

PROCTER & GAMBLE CO
Form 11-K
June 28, 2004

THE PROCTER & GAMBLE
COMMERCIAL COMPANY
EMPLOYEES' SAVINGS PLAN

Financial Statements as of December 31, 2003 and 2002 and
for the Year Ended December 31, 2003, and Supplemental
Schedules as of and for the Year Ended December 31, 2003
and Report of Independent Registered Public Accounting Firm

THE PROCTER & GAMBLE COMMERCIAL
COMPANY EMPLOYEES' SAVINGS PLAN

TABLE OF CONTENTS

| | PAGE |
|----------------------------------------------------------------------------------------------------------------------|-------|
| REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM | 1 |
| FINANCIAL STATEMENTS: | |
| Statements of Net Assets Available for Benefits as of December 31, 2003 and 2002 | 2 |
| Statement of Changes in Net Assets Available for Benefits for the Year Ended December 31, 2003 | 3 |
| Notes to Financial Statements | 4 - 7 |
| SUPPLEMENTAL SCHEDULES: | |
| Form 5500, Schedule H, Part IV, Line 4i- Schedule of Assets (Held at End of Year) as of December 31, 2003 | 8 |
| Form 5500, Schedule H, Part IV, Line 4j- Schedule of Reportable Transactions for the Year Ended December 31, 2003 | 9 |

All others schedules required by Section 2520.103-10 of the Department of
Labor's Rules and Regulations for Reporting and Disclosure under the Employee
Retirement Income Security Act of 1974 have been omitted because they are not
applicable.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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To the Participants and Retirement Committee of
The Procter & Gamble Commercial Company
Employees' Savings Plan:

We have audited the accompanying statements of net assets available for benefits of The Procter & Gamble Commercial Company Employees' Savings Plan (the "Plan") as of December 31, 2003 and 2002 and the related statement of changes in net assets available for benefits for the year ended December 31, 2003. 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 standards of the Public Company Accounting Oversight Board (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, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2003 and 2002 and the changes in net assets available for benefits for the year ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedules listed in the Table of Contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are 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. These schedules are the responsibility of the Plan's management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic 2003 financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

/S/DELOITTE & TOUCHE LLP

DELOITTE & TOUCHE LLP
San Juan, Puerto Rico
June 14, 2004

Stamp No. 1962177
affixed to original.

THE PROCTER & GAMBLE COMMERCIAL
COMPANY EMPLOYEES' SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2003 AND 2002

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| ASSETS | 2003 | 2002 |
|------------------------------------------------------------|--------------|--------------|
| INVESTMENTS-At fair value | \$10,214,580 | \$ 7,714,738 |
| RECEIVABLES: | | |
| Participants' contributions | 14,001 | 30,225 |
| Employers' contributions | 4,606 | 8,649 |
| Total receivables | 18,607 | 38,874 |
| Total assets | 10,233,187 | 7,753,612 |
| LIABILITIES-Excess contribution to be recognized next year | 115,997 | 127,479 |
| NET ASSETS AVAILABLE FOR BENEFITS | \$10,117,190 | \$ 7,626,133 |

See notes to financial statements.

THE PROCTER & GAMBLE COMMERCIAL
COMPANY EMPLOYEES' SAVINGS PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2003

| | |
|----------------------------------------------------------------------------------------------------|--------------|
| ADDITIONS: | |
| Contributions: | |
| Participants | \$ 1,007,667 |
| Employer | 280,466 |
| Total contributions | 1,288,133 |
| Investment income: | |
| Net appreciation in fair value of investments, including gain on sale of investment of \$34,229 | 1,471,054 |
| Dividends | 172,050 |
| Interest | 4,091 |
| Total investment income | 1,647,195 |
| Total additions | 2,935,328 |
| DEDUCTIONS-Benefits paid to participants | 443,871 |
| INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS | 2,491,457 |
| NET ASSETS AVAILABLE FOR BENEFITS: | |
| Beginning of year | 7,626,133 |
| End of year | \$10,117,590 |

See notes to financial statements.

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THE PROCTER & GAMBLE COMMERCIAL
COMPANY EMPLOYEES' SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

1. DESCRIPTION OF THE PLAN

The following description of The Procter & Gamble Commercial Company (the "Company") Employees' Savings Plan (the "Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

- a. GENERAL--The Plan is a defined contribution plan covering all full-time employees of the Company and of two affiliated companies, Olay Company, Inc. and Procter & Gamble Pharmaceuticals Puerto Rico, Inc. (the "Companies") who are residents of Puerto Rico, have completed one year of service and are age twenty-one or older. The Plan was established effective November 1, 1993 and is sponsored by the Companies. In 2002, the assets and liabilities of the Olay Company, Inc. Employees' Savings Plan and the Procter & Gamble Pharmaceuticals CODA Profit Sharing Plan, both qualified plans, were transferred into the Plan (see Note 3). This Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").
- b. CONTRIBUTIONS--Each year, participants may contribute up to 10 percent of pretax annual compensation, as defined in the Plan, not exceeding the maximum deferral amount specified by Puerto Rico law. Participants may also contribute amounts representing distributions from other qualified defined benefit or contribution plans. Participants direct the investment of their contributions into various investment options offered by the Plan. The Plan currently offers seven mutual funds and a fund, which invests in common stock of the Company, as investment options for participants. The Companies contribute 40 percent of the first 5 percent of base compensation that a participant contributes to the Plan. The matching Companies' contributions are invested directly in The Procter & Gamble Company common stock. Contributions are subject to certain limitations.
- c. PARTICIPANT ACCOUNTS--Each participant's account is credited with the participant's contribution and allocations of (A) the Companies' contributions and, (B) Plan earnings. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.
- d. VESTING--Participants are vested immediately in their contributions plus actual earnings thereon. The Companies' contributions portion of their accounts plus actual earnings thereon is 100 percent vested upon the occurrence of any of the following events: completion of three years of credited service; attaining age 65; total disability while employed by the Companies or death while employed by the Companies.

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- e. PAYMENT OF BENEFITS--Upon termination of service, a participant may receive the value of the vested interest in his or her account as a lump-sum distribution.
- f. LOANS TO PARTICIPANTS--Loans to participants are not permitted.
- g. FORFEITED ACCOUNTS--At December 31, 2003, forfeited nonvested accounts totaled \$839. These accounts will be used to reduce future Companies contributions to the Plan.
- h. PLAN TERMINATION--Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue their 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% vested in their employer contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. BASIS OF ACCOUNTING--The financial statements of the Plan are prepared under the accrual basis of accounting and the Plan's net assets and transactions are recorded at fair value. The Plan's investment in the Procter & Gamble Company ("P&G") and the J.M. Smucker Company ("Smucker") common stock is valued at the closing price on an established security exchange.
- b. USE OF ESTIMATES--The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan administrator to make estimates and assumptions that affect the participant account balances and the reported amounts of net assets available for benefits and changes therein. Actual results could differ from those estimates.

The Plan utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. 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 plan benefits.

- c. INVESTMENTS VALUATION AND INCOME RECOGNITION--The Plan's investments are stated at fair value. Quoted market prices are used to value investments. Shares of mutual funds are valued at the net asset value of shares held by the Plan at year-end.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.
- d. PAYMENT OF BENEFITS--Benefits are recorded when paid.
- e. PLAN EXPENSES--All expenses incurred in administering the Plan may be paid out of the invested assets unless paid by the Company.

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3. INVESTMENTS

The Plan's investments that represented five percent or more of the Plan's net assets available for benefits are as follows:

| | 2003 | 2002 |
|---------------------------------------------------------------------------------------------|-------------|-------------|
| The Procter & Gamble Company-common stock; 55,996.33 and 51,338.41 shares, respectively | \$5,592,914 | \$4,412,023 |
| J.P. Morgan Disciplined Equity Institutional Fund, 125,902.18 units | | 1,328,268 |
| ACI Equity Index - 421,540.47 units | 1,871,640 | |
| J.P. Morgan Diversified Institutional Fund; 100,227.08 and 87,722.30 units, respectively | 1,282,910 | 943,892 |
| Fidelity Low Price Fund, 15,736.12 units | 550,449 | |
| J.P. Morgan Prime Money Market Institutional Fund, 328,309.68 units | | 328,310 |
| J.P. Morgan Bond Ultra Fund, 28,062.84 units | | 285,680 |

During 2003, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value as follows:

| | | |
|--------------|--------------|--------------|
| Common stock | \$ 1,068,584 | |
| Mutual funds | | 402,470 |
| | | ----- |
| Total | | \$ 1,471,054 |
| | | ===== |

The dividend and interest income of the Plan for the year ended December 31, 2003 were as follows:

| | | |
|------------------------------------------|--|-----------|
| Dividend income: | | |
| Common stock | | \$ 93,610 |
| Mutual funds | | 78,440 |
| | | ----- |
| Total | | \$172,050 |
| | | ----- |
| Interest income-interest-bearing deposit | | \$ 4,091 |
| | | ===== |

4. INVESTMENT IN THE J.M. SMUCKER COMPANY COMMON STOCK

In May of 2002, the Jif peanut butter and Crisco shortening brands were spun-off to the Company's shareholders and subsequently merged into Smucker. As a result of the spin-off, holders of The P&G common stock received one share of the Smucker stock for each fifty shares of P&G common stock. The cost basis of P&G common stock owned by the Plan at the time of the Smucker spin-off was allocated between the P&G common stock held and the Smucker common stock received. The Plan is not permitted to purchase additional shares of the Smucker common stock. At December 31, 2003 and 2002, the Plan's investment in Smucker common stock consisted of 891.06 and 924.59 shares with a fair value of \$40,356 and \$36,808, respectively.

5. NONPARTICIPANT-DIRECTED INVESTMENT

Information about the net assets and the significant components of the

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changes in net assets relating to the nonparticipant-directed investment (the common stock of The Procter & Gamble Company) is as follows:

| | 2003 | 2002 |
|-----------------------------------------------------------------------|--------------|--------------|
| Net assets at December 31, 2003 and 2002-Common stock | \$ 5,592,914 | \$ 4,412,023 |
| | ===== | ===== |
| Changes in net assets for the years ended December 31, 2003 and 2002: | | |
| Contributions | \$ 610,678 | \$ 665,791 |
| Transfers in from predecessor qualified plans | 708,384 | |
| Net appreciation in fair value of investment | 1,022,425 | 311,793 |
| Dividends | 92,803 | 76,972 |
| Benefits paid to participants | (181,137) | (97,750) |
| Net transfers to participant directed investments | (318,027) | (148,246) |
| Other disbursements | (45,851) | (87,245) |
| | ----- | ----- |
| Net increase in net assets | \$ 1,180,891 | \$ 1,429,699 |
| | ===== | ===== |

6. RELATED-PARTY TRANSACTIONS

Certain Plan investments are shares of mutual funds managed by J.P. Morgan and American Century and an interest bearing deposit with J.P. Morgan Chase Bank. J.P. Morgan/American Century Retirement Plan Services, an area of American Century Services Corporation, performs record keeping and administrative services to the Plan and, therefore, these transactions qualify as party-in-interest transactions.

7. INCOME TAXES

The Plan is exempt from Puerto Rico income taxes under the provisions of the Puerto Rico Internal Revenue Code of 1994 ("PRIRC"), as amended. The Plan is not qualified under Section 401(a) of the Internal Revenue Code, but it is exempt from United States taxation under Section 1022 of the Employee Retirement Income Security Act of 1974. The Plan is required to operate in conformity with the PRIRC to maintain its qualification.

The Plan participants are not taxed on the income and contributions made to their accounts until such time as the participant or the participant's beneficiary receives distributions from the Plan.

SCHEDULE I

THE PROCTER & GAMBLE COMMERCIAL
COMPANY EMPLOYEES' SAVINGS PLAN

FORM 5500, SCHEDULE H, PART IV, LINE 4i-
SCHEDULE OF ASSETS (HELD AT END OF YEAR) AS OF DECEMBER 31, 2003

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| Identity of Issue | Description of Investment | Shares/Units/ Par Value | Cost |
|---------------------------------------------------|---------------------------|----------------------------|-----------|
| The Procter & Gamble Company | Common stock | 55,996.33 | \$ 4,570, |
| The J.M. Smucker Company | Common stock | 891.06 | 25, |
| American Century Equity Index Institutional Fund | * Mutual fund | 421,540.47 | N/ |
| J.P. Morgan Diversified Institutional Fund | * Mutual fund | 100,227.08 | N/ |
| Fidelity Low Price | * Mutual fund | 15,736.12 | N/ |
| J.P. Morgan Prime Money Market Institutional Fund | * Mutual fund | 337,084.43 | N/ |
| J.P. Morgan Bond Ultra Fund | * Mutual fund | 33,659.62 | N/ |
| J.P. Morgan International Equity Fund | * Mutual fund | 7,499.65 | N/ |
| Fidelity Diversified Growth Fund | * Mutual fund | 314.09 | N/ |
| J.P. Morgan Chase Bank | deposit | 6,333.00 | 6, |
| Total | | | |

*Registered Investment Company.

N/A = Not applicable.

SCHEDULE II

THE PROCTER & GAMBLE COMMERCIAL
COMPANY EMPLOYEES' SAVINGS PLAN

FORM 5500, SCHEDULE H, PART IV, LINE 4j-
SCHEDULE OF REPORTABLE TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2003

SINGLE TRANSACTIONS-None.

SERIES OF TRANSACTIONS:

| Description of Asset | Number of Purchases | Number of Sales | Purchase Amount | Sales Amount | Cost of Asset | Cu Va As Tra |
|-------------------------------------------|---------------------|-----------------|--------------------|--------------------|--------------------|--------------|
| The Procter & Gamble Company-common stock | 3 | 2 | \$776,424 ===== | \$352,633 ===== | \$318,404 ===== | \$3 |