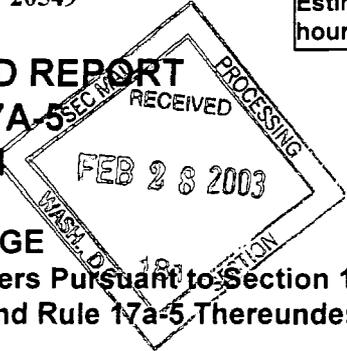




UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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



SEC FILE NUMBER
8-47499

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 1/1/2002 AND ENDING 12/31/2002
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

IL Securities, Inc.

OFFICIAL USE ONLY

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

2960 North Meridian Street

FIRM ID. NO.

Indianapolis

(No. and Street)
Indiana

46208

(City)

(State)

(Zip Code)

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

Garrett P. Ryan

317-927-3772

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Ernst & Young LLP

801 Grand Avenue, Suite 3400

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

Des Moines

IA

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 13 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).

Handwritten initials 'R/S' and '5/10'.

OATH OR AFFIRMATION

I, Garrett P. Ryan, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of IL 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:

Garrett P. Ryan
Signature
President
Title

Sandra J. Malcom
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).

FINANCIAL STATEMENTS AND SUPPLEMENTAL
INFORMATION

IL Securities, Inc.
Years Ended December 31, 2002 and 2001

IL Securities, Inc.

Financial Statements and Supplemental Information

Years Ended December 31, 2002 and 2001

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Report of Independent Auditors

Board of Directors
IL Securities, Inc.

We have audited the accompanying statements of financial condition of IL Securities, Inc. (an indirect wholly-owned subsidiary of AmerUs Group Co.) as of December 31, 2002 and 2001, and the related statements of operations, changes in stockholder's equity, and cash flows for the years then ended. 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 audits.

We conducted our audits 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 audits provide 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 IL Securities, Inc. at December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is 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 audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

January 31, 2003



IL Securities, Inc.

Statements of Financial Condition

	December 31	
	2002	2001
Assets		
Cash and cash equivalents	\$ 426,592	\$ 614,374
Amounts due from affiliate	570	124,387
Other assets	2,829	2,929
Total assets	<u>\$ 429,991</u>	<u>\$ 741,690</u>
Liabilities and stockholder's equity		
Liabilities:		
Amounts due to affiliate	\$ -	\$ 371,470
General expenses due or accrued	118	17,749
Total liabilities	<u>118</u>	<u>389,219</u>
Stockholder's equity:		
Common stock, no par value:		
Authorized, issued, and outstanding – 100 shares	5,000	5,000
Additional paid-in capital	4,025,000	4,025,000
Accumulated deficit	(3,600,127)	(3,677,529)
Total stockholder's equity	<u>429,873</u>	<u>352,471</u>
Total liabilities and stockholder's equity	<u>\$ 429,991</u>	<u>\$ 741,690</u>

See accompanying notes.

IL Securities, Inc.

Statements of Operations

	Year Ended December 31	
	2002	2001
Revenues		
Concessions revenue	\$172,173	\$ 1,106,837
Interest income	5,206	11,472
	177,379	1,118,309
Expenses		
Salaries and benefits	148,206	1,060,343
Travel	6,371	283,692
Advertising	174	114,892
Other general and administrative	62,659	1,088,587
	217,410	2,547,514
Loss before federal income tax benefit	(40,031)	(1,429,205)
Federal income tax benefit	117,433	113,948
Net income (loss)	\$ 77,402	\$(1,315,257)

See accompanying notes.

IL Securities, Inc.

Statements of Changes in Stockholder's Equity

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholder's Equity
Balance at January 1, 2001	\$5,000	\$2,675,000	\$(2,362,272)	\$ 317,728
Net loss	-	-	(1,315,257)	(1,315,257)
Capital contribution	-	1,350,000	-	1,350,000
Balance at December 31, 2001	5,000	4,025,000	(3,677,529)	352,471
Net income	-	-	77,402	77,402
Balance at December 31, 2002	\$5,000	\$4,025,000	\$(3,600,127)	\$ 429,873

See accompanying notes.

IL Securities, Inc.

Statements of Cash Flows

	Year Ended December 31	
	2002	2001
Operating activities		
Net income (loss)	\$ 77,402	\$(1,315,257)
Adjustment to reconcile net income (loss) to net cash used in operating activities:		
Amounts due to/from affiliates	(247,653)	356,030
Other assets	100	(145)
General expenses due or accrued	(17,631)	(44,551)
Net cash used in operating activities	<u>(187,782)</u>	<u>(1,003,923)</u>
Financing activities		
Capital contribution	-	1,350,000
Net increase (decrease) in cash and cash equivalents	(187,782)	346,077
Cash and cash equivalents at beginning of year	614,374	268,297
Cash and cash equivalents at end of year	<u>\$426,592</u>	<u>\$ 614,374</u>

See accompanying notes.

IL Securities, Inc.

Notes to Financial Statements

December 31, 2002

1. Summary of Significant Accounting Policies

Organization and Basis of Presentation

On May 18, 2001, AmerUs Group Co. (AmerUs) completed the acquisition of Indianapolis Life Insurance Company (ILICO). At December 31, 2001, ILICO owned all of the outstanding capital stock of The Indianapolis Life Group of Companies (IL Group), which owned IL Securities, Inc. (the Company). In 2002, IL Group was liquidated and all of its net assets, including the capital stock of the Company, were transferred to ILICO. The purchase accounting effects of the acquisition of ILICO have not been reflected in the accompanying financial statements of the Company.

The Company's primary business is to serve as a wholesale broker/dealer of variable annuity insurance products of IL Annuity and Insurance Company, a subsidiary of ILICO and affiliate of the Company. On December 31, 2001, the Company ceased promoting the sale of new business. The Company is currently continuing to support the sale of new variable annuity purchases by new employees of client companies with qualified plans. To the extent that reduced operations continue to produce net operating losses, the Company will be dependent upon ILICO for additional capital. The Company is registered in the state of Indiana.

Use of Estimates

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

Certain prior year amounts have been reclassified to conform to the current year presentation.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Concessions Revenue

Revenue is recognized as earned.

IL Securities, Inc.

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Advertising

The Company expenses advertising costs as incurred.

2. Net Capital Requirements

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum amount of net capital as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2002, the Company had net capital of \$419,209 and a net capital requirement of \$5,000, which represents the greater of 6-2/3% of the Company's aggregate indebtedness or \$5,000. The Company's net capital ratio was .0003 to 1. The net capital rules may effectively restrict the payment of dividends.

3. Related Party Matters

The Company utilizes the facilities, services, and personnel of its affiliates in the course of serving as a broker/dealer. Charges for such usage during 2001 and 2000 were \$213,147 and \$2,235,352, respectively.

4. Federal Income Taxes

The Company files a consolidated tax return with ILICO at December 31, 2002 (IL Group at December 31, 2001). The method of allocation among the companies is subject to written agreement and approval by the Boards of Directors. Under the terms of this agreement, the Company computes Federal income tax expense as if it were filing a separate tax return, except that tax credits and net operating loss carryforwards are determined on the basis of the consolidated group.

At December 31, 2002 and 2001, affiliates owed the Company \$9,471 and \$114,129, respectively for federal income taxes.

In 2002, the Company's effective tax rate was higher than the statutory tax rate of 35% because the federal income tax benefit recorded includes an adjustment of \$107,962 related to a change in estimate of the net operating losses that were used by IL Group. The actual 2002 calculated tax benefit of \$9,471 and the 2001 tax benefit was lower than the statutory tax rate of 35% since only a portion of the Company's tax losses in both years could be utilized by the consolidated group.

IL Securities, Inc.

Notes to Financial Statements (continued)

4. Federal Income Taxes (continued)

As of December 31, 2002, the Company has net operating loss carryforwards of approximately \$2,747,800, which begin to expire in 2011. For financial reporting purposes, a valuation allowance has been established to offset the deferred tax asset related to these carryforwards.

Supplemental Information

IL Securities, Inc.

Computation of Net Capital – Part IIA

December 31, 2002

Computation of Net Capital

1. Total ownership equity from Statement of Financial Condition		<u>\$429,873</u>
2. Deduct ownership equity not allowable for Net Capital		<u>-</u>
3. Total ownership equity qualified for Net Capital		<u>429,873</u>
4. Add:		
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital		<u>-</u>
B. Other (deductions) or allowable credits		<u>-</u>
5. Total capital and allowable subordinated liabilities		<u>429,873</u>
6. Deductions and/or charges:		
A. Total nonallowable assets from Statement of Financial Condition		
• Accounts receivable	<u>\$ 570</u>	
• Other assets	<u>2,829</u>	<u>3,398</u>
7. Other additions and/or allowable credits:		
Deferred tax on unrealized appreciation of investments		<u>-</u>
8. Net capital before haircuts on securities positions		<u>426,475</u>
9. Haircuts on securities [computed, where applicable, pursuant to 15c3-1 (f)]:		
A. Contractual securities commitments	<u>-</u>	
B. Subordinated securities borrowings	<u>-</u>	
C. Trading and investment securities:		
1. Bankers' acceptances, certificates of deposit and commercial paper	<u>7,266</u>	
2. U. S. and Canadian government obligations	<u>-</u>	
3. State and municipal government obligations	<u>-</u>	
4. Corporate obligations	<u>-</u>	
5. Stocks and warrants	<u>-</u>	
6. Options	<u>-</u>	
7. Arbitrage	<u>-</u>	
8. Other securities	<u>-</u>	
D. Undue Concentration	<u>-</u>	
E. Other	<u>-</u>	<u>(7,266)</u>
10. Net Capital		<u><u>\$419,209</u></u>

IL Securities, Inc.

Computation of Net Capital – Part IIA (continued)

December 31, 2002

Computation of Basic Net Capital Requirement

Part A

11. Minimum net capital required (6-2/3% of line 19)	\$ 7
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	5,000
13. Net capital requirement (greater of line 11 or 12)	5,000
14. Excess net capital (line 10 less 13)	414,209
15. Excess net capital at 1000% (line 10 less 10% of line 19)	419,197

Computation of Aggregate Indebtedness

16. Total A.I. liabilities from Statement of Financial Condition	118
17. Add:	
A. Drafts for immediate credit	\$ -
B. Market value of securities borrowed for which no equivalent value is paid or credited	-
C. Other unrecorded amounts	-
18. Deduct: Adjustment based on deposits in Special Reserve Bank Accounts (15c3-19(c)(1)(vii))	
19. Total aggregate indebtedness	118
20. Percentage of indebtedness to net capital (line 19 ÷ by line 10)	.03%
21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)	-%

Notes

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
 2. 6-2/3% of aggregate indebtedness or 2% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

IL Securities, Inc.

Statements 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)

 X

B. (k)(2)(A) – “Special Account for the Exclusive Benefit of customers” maintained

C. (k)(2)(B) – All customer transactions cleared through another broker-dealer on a fully disclosed basis. Name of clearing firm _____

D. (k)(3) – Exempted by order of the Commission

IL Securities, Inc.

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

December 31, 2002

There are no 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 of December 31, 2002.

Independent Auditors' Supplementary Report on Internal Control

Board of Directors
IL Securities, Inc.

In planning and performing our audit of the financial statements of IL Securities, Inc. (the Company) for the year ended December 31, 2002, we considered its internal control, including control activities for safeguarding securities, in order 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 objectives 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

conformity 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 is 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 the specific internal control components does not reduce to a relatively low level the risk that error 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 accomplish 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 accomplish 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 New York Stock Exchange, 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.

January 31, 2003

Ernst & Young LLP