

TRANSOCEAN INC
Form 11-K
June 27, 2003

=====

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

FORM 11-K

(MARK ONE)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934 [FEE REQUIRED]

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934 [NO FEE REQUIRED]

FOR THE TRANSITION PERIOD FROM _____ TO _____.

COMMISSION FILE NUMBER _____

TRANSOCEAN U.S. SAVINGS PLAN
(Full Title of the Plan and the Address of
the Plan, if Different from that of the
Issuer named below)

TRANSOCEAN INC.
4 Greenway Plaza
Houston, Texas 77046
(Name of Issuer of the Securities Held Pursuant
to the Plan and Address of its
Principal Executive Office)

=====

TRANSOCEAN U.S. SAVINGS PLAN

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001
WITH REPORT OF INDEPENDENT AUDITORS

TRANSOCEAN U.S. SAVINGS PLAN

Edgar Filing: TRANSOCEAN INC - Form 11-K

INDEX TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	Page

Report of Independent Auditors	1
Audited Financial Statements	
Statements of Net Assets Available for Benefits	2
Statements of Changes in Net Assets Available for Benefits.	3
Notes to Financial Statements	4
Supplemental Schedule	
Schedule H, Line 4 (i) - Schedule of Assets (Held at End of Year).	8

REPORT OF INDEPENDENT AUDITORS

The Administrative Committee
Transocean U.S. Savings Plan

We have audited the accompanying statements of net assets available for benefits of the Transocean U.S. Savings Plan as of December 31, 2002 and 2001, and the related statements of changes in net assets available for 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. 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 net assets available for benefits of the Plan at December 31, 2002 and 2001, and the changes in its net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2002, is presented for purposes of additional analysis and is not a required part of the 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

Edgar Filing: TRANSOCEAN INC - Form 11-K

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 financial statements taken as a whole.

/s/ Ernst & Young LLP

Houston, Texas
June 17, 2003

1

TRANSOCEAN U.S. SAVINGS PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31,	
	2002	2001
Investments, at Fair Value	\$77,890,557	\$63,139,717
Contributions Receivable		
Employee	472,209	756,787
Employer	254,977	974,254
Net Assets Available for Benefits	\$78,617,743	\$64,870,758

See accompanying notes

2

TRANSOCEAN U.S. SAVINGS PLAN
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	Years Ended December 31,	
	2002	2001
Additions		
Transfers from another qualified plan	\$ 15,137,495	\$ -
Contributions		
Employee	12,452,244	10,421,638
Employer	6,276,498	5,768,085
Total contributions	18,728,742	16,189,723
Investment income (loss)		
Net depreciation in fair value of investments	(14,547,753)	(9,465,120)
Investment income	809,895	1,103,311
Total investment loss	(13,737,858)	(8,361,809)

Edgar Filing: TRANSOCEAN INC - Form 11-K

Total Additions	20,128,379	7,827,914
Deductions		
Benefits paid to participants	(5,842,538)	(3,045,489)
Transfers to another qualified plan	(514,160)	-
Participant loan processing fees	(24,696)	(15,472)
Total Deductions	(6,381,394)	(3,060,961)
Net Increase	13,746,985	4,766,953
Net Assets Available for Benefits		
Beginning of Year	64,870,758	60,103,805
End of Year	\$ 78,617,743	\$ 64,870,758

See accompanying notes

3

TRANSOCEAN U.S. SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - PLAN DESCRIPTION

The Transocean U.S. Savings Plan (the "Plan") is a defined contribution plan that was established on June 25, 1993. Effective May 9, 2002, the name of the Plan changed from Transocean Sedco Forex U.S. Savings Plan to Transocean U.S. Savings Plan. Transocean Inc. (the "Company") is the Plan sponsor. The following description of the Plan provides only general information of the Plan provisions. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

In July 2002, the Company announced plans to pursue a divestiture of its Gulf of Mexico Shallow and Inland Water business, and in December 2002, a registration statement was filed with the Securities and Exchange Commission relating to an initial public offering of that business. On December 31, 2002 and as a result of the planned divestiture, certain employees in the Gulf of Mexico Shallow and Inland Water business ceased to be participants in the Plan and the account balances of these employees were transferred to the TODCO Savings Plan (formerly known as "R&B Falcon U.S. Savings Plan"). Also on December 31, 2002 and as a result of the planned divestiture, the account balances of certain employees in the Company's International and U.S. Floater Contract Drilling Services business were transferred from the TODCO Savings Plan into the Plan.

On January 31, 2001, the Company completed a merger transaction with R&B Falcon Corporation ("R&B Falcon", now known as "TODCO"). As a result of the merger, certain R&B Falcon employees were allowed to participate in the Plan beginning June 1, 2001, July 1, 2001, or August 1, 2001 based on their assignment and geographic location.

GENERAL - The Plan is administered by an Administrative Committee, which is appointed by the Finance and Benefits Committee of the Company's Board of Directors. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA") and employee participation in the Plan is voluntary. Plan assets are held by the Plan trustee, Fidelity Management Trust Company ("Fidelity"). The Administrative Committee periodically reviews the

Edgar Filing: TRANSOCEAN INC - Form 11-K

Plan's investment options and may from time to time make changes to those options based on performance.

ELIGIBILITY - All employees of participating Employers, as defined in the Plan, who are employed in an eligible job category, who are citizens or permanent residents of the United States and who are not under a collective bargaining agreement are eligible to participate in the Plan after completion of one full calendar month of service. Effective June 1, 2000, non-U.S. citizens (other than U.S. permanent residents) working in the United States and subject to U.S. taxes who are not participating in the Plan have the option to commence participation if they are employed in an eligible job category.

CONTRIBUTIONS - Participants may elect to make contributions to the Plan with pre-tax dollars ("Pre-Tax Contributions"), pursuant to Section 401(k) of the Internal Revenue Code (the "Code"), and/or contributions with after-tax dollars ("After-Tax Contributions") up to a maximum of 20 percent of earnings per pay period. Beginning July 1, 2002, eligible employees were allowed to make additional contributions into the Plan ("Catch-Up Contributions") if they were 50 years old or older at any time during the year.

The Plan allows rollovers from other qualified plans. Participants may invest their rollovers into the Transocean Inc. Ordinary Shares Fund (a unitized fund investing in the Company's ordinary shares) or any of the mutual funds available under the Plan. Amounts rolled over can be withdrawn at any time.

4

TRANSOCEAN U.S. SAVINGS PLAN NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As a result of the merger with R&B Falcon and effective August 1, 2001, certain employees of R&B Falcon Management Services, Inc. (now known as "TODCO Management Services, Inc., LLC.") who were not eligible to participate in the Transocean U.S. Retirement Plan received an additional contribution into the Plan ("Annual Company Contribution"). The Annual Company Contribution, a minimum of 1.5 percent of base pay, as defined in the Plan, was paid in February 2002 to all eligible employees who were actively employed on the last business day of the year and was the minimum of 1.5 percent of base pay. The Annual Company Contribution has a two-year vesting period with the employees receiving credit for their previous periods of employment with TODCO Management Services, Inc. LLC. Effective November 1, 2002 and in connection with planned divestiture of the Company's Gulf of Mexico Shallow and Inland Water business, the Plan was amended to eliminate the Annual Company Contribution.

MATCHING CONTRIBUTIONS - The participating Employer matching contributions for each participant are equal to the sum of 100 percent of the first three percent of eligible earnings contributed by the participant to the Plan, plus 50 percent of the next three percent of eligible earnings contributed by the participant to the Plan. Such percentages are applied on a pay period by pay period basis. Diversification of participating Employer matching contributions is permitted and participants may direct participating Employer matching contributions into any investment fund offered by the Plan on a daily basis. Participants may also transfer participating Employer matching account balances between all investment funds on a daily basis. The participating Employers may, at their sole discretion, make an additional discretionary matching contribution of a percentage to be determined by the Administrative Committee of the first four percent of compensation contributed to the Plan.

INVESTMENT OF EARNINGS - Any dividends paid on the Company's ordinary shares held in the Transocean Inc. Ordinary Shares Fund are used to purchase

Edgar Filing: TRANSOCEAN INC - Form 11-K

additional units of that share fund. Earnings on mutual funds are reinvested in that fund.

VESTING - Except for the Annual Company Contribution discussed above, participants are immediately vested in their After-Tax Contributions, Pre-Tax Contributions and participating Employer matching contributions plus actual earnings thereon.

WITHDRAWALS - Participants may not withdraw Pre-Tax Contributions and earnings thereon until the earliest of termination of employment, attainment of age 59 1/2 or in the event of financial hardship. There is no limit on the number of withdrawals made by participants from their accounts after they reach age 70 1/2. Participants can withdraw After-Tax Contributions and earnings thereon once in any six-month period after six months of Plan participation. Except as noted below, participating Employer matching contributions and earnings thereon cannot be withdrawn from the Plan prior to termination of employment. Participating Employer matching contributions and earnings thereon resulting from contributions made prior to June 4, 1993 can be withdrawn once in any six-month period. All distributions from mutual funds are made in cash. All amounts invested in the Transocean Ordinary Shares Fund, whether purchased with participant or participating Employer matching contributions, are distributed in the form of stock certificates or cash at the participant's election. Dividends paid on units purchased for or credited to the participant's account prior to the distribution of such units to the participant are applied to the purchase of additional units for the participant's account. Catch-Up Contributions and earnings thereon may not be withdrawn until the earlier of termination of employment or attainment of age 59 1/2. Catch-Up Contributions and earnings thereon are not eligible to be withdrawn for a financial hardship.

5

TRANSOCEAN U.S. SAVINGS PLAN NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Upon termination of employment for any reason, if a participant's account is less than or equal to \$5,000, the account balance will automatically be distributed to the participant within 12 months following termination. For accounts greater than \$5,000, participants may request distribution upon termination but are not required to do so.

PARTICIPANT LOANS - Participants may borrow from their account the lesser of 50 percent of their vested account balance or \$50,000, with a minimum loan amount of \$1,000. Participants may have two loans outstanding at any one time - a "general loan", which may be used for any purpose and is to be repaid over five years or less, and a "home loan", which may only be used to purchase a primary residence and is required to be repaid in equal amounts over 15 years or less. The interest rate is fixed for the term of the loan based on the prime rate in effect during the quarter in which the loan is made plus one percent. Principal and interest are paid ratably to the participant's account through payroll deductions. There is a one-time loan origination fee of \$35 per loan and an annual maintenance fee of \$15 per loan for each calendar year the loan is outstanding. These fees are deducted from the participant's account. Outstanding loan amounts are due if employment is terminated.

PLAN TERMINATION - Although the Company has not expressed intent to do so, the Plan may be amended or discontinued at any time subject to the provisions of ERISA. In the event the Plan is terminated, the full amount credited to each participant's account will be payable as soon as practicable following such termination.

Edgar Filing: TRANSOCEAN INC - Form 11-K

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements of the Plan have been prepared under the accrual method of accounting in accordance with accounting principles generally accepted in the United States. The following is a summary of significant accounting policies followed by the Plan.

USE OF ESTIMATES - The preparation of these financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates that affect the amounts reported in the financial statements, accompanying notes and schedule. Actual results may differ from those estimates.

INVESTMENT VALUATION - Amounts invested in mutual funds and the Company's ordinary shares are carried at fair value based on the last quoted sales price of the year. Participant loans are valued at amortized cost, which approximates fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded as earned and dividends are recorded on the ex-dividend date.

BENEFIT PAYMENTS - Benefit payments are recorded when paid.

UNIT ACCOUNTING - On January 1, 2003, the Plan began using the share method of accounting. Prior to that date, the Plan utilized the unit method of accounting, which allowed the Transocean Inc. Ordinary Shares Fund to hold a small amount of cash for liquidity purposes. The value of each unit did not vary significantly from the price of the ordinary shares held in the fund. The ordinary share price is readily available to the participants and is printed in many publications. Under the unit accounting method, participants may have held units of the Transocean Inc. Ordinary Shares Fund representing their proportionate interest in both the ordinary shares and cash held in the fund.

RISKS AND UNCERTAINTIES - The Plan provides for various investments in ordinary shares, mutual funds and short-term investments. Investment securities, in general, are exposed to various risks, such as interest rate, credit and

6

TRANSOCEAN U.S. SAVINGS PLAN NOTES TO FINANCIAL STATEMENTS (CONTINUED)

overall market volatility risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits and participant account balances.

NOTE 3 - INVESTMENTS

Individual investments that represent five percent or more of the Plan's net assets are as follows:

	December 31,	
	2002	2001
Transocean Inc. Ordinary Shares Fund	\$21,865,637	\$23,616,281

Edgar Filing: TRANSOCEAN INC - Form 11-K

Marsico Focus Fund	11,355,680	-
Fidelity Retirement Money Market Portfolio	10,563,699	-
Spartan U.S. Equity Index Portfolio	10,398,125	7,234,130
ICAP Equity Portfolio	6,629,032	-
Fidelity Puritan Fund	5,523,839	5,297,403
PIMCO Total Return Fund	4,391,301	-
Fidelity Magellan Fund	-	13,787,688
Fidelity Retirement Government Money Market Portfolio	-	6,451,505

During 2002 and 2001, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated in value as follows:

	Years Ended December 31,	
	2002	2001
Mutual funds	\$ (7,101,903)	\$ (3,157,482)
Ordinary shares fund	(7,445,850)	(6,307,638)
Net depreciation	\$ (14,547,753)	\$ (9,465,120)

NOTE 4 - INCOME TAX STATUS

The Plan received a determination letter from the Internal Revenue Service dated July 31, 2002, stating that the Plan is qualified under Section 401(a) of the Code and, therefore, the related trust is exempt from taxation. Subsequent to the issuance of the determination letter, the Plan was amended. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan Administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended, is qualified and the related trust is tax exempt.

NOTE 5 - TRANSACTIONS WITH PARTIES-IN-INTEREST

Fidelity executed all mutual fund investment transactions for the years ended December 31, 2002 and 2001. Fidelity also provided certain accounting services to the Plan. Except for participant loan and withdrawal processing fees, the Company has paid all administrative expenses of the Plan, including legal, accounting and trustee fees.

SUPPLEMENTAL SCHEDULE

TRANSOCEAN U.S. SAVINGS PLAN

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

Edgar Filing: TRANSOCEAN INC - Form 11-K

EIN: 66-0582307
 PN: 002
 December 31, 2002

Identity of Issue	Description	Current Value
* Transocean Inc.	Ordinary Shares Fund; 942,484 Shares	\$21,865,637
Marsico Focus Fund	Mutual Fund; 1,002,267 Shares	11,355,680
* Fidelity Retirement Money Market Portfolio	Mutual Fund; 10,563,699 Shares	10,563,699
* Spartan U.S. Equity Index Portfolio	Mutual Fund; 333,808 Shares	10,398,125
ICAP Equity Portfolio	Mutual Fund; 206,705 Shares	6,629,032
* Fidelity Puritan Fund	Mutual Fund; 349,832 Shares	5,523,839
PIMCO Total Return Fund	Mutual Fund; 411,556 Shares	4,391,301
PIMCO PEA Opportunity Fund	Mutual Fund; 182,583 Shares	1,946,340
Putnam International Growth Fund A	Mutual Fund; 96,785 Shares	1,588,234
* Participant Loans	Loans Receivable with various maturity dates and interest rates ranging from 4.75% to 10.5%	3,628,670
Total Investments		\$77,890,557