

MERCK & CO INC
Form 11-K
June 29, 2006

Table of Contents

FORM 11-K

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2005

Commission file number 001-3305

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Merck 401(k) Savings Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Merck and Company, Inc.

P.O. Box 100

Whitehouse Station, New Jersey 08889-0100

Table of Contents

REQUIRED INFORMATION

The following financial statements are furnished for the Plan:

1. The plan is subject to ERISA therefore the Plan is filing Plan financial statements and schedules prepared in accordance with financial reporting requirements of ERISA.
 2. A written consent of the accountant.
-

Table of Contents

**Merial 401(k) Savings Plan
Financial Statements and Supplemental Schedule
December 31, 2005 and 2004**

Table of Contents

**Merial 401(k) Savings Plan
Index
December 31, 2005 and 2004**

	Page(s)
<u>Report of Independent Registered Public Accounting Firm</u>	1
Financial Statements	
<u>Statements of Net Assets Available for Benefits</u>	2
<u>Statement of Changes in Net Assets Available for Benefits</u>	3
<u>Notes to Financial Statements</u>	4-9
Supplemental Schedule*	
<u>Schedule H, Line 4i Schedule of Assets (Held at End of Year)</u>	10

* Note: 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.

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Participants and Administrator of
Merial 401(k) Savings Plan

In our opinion, the accompanying statements of net assets available for benefits and the related statements of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of Merial 401(k) Savings Plan (the Plan) at December 31, 2005 and 2004, and the changes in net assets available for benefits for the year ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America. 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 of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Assets (Held at End of Year) 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 is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in the audits 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.

Atlanta, Georgia

June 26, 2006

Table of Contents

Merial 401(k) Savings Plan
Statements of Net Assets Available for Benefits
December 31, 2005 and 2004

<i>(in thousands of dollars)</i>	2005	2004
Assets		
Investments, at fair value		
Common stocks	\$ 14,608	\$ 17,543
Common/collective trust funds	10,468	8,592
Mutual funds	78,172	68,648
Loans to participants	1,706	1,535
 Total investments	 104,954	 96,318
Cash equivalents	259	450
Receivables		
Accrued income	168	173
Unsettled investment sales	256	29
 Total receivables	 424	 202
 Total assets	 105,637	 96,970
 Liabilities		
Payables		
Unsettled investment purchases	25	8
 Total liabilities	 25	 8
 Net assets available for benefits	 \$ 105,612	 \$ 96,962

The accompanying notes are an integral part of these financial statements.

Table of Contents

Merial 401(k) Savings Plan
Statement of Changes in Net Assets Available For Benefits
Year Ended December 31, 2005

<i>(in thousands of dollars)</i>	2005
Additions to net assets attributed to:	
Interest and dividend income	\$ 1,573
Net appreciation in fair value of investments	5,591
Contributions	
Participants	11,668
Employer	3,734
Rollovers from other plans	569
 Total contributions	 15,971
 Total additions	 23,135
Deductions from net assets attributed to:	
Benefits paid to participants	13,687
In-kind distributions to participants	783
Administrative expenses	15
 Total deductions	 14,485
 Net increase	 8,650
Net assets available for benefits:	
Beginning of year	96,962
 End of year	 \$ 105,612

The accompanying notes are an integral part of these financial statements.

Table of Contents

**Merial 401(k) Savings Plan
Notes to Financial Statements
December 31, 2005 and 2004**

1. Description of the Plan

The following description of the Merial 401(k) Savings Plan (the Plan) is provided for general information purposes. Participants of the Plan should refer to the Plan document for a more complete description of the Plan s provisions.

General

The Plan is a defined contribution plan, which is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Plan covers all full-time and part-time employees of Merial Limited and Merial Select (the Company), who have enrolled as participants. The Plan was originally adopted effective January 1, 1989.

Eligibility

An employee is eligible to participate in the Plan as soon as administratively feasible, following the date on which he or she performs his or her first hour of service with the employer and executes a salary reduction agreement. Employees who are part of a collective bargaining agreement or are not United States citizens are not eligible to participate in the Plan.

Participant Contributions

Under the provision of the Plan, allowable contributions are outlined as follows:

Salary Reduction Agreement: Participants may elect to enter a salary reduction agreement of up to 15% of the participant s compensation. These amounts are credited to the participant s account as pre-tax contributions. The maximum amount of compensation that a participant may elect to defer for the year ended December 31, 2005 was \$14,000.

Voluntary Contributions: In addition to pre-tax contributions made through the salary reduction agreement, a participant may make voluntary non-deductible contributions to their account in an amount up to 15% of their compensation; provided, however, that the total percentage of voluntary contributions and salary reduction contributions do not exceed 15% of the participant s compensation for each payroll period within a plan year.

Catch up Contributions: Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions. The maximum catch-up contribution available to participants for 2005 was \$4,000.

Employer Contributions

The employer makes matching contributions to the participant s account equal to 100% of the participant s salary reduction contributions and voluntary contributions up to 3% of the participant s compensation and 50% of a participant s salary reduction contributions between 3% and 6% of the participant s compensation.

Effective January 1, 2005, the Plan was amended such that compensation shall include commissions received by the participant from the employer.

Table of Contents

Merial 401(k) Savings Plan

Notes to Financial Statements

December 31, 2005 and 2004

Participant Accounts

Each participant's account is credited with the participant's contribution and allocations of (a) the Company's contribution and (b) Plan earnings, and charged with an allocation of administrative expenses. 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.

Vesting

Participants are vested immediately in their contributions and employer contributions plus actual earnings thereon.

Investments

The trustee of the Plan is Wells Fargo Bank Minnesota, N.A. (hereafter referred to as "Trustee"). It is the duty of the Trustee to acquire and dispose of the Plan's assets and to perform such other services as the Trustee shall deem necessary or desirable in connection with the management of the Plan's investment holdings.

Withdrawals

Participants may elect to withdraw any portion of their employee contribution accounts, employer match account, or rollover account for any reason after attainment of age 59 1/2. Participants under age of 59 1/2 that have a specified financial hardship may withdraw all or any portion of their salary reduction contributions.

Participant Loans

Participants have the ability to borrow against their vested account balance in the Plan. Participants may borrow 50% of their vested account balance, up to \$50,000 in any twelve-month period. The loans are collateralized by the balance in the participant's account and bear interest at rates that range from 4.75% to 9.50%, which are commensurate with local prevailing rates charged by lenders for similar loans.

Each loan is collateralized by the assignment of the borrower's entire right, title and interest in his/her participant account. Loans may be repaid over one to five years or thirty years, based on the type of loans, as defined, and the entire unpaid principal balance of the loan is due either upon the participant's termination or a default in payment of either principal or interest. Repayment of a loan shall be made through payroll deduction at least quarterly.

Payment of Benefits

When a participant terminates service with the Company or reaches his or her normal retirement date, the balance of the account is payable to the participant. For participants with account balances in excess of \$5,000, an election is available to defer the distribution until the participant's normal retirement date. The normal retirement date is the date the participant reaches age 65. Participants may elect to receive the distribution as either a lump sum payment in cash or annual installment payments in cash over a period not to exceed ten years.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Table of Contents

**Merical 401(k) Savings Plan
Notes to Financial Statements
December 31, 2005 and 2004**

Use of Estimates

The preparation of the 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 assets and liabilities and changes, herein, and disclosures of contingent assets and liabilities. Actual results may differ from these estimates.

Investment Valuation

Common stocks are valued on the basis of the closing price per share on December 31, 2005 and 2004 as reported on the New York Stock Exchange or, if no sales were made on that date, at the closing price on the next preceding day on which sales were made. Investments in mutual funds and common/collective trust funds are valued at the last reported net asset value on each valuation date. Loans to participants are carried at their outstanding balance, which approximates fair value.

Investment Transactions and Income

Investment transactions are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date. Interest is recognized on an accrual basis. The net appreciation or depreciation in market value of investments consists of realized gains and losses and changes in unrealized appreciation or depreciation of these investments during the year. Realized gains and losses on investments are determined on the basis of average cost. Unrealized gains or losses on investments are based on changes in the market values or fair values of such investments.

Payment of Benefits

Distributions to participants are recorded when payment is made. In-service withdrawals will generally be made in cash. Participants have the option of requesting any portion of an in-service withdrawal that is invested in Merck and Company, Inc. (Merck) or Avantis ADRs in shares rather than cash (in kind distribution). In-kind distributions are recorded based on the market value of the shares at the date of distribution.

Cash and cash equivalents

The Plan considers all highly liquid investments with a maturity of three months or less, when acquired, to be cash equivalents.

Administrative Expenses

Administrative expenses may be paid by the Company. During 2005, expenses were paid by the Company with the exception of loan application and annual maintenance fees, which are paid directly out of the Plan's funds and charged to the participants' accounts. The loan application and annual loan maintenance fees are paid by specific participants with outstanding loans. Administrative expenses for 2005 were \$15,000.

Reclassification

Certain 2004 balances have been reclassified to conform to the 2005 financial statement presentation.

Table of Contents
Merial 401(k) Savings Plan
Notes to Financial Statements
December 31, 2005 and 2004

3. Investments

Investments, at fair value are as follows:

<i>(in thousands of dollars)</i>	2005	2004
Common stocks:		
Merck and Company, Inc.	\$ 12,346*	\$ 13,608*
Medco Health Solutions, Inc.		1,556
Aventis ADR**		654
Sanofi-Aventis ADR**	2,262	1,725
Total Common stocks	14,608	17,543
Common/Collective Trust Fund		
Wells Fargo Collective Stable Return Fund	10,468*	8,592*
Total Common/Collective Trust Fund	10,468	8,592
Mutual Funds		
Wells Fargo Advantage Large Company Growth Fund	11,151*	11,503*
Alliance Small Cap Value Fund	14,467*	13,296*
AIM Basic Value Fund	11,351*	11,501*
Fidelity Investment Diversified International Fund	10,055*	7,425*
Artisan Mid Cap Fund	6,750*	6,390*
Pimco Total Return Fund	5,109	4,483
Wells Fargo Advantage Aggressive Allocation Fund	3,617	2,934
Wells Fargo Advantage Growth Balanced Fund	3,273	2,633
Wells Fargo Advantage Moderate Balance Fund	2,150	1,900
Wells Fargo Advantage Conservative Fund	1,948	1,566
Wells Fargo Advantage Index Fund	1,750	1,351
Neuberger Berman Fasciano	1,368	948
Lord Abbett Mid Cap Value	5,183	2,718
Total Mutual Funds	78,172	68,648
Loans to participants	1,706	1,535
Total investments	\$ 104,954	\$ 96,318

* These investments represent 5% or more of the Plan's net assets as of the end of

the plan year.

** ADR American
Depository
Receipts

Table of Contents**Merial 401(k) Savings Plan
Notes to Financial Statements
December 31, 2005 and 2004**

1. During the year ended December 31, 2005, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated/(depreciated) in value by \$5,591,000 as follows:

<i>(in thousands of dollars)</i>	2005
Type of Investments	
Common stocks	\$ 370
Common/collective trust fund	360
Mutual Funds	4,861
	\$ 5,591

4. Plan Termination

Although it has not expressed any intent to do so, the Company reserves the right under the Plan to terminate the Plan, in whole or in part, at any time subject to the provisions of ERISA. Whole or partial termination of the Plan shall result in full and immediate vesting of each affected participant in their entire account balance and there shall not thereafter be any forfeitures with respect to any such affected participant for any reason.

5. Parties-In-Interest

Certain plan investments are shares of mutual funds managed by the Trustee as defined by the Plan, and therefore these transactions qualify as party-in-interest transactions. Fees paid by the Plan for administrative expenses amounted to \$15,000 for the year ended December 31, 2005.

The Company is jointly (50/50) owned by Merck and Sanofi-Aventis (collectively the Parents). The Plan allows for investment in shares of the Parents.

At December 31, 2005, the Plan held investments of \$12,346,000 or 388,121 shares of Merck common stock.

During 2003, Merck spun off its Medco Health Solutions, Inc. (Prescription Benefit Manager) (Medco) division into a separate company. As a result of this divestiture, participants in the Merck Stock plan received a pro-rata amount of Medco stock based on their Merck ownership. This Medco stock was established as a wasting fund within the Plan from which participants could sell shares but could not purchase additional shares. The Medco fund was liquidated in September, 2005. As of December 31, 2005, the Plan held no shares of Medco common stock.

During the 2004 plan year, Aventis was purchased by a competitor, Sanofi Synthelabo, forming a new company known as Sanofi-Aventis. As part of the purchase, Sanofi Synthelabo tendered an offer to Aventis ADR (American Depository Receipts) Plan participants to purchase their stock in exchange for Sanofi Synthelabo stock and cash. This transaction resulted in a residual amount of Aventis ADRs (participants who did not exchange their Aventis ADRs) and Sanofi-Synthelabo ADRs (participants who exchanged their Aventis ADRs). The Aventis ADR Fund was frozen upon the sale of Aventis. An SEC Form S-8 is in preparation which will establish a Sanofi-Aventis ADR Fund, which will be opened to plan participants when approved.

As of December 31, 2005 the Plan held investments of \$2,262,000 or 51,512 shares of Sanofi-

Table of Contents

**Merial 401(k) Savings Plan
Notes to Financial Statements
December 31, 2005 and 2004**

Aventis ADR s.

6. Tax Status

The Plan obtained its latest determination letter on September 7, 2001, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Code. The Plan has been amended since its latest determination letter. The Plan administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Code. Therefore, the Plan administrator believes that the Plan was qualified and the related trust was tax exempt as of the financial statement date.

7. Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participant s account balances and amounts reported in the statement of net assets available for benefits.

Table of Contents**Merial 401(k) Savings Plan****Schedule H, Line 4i Schedule of Assets (Held at End of Year)****December 31, 2005***(in thousands of dollars)*

(a)	(b) Identity of issue borrower, lessor, or similar party	(c) Description of investments, including maturity date, rate of interest, collateral, par or maturity value	(e) Current value
*	Merck and Company, Inc.	Common Stock, 388,121 shares	\$ 12,346
*	Sanofi-Aventis	51,512 American depository receipts	2,262
	Total - Common Stock		14,608
*	Wells Fargo Collective Stable Return Fund	Common Collective Fund, 275,477 units	10,468
	Total - Common Collective Trust Fund		10,468
*	Wells Fargo Large Company Growth Fund	Mutual Fund, 226,471 units	11,151
	Allianz Small Cap Value Fund	Mutual Fund, 500,256 units	14,467
	AIM Basic Value Fund	Mutual Fund, 331,719 units	11,351
	Fidelity Investments Diversified International Fund	Mutual Fund, 476,534 units	10,055
	Artisan Mid Cap Fund	Mutual Fund, 218,292 units	6,750
	Pimco Total Return Fund	Mutual Fund, 486,592 units	5,109
	Wells Fargo Advantage Aggressive Allocation Fund	Mutual Fund, 252,379 units	3,617
*	Wells Fargo Advantage Growth Balanced Fund	Mutual Fund, 112,358 units	3,273
*	Wells Fargo Advantage Moderate Balance Fund	Mutual Fund, 102,358 units	2,150
	Wells Fargo Advantage Conservative Allocation Fund	Mutual Fund, 102,701 units	1,948
*	Wells Fargo Index Fund	Mutual Fund, 34,948 units	1,750
	Neuberger Berman Fascino Fund	Mutual Fund, 32,270 units	1,368
	Lord Abbett Mid Cap Value Fund	Mutual Fund, 231,290 units	5,183
	Total - Mutual Fund		78,172
*	Participants' loans	Loans to participants at interest rates, ranging from 4.75% to 9.50% with maturities through 2030	1,706
			\$ 104,954

* Denotes
party-in-interest
to the Plan.

TABLE OF CONTENTS

SIGNATURES

EX-23.1 CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Table of Contents

SIGNATURES

The Plan: Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Merital 401(k) Savings Plan

Date June 29, 2006

/s/ Jean Mauldin

Jean Mauldin
Chief Financial Officer