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PROCTER & GAMBLE CO
Form 11-K
June 25, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 11-K

\X\ ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934 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 001-00434

- A. Full title of the plan and the address of the plan, if different from that of the issuer named below: The Procter & Gamble Commercial Company Employees' Savings Plan, 355 Tetuan Street, Old San Juan, P.O. Box 363187, San Juan, Puerto Rico 00936-3187
- B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office: The Procter & Gamble Company, One Procter & Gamble Plaza, Cincinnati, Ohio 45202

REQUIRED INFORMATION

- Item 4. Plan Financial Statements and Schedules Prepared in Accordance with the Financial Reporting Requirements of ERISA

THE PROCTER & GAMBLE

COMMERCIAL COMPANY

EMPLOYEES' SAVINGS PLAN

INDEPENDENT AUDITORS' REPORT

FINANCIAL STATEMENTS

As of December 31, 2002 and 2001 and
for the Year Ended December 31, 2002

SUPPLEMENTAL SCHEDULES

Year Ended December 31, 2002

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THE PROCTER & GAMBLE COMMERCIAL
COMPANY EMPLOYEES' SAVINGS PLAN

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	1
Financial Statements:	
Statements of Net Assets Available for Benefits as of December 31, 2002 and 2001	2
Statement of Changes in Net Assets Available for Benefits for the Year Ended December 31, 2002	3
Notes to Financial Statements	4-7
Supplemental Schedules:	
Schedule I - Schedule of Assets Held at December 31, 2002 (Schedule H, Line 4(i) on Form 5500)	8
Schedule II - Schedule of Reportable Transactions for the Year Ended December 31, 2002 (Schedule H, Line 4(j) on Form 5500)	9
Schedule III - Nonexempt Transactions for the Year Ended December 31, 2002 (Schedule H, Line 4(a) on Form 5500)	10

INDEPENDENT AUDITORS' REPORT

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, 2002 and 2001, and the related statement of changes in net assets available for benefits for the year ended December 31, 2002. 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 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,

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2002 and 2001, and the changes in net assets available for benefits for the year ended December 31, 2002 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 2002 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 11, 2003

Stamp No. 1887637
 affixed to original.

THE PROCTER & GAMBLE COMMERCIAL
 COMPANY EMPLOYEES' SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
 DECEMBER 31, 2002 AND 2001

ASSETS	2002	2001
INVESTMENTS, At fair value	\$7,714,738	\$5,338,302
RECEIVABLES:		
Participants' contributions	30,225	72,483
Employers' contributions	8,649	17,587
Total receivables	38,874	90,070
Total assets	7,753,612	5,428,372
LIABILITIES - Excess contribution to be recognized next year	127,479	
NET ASSETS AVAILABLE FOR BENEFITS	\$7,626,133	\$5,428,372

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See notes to financial statements.

THE PROCTER & GAMBLE COMMERCIAL
COMPANY EMPLOYEES' SAVINGS PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEAR ENDED DECEMBER 31, 2002

ADDITIONS:

Contributions:

Participants	\$ 959,990
Employer	298,190

Total contributions	1,258,180
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Investment loss:

Net depreciation in fair value of investments	(288,593)
Interest	27,864
Dividends	129,957

Total investment loss, net	(130,772)
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Transfers in from predecessor qualified plans	1,372,118
---	-----------

Total additions	2,499,526
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DEDUCTIONS:

Benefits paid to participants	289,009
Other expenses	12,756

Total deductions	301,765
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INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS	2,197,761
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NET ASSETS AVAILABLE FOR BENEFITS:

Beginning of year	5,428,372
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End of year	\$ 7,626,133
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See notes to financial statements.

THE PROCTER & GAMBLE COMMERCIAL
COMPANY EMPLOYEES' SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2002

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.

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- 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 six 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.
- e. PAYMENT OF BENEFITS - On 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, 2002, forfeited nonvested accounts totaled \$40,753. 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. SIGNIFICANT ACCOUNTING POLICIES

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- a. BASIS OF ACCOUNTING - The financial statements of the Plan are prepared under the accrual method of accounting.
- 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.

3. TRANSFERS IN FROM PREDECESSOR QUALIFIED PLANS

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. Net assets transferred amounted to \$1,372,118.

4. INVESTMENTS

The following presents investments as of December 31, 2002 and 2001 that represent five percent or more of the Plan's net assets:

	2002	2001
	----	----
The Procter & Gamble Company - common stock; 51,338.41 and 37,688.92 shares, respectively	\$ 4,412,023	\$ 2,982,324
JP Morgan Disciplined Equity Institutional Fund - 125,902.18 units	1,328,268	
JP Morgan Diversified Institutional Fund - 87,722.30 units	943,892	
JP Morgan Prime Money Market Institutional Fund 328,309.68 units	328,310	
JP Morgan Bond Ultra Fund- 28,062.84 units	285,680	
Fidelity Advisor Growth Opportunities Fund - Class T; 36,032.48 units		1,044,238
Fidelity Advisor Balanced Fund - Class T; 40,758.96 units		635,032

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

Common stock	\$ 348,601
Mutual funds	(637,194)

Total	\$ (288,593)
	=====

The dividend and interest income of the Plan for the year ended December 31, 2002 were as follows:

Dividend income:	
Common stock	\$ 76,972
Mutual funds	52,985

Total	\$ 129,957
	=====
Interest income- interest-bearing deposit	\$ 27,864
	=====

5. 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 The J.M. Smucker Company ("Smucker"). As a result of the spin-off, holders of The Procter & Gamble Company ("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, 2002, the Plan's investment in Smucker common stock consisted of 924.59 shares with a fair value of \$36,808.

6. NONPARTICIPANT-DIRECTED INVESTMENT

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

	2002	2001
	----	----
Net assets at December 31, 2002 and 2001 - Common stock	\$ 4,412,023	\$ 2,982,324
	=====	=====
Changes in net assets for the year ended December 31, 2002:		
Contributions	\$ 665,791	
Transfers in from predecessor qualified plans	708,384	
Net appreciation	311,793	
Dividends	76,972	
Benefits paid to participants	(97,750)	
Net transfers to participant directed investments	(148,246)	
Other disbursements	(87,245)	

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Net increase in net assets \$ 1,429,699
=====

7. 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 JP 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.

8. 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.

9. CLASS ACTION LAWSUIT

During March of 2000, a class action lawsuit was filed against The Procter & Gamble Company by shareholders of common stock. The class was certified on October 29, 2001 by the United States District Court for the Southern District of Ohio, Western Division (the "Court"), and a settlement of \$49,000,000 has been approved. The Plan joined the class plaintiffs on March 25, 2002. Once the allocation of the settlement is determined and approved by the Court, the Plan will receive its portion of the settlement to allocate to participant accounts.

SCHEDULE I

THE PROCTER & GAMBLE COMMERCIAL
COMPANY EMPLOYEES' SAVINGS PLAN

SCHEDULE OF ASSETS HELD AT DECEMBER 31, 2002
(FORM 5500, SCHEDULE H, LINE 4i)

Identity of Issue -----	Description of Investment -----	Shares/Unit Par Value -----
The Procter & Gamble Company	Common stock	51,338.41
The J.P. Smucker Company	Common stock	924.59
JP Morgan Disciplined Equity Institutional Fund	* Mutual fund	125,902.18

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JP Morgan Diversified Institutional Fund	* Mutual fund	87,722.30
JP Morgan Prime Money Market Institutional Fund	* Mutual fund	328,309.68
JP Morgan Bond Ultra Fund	* Mutual fund	28,062.84
American Century Heritage Institutional Fund	* Mutual fund	29,200.56
Putnam International Growth Fund	* Mutual fund	5,726.83
JP Morgan Chase Bank	Interest-bearing deposit	6,934.00
Total		

*Registered Investment Company.
N/A = Not applicable.

SCHEDULE II

THE PROCTER & GAMBLE COMMERCIAL
COMPANY EMPLOYEES' SAVINGS PLAN

SCHEDULE OF REPORTABLE TRANSACTIONS
YEAR ENDED DECEMBER 31, 2002
(FORM 5500, SCHEDULE H, LINE 4j)

SINGLE TRANSACTIONS - None.

SERIES OF TRANSACTIONS:			Current	Net
Description of Asset	Purchase Amount	Sales Amount	Value of Asset on Transaction Date	Gain on Sale
-----	-----	-----	-----	-----
The Procter & Gamble Company - common stock	\$ 769,249	\$ 348,485	\$ 348,485	\$ 35,690

SCHEDULE III

THE PROCTER & GAMBLE COMMERCIAL
COMPANY EMPLOYEES' SAVINGS PLAN

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SCHEDULE OF NONEXEMPT TRANSACTIONS
 YEAR ENDED DECEMBER 31, 2002
 (FORM 5500, SCHEDULE H, ITEM 4a)

Identity of Party Involved	Relationship to Plan	Description of Transaction
The Procter & Gamble Commercial Company	Plan Sponsor	Certain participant contributions for the year ended December 31, 2002 were remitted to the Plan after the maximum time period described in 29 CFR 2510.3-102
Olay Company, Inc.	Plan Sponsor	Certain participant contributions for the year ended December 31, 2002 were remitted to the Plan after the maximum time period described in 29 CFR 2510.3-102
Procter & Gamble Pharmaceuticals Puerto Rico, Inc.	Plan Sponsor	Certain participant contributions for the year ended December 31, 2002 were remitted to the Plan after the maximum time period described in 29 CFR 2510.3-102
Total		

THE PLAN. Pursuant to the requirements of the Securities Exchange Act of 1934, the Trustees (or other persons who administer the Employee Benefit Plan) have duly caused this Annual Report to be signed on its behalf by the undersigned thereunto duly authorized.

THE PROCTER & GAMBLE COMMERCIAL
 COMPANY EMPLOYEES' SAVINGS PLAN

DATE June 25, 2003

/S/ Thomas J. Mess

Thomas J. Mess
 Secretary for Trustees

EXHIBIT INDEX

Exhibit No.

Page No.

23

Consent of Deloitte & Touche