

ENSCO INTERNATIONAL INC
Form 11-K
June 25, 2003

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2002

Commission File Number 1-8097

**ENSCO Savings Plan
(Full title of the plan)**

**ENSCO International Incorporated
500 North Akard Street
Suite 4300
Dallas, Texas 75201-3331
(Name and address of principal executive office of issuer)**

The financial statements listed in the accompanying table of contents on the following page are filed as part of this Form 11-K.

Pursuant to the requirements of the Securities Exchange Act of 1934, the Administrative Committee of the Plan has duly caused this annual report to be signed on its behalf by the undersigned hereunto

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal

duly authorized.

ENSCO Savings Plan

Date: June 25, 2003

/s/ DAVID A. ARMOUR

By: David A. Armour
Controller

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Administrator and Participants of the
ENSCO Savings Plan:

We have audited the accompanying statements of net assets available for plan benefits of the ENSCO Savings Plan (the Plan) as of December 31, 2002 and 2001, and the related statements of changes in net assets available for plan benefits for the years then ended. These financial statements are the responsibility of the Plan'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 of America. Those standards require that we plan and perform the audits 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 net assets available for plan benefits of the Plan as of December 31, 2002 and 2001, and the changes in net assets available for plan benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule H, Line 4i - Schedule of Assets (Held at End of Year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits 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.

/s/ KPMG LLP
KPMG LLP

Dallas, Texas
May 30, 2003

**ENSCO SAVINGS PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS
AT DECEMBER 31, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
ASSETS:		
Cash and cash equivalents	\$ 345,139	\$ 469,769
Receivables:		
Participant contributions	378,191	199,195
Participant loan interest payments	13,128	13,762
Employer contributions	2,315,943	6,913,122
Investments (Note 4)	107,492,211	89,104,189
<hr/>		
Total assets	110,544,612	96,700,037
<hr/>		
NET ASSETS AVAILABLE FOR PLAN BENEFITS	\$110,544,612	\$96,700,037

The accompanying notes are an integral part of these financial statements.

**ENSCO SAVINGS PLAN
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE
FOR PLAN BENEFITS
YEARS ENDED DECEMBER 31, 2002 and 2001**

	<u>2002</u>	<u>2001</u>
ADDITIONS TO NET ASSETS ATTRIBUTED TO:		
Interest and dividends	\$ 2,659,197	\$ 2,665,532
Participant contributions	7,260,418	5,848,528
Employer contributions	7,286,089	12,197,532
Net appreciation (depreciation) in the fair value of investments	2,825,083	(9,840,500)
Merger of plan assets (Note 1)	2,965,695	--
<hr/>		
Total additions	22,996,482	10,871,092
<hr/>		
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:		
Distributions to participants	9,132,077	6,219,569
Loan fees	19,830	10,261
<hr/>		
Total deductions	9,151,907	6,229,830
<hr/>		
NET ADDITIONS	13,844,575	4,641,262
<hr/>		
NET ASSETS AVAILABLE FOR PLAN BENEFITS:		
Beginning of year	96,700,037	92,058,775

End of year

\$110,544,612

\$96,700,037

The accompanying notes are an integral part of these financial statements.

ENSCO SAVINGS PLAN NOTES TO FINANCIAL STATEMENTS

1. PLAN ORGANIZATION AND DESCRIPTION

The ENSCO Savings Plan (the Plan) is a defined contribution tax deferred savings plan available to employees of ENSCO International Incorporated and subsidiary companies (the Company). In 2000, the Plan was amended and restated effective January 1, 1997 to update it for all recent and applicable law changes. The restated Plan document was approved by the Company's Board of Directors in August 2000. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). On August 7, 2002, the Company acquired Chiles Offshore Inc. ("Chiles"). Chiles provided a deferred contribution plan to its employees, the Chiles Offshore Inc. 401(k) Retirement Savings Plan, which the Company merged into the Plan on September 30, 2002, after the receipt of appropriate regulatory approval.

The Plan was established to provide a retirement benefit for employees through a Company profit sharing contribution, and matching contributions based on employee contributions, and to promote and encourage employees to provide additional security and income for their retirement through a systematic savings program. The following description of the Plan provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

Participation

Employees of the Company may participate in the Plan upon completing certain service requirements, except for those employees, if any, who already receive retirement benefits in connection with a collective bargaining agreement and certain nonresident employees. Eligible employees (Savings Participants) may elect to participate in the employee savings feature of the Plan after completing a three-month period of service with the Company. The entry date with respect to an eligible employee's ability to make 401(k) contributions is the first business day of the month following the month during which the employee satisfies eligibility and participation requirements. Eligible employees automatically participate in the profit sharing feature of the Plan after completing a 12-month period of service with the Company, as defined.

Contributions

Savings Participants may elect to make contributions to the Plan by salary deferrals (Savings Contributions), which qualify for tax deferral under Section 401(k) of the Internal Revenue Code (the Code). Savings Contributions are generally limited to the lesser of 10% of the Savings Participant's compensation, or the annual dollar limitation set forth in Section 402(g) of the Code (\$11,000 and \$10,500 for the years ended December 31, 2002 and 2001, respectively). Within certain limits, as defined in the Plan, Savings Participants may elect to increase, decrease or suspend their Savings Contributions and corresponding salary deductions.

At the discretion of its Board of Directors, the Company may make contributions to the Plan for the benefit of Savings Participants (Matching Contributions). Matching Contributions may be made by the Company in the form of a stated dollar amount or in the form of a matching percentage of Savings Contributions. The requirement that Company Matching Contributions be invested in Company stock was eliminated in October 2000. Matching Contributions are allocated to individual Savings Participants pro rata based on their respective Savings Contributions for the Plan year. The Company made Matching Contributions to active participant employee accounts as follows:

<u>Contribution Level</u>	<u>Matching Percentage</u>	
	<u>2002</u>	<u>2001</u>
First 5% of participation contribution	100%	100%

Total Matching Contributions for the years ended December 31, 2002 and 2001 were approximately \$5.2 million and \$5.4 million, respectively. Receivables for Matching Contributions were \$253,945 and \$130,385 at December 31, 2002 and 2001, respectively.

At the discretion of its Board of Directors, the Company may also make annual contributions to the Plan for the benefit of all eligible employees (Profit Sharing Contributions). The Company may make Profit Sharing Contributions either in cash or in the Company's common stock. Annual Profit Sharing Contributions are allocated to eligible employees based on their proportionate compensation. The 2002 and 2001 Profit Sharing Contributions awarded were approximately \$3.7 million and \$7.2 million, respectively. At December 31, 2002 and 2001, the Plan recorded receivables from the Company in the amount of approximately \$2.1 million and \$6.8 million, respectively, related to the 2002 and 2001 Profit Sharing Contributions, which were paid in March 2003 and 2002. The remaining Profit Sharing Contribution amounts of approximately \$1.6 million and \$450,000 were transferred from forfeitures to fund the accounts of the eligible employees at the same time.

The Plan limits the sum of a participant's annual Savings Contributions and Matching Contribution and Profit Sharing Contribution (Company Contributions) to the lesser of \$40,000 or 100% of the Plan participant's compensation as defined by the Plan document. Under certain circumstances, Plan participants may make contributions to the Plan in the form of rollover contributions (Rollover Contributions). A Rollover Contribution is an eligible rollover contribution transferred to the Plan from another qualified plan pursuant to an employee's election as described in the Code.

Plan Administration

T. Rowe Price Trust Company ("T. Rowe Price") serves as the asset custodian and investment manager for the Plan's trust fund and executes all investment actions at the discretion of Plan participants. Recordkeeping responsibilities are maintained by T. Rowe Price.

Vesting

A Plan participant's Matching Contribution account balance and Profit Sharing Contribution account balance shall become vested and nonforfeitable upon the completion of certain years of service with the Company or combined service with Dual Drilling ("Dual") and the Company, as follows (Dual was acquired by the Company in June 1996. Dual maintained a tax-deferred/thrift savings plan, which was merged into the Plan on January 31, 2000.):

Completed years of service

Vested percentage

<u>Completed years of service</u>	<u>Vested percentage</u>
Less than two years	0
Two years	20
Three years	40
Four years	60
Five years	80
Six or more years	100

A Plan participant shall become fully vested in his or her Matching Contribution account balance and Profit Sharing Contribution account balance upon certain events, including death or disability, attaining the age of 60, or a full termination of the Plan. Upon partial termination of the Plan, affected participants become fully vested in their Matching Contribution and Profit Sharing Contribution account balances. A Plan participant's Savings Contribution account balance and Rollover Contribution account balance are fully vested at all times.

Participants in the Chiles 401(k) Plan that became participants in the Plan on October 1, 2002 shall become vested in his or her Matching Contribution account and Profit Sharing Contribution account balances as follows: a) the attainment of age 55 and credited period of service of at least five years; b) if the participant had credit under the Chiles 401(k) Plan as of October 1, 2002 for a period of service of either one or two years, the participant will become vested in accordance with the Plan vesting schedule described above, provided that (i) if the participant had credit under the Chiles 401(k) Plan for a period of service of one year, the participant will remain 20% vested until the participant has credit under the Plan for a period of service of three years, and (ii) if the participant had credit under the Chiles 401(k) Plan for a period of service of two years, the participant will remain 40% vested until the participant has credit under the Plan for a period of service of four years; or c) if the participant had credit under the Chiles 401(k) Plan as of October 1, 2002 for a period of service of at least three years, the participant will become vested in accordance with the following vesting schedule:

<u>Completed years of service</u>	<u>Vested percentage</u>
Less than one year	0
One year but less than two years	20
Two years but less than three years	40
Three years but less than four years	60
Four years but less than five years	80
Five years or more	100

Upon completion of each Plan year, the nonvested portion of Matching Contribution account balances and Profit Sharing Contribution account balances of terminated Plan participants are forfeited (forfeitures) to the Plan and may be used to reduce the amount of Matching Contributions and Profit Sharing Contributions due or administrative expenses to be paid by the Company on behalf of the Plan. At December 31, 2002 and 2001, after reducing the balance for 2002 and 2001 profit sharing contributions paid in 2003 and 2002, the Plan had forfeiture balances of \$0 and \$110,173, respectively.

Distributions

Distributions of a Plan participant's Savings Contribution account and Rollover Contribution account and the vested portion of a participant's Matching Contribution account and Profit Sharing Contribution account are generally made within 60 days of an employee request due to termination of employment or certain Internal Revenue Service ("IRS") regulations. At December 31, 2002 and 2001, all persons had been paid who elected to withdraw from the Plan.

Investments

The Plan allows participants to direct all contributions among a number of different investment choices.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The Plan's financial statements are prepared on the accrual basis of accounting.

The Plan's investments are stated at fair value, except for the Stable Value Common Trust Fund, which is stated at contract value (Note 3). The Plan's investments are principally comprised of the Company's common stock and mutual funds. The fair value of the Plan's investments is determined by T. Rowe Price and is based on quoted market prices.

Purchases and sales of mutual funds and the Company's common stock are recorded on a trade-date basis. Interest is recorded on the accrual basis and dividends are recorded on the ex-dividend date.

The Plan presents in the statements of changes in net assets available for Plan benefits the net appreciation (depreciation) in the fair value of its investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments. Net appreciation (depreciation) is calculated based on beginning of the year market values of investments to the date of sale and the purchase price, if purchased during the year, to the end of the year market value.

Distributions

Distributions of benefits to participants are recorded when paid.

Loans

Approved loans to eligible participants shall be granted from the participants' vested accounts on a pro rata basis. The interest rate is a fixed rate determined monthly. All loans must be secured with an irrevocable pledge assignment. Loan payments are generally made through a participant payroll deduction. Loans shall not exceed the limitations listed in the Plan document, which are the lesser of 50% of the participant's vested balance or \$50,000. The Plan allows no more than one outstanding loan at a time to any one participant.

Pervasiveness 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 related changes in net assets available for plan benefits, and disclosure of gain and loss contingencies at the date of the financial statements. Actual results could differ from those estimates.

3. INVESTMENT CONTRACTS

The Plan's investment in the T. Rowe Price Stable Value Fund, a common trust fund, holds substantial investments in Guaranteed Investment Contracts, Bank Investment Contracts and Synthetic Investment Contracts. The value of the fund reflects the value of the underlying contracts, which consist of changes

in principal value, reinvested dividends and capital gains distributions, and approximate fair market value. The stated interest rates of the contracts vary and the average yields for the years ended December 31, 2002 and 2001 were 5.16% and 5.83%, respectively, after expenses.

4. PLAN INVESTMENTS

Plan investments that represent 5% or more of the Plan's net assets are identified as follows:

	<u>December 31,</u>	
	<u>2002</u>	<u>2001</u>
Investment at Fair Value as Determined by Quoted Market Price		
Mutual Funds:		
Spectrum Growth Fund	\$ 7,005,202	\$ 7,059,847
Other Funds	20,843,558	15,100,868
Common Stock:		
ENSCO International Incorporated	38,572,996	36,352,078
	<hr/> 66,421,756	<hr/> 58,512,793
Investment at Contract Value:		
Stable Value Common Trust Fund	35,081,711	25,238,032
	<hr/> 5,988,744	<hr/> 5,353,364
Loan Fund		
	<hr/> 5,988,744	<hr/> 5,353,364
Total Investments	<hr/> \$107,492,211	<hr/> \$89,104,189

During 2002 and 2001, the Plan's investments, including gains and losses on investments bought and sold, as well as held during the year, appreciated (depreciated) in value by \$2,825,083 and \$(9,840,500), respectively, as follows:

	<u>2002</u>	<u>2001</u>
Company stock	\$7,425,968	\$(7,984,710)
Mutual funds	(4,600,885)	(1,855,790)
	<hr/> \$2,825,083	<hr/> \$(9,840,500)

At December 31, 2002 and 2001, the Plan's investment in the Company's common stock was based on the closing price on such dates of \$29.45 per share and \$24.85 per share, respectively. Like any investment in publicly traded securities, the Company's common stock is subject to price changes. During 2002 and 2001, the high and low prices for the Company's common stock were \$35.50 and \$20.87 and \$44.49 and \$12.81, respectively.

5. ADMINISTRATIVE FEES

The Plan has no employees and the Company has covered all recurring administrative costs of the Plan. All expenses incurred in the administration of the Plan, except to the extent paid by the Company, shall be paid from the Plan assets, including unallocated forfeitures. The Company paid \$83,825 and \$161,918 for all of the administrative costs of the Plan during 2002 and 2001, respectively.

6. PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100 percent vested in their accounts.

7. TAX STATUS

Management believes that the Plan is qualified under Section 401(a) of the Code and therefore the trust is exempt from taxation under Section 501(a). A favorable IRS determination letter dated September 21, 1995 was received for the Plan. The Plan was amended subsequent to the 1995 determination letter and a favorable IRS determination letter dated April 4, 2003 has been received for the amended and restated Plan. Generally, contributions to a qualified plan are deductible by the Company when made, earnings of the trust are tax exempt and participants are not taxed on their benefits until withdrawn from the Plan.

Supplemental Information
Schedule I

ENSCO SAVINGS PLAN

Schedule H, Line 4i (Form 5500) - Schedule of Assets (Held at End of Year)

at December 31, 2002

<u>Identity of issue or party involved</u>	<u>Description of investment</u>	<u>Rate of interest</u>	<u>Current value</u>
T. Rowe Price:			
*T. Rowe Price Stable Value Common Trust Fund	Common Trust Fund	3.34% - 7.83%	\$ 35,081,711
*Balanced Fund	Mutual Fund	-	4,188,888
*Spectrum Income Fund	Mutual Fund	-	4,285,824
*Spectrum Growth Fund	Mutual Fund	-	7,005,202
*Blue Chip Growth Fund	Mutual Fund	-	3,443,005
*Equity Income Fund	Mutual Fund	-	847,035
*Equity Index 500 Fund	Mutual Fund	-	2,943,728
*Mid-Cap Growth Fund	Mutual Fund	-	3,149,113
*Small-Cap Stock Fund	Mutual Fund	-	1,985,965
			62,930,471
Employer securities:			
*ENSCO International Incorporated	ENSCO International Incorporated Common Stock	-	38,572,996

*Loan Fund	Participant Loans	5.25% - 10.5%	5,988,744
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\$107,492,211

*Party-in-interest

See accompanying independent auditors' report.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

We consent to the incorporation by reference in the registration statement No. 33-40282 on Form S-8 of ENSCO International Incorporated of our report dated May 30, 2003 relating to the statements of net assets available for plan benefits of the ENSCO Savings Plan as of December 31, 2002 and 2001, and the related statements of changes in net assets available for plan benefits for the years then ended and the related supplemental schedule, which report appears in the December 31, 2002 annual report on Form 11-K of the ENSCO Savings Plan.

/s/ KPMG LLP
KPMG LLP

Dallas, Texas
June 25, 2003

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of the ENSCO Savings Plan (the "Plan") on Form 11-K for the year ended December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian J. Gifford, the Administrator of the Plan, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Plan.

/s/ Brian J. Gifford

Brian J. Gifford
Plan Administrator
June 25, 2003

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of the ENSCO Savings Plan (the "Plan") on Form 11-K for the year ended December 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David A. Armour, Controller of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Plan.

/s/ David A. Armour

David A. Armour
Controller
June 25, 2003