

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

PROCTER & GAMBLE CO
Form 11-K
June 28, 2006

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 FOR THE FISCAL YEAR ENDED December 31, 2005, OR

\ \ FOR TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO

Registration number 333-128859

A. Full title of the plan:

THE GILLETTE COMPANY
EMPLOYEES' SAVINGS PLAN

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.

Financial Statements of The Gillette Company
Employees' Savings Plan

The following audited financial statements are enclosed with this report:

1. Statement of Net Assets Available for Plan Benefits as of December 31, 2005
and December 31, 2004.
2. Statement of Changes in Net Assets Available for Plan Benefits for the
years ended December 31, 2005 and December 31, 2004.

Exhibits:

23 Consents of the Independent Registered Public Accounting Firms

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the
Administrative Committee of The Gillette Company Employees' Savings Plan has
duly caused this annual report to be signed on its behalf by the undersigned
hereunto duly authorized.

THE GILLETTE COMPANY
EMPLOYEES' SAVINGS PLAN

By: /S/ DAVID A. TIERSCH

David A. Tiersch

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

June 28, 2006

THE GILLETTE COMPANY
EMPLOYEES' SAVINGS PLAN

FINANCIAL REPORT
DECEMBER 31, 2005

THE GILLETTE COMPANY EMPLOYEES' SAVINGS PLAN

	CONTENTS
REPORT LETTERS	1-2
STATEMENT OF NET ASSETS AVAILABLE FOR PLAN BENEFITS	3
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS	4
NOTES TO FINANCIAL STATEMENTS	5-13
SCHEDULE OF ASSETS HELD AT END OF YEAR	Schedule 1

Report of Independent Registered Public Accounting Firm

To the Savings Plan Committee
The Gillette Company
Employees' Savings Plan

We have audited the accompanying financial statements of net assets available for plan benefits of The Gillette Company Employees' Savings Plan as of December 31, 2005 and the related statement of changes in net assets available for plan benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on the 2005 financial statements based on our audit.

We conducted our audit in accordance with the 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

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

statements. An audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets as of December 31, 2005, and the changes in net assets for the year ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the 2005 basic financial statements taken as a whole. The supplemental schedule of assets held at end of year as of December 31, 2005 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 has been subjected to the auditing procedures applied in the audit 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/ Plante & Moran, PLLC

Southfield, Michigan
June 16, 2006

Report of Independent Registered Public Accounting Firm

The Savings Plan Committee
The Gillette Company Employees' Savings Plan:

We have audited the statement of net assets available for plan benefits of The Gillette Company Employees' Savings Plan (the Plan) as of December 31, 2004, and the related statements of changes in net assets available for plan benefits for each of the years in the two-year period 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 the 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, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of The Gillette Company Employees' Savings Plan at December 31, 2004, and the changes in net assets available for plan benefits for each of the years in the two-year period then ended in conformity with U.S. generally accepted accounting principles.

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

/S/ KPMG LLP
 Boston, Massachusetts
 June 29, 2005

THE GILLETTE COMPANY EMPLOYEES' SAVINGS PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR PLAN BENEFITS

	December 31	
	2005	2004
Assets		
Participant Directed Investments		
Plan interest in The Gillette Company		
Master Savings Plan Trust	\$ 2,171,755,485	\$ 2,032,988,369
Participant Loans	26,947,830	28,532,224
Net assets available for plan benefits	\$ 2,198,703,315	\$ 2,061,520,593

See Notes to Financial Statements.

THE GILLETTE COMPANY EMPLOYEES' SAVINGS PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS

	December 31	
	2005	2004
Additions to Net Assets Attributed to		
Net investment gain from The Gillette Company		
Master Savings Plan Trust	\$ 335,131,328	\$ 277,883,685
Interest on participant loans	1,476,580	1,471,737
Contributions:		
Employee	52,256,536	52,533,210
Employer	27,111,948	26,704,156
Total contributions	79,368,484	79,237,366
Total additions	415,976,392	358,592,788
Deductions from Net Assets Attributed to		
Benefit payments paid directly to participants	(280,477,841)	(191,235,402)
Net Increase Prior to Transfers	135,498,551	167,357,386

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

Transfer from The Gillette Company ESOP	1,684,171	20,098,544
Transfer from Zooth, Inc.	-	849,838
	-----	-----
Net Increase in net assets available for plan benefit	137,182,722	188,305,768
Net assets available for plan benefits - Beginning of year	2,061,520,593	1,873,214,825
	-----	-----
End of year	\$ 2,198,703,315	\$ 2,061,520,593
	=====	=====

See Notes to Financial Statements.

THE GILLETTE COMPANY EMPLOYEES' SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE 1 - DESCRIPTION OF PLAN

The Gillette Company Employees' Savings Plan (the Plan) is sponsored by The Gillette Company, a subsidiary of The Procter & Gamble Company (collectively, the Company). The following provides only general information and participants should refer to the plan document for a more complete description of the Plan's provisions.

GENERAL - The Plan is a defined contribution plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. Regular employees of The Gillette Company and its participating subsidiaries are eligible to join the Plan on their date of hire.

PARTICIPANT CONTRIBUTIONS - Eligible employees may voluntarily contribute from 2 percent to 10 percent of their compensation as matched savings and from 1 percent to 5 percent of their compensation as unmatched savings. All contributions must be in 1 percent increments.

All matched savings contributed by an employee are divided equally between tax deferred and taxed savings. Unmatched savings may be designated by an employee to be either tax deferred or taxed, but not both. Tax deferred contributions made by an employee in any plan year may not exceed the annual limit set by law.

EMPLOYER CONTRIBUTIONS - The Company contributes \$1.00 for every \$1.00 of each participant's matched savings for the first 5 percent of each participant's contribution and \$0.20 for every \$1.00 of the next 5 percent of each participant's contribution.

VESTING - Participants are immediately vested in their own employee contributions plus the actual earnings thereon. Matching contributions from the Company vest after the participant has completed the earliest of three years of service, two years from date of entry into the Plan, or the attainment of age 65. Participants are

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

also 100 percent vested in the Company contributions credited to their accounts upon death, retirement, total and permanent disability or Company-initiated termination (other than for cause as determined by the Company).

THE GILLETTE COMPANY EMPLOYEES' SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE 1 - DESCRIPTION OF PLAN (CONTINUED)

PARTICIPANT'S ACCOUNTS - A separate account is established for each participant at the time of enrollment in the Plan. The balance in each account is invested, in accordance with the directions given by the participant, in one or more of the Plan's investment fund offerings (the Funds). Participants may direct their account balance in any of the various funds offered by the plan.

PARTICIPANT LOANS - The maximum loan available to each participant is the lesser of (1) \$50,000 reduced by the highest outstanding loan balance due from the participant during the preceding twelve months or (2) 50 percent of the participant's vested account balance, reduced by the current outstanding loan balance due from the participant. The minimum loan amount available to participants is \$500. Each loan shall bear interest at a rate determined by the Savings Plan Committee. Repayment of the loan must be made over a period not to exceed five years.

PLAN EXPENSES - The Company bears most trustee and administrative costs of maintaining the Plan and investment expenses associated with the Company's stock fund. Investment expenses associated with all other funds offered as investment options under the Plan are deducted from the assets of each of those funds.

PLAN EARNINGS - As of the close of each business day, the plan trustee is responsible for determining the fair market value of each of the investment options, which includes all accrued earnings. The increase or decrease in the fair market value of each investment fund since the preceding business day is allocated among the participant accounts invested in each fund based on the proportionate number of shares or units of the fund held by each participant at the close of the preceding business day.

With respect to the Company's stock fund, the trustee is responsible for determining the participants' accounts entitled to receive each quarterly dividend and the number of shares to be credited to each account, as of the quarterly ex-dividend date. Any interest or other income earned by the Fund, other than dividends, is allocated quarterly to participant accounts on a proportionate basis.

BENEFIT PAYMENTS - A participant, surviving spouse or other beneficiary may elect to receive their account balance as a partial or total withdrawal or may elect to have the proceeds of the distribution used to purchase an annuity contract for his or her benefit through an insurer of his/her choice.

Early withdrawals may also be made in the event of financial hardship and other circumstances, based upon special guidelines detailed in the plan document.

FORFEITURES - Forfeitures by plan participants are used to reduce

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

Company contributions.

THE GILLETTE COMPANY EMPLOYEES' SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING -The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of net assets available for plan benefits at the date of the financial statements, and the reported amounts of additions to and deductions from net assets available for plan benefits. Actual results could differ from those estimates.

The accompanying financial statements are prepared on the accrual basis of accounting.

INVESTMENTS - Investments are allocations of the assets of The Gillette Company Master Savings Plan Trust (the Savings Plan Trust) based upon the proportionate interest of the Plan in the Savings Plan Trust. See Note 4 for a detailed description of the Savings Plan Trust.

Investments of the Savings Plan Trust are stated at fair value except for guaranteed and synthetic investment contracts which are valued at contract value which approximates fair value. Contract value represents contributions made under the contract plus interest at the contract rate. The crediting interest rate is variable for the synthetic contracts and is reset quarterly based upon the fair value of the underlying securities. The crediting interest rate is fixed for guaranteed contracts. The average yield for the years ended December 31, 2005 and 2004 is 4.21 percent and 4.49 percent, respectively. The crediting interest rate for these investment contracts as of December 31, 2005 and 2004 is 4.03 percent and 4.20 percent, respectively. Fair value for shares of The Procter & Gamble Company common stock, formerly The Gillette Company common stock (the Company Common Stock) held in the Savings Plan Trust is defined as the closing price of the common stock as reported by the New York Stock Exchange. The fair value for all other investments is determined daily by the trustee on a per-share basis using security prices quoted on national exchanges, and amortized cost in the case of any short-term and money market securities held. The fair value of the commingled funds is based on the fair value of the underlying investments held in the fund. Participant loans receivable are valued at their outstanding balances, which approximates fair value.

THE GILLETTE COMPANY EMPLOYEES' SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net appreciation (depreciation) in the fair value of investments includes both realized and unrealized gains and losses.

PAYMENT OF BENEFITS - Benefits are recorded when paid.

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

NEW ACCOUNTING PRONOUNCEMENTS - In December 2005, the Financial Accounting Standards Board (FASB) issued FASB Staff Position AAG INV-1 and SOP 94-4-1, REPORTING OF FULLY BENEFIT-RESPONSIVE INVESTMENT CONTRACTS HELD BY CERTAIN INVESTMENT COMPANIES SUBJECT TO THE AICPA INVESTMENT COMPANY GUIDE AND DEFINED-CONTRIBUTION HEALTH AND WELFARE AND PENSION PLANS (FSP). This FSP makes the definition of benefit-responsive more restrictive so that certain investment contracts currently reported at contract value may need to be reported at fair value. Management has not yet determined the impact this standard, which is effective for the plan year ending December 31, 2006, will have on the Plan's financial statements.

RECLASSIFICATION - Certain prior year amounts have been reclassified to conform to current year presentation.

THE GILLETTE COMPANY EMPLOYEES' SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE 3 - PLAN TERMINATION

The Company expects the Plan to continue indefinitely, but reserves the right to amend or terminate the Plan, subject to restrictions, at its discretion (see Note 10).

If the Plan is terminated or if contributions are completely discontinued, each participant's interest in that portion of their account balance attributable to Company contributions shall become fully vested. Upon termination of the Plan, the Savings Plan Trust may continue in existence at the direction of the board of directors of the Company, subject to the provisions of the Plan and the Savings Plan Trust agreement, or the Savings Plan Trust may be terminated and the assets distributed to participants. Further, in the event the Plan was terminated after the Merger, the Plan's Trust would be continued so long as it held Plan assets, and distributions would be made to participants by the Trustee as if the Plan had not been terminated.

NOTE 4 - MASTER TRUST

Investments of the Savings Plan Trust are held in trust by Fidelity Management Trust Company. The plans participating in the Savings Plan Trust are The Gillette Company Employees' Savings Plan and The Gillette Company Employee Stock Ownership Plan (the ESOP). Trust income is allocated ratably between the plans in accordance with the assets of each plan invested in the Savings Plan Trust. The net assets of the Savings Plan Trust at December 31, 2005 and 2004 are as follows:

THE GILLETTE COMPANY EMPLOYEES' SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE 4 - MASTER TRUST (CONTINUED)

2005

Investments, at fair value:

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

Marketable securities:		
The Gillette Company Common Stock Fund	\$	--
The Procter & Gamble Company Common Stock Fund		1,462,022,494
Registered investment companies:		
AF Washington Mutual Investors Fund - Class R-5		23,114,690
Allianz CCM Mid Cap - Institutional Class		35,903,078
Fidelity Diversified International Fund		66,496,380
Fidelity Emerging Markets Fund		29,249,677
Fidelity Growth & Income Portfolio		39,044,610
Fidelity Growth Company Fund		105,686,067
Fidelity Magellan Fund		88,825,973
Fidelity Retirement Government Money Market Portfolio		38,003,023
Fidelity Short Term Investment Fund		1,826,533
Fidelity U.S. Bond Index Fund		32,561,552
John Hancock Small Cap Growth Fund - Class A		10,432,723
PIMCO Mid Cap Fund		--
Vanguard Balanced Index - Institutional Class		47,702,080
Vanguard Total Stock Market Index Fund - Admiral Class		--
Vanguard Total Stock Market Issue - Institutional Class		15,800,355
Commingled Pool:		
Fidelity U.S. Equity Index Commingled Fund		114,725,786
Investment contracts, at contract value		430,806,297
	-----	-----
Total investments		\$2,542,201,318
	=====	=====
Assets allocated to The Gillette Company Employees' Savings Plan		\$2,171,755,485
Assets allocated to The Gillette Company Employees Stock Ownership Plan		370,445,833

The aggregate fair value of investment contracts was \$429,258,799 and \$439,968,129 at December 31, 2005 and 2004, respectively.

THE GILLETTE COMPANY EMPLOYEES' SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 4 - MASTER TRUST (CONTINUED)

The statements of changes in net assets of the Savings Plan Trust for the years ended December 31, 2005 and 2004 are as follows:

	2005	-----
Investment income (loss):		
Net appreciation (depreciation) on fair value of investments:		
The Gillette Company Common Stock fund	\$	378,634,487
The Procter & Gamble Company Common Stock fund		(48,327,087)
AF Washington Mutual Investors Fund - Class R-5		25,554
Allianz CCM Mid Cap - Institutional Class		3,686,033
Fidelity Diversified International Fund		7,344,747
Fidelity Emerging Markets Fund		6,939,778
Fidelity Growth & Income Portfolio		(4,005,957)
Fidelity Growth Company Fund		12,309,220
Fidelity Magellan Fund		2,184,937

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

Fidelity U.S. Bond Index Fund	(698,620)	
John Hancock Small Cap Growth Fund - Class A	(143,825)	
PIMCO Mid Cap Fund	-	
Vanguard Balanced Index - Institutional Class	895,789	
Vanguard Total Stock Market Index Fund - Admiral Class	(281,018)	
Vanguard Total Stock Market Index Fund - Institutional Class	919,612	
Fidelity U.S. Equity Index Commingled Pool	5,437,462	
Dividends	36,558,919	
Interest	17,916,614	

Net investment gain	\$ 419,396,645	\$
	=====	==

THE GILLETTE COMPANY EMPLOYEES' SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005 AND 2004

NOTE 5 - INCOME TAXES

A favorable tax determination letter was received from the Internal Revenue Service on March 13, 2002 stating that the existing Plan and its underlying trust qualified under Section 401(a) of the Internal Revenue Code of 1986 (the Code) as a profit sharing plan, and is exempt from Federal income taxes. Further, the features of the Plan relating to tax-deferred savings qualified under Section 401(k) of the Code. The Plan has been amended since receiving the determination letter. However, the Company believes the Plan is designed and is currently being operated in compliance with the applicable provisions of the Code.

NOTE 6 - ESOP TRANSFERS

During 2003, The Gillette Company Employee Stock Ownership Plan (the ESOP) was amended to require the transfer of former participant account balances not paid out within one full fiscal quarter from their date of termination to The Gillette Company Employees' Savings Plan.

In 2004, transfers totaling \$20,098,544 consisted primarily of accumulated ESOP assets of participants terminated in prior years who did not elect payout of their ESOP balances.

In the future, transfers from ESOP will occur if participants are terminated and do not elect payout of their ESOP balances within one full fiscal quarter from the date of their termination. Current year transfers from the ESOP consisted of such amounts.

NOTE 7 - PLAN TRANSFER

On August 2, 2004, \$849,838 was transferred to the Plan from Zooth, Inc.'s 401(k) Plan as part of the acquisition of Zooth, Inc. Zooth, Inc. was acquired by the Company as of June 4, 2004.

NOTE 8 - PARTY-IN-INTEREST TRANSACTIONS

Fidelity Investments, a wholly owned subsidiary of FMR Corp., manages several of the Plan's investment options. Fidelity Management Trust Company and Fidelity Investments Institutional Operations

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

Company, both wholly owned subsidiaries of FMR Corp., are the Plan's trustee and record keeper, respectively. Therefore, transactions between Fidelity Investments and both the trustee and the record keeper qualify as party-in-interest transactions.

THE GILLETTE COMPANY EMPLOYEES' SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE 9 - PLAN AMENDMENTS

Effective December 1, 2003 through November 2004, terminated participants or beneficiaries with accounts of \$5,000 or less automatically received a distribution of their total account balance. Subsequent to November 2004, balances are distributed as disclosed in Note 1.

NOTE 10 - MERGER

During 2005, The Procter & Gamble Company, an Ohio corporation (P&G), Aquarium Acquisition Corp., a wholly owned subsidiary of P&G and a Delaware corporation (Merger Sub), and the Sponsor, a Delaware corporation, entered into an Agreement and Plan of Merger (the "Merger Agreement"). The Merger Agreement provides that, upon the terms and subject to the conditions set forth in the Merger Agreement, Merger Sub will merge with and into the Sponsor (the "Merger"), continuing as the surviving corporation. The Merger was completed in 2005.

As of the close of the Merger, plan participants' shares of Gillette common stock were converted into P&G common stock using the same ratio (0.975 shares of P&G for each Gillette share) that was applied to all other Gillette stockholders. .

As a result of the Merger, the Plan may not be amended to impose vesting periods longer than those in effect immediately prior to the Merger or to impose withdrawal provisions more stringent than those in effect immediately prior to the Merger.

THE GILLETTE COMPANY EMPLOYEES' SAVINGS PLAN

SCHEDULE OF ASSETS HELD AT END OF YEAR
FORM 5500, SCHEDULE H, ITEM 4i
EIN 04-1366970, PLAN NO. 002
DECEMBER 31, 2005

(a) (b)	(c)	(d)	(e)
Identity of Issuer, Borrower, Lessor, or Similar Party	Description of Investment	Cost	Current Value
-----	-----	----	-----
Participants	Participant Loans bearing interest at 5.50% to 10.50%	\$ -	\$ 26,947,830