

MCKESSON CORP
Form 11-K
September 27, 2005

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File No. 001-13252
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)
For the plan year ended March 31, 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 _____

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

McKesson Corporation Profit-Sharing Investment Plan

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

McKesson Corporation

McKesson Plaza

One Post Street

San Francisco, CA 94104

(415) 983-8300

McKESSON CORPORATION
PROFIT-SHARING INVESTMENT PLAN

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SUPPLEMENTAL SCHEDULE as of and for the Year Ended March 31, 2005:

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EXHIBIT 23.1

All other schedules required by section 2520.103-10 of the Department of Labor's Rules and Regulations for the Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

EXHIBITS:

23.1 Consent of Independent Registered Public Accounting Firm

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

McKesson Corporation Profit-Sharing Investment Plan
San Francisco, California

We have audited the accompanying statements of net assets available for benefits of the McKesson Corporation Profit-Sharing Investment Plan (the Plan) as of March 31, 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. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the procedures that are appropriate in 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.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of March 31, 2005 and 2004, and the changes in net assets available for benefits for the years then ended 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 supplemental schedule listed in the Table of Contents 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. Such supplemental schedule has been subjected to the auditing procedures applied in our audit of the basic 2005 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte & Touche LLP
San Francisco, California
September 23, 2005

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McKESSON CORPORATION
PROFIT-SHARING INVESTMENT PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
AS OF MARCH 31, 2005 AND 2004 (IN THOUSANDS)

| | Participant Directed | 2005 Non- Participant Directed | Plan Total | Participant Directed | 2004 Non- Participant Directed | Plan Total |
|---|-------------------------|---|---------------|-------------------------|---|---------------|
| ASSETS: | | | | | | |
| Cash and cash equivalents: | | | | | | |
| Allocated | \$ | \$ 922 | \$ 922 | \$ | \$ | \$ |
| Unallocated | | 184 | 184 | | 464 | 464 |
| Total cash and cash equivalents | | 1,106 | 1,106 | | 464 | 464 |
| Investments: | | | | | | |
| Participant Directed Investments | 915,125 | | 915,125 | 814,630 | | 814,630 |
| McKesson Corporation common stock: | | | | | | |
| Allocated | | 336,090 | 336,090 | | 285,250 | 285,250 |
| Unallocated | | 103,631 | 103,631 | | 107,325 | 107,325 |
| Total investments | 915,125 | 439,721 | 1,354,846 | 814,630 | 392,575 | 1,207,205 |
| Receivables: | | | | | | |
| Contributions | | 3,064 | 3,064 | | | |
| Dividends and interest on: | | | | | | |
| Allocated | | 533 | 533 | | 526 | 526 |
| Unallocated | | 173 | 173 | | 263 | 263 |
| Due from broker for securities sold allocated | | | | | 446 | 446 |
| Total receivables | | 3,770 | 3,770 | | 1,235 | 1,235 |
| Total assets | 915,125 | 444,597 | 1,359,722 | 814,630 | 394,274 | 1,208,904 |
| LIABILITIES: | | | | | | |
| | | 3,600 | 3,600 | | 3,600 | 3,600 |

| | | | | | | |
|-------------------------------|----------------------|--------|--------|--------|--------|--|
| Line of credit | On unallocated stock | | | | | |
| ESOP promissory notes payable | On unallocated stock | 32,544 | 32,544 | 48,907 | 48,907 | |
| Accrued interest expense | On unallocated stock | 1,421 | 1,421 | 2,088 | 2,088 | |
| Accrued other | | 603 | 603 | 464 | 464 | |
| Total liabilities | | 38,168 | 38,168 | 55,059 | 55,059 | |

| | | | | | | |
|-----------------------------------|------------|------------|--------------|------------|------------|--------------|
| NET ASSETS AVAILABLE FOR BENEFITS | \$ 915,125 | \$ 406,429 | \$ 1,321,554 | \$ 814,630 | \$ 339,215 | \$ 1,153,845 |
|-----------------------------------|------------|------------|--------------|------------|------------|--------------|

See notes to financial statements.

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McKESSON CORPORATION
PROFIT-SHARING INVESTMENT PLAN
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEARS ENDED MARCH 31, 2005 AND 2004 (IN THOUSANDS)

| | Participant | 2005 Non- Participant | Plan Total | Participant | 2004 Non- Participant | Plan Total |
|--|--------------------|--------------------------------------|-------------------|--------------------|--------------------------------------|-------------------|
| | Directed | Directed | | Directed | Directed | |
| INVESTMENT INCOME: | | | | | | |
| Net appreciation in fair value of investments | \$ 45,572 | \$ 89,887 | \$ 135,459 | \$ 159,083 | \$ 74,268 | \$ 233,351 |
| Dividends and interest | 16,563 | 3,172 | 19,735 | 12,588 | 3,326 | 15,914 |
| Investment income | 62,135 | 93,059 | 155,194 | 171,671 | 77,594 | 249,265 |
| CONTRIBUTIONS: | | | | | | |
| Participants | 74,290 | | 74,290 | 66,751 | | 66,751 |
| Employer | | 23,899 | 23,899 | | 12,344 | 12,344 |
| Total contributions | 74,290 | 23,899 | 98,189 | 66,751 | 12,344 | 79,095 |
| DEDUCTIONS: | | | | | | |
| Benefits paid to participants | 69,784 | 20,530 | 90,314 | 58,678 | 19,072 | 77,750 |
| Interest expense | | 4,896 | 4,896 | | 4,356 | 4,356 |
| Administrative fees | 1,047 | | 1,047 | 1,007 | | 1,007 |
| Total deductions | 70,831 | 25,426 | 96,257 | 59,685 | 23,428 | 83,113 |
| INCREASE IN NET ASSETS BEFORE INTERFUND TRANSFERS AND MERGERS | | | | | | |
| | 65,594 | 91,532 | 157,126 | 178,737 | 66,510 | 245,247 |
| INTERFUND TRANSFERS | | | | | | |
| | 24,318 | (24,318) | | 21,259 | (21,259) | |
| TRANSFER OF NET ASSETS FROM OTHER PLANS | | | | | | |
| | 10,583 | | 10,583 | 1,733 | | 1,733 |
| | 100,495 | 67,214 | 167,709 | 201,729 | 45,251 | 246,980 |

INCREASE IN NET
ASSETS

| | | | | | | |
|------------------------------------|------------|------------|--------------|------------|------------|--------------|
| Net assets at beginning of year | 814,630 | 339,215 | 1,153,845 | 612,901 | 293,964 | 906,865 |
| Net assets at end of year | \$ 915,125 | \$ 406,429 | \$ 1,321,554 | \$ 814,630 | \$ 339,215 | \$ 1,153,845 |

See notes to financial statements.

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**McKESSON CORPORATION
PROFIT-SHARING INVESTMENT PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2005 AND 2004
1. PLAN DESCRIPTION**

The following brief description of the McKesson Corporation Profit-Sharing Investment Plan (the PSIP or the Plan) is provided for general information purposes only. Participants should refer to the Plan document for more complete information. The PSIP is a defined contribution plan covering all persons who have completed two months of service and are regular or part-time employees, or are casual employees who have completed a year of service in which they worked at least 1,000 hours in a year, at McKesson Corporation (the Company or McKesson) or a participating subsidiary, except those covered by a collectively bargained pension plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). Certain administrative costs incurred by the PSIP are paid by the Company.

Fidelity Management Trust Company (Fidelity) is the trustee of the Plan.

The Plan is comprised of Participant Directed and Non-Participant Directed Investments, as described below:

A. *Participant Directed Investments*

Contributions For the years ended March 31, 2005 and 2004, participants were allowed to make basic contributions ranging from 1%-4% of compensation for employees of McKesson Information Solutions LLC (MIS), a subsidiary of the Company, and Medical Management Group employees, or 1%-6% for all other Company employees. Participants who made basic contributions of 6% (4% for MIS and Medical Management Group participants) could elect to make supplemental contributions of up to an additional 14% of compensation (16% for MIS and Medical Management Group participants). A participant s pretax contributions generally were limited to \$14,000 per year for calendar year 2005 and \$13,000 for calendar year 2004. Total contributions are limited to the lesser of \$42,000 for calendar year 2005 (\$41,000 for calendar year 2004) or 100% of taxable compensation per calendar year. Participants 50 years of age or older may also elect to make catch-up contributions of up to 67% of pay. Pretax catch-up contributions are limited to \$4,000 per year for calendar year 2005 and \$3,000 for calendar year 2004. Additional limits may apply to individuals classified as highly compensated employees. Participants may also contribute amounts representing distributions from other qualified plans.

Participant Accounts Individual accounts are maintained for each Plan participant. Each participant s account is credited with the participant s contribution and an allocation of earnings, and charged with withdrawals and an allocation of losses and administrative expenses. Allocations are based on participant earnings, or account balances, as defined in the Plan document. The participant is entitled to a benefit upon retirement or separation from employment based upon the vested portion of the participant s account.

Vesting Participant contributions and earnings thereon are 100% vested at all times.

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**McKESSON CORPORATION
PROFIT-SHARING INVESTMENT PLAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2005 AND 2004**

Investment Options Upon enrollment in the PSIP, a participant may direct contributions in 1% increments to any of the investments within the Plan. The following are descriptions from each fund's prospectus or fund manager's report:

Standish Mellon Stable Value Fund (formerly Certus Stable Value Fund) invests in fixed-income investments issued by life insurance companies and financial institutions. This is a separately managed account, not a mutual fund. **Dodge & Cox Large Cap Value Fund** invests in the common stock of companies when the fund managers believe the long-term earnings prospects are not reflected in the current price. This is a separately managed account, not a mutual fund.

Fidelity Magellan Fund is a growth mutual fund that seeks capital appreciation and normally invests in common stocks.

Fidelity Diversified International Fund invests primarily in a diversified portfolio of equity securities of companies located outside of the United States. This fund replaced Putnam International Equity Fund Y on January 9, 2004.

MFS Institutional Large Cap Growth Fund invests primarily in common stocks, with a goal of long-term capital growth.

SSgA Balanced Fund (formerly State Street Balanced Fund) is a custom mix of commingled pools that invests 60% in SSgA S&P 500 Index Fund and 40% in SSgA Bond Market Index Fund.

SSgA Bond Index Fund (formerly State Street Bond Index Fund) is a commingled pool that seeks to provide investment results that correspond to the total return of the bonds in the Lehman Brothers Aggregate Bond Index.

SSgA S&P 500 Index Fund (formerly State Street S&P 500 Index Fund) is a commingled pool that invests in stocks in the benchmark S&P 500 Index and attempts to duplicate the investment results of that index.

Wellington Management Small Cap Portfolio invests in stocks within the market capitalization range of the Russell 2000 Index. This is a separately managed account, not a mutual fund, which seeks long-term growth by investing in the stocks of small companies.

McKesson Corporation Employee Company Stock Fund (the Employee Stock Fund) represents shares invested in Company common stock.

Mutual Fund Window provides access to approximately 270 mutual fund options from more than 20 investment companies.

Brokerage Link provides access to a discount brokerage account which allows participants to develop a self-directed brokerage option. Commissions and transaction fees are charged to the participant's account. Effective January 1, 2005, Fidelity waived the account maintenance fees.

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McKESSON CORPORATION
PROFIT-SHARING INVESTMENT PLAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2005 AND 2004

Loans Participants may apply for a loan from the Plan. The total amount owed to the Plan by an individual participant cannot exceed the lowest of 50% of such participant's vested account balance, \$50,000 as adjusted for certain items specified in the Plan document, or the value of the participant's account attributable to basic, supplemental, catch-up and rollover contributions. The loans bear interest at the then current prime rate of interest at the loan date plus 1%. Contractual interest rates ranged from 5% to 11% in fiscal 2005 and 2004. Loans may be repaid over a period not to exceed 5 years, except for residential loans, which must not exceed a term of 10 years. Principal repayments and interest are paid through payroll deductions. For participants who have been terminated or are on leave and are no longer receiving a paycheck, loan repayments may be made via monthly coupon payments.

Payment of Benefits Participants have the right to receive a total distribution of the value of their vested accounts from the PSIP at the time of retirement, death, disability or termination of employment. In general, benefit payments are made in a lump sum cash amount. Former employees may remain participants in the Plan.

Transfers from Other Qualified Plans In fiscal 2005 and 2004, the following net assets available for benefits were merged into the Plan (in thousands):

| | Effective Date | Transferred Amount |
|---------------------------|-----------------------|---------------------------|
| Fiscal 2005: | | |
| Moore Medical 401(k) Plan | January 31, 2005 | \$ 10,583 |
| Fiscal 2004: | | |
| SI/Baker 401(k) Plan | February 2, 2004 | \$ 1,733 |

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**McKESSON CORPORATION
PROFIT-SHARING INVESTMENT PLAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2005 AND 2004**

B. *Non-Participant Directed Investments*

General The McKesson Corporation Employer Company Stock Funds (Allocated and Unallocated) (the Employer Stock Funds) consist of a leveraged Employee Stock Ownership Plan (ESOP). In fiscal year 2005, employer contributions were funded with 822,000 shares from the ESOP and \$3,065,000 in cash. In fiscal 2004, 1,463,000 shares from the ESOP were used to fund all employer contributions for the year.

ESOP I In January 1985, the Company amended the Plan to add a leveraged ESOP for the benefit of persons eligible to participate in the PSIP. In July 1986, the PSIP purchased from the Company 2,000,000 shares of Company common stock, par value \$0.01, for \$30,250,000, originally financed by a ten-year term loan from a bank, guaranteed by the Company. Additionally, in connection with a fiscal 1995 transaction involving a reorganization and a sale of a business unit of the Company (the PCS Transaction), the ESOP purchased 1,087,754 additional common shares in fiscal 1996. In fiscal 1997, the Company extended the existing term of the outstanding loan balance from its original maturity to fiscal 2005. The loan was paid in full on August 29, 2004.

ESOP II The loan supporting the October 1987 purchase of Company common stock by the ESOP was paid in full as of March 31, 2003.

ESOP III In June 1989, the Company amended the Plan to add an additional leveraged ESOP. In June 1989, the Plan purchased from the Company 2,849,003 shares of McKesson Corporation Series B ESOP Convertible Preferred Stock (\$43.875 stated value) for \$125,000,000, financed by a twenty-year term loan from the Company. During fiscal 1995, in connection with the PCS Transaction, all shares of Series B ESOP Convertible Preferred Stock held by the Plan were converted into 5,440,914 shares of Company common stock. In fiscal 1996, in connection with the PCS Transaction, the ESOP purchased 6,259,080 additional shares of Company common stock.

Employer Matching Contributions and Participants Accounts Effective the last business day of each month throughout the fiscal year, participant accounts are credited with matching Company contributions, in the form of the Company's common stock based on a percentage of the participants' basic contributions. An additional annual matching contribution may be granted at the discretion of the Company. In fiscal 2005 and 2004, employees were eligible for matching Company contributions of up to 3.6% of their eligible compensation.

Retirement Share Plan Contribution The Retirement Share Plan (RSP) provided for the contribution to each eligible participant a percentage of the participant's compensation. Such percentage depended on the participant's combined age and years of service, or RSP points as defined in the Plan document. Employees hired after December 31, 1999, were not eligible to participate in the RSP. At the Company's election, this contribution could be made in the form of cash or shares of Company common stock. This benefit was discontinued after March 31, 2004.

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**McKESSON CORPORATION
PROFIT-SHARING INVESTMENT PLAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2005 AND 2004**

PSIP-PLUS Contribution The PSIP-PLUS contribution was a per capita contribution of up to 30 shares of Company common stock per year made to certain employees who contributed at least 2% of their total compensation to the PSIP. Employees hired after December 31, 1999, were not eligible for the PSIP-PLUS. This benefit was discontinued after March 31, 2004.

Employer Contributions Dividends on unallocated ESOP I, and on allocated and unallocated ESOP III shares, of Company common stock, are used to pay the obligations under the ESOP loans. Under the terms of the loan agreements, the Company is required to make cash contributions to each ESOP to the extent that the dividends are not sufficient to service the debt. To pay down such debt obligations, cash contributions amounted to \$20,834,000 and \$12,344,000 in the years ended March 31, 2005 and 2004.

Vesting Employer contributions made before April 1, 2005 vest over five years of service (20% annually over five years). Generally, 100% vesting is provided upon retirement, disability, death, termination of the Plan, or a substantial reduction in work force initiated by the Company for affected participants. Dividends automatically reinvested in McKesson common stock on and after January 1, 2003 are also 100% vested at all times.

Forfeitures A rehired employee who has met certain levels of service prior to termination may be entitled to have forfeited interests in the PSIP reinstated. Each plan year, forfeited interests are used to reinstate previously forfeited amounts of rehired employees and to pay other Plan expenses as appropriate. Forfeitures for the years ended March 31, 2005 and 2004 were \$1,289,000 and \$1,266,000.

Diversification of Stock Fund Participants who completed five years of service could elect to transfer 50% of the Company contribution that was invested in the McKesson Corporation Employer Company Stock Fund (Allocated) to one or more of the other investment funds offered. After ten years of service, participants could elect to transfer up to 75% of the portion of their account representing the Company contributions. Participants who reached age 50 and completed five years of service were allowed to transfer up to 100% of their balance related to the Company contributions, in one percent increments or in whole dollars.

Payment of Benefits Distributions are made only upon participant retirement, death (in which case, payment shall be made to the participant's beneficiary), or other termination of employment with the Company. Distributions are made in cash or, if a participant elects, in the form of Company common shares plus cash for any fractional share.

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McKESSON CORPORATION
PROFIT-SHARING INVESTMENT PLAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2005 AND 2004

McKesson Corporation Employer Company Stock Funds (Allocated and Unallocated) The following ESOP information regarding the shares of McKesson Corporation common stock held is as of March 31 (in thousands):

| | 2005 | | | 2004 | | |
|-------------|------------------------|---------------|----------------------------|------------------------|---------------|----------------------------|
| | Number of Shares | Cost Basis | Fair Value of Shares | Number of Shares | Cost Basis | Fair Value of Shares |
| Allocated | 8,903 | \$ 236,838 | \$ 336,090 | 9,480 | \$ 245,701 | \$ 285,250 |
| Unallocated | 2,745 | 51,719 | 103,631 | 3,567 | 67,338 | 107,325 |
| Total | 11,648 | \$ 288,557 | \$ 439,721 | 13,047 | \$ 313,039 | \$ 392,575 |

The per share fair market value of McKesson Corporation common stock at March 31, 2005 and 2004 was \$37.75 and \$30.09.

The following is a reconciliation of the allocated and unallocated net assets of the Non-Participant Directed Investments at fair value for the years ended March 31 (in thousands):

| | 2005 | | | 2004 | | |
|---------------------------------------|------------|-------------|------------|------------|-------------|------------|
| | Allocated | Unallocated | Total | Allocated | Unallocated | Total |
| Net Assets (beginning of year) | \$ 285,758 | \$ 53,457 | \$ 339,215 | \$ 231,822 | \$ 62,142 | \$ 293,964 |
| Net Appreciation | 70,292 | 19,595 | 89,887 | 47,639 | 26,629 | 74,268 |
| Dividends and Interest | 2,359 | 813 | 3,172 | 1,932 | 1,394 | 3,326 |
| Employer Contributions | | 23,899 | 23,899 | | 12,344 | 12,344 |
| Benefits Paid to Participants | (20,530) | | (20,530) | (19,072) | | (19,072) |
| Interest Expense | | (4,896) | (4,896) | | (4,356) | (4,356) |
| Allocation of 1,463 shares, at market | | | | 44,696 | (44,696) | |
| Allocation of 822 shares, at market | 26,446 | (26,446) | | | | |
| Transfers | (24,318) | | (24,318) | (21,259) | | (21,259) |
| Net Assets (end of year) | \$ 340,007 | \$ 66,422 | \$ 406,429 | \$ 285,758 | \$ 53,457 | \$ 339,215 |

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**McKESSON CORPORATION
PROFIT-SHARING INVESTMENT PLAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2005 AND 2004**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting The financial statements of the Plan are prepared in accordance with accounting principles generally accepted in the United States of America.

Reclassifications Certain prior year amounts have been reclassified to conform to the current year presentation.

Cash Equivalents The Plan considers all highly liquid debt instruments purchased with remaining maturities of less than three months to be cash equivalents.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Plan management to make estimates and assumptions that affect the reported amount of net assets available for benefits and changes therein. Actual results could differ from those estimates.

Risk & Concentration The Plan utilizes various investment instruments, including mutual funds and investment contracts. 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 financial statements.

Investment Valuation and Income Recognition Investments are stated at fair value which is based on independent valuations or publicly quoted market prices, except for investments in the Standish Mellon Stable Value Fund which are stated at contract value (or cost) plus accrued interest. Contract value represents contributions made under the contracts, plus earnings, less participant withdrawals and administrative expenses. Shares of registered investment companies are valued at quoted market prices, which represent the net asset value of shares held by the Plan at year-end. Shares of McKesson Corporation common stock are valued at quoted market prices on March 31, 2005 and 2004. Certain administrative expenses are allocated to the individual funds based upon daily balances invested in each fund and are reflected as a reduction of net appreciation in fair market value of investments and are not separately reflected. Consequently, these management fees and operating expenses are reflected as a reduction of investment return for such investments. All other activity is recorded in the Plan based on the elections of the individual participants in the Plan. Participant loans are valued at the outstanding loan balance. Purchases and sales of securities are recorded on a trade-date basis. Realized gains and losses from security transactions are reported on the average cost method. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Administrative Fees Administrative fees of the Plan are paid by either McKesson or the Plan, as provided by the Plan document.

Benefits Benefits are recorded when paid.

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McKESSON CORPORATION
PROFIT-SHARING INVESTMENT PLAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2005 AND 2004

3. INVESTMENTS

The recorded values of individual investments that represent 5% or more of the Plan's net assets at March 31 were as follows (in thousands):

| | 2005 | 2004 |
|---|-------------|-------------|
| McKesson Corporation Employer Company Stock Funds (Allocated and Unallocated) * | \$ 439,721 | \$ 392,575 |
| SSgA S&P 500 Index | 155,948 | 156,534 |
| Dodge & Cox Large Cap Value Fund | 114,841 | 104,453 |
| Standish Mellon Stable Value Fund | 111,371 | 106,819 |

* Non-Participant
 Directed

The Standish Mellon Stable Value Fund contains benefit-responsive guaranteed investment contracts with several insurance companies carried at contract value plus accrued interest totaling \$11,484,000 at March 31, 2005. The guaranteed rates range from 3.63% to 5.66% and the contracts mature at various dates through April 2008. The Standish Mellon Stable Value Fund also includes synthetic investment contracts that are benefit-responsive and are carried at contract value plus accrued interest totaling \$93,820,000 at March 31, 2005. There are no reserves against these contract values for credit risk of the contract issuer or otherwise. Certain of the contracts contain limitations on contract value guarantees for liquidation other than to pay benefits. The contracts mature at various dates through November 2011. The Plan's investment guidelines require these contracts to be with companies rated AA- or better, with no more than 10% of the pool invested with one traditional Guaranteed Income Contract issuer and no more than 40% invested with any one synthetic wrap provider.

During fiscal 2005 and 2004, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value as follows (in thousands):

| | 2005 | 2004 |
|--|-------------------|-------------------|
| Institutional Commingled Funds | \$ 11,774 | \$ 48,547 |
| Registered Investment Companies | 13,458 | 61,345 |
| Separately Managed Accounts | 12,423 | 42,873 |
| McKesson Corporation Common Stock: | | |
| Employer Company Stock Fund (Allocated and Unallocated)* | 89,887 | 74,268 |
| Employee Company Stock Fund | 7,917 | 6,318 |
| Total | \$ 135,459 | \$ 233,351 |

* Non-Participant
 Directed

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**McKESSON CORPORATION
PROFIT-SHARING INVESTMENT PLAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2005 AND 2004**

4. LINE OF CREDIT

In fiscal 1998, the Plan obtained a \$35 million line of credit with ABN AMRO Bank N.V. in order to refinance a portion of the principal payable under the ESOP loans and reduce the number of shares that would be released to fund the employee benefits. In fiscal 2005 and 2004, the Plan released only the shares required to fund the annual ESOP benefits. The line of credit bears interest at London Interbank Offered Rate (LIBOR) multiplied by the applicable LIBOR adjustment. The line of credit matures on June 1, 2009. On March 31, 2005 and 2004, interest rates were 2.497% and 0.98% on both outstanding loans totaling \$3,600,000. At March 31, 2005 and 2004, the line of credit was collateralized by 225,874 unallocated shares of McKesson Corporation common stock.

5. ESOP PROMISSORY NOTES PAYABLE

The ESOP I promissory note supporting the July 1986 stock purchase was payable to a bank in increasing annual installments (ranging from 2% to 3% of original principal) over an 18-year term that ended in fiscal 2005 (see Note 1, B). The interest rate was LIBOR plus 0.4%, with an option to the Plan to fix the LIBOR rate for a period ranging from 1 month to 1 year. On March 31, 2004, the interest rate was 1.53%, and the outstanding balance was \$949,000. The note was guaranteed by the Company, without recourse to the participants' accounts and was collateralized by 129,385 unallocated shares of McKesson Corporation common stock at March 31, 2004. The note was paid in full in August 2004 and all shares of McKesson common stock were released for employer contributions.

The ESOP II promissory note was paid in full as of March 31, 2003.

The ESOP III promissory note supporting the ESOP III purchase is payable to the Company in annual installments plus interest at 8.6% over a twenty-year term ending in fiscal 2010. On March 31, 2005, the outstanding balance of the note was \$32,544,604 (\$47,958,000 at March 31, 2004). This note is collateralized by 2,519,312 unallocated shares of McKesson Corporation common stock (3,211,021 at March 31, 2004). In July 2005 and April 2004, additional principal payments of \$6,000,000 and \$9,000,000 were made to enable the release of additional shares for employer contributions, and each of the scheduled subsequent loan repayment installments was reduced.

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FOR THE YEARS ENDED MARCH 31, 2005 AND 2004

Future minimum principal payments required on the ESOP notes (including the July 2005 additional payment) are as follows (in thousands):

| Fiscal Year | Amount |
|--------------------|---------------|
| 2006 | \$ 11,561 |
| 2007 | 5,378 |
| 2008 | 5,851 |
| 2009 | 6,365 |
| 2010 | 3,389 |
| | |
| Total | \$ 32,544 |

6. FEDERAL INCOME TAX STATUS

The Internal Revenue Service (IRS) has determined and informed the Company by letter dated January 21, 2004, that the Plan is qualified and the trust established under the Plan is tax-exempt, in accordance with the applicable sections of the Internal Revenue Code. This was in response to the Plan s Sponsor s request for an updated determination letter to incorporate certain regulatory changes to the Plan as required by the Uruguay Round Agreements Act, the Uniformed Services Employment and Reemployment Rights Act of 1994, the Small Business Job Protection Act of 1996, the Taxpayer Relief Act of 1997, the IRS Restructuring and Reform Act of 1998, and the Community Renewal Tax Relief Act of 2000 (collectively referred to as GUST). The Company and the Plan administrator believe that the Plan is currently designed and operated in compliance with the applicable requirements of the Internal Revenue Code and the Plan and related trust continue to be tax-exempt. Therefore no provision for income taxes has been included in the Plan s financial statements.

During fiscal year 2002, the Department of Labor (the DOL) initiated a review of the Plan s operations. The DOL has not issued any report on its findings. The Plan s Sponsor is cooperating with the DOL and will address matters, if any, requiring corrective action.

7. PLAN TERMINATION

The Company s Board of Directors reserves the right to terminate the Plan. If termination should occur, all participant accounts will immediately vest and each account would receive a distribution equal to the vested account balance. In addition, the unallocated common stock would be liquidated to repay the ESOP promissory notes payable. If the stock liquidation is insufficient to satisfy the notes payable, the Company is obligated to fund the difference.

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**McKESSON CORPORATION
PROFIT-SHARING INVESTMENT PLAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2005 AND 2004**

8. PENDING LITIGATION

The Plan's report on Form 11-K for the fiscal year ended March 31, 2004, included a description of an action in the United States District Court for the Northern District of California captioned *In re McKesson HBOC, Inc. ERISA Litigation* (N.D. Cal. C-00-20030 RMW) (the *ERISA Action*). The *ERISA Action* is brought on behalf of two putative classes: an *HBOC Sub-Class*, and a *McKesson Sub-Class*. The *HBOC Sub-Class* includes all participants in the former *HBO & Company Profit-Sharing and Savings Plan* (the *HBOC Plan*) and their beneficiaries in the period from March 31, 1996 to April 1, 1999 (the date of the merger of the *HBOC Plan* into the *Plan*), for whose benefit the *HBOC Plan* held and acquired *HBO & Company* (*HBOC*) stock (and, after January 12, 1999, *McKesson* stock). The *McKesson Sub-Class* includes all participants in the *Plan* (excluding employees of *HBOC* who became participants in the *Plan* by virtue of the merger of the *HBOC Plan* into the *Plan* on or about April 1, 1999) whose accounts were invested in *McKesson* stock at any time, who maintained an account balance under the *Plan* as of April 27, 1999, which included *McKesson* stock, and who had not received a distribution from the *Plan* as of April 27, 1999.

Plaintiffs' Consolidated Amended Complaint (the *CAC*), filed December 31, 2002, names as defendants *HBOC*, the *HBOC Administrative Committee*, certain members of the *HBOC Administrative Committee*, certain former officers, directors or employees of *HBOC*, the *HBOC Board of Directors*, the *Company*, certain current or former officers or directors of the *Company* and the *Plan* (as a nominal defendant only), and contains thirteen causes of action, referred to as *Counts*. *Counts* one through six are asserted on behalf of the *HBOC Plan* for the benefit of the *HBOC Sub-Class* and allege that *HBOC* or alleged fiduciaries of the *HBOC Plan* breached their fiduciary duties and engaged in transactions prohibited by *ERISA*. *Counts* seven through thirteen are asserted on behalf of the *Plan* for the benefit of the *McKesson Sub-Class* and allege that *McKesson* or alleged fiduciaries of the *Plan* breached their fiduciary duties by, among other things, (i) failing to adequately investigate the potential effects of the January 12, 1999, merger transaction with *HBOC* (the *Merger*) on the *Plan*, (ii) failing to adequately determine whether the *Plan*'s heavy concentration in *McKesson* stock was appropriate in light of the *Merger*, (iii) failing to diversify the *Plan*'s holding of *McKesson* stock in light of the *Merger*, (iv) placing themselves in a conflicted position which prevented them from acting with complete loyalty to the *Plan*, (v) failing to diversify the *Plan*'s *McKesson* stock in light of the *Company*'s announcement on April 28, 1999, that certain software sales transactions at its Information Technology Business Unit were improperly recorded as revenue because they were subject to contingencies and were reversed, and (vi) failing to contribute cash, as opposed to *Company* stock, to the *Plan* in the *Company*'s annual contribution for the *Plan* year ended March 31, 1999.

On May 6, 2005, the *Company* reached an agreement to settle *counts* one through six (consisting of all claims for the benefit of the *HBOC Sub-Class*) in the *ERISA Action* for approximately \$18.2 million, in exchange for releases in favor of all defendants, including releases of claims the *HBOC Sub-Class* might have under *ERISA*, the federal securities laws, or which relate to the holding, voting or acquisition of *McKesson* or *HBOC* securities. Judge Whyte granted preliminary approval to that settlement on May 10, 2005, and stayed any further proceedings in connection with *counts* one through six of the *CAC* pending the court's ruling on approval of the settlement. On September 9, 2005, Judge Whyte granted final approval to the settlement as fair, adequate and reasonable to the *HBOC Sub-Class*.

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**McKESSON CORPORATION
PROFIT-SHARING INVESTMENT PLAN
NOTES TO FINANCIAL STATEMENTS (CONCLUDED)
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Also on September 9, 2005, Judge Whyte granted that portion of the Company's previously-reported motion to dismiss, which, because the claims for the benefit of the HBOC Sub-Class have been settled, related only to the claims by the Plan for the benefit of the McKesson Sub-Class (described above as counts seven through thirteen). Judge Whyte dismissed with prejudice all counts asserted for the benefit of the McKesson Sub-Class against the alleged fiduciaries of the Plan, including the Company, except the Court did not dismiss a portion of one of Plaintiffs' counts that alleged the Company breached its fiduciary duties under ERISA to the Plan participants by contributing Company stock, as opposed to cash, to the Plan in the Company's annual contribution for the Plan fiscal year ended March 31, 1999. The Company and Plaintiff are presently in discussions regarding a date by which the Company will be required to respond to the CAC.

The Company does not believe it is feasible to determine the outcome or resolution of this proceeding or the effect, if any, on the Plan.

9. RELATED-PARTY TRANSACTIONS

At March 31, 2005 and 2004, the Plan held approximately 12,603,000 and 14,164,000 common shares of McKesson Corporation, the Plan's sponsor. The shares are held within the McKesson Corporation Employer and Employee Stock Funds and the Leveraged ESOP. At March 31, 2005 and 2004, the Employer Stock Funds held approximately 8,903,000 and 9,480,000 common shares and the Leveraged ESOP held 2,745,000 and 3,567,000 common shares as collateral for the ESOP loans. At March 31, 2005 and 2004, the Employee Stock Fund held approximately 955,000 and 1,117,000 shares.

McKesson Corporation declared dividends of \$0.24 per share for both fiscal 2005 and 2004. During the years ended March 31, 2005 and 2004, the Employer Stock Funds recorded dividend income from McKesson Corporation common shares of approximately \$3,172,000 and \$3,326,000. During each of the years ended March 31, 2005 and 2004, the Employee Company Stock Fund recorded dividend income from McKesson Corporation common shares of approximately \$246,000 and \$291,000.

Certain investment options are managed by Fidelity, which also serves as the Plan's record-keeper and trustee. Therefore, these transactions qualify as party-in-interest transactions. Fees for investment management services are allocated to the participants with balances in those funds.

10. SUBSEQUENT EVENTS

Certain Plan provisions were amended to enable the Plan to qualify as a safe harbor plan as described in Internal Revenue Code sections 401(k)(12) and 401(m)(11). Effective April 1, 2005, the Plan provides for Company matching contributions to all participants who make elective deferrals in an amount equal to 100% of the employee's deferral for the first 3% of pay deferred, and 50% of the employee's deferral for the next 2% of pay deferred. Employer contributions on or after April 1, 2005, are 100% vested immediately.

Effective April 1, 2005, participants may transfer matching contributions from McKesson stock to other investment funds as soon as they are made. In addition, participants can diversify past Company contributions with no restrictions.

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FORM 5500, SCHEDULE H, PART IV, LINE 4i
SCHEDULE OF ASSETS (HELD AT YEAR END)
MARCH 31, 2005

| Investment/Fund Name | Cost Basis | Shares/Units | Fair Value |
|-----------------------------|-------------------|---------------------|-------------------|
| BROKERAGELINK | \$ 7,209,562 | 7,209,562 | \$ 7,209,562 |
| SSGA BOND INDEX | 11,295,600 | 966,954 | 15,432,591 |
| SSGA BALANCED | 35,133,493 | 3,664,546 | 39,980,193 |
| WELLINGTON MGMT SMCAP | 22,449,497 | 2,185,189 | 30,852,688 |
| SSGA S&P 500 INDEX | 112,360,564 | 8,901,125 | 155,947,703 |
| DODGE & COX LG VAL | 76,833,739 | 7,243,189 | 114,840,760 |
| PIMCO TOT RETURN ADM | 4,331,918 | 404,008 | 4,270,368 |
| TMPL FOREIGN SM CO A | 234,978 | 13,497 | 288,438 |
| ABF BALANCED PA | 487,108 | 38,377 | 528,066 |
| ABF LARGE CAP VAL PA | 1,358,145 | 75,425 | 1,447,405 |
| ABF INTL EQUITY PA | 159,208 | 8,689 | 174,572 |
| ABF SH TERM BOND PA | 103,060 | 11,019 | 97,848 |
| MUTUAL DISCOVERY A | 831,713 | 40,955 | 996,035 |
| BARON GROWTH | 6,273,426 | 169,878 | 7,731,157 |
| BARON ASSET FUND | 230,616 | 4,434 | 231,463 |
| UBS GLOBAL EQ Y | 379 | 32 | 374 |
| MSI EQUITY GROWTH B | 79,559 | 5,424 | 85,544 |
| CALVERT NEWVIS SM CP | 36,697 | 2,171 | 39,521 |
| CALVERT SIF BALNCD A | 29,172 | 1,159 | 31,510 |
| CALVERT CAP ACC A | 29,520 | 1,362 | 31,745 |
| CALVERT INTL EQTY A | 14,649 | 806 | 15,145 |
| FMA SMALL COMPANY IS | 323,034 | 16,591 | 348,584 |
| FPA CRESCENT | 3,164,451 | 149,900 | 3,624,589 |
| RHJ MICRO CAP | 1,492,301 | 75,058 | 1,473,382 |
| LOOMIS SM CAP VAL R | 23,077 | 895 | 22,604 |
| PBHG EMERGING GROWTH | 130,524 | 10,635 | 132,090 |
| ARIEL FUND | 5,479,919 | 124,489 | 6,597,908 |
| ARIEL APPRECIATION | 3,695,511 | 92,438 | 4,288,204 |
| ARIEL PREM BOND INV | 283,046 | 27,252 | 276,885 |
| ALGER CAP APPREC I | 525,135 | 46,320 | 552,139 |
| ALGER MIDCAP GRTH I | 1,795,742 | 124,511 | 2,045,717 |
| ALGER SMALL CAP I | 274,125 | 18,112 | 315,154 |
| FKLN SMMIDCAP GRTH A | 448,829 | 15,884 | 522,435 |
| DREY FNDRS BALNCED F | 40,901 | 5,412 | 45,192 |
| DREY FNDRS EQ GRTH F | 61,257 | 13,613 | 65,617 |
| DREY FNDRS GROWTH F | 153,115 | 15,667 | 160,747 |
| DREY FNDRS MC GRTH F | 171,254 | 48,077 | 199,039 |
| DREY FNDRS WW GRTH F | 16,370 | 1,310 | 16,685 |
| PBHG GROWTH FUND | 100,008 | 5,447 | 100,003 |
| AIM DYNAMICS INV | 145,629 | 10,619 | 172,236 |
| AIM SM CO GRTH INV | 94,155 | 8,583 | 101,369 |
| TEMPLETON FOREIGN A | 5,380,877 | 535,455 | 6,570,034 |

| | | | |
|----------------------|-----------|---------|-----------|
| JANUS FLEXIBLE BOND | 1,035,677 | 107,430 | 1,022,733 |
| DREY FNDRS DISCVRY F | 221,676 | 8,915 | 238,751 |

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**FORM 5500, SCHEDULE H, PART IV, LINE 4i
SCHEDULE OF ASSETS (HELD AT YEAR END)
MARCH 31, 2005**

| Investment/Fund Name | Cost Basis | Shares/Units | Fair Value |
|-----------------------------|-------------------|---------------------|-------------------|
| MSI INTL MAGNUM B | 10,389 | 997 | 11,708 |
| MUTUAL SHARES CL A | 908,643 | 43,323 | 995,568 |
| MANAGERS SPECIAL EQ | 1,403 | 16 | 1,391 |
| MSI GLOBAL VAL EQ B | 38,244 | 2,512 | 43,939 |
| MSIFT BALANCED ADV | 26,165 | 2,475 | 27,822 |
| MSIFT CP FX INC ADV | 167,200 | 14,387 | 166,309 |
| MSIFT HIGH YIELD ADV | 21,002 | 3,901 | 21,065 |
| MSIFT MIDCAP GTH ADV | 308,048 | 18,505 | 370,845 |
| MSIFT VALUE ADVISER | 270,663 | 17,975 | 317,617 |
| MSI SM CO GROWTH B | 85,065 | 8,371 | 98,774 |
| MSI ACTIVE INTL B | 31,702 | 3,086 | 33,974 |
| MSI EMERGING MKTS B | 178,823 | 11,240 | 215,692 |
| NB FOCUS TRUST | 214,601 | 8,726 | 229,838 |
| NB GENESIS TR CL | 3,983,187 | 111,195 | 4,877,019 |
| NB MANHATTAN TRUST | 65,136 | 6,791 | 70,763 |
| NB PARTNERS TRUST | 177,164 | 9,639 | 189,886 |
| NB SOCIALLY RESP TR | 194,093 | 14,077 | 209,467 |
| OAKMARK FUND I | 128,358 | 3,117 | 127,317 |
| ALLNZ CCM CAP AP ADM | 340,019 | 22,569 | 399,023 |
| ALLNZ CCM MID CAP ADM | 265,021 | 13,141 | 313,013 |
| PIM GLBBND AD UNHDGD | 693,325 | 68,820 | 699,216 |
| PIMCO HIGH YIELD ADM | 846,253 | 88,051 | 854,091 |
| PIMCO LOW DUR ADM | 288,739 | 28,159 | 284,683 |
| PIMCO LT US GOVT ADM | 1,022,155 | 93,374 | 1,005,638 |
| WFA ULTRA ST INC INV | 153,517 | 16,584 | 152,076 |
| WFA SHRTTERM BND INV | 214,788 | 24,066 | 207,447 |
| WFA DISCOVERY INV | 344,211 | 17,837 | 342,834 |
| WFA GROWTH INV | 354,467 | 21,362 | 393,701 |
| WFA COMMON STOCK Z | 222,811 | 10,743 | 239,558 |
| WFA OPPORTUNITY INV | 620,842 | 16,496 | 742,487 |
| WFA LG CAP GRTH INV | 193,852 | 9,400 | 203,421 |
| WFA GOVT SECURITY INV | 710,939 | 64,923 | 689,481 |
| TEMPLETON DEV MKTS A | 462,023 | 28,653 | 540,105 |
| TEMPLETON GROWTH A | 1,209,789 | 60,905 | 1,398,387 |
| TMPL GLOBAL BOND A | 925,447 | 91,655 | 988,953 |
| TEMPLETON WORLD A | 843,796 | 52,112 | 924,986 |
| USAA CORNERSTONE | 159,931 | 6,354 | 167,751 |
| USAA GNMA TRUST | 196,289 | 19,569 | 189,627 |
| USAA INCOME FUND | 740,801 | 60,088 | 737,274 |
| USAA INCOME STOCK | 219,597 | 14,543 | 237,925 |
| USAA INTERNATIONAL | 106,573 | 5,406 | 117,786 |
| USAA GROWTH FUND | 73,116 | 5,952 | 78,390 |

| | | | |
|---------------------|---------|--------|---------|
| USAA EMERGING MKTS | 164,012 | 20,253 | 253,775 |
| AIM CONSTELLATION A | 22,489 | 1,001 | 22,088 |

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**FORM 5500, SCHEDULE H, PART IV, LINE 4i
SCHEDULE OF ASSETS (HELD AT YEAR END)
MARCH 31, 2005**

| Investment/Fund Name | Cost Basis | Shares/Units | Fair Value |
|-----------------------------|-------------------|---------------------|-------------------|
| CS CAP APPREC COM | 78,970 | 4,680 | 73,376 |
| CS MID CAP GRTH COM | 92,398 | 3,850 | 117,358 |
| RS EMERGING GROWTH | 2,709 | 89 | 2,639 |
| ARTISAN INTL | 121,207 | 5,563 | 122,502 |
| MSI INTL EQUITY B | 14,811 | 698 | 14,596 |
| AIM TOTAL RETURN INV | 67,615 | 2,934 | 69,530 |
| NB GUARDIAN TRUST | 24,062 | 2,263 | 29,105 |
| SCUDDER INTL FUND S | 353 | 8 | 342 |
| DOMINI SOCIAL EQUITY | 161,222 | 5,991 | 168,454 |
| AIM CORE STOCK INV | 133,152 | 12,235 | 126,264 |
| SCUDDER GLOBAL DISC | 5,238 | 154 | 5,408 |
| AIM BLUE CHIP A | 203 | 18 | 200 |
| AM CENT ULTRA INV | 20,514 | 715 | 20,056 |
| TCW GAL SM CAP GR N | 189 | 13 | 183 |
| MSI VALUE EQUITY B | 42 | 4 | 42 |
| AIM BALANCED A | 6,656 | 265 | 6,615 |
| AIM GBL AGGR GRTH A | 17,176 | 905 | 17,265 |
| MANAGERS BOND FUND | 66,185 | 2,687 | 65,071 |
| MANAGERS VALUE | 1,852 | 62 | 1,849 |
| TCW GALILEO SEL EQ N | 120,572 | 6,412 | 110,934 |
| CS LARGE CAP VALUE A | 1,002 | 50 | 1,032 |
| AIM BASIC VALUE A | 56,095 | 1,729 | 55,160 |
| GARTMORE VAL OPPS A | 274 | 19 | 274 |
| LM VALUE TRUST FI CL | 126,559 | 1,860 | 123,092 |
| ARTISAN MID CAP INV | 116,615 | 4,028 | 115,398 |
| CS SMALL CAP VAL COM | 688,134 | 33,069 | 762,250 |
| OAKMARK EQ & INC I | 342,028 | 14,731 | 343,977 |
| ROYCE LOW PRICED STK | 138,718 | 9,285 | 135,839 |
| VK GROWTH & INCOME A | 85,526 | 4,232 | 84,650 |
| SCUDDER/D HIGH RTN A | 128,385 | 2,966 | 127,186 |
| AIM MIDCAP CORE EQ A | 11,519 | 392 | 11,280 |
| WEST ASSET CORE FI | 12,670 | 1,111 | 12,542 |
| MFS INST LG CAP GRTH | 2,224,006 | 416,082 | 2,508,976 |
| ALLNZ NFJ SMCPVAL AD | 256,433 | 8,783 | 256,115 |
| LD ABBETT MIDCPVAL P | 132,197 | 6,147 | 133,211 |
| COL/ACORN SELECT Z | 186,052 | 9,184 | 183,773 |
| COLUMBIA HIGH YLD Z | 11,980 | 1,366 | 11,641 |
| CRM MID CAP VAL INV | 211,497 | 8,352 | 213,725 |
| ABF SM CAP VAL PA | 197,729 | 10,212 | 198,427 |
| AM CEN LG CO VAL INV | 15,355 | 2,395 | 15,304 |
| STANDISH STABLEVALUE | 102,897,158 | 110,949,170 | 111,371,285 |
| *MCKESSON EMPLOYEE STK | 30,570,792 | 955,179 | 36,354,766 |

| | | | |
|------------------------------------|-------------|-----------|-------------|
| *MCKESSON EMPLOYER STK (ALLOCATED) | 236,838,000 | 8,903,040 | 336,089,760 |
|------------------------------------|-------------|-----------|-------------|

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**FORM 5500, SCHEDULE H, PART IV, LINE 4i
SCHEDULE OF ASSETS (HELD AT YEAR END)
MARCH 31, 2005**

| Investment/Fund Name | Cost Basis | Shares/Units | Fair Value |
|--------------------------------------|-------------------|---------------------|-------------------|
| *MCKESSON EMPLOYER STK (UNALLOCATED) | 51,719,000 | 2,745,186 | 103,630,772 |
| *FIDELITY FUND | 924,686 | 34,268 | 1,008,158 |
| *FIDELITY PURITAN | 2,045,548 | 114,041 | 2,131,427 |
| *FIDELITY TREND | 119,892 | 2,550 | 133,348 |
| *FIDELITY SEL COMPUTERS | 2 | 0 | 2 |
| *FIDELITY SEL ELECTRONICS | 36 | 1 | 36 |
| *FIDELITY SEL FOOD & AG | 785 | 16 | 793 |
| *FIDELITY VALUE STRATEGIES | 17,057 | 469 | 16,497 |
| *FIDELITY GINNIE MAE | 1,724,551 | 155,352 | 1,704,210 |
| *FIDELITY MAGELLAN | 57,162,205 | 529,373 | 53,472,673 |
| *FIDELITY CONTRAFUND | 1,071,231 | 19,043 | 1,083,912 |
| *FIDELITY EQUITY INCOME | 2,209,314 | 45,520 | 2,333,354 |
| *FIDELITY GROWTH COMPANY | 2,229,529 | 46,521 | 2,460,017 |
| *FIDELITY INVST GR BD | 715,885 | 95,522 | 710,686 |
| *FIDELITY GROWTH & INCOME | 45,346,151 | 1,147,480 | 42,766,571 |
| *FIDELITY SEL SOFTWARE | 7,233 | 155 | 7,248 |
| *FIDELITY INTERMED BOND | 6,432,521 | 623,322 | 6,451,382 |
| *FIDELITY SEL AIR TRANSPRT | 1,037 | 31 | 1,041 |
| *FIDELITY CAPITAL & INCOME | 1,391,088 | 175,734 | 1,456,831 |
| *FIDELITY VALUE | 5,257,108 | 86,424 | 6,206,984 |
| *FIDELITY MORTGAGE SEC | 56,519 | 5,082 | 56,464 |
| *FIDELITY SEL GOLD | 47,740 | 1,786 | 46,945 |
| *FIDELITY SEL BIOTECH | 29,601 | 558 | 27,004 |
| *FIDELITY SEL ENERGY SVCS | 178,461 | 3,735 | 183,285 |
| *FIDELITY SEL INSURANCE | 16,861 | 270 | 16,191 |
| *FIDELITY SEL RETAILING | 6,367 | 121 | 6,269 |
| *FIDELITY US GOVT RES | 1,414,213 | 1,414,213 | 1,414,213 |
| *FIDELITY GOVT INCOME | 877,320 | 85,304 | 864,133 |
| *FIDELITY CASH RESRVE | 5,001,510 | 5,001,510 | 5,001,510 |
| *FIDELITY SEL ENERGY | 1,491,330 | 40,648 | 1,554,376 |
| *FIDELITY SEL LEISURE | 8,431 | 111 | 8,207 |
| *FIDELITY SEL HEALTHCARE | 138,200 | 1,087 | 137,591 |
| *FIDELITY SEL TECHNOLOGY | 22,155 | 387 | 21,587 |
| *FIDELITY SEL UTILITIES GR | 14,281 | 361 | 14,433 |
| *FIDELITY SEL FINANCIAL | 20,269 | 177 | 19,381 |
| *FIDELITY SEL DEFENSE | 102,260 | 1,522 | 103,934 |
| *FIDELITY SEL BROKERAGE | 1,004 | 18 | 969 |
| *FIDELITY SEL CHEMICAL | 128,719 | 1,833 | 128,601 |
| *FID INDEPENDENCE | 171,199 | 11,164 | 192,689 |
| *FIDELITY OTC PORTFOLIO | 245,888 | 7,920 | 257,785 |
| *FIDELITY OVERSEAS | 259,936 | 8,928 | 311,043 |
| *FIDELITY SEL HOME FINANCE | 13,027 | 212 | 11,800 |

| | | | |
|----------------------------|---------|--------|---------|
| *FIDELITY LEVERAGED CO STK | 941,852 | 40,433 | 959,875 |
|----------------------------|---------|--------|---------|

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McKESSON CORPORATION
PROFIT-SHARING INVESTMENT PLAN
FORM 5500, SCHEDULE H, PART IV, LINE 4i
SCHEDULE OF ASSETS (HELD AT YEAR END)
MARCH 31, 2005

| Investment/Fund Name | Cost Basis | Shares/Units | Fair Value |
|------------------------------|-------------------|---------------------|-------------------|
| *FIDELITY EUROPE | 460,052 | 16,174 | 563,515 |
| *FIDELITY PACIFIC BASIN | 126,747 | 6,821 | 134,655 |
| *FID REAL ESTATE INVS | 5,237,362 | 218,910 | 6,085,704 |
| *FIDELITY BALANCED | 5,225,149 | 328,521 | 5,795,116 |
| *FIDELITY INTL DISCOVERY | 2,825,753 | 120,670 | 3,392,027 |
| *FIDELITY CAP APPRECIATION | 2,549,208 | 104,947 | 2,604,775 |
| *FIDELITY CONVERTIBLE SEC | 782,185 | 39,724 | 825,872 |
| *FIDELITY CANADA | 2,532,681 | 84,915 | 3,009,399 |
| *FIDELITY UTILITIES | 246,400 | 20,884 | 284,863 |
| *FIDELITY BLUE CHIP GROWTH | 29,451,479 | 661,425 | 26,490,079 |
| *FID ASSET MANAGER | 8,234,671 | 511,064 | 8,100,359 |
| *FIDELITY DISCIPLINED EQUITY | 201,332 | 8,905 | 226,178 |
| *FIDELITY LOW PR STK | 13,100,229 | 401,802 | 16,015,823 |
| *FIDELITY WORLDWIDE | 148,802 | 9,452 | 169,470 |
| *FIDELITY EQUITY INCOME II | 13,834,797 | 612,870 | 14,279,883 |
| *FIDELITY STOCK SELECTOR | 40,034 | 1,953 | 43,611 |
| *FID ASSET MGR GROWTH | 466,953 | 33,578 | 481,849 |
| *FIDELITY EMERG MRKTS | 403,669 | 35,832 | 476,919 |
| *FIDELITY AGGR GROWTH | 1,654,710 | 106,967 | 1,634,463 |
| *FIDELITY DIVERSIFIED INTL | 21,551,757 | 855,460 | 24,534,584 |
| *FID ASSET MGR INCOME | 371,467 | 31,039 | 389,232 |
| *FIDELITY DIVIDEND GROWTH | 4,861,443 | 183,735 | 5,012,303 |
| *FIDELITY NEW MARKETS INC | 2,226,690 | 168,526 | 2,302,070 |
| *FIDELITY EXP & MULTINATL | 1,459,065 | 83,603 | 1,617,719 |
| *FID FOCUSED STOCK | 177,579 | 19,427 | 202,036 |
| *FIDELITY GLOBAL BALANCED | 213,400 | 11,314 | 235,555 |
| *FID AGGRESSIVE INT L | 313,618 | 21,827 | 361,013 |
| *FID SM CAP INDEPEND | 422,065 | 23,626 | 460,464 |
| *FIDELITY MID-CAP STOCK | 4,395,781 | 208,814 | 4,721,280 |
| *FIDELITY LARGE CAP STOCK | 397,607 | 30,470 | 429,620 |
| *FIDELITY DISCOVERY | 577,150 | 58,638 | 608,668 |
| *FIDELITY SMALL CAP STOCK | 2,701,830 | 168,277 | 2,968,403 |
| *FIDELITY EUROPE CAP APP | 259,857 | 14,191 | 310,362 |
| *FIDELITY NORDIC | 288,223 | 11,309 | 316,195 |
| *FID ASSET MGR AGGRES | 429,616 | 42,650 | 460,190 |
| *FIDELITY LATIN AMERICA | 1,438,935 | 71,371 | 1,547,314 |
| *FIDELITY JAPAN | 310,345 | 28,317 | 357,933 |
| *FIDELITY SOUTHEAST ASIA | 148,210 | 10,660 | 181,439 |
| *FIDELITY CHINA REGION | 589,211 | 38,968 | 660,500 |
| *FIDELITY SEL MED EQ & SYS | 126,648 | 5,382 | 123,510 |
| *FID FOUR IN ONE IDX | 295,011 | 13,046 | 322,241 |
| *FIDELITY JAPAN SMALLER CO | 1,248,194 | 108,085 | 1,365,112 |

| | | | |
|----------------------------|-----------|---------|-----------|
| *FIDELITY GROWTH & INC II | 421,938 | 47,930 | 454,858 |
| *FIDELITY STRATEGIC INCOME | 1,430,652 | 137,174 | 1,434,845 |

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**FORM 5500, SCHEDULE H, PART IV, LINE 4i
SCHEDULE OF ASSETS (HELD AT YEAR END)
MARCH 31, 2005**

| Investment/Fund Name | Cost Basis | Shares/Units | Fair Value |
|------------------------------|-------------------|---------------------|-------------------|
| *FID FREEDOM INCOME | 239,263 | 22,193 | 248,341 |
| *FID FREEDOM 2000 | 207,221 | 17,574 | 210,885 |
| *FID FREEDOM 2010 | 2,200,452 | 170,011 | 2,286,646 |
| *FID FREEDOM 2020 | 3,642,059 | 279,278 | 3,828,901 |
| *FID FREEDOM 2030 | 1,651,300 | 127,481 | 1,760,508 |
| *FID SMALL CAP RTMT | 667,525 | 51,653 | 809,918 |
| SPTN TOTAL MKT INDEX | 1,777,999 | 59,869 | 1,934,976 |
| SPTN EXTND MKT INDEX | 406,746 | 14,807 | 457,231 |
| SPARTAN INTL INDEX | 442,634 | 14,863 | 473,968 |
| *FIDELITY SHORT TERM BOND | 704,747 | 78,533 | 698,942 |
| *FIDELITY INTM GOVT INCOME | 320,775 | 31,471 | 317,233 |
| *FIDELITY HIGH INCOME | 627,345 | 71,834 | 631,420 |
| *FIDELITY FIFTY | 1,100,729 | 61,701 | 1,220,438 |
| *FIDELITY SEL AUTOMOTIVE | 23 | 1 | 22 |
| *FIDELITY SEL MULTIMEDIA | 6 | 0 | 6 |
| *FIDELITY SEL MEDICAL DEL | 599,885 | 13,036 | 622,856 |
| *FIDELITY SEL BANKING | 33,819 | 873 | 32,334 |
| *FIDELITY SEL INDUST MATER | 66,214 | 1,587 | 63,751 |
| *FIDELITY SEL INDUST EQUIP | 3 | 0 | 3 |
| *FIDELITY SEL CONSTR/HOUSE | 160,199 | 3,600 | 154,260 |
| *FIDELITY SEL TRANSPORT | 1,121 | 27 | 1,108 |
| *FIDELITY SEL NATURAL GAS | 1,154,976 | 35,299 | 1,203,335 |
| *FIDELITY SEL NATURAL RES | 223,735 | 11,529 | 226,308 |
| *FIDELITY SEL CYCLICAL IND | 34,512 | 1,755 | 33,019 |
| *FIDELITY SEL ENVIRONMENT | 116 | 8 | 112 |
| *FIDELITY SEL DEVELOP COMM | 2,000 | 112 | 1,923 |
| *FIDELITY SEL PHARMACEUTICAL | 4,808 | 546 | 4,587 |
| *FIDELITY RETIRE MMKT | 7,338,928 | 7,338,928 | 7,338,928 |
| *FIDELITY RET GOVT MM | 5,751,376 | 5,751,376 | 5,751,376 |
| SPARTAN US EQ INDEX | 3,524,067 | 89,313 | 3,744,907 |
| *FIDELITY US BD INDEX | 2,036,294 | 183,099 | 2,010,426 |
| *FID INST SH-INT GOVT | 193,924 | 20,097 | 191,923 |
| *FID STR LGCAP VALUE | 12,676 | 1,033 | 12,553 |
| *FID FREEDOM 2040 | 506,037 | 64,988 | 526,398 |
| *FID STR MDCAP VALUE | 56,755 | 4,004 | 56,212 |
| *FID STR LGCAP GROWTH | 53,250 | 5,092 | 52,603 |
| *FID STR MDCAP GROWTH | 25,467 | 2,181 | 25,388 |
| *FID INFLAT PROT BOND | 203,291 | 17,959 | 203,294 |
| *FID ULTRASHORT BOND | 101,172 | 10,077 | 101,077 |
| *FID FLOAT RT HI INC | 40,474 | 4,059 | 40,471 |
| *FID INTL SMALL CAP | 458,839 | 18,827 | 463,141 |
| *FID TOTAL BOND | 10,710 | 1,003 | 10,493 |

| | | | |
|----------------------|--------|-------|--------|
| *FID VALUE DISCOVERY | 28,165 | 2,084 | 28,970 |
| *FID REAL ESTATE INC | 46,077 | 3,943 | 45,779 |

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McKESSON CORPORATION
PROFIT-SHARING INVESTMENT PLAN
FORM 5500, SCHEDULE H, PART IV, LINE 4i
SCHEDULE OF ASSETS (HELD AT YEAR END)
MARCH 31, 2005

| Investment/Fund Name | Cost Basis | Shares/Units | Fair Value |
|-----------------------------|-------------------------|---------------------|-------------------------|
| *FID SEL WIRELESS | 34,320 | 5,993 | 34,042 |
| *FID BLUE CHIP VALUE | 8,861 | 699 | 8,735 |
| *FID NASDAQ COMP INDX | 77,003 | 2,714 | 73,347 |
| *FID FREEDOM 2005 | 156 | 14 | 154 |
| *FID FREEDOM 2015 | 63,086 | 5,754 | 62,544 |
| *FID FREEDOM 2025 | 201,112 | 18,061 | 199,936 |
| *FID FREEDOM 2035 | 20,286 | 1,826 | 20,491 |
| *FID STRAT DIV & INC | 10,453 | 918 | 10,347 |
| *FID INTL REAL ESTATE | 57,678 | 4,983 | 56,456 |
| *OUTSTANDING LOAN BALANCE | | | 18,267,528 |
| TOTAL | \$ 1,059,798,926 | | \$ 1,354,845,730 |

* Party-in-interest

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SIGNATURE

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

McKesson Corporation Profit-Sharing Investment Plan

/s/ Jeffrey C. Campbell
Jeffrey C. Campbell
Executive Vice President and Chief
Financial Officer
McKesson Corporation

/s/ Paul E. Kirincic
Paul E. Kirincic
Executive Vice President
Human Resources
McKesson Corporation

Date: September 27, 2005