

Edgar Filing: PROCTER & GAMBLE CO - Form 11-K

PROCTER & GAMBLE CO
Form 11-K
December 22, 2005

UNITED STATES
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 [NO FEE REQUIRED] FOR THE FISCAL YEAR ENDED JUNE 30, 2005, 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 Profit Sharing Retirement Plan of The Procter & Gamble Commercial Company, the Procter & Gamble Company, Two Procter & Gamble Plaza, Cincinnati, Ohio 45202.
- 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 PROFIT SHARING
RETIREMENT PLAN OF THE
PROCTER & GAMBLE
COMMERCIAL COMPANY

FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED
JUNE 30, 2005 AND 2004 AND SUPPLEMENTAL SCHEDULE
AS OF JUNE 30, 2005, AND REPORT OF INDEPENDENT
REGISTERED PUBLIC ACCOUNTING FIRM

THE PROFIT SHARING RETIREMENT PLAN OF

Edgar Filing: PROCTER & GAMBLE CO - Form 11-K

THE PROCTER & GAMBLE COMMERCIAL COMPANY

TABLE OF CONTENTS

	PAGE
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	1
FINANCIAL STATEMENTS:	
Statements of Net Assets Available for Benefits as of June 30, 2005 and 2004	2
Statements of Changes in Net Assets Available for Benefits for the Years Ended June 30, 2005 and 2004	3
Notes to Financial Statements as of and for the Years Ended June 30, 2005 and 2004	4-7
SUPPLEMENTAL SCHEDULE--	8
Form 5500, Schedule H, Part IV, Line 4i--Schedule of Assets (Held at End of Year) as of June 30, 2005	9
All other 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

To The Procter & Gamble Master
Savings Plan Committee:

We have audited the accompanying statements of net assets available for benefits of The Profit Sharing Retirement Plan of The Procter & Gamble Commercial Company (the "Plan") as of June 30, 2005 and 2004, 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 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. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

Edgar Filing: PROCTER & GAMBLE CO - Form 11-K

ADDITIONS:

Investment income:

Net (depreciation) appreciation in fair value of investments	\$ (450,940)	\$ 6,324,279
Interest and dividend income	1,048,667	454,491
	-----	-----
Net investment income	597,727	6,778,770

Company contributions (net of forfeitures)	2,999,813	3,112,826
	-----	-----
Total additions	3,597,540	9,891,596

DEDUCTIONS--Benefits paid to participants	843,618	2,548,821
	-----	-----

NET INCREASE DURING THE YEAR	2,753,922	7,342,775
------------------------------	-----------	-----------

NET ASSETS AVAILABLE FOR BENEFITS:

Beginning of year	44,501,678	37,158,903
	-----	-----
End of year	\$47,255,600	\$44,501,678
	=====	=====

See notes to financial statements.

THE PROFIT SHARING RETIREMENT PLAN OF
THE PROCTER & GAMBLE COMMERCIAL COMPANY

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

1. PLAN DESCRIPTION

The following description of The Profit Sharing Retirement Plan of The Procter & Gamble Commercial Company (the "Plan") is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

GENERAL--The Plan is a defined contribution pension plan and is funded through contributions by The Procter & Gamble Commercial Company, Procter & Gamble Pharmaceuticals Puerto Rico, Inc. and Olay Company, Inc. (hereinafter collectively referred to as the "Plan Sponsors"). The Plan Sponsors are wholly-owned subsidiaries of The Procter & Gamble Company ("Company" or "P&G"). Substantially all employees of the Plan Sponsors are eligible to participate in the Plan upon completion of one year of service. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

CONTRIBUTIONS--The Plan Sponsors make contributions to the Plan each year based upon the amount of compensation and the years of service credited for each Plan participant, as defined by the Plan agreement, up to specified limitations. The Plan Sponsors' contributions are calculated by applying the relevant participation percentage to the total compensation, both as defined by the Plan. Participants are not permitted to make contributions to the Plan.

The following schedule details the participation percentages by years of service.

	Participation
Years of Service	Percentage

Edgar Filing: PROCTER & GAMBLE CO - Form 11-K

1-3	8%
4-6	9%
7-8	10%
9-10	11%
11-12	12%
13-14	13%
15 or more	14%

PARTICIPANT ACCOUNTS--Individual accounts are maintained for each Plan participant. Each participant's account is credited with an appropriate allocation of the Company's contributions and Plan earnings or losses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

INVESTMENTS--Participants direct the investment of their contributions into various investment options offered by the Plan. The Plan currently offers various mutual funds and Company common stock as investment options for participants.

In May of 2002, certain of the Company's brands were spun-off to its shareholders and subsequently merged into The J.M. Smucker Company ("Smucker"). As a result, participants holding P&G common stock received one share of Smucker stock for each fifty shares of P&G common stock. The cost basis of P&G common stock prior to the Smucker spin-off was allocated between P&G common stock held and the Smucker common stock received. Participants are not permitted to purchase additional shares of Smucker.

VESTING--Participants are vested 100% upon completion of five years of service. Participants are also 100% vested in their accounts upon termination for disability, early or normal retirement, death, and also upon attainment of 65 years of age, regardless of years of service.

PAYMENT OF BENEFITS--On termination of service due to death, disability, termination, or retirement, a participant may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in his or her account, or annual installments over a period not to exceed ten years after the date of death, termination, retirement, or disability.

FORFEITURES--Participants who terminate service prior to vesting forfeit their account balance. Forfeited amounts are used to reduce the Company's annual contributions.

STOCK SPLIT--In March 2004, the Company's Board of Directors approved a two-for-one stock split effective for common and preferred shareholders of record as of May 21, 2004. The financial statements, notes and other references to share data have been restated to reflect the stock split for all periods presented.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING--The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

USE 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 net assets available for benefits and changes therein. Actual results could differ from those estimates. The Plan utilizes various investment securities including mutual funds and corporate stock. Investment securities, in general, are exposed to various

Edgar Filing: PROCTER & GAMBLE CO - Form 11-K

risks, such as interest rate risk, credit risk, 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 financial statements.

INVESTMENT VALUATION AND INCOME RECOGNITION--The Plan's investments in common stock are valued at the closing price on established security exchanges. The Plan's investment funds (funds) are valued by the fund manager, JP Morgan Investment Management, Inc., based upon the fair value of the funds' underlying investments. Income from investments is recognized when earned and is allocated to each participant's account by the Plan's record keeper.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Management fees and operating expenses charged to the Plan for investments in mutual funds are deducted from income earned on a daily basis and are not separately reflected. Consequently, management fees and operating expenses are reflected as a reduction of investment return for such investments.

ADMINISTRATIVE EXPENSES--Administrative expenses of the Plan are paid by the Company as provided in the Plan document.

BENEFITS PAYABLE--Distributions of benefits are processed on a daily basis; therefore, there were no benefits payable at June 30, 2005 and 2004.

3. INVESTMENTS

The Plan's investments at fair value that represented 5% or more of the Plan's net assets as of June 30, 2005 and 2004, are as follows:

	2005	2004
The Procter & Gamble Company common stock	\$27,132,486	\$26,029,300
Oakmark Equity Income Fund	8,164,042	
American Century Equity Index Fund	3,538,104	3,386,703
J.P. Morgan Chase Bank Money Market Fund	2,600,922	2,287,152
J.P. Morgan Chase Bank Diversified Fund		7,550,463

During the years ended June 30, 2005 and 2004, 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:

	2005	2004
Net (depreciation) appreciation in fair value of:		
Mutual funds	\$ 437,461	\$1,772,239
Common stock	(888,401)	4,552,040
	-----	-----
Net (depreciation) appreciation of investments	\$ (450,940)	\$6,324,279

Edgar Filing: PROCTER & GAMBLE CO - Form 11-K

4. EXEMPT PARTY-IN-INTEREST TRANSACTIONS

Certain Plan investments are shares of mutual funds managed by J.P. Morgan Chase Bank. J.P. Morgan Chase Bank is the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions. Fees paid for the investment management services were included as a reduction of the return earned on each fund.

At June 30, 2005 and 2004, the Plan held 514,360 and 478,128 shares, respectively, of The Procter & Gamble Company common stock with a cost basis of \$17,236,539 and \$15,070,316, respectively. During the years ended June 30, 2005 and 2004, the Company contributed \$2,999,813 and \$3,112,826, respectively, to the Plan on behalf of participating employees.

During the years ended June 30, 2005 and 2004, the Plan recorded dividend income from The Procter & Gamble Company common stock of \$522,845 and \$428,855, respectively.

During the years ended June 30, 2005 and 2004, the Plan's investment in common stock of The Procter & Gamble Company, including gains and losses on investments bought and sold as well as held during the year (depreciated) appreciated in value by \$(898,911) and \$4,529,223, respectively.

5. PLAN TERMINATION

Although it has not expressed any intent to do so, the Plan Sponsors have the right under the Plan to discontinue their contributions at any time and to terminate the Plan subject to the provisions set forth in ERISA. In the event of Plan termination, participants will become fully vested and the net assets of the Plan will be distributed to the participants in an order of priority determined in accordance with ERISA and its applicable regulations, and the Plan document.

6. FEDERAL INCOME TAX STATUS

The Plan is exempt from Puerto Rico income taxes under the provisions of Section 165(a) of the Puerto Rico Income Tax Act of 1954, as amended. The Internal Revenue Service has determined and informed the Company by a letter dated February 2, 2004, that the Plan and related trust were designed in accordance with applicable requirements of the Internal Revenue Code ("IRC"). The Plan has been amended since receiving the latest determination letters. However, the plan administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Puerto Rico Income Tax Act of 1954 and the IRC. Therefore, they believe that the Plan was qualified and tax-exempt as of June 30, 2005 and 2004 and no provision for income taxes has been reflected in the accompanying financial statements.

SUPPLEMENTAL SCHEDULE

Edgar Filing: PROCTER & GAMBLE CO - Form 11-K

THE PROFIT SHARING RETIREMENT PLAN OF THE
THE PROCTER & GAMBLE COMMERCIAL COMPANY

FORM 5500, SCHEDULE H, PART IV, LINE 4i-
SCHEDULE OF ASSETS (HELD AT END OF YEAR)
JUNE 30, 2005

Identity of Issue	Description of Investment	Fair Value
SHORT TERM INVESTMENTS:		
J.P. Morgan Chase Bank*	Liquified Cash	\$ 38
J.P. Morgan Chase Bank*	Money Market Fund	2,600,922
THE PROCTER & GAMBLE COMPANY*	Common stock, \$1.00 stated value 514,360 shares (cost \$17,236,539)	27,132,486
THE J.M. SMUCKER COMPANY	Common stock, no par value 3,479 shares (cost \$72,214)	163,283
MUTUAL FUNDS:		
J.P. Morgan Chase Bank*	Bond Fund	879,010
J.P. Morgan Chase Bank*	International Equity Fund	478,693
American Century	Equity Index Fund	3,538,104
Fidelity	Dividend Growth Fund	107,335
Oakmark	Equity Income Fund	8,164,042
Royce	Low Price Stock Fund	1,178,060
TOTAL ASSETS		\$44,241,973

* Party-in-interest.

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 HEREUNTO DULY AUTHORIZED.

The Profit Sharing Retirement Plan
of The Procter & Gamble Commercial
Company

Date: December 21, 2005

/S/ THOMAS J. MESS

Thomas J. Mess
Secretary, Trustees of The Profit
Sharing Retirement Plan of The
Procter & Gamble Commercial Company

EXHIBIT INDEX

Exhibit No.

Page No.

