

MERCK & CO INC  
Form 11-K  
July 08, 2005

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**FORM 11-K**

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

For the fiscal year ended December 31, 2002

Commission file number 1-3305

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

**Merial 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**

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**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.
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**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.

Merial 401(k) Savings Plan

Date 6-29-05

/s/ Jean Mauldin

Jean Mauldin  
Chief Financial Officer

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**Merrial 401(k) Savings Plan**

**Financial Statements and Supplemental Schedule**

**December 31, 2002 and 2001**

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**Merrial 401(k) Savings Plan**

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**December 31, 2002 and 2001**

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\*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 Act of 1974 have been omitted because they are not applicable.

EX-23.1 CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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**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 the Merial 401 (k) Savings Plan (the Plan ) at December 31, 2002 and 2001, and the changes in net assets available for benefits for the years ended December 31, 2002 and 2001 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 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. 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  
October 17, 2003

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**Table of Contents****Merial 401(k) Savings Plan****Statements of Net Assets Available for Benefits  
December 31, 2002 and 2001**

|                                     | <b>2002</b>   | <b>2001</b>    |
|-------------------------------------|---------------|----------------|
| <b>Assets</b>                       |               |                |
| Current assets                      |               |                |
| Investments, at fair value (Note 4) | \$ 89,427,443 | \$ 99,600,298  |
| Receivables                         |               |                |
| Participant's contribution          | 378,252       | 344,621        |
| Employer's contribution             | 185,001       | 161,930        |
| Total receivables                   | 563,253       | 506,551        |
| Net assets available for benefits   | \$ 89,990,696 | \$ 100,106,849 |

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

**Table of Contents****Merial 401(k) Savings Plan****Statements of Changes in Net Assets Available For Benefits  
Year Ended December 31, 2002 and 2001**

|   | <b>2002</b>   | <b>2001</b>    |
|---|---------------|----------------|
| <b>Additions</b>                              |               |                |
| Additions to assets attributed to             |               |                |
| Interest and dividend income                  | \$ 1,824,819  | \$ 2,777,283   |
| Contributions                                 |               |                |
| Participants                                  | 5,864,405     | 5,128,839      |
| Employer                                      | 2,781,004     | 2,339,031      |
| Rollovers from other plans                    | 808,236       | 1,035,810      |
| Total contributions                           | 9,453,645     | 8,503,680      |
| Total additions                               | 11,278,464    | 11,280,963     |
| <b>Deductions</b>                             |               |                |
| Deductions from net assets attributed to      |               |                |
| Net depreciation in fair value of investments | 10,736,224    | 31,982,012     |
| Benefits paid to participants                 | 10,650,191    | 16,502,984     |
| Administrative expenses                       | 8,202         | 10,107         |
| Total deductions                              | 21,394,617    | 48,495,103     |
| Net decrease                                  | (10,116,153)  | (37,214,140)   |
| <b>Net assets available for benefits</b>      |               |                |
| Beginning of year                             | 100,106,849   | 137,320,989    |
| End of year                                   | \$ 89,990,696 | \$ 100,106,849 |

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



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**Merial 401(k) Savings Plan**

**Notes to Financial Statements  
December 31, 2002 and 2001**

**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 employees of Merial Limited (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, are not United States citizens or employees, or are employed by Hubbard ISA, the poultry genetics division of the Company, 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 percent 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 in 2002 and 2001 was \$11,000 and \$10,500, respectively.

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

**Employer Contributions**

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

**Contribution Limitation**

In order to satisfy the current rules of Section 415(c) of the Internal Revenue Code (the Code ), the amount of annual additions, as defined, to each participant s individual account are limited under the Plan. Accordingly, in no

event shall the annual addition, as defined, exceed the lesser of \$40,000 or 25 percent of the participant's compensation, as defined, or such other limits as may be prescribed by the Code.

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**Merial 401(k) Savings Plan  
Notes to Financial Statements  
December 31, 2002 and 2001**

**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 Fidelity Management Trust Company (the trustee) is the trustee of the Plan's assets. It is the duty of the trustee to acquire and dispose of the Plan's assets in each of the funds and to perform such other services as the Plan administrator shall deem necessary or desirable in connection with the management of the funds.

**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.

**Participant Loans**

Participants have the ability to borrow against their vested account balance in the Plan. Participants may borrow 50 percent of their vested account balance, up to \$50,000 in any twelve-month period. The loans are secured by the balance in the participant's account and bear interest at rates that range from 4.75 percent to 10.75 percent, 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 their 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.

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**Merial 401(k) Savings Plan  
Notes to Financial Statements  
December 31, 2002 and 2001**

**2. Summary of Significant Accounting Policies**

The following is a summary of the significant accounting policies of the Plan:

**Basis of Accounting**

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

**Use of Estimates**

The preparation of the Plan's 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 reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of contributions, revenues, benefit payments and expenses during the reporting period. Actual results may differ from these estimates.

**Investment Valuation and Income Recognition**

The investments of the Plan are stated at the quoted market value. Market value is the unit valuation of a fund at year end (number of shares multiplied by net asset value) as determined by the trustee of the Plan's assets. Shares of mutual funds are valued at the net asset value of the shares held by the Plan at year end. Common stocks are valued at quoted market prices.

Purchases and sales of securities are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date. Interest is accrued as earned. The net appreciation (depreciation) in market value of investments is based on the beginning of the year market or value at the time of purchase during the year and is included in the Statement of Changes in Net Assets Available for Benefits.

**Payment of Benefits**

Benefits are recorded when paid.

**Risk and Uncertainties**

The Plan provides for various investment options in 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 and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits and the Statement of Changes in Net Assets Available for Benefits.

**3. Administrative Expenses**

All costs and expenses of administering the Plan are borne by the Plan, unless paid by the Company at its discretion. Administrative expenses paid by the Plan for the 2002 and 2001, plan year were \$8,202 and \$10,107,

respectively.

**Table of Contents****Merial 401(k) Savings Plan  
Notes to Financial Statements  
December 31, 2002 and 2001****4. Investments**

Investments at fair value are as follows:

|   | <b>2002</b>     | <b>2001</b>     |
|---|-----------------|-----------------|
| Merck and Company, Inc. Common Stock Fund           | \$ 35,947,555 * | \$ 40,056,420 * |
| Aventis ADR Common Stock Fund                       | 1,678,442       | 2,134,715       |
| Fidelity Retirement Government Money Market Account | 7,508,907 *     | 7,969,606 *     |
| Fidelity Equity Income Fund                         | 8,195,316 *     | 9,264,974 *     |
| Fidelity Intermediate Bond Fund                     | 4,357,270       | 3,470,647       |
| Fidelity Low Priced Stock Fund                      | 8,449,908 *     | 8,403,006 *     |
| Fidelity Aggressive Growth Fund                     | 3,076,326       | 4,278,814 *     |
| Fidelity Large Capital Stock Fund                   | 10,913,881 *    | 14,020,393 *    |
| Fidelity Freedom Income Fund                        | 483,112         | 691,878         |
| Fidelity Freedom 2000 Fund                          | 420,080         | 361,833         |
| Fidelity Freedom 2010 Fund                          | 961,769         | 970,086         |
| Fidelity Freedom 2020 Fund                          | 974,050         | 1,070,861       |
| Fidelity Freedom 2030 Fund                          | 1,405,305       | 1,441,840       |
| Fidelity Diversified International Fund             | 3,642,228       | 3,844,894       |
| Loans to participants                               | 1,413,294       | 1,620,331       |
| <br>  |                 |                 |
| Total investments                                   | \$ 89,427,443   | \$ 99,600,298   |

\* These investments represent 5 percent or more of the Plan's net assets as of the end of the plan year noted, December 31, 2002 and/or 2001.

During 2002 and 2001, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated in value as follows:

| <b>Type of Fund</b> | <b>2002</b>     | <b>2001</b>     |
|---------------------|-----------------|-----------------|
| Stock Funds         | \$ (2,033,446)  | \$ (24,430,707) |
| Mutual Fund         | (8,702,778)     | (7,551,305)     |
|                     | \$ (10,736,224) | \$ (31,982,012) |

**5. 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.



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**Merical 401(k) Savings Plan  
Notes to Financial Statements  
December 31, 2002 and 2001**

**6. Parties-In-Interest**

Certain Plan investments are shares of mutual funds managed by Fidelity Management Trust Company. Fidelity Management Trust Company is 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 \$8,202 and \$10,107 for the years ended December 31, 2002 and 2001, respectively. The Company is jointly (50/50) owned by Merck and Aventis (collectively the parents). The Plan allows for investment in shares of these parents. As of December 31, 2002, the Plan held investments of \$35,947,555 or 3,929,184 shares of Merck common stock and \$1,678,442 or 148,848 shares of Aventis common stock. As of December 31, 2001, the Plan held investments of \$40,056,420 or 4,337,666 shares of Merck common stock and \$2,134,715 or 146,046 shares of Aventis common stock.

**7. 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.

**8. Contingencies**

The Plan is required to file its annual report on Form 11-K to the Securities Exchange Commission (SEC). The Plan has failed to file these 11-K s and, therefore, could be subject to fines and penalties. The amount of such fines is unknown to the Plan at this time. However, the plan sponsor has determined it will indemnify the Plan regarding any fines assessed. The Plan is currently attempting to file the required 11-K s with the SEC.



**Table of Contents****Merical 401(k) Savings Plan****Schedule H, Line 4i - Schedule of Assets (Held at End of Year)****December 31, 2002**

| (a)           | (b)<br>Identity of Issue<br>Borrower, Lessor, or | (c)<br>Description of Investments, Including<br>Maturity Date, Rate of Interest, Collateral,       | (e)<br>Current<br>Value |
|---------------|--|--|-------------------------|
| Similar Party | Par or Maturity Value                            |  |                         |
| *             | Merck and Company, Inc.                          | Common Stock Fund, 3,929,184 units   | \$ 35,947,555           |
| *             | Aventis ADR Stock                                | Common Stock Fund, 148,848 units   | 1,678,442               |
| *             | Fidelity Investments                             | Retirement Government Money Market Account, 7,508,907 units  | 7,508,907               |
| *             | Fidelity Investments                             | Equity Income Fund, 206,587 units  | 8,195,316               |
| *             | Fidelity Investments                             | Intermediate Bond Fund, 406,083 units  | 4,357,270               |
| *             | Fidelity Investments                             | Low Priced Stock Fund, 335,713 units   | 8,449,908               |
| *             | Fidelity Investments                             | Aggressive Growth Fund, 274,917 units  | 3,076,326               |
| *             | Fidelity Investments                             | Large Capital Stock Fund, 978,823 units  | 10,913,881              |
| *             | Fidelity Investments                             | Freedom Income Fund, 45,577 units  | 483,112                 |
| *             | Fidelity Investments                             | Freedom 2000 Fund, 38,154 units  | 420,080                 |
| *             | Fidelity Investments                             | Freedom 2010 Fund, 84,071 units  | 961,769                 |
| *             | Fidelity Investments                             | Freedom 2020 Fund, 91,546 units  | 974,050                 |
| *             | Fidelity Investments                             | Freedom 2030 Fund, 137,237 units   | 1,405,305               |
| *             | Fidelity Investments                             | Diversified International Fund, 212,251 units  | 3,642,228               |
| *             | Participants loans                               | Loans to participants at interest rates, ranging from 4.75% to 10.75% with maturities through 2030 | 1,413,294               |
|               |  |  | \$ 89,427,443           |

\*Denotes party-in-interest to the Plan.