

The Company has paid to V&A, a travel lodging per diem for reimbursement to the Chairman for corporate related travel to New York City. The Chairman personally maintains a part-time residence in New York City. This per diem offsets the Company cost that would have been incurred for hotel expense. The total cost paid to V&A was $4,000 and $5,000 for the years ended September 30, 2002 and 2001, respectively.

(5) Securities Owned and Securities Sold, Not Yet Purchased

Securities owned and securities sold, not yet purchased at September 30, 2002 and 2001 consist of trading and investment securities at market values as follows:

	Owned	Sold, not yet purchased
2002:		
Common stock and American Depository Receipts	$ 1,080,710	1,046,074
Foreign ordinary stock, paired with its respective American Depository Receipts	4,566,045	4,745,282
Corporate and municipal bonds	57,814	—
Foreign government obligations	2,233	—
Unit investment trusts, mutual funds and other investments	65,870	5,464
	$ 5,772,672	5,796,820

		Owned	Sold, not yet purchased
2001:			
Common stock and American Depository Receipts	$	1,203,294	694,047
Foreign ordinary stock paired with its respective American Depository Receipts		4,618,006	4,619,594
Corporate and municipal bonds		68,949	—
Foreign government obligations		3,954	—
Unit investment trusts, mutual funds and other investments		117,736	—
	$	6,011,939	5,313,641

(6) Receivable From and Payable to Clearing Organization

Amounts receivable from and payable to clearing organization, net at September 30, 2002 and 2001 of $(1,024,728) and $934,764, respectively, consist of the following:

		Receivable	Payable
2002:			
Clearing fee payable	$	—	46,025
Open transactions, net		—	978,703
	$	—	1,024,728
2001:			
Commission income receivable	$	31,783	—
Clearing fee payable		—	23,722
Open transactions, net		926,703	—
	$	958,486	23,722

As these amounts are short-term in nature, the carrying amount is a reasonable estimate of fair value.

(7) Investment in Joint Venture

On September 30, 1998, the Company signed a 50/50 Joint Venture Agreement (JV) with Lakeside Investments, LLC (Lakeside) of New York. On October 1, 1998, the joint venture effected the incorporation of International Assets New York, LLC (IANY) a 50/50 owned entity formed to transact the business for the JV. Each party made total capital contributions of $110,000. The Company accounted for this investment under the equity method of accounting. In accordance with the equity method, the Company has reduced its investment in joint venture to $0 as of September 30, 2001. On December 13, 2001, the Company sold its 50% interest in International Assets Net York, LLC in connection with the sales discussed in note 2.

For the year ended September 30, 2001, the Company has recorded a loss of $20,353 for 50% of the joint venture's loss for the period. As of September 30, 2001, the Company had a payable to the joint venture of $2,032 which relates to joint venture cash outlays which were made on behalf of the Company.

(8) Financial Instruments with Off-Balance Sheet Risk

The Company is party to certain financial instruments with off-balance sheet risk in the normal course of business as a registered securities broker–dealer. In addition, the Company has sold securities that it does not currently own and will therefore be obligated to purchase such securities at a future date. The Company has recorded these obligations in the consolidated financial statements at September 30, 2002 at market values of the related securities (totaling $5,796,820) and additional losses will incur if the market value of the securities increases subsequent to September 30, 2002.

(9) Capital and Cash Reserve Requirements

As of September 30, 2002, ITCI is subject to the Securities and Exchange Commission (SEC) uniform net capital rule (Rule 15c3-1), which requires the maintenance of minimum net capital at an amount equal to the greater of $100,000, 6-2/3 percent of aggregate indebtedness, or $2,500 for each security in which a market is made with a bid price over $5 and $1,000 for each security in which a market is made with a bid price of $5 or less with a ceiling of $1,000,000, and requires that the ratio of aggregate indebtedness to net capital not exceed 15 to 1. As of September 30, 2002, the Company had excess net capital of $1,941,170 and a ratio of aggregate indebtedness to net capital of 0.20 to 1.

ITCI is exempt from customer reserve requirements and providing information relating to possession or control of securities pursuant to Rule 15c3-3 of the Securities and Exchange Act of 1934. ITCI meets the exemptive provisions of Paragraph (k)(2)(ii).

(10) Leases

The Company occupies leased office space of approximately 5,100 square feet at 220 E. Central Parkway, Altamonte Springs, Florida. The commencement date of the lease was February 1, 2002, with six months free rent, and a seven year term to July 31, 2009.

The Company is obligated under various noncancelable operating leases for the rental of its office facilities, service obligations and certain office equipment. Rent expense associated with operating leases amounted to $226,943 and $294,302 for the years ended September 30, 2002 and 2001, respectively. Future minimum lease payments under noncancelable operating leases as of September 30, 2002 are as follows:

Year ending September 30,		
2003	$	277,200
2004		175,600
2005		138,000
2006		132,200
2007		114,900
Thereafter		203,700
Total future minimum lease payments	$	1,041,600

(11) Income Taxes

Income tax benefit for the years ended September 30, 2002 and 2001 consists of:

		Current	Deferred	Total
2002:				
Federal	$	(856,723)	856,723	—
	$	(856,723)	856,723	—
2001:				
Federal	$	58,021	(1,306,967)	(1,248,946)
State		9,933	(223,730)	(213,797)
	$	67,954	(1,530,697)	(1,462,743)

Total income tax benefit for the years ended September 30, 2002 and 2001 differed from the amounts computed by applying the U.S. Federal income tax rate of 34% to income before income taxes as a result of the following:

	2002		2001	
	Amount	% of pretax income	Amount	% of pretax income
Computed “expected” tax benefit	$ (92,136)	34.0%	$ (1,621,008)	34.0%
Decrease (increase) in income tax benefit resulting from:				
State income taxes, net of Federal income tax benefit	(9,837)	3.6%	(159,029)	3.3%
Meals and entertainment expenses not deductible for tax purposes	9,466	(3.5%)	34,464	(0.7%)
Memberships	3,908	(1.4%)	3,470	(0.1%)
Other, net	3,185	(1.2%)	1,553	—
Changes in valuation allowance	85,414	(31.5%)	277,807	(5.8%)
	$ —	—	$ (1,462,743)	30.7%

Deferred income taxes as of September 30, 2002 and 2001 reflect the impact of "temporary differences" between amounts of assets and liabilities for financial statement purposes and such amounts as measured by tax laws. The temporary differences give rise to deferred tax assets and liabilities, which are summarized below as of September 30, 2002 and 2001:

	2002	2001
Gross deferred tax liabilities:		
Accumulated depreciation and amortization	$ (6,714)	(10,484)
Software development costs	(106,387)	(208,396)
Total gross deferred tax liabilities	(113,101)	(218,880)
Gross deferred tax assets:		
Investment in Limited Partnership	3,940	3,770
Amortization of other assets	—	41,172
Net operating loss carryforward	1,013,148	1,849,234
Total gross deferred tax asset	1,017,088	1,894,176
Valuation allowance	(363,221)	(277,807)
Total net deferred tax assets	653,867	1,616,369
Net deferred tax asset	$ 540,766	1,397,489

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income or the reversal of deferred tax liabilities during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. As of September 30, 2002, based upon the projections for future taxable income, management believes it is more likely than not that the Company will realize the benefits of these deductible differences and net operating loss carryforward, net of the recorded valuation allowance.

At September 30, 2002, the Company has net operating loss carryforwards for Federal income tax purposes which begin to expire in 2019. In addition, as noted in note 18, Subsequent Events, the Company has entered into three share subscription agreements. In some cases these types of transactions may cause a limitation on the availability of the net operating loss carryforward.

(12) Employee Benefit Plans

Effective May 1, 1999, the Company implemented a defined contribution 401(k) Profit Sharing Plan (401(k) Plan). The 401(k) Plan amended and restated the Company's employee stock ownership plan (ESOP), which was effective December 30, 1992. This plan retained the 401(k) profit sharing features of the December 30, 1992 plan, and effective May 1, 1999, deleted the employee stock ownership plan provisions. Those participants who had account balances in the ESOP portion of the plan, as of May 1, 1999 retained certain ESOP rights, such as the right to receive distributions in the form of employer common stock. Also, the Company implemented a defined contribution Retirement Savings Plan (RSP) effective January 1, 1995.

On November 1, 2001, International Assets Advisory Corp. (a former 100% owned subsidiary) terminated the International Assets Advisory Corporation 401K Profit Sharing Plan (401K) and the International Assets Advisory Corporation Retirement Savings Plan (RSP). All participants under the 401K and RSP vested 100% in their respective account balances and the employer sponsor and its related employees made no further contributions to the plans. Also, on November 1, 2001, International Assets Holding Corporation became the primary sponsoring employer of both plans. The plans became known as the International Assets Holding Corporation 401K Profit Sharing Plan and the International Assets Holding Corporation Retirement Savings Plan. International Assets Holding Corporation will effectuate the necessary actions to terminate the plans.

The Company did not make any contributions to either the 401K and RSP benefit plans for the years ended September 30, 2002 and 2001. During the years ended September 30, 2002 and 2001, no common shares of the Company were purchased from terminated 401(K) or RSP plan participants.

As of September 30, 2002 and 2001, 146,982 and 158,928 common shares of the Company were allocated to the 401(K) plan participants, respectively. As of September 30, 2002 and 2001, 58,005 and 69,694 common shares of the Company were allocated to RSP participants, respectively.

The Company has received written notification from the IRS dated Sep 17, 2002, which acknowledges that the termination of the two plans does not adversely affect the plans qualification for Federal tax purposes. The Company has begun the liquidation and distribution process for both plans. This distribution process is expected to be completed by December 31, 2002.

(13) Stock Options

The International Assets Holding Corporation Stock Option Plan (the Plan) was adopted by the Board of Directors of the Company and approved by the Company's stockholders during January 1993. The Plan permits the granting of awards to employees and directors of the Company and its subsidiaries in the form of stock options. Stock options granted under the Plan may be “incentive stock options” meeting the requirements of Section 422 of the Internal Revenue Code of 1986, as amended, or nonqualified stock options, which do not meet the requirements of Section 422. As of September 30, 2002, a total of 1,339,300 shares of the Company's common stock had been reserved for issuance pursuant to options granted under the Plan.

The Plan is administered by the Company’s Board of Directors or a committee thereof. The Plan gives broad powers to the Board of Directors to administer and interpret the Plan, including the authority to select the individuals to be granted options and rights and to prescribe the particular form and conditions of each option or right granted. All options are granted at an exercise price equal to the fair market value or 110 percent of the fair market value of the Company’s common stock on the date of the grant. Awards may be granted pursuant to the Plan through January 2003. The Board of Directors at its sole discretion may terminate the Plan earlier.

At September 30, 2002, there were 393,791 additional shares available for grant under the Plan. Using the Black Scholes option-pricing model, the per share weighted-average fair value of stock options granted

(Continued)

during 2002 and 2001, where exercise price equals the market price of the stock on the grant date, was $.67 and $2.27, respectively. The per share weighted average fair value of stock options granted during 2002 and 2001, where exercise price is greater than market price on the grant date was $.67 and $2.27, respectively.

The following weighted average assumptions were used:

	2002	2001
Exercise price equal to market price on grant date:		
Expected risk-free interest rate	4.31%	5.04%
Expected life	6.50 years	6.48 years
Expected volatility	85.6%	80.4%
Exercise price greater than market price on grant date:		
Expected risk free interest rate	4.31%	5.04%
Expected life	6.50 years	6.50 years
Expected volatility	85.6%	80.4%

The Company applies APB Opinion No. 25 in accounting for its Plan and, accordingly, no compensation cost has been recognized for its stock options in the consolidated financial statements. Had the Company determined compensation cost based on the fair value at the grant date for its stock options under SFAS No. 123, the Company's net loss and loss per share would be reflected in the pro forma amounts indicated below:

			2002	2001
Net loss	As reported	$	(270,987)	(3,304,928)
	Pro forma	$	(253,295)	(3,562,585)
Basic loss per share	As reported	$	(0.11)	(1.47)
	Pro forma	$	(0.11)	(1.59)
Diluted loss per share	As reported	$	(0.11)	(1.47)
	Pro forma	$	(0.11)	(1.59)

Pro forma net loss reflects only options granted from 1996 to 2002. Therefore, the full impact of calculating compensation cost for stock options under SFAS No. 123 is not reflected in the pro forma net loss amounts presented above because compensation cost is reflected over the options' expected life ranging from 5 to 8.5 years and compensation cost for options granted prior to October 1, 1995 is not considered.

Pro forma net loss is less than as reported net loss for 2002 due to the net pro forma compensation benefit from the cumulative adjustment for the cancellation of 311,686 options during 2002 of $292,857.

Stock option activity during the fiscal years ended September 30, 2002 and 2001 is as follows:

	Number of shares	Weighted–average exercise price
Outstanding at September 30, 2000	420,732	$ 4.17
Granted	346,500	3.09
Exercised	—	—
Forfeited	(103,123)	5.26
Expired	—	—
Outstanding at September 30, 2001	664,109	3.43
Granted	176,000	0.89
Exercised	(1,199)	1.49
Forfeited	(311,686)	3.77
Expired	—	—
Outstanding at September 30, 2002	527,224	$ 2.40

At September 30, 2002 the range of exercise prices and weighted-average remaining contractual life of outstanding options was \$0.60 – \$11.70 and 7.16 years, respectively.

At September 30, 2002 and 2001, the number of options exercisable was 251,743 and 160,903, respectively, and the weighted-average exercise price of those options was \$2.93 and \$3.29, respectively.

Incentive Stock Options

As of September 30, 2002, options outstanding under qualified incentive stock options, including their grant date, exercise price and expiration date, were as follows:

Options outstanding	Grant date		Exercise price	Expiration date	Exercisable
24,091	January 23, 1993	$	3.87	January 23, 2003	A
26,378	December 28, 1995		2.09	December 28, 2005	C
8,393	December 28, 1995		1.90	December 28, 2005	C
12,589	December 11, 1996		2.51	December 11, 2006	B
83,930	November 2, 1998		1.38	November 2, 2008	D
19,184	November 2, 1998		1.25	November 2, 2008	C
5,450	December 9, 1999		7.17	December 9, 2009	B
14,519	January 28, 2000		11.70	January 28, 2010	E
4,150	March 10, 2000		11.63	March 10, 2010	C
20,000	December 22, 2000		2.13	December 22, 2010	E
2,500	January 8, 2001		2.88	January 8, 2011	E
2,500	January 22, 2001		2.75	January 22, 2011	E
3,330	January 29, 2001		4.25	January 29, 2011	E
25,000	March 9, 2001		3.44	March 9, 2011	E
58,830	March 9, 2001		3.13	March 9, 2011	E
2,000	July 6, 2001		2.27	July 6, 2011	F
40,000	October 5, 2001		0.90	October 5, 2011	E
25,000	October 5, 2001		0.99	October 5, 2011	E
20,000	December 22, 2001		0.60	December 22, 2011	E
13,000	January 3, 2002		0.65	January 3, 2012	E
14,000	April 11, 2002		1.40	April 11, 2012	E
424,844					

(A) Exercisable at 25% per year beginning two years from the date of grant.
(B) Exercisable at 20% per year beginning three years from the date of grant.
(C) Exercisable at 20% per year beginning one year from the date of grant.
(D) Exercisable at 30% after year one, 30% after year two and 40% after year three.
(E) Exercisable at 33.3% after year one, 33.3% after year two and 33.4% after year three.
(F) Exercisable at 50% on August 31, 2001, 16.6% on July 6, 2002, 16.7% on July 6, 2003 and 16.7% on July 6, 2004.

As of September 30, 2002 and 2001, 220,923 and 144,555 options, respectively, were exercisable under qualified incentive stock options. During the year ended September 30, 2002, 1,199 of the incentive stock options were exercised with a weighted average exercise price of $1.49.

(Continued)

Nonqualified Stock Options

As of September 30, 2002, options outstanding under nonqualified options, including their grant date, exercise price and expiration date, were as follows:

Options outstanding	Grant date	Exercise price	Expiration date	Exercisable
11,990	July 20, 1998	$ 2.40	July 20, 2008	A
11,990	January 6, 1999	1.25	January 1, 2009	A
10,900	June 4, 1999	6.65	June 4, 2009	A
22,500	March 9, 2001	3.13	March 9, 2011	B
45,000	October 5, 2001	0.90	October 5, 2011	B
102,380				

(A) Exercisable at 20% per year beginning one year from the date of grant.

(B) Exercisable at 33.3% after year one, 33.3% after year two and 33.4% after year three.

As of September 30, 2002 and 2001, 30,820 and 16,350 options, respectively, were exercisable under nonqualified stock options. During the years ended September 30, 2002 and 2001, none of the nonqualified stock options were exercised.

(14) ITCI Stock Option and Plan

The Board of Directors of ITCI adopted a stock option plan (ITCI Plan) retroactively as of December 31, 1998. The ITCI Plan was intended to constitute both an "incentive stock option" and a "plan" within the meaning of qualifying under Section 422 of the Internal Revenue Code of 1986, as amended, and the regulations thereunder. The ITCI Plan permitted the granting of an option of 111 common shares (approximately 11% of the total common shares) of ITCI to a sole participant. The ITCI Plan expires on December 31, 2002. Retroactively, as of December 1, 1998, this one incentive stock option was granted to a sole participant. The purchase price of the 111 common shares was $98.95 per common share, being 100% of the estimated fair market value per share of common stock as of December 1, 1998.

The right to exercise the options granted and purchase the option shares depended upon meeting certain financial benchmarks. None of the benchmarks were met and therefore the option plan terminated as of September 30, 2001.

(15) Preferred Stock

The Company has authorized 5,000,000 shares of its preferred stock for issuance at a par value of $.01 per share. As of September 30, 2002 and 2001, no shares have been issued and the Board of Directors has not yet determined the specific rights and privileges of these shares.

(16) Commitments and Contingent Liabilities

The Company is party to certain litigation as of September 30, 2002, which relates primarily to matters arising in the ordinary course of business. While the Company cannot absolutely predict the outcome of these actions at this time, it is the opinion of management, given the probability of success by the Company, that the resolution of these matters will not have a material adverse effect on the consolidated financial condition of the Company.

The Company had entered into an employment agreement with its chief executive officer that would have expired March 24, 2003. As described below, the arrangement has been modified effective September 1, 2002. Under the terms of the original agreement, the chief executive officer would have received specified annual compensation, a bonus, a monthly automobile allowance and reimbursement for personal income tax preparation fees. The bonus was to be calculated by applying the consolidated return-on-equity percentage for that year to the consolidated pre-tax earnings adjusted before the deduction for officer bonus expense and as adjusted for certain financial transactions. The executive bonus percentage is subject to a minimum of 5% and a maximum of 15% of adjusted consolidated pre-tax earning of the Company. The Company may award additional bonuses to the executive from time to time as determined by the Board of Directors. In the event of termination of the agreements by the Company other than for cause, as defined, or if the executive resigns as a result of a breach by the Company, the agreement provides for payments to such individual in an amount equal to 100% of his total compensation for 24 months following the date of termination.

The Board of Directors of the Company has modified the compensation payable directly to the chief executive officer under the employment agreement and has modified the services to be provided under that agreement. The Company also agreed to enter into a consulting agreement with Veitia and Associates (V&A) for the additional services required from the Executive Chairman (formerly chief executive officer until October 22, 2002). V&A is a company solely owned by the Executive Chairman of the Company. The agreement has an original term from September 1, 2002 through September 30, 2003. Under the terms of the agreements, the Executive Chairman will receive specified comprehensive annual compensation, certain general employee benefits (such as medical insurance), a monthly automobile allowance, three monthly club memberships and reimbursement for personal income tax preparation fees. V&A will assume certain other business expenses incurred by the executive that previously had been reimbursed by the Company. The Company may award bonuses to the executive from time to time as determined by the Board of Directors. In the event of termination of the agreements by the Company other than for cause, as defined, or if the executive resigns as a result of a breach by the Company, the agreement provides for payments to such individual in an amount equal to 100% of his total compensation for 24 months following the date of termination.

The Company has entered into an employment agreement with its chief operating officer and expires on December 31, 2002. Under the terms of the agreement, the officer will receive specified annual compensation, a bonus and a monthly automobile allowance. The bonus is determined by the Board of Directors. In the event of termination of the agreements by the Company other than for cause, as defined, or if the executive resigns as a result of a breach by the Company, the agreement provides for payments to such individual in an amount equal to 100% of his total compensation for the remaining term of the agreement or 6 months if longer, following the date of termination.

See Subsequent Events note 18 for updated compensation agreement terms.

(17) Quarterly Financial Information (Unaudited)

		For the three months ended			
		December 31, 2001	March 31, 2002	June 30, 2002	September 30, 2002
2002:					
Revenues	$	1,458,011	839,635	1,244,987	1,836,939
Total expenses		1,701,138	1,330,309	1,519,579	1,512,542
Income (loss) before income taxes		169,882	(490,674)	(274,592)	324,397
Net income (loss)		102,681	(423,473)	(274,592)	324,397
Net income (loss) per share - basic	$	0.04	(0.18)	(0.12)	0.14
Net income (loss) per share - diluted	$	0.04	(0.18)	(0.12)	0.14

		For the three months ended			
		December 31, 2000	March 31, 2001	June 30, 2001	September 30, 2001
2001:					
Revenues	$	1,420,272	983,937	1,223,491	1,043,688
Total expenses		2,344,213	2,379,532	2,396,521	2,318,793
Income (loss) before income taxes		(923,941)	(1,395,595)	(1,173,030)	(1,275,105)
Net income (loss)		(596,435)	(885,930)	(740,363)	(1,082,200)
Net income (loss) per share - basic	$	(0.27)	(0.40)	(0.33)	(0.47)
Net income (loss) per share - diluted	$	(0.27)	(0.40)	(0.33)	(0.47)

(18) Subsequent Events (Unaudited)

On October 22, 2002, the Company executed three Share Subscription Agreements and three Registration Rights Agreements (the Agreements) with three individual private investors (the Investors), for the total sale of 451,359 common shares and 1,736,141 preferred shares. Both the common shares and preferred shares will be sold at a price of $1.70 per share. A proposal to permit conversion of those preferred shares into common shares will be placed before the shareholders at the next shareholder annual meeting in February 2003.

There are certain terms precedent to the Agreements which must be met prior to closing. The Company expects all terms to be met and the closing of the purchases to occur in early December 2002. There are further terms precedent to the Agreements which must be approved by shareholders and will be submitted to shareholders for approval at the Company's next annual meeting in February 2003. On October 25, 2002 the Company received an $80,000 conditional deposit from each of the three investors. The total proceeds for the investment of $3,718,750 (less approximately $200,000 of estimated closing costs and less the $240,000 deposit already collected) are expected to be received by the Company in early December 2002 at closing.

The amount of consideration received by the Company was the result of arm's length negotiations between the Company and the Investors, based on the evaluation of the estimated per-share book value of the Company's common shares. At the time the agreements were executed, the previous 5 day average closing price for the Company's common shares was $.62 per share.

Pursuant to the Agreements, the Board of Directors of the Company has agreed to appoint one of the new investors as CEO-designate. Additionally, the Board has appointed another of the investors as President-designate. The Company has entered into employment agreements with both of these individuals. Each of the employment agreements are for a three year term commencing on October 22, 2002 and include annual base compensation and participation in a bonus to be determined by the Board of Directors. In the event of termination of the employment agreements by the Company other than for cause, as defined, or if the executive resigns as a result of a breach by the Company, the agreement provides for payments to such individual in an amount equal to 100% of his total compensation for the remaining term of the agreement or 6 months if longer, following the date of termination.

The Agreements also require shareholder approval of a new stock option plan where the CEO-designate and President-designate each receive 275,000 stock options for the Company's common stock at an exercise price of $2.50 per share, with a three-year vesting.

The terms, conditions and Agreements related to these transactions are further described in the Company's 8-K filing submitted to the Securities and Exchange Commission on October 24, 2002.

Also, on October 22, 2002, the existing compensation agreements for the Company's Executive Chairman and Chief Operating Officer, and the consulting agreement with V&A, were each modified and extended for a three-year term commencing on October 22, 2002. The extension of the term of the agreements and provisions to limit the arbitrary removal of the Executive Chairman are intended to provide a continuity of executive direction for the Company after shareholders approve the matters being presented at the next meeting of the shareholders. In the event of termination of the compensation or consulting agreements by the Company other than for cause, as defined, or if the executive resigns as a result of a breach by the Company, the agreement provides for payment to such individual and to V&A in an amount equal to 100% of the total compensation payable under the agreements for the remaining term of the agreements or 6 months if longer, following the date of termination.