

MCKESSON CORP
Form 11-K
September 27, 2004

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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, 2004

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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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, 2004 and 2003, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement preparation. We believe 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, 2004 and 2003, 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 schedules listed in the Table of Contents are presented for the purpose of additional analysis and are 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. These schedules are the responsibility of the Plan s management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic 2004 financial statements and, in our opinion, are 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 9, 2004

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PROFIT-SHARING INVESTMENT PLAN****STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
AS OF MARCH 31, 2004 AND 2003 (IN THOUSANDS)**

| | 2004 | | | 2003 | | |
|--|-------------------------|-----------------------------|---------------|-------------------------|-----------------------------|---------------|
| | Participant Directed | Non-Participant Directed | Plan Total | Participant Directed | Non-Participant Directed | Plan Total |
| ASSETS: | | | | | | |
| Cash and cash equivalents | | | | | | |
| Allocated | \$ | \$ | \$ | \$ | \$ 588 | \$ 588 |
| Unallocated | | 464 | 464 | | 413 | 413 |
| | _____ | _____ | _____ | _____ | _____ | _____ |
| Total cash and cash equivalents | | 464 | 464 | | 1,001 | 1,001 |
| | _____ | _____ | _____ | _____ | _____ | _____ |
| Investments: | | | | | | |
| Participant Directed | | | | | | |
| Investments | 814,630 | | 814,630 | | | |
| Interest in Master Trust (Note 4) | | | | 615,184 | | 615,184 |
| McKesson Corporation common stock: | | | | | | |
| Allocated | | 285,250 | 285,250 | | 230,739 | 230,739 |
| Unallocated | | 107,325 | 107,325 | | 125,394 | 125,394 |
| | _____ | _____ | _____ | _____ | _____ | _____ |
| Total investments | 814,630 | 392,575 | 1,207,205 | 615,184 | 356,133 | 971,317 |
| | _____ | _____ | _____ | _____ | _____ | _____ |
| Receivables: | | | | | | |
| Dividends and interest on: | | | | | | |
| Allocated | | 526 | 526 | | 495 | 495 |
| Unallocated | | 263 | 263 | | 366 | 366 |
| Due from broker for securities sold - allocated | | 446 | 446 | | | |
| | _____ | _____ | _____ | _____ | _____ | _____ |
| Total receivables | | 1,235 | 1,235 | | 861 | 861 |
| | _____ | _____ | _____ | _____ | _____ | _____ |

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| | | | | | | |
|-----------------------------------|-------------------|-------------------|--------------------|-------------------|-------------------|-------------------|
| Total assets | <u>814,630</u> | <u>394,274</u> | <u>1,208,904</u> | <u>615,184</u> | <u>357,995</u> | <u>973,179</u> |
| LIABILITIES: | | | | | | |
| Line of credit | | | | | | |
| On unallocated stock | | 3,600 | 3,600 | | 5,300 | 5,300 |
| ESOP promissory notes payable | | | | | | |
| On unallocated stock | | 48,907 | 48,907 | | 56,372 | 56,372 |
| Accrued interest expense | | | | | | |
| On unallocated stock | | 2,088 | 2,088 | | 2,359 | 2,359 |
| Accrued other | | 464 | 464 | 2,283 | | 2,283 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | | 55,059 | 55,059 | 2,283 | 64,031 | 66,314 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| NET ASSETS AVAILABLE FOR BENEFITS | | | | | | |
| | <u>\$814,630</u> | <u>\$ 339,215</u> | <u>\$1,153,845</u> | <u>\$612,901</u> | <u>\$ 293,964</u> | <u>\$906,865</u> |

See notes to financial statements.

Table of Contents**McKESSON CORPORATION
PROFIT-SHARING INVESTMENT PLAN****STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEARS ENDED MARCH 31, 2004 AND 2003 (IN THOUSANDS)**

| | 2004 | | | 2003 | | |
|--|-------------------------|---------------------------------|------------|-------------------------|---------------------------------|--------------|
| | Participant Directed | Non- Participant Directed | Plan Total | Participant Directed | Non- Participant Directed | Plan Total |
| INVESTMENT INCOME (LOSS): | | | | | | |
| Net appreciation (depreciation) in fair value of investments | \$ 158,707 | \$ 74,268 | \$ 232,975 | \$(127,865) | \$(185,800) | \$ (313,665) |
| Dividends and interest | 12,588 | 3,326 | 15,914 | 11,930 | 3,639 | 15,569 |
| Net investment income (loss) | 171,295 | 77,594 | 248,889 | (115,935) | (182,161) | (298,096) |
| CONTRIBUTIONS: | | | | | | |
| Participants | 66,751 | | 66,751 | 65,370 | | 65,370 |
| Employer | | 12,344 | 12,344 | | 16,011 | 16,011 |
| Total contributions | 66,751 | 12,344 | 79,095 | 65,370 | 16,011 | 81,381 |
| DEDUCTIONS: | | | | | | |
| Benefits paid to participants | 58,678 | 19,072 | 77,750 | 56,850 | 20,635 | 77,485 |
| Interest expense | | 4,356 | 4,356 | | 5,066 | 5,066 |
| Administrative fees | 631 | | 631 | 887 | 75 | 962 |
| Total deductions | 59,309 | 23,428 | 82,737 | 57,737 | 25,776 | 83,513 |
| INCREASE (DECREASE) IN NET ASSETS BEFORE INTERFUND TRANSFERS AND | 178,737 | 66,510 | 245,247 | (108,302) | (191,926) | (300,228) |

| | | | | | | |
|---|------------------|-------------------|--------------------|-------------------|-------------------|-------------------|
| MERGERS INTERFUND TRANSFERS | 21,259 | (21,259) | | 9,193 | (9,193) | |
| TRANSFER OF NET ASSETS FROM OTHER PLANS | <u>1,733</u> | <u> </u> | <u>1,733</u> | <u>17,392</u> | <u> </u> | <u>17,392</u> |
| INCREASE (DECREASE) IN NET ASSETS | 201,729 | 45,251 | 246,980 | (81,717) | (201,119) | (282,836) |
| Beginning of Year | <u>612,901</u> | <u>293,964</u> | <u>906,865</u> | <u>694,618</u> | <u>495,083</u> | <u>1,189,701</u> |
| End of Year | <u>\$814,630</u> | <u>\$339,215</u> | <u>\$1,153,845</u> | <u>\$ 612,901</u> | <u>\$ 293,964</u> | <u>\$ 906,865</u> |

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, 2004 AND 2003**

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.

Prior to March 31, 2003, the Plan had an undivided interest in the McKesson Corporation Profit-Sharing Master Trust (the "Master Trust") with several other McKesson-sponsored plans. During fiscal 2003, the other McKesson-sponsored plans were merged into the Plan (see *Transfers from Other Qualified Plans*, below). As a result of the mergers, the Plan owned 100% of the assets of the Master Trust at March 31, 2003. For the year ended March 31, 2003, the assets of the Master Trust and the Plan were held by JPMorgan Chase Bank. The Master Trust ceased to exist after March 31, 2003. Effective on April 1, 2003, Fidelity Management Trust Company ("Fidelity") became the trustee of the Plan's single trust.

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

A. Participant Directed Investments

Contributions Participants may elect 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 make basic contributions of 6% (4% for MIS and Medical Management Group participants) may 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 are limited to \$13,000 per year for calendar year 2004 and \$12,000 for calendar year 2003. Total contributions are limited to the lesser of \$41,000 for calendar year 2004 (\$40,000 for calendar year 2003) or 100% of taxable compensation per calendar year. Participants 50 years of age or older may also elect to make catch-up contributions of 67% of pay (20% prior to Jan 1, 2004). Catch-up contributions are limited to \$3,000 per year for calendar year 2004 and \$2,000 for calendar year 2003. 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

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**McKESSON CORPORATION
PROFIT-SHARING INVESTMENT PLAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2004 AND 2003**

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.

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. This fund replaced Putnam Investors Fund Y on January 10, 2003.

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 represents shares of a registered investment company that 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.

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PROFIT-SHARING INVESTMENT PLAN****NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2004 AND 2003**

Mutual Fund Window provides access to approximately 170 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 account fees as well as standard plan-related fees are charged to the participant's account.

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 plus 1%. Contractual interest rates ranged from 5% to 11% in fiscal 2004 and from 5.25% to 11% in fiscal 2003. 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 2004 and 2003, the following net assets available for benefits were merged into the Plan (in thousands):

| | <u>Effective Date</u> | <u>Transferred Amount</u> |
|--|-----------------------|-------------------------------|
| Fiscal 2004: | | |
| SI/Baker 401(k) Plan | February 2, 2004 | \$ 1,733 |
| Fiscal 2003: | | |
| Zee Medical Service 401(k) Plan | May 1, 2002 | \$ 23 |
| FoxMeyer Employees Savings and Profit-Sharing Plan | December 31, 2002 | 13,179 |
| Rawson Drug & Sundry Company Employees Trust | March 31, 2003 | 1,359 |
| Spectro Industries, Inc. Trust | March 31, 2003 | 2,831 |
| | | <hr/> |
| Total | | \$ 17,392 |
| | | <hr/> |

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

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**McKESSON CORPORATION
PROFIT-SHARING INVESTMENT PLAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2004 AND 2003**

Plan (ESOP). In fiscal 2004 and 2003, 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.

ESOP II In October 1987, the Company amended the Plan to provide for the purchase of shares of Company common stock by the ESOP. In conjunction with this amendment, the PSIP purchased from the Company 4,200,000 shares of Company common stock in 1987 for \$54,900,000, financed by a fifteen-year term loan from the Company. Additionally, during fiscal 1996, in connection with the PCS Transaction, the ESOP purchased 3,036,484 additional shares of Company common stock. The loan 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, participants are credited with matching Company contributions, in the form of the Company's common stock based on a percentage of their basic contributions. An additional annual matching contribution may be granted at the discretion of the Company. In fiscal 2004 and 2003, employees were eligible for matching Company contributions of up to 3.6% and 3.9% 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 may be in the form of cash or shares of Company common stock. This benefit was discontinued after March 31, 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

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**McKESSON CORPORATION
PROFIT-SHARING INVESTMENT PLAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2004 AND 2003**

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 II shares, 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. The cash contributions amounted to \$12,344,000 and \$16,011,000 for the years ended March 31, 2004 and 2003.

Vesting Employees become vested in all employer contributions after 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, 2004 and 2003 were \$1,266,000 and \$1,419,000.

Diversification of Stock Fund Participants who have completed five years of service may elect to transfer 50% of the Company contribution that is 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 may elect to transfer up to 75% of the portion of their account representing the Company contributions. Participants who have reached age 50 and completed five years of service may transfer up to 100% of their balance related to the Company contributions. Amounts may be transferred 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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PROFIT-SHARING INVESTMENT PLAN****NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2004 AND 2003**

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):

| | 2004 | | | 2003 | | |
|-------------|------------------------|---------------|-------------------------|------------------------|---------------|-------------------------|
| | Number of Shares | Cost Basis | Fair Value of Shares | Number of Shares | Cost Basis | Fair Value of Shares |
| Allocated | 9,480 | \$245,701 | \$285,250 | 9,255 | \$238,699 | \$230,739 |
| Unallocated | 3,567 | 67,338 | 107,325 | 5,030 | 94,997 | 125,394 |
| Total | 13,047 | \$313,039 | \$392,575 | 14,285 | \$333,696 | \$356,133 |

The per share fair market value of McKesson Corporation common stock at March 31, 2004 and 2003 was \$30.09 and \$24.93.

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):

| | 2004 | | | 2003 | | |
|------------------------------------|-----------|-------------|-----------|------------|-------------|------------|
| | Allocated | Unallocated | Total | Allocated | Unallocated | Total |
| Net Assets (beginning of year) | \$231,822 | \$ 62,142 | \$293,964 | \$ 318,304 | \$176,779 | \$ 495,083 |
| Net Appreciation (Depreciation) | 47,639 | 26,629 | 74,268 | (104,398) | (81,402) | (185,800) |
| Dividends and Interest | 1,932 | 1,394 | 3,326 | 2,002 | 1,637 | 3,639 |
| Employer Contributions | | 12,344 | 12,344 | | 16,011 | 16,011 |
| Benefits Paid to Participants | (19,072) | | (19,072) | (20,635) | | (20,635) |
| Interest Expense | | (4,356) | (4,356) | | (5,066) | (5,066) |
| Administrative Fees | | | | (74) | (1) | (75) |
| Allocation of 1,724 | | | | 45,816 | (45,816) | |

| | | | | | | |
|---------------------|------------------|-------------------|------------------|-------------------|-------------------|-------------------|
| shares, at market | | | | | | |
| Allocation of 1,463 | | | | | | |
| shares, at market | 44,696 | (44,696) | | | | |
| Transfers | <u>(21,259)</u> | <u> </u> | <u>(21,259)</u> | <u>(9,193)</u> | <u> </u> | <u>(9,193)</u> |
| Net Assets (end of | | | | | | |
| year) | <u>\$285,758</u> | <u>\$ 53,457</u> | <u>\$339,215</u> | <u>\$ 231,822</u> | <u>\$ 62,142</u> | <u>\$ 293,964</u> |

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**McKESSON CORPORATION
PROFIT-SHARING INVESTMENT PLAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2004 AND 2003**

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.

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. 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, 2004 and 2003. 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 (depreciation) 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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PROFIT-SHARING INVESTMENT PLAN****NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2004 AND 2003****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):

| | 2004 | 2003 |
|---|-------------|-------------|
| | <hr/> | <hr/> |
| McKesson Corporation Employer Company Stock Funds (Allocated and Unallocated) * | \$392,575 | \$356,133 |
| Interest in Master Trust (see Note 4) | | 615,184 |
| SSgA S&P500 Index | 156,534 | |
| Dodge & Cox Large Cap Value Fund | 104,453 | |
| Standish Mellon Stable Value Fund | 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 \$17,554,000 at March 31, 2004. The guaranteed rates range from 3.63% to 7.72% 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 \$83,311,000 at March 31, 2004. 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 June 2010. 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 2004 and 2003, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated/(depreciated) in value as follows (in thousands):

| | 2004 | 2003 |
|---|-------------|-------------|
| | <hr/> | <hr/> |
| Institutional Commingled Funds | \$ 48,547 | |
| Registered Investment Funds | 60,969 | |
| Separately Managed Accounts | 42,873 | |
| Interest in Master Trust (see Note 4) | | \$(127,865) |
| McKesson Corporation Common Stock: | | |
| Employer Company Stock Funds (Allocated and Unallocated)* | 74,268 | (185,800) |
| Employee Company Stock Fund | 6,318 | |
| | <hr/> | <hr/> |
| Total | \$232,975 | \$(313,665) |

* Non-Participant Directed

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Table of Contents**McKESSON CORPORATION
PROFIT-SHARING INVESTMENT PLAN****NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2004 AND 2003****4. INTEREST IN McKESSON CORPORATION PROFIT-SHARING MASTER TRUST**

As discussed in Note 1 to the financial statements, the Master Trust ceased to exist after March 31, 2003. The Master Trust investments consisted of the following at March 31, 2003 (in thousands):

| | <u>Amount</u> | <u>Plan s Ownership</u> |
|--|----------------|-----------------------------|
| Institutional commingled funds, at fair value: | | |
| State Street Balanced Fund | \$ 29,587 | 100% |
| State Street Bond Index Fund | 18,338 | 100 |
| State Street S&P500 Index Fund | 117,726 | 100 |
| | <u>165,651</u> | |
| Registered investment funds, at fair value: | | |
| Putnam International Growth Fund Y | 9,292 | 100 |
| Fidelity Magellan Fund | 40,606 | 100 |
| Mutual Fund Window | 152,470 | 100 |
| MFS Institutional Large Cap Growth Fund | 1,766 | 100 |
| | <u>204,134</u> | |
| Investments, at contract value: | | |
| Certus Stable Value Fund | 102,126 | 100 |
| | <u>102,126</u> | |
| Other investments, at fair value: | | |
| Certus Stable Value Fund | 7,982 | 100 |
| Dodge & Cox Large Cap Value Fund | 68,393 | 100 |
| Wellington Management Small Cap Portfolio | 16,549 | 100 |
| McKesson Corporation Employee Company Stock Fund | 30,951 | 100 |
| Participant Loans | 15,103 | 100 |
| Brokerage Link | 2,664 | 100 |
| Cash and cash equivalents | 1,631 | 100 |

143,273

Total Master Trust Investments

\$615,184

100%

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PROFIT-SHARING INVESTMENT PLAN****NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2004 AND 2003**

Investment income and administrative expenses related to the Master Trust were allocated to the individual plans based on daily balances invested in each plan prior to their merger into the McKesson PSIP. Short-term investments earned interest at a current short-term rate. The Certus Stable Value Fund contained benefit-responsive guaranteed investment contracts with several insurance companies carried at contract value plus accrued interest totaling \$24,512,000 at March 31, 2003. The guaranteed rates ranged from 3.78% to 7.72%. The Certus Stable Value Fund also included synthetic investment contracts that are benefit-responsive and were carried at contract value plus accrued interest totaling \$77,614,000 at March 31, 2003. Certain of the contracts contained limitations on contract value guarantees for liquidation other than to pay benefits. In fiscal 2004, the Certus Stable Value Fund was replaced with the Standish Mellon Stable Value Fund (see Note 3).

The Master Trust's investment income (loss) for the year ended March 31, 2003 was as follows (in thousands):

| | Net Appreciation (Depreciation) in Fair Value of Investments | Dividends & Interest Income |
|--|---|--|
| | <hr/> | <hr/> |
| Certus Stable Value Fund | \$ (199) | \$ 6,134 |
| Dodge & Cox Large Cap Value Fund | (18,856) | 1,648 |
| Fidelity Magellan Fund | (13,614) | 336 |
| Putnam International Growth Fund Y | (3,271) | 48 |
| Putnam Investors Fund Y | (359) | |
| State Street Balanced Fund | (3,760) | 15 |
| State Street Bond Index Fund | 2,056 | |
| State Street S&P 500 Index Fund | (40,647) | |
| Wellington Management Small Cap Portfolio | (6,064) | 226 |
| Mutual Fund Window | (30,199) | 2,277 |
| Brokerage Link | (977) | |
| MFS Institutional Large Cap Growth Fund | (147) | |
| McKesson Corporation Employee Company Stock Fund | (15,093) | 296 |
| Participant Loans | 38 | 1,033 |
| Cash and Cash Equivalents | 7 | 34 |
| | <hr/> | <hr/> |
| Total | \$ (131,085) | \$ 12,047 |
| | <hr/> | <hr/> |

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**McKESSON CORPORATION
PROFIT-SHARING INVESTMENT PLAN**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2004 AND 2003**

5. 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 2004 and 2003, 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, 2004 and 2003, interest rates ranged from 0.978% to 0.980% and from 1.19% to 1.21% on the outstanding balances totaling \$3,600,000 and \$5,300,000. At March 31, 2004, the line of credit is collateralized by 225,874 (475,086 at March 31, 2003) unallocated shares of McKesson Corporation common stock.

6. ESOP PROMISSORY NOTES PAYABLE

The ESOP I promissory note supporting the July 1986 stock purchase is payable to Wells Fargo Bank in increasing annual installments (ranging from 2% to 3% of original principal) over an 18-year term ending in fiscal 2005 (see Note 1, B). The interest rate is 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 (\$1,839,000 at March 31, 2003). The note is guaranteed by the Company, without recourse to the participants' accounts and is collateralized by 129,385 unallocated shares of McKesson Corporation common stock at March 31, 2004 (251,258 unallocated shares at March 31, 2003).

The ESOP II promissory note was payable to the Company in increasing annual installments (ranging from 4% to 11% of original principal) over a fifteen-year term ending in fiscal 2003. The interest rate was 77.5% of the prime rate or 89.08% of LIBOR, with an option to the borrower to fix the LIBOR rate for a period ranging from 1 month to 1 year. The note was paid in full in March 2003 and all shares of McKesson Corporation common stock released.

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, 2004, the outstanding balance of the note was \$47,958,000 (\$54,533,000 at March 31, 2003). This note is collateralized by 3,211,021 unallocated shares of McKesson Corporation common stock (3,715,960 at March 31, 2003). On April 1, 2004, an additional \$9,000,000 principal payment was made to enable the release of additional shares for employer contributions, and each of the scheduled subsequent loan repayment installments were reduced.

Table of Contents**McKESSON CORPORATION
PROFIT-SHARING INVESTMENT PLAN****NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2004 AND 2003**

Future minimum principal payments required on the ESOP notes are as follows (in thousands):

| Fiscal Year | Amount |
|--------------------|---------------|
| 2005 | \$ 16,363 |
| 2006 | 6,206 |
| 2007 | 6,750 |
| 2008 | 7,344 |
| 2009 | 7,990 |
| Thereafter | 7,854 |
| | <hr/> |
| Total | \$52,507 |
| | <hr/> |

7. 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.

8. 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.

Table of Contents**McKESSON CORPORATION
PROFIT-SHARING INVESTMENT PLAN****NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2004 AND 2003****9. PENDING LITIGATION**

On November 24, 1999, an action was filed in the United States District Court for the Northern District of California captioned *Chang v. McKesson HBOC, Inc., et al.*, (Case No. C-00-20030 RMW) (*Chang*). On June 28, 2001, plaintiffs filed an amended class action complaint against McKesson, HBO & Company (*HBOC* , now known as MIS), and the Chase Manhattan Bank. The amended complaint in *Chang* generally alleged that the defendants breached their fiduciary duties under ERISA in connection with administering the Plan and the HBO & Company Profit Sharing and Savings Plan (the *HBOC Plan*). Plaintiffs in *Chang* are alleged former employees of McKesson and participants in the Plan, and purportedly seek relief under sections 404-405, 409 and 502 of ERISA on behalf of a class defined to include participants in the Plan, including participants under the HBOC Plan, who maintained an account balance under the Plan as of April 27, 1999, who had not received a distribution from the Plan as of April 17, 1999, and who suffered losses as a result of the alleged breach of duty. On October 12, 2001, the Company, HBOC and Chase moved to dismiss the *Chang* action. The outcome of that motion is discussed below.

On February 7, 2002, a related ERISA class action was filed in the United States District Court for the Northern District of California captioned *Adams v. McKesson Information Solutions, Inc. et al.*, (Case No. C02-06 85 JCS) (*Adams*). Plaintiff in *Adams* filed a first amended complaint on March 15, 2002, against MIS, McKesson, the HBOC Board of Directors, HBOC Plan Administrative Committee, HBOC Plan Investment Committee, the Plan (as a nominal defendant only), and certain current or former officers, directors or employees of McKesson or HBOC. Plaintiff alleges that he was a participant in the HBOC Plan and generally alleges that McKesson and HBOC breached their ERISA fiduciary duties to the HBOC Plan and its participants or engaged in transactions prohibited by ERISA. Plaintiff asserts his claims on behalf of a putative class defined to include all participants in the HBOC Plan and their beneficiaries for whose benefit the HBOC Plan acquired HBOC stock from March 31, 1996 to April 1, 1999. Plaintiff seeks (i) a judgment that McKesson and HBOC breached their fiduciary duties, (ii) an order requiring defendants to restore to the plan all losses caused by these purported breaches of fiduciary duty, and (iii) reasonable attorneys' fees, costs and expenses.

On June 3, 2002, the Honorable Ronald M. Whyte of the Northern District of California consolidated the *Adams* ERISA class action with the *Chang* ERISA class action. By order dated September 30, 2002, Judge Whyte dismissed the First Amended Complaint in the *Chang* action. Judge Whyte granted plaintiffs in *Chang* and *Adams* 30 days leave to file a consolidated and amended complaint under the caption *In re McKesson HBOC, Inc. ERISA Litigation* (N.D. Cal. No. C-02-0685 RMW) (the *ERISA Action*). On December 31, 2002, plaintiffs filed a consolidated amended complaint (the *CAC*) in the *ERISA Action*. The *CAC* generally alleges that McKesson and HBOC breached their fiduciary duties under ERISA, and that HBOC engaged in transactions prohibited by ERISA. Plaintiffs further allege that McKesson and HBOC are liable under principles of *respondeat superior* and agency for alleged breaches of fiduciary duties by other defendants. The *CAC* seeks to have the defendants restore to the HBOC Plan and McKesson Plan losses allegedly caused by their alleged breaches of fiduciary duty, equitable relief, attorneys' fees, costs and expenses. On February 28, 2003, McKesson filed a motion to dismiss the *CAC* and HBOC filed motions to dismiss portions of the *CAC*, which were argued before Judge Whyte on August 29, 2003. Judge Whyte has not yet issued a ruling on those motions.

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**McKESSON CORPORATION
PROFIT-SHARING INVESTMENT PLAN**

**NOTES TO FINANCIAL STATEMENTS (CONCLUDED)
FOR THE YEARS ENDED MARCH 31, 2004 AND 2003**

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

10. RELATED-PARTY TRANSACTIONS

At March 31, 2004 and 2003, the Plan held approximately 14,164,000 and 15,527,000 common shares of McKesson Corporation, the Plan's sponsor. The shares are held within the McKesson Corporation Employer and Employee Stock Funds. At March 31, 2004 and 2003, the Employer Stock Funds held approximately 13,047,000 and 14,285,000 common shares. At March 31, 2004 and 2003, the Employee Stock Fund held approximately 1,117,000 and 1,242,000 shares.

McKesson Corporation declared dividends of \$0.24 per share for both fiscal 2004 and 2003. During the years ended March 31, 2004 and 2003, the Employer Stock Funds recorded dividend income from McKesson Corporation common shares of approximately \$3,326,000 and \$3,639,000. During each of the years ended March 31, 2004 and 2003, the Employee Company Stock Fund recorded dividend income from McKesson Corporation common shares of approximately \$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.

11. NON-EXEMPT PARTY-IN-INTEREST TRANSACTIONS

During Fiscal 2004, employee withholdings of \$27,389 deducted from participants' pay checks were not remitted to the Plan's trust within the timeframe required by the DOL regulations. This constitutes a prohibited transaction. In June 2004, the Plan's sponsor made corrective payments to the Plan of amounts attributable to the late deposit of participant contributions. Also, the Plan's sponsor will file a return with the IRS and pay the excise tax attributable to this transaction.

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**McKESSON CORPORATION
PROFIT-SHARING INVESTMENT PLAN**

**FORM 5500, SCHEDULE G, PART III
SCHEDULE OF NONEXEMPT TRANSACTIONS
MARCH 31, 2004**

| Identity of Party Involved | Description of Transaction | Amount Loaned | Date Remitted to Trust |
|---------------------------------------|--|--------------------------|-----------------------------------|
| *McKesson Corporation | Late employee withholdings not timely remitted to the trust, for the November 2003 payroll | \$27,389 | June 3, 2004 |

*Represents a party-in-interest.

Table of Contents**McKESSON CORPORATION
PROFIT-SHARING INVESTMENT PLAN****FORM 5500, SCHEDULE H, PART IV, LINE 4i
SCHEDULE OF ASSETS (HELD AT YEAR END)
MARCH 31, 2004**

| Investment/Fund Name | Cost Basis | Shares/Units | Fair Value |
|-----------------------------|-------------------|---------------------|-------------------|
| BROKERAGELINK | \$ 4,900,184 | 4,900,184 | \$ 4,900,184 |
| SSGA BOND INDEX | 11,658,518 | 1,022,156 | 16,160,288 |
| SSGA BALANCED | 34,165,204 | 3,641,148 | 38,085,411 |
| WELLINGTON MGMT SMCAP | 20,163,063 | 2,093,099 | 27,928,217 |
| SSGA S&P500 INDEX | 116,295,724 | 9,521,555 | 156,534,359 |
| DODGE & COX LG VAL | 75,328,523 | 7,414,291 | 104,452,529 |
| PIMCO TOT RETURN ADM | 3,149,964 | 294,000 | 3,216,362 |
| TMPL FOREIGN SM CO A | 165,944 | 10,181 | 195,574 |
| AMR BALANCED PA | 263,037 | 22,474 | 297,110 |
| AMR LARGE CAP VAL PA | 142,543 | 9,578 | 160,423 |
| AMR INTL EQUITY PA | 20,808 | 1,391 | 23,964 |
| AMR SH TERM BOND PA | 89,735 | 9,516 | 88,685 |
| MUTUAL DISCOVERY A | 506,115 | 27,237 | 585,041 |
| BARON GROWTH | 3,462,820 | 109,377 | 4,158,505 |
| UBS GLOBAL EQ Y | 349 | 32 | 340 |
| MSI EQUITY GROWTH B | 54,872 | 3,872 | 60,630 |
| CALVERT NEWVIS SM CP | 43,201 | 2,718 | 54,842 |
| CALVERT SIF BALNCD A | 21,815 | 911 | 24,049 |
| CALVERT CAP ACC A | 21,949 | 1,034 | 23,347 |
| CALVERT INTL EQTY A | 5,181 | 373 | 6,341 |
| FMA SMALL COMPANY IS | 231,445 | 12,880 | 287,357 |
| FPA CRESCENT | 2,044,679 | 104,213 | 2,369,814 |
| RHJ MICRO CAP | 817,464 | 43,324 | 921,076 |
| PBHG EMERGING GROWTH | 109,825 | 8,775 | 111,085 |
| ARIEL FUND | 3,833,982 | 97,330 | 4,687,410 |
| ARIEL APPRECIATION | 3,635,971 | 95,064 | 4,269,333 |
| ARIEL PREM BOND INV | 271,985 | 26,065 | 275,247 |
| ALGER CAP APPREC I | 413,548 | 36,878 | 430,366 |
| ALGER MIDCAP GRTH I | 1,455,549 | 104,866 | 1,673,669 |
| ALGER SMALL CAP I | 215,719 | 14,662 | 245,584 |
| FKLN SMMIDCAP GRTH A | 439,194 | 15,692 | 484,896 |
| DREY FNDRS BALNCED F | 30,233 | 4,107 | 32,531 |
| DREY FNDRS G & I F | 84,899 | 19,007 | 87,432 |
| DREY FNDRS GROWTH F | 159,135 | 16,808 | 165,391 |
| DREY FNDRS MC GRTH F | 98,521 | 29,757 | 112,482 |
| DREY FNDRS WW GRTH F | 5,636 | 514 | 6,025 |
| PBHG GROWTH FUND | 145,306 | 7,778 | 142,656 |
| INVESCO DYNAMICS | 141,009 | 10,494 | 159,085 |

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| | | | |
|----------------------|-----------|---------|-----------|
| INVESCO SM CO GROWTH | 87,373 | 8,139 | 93,848 |
| TEMPLETON FOREIGN A | 5,050,428 | 517,933 | 5,733,523 |
| JANUS FLEX INCOME | 1,000,358 | 103,882 | 1,033,625 |
| DREY FNDRS DISCVRY F | 193,745 | 7,999 | 215,650 |
| MSI INTL MAGNUM B | 11,167 | 1,260 | 13,393 |
| MUTUAL SHARES CL A | 602,411 | 30,885 | 665,886 |
| MSI GLOBAL VAL EQ B | 50,101 | 3,818 | 61,617 |

Table of Contents**McKESSON CORPORATION
PROFIT-SHARING INVESTMENT PLAN****FORM 5500, SCHEDULE H, PART IV, LINE 4i
SCHEDULE OF ASSETS (HELD AT YEAR END)
MARCH 31, 2004**

| Investment/Fund Name | Cost Basis | Shares/Units | Fair Value |
|-----------------------------|-------------------|---------------------|-------------------|
| MSIFT BALANCED ADV | 23,259 | 2,268 | 24,974 |
| MSIFT CP FX INC ADV | 176,161 | 15,136 | 177,998 |
| MSIFT HIGH YIELD ADV | 17,258 | 3,275 | 17,947 |
| MSIFT MIDCAP GTH ADV | 268,683 | 16,650 | 296,206 |
| MSIFT VALUE ADVISER | 150,490 | 10,810 | 172,318 |
| MSI SM CO GROWTH B | 67,213 | 7,443 | 81,206 |
| MSI ACTIVE INTL B | 1,729 | 215 | 2,163 |
| MSI EMERGING MKTS B | 70,496 | 4,892 | 83,456 |
| NB FOCUS TRUST | 377,255 | 15,085 | 433,244 |
| NB GENESIS TRUST | 2,257,890 | 71,149 | 2,770,530 |
| NB MANHATTAN TRUST | 43,189 | 4,697 | 44,481 |
| NB PARTNERS TRUST | 25,416 | 1,677 | 28,959 |
| NB SOCIALLY RESP TR | 125,747 | 9,677 | 134,024 |
| PIMCO CCM CAP AP ADM | 216,997 | 15,455 | 253,313 |
| PIMCO CCM MID CP ADM | 133,983 | 7,481 | 159,876 |
| PIM GLBBND AD UNHDGD | 612,058 | 61,555 | 645,098 |
| PIMCO HIGH YIELD ADM | 812,701 | 87,270 | 845,647 |
| PIMCO LOW DUR ADM | 681,820 | 66,915 | 689,889 |
| PIMCO LT US GOVT ADM | 971,480 | 88,314 | 1,002,369 |
| STRONG ULTRA SHORT | 28,443 | 3,025 | 28,193 |
| STRONG SHORTTERM BND | 137,150 | 15,162 | 135,241 |
| STRONG DISCOVERY | 145,939 | 8,152 | 168,503 |
| STRONG GROWTH FUND | 295,825 | 18,445 | 323,891 |
| STRONG ADV COM STK Z | 160,163 | 8,078 | 184,090 |
| STRONG OPPORTUNITY | 621,211 | 17,303 | 716,504 |
| STRONG LG CAP GROWTH | 139,559 | 6,989 | 147,188 |
| STRONG GOVT SECURITY | 468,372 | 42,102 | 466,912 |
| TEMPLETON DEV MKTS A | 140,516 | 10,399 | 164,619 |
| TEMPLETON GROWTH A | 666,120 | 36,956 | 787,153 |
| TMPL GLOBAL BOND A | 472,699 | 49,648 | 510,386 |
| TEMPLETON WORLD A | 399,126 | 25,957 | 456,071 |
| USAA CORNERSTONE | 65,494 | 2,801 | 72,902 |
| USAA GNMA TRUST | 191,284 | 18,899 | 188,614 |
| USAA INCOME FUND | 542,997 | 43,867 | 553,601 |
| USAA INCOME STOCK | 144,288 | 9,923 | 155,699 |
| USAA INTERNATIONAL | 28,465 | 1,697 | 34,816 |
| USAA GROWTH FUND | 76,281 | 6,086 | 75,592 |
| USAA EMERGING MKTS | 148,398 | 19,777 | 215,574 |
| CS CAP APPREC COM | 55,787 | 3,183 | 49,305 |

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| | | | |
|----------------------|---------|--------|---------|
| CS MID CAP GRTH COM | 111,740 | 4,579 | 136,454 |
| INVESCO TOTAL RETURN | 67,626 | 2,901 | 69,481 |
| NB GUARDIAN TRUST | 17,448 | 1,793 | 20,741 |
| ALGER CAP APPREC I | 150 | 11 | 126 |
| DOMINI SOCIAL EQUITY | 62,930 | 2,580 | 71,759 |
| INVESCO CORE EQUITY | 195,642 | 17,042 | 192,914 |

Table of Contents**McKESSON CORPORATION
PROFIT-SHARING INVESTMENT PLAN****FORM 5500, SCHEDULE H, PART IV, LINE 4i
SCHEDULE OF ASSETS (HELD AT YEAR END)
MARCH 31, 2004**

| Investment/Fund Name | Cost Basis | Shares/Units | Fair Value |
|--|-------------------|---------------------|-------------------|
| CS SMALL CAP VAL COM | 454,986 | 22,914 | 491,729 |
| MFS INST LG CAP GRTH | 2,172,136 | 415,249 | 2,462,424 |
| STANDISH STABLEVALUE | 102,087,835 | 8,938,280 | 106,818,787 |
| MCKESSON EMPLOYEE STK | 35,502,809 | 1,117,000 | 33,607,433 |
| MCKESSON EMPLOYER STK (ALLOCATED) | 245,701,000 | 9,479,898 | 285,250,131 |
| MCKESSON EMPLOYER STK (UNALLOCATED) | 67,338,000 | 3,566,812 | 107,325,373 |
| FIDELITY FUND | 664,091 | 25,811 | 730,955 |
| FIDELITY PURITAN | 1,097,899 | 63,468 | 1,190,030 |
| FIDELITY TREND | 102,962 | 2,274 | 113,185 |
| FIDELITY GINNIE MAE | 1,617,356 | 145,461 | 1,623,344 |
| FIDELITY MAGELLAN | 60,798,813 | 558,684 | 55,382,315 |
| FIDELITY EQUITY INC | 2,078,467 | 44,240 | 2,208,914 |
| FIDELITY GROWTH CO | 1,795,462 | 38,865 | 2,005,445 |
| FIDELITY INVST GR BD | 743,422 | 98,897 | 759,530 |
| FIDELITY GROW & INC | 47,413,675 | 1,191,059 | 42,890,050 |
| FIDELITY INTER BOND | 6,356,757 | 617,560 | 6,682,001 |
| FIDELITY CAP & INC | 745,745 | 99,510 | 800,060 |
| FIDELITY VALUE | 3,041,487 | 56,325 | 3,669,550 |
| FIDELITY US GOVT RES | 1,215,419 | 1,215,419 | 1,215,419 |
| FIDELITY GOVT INCOME | 809,413 | 78,274 | 816,397 |
| FIDELITY CASH RESRVE | 4,493,179 | 4,493,179 | 4,493,179 |
| FID INDEPENDENCE FD | 263,694 | 15,283 | 250,189 |
| FIDELITY OTC PORT | 183,431 | 6,279 | 207,285 |
| FIDELITY OVERSEAS | 250,968 | 8,898 | 295,941 |
| FIDELITY EUROPE | 217,605 | 9,066 | 254,768 |
| FIDELITY PAC BASIN | 53,878 | 3,128 | 60,595 |
| FID REAL ESTATE INVS | 3,023,822 | 145,690 | 3,808,333 |
| FIDELITY BALANCED | 3,250,933 | 213,265 | 3,678,823 |
| FIDELITY INTL GR&INC | 2,178,237 | 98,104 | 2,466,338 |
| FIDELITY CAP APPREC | 1,626,716 | 69,027 | 1,762,955 |
| FIDELITY CONV SEC | 531,828 | 28,297 | 581,228 |
| FIDELITY CANADA | 773,203 | 31,256 | 895,488 |
| FIDELITY UTILITIES | 182,747 | 16,359 | 189,433 |
| FIDELITY BLUE CHIP | 30,978,751 | 686,562 | 27,476,197 |
| FID ASSET MANAGER | 8,795,770 | 544,926 | 8,680,679 |
| FIDELITY DISC EQUITY | 80,514 | 3,897 | 90,872 |
| FIDELITY LOW PR STK | 9,246,317 | 310,297 | 11,490,302 |

| | | | |
|----------------------|------------|---------|------------|
| FIDELITY WORLDWIDE | 88,013 | 6,190 | 104,727 |
| FIDELITY EQ INC II | 13,747,677 | 612,176 | 13,871,906 |
| FIDELITY STK SELECTR | 27,707 | 1,451 | 30,946 |
| FID ASSET MGR GROWTH | 348,927 | 25,536 | 370,266 |
| FIDELITY EMERG MRKTS | 215,359 | 21,422 | 249,995 |
| FIDELITY AGGR GROWTH | 1,435,635 | 92,787 | 1,453,041 |
| FIDELITY DIVERS INTL | 16,918,916 | 691,434 | 17,797,524 |
| FID ASSET MGR INCOME | 293,190 | 25,106 | 310,809 |

Table of Contents**McKESSON CORPORATION
PROFIT-SHARING INVESTMENT PLAN****FORM 5500, SCHEDULE H, PART IV, LINE 4i
SCHEDULE OF ASSETS (HELD AT YEAR END)
MARCH 31, 2004**

| Investment/Fund Name | Cost Basis | Shares/Units | Fair Value |
|-----------------------------|-------------------|---------------------|-------------------|
| FIDELITY DIVD GROWTH | 4,670,242 | 178,267 | 4,934,432 |
| FIDELITY NEW MKT INC | 2,044,847 | 156,455 | 2,188,810 |
| FIDELITY EXP & MULTI | 817,827 | 50,171 | 927,667 |
| FID FOCUSED STOCK | 57,261 | 6,606 | 59,124 |
| FIDELITY GLOBAL BAL | 74,304 | 4,382 | 85,668 |
| FID AGGRESSIVE INT L | 201,256 | 15,290 | 244,030 |
| FID SM CAP INDEPEND | 185,818 | 11,491 | 215,448 |
| FIDELITY MID-CAP STK | 3,165,897 | 155,743 | 3,465,288 |
| FIDELITY LG-CAP STK | 428,085 | 33,192 | 466,020 |
| FIDELITY DISCOVERY | 505,306 | 52,277 | 537,930 |
| FIDELITY SM CAP STK | 1,989,248 | 130,119 | 2,334,344 |
| FIDELITY EUR CAP APP | 167,136 | 9,720 | 189,838 |
| FIDELITY NORDIC | 48,922 | 2,485 | 56,840 |
| FID ASSET MGR AGGRES | 314,463 | 32,664 | 347,218 |
| FIDELITY LATIN AMER | 97,817 | 6,514 | 107,609 |
| FIDELITY JAPAN | 206,341 | 20,200 | 264,213 |
| FIDELITY SE ASIA | 72,059 | 5,993 | 93,971 |
| FIDELITY CHINA RGN | 670,370 | 46,219 | 741,359 |
| FID FOUR IN ONE IDX | 229,983 | 10,464 | 245,484 |
| FIDELITY JAPAN SM CO | 349,113 | 37,097 | 451,094 |
| FIDELITY GR & INC II | 332,337 | 38,545 | 358,465 |
| FIDELITY STRAT INC | 763,620 | 74,131 | 782,084 |
| FID FREEDOM INCOME | 209,347 | 19,567 | 219,932 |
| FID FREEDOM 2000 | 159,199 | 14,056 | 168,249 |
| FID FREEDOM 2010 | 1,253,912 | 101,673 | 1,353,261 |
| FID FREEDOM 2020 | 1,448,814 | 119,114 | 1,588,985 |
| FID FREEDOM 2030 | 1,063,758 | 85,813 | 1,138,738 |
| FID SMALL CAP RETIRE | 539,294 | 44,507 | 642,240 |
| SPTN TOTAL MKT INDEX | 885,702 | 31,717 | 972,763 |
| SPTN EXTND MKT INDEX | 254,939 | 10,231 | 295,464 |
| SPARTAN INTL INDEX | 97,600 | 3,955 | 112,593 |
| FIDELITY SH TERM BD | 478,989 | 53,578 | 488,096 |
| FIDELITY INT GOV INC | 179,167 | 17,546 | 183,351 |
| FIDELITY HIGH INCOME | 460,348 | 53,955 | 480,743 |
| FIDELITY FIFTY | 986,637 | 56,953 | 1,114,004 |
| FIDELITY RETIRE MMKT | 5,490,817 | 5,490,801 | 5,490,801 |
| FIDELITY RET GOVT MM | 1,630,707 | 1,630,707 | 1,630,707 |
| SPARTAN US EQ INDEX | 1,759,275 | 47,196 | 1,884,084 |
| FIDELITY US BD INDEX | 1,294,308 | 116,349 | 1,324,053 |

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| | | | |
|--------------------------|-----------------|--------|-----------------|
| FID INST SH-INT GOVT | 203,784 | 21,014 | 206,986 |
| FID FREEDOM 2040 | 171,174 | 23,678 | 183,508 |
| OUTSTANDING LOAN BALANCE | | | 16,689,246 |
| | <hr/> | | <hr/> |
| TOTAL | \$1,016,011,297 | | \$1,207,204,836 |
| | <hr/> | | <hr/> |

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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/ Paul E. Kirincic

Paul E. Kirincic
Executive Vice President
Human Resources

Date: September 27, 2004