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

UF 3-3-03

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

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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: World Group Securities Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

11315 Johns Creek Parkway

(No. and Street)

Duluth
(City)

GA
(State)

30097
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Kimberly A. Scouller 770-453-9300

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Ernst & Young LLP

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

801 Grand Avenue, Suite 3400 Des Moines, Iowa

50309

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED
MAR 11 2003
THOMSON
FINANCIAL

FOR OFFICIAL USE ONLY

*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)

MAR 10 2003

OATH OR AFFIRMATION

I, Kimberly A. Scouler, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of World Group Securities Inc., as of December 31, 2002, 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:



Kenneth Brill
Notary Public

Kimberly A. Scouler
Signature

President
Title

This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of 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 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of 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.

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

FINANCIAL STATEMENTS AND SUPPLEMENTAL
INFORMATION

World Group Securities, Inc.
Period From April 12, 2002 (Date Operations Commenced) to
December 31, 2002

World Group Securities, Inc.

Financial Statements and Supplemental Information

Period From April 12, 2002 (Date Operations Commenced)
to December 31, 2002

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Report of Independent Auditors

The Board of Directors and Stockholder
World Group Securities, Inc.

We have audited the accompanying statement of financial condition of World Group Securities, Inc. as of December 31, 2002, and the related statements of income, changes in stockholder's equity, and cash flows for the period from April 12, 2002 (date operations commenced) to December 31, 2002. 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 World Group Securities, Inc. at December 31, 2002, and the results of its operations and its cash flows for the period from April 12, 2002 (date operations commenced) to December 31, 2002, in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules are presented for purposes of additional analysis and are not a required part of the financial statements, but are supplementary 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 financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Ernst & Young LLP

February 7, 2003

World Group Securities, Inc.

Statement of Financial Condition

December 31, 2002

Assets

Cash and cash equivalents	\$12,009,426
Accounts receivable	478,220
Deferred income taxes	661,794
Recoverable under tax allocation agreement	85,305
Prepaid expenses and other assets	147,422
Commissions receivable	310,836
Intangible assets, less accumulated amortization of \$236,457	1,763,543
Total assets	<u>\$15,456,546</u>

Liabilities and stockholder's equity

Liabilities:

Accounts payable and other accrued expenses:	
Salaries, benefits and bonuses	\$ 618,388
Other	2,333,354
Due to affiliates	4,950,849
Total liabilities	<u>7,902,591</u>

Stockholder's equity:

Common stock, \$1 par value, authorized 1,000 shares issued and outstanding 100 shares	100
Additional paid-in capital	5,000,000
Retained earnings	2,553,855
Total stockholder's equity	<u>7,553,955</u>
Total liabilities and stockholder's equity	<u>\$15,456,546</u>

See accompanying notes.

World Group Securities, Inc.

Statement of Income

Period From April 12, 2002 (Date Operations Commenced)
to December 31, 2002

Revenues:	
Commission income	\$77,860,448
Other income	263,244
Total revenues	<u>78,123,692</u>
Expenses:	
Commissions	59,604,176
Employee compensation and related benefit expenses	5,543,113
Marketing expenses	3,000,567
Other operating expenses	6,027,667
Total expenses	<u>74,175,523</u>
Income before income taxes	3,948,169
Income tax expense (benefit):	
Current	2,056,108
Deferred	(661,794)
	<u>1,394,314</u>
Net income	<u><u>\$ 2,553,855</u></u>

See accompanying notes.

World Group Securities, Inc.

Statement of Changes in Stockholder's Equity

	Common Stock	Additional Paid-In Capital	Retained- Earnings	Total Stockholder's Equity
Initial capitalization	\$100	\$3,000,000	\$ -	\$3,000,100
Capital contribution from parent	-	2,000,000	-	2,000,000
Net income	-	-	2,553,855	2,553,855
Balance at December 31, 2002	<u>\$100</u>	<u>\$5,000,000</u>	<u>\$2,553,855</u>	<u>\$7,553,955</u>

See accompanying notes.

World Group Securities, Inc.

Statement of Cash Flows

Period From April 12, 2002 (Date Operations Commenced)
to December 31, 2002

Operating activities	
Net income	\$ 2,553,855
Adjustments to reconcile net income to net cash provided by operating activities:	
Deferred taxes	(661,794)
Amortization of intangible assets	236,457
Changes in operating assets and liabilities:	
Accounts receivable	(478,220)
Recoverable under tax allocation agreement	(85,305)
Prepaid expenses and other assets	(147,422)
Commissions receivable	(310,836)
Due to affiliates	4,950,849
Accounts payable and other accrued expenses	2,951,742
Net cash provided by operating activities	<u>9,009,326</u>
Investing activities	
Purchase of intangible assets	<u>(2,000,000)</u>
Net cash used in investing activities	<u>(2,000,000)</u>
Financing activities	
Initial capitalization	3,000,100
Capital contribution from parent	<u>2,000,000</u>
Net cash provided by financing activities	<u>5,000,100</u>
Increase in cash and cash equivalents	12,009,426
Cash and cash equivalents at beginning of period	<u>—</u>
Cash and cash equivalents at end of year	<u><u>\$12,009,426</u></u>
Cash paid during the period for:	
Income taxes	<u><u>\$1,970,803</u></u>

See accompanying notes.

World Group Securities, Inc.

Notes to Financial Statements

December 31, 2002

1. Summary of Significant Accounting Policies

World Group Securities, Inc. (the Company) is a wholly owned subsidiary of AEGON Asset Management Services, Inc., which in turn, is a wholly owned indirect subsidiary of AEGON N.V., a holding company organized under the laws of The Netherlands. The Company is registered under the Securities Exchange Act of 1934 as a broker-dealer. The Company primarily sells life insurance, annuities and mutual funds offered by subsidiaries of AEGON USA, an affiliate and other unaffiliated companies, through its licensed registered representatives.

Basis of Presentation

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Deferred Taxes

Deferred tax assets or liabilities are computed based on the difference between the financial statement and income tax bases of assets and liabilities using the enacted marginal tax rate. Deferred income tax expenses or credits are based on the changes in the asset or liability from period to period.

Intangible Assets

Intangible assets represent the present value of trail commissions purchased from an unrelated broker/dealer. The intangible asset is being amortized based on the expected receipt of the related trail commissions. Amortization for the period ended December 31, 2002 was \$236,457. The estimated aggregate amortization expense for the years ended December 31, 2003 through December 31, 2007 is \$1,138,448.

World Group Securities, Inc.

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Recognition of Income

Sales commissions and fees earned along with the related commission expenses on the distribution of mutual fund shares are recorded on the trade date (the date the orders are executed). Commission income earned on sales of insurance products is determined as a percentage of collected premiums.

Fair Values of Financial Instruments

The Company's assets and liabilities include various items that meet the definition of financial instruments and require disclosure of their related fair values. Due to the nature of the Company's financial instruments, management does not believe the fair values of such assets and liabilities differ materially from their carrying values included herein.

2. Income Taxes

The Company files federal and state income tax returns with certain affiliates. Under the terms of a tax-sharing agreement, each member of the group has agreed to pay its proportionate share of income taxes calculated on a separate return basis, except that tax credits and net operating loss carryforwards are determined on the basis of the consolidated group. Deferred income taxes have been established by each member of the consolidated group based upon temporary differences within each entity.

Deferred income taxes arise primarily from differing methods used to account for expenses not deductible until future periods for tax purposes. Deferred income taxes are comprised entirely of deferred income tax assets at December 31, 2002.

3. Transactions With Affiliates

The Company is a member of a group of affiliated companies which are engaged in the sale of life insurance, annuities and other investment related activities. Commission revenues include \$65,650,731 earned during the period ended December 31, 2002, from the sales of shares of an affiliated group of mutual funds and sales of life insurance and annuities for affiliated companies. A portion of the Company's operating expenses are paid to subsidiaries of AEGON USA and represent both items specifically identifiable as attributable to the Company and an allocation of shared expenses among several affiliates of AEGON USA. The Company's portion of these shared expenses was approximately \$3,400,000 for the period ended December 31, 2002.

World Group Securities, Inc.

Notes to Financial Statements (continued)

4. Net Capital Requirement

The Company is subject to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934. This rule prohibits the Company from engaging in any securities transactions when (a) its "aggregate indebtedness" exceeds eight times its "net capital," or (b) its "net capital" is less than a minimum as defined by the rule. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2002, the Company had net capital of \$4,063,740 which was \$3,064,768 in excess of its required net capital of \$998,972. The Company's ratio of aggregate indebtedness to net capital was 1.97 to 1. Various other regulatory agencies may impose additional requirements.

Pursuant to the provisions of Rule 15c3-3 of the Securities and Exchange Commission, the Company maintains a bank account entitled "Special Account for the Exclusive Benefit of Customers". This account had a balance of \$461,174 at December 31, 2002. The Company carries no margin accounts, promptly transmits all customer funds and delivers all securities received in connection with activities as a broker or dealer, does not otherwise hold funds or securities for, or owe money or securities to, customers, and effectuates all financial transactions with customers through the Special Bank Account. Therefore, it is exempt from the reserve requirements at December 31, 2002, and for the period then ended under the provisions of Rule 15c3-3(k)(2)(i).

Supplemental Information

World Group Securities, Inc.

Computation of Net Capital – Part IIA

December 31, 2002

Computation of Net Capital

1. Total ownership equity from Statement of Financial Condition			\$7,553,955
2. Deduct ownership equity not allowable for Net Capital			-
3. Total ownership equity qualified for Net Capital			7,553,955
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital			-
B. Other (deductions) or allowable credits			-
5. Total capital and allowable subordinated liabilities			7,553,955
6. Deductions and/or charges:			
A. Total nonallowable assets from Statement of Financial Condition:		\$3,428,890	
B. Secured demand note deficiency		-	
C. Commodity futures contracts and spot commodities – proprietary capital charges		-	
D. Other deductions and/or charges		-	3,428,890
7. Other additions and/or allowable credits			-
8. Net capital before haircuts on securities positions			<u>4,125,065</u>
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1 (f)):			
A. Contractual securities commitments		-	
B. Subordinated securities borrowings		-	
C. Trading and investment securities:			
1. Exempted securities		-	
2. Debt securities		-	
3. Options		-	
4. Other securities		61,325	
D. Undue Concentration		-	
E. Other		-	61,325
10. Net Capital			<u>\$4,063,740</u>

World Group Securities, Inc.

Computation of Net Capital – Part IIA (continued)

Computation of Basic Net Capital Requirement

Part A

11. Minimum net capital required (12.5% of line 19)	<u>\$ 998,972</u>
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries	<u>250,000</u>
13. Net capital requirement (greater of line 11 or 12)	<u>998,972</u>
14. Excess net capital (line 10 less 13)	<u>3,064,768</u>
15. Excess net capital at 1000% (line 10 less 10% of line 19)	<u>3,264,562</u>

Computation of Aggregate Indebtedness

16. Total A.I. liabilities from Statement of Financial Condition	<u>7,991,779</u>
17. Add:	
A. Drafts for immediate credit	<u>\$ -</u>
B. Market value of securities borrowed for which no equivalent value is paid or credited	<u>-</u>
C. Other unrecorded amounts	<u>-</u>
18. Less:	
Adjustment based on deposits in Special Reserve Bank Account (15c3-1(c)(1)(vii))	<u>-</u>
19. Total aggregate indebtedness	<u>7,991,779</u>
20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10)	<u>197%</u>
21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d)	<u>-</u>

World Group Securities, Inc.

Statement Relating to Certain Determinations
Required Under Rule 15c3-3 – Part IIA

December 31, 2002

**Computation for Determination of Reserve Requirements
Pursuant to Rule 15c3-3:**

Exemptive Provision

25. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based (check one only)
- A. (k)(1) – Limited business (mutual funds and/or variable annuities only)
 - B. (k)(2)(i) – “Special Account for the Exclusive Benefit of Customers” maintained
 - C. (k)(2)(ii) – All customer transactions cleared through another broker-dealer on a fully disclosed basis.
 - D. (k)(3) – Exempted by order of the Commission

X

X

World Group Securities, Inc.

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

December 31, 2002

There were no differences between the Computation of Net Capital – Part IIA under Rule 15c3-1, which is included in this audited report, and the computation in the Company's corresponding unaudited Focus Report (Form X-17A-5, Part IIA) filing as submitted to the National Association of Securities Dealers, Inc.

Independent Auditors' Supplementary Report on Internal Control

The Board of Directors and Stockholder
World Group Securities, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of World Group Securities, Inc. (the Company) for the period 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 (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 (or aggregate debits) 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 internal control or the practices and procedures referred to above, misstatements due to error 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 their 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, 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.

Ernst + Young LLP

February 7, 2003