



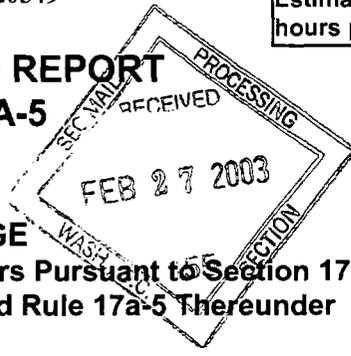
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

UFB-3-03  
OMB APPROVAL  
OMB Number: 3235-0123  
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Estimated average burden  
hours per response . . . 12.00

**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**



SEC FILE NUMBER  
8-48121

**FACING PAGE**

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/02 AND ENDING 12/31/02  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:  
**United Variable Services, Inc.**

OFFICIAL USE ONLY  
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

1475 Dunwoody Drive  
(No. and Street)

West Chester  
(City)

PA  
(State)

19380  
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Anita F. Woods

(770) 933-3620

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Ernst & Young LLP

(Name - of individual, state last, first, middle name)

600 Peachtree Street Ste 2800  
(Address)

Atlanta  
(City)

GA  
(State)

30308  
(Zip Code)

**CHECK ONE:**

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

**PROCESSED**

**MAR 11 2003**

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THOMSON FINANCIAL

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

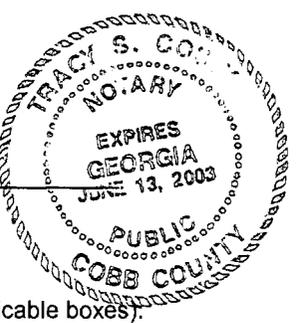
**OATH OR AFFIRMATION**

I, Anita F. Woods, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of United Variable Securities, Inc., as of 12/31/02, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Anita F. Woods  
Signature  
Financial and Operations Principal  
Title

Tracy S. Cooby  
Notary Public

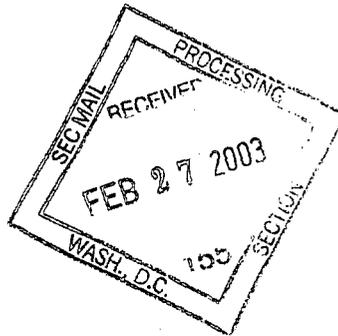


This report\*\* contains (check all applicable boxes).

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Operations.
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims or Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A or Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) Schedule of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Commodity Exchanges.
- (p) Statement of Secured Amount and Funds Held in Separate Accounts for Foreign Futures and Options Customers Pursuant to Commission Regulation 30.7.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION  
United Variable Services, Inc.  
*For the year ended December 31, 2002*  
*with Reports of Independent Auditors*



United Variable Services, Inc.

Audited Financial Statements  
and Supplemental Information

For the year ended December 31, 2002

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## Report of Independent Auditors

Stockholder and Board of Directors  
United Variable Services, Inc.

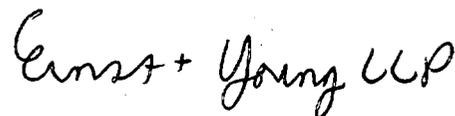
We have audited the accompanying statement of financial condition of United Variable Services, Inc. (a wholly owned subsidiary of United Life & Annuity Insurance Company, which is an indirect wholly owned subsidiary of ING America Insurance Holdings, Inc.) as of December 31, 2002, and the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Variable Services, Inc. at December 31, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information contained in Schedules I, II, and III is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplemental information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Atlanta, Georgia  
February 14, 2003



United Variable Services, Inc.  
Statement of Financial Condition

December 31, 2002

<b>Assets</b>	
Cash and cash equivalents	\$16,312
Due from affiliates	<u>12,872</u>
Total assets	<u><u>\$29,184</u></u>
 <b>Liabilities and stockholder's equity</b>	
Liabilities:	
Due to affiliates	<u>\$ 4,184</u>
Total liabilities	<u>4,184</u>
 Stockholder's equity:	
Common stock, no par value; 10,000 shares authorized, 1,000 shares issued and outstanding	<u>25,000</u>
Total stockholder's equity	<u>25,000</u>
Total liabilities and stockholder's equity	<u><u>\$29,184</u></u>

*See accompanying notes.*

United Variable Services, Inc.

Statement of Operations

Year ended December 31, 2002

Revenues:	
Distribution fees	\$24,672
Expenses:	
Distribution fees	24,672
Net income	<u>\$ -</u>

*See accompanying notes.*

United Variable Services, Inc.

Statement of Changes in Stockholder's Equity

	<b>Common Stock</b>	<b>Additional Paid-in Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
Balance at January 1, 2002	\$25,000	\$ -	\$ -	\$25,000
Net income	-	-	-	-
Balance at December 31, 2002	<b>\$25,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$25,000</b>

*See accompanying notes.*

United Variable Services, Inc.

Statement of Cash Flows

Year ended December 31, 2002

**Operating activities**

Net income	\$ -
Adjustments to reconcile net income to net cash used in operating activities:	
Changes in operating assets and liabilities:	
Due from affiliates	(12,872)
Due to affiliates	4,184
Net cash used in operating activities	<u>(8,688)</u>
Net decrease in cash and cash equivalents	(8,688)
Cash and cash equivalents at beginning of year	<u>25,000</u>
Cash and cash equivalents at end of year	<u><u>\$ 16,312</u></u>

*See accompanying notes.*

# United Variable Services, Inc.

## Notes to Financial Statements

December 31, 2002

### **1. Nature of Business and Ownership**

United Variable Services, Inc. (the "Company") operates as a broker-dealer registered under the Securities and Exchange Act of 1934 and is a member of the National Association of Securities Dealers. The Company is engaged primarily in acting as a principal underwriter and distributor of variable annuity and variable life insurance products. The Company is a wholly owned subsidiary of United Life & Annuity Insurance Company (the "Parent") and ultimately of ING America Insurance Holdings, Inc. ("ING AIH"). ING AIH is a wholly owned subsidiary of ING Groep N.V., a global financial services holding company based in The Netherlands.

The Company's securities transactions are limited to variable annuities. Therefore, the Company is exempt from Securities and Exchange Commission ("SEC") Rule 15c3-3. The Company does not carry customer accounts and is not required to make the periodic computation of reserve requirements for the exclusive benefit of customers.

### **2. Summary of Significant Accounting Policies**

#### **General**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

The Company considers deposits that can be redeemed on demand and highly liquid investments that have original maturities of three months or less, when purchased, to be cash and cash equivalents.

United Variable Services, Inc.

Notes to Financial Statements (continued)

**2. Summary of Significant Accounting Policies (continued)**

**Revenue Recognition**

Commission revenue and expense are recognized when premiums are received. The Parent pays any commissions, fees, and related expenses payable to independent broker-dealers on behalf of the Company.

**Liabilities Subordinated to the Claims of General Creditors**

At December 31, 2002 and during the year then ended, the Company had no liabilities subordinated to the claims of general creditors.

**3. Income Taxes**

The Company files a separate federal income tax return from the Parent. At December 31, 2002, there were no temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. As the Company had no net income or loss, no tax expense or benefit has been recorded.

**4. Related Party Transactions**

The Company has a Broker-Dealer Agreement with the Parent whereby the Parent provides certain services to the Company, including maintaining and preserving the books and records of the Company and providing personnel, adequate financing, and facilities for the Company. The Company is not charged for these services. Further, under the terms of the Broker-Dealer Agreement, the Parent reimburses the Company for any commission, fees, and expenses payable by the Company. Under this Broker-Dealer Agreement, the Company received \$24,672 in commission income from its Parent for the year ended December 31, 2002.

Revenues and expenses recorded as a result of transactions and agreements with affiliates may not be the same as those incurred if the Company was not a wholly owned subsidiary of its Parent.

United Variable Services, Inc.

Notes to Financial Statements (continued)

**5. Net Capital Requirements**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Rule 15c3-1 also provides that equity may not be withdrawn or cash dividends paid if the resulting ratio of aggregate indebtedness to net capital would exceed 10 to 1. At December 31, 2002, the Company had net capital of \$12,128, which was \$7,128 in excess of its required net capital of \$5,000. The Company's ratio of aggregate indebtedness to net capital at December 31, 2002 was .35 to 1.

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Supplemental Information

United Variable Services, Inc.

Schedule I

Computation of Net Capital and Aggregate Indebtedness  
Pursuant to Rule 15c3-1 of the Securities and Exchange Commission

December 31, 2002

<b>Total Stockholder's equity</b>	<b>\$ 25,000</b>
<b>Non-allowable assets</b>	
Due from affiliates	<u>12,872</u>
<b>Net Capital</b>	<u><u>\$ 12,128</u></u>
<b>Aggregate indebtedness (AI):</b>	
Due to affiliates	<u>\$ 4,184</u>
<b>Total aggregate indebtedness</b>	<u><u>\$ 4,184</u></u>
<b>Minimum net capital requirement, 6-2/3% of AI</b>	<u><u>\$279</u></u>
<b>Minimum dollar net capital requirement</b>	<u><u>\$ 5,000</u></u>
<b>Excess net capital</b>	<u><u>\$ 7,128</u></u>
<b>Excess net capital at 1000%, as defined</b>	<u><u>\$ 11,710</u></u>
<b>Ratio of aggregate indebtedness to net capital</b>	<u><u>.35 to 1</u></u>

United Variable Services, Inc.

Schedule II  
Statement Pursuant to SEC Rule 17a-5(d)(4)

December 31, 2002

There were no material differences between the computation of net capital under Rule 15c3-1 included in this audited report and the computation included in the Company's corresponding unaudited Form X-17A-5 Part IIA filing, as amended, as of December 31, 2002.

United Variable Services, Inc.

Schedule III  
Statement Regarding SEC Rule 15c3-3

December 31, 2002

**Exemptive Provision**

The Company claims exemption from the requirements of Rule 15c3-3 under Section (k)(1) of the Rule.

## Report on Internal Control Required by SEC Rule 17a-5 for a Broker-Dealer Claiming an Exemption from SEC Rule 15c3-3

Stockholder and Board of Directors  
United Variable Services, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of United Variable Services, Inc. (the "Company") for the year ended December 31, 2002, we considered its internal control, including control activities for safeguarding securities, to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the "SEC"), we have made a study of the practices and procedures followed by the Company, including tests of such practices and procedures that we considered relevant to the criteria stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons,
2. Recordation of differences required by Rule 17a-13, and
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned criteria. Two of the criteria of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in

accordance with accounting principles generally accepted in the United States. Rule 17a-5(g) lists additional criteria of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control or the practices and procedures referred to above, misstatements due to errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that internal control may become inadequate because of changes in conditions, or that the effectiveness of its design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, and its operation that we consider to be material weaknesses as defined above.

We understand that practices and procedures that meet the criteria referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not meet such criteria in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2002, to meet the SEC's criteria.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Atlanta, Georgia  
February 14, 2003

