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

SEC FILE NUMBER
8-41464

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 1/1/02 AND ENDING 12/31/02
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Aeltus Capital, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

10 State House Square
(No. and Street)

Hartford, CT 06103
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Daniel F. Wilcox 860-275-2597
(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)

Hartford, CT 06103
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

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*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)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Daniel F. Wilcox, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Aeltus Capital, 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:

[Handwritten Signature]

Signature

Senior Vice President, Finance & Treasurer

Title

[Handwritten Signature]

Notary Public

My Commission Expires June 30, 2003

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 Schedules

AELTUS CAPITAL, INC.

December 31, 2002
(with Report of Independent Auditors thereon)

AELTUS CAPITAL, INC.
Statement of Financial Condition
December 31, 2002

Assets

| | |
|---------------------------------|---------------------|
| Cash and cash equivalents | \$ 1,671,592 |
| Other assets | 18,900 |
| Federal income taxes receivable | <u>5,099</u> |
| Total Assets | <u>\$ 1,695,591</u> |

Liabilities

| | |
|----------------------------|---------------|
| Due to affiliate | \$ 23,589 |
| State income taxes payable | 2,340 |
| Other payables | <u>341</u> |
| Total Liabilities | <u>26,270</u> |

Shareholder's Equity

| | |
|--|------------------|
| Common stock (No par value, 1000 shares authorized, issued, and outstanding) | 1,000 |
| Paid in capital | 399,000 |
| Retained earnings | <u>1,269,321</u> |
| Total Shareholder's Equity | <u>1,669,321</u> |

| | |
|--|---------------------|
| Total Liabilities and Shareholder's Equity | <u>\$ 1,695,591</u> |
|--|---------------------|

See accompanying notes to financial statements.

AELTUS CAPITAL, INC.
Statement of Income
For the year ended December 31, 2002

| <u>Revenues</u> | |
|--------------------------------|-------------------------|
| Interest income | \$ 28,037 |
| Other income | <u>77,210</u> |
| Total revenues | 105,247 |
| <u>Expenses</u> | |
| Regulatory fees | 23,589 |
| Other expenses | <u>5,592</u> |
| Total expenses | 29,181 |
| Income before income taxes | <u>76,066</u> |
| State and federal income taxes | 28,492 |
| Net income | <u><u>\$ 47,574</u></u> |

See accompanying notes to financial statements.

AELTUS CAPITAL, INC.
Statement of Changes in Shareholder's Equity
For the year ended December 31, 2002

| | Common Stock | Additional Paid-In Capital | Retained Earnings | Total |
|------------------------------|-----------------|----------------------------------|----------------------|--------------|
| Balance at January 1, 2002 | \$ 1,000 | \$ 399,000 | \$ 1,221,856 | \$ 1,621,856 |
| Net income | - | - | 47,574 | 47,574 |
| Other changes | - | - | (109) | (109) |
| Balance at December 31, 2002 | \$ 1,000 | \$ 399,000 | \$ 1,269,321 | \$ 1,669,321 |

See accompanying notes to financial statements.

AELTUS CAPITAL, INC.
Statement of Cash Flows
For the year ended December 31, 2002

Cash flows from operating activities:

| | | |
|--|--|--------------|
| Net income | | \$ 47,574 |
| Adjustments to reconcile net income to net cash used for operating activities: | | |
| Decrease in distribution income receivable | | 450,073 |
| Decrease in other receivables | | 25,805 |
| Increase in due to affiliate, net | | 92,418 |
| Decrease in federal income taxes receivable | | 92,617 |
| Increase in state income taxes payable | | 1,270 |
| Decrease in commissions payable | | (41,395) |
| Decrease in distribution fees payable | | (937,882) |
| Increase in other payables | | 341 |
| Other | | (109) |
| | | (269,288) |
| Net cash used for operating activities | | (269,288) |
| Net decrease in cash and cash equivalents | | (269,288) |
| Cash and cash equivalents, beginning of year | | 1,940,880 |
| Cash and cash equivalents, end of year | | \$ 1,671,592 |

See accompanying notes to financial statements

AELTUS CAPITAL, INC.
Notes to Financial Statements
December 31, 2002

(1) Organization

The accompanying financial statements of Aeltus Capital, Inc. ("Company") have been prepared in accordance with accounting principles generally accepted in the United States of America. The Company is a wholly owned subsidiary of Aeltus Investment Management, Inc. ("Aeltus Investment"). Aeltus Investment is a wholly owned subsidiary of ING Investment Advisor Holding Company, Inc. ("HOLDCO"). The Company's ultimate parent is ING Group, N.V. ("ING"). The Company was incorporated in the State of Connecticut on February 23, 1994 and is registered as a broker-dealer with the Securities and Exchange Commission ("SEC") and the National Association of Securities Dealers, Inc. ("NASD").

The Company previously served as the underwriter and distributor of various affiliated mutual funds, however, effective January 1, 2002, the Company's underwriting and/or distribution responsibilities for these funds were transferred to ING Funds Distributor, Inc. ("IFD"), an affiliate. As a result, substantially all revenues, excluding interest income, and expenses previously recorded by the Company are now recorded by IFD.

The Company is expected to be utilized to distribute other products of Aeltus Investment and its affiliates in the future.

(2) Summary of Significant Accounting Policies

(a) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and debt securities purchased with a term to maturity of ninety days or less. Cash equivalents are stated at fair value.

(b) Revenue Recognition

Interest income from cash and cash equivalents is recognized as revenue when earned.

(c) Other Income

In conjunction with the transfer of responsibilities to IFD, the Company wrote off any differences in estimated accruals made during the previous year compared to actual payments, the net benefit of which are reflected as other income.

(d) Use of Estimates

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 reported results using those estimates.

(3) Income Taxes

The results of the Company's operations are included in the consolidated tax return of ING America Insurance Holdings, Inc. ("ING AIH"). ING AIH and its subsidiaries each report current income tax expense as allocated under a consolidated tax allocation agreement. Generally, this allocation results in profitable companies recognizing a tax provision as if the individual company filed a separate return and loss companies recognizing benefits to the extent of their losses.

Deferred tax expense or benefit is recognized in the financial statements for the changes in deferred tax liabilities or assets between years. State and local income tax returns are filed separately. There are no temporary differences that would give rise to deferred tax assets or liabilities at December 31, 2002.

AELTUS CAPITAL, INC.
Notes to Financial Statements
December 31, 2002

(3) Income Taxes (continued)

The provision for income tax expense for the year ended December 31, 2002 consists of:

| | |
|----------------------------------|------------------|
| Current: | |
| Federal | \$ 25,617 |
| State | <u>2,875</u> |
| Total provision for income taxes | <u>\$ 28,492</u> |

A comparison of income tax expense at the federal statutory rate of 35% to the Company's provision is as follows:

| | |
|--|------------------|
| Tax expense at statutory federal tax rate | \$ 26,623 |
| State income tax expense, net of federal tax benefit | <u>1,869</u> |
| Provision for income taxes | <u>\$ 28,492</u> |
| Effective tax rate | <u>37.5%</u> |

During the year ended December 31, 2002, the Company received net tax refunds totaling \$65,395.

(4) Related Party Transactions

Regulatory fees totaling \$23,589 were paid by Aeltus Investment on behalf of the Company and will be reimbursed in 2003.

(5) Aggregate Indebtedness and Net Capital

The Company is subject to the SEC 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. The SEC has delegated oversight of these rules with respect to members of the NASD, such as the Company, to the NASD.

At December 31, 2002, the Company had net capital of \$1,645,322, which was \$1,620,322 above the required net capital of \$25,000. The Company's ratio of aggregate indebtedness to net capital as of December 31, 2002 was .02 to 1.

AELTUS CAPITAL, INC.

Computation of Net Capital
 Under Rule 15c3-1 of the Securities and Exchange Commission
 December 31, 2002

NET CAPITAL:

| | | |
|-------------------------------|--------------|----------------------------|
| Total shareholder's equity | | \$ 1,669,321 |
| Deductions | | |
| Other assets | 18,900 | |
| Federal income tax receivable | <u>5,099</u> | |
| | | <u>23,999</u> |
| Net capital | | <u><u>\$ 1,645,322</u></u> |

AGGREGATE INDEBTEDNESS:

| | | |
|--|--|-------------------------|
| Items included in statement of financial condition | | |
| Due to affiliate | | \$ 23,589 |
| State income taxes payable | | 2,340 |
| Other payables | | <u>341</u> |
| Total aggregate indebtedness | | <u><u>\$ 26,270</u></u> |

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT:

| | | |
|--|--|----------------------------|
| Minimum net capital required: Greater of 6 2/3% of aggregate indebtedness or \$25,000. | | <u><u>\$ 25,000</u></u> |
| Excess net capital | | <u><u>\$ 1,620,322</u></u> |
| Ratio: Aggregate indebtedness to net capital | | <u><u>.02 to 1</u></u> |

Note: The above computation does not materially differ from the computation of net capital and basic net capital requirement under Rule 15c3-1 as of December 31, 2002 filed with the National Association of Securities Dealers on January 24, 2003.

AELTUS CAPITAL, INC.

Computation for Determination of Reserve Requirements
and Information Relating to Possession or Control
Under Rule 15c3-3

December 31, 2002

The Company does not handle securities or carry security accounts for customers and is exempt from Rule 15c3-3 under section (k)(1).