

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

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FORM 8-K/A

CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (date of earliest event reported): December 1, 1999

H&R BLOCK, INC.  
(Exact name of registrant as specified in charter)

MISSOURI ----- (State of Incorporation)	1-6089 ----- (Commission File Number)	44-0607856 ----- (I.R.S. Employer Identification Number)
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4400 MAIN STREET, KANSAS CITY, MO ----- (Address of Principal Executive Offices)	64111 ----- (Zip Code)
--	------------------------------

(816) 753-6900  
(Registrant's telephone number, including area code)

NOT APPLICABLE  
(Former name or former address, if changed since last report)

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(A) FINANCIAL STATEMENTS OF BUSINESS ACQUIRED

The audited financial statements of Olde Financial Corporation ("Olde") for the years ended December 31, 1998 and 1997, together with the Report of Independent Auditors, and the unaudited consolidated financial statements of Olde for the six months ended September 24, 1999 and September 25, 1998 are filed as part of this Current Report on Form 8-K/A.

(B) PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma consolidated balance sheet of H&R Block, Inc. as of October 31, 1999 and the pro forma consolidated statements of earnings for the year ended April 30, 1999 and the six months ended October 31, 1999 are filed as part of this Current Report on Form 8-K/A.

(C) EXHIBITS

Exhibit No.	Description of Exhibit
23.1	Consent of Independent Auditors
99.1	Press release dated December 2, 1999 filed as Exhibit 99.1 to the Company's Current Report on Form 8-K dated December 1, 1999, is incorporated by this reference.

SIGNATURES

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

H&R BLOCK, INC.

Date: February 14, 1999

By: /s/ Cheryl L. Givens

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Cheryl L. Givens  
Vice President, Corporate Controller

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H&R Block, Inc.

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OLDE Financial Corporation  
 Consolidated Statements of Financial Condition  
 September 24, 1999 and September 25, 1998  
 (Unaudited)

	September 24, 1999	September 25, 1998
	-----	-----
Assets:		
Cash	\$ 11,906,798	\$ 11,429,765
Short term investments - at cost which approximates market	33,014,548	27,874,881
U.S. Government and U.S. Government Agencies securities purchased under agreements to resell - at resale amount	51,000,000	49,000,000
Special reserve account for benefit of customers:		
U.S. Government securities purchased under agreements to resell - at resale amount	40,757,000	55,022,000
Cash	3,501	6,335
Special reserve account for benefit of customers-PAIB		
U.S. Government securities	993,500	--
	-----	-----
	41,754,001	55,028,335
Deposits with clearing organizations:		
Cash	220,000	1,735,000
U.S. Government and other securities - at market	8,447,780	5,025,570
	-----	-----
	8,667,780	6,760,570
Receivables:		
Customers	1,904,761,728	1,371,312,929
Brokers, dealers and clearing organizations	10,701,676	14,515,029
Other	6,089,346	8,687,127
Less reserve for doubtful accounts	(1,848,416)	(1,717,937)
	-----	-----
	1,919,704,334	1,392,797,148
Securities owned - at market	32,433,919	43,081,360
Property and equipment - at cost less accumulated depreciation and amortization of \$50,475,784 and \$44,722,348 at September 24, 1999 and September 25, 1998, respectively	51,746,693	51,897,287
Exchange memberships - at cost	793,778	793,778
Other	9,169,897	5,965,866
	-----	-----
	\$ 2,160,191,748	\$ 1,644,628,990
	=====	=====

See Notes to Consolidated Financial Statements

OLDE Financial Corporation  
Consolidated Statements of Financial Condition  
September 24, 1999 and September 25, 1998  
(Unaudited)

	September 24, 1999	September 25, 1998
	-----	-----
Liabilities and Stockholders' Equity:		
Payable to customers	\$1,016,010,745	\$ 967,972,764
Payable to brokers and dealers	682,721,070	277,607,087
Securities sold, not yet purchased - at market	6,447,620	8,343,672
Accrued income taxes	5,242,822	3,230,449
Real estate mortgages	9,381,675	15,411,639
Capital lease obligations	2,905,520	2,153,721
Accounts payable, accrued expenses and other	50,992,050	40,154,040
	-----	-----
	1,773,701,502	1,314,873,372
Stockholders' equity:		
Common stock (\$0.10 par value; 40,000,000 shares authorized; 30,520,225 and 30,510,225 shares issued and outstanding for Olde Financial Corporation and \$1.00 par value, 1,000 shares issued and outstanding for Financial Marketing Services, Inc. at September 24, 1999 and September 25, 1998, respectively)	3,052,023	3,051,023
Additional paid-in capital	80,200	--
Retained earnings	383,358,023	326,704,595
	-----	-----
Total stockholders' equity	386,490,246	329,755,618
	-----	-----
	\$2,160,191,748	\$1,644,628,990
	=====	=====

See Notes to Consolidated Financial Statements

OLDE Financial Corporation  
Consolidated Statements of Operations  
For Nine Months Ended September 24, 1999 and September 25, 1998  
(Unaudited)

	Nine Months Ended	
	September 24, 1999	September 25, 1998
	-----	-----
Revenues:		
Commissions	\$130,481,513	\$117,267,940
Principal transactions	49,771,712	45,178,049
Interest	95,847,833	85,521,098
Other	16,380,510	14,211,929
	-----	-----
Total revenues	292,481,568	262,179,016
Expenses:		
Employee compensation and benefits	108,586,101	98,896,316
Commissions, floor brokerage and fees	7,093,695	7,003,717
Communications	6,462,311	5,705,801
Advertising and promotional	12,223,742	11,276,705
General and administrative	20,326,965	25,125,809
Interest	41,955,053	39,526,776
Occupancy	15,560,285	15,667,965
Data processing and supplies	9,106,174	8,460,448
	-----	-----
Total expenses	221,314,326	211,663,537
	-----	-----
Income before income taxes	71,167,242	50,515,479
Income tax provision	27,346,000	21,236,500
	-----	-----
Net income	\$ 43,821,242	\$ 29,278,979
	=====	=====

See Notes to Consolidated Financial Statements

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OLDE Financial Corporation  
Consolidated Statements of Cash Flows  
For Nine Months Ended September 24, 1999 and September 25, 1998  
(Unaudited)

	Nine Months Ended	
	September 24, 1999	September 25, 1998
	-----	-----
Cash flows from operating activities:		
Net income	\$ 43,821,242	\$ 29,278,979

Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	5,470,270	5,799,158
(Increase) decrease in:		
Special reserve account for benefit of customers	146,494,281	(24,682,983)
Special reserve account for benefit of customers - PAIB	(993,500)	--
Deposits with clearing organizations	(1,845,810)	(136,320)
Receivables from customer	(630,749,144)	(55,222,762)
Receivables from brokers, dealers, and clearing organizations	985,037	6,658,893
Receivables from others	632,697	(176,171)
Securities purchased under agreements to resell	197,000,000	99,000,000
Securities owned	(2,428,438)	1,131,747
Other assets, net	(4,267,441)	3,120,570
Increase (decrease) in:		
Payables to customers	(353,392,556)	(150,499,340)
Payables to brokers and dealers	568,285,653	99,043,852
Securities sold, not yet purchased	2,131,971	(6,135,015)
Accrued income taxes	893,099	(802,609)
Accounts payable, accrued expenses and other liabilities	23,603,476	4,076,410
	-----	-----
Net cash provided by operating activities	(4,359,163)	10,454,409
Cash flows used in investing activities:		
Capital expenditures	(2,309,959)	(7,309,077)
Cash flows provided by (used in) financing activities:		
Issuance of common stock	81,200	--
Redemption of common stock	--	(3,970,103)
Maturity of senior subordinated debentures	--	(9,412,000)
Redemption of senior subordinated debentures	--	(17,125,000)
Real estate mortgages obtained	--	6,945,189
Principal payments on real estate mortgages	(4,676,018)	(2,604,787)
Principal payments on capital lease obligations	(1,113,470)	(1,349,762)
	-----	-----
Net cash used in financing activities	(5,708,288)	(27,516,463)
Net increase (decrease) in cash	(12,377,410)	(24,371,131)
Cash and cash equivalents at the beginning of period	57,298,756	63,675,777
	-----	-----
Cash and cash equivalents at end of period	\$ 44,921,346	\$ 39,304,646
	=====	=====

See Notes to Consolidated Financial Statements

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OLDE Financial Corporation  
Notes to Consolidated Financial Statements  
(Unaudited)

The Statements of Financial Condition as of September 24, 1999 and September 25, 1998, the Statements of Operations for the six months ended September 24, 1999 and September 25, 1998 and the Statements of Cash Flows for the six months ended September 24, 1999 and September 25, 1998 have been prepared by Olde Financial Corporation ("Olde"), without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial condition, results of operations and cash flows at September 24, 1999 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These financial statements should be read in conjunction with the financial statements and notes thereto in Olde's December 31, 1998 audited financial statements included with this Current Report on Form 8-K/A.

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Report of Independent Auditors

We have audited the accompanying consolidated financial statements of OLDE Financial Corporation and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of OLDE Financial Corporation and subsidiaries at December 31, 1998 and 1997, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

Detroit, Michigan  
February 8, 1999

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OLDE Financial Corporation  
Consolidated Statements of Financial Condition  
December 31, 1998 and December 31, 1997

	1998	1997
<b>Assets:</b>		
Cash	\$ 28,587,972	\$ 38,925,975
Short term investments - at cost which approximates market	28,710,784	24,749,802
U.S. Government and U.S. Government Agencies securities purchased under agreements to resell - at resale amount	248,000,000	148,000,000
Special reserve account for benefit of customers:		
U.S. Government securities purchased under agreements to resell - at resale amount	187,248,000	30,339,000
Cash	6,782	6,352
	187,254,782	30,345,352
<b>Deposits with clearing organizations:</b>		
Cash	1,735,000	1,735,000
U.S. Government and other securities - at market	5,086,970	4,889,250
	6,821,970	6,624,250
<b>Receivables:</b>		
Customers	1,274,012,584	1,316,090,167
Brokers, dealers and clearing organizations	11,686,713	21,173,922
Other, including \$354,707 and \$488,670 from affiliates at December 31, 1998 and December 31, 1997, respectively	6,632,528	8,413,524
Less reserve for doubtful accounts	(1,758,901)	(1,620,505)
	1,290,572,924	1,344,057,108
Securities owned - at market	30,005,481	44,213,107
Property and equipment - at cost less accumulated depreciation and amortization of \$45,887,820 and \$39,076,592 at December 31, 1998 and December 31, 1997, respectively	52,632,004	49,834,816
Exchange memberships - at cost (market value \$2,501,500)	793,778	793,778
Other	4,902,456	9,086,436
	\$ 1,878,282,151	\$ 1,696,630,624

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OLDE Financial Corporation  
Consolidated Statements of Financial Condition  
December 31, 1998 and December 31, 1997

	1998	1997
<b>Liabilities and Stockholders' Equity:</b>		
Payable to customers	\$ 1,369,403,301	\$ 1,118,472,104
Payable to brokers and dealers	114,435,417	178,563,235
Securities sold, not yet purchased - at market	4,315,649	14,478,687
Accrued income taxes	4,349,723	4,033,058
Real estate mortgages	14,056,915	11,071,237
Capital lease obligations	1,743,990	2,950,930
Accounts payable, accrued expenses and other including \$457,410 and \$1,317,266 to affiliates at December 31, 1998 and December 31, 1997, respectively	27,388,574	36,077,630
	1,535,693,569	1,365,646,881
<b>Subordinated debt:</b>		
12.5% Senior subordinated debentures due August, 1998	0	9,412,000
9.6% Senior subordinated debentures due May, 2002	0	17,125,000
	0	26,537,000
<b>Commitments and contingencies (Note 6)</b>		
<b>Stockholders' equity:</b>		
Common stock (\$0.10 par value; 40,000,000 shares authorized; 30,510,225 and 30,919,308 shares issued and outstanding at December 31, 1998 and December 31, 1997, respectively)	3,051,023	3,091,931



Retained earnings	339,537,559	301,354,812
Total stockholders' equity	342,588,582	304,446,743
	\$ 1,878,282,151	\$ 1,696,630,624

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OLDE Financial Corporation  
Consolidated Statements of Operations  
For 1998, 1997, and 1996

	Years Ended December 31,		
	1998	1997	1996
Revenues:			
Commissions	\$ 161,058,303	\$ 163,555,177	\$ 144,766,503
Principal transactions	59,201,843	78,095,814	118,069,712
Interest	114,100,996	108,975,154	104,310,373
Other	19,319,135	16,570,480	12,873,785
Total revenues	353,680,277	367,196,625	380,020,373
Expenses:			
Employee compensation and benefits	133,603,623	135,830,485	129,757,286
Commissions, floor brokerage and fees	8,988,833	9,638,214	9,992,414
Communications	8,357,984	8,614,927	10,570,143
Advertising and promotional (a)	14,883,598	15,463,793	16,770,577
General and administrative (b)	33,823,204	31,063,869	33,094,488
Interest	51,129,804	49,533,401	45,522,255
Occupancy (c)	20,195,585	20,847,562	22,000,283
Data processing and supplies	11,269,703	10,640,459	10,223,744
Total expenses	282,252,334	281,632,710	277,931,190
Income before income taxes	71,427,943	85,563,915	102,089,183
Income tax provision	29,316,000	32,006,000	38,342,000
Net income	\$ 42,111,943	\$ 53,557,915	\$ 63,747,183
Net income per common share	\$1.38	\$1.70	\$1.73
Weighted average shares outstanding	30,512,393	31,526,901	36,795,781

- (a) Including approximately \$12,000,000, \$12,400,000, and \$12,100,000 with an affiliate in 1998, 1997, and 1996, respectively.
- (b) Including approximately \$377,300, \$383,800, and \$436,500 with an affiliate in 1998, 1997, and 1996, respectively.
- (c) Including approximately \$67,300, \$807,700 and \$807,700 with the Company's majority stockholder in 1998, 1997 and 1996, respectively.

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OLDE Financial Corporation  
Consolidated Statements of Changes  
in Stockholder's Equity

	Common Stock	Additional Paid in Capital	Retained Earnings	Total
Balance, January 1, 1996	\$ 3,674,500	\$ -	\$ 231,027,812	\$ 234,702,312
Issuance of 65,000 shares of Common Stock	6,500	408,850	-	415,350
Net Income	-	-	63,747,183	63,747,183
Balance, December 31, 1996	3,681,000	408,850	294,774,995	298,864,845

Redemption of 5,890,692 shares of Common Stock	(589,069)	(408,850)	(46,978,098)	(47,976,017)
Net Income	-	-	53,557,915	53,557,915
-----				
Balance, December 31, 1997	3,091,931	0	301,354,812	304,446,743
Redemption of 409,083 shares of Common Stock	(40,908)	-	(3,929,196)	(3,970,104)
Net Income	-	-	42,111,943	42,111,943
-----				
Balance, December 31, 1998	\$ 3,051,023	\$ 0	\$ 339,537,559	\$ 342,588,582
=====				

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OLDE Financial Corporation  
Consolidated Statements of Cash Flows

	Year Ended December 31,		
	1998	1997	1996
	-----	-----	-----
Cash flows from operating activities:			
Net income	\$ 42,111,943	\$ 53,557,915	\$ 63,747,183
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	7,293,322	8,380,555	9,327,929
Deferred income taxes	3,185,000	(3,008,000)	(2,336,000)
(Increase) decrease in:			
Special reserve account for benefit of customers	(156,909,430)	89,541,849	(109,622,393)
Deposits with clearing organizations	(197,720)	(929,851)	27,063
Receivables from customer	42,077,583	(162,549,118)	132,459,062
Receivables from brokers, dealers, and clearing organizations	9,487,209	3,096,972	1,713,367
Receivables from others	1,919,392	(1,462,982)	2,536,823
Securities purchased under agreements to resell	(100,000,000)	31,974,000	(54,908,000)
Securities owned	14,207,626	(6,303,047)	7,613,288
Other assets, net	4,183,980	2,164,517	(2,001,275)
Increase (decrease) in:			
Payables to customers	250,931,197	30,910,834	267,554,084
Payables to brokers and dealers	(64,127,818)	(778,322)	(293,790,602)
Securities sold, not yet purchased	(10,163,038)	7,489,152	1,021,527
Accrued income taxes	(2,868,335)	480,484	2,620,447
Accounts payable, accrued expenses and other liabilities	(8,689,056)	9,796,417	(1,287,784)
Net cash provided by operating activities	32,441,855	62,361,375	24,674,719
Cash flows used in investing activities:			
Capital expenditures	(9,537,957)	(1,164,753)	(4,661,321)
Cash flows provided by (used in) financing activities:			
Issuance of common stock	-	-	415,350
Redemption of common stock	(3,970,104)	(47,976,017)	-
Maturity of senior subordinated debentures	(9,412,000)	-	(7,500,000)
Redemption of senior subordinated debentures	(17,125,000)	(3,463,000)	-
Principal payments on real estate mortgages	(3,959,512)	(2,941,419)	(3,438,075)
Real estate mortgages obtained	6,945,190	602,057	318,000
Principal payments on capital lease obligations	(1,759,493)	(2,873,133)	(3,612,498)
Net cash used in financing activities	(29,280,919)	(56,651,512)	(13,817,223)
Net increase (decrease) in cash	(6,377,021)	4,545,110	6,196,175
Cash and cash equivalents at the beginning of period	63,675,777	59,130,667	52,934,492
Cash and cash equivalents at end of period	\$ 57,298,756	\$ 63,675,777	\$ 59,130,667
Interest Paid	\$ 51,812,000	\$ 49,165,000	\$ 45,136,000
	=====	=====	=====

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OLDE Financial Corporation  
Notes to Consolidated Financial Statements  
December 31, 1998

1. Business

The accompanying financial statements present the consolidated financial statements of the Company and its subsidiaries, OLDE Discount Corporation ("OLDE Discount"), American Brokerage Services, Inc. ("ABS"), OLDE Asset Management, Inc. ("OAM"), OLDE Realty Corporation ("ORC"), OLDE Property Corporation ("OPC"), OLDE Equipment Corporation ("OEC"), Realty Acquisitions, Inc. ("RAI"), and Smart Travel, Inc. ("STI"). Material intercompany balances have been eliminated for all periods presented.

The Company is a financial services company. OLDE Discount engages in a discount securities brokerage business primarily for retail customers throughout the United States. OLDE Discount also engages in market making and specialist activities in common stocks and is a dealer in corporate and municipal bonds and U. S. Government securities.

Other products and services provided to customers include: stock research and recommendations; money market funds with sweep provisions for settlement of customer transactions; fixed-income products; mutual funds; margin accounts; checking privileges; option accounts; account access/review via the internet; dividend reinvestment; and individual retirement accounts with no annual fee.

OAM provides portfolio management and administrative services to the OLDE Custodian Fund, a money market fund series. ORC, OPC, and RAI are engaged in the acquisition, ownership and operation of commercial real estate, leased primarily to OLDE Discount. OEC leases computer hardware and software to OLDE Discount. STI provides travel management and purchasing services primarily to OLDE Discount.

ABS a registered securities broker-dealer is currently inactive. In February 1999 SmartVest, Inc. ("SV") a newly formed Michigan Corporation wholly owned by the Company, initiated a registration and membership process with the National Association of Securities Dealers, Inc. ("NASD") to become a successor broker-dealer to ABS. It is planned that SV will introduce its customer accounts to OLDE Discount and that OLDE Discount will carry SV's accounts and provide clearing and execution service to SV on a fully disclosed basis. SV will be an on-line brokerage firm.

2. Significant accounting policies

In the opinion of management, the accompanying audited consolidated financial statements contain all adjustments, which consist only of normal recurring adjustments, necessary to present fairly the financial position of the Company at December 31, 1998 and December 31, 1997, and the results of its operations and its cash flows for the periods ended December 31, 1998, December 31, 1997, and December 31, 1996. The Company's accounting policies have been consistently followed.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

OLDE Discount is a registered securities broker-dealer and accounts for securities transactions (and related commission revenue and expense) on the trade date basis. The risk of loss on transactions as of trade date is equivalent to the risk of loss on settlement date and relates to customers' or other brokers' inability to meet the

2. Significant accounting policies (continued)

terms of contracts. Credit risk is reduced by obtaining and maintaining adequate collateral until the contract is settled.

The Company is a party to financial instruments with off balance sheet risk in the normal course of its business. The Company is required, in the event of the non-delivery of customers' securities owed the Company by other broker-dealers, or by its customers, to purchase identical securities in the open market. Such purchases could result in losses not reflected in the accompanying financial statements.

Securities owned and securities sold, not yet purchased, are carried at market value. Unrealized gains and losses are reflected in operations. Sales of securities not yet purchased represent an obligation of the Company to deliver specified securities at a predetermined date and price. The Company will be obligated to acquire the required securities at prevailing market prices in the future to satisfy this obligation.

Securities purchased under agreements to resell are treated as financing transactions and are carried at the amounts at which the securities will be subsequently resold as specified in the respective agreements. Collateral relating to investments in repurchase agreements is held by independent custodian banks. The securities are valued daily and collateral added whenever necessary to bring the market value of the underlying collateral equal to or greater than the repurchase price specified in the contracts.

Depreciation and amortization are provided using both straight-line and accelerated methods over estimated useful lives of three to thirty nine years. Leasehold improvements are amortized using both straight-line and accelerated methods.

The Company considers all non-segregated highly liquid investments (short-term investments) with a maturity of three months or less when purchased to be cash equivalents.

3. Special reserve account for benefit of customers

U.S. Government securities purchased under agreements to resell and cash have been segregated in a special reserve account for the exclusive benefit of customers pursuant to federal regulations under Rule 15c3-3 of the Securities Exchange Act of 1934.

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OLDE Financial Corporation  
Notes to Consolidated Financial Statements (Continued)

4. Securities owned and securities sold, not yet purchased

At December 31, 1998 and December 31, 1997 marketable securities owned and securities sold, net yet purchased consist of trading and investment securities at quoted market values, as follows:

	Securities Owned	
	1998	1997
	-----	-----
U.S. Government Securities	\$ 1,303,473	\$ 4,265,954
Municipal Securities	18,709,776	12,124,921
Various Fixed Income Securities (Including Preferred Stock)	8,838,883	14,618,128
Equity Securities	1,153,349	13,204,104
	-----	-----

Total	\$ 30,005,481	\$ 44,213,107
	=====	=====

	Securities Sold, Net Yet Purchased	
	1998	1997
	-----	-----
U.S. Government Securities	\$ 23,609	\$ 723,624
Municipal Securities	470,440	5,375
Various Fixed Income Securities (Including Preferred Stock)	2,816,038	1,700,949
Equity Securities	1,005,562	12,048,739
	-----	-----
Total	\$ 4,315,649	\$ 14,478,687
	=====	=====

#### 5. Receivables from customers

Receivables from customers include amounts due on margin and cash transactions. The receivables are collateralized by customers' securities held, which are not reflected in the financial statements.

#### 6. Receivables and payables with brokers, dealers, and clearing organizations

Receivables from brokers generally are collected within thirty days and are collateralized by securities in physical possession, on deposit, or receivable from customers or other brokers. The Company does business with brokers who for the most part are members of the major U.S. securities exchanges.

The Company monitors the credit standing of broker-dealers and customers with whom it conducts business. In addition, the Company monitors the market value of collateral held and the market value of securities receivable from others. The Company seeks to obtain additional collateral if insufficient protection against loss exists.

Amounts receivable from and payable to brokers, dealers, and clearing organizations as of December 31, 1998 and December 31, 1997 are as follows:

Receivables:	1998	1997
	-----	-----
Securities failed to deliver	\$ 495,824	\$ 270,027
Deposits on securities borrowed	9,030,400	18,565,900
Clearing organizations and other	2,160,489	2,337,995
	-----	-----
Total	\$ 11,686,713	\$ 21,173,922
	=====	=====

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OLDE Financial Corporation  
Notes to Consolidated Financial Statements (Continued)

Payables:	1998	1997
	-----	-----
Securities failed to receive	\$ 488,498	\$ 814,917
Deposits for securities loaned	113,855,471	177,686,994
Other	91,448	61,324
	-----	-----
Total	\$ 114,435,417	\$ 178,563,235

7. Securities lending

At December 31, 1998, funds obtained under securities lending agreements, which are included with payables to broker dealers, totaled \$113.9 million. At December 31, 1997, the securities lending amount was \$177.7 million. Securities loaned are securities held by customers on margin. When loaning securities, OLDE Discount receives cash collateral approximately equal to the value of the securities loaned. The amount of cash collateral is adjusted daily for market fluctuations in the value of the securities loaned. Interest rates paid on the cash collateral fluctuate with short-term interest rates.

8. Property and equipment

Property and equipment at cost consist of the following at December 31:

	1998 -----	1997 -----
Land	\$ 5,555,672	\$ 5,086,797
Building and improvements	42,503,763	35,670,454
Furniture, fixtures, and equipment	50,460,389	48,154,157
	-----	-----
Total Property and Equipment	\$ 98,519,824	\$ 88,911,408
	=====	=====

9. Bank lines of credit, debt, commitments and contingencies

At December 31, 1998, bank lines of credit available to OLDE Discount amounted to \$180 million. A line of credit in the amount of \$80 million may be withdrawn at the discretion of the bank. The Company has a \$100 million committed line of credit that expires in August 1999, and subject to the terms of the agreement, may be extended for one year at the bank's discretion. Short-term bank loans outstanding under the lines of credit are payable either on demand or upon expiration of the line of credit and are collateralized by marketable securities carried for the accounts of margin customers. Loans outstanding bear interest at broker loan rates.

There were no borrowings under these lines of credit at December 31, 1998 or December 31, 1997. There are no compensating balance requirements related to these lines of credit.

As of December 31, 1998, OLDE Discount had provided a clearing corporation with letters of credit totaling \$82 million that satisfied margin deposit requirements of \$79.7 million. These letters of credit are secured by customers' margin securities.

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OLDE Financial Corporation  
Notes to Consolidated Financial Statements (Continued)

9. Bank lines of credit, debt, commitments and contingencies (continued)

OLDE Discount leases office facilities over varying periods extending to 2005. The Company's approximate minimum annual rental commitments under non-cancelable operating leases are as follows:

1999	\$ 7,090,000
2000	5,430,000
2001	3,752,000

2002	1,280,000
2003	486,600
Thereafter	111,400
	-----
	\$18,150,000
	=====

Certain of the office leases contain renewal options ranging from one to five years. The office leases generally provide for rent escalation resulting from increased real estate assessments for real estate taxes and other charges. Rental expense for office facilities under non-cancelable operating leases was \$6.6 million, \$7.1 million, and \$6.6 million, respectively for the years ending December 31, 1998, 1997 and 1996.

OLDE Equipment leases computer hardware. The following is a schedule of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 1998:

1999	\$ 1,141,879
2000	646,551
2001	93,981
	-----
Total minimum lease payments	1,882,411
Less amount representing interest	138,421
	-----
Present value of net minimum lease payments	\$ 1,743,990
	=====

Computer systems financed under capital leases and hardware included in property and equipment amounted to approximately \$14.5 million and \$13.9 million at cost at December 31, 1998 and 1997, respectively, and accumulated amortization amounted to approximately \$11.4 million and \$9.4 million, respectively. Amortization of capital leases is included with depreciation and amortization expense.

At December 31, 1998, OLDE Property Corporation had outstanding \$14.1 million in real estate mortgages. These mortgages are secured by substantially all land, building and improvements of the Company. Mortgages outstanding bear interest at 6.25%, 7.75% and 8% per annum. These mortgages are being amortized over 7 year periods, with projected maturities of 2001, 2002, and 2005, respectively. The following is a schedule of future minimum principal mortgage payments:

1999	\$ 4,064,178
2000	3,873,253
2001	2,265,612
2002	1,327,689
2003	1,122,756
Thereafter	1,403,427
	-----
Total	\$ 14,056,915
	=====

OLDE Discount is a defendant and respondent in a number of civil actions, arbitrations, and class actions arising out of its business as a broker-dealer. The Company believes it has meritorious defenses against these claims and intends to assert them vigorously. It is management's opinion that the disposition of these claims will not have a material adverse effect on the financial condition of the Company.

A consolidated certified class action in Federal court alleging that 35 securities dealers conspired to fix and maintain artificial bid-ask spreads on certain securities traded on the National Association of Securities Dealers Automated Quotation System ("Nasdaq") over-the-counter market has been settled. The Company denies any improper activity occurred and joined the other settling brokerage firms in settling the matter to avoid the costs, expenses, and distractions of further litigation. OLDE Discount's portion of the settlement was fully reserved as of December 1997, and was paid in September 1998.

The Securities and Exchange Commission ("SEC") has completed its investigation of the Nasdaq market, which focused upon the dealer conduct alleged in the consolidated class action. In January 1999, without admitting or denying liability, OLDE Discount, along with 27 other Nasdaq dealers settled the SEC's investigation. The settlement included the payment of a fine and retention of an independent consultant who will conduct a review of OLDE Discount's and the 27 other dealer firms' Nasdaq trading, compliance, and supervisory systems. The firm will implement the consultant's recommendations. The fine was fully reserved in 1998 and was paid in January 1999.

OLDE Discount was the subject of an investigation by the SEC and National Association of Securities Dealers Regulation, Inc. ("NASDR"). The investigations focused on certain sales practices of the broker-dealer during the years 1992 to 1995. In September 1998, without admitting or denying liability, OLDE Discount settled both the SEC and NASDR investigations. The settlements included the payment of fines and certain undertakings to conduct an independent review of its current sales policies, practices and procedures and to adopt and implement such additional amended policies and procedures as may be recommended in the course of this review. The fines were fully reserved and were paid in September 1998.

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OLDE Financial Corporation  
Notes to Consolidated Financial Statements (Continued)

10. Subordinated Debt

On August 1, 1998, the Company's \$9,412,000 of 12.5% Senior Subordinated Debentures matured, and were repaid.

On September 1, 1998, the Company called \$17,125,000 of outstanding 9.6% Senior Subordinated Debentures due May 1, 2002 at a premium of 2% over the principal amount.

11. Net capital requirements

OLDE Discount is required to maintain minimum net capital as defined under Rule 15c3-1 of the Securities Exchange Act of 1934 and has elected to comply with the alternative net capital requirement, which requires a broker-dealer to maintain minimum net capital equal to the greater of \$1 million or 2% of the combined aggregate debit balances arising from customer transactions, as defined. The net capital rule also provides that equity capital may not be withdrawn or cash dividends paid if resulting net capital would be less than the greater of 5% of combined aggregate debit items or \$1 million. At December 31, 1998, OLDE Discount's net capital of \$286.2 million, which was 21% of aggregate debit items, exceeded by \$259 million its minimum required net capital of \$27.2 million.

ABS is subject to the SEC Uniform Net Capital Rule 15c3-1, which requires the maintenance of minimum net capital and requires that the ratio of aggregate



indebtedness to net capital (net capital ratio), shall not exceed 15 to 1. At December 31, 1998, ABS had net capital of \$1,683,489, which was \$1,433,489 in excess of its required net capital \$250,000. ABS's net capital ratio was .014 to 1.

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OLDE Financial Corporation  
Notes to Consolidated Financial Statements (Continued)

12. Income taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets (liabilities) at December 31, 1998 and 1997 are as follows:

	1998	1997
	-----	-----
Contingencies reserve	\$ 2,349,000	\$ 5,778,000
Tax over book depreciation	(243,000)	(420,000)
Reserve for doubtful accounts	616,000	567,000
Employee benefits	553,000	572,000
Prepaid expenses	(257,000)	(293,000)
Other	77,000	76,000
	-----	-----
	\$ 3,095,000	\$ 6,280,000
	=====	=====

Significant components of the provision for income taxes are as follows:

	1998	1997	1996
	-----	-----	-----
Current:			
Federal	\$ 23,432,000	\$ 32,066,000	\$ 36,787,000
State & local	2,699,000	2,948,000	3,891,000
	-----	-----	-----
Total current tax	26,131,000	35,014,000	40,678,000
Deferred (Credit):			
Federal	3,185,000	(3,008,000)	(2,336,000)
	-----	-----	-----
	\$ 29,316,000	\$ 32,006,000	\$ 38,342,000
	=====	=====	=====

A reconciliation of the total federal income tax provision and the amount computed by applying the statutory federal income tax rate to earnings before income taxes is as follows:

	1998	1997	1996
	-----	-----	-----
Tax at U.S. statutory rates	\$ 24,998,867	\$ 29,947,140	\$ 35,730,990
Impact of state and local taxes	(944,650)	(1,031,800)	(1,361,850)
Other	2,562,783	142,660	81,860
	-----	-----	-----
	\$ 26,617,000	\$ 29,058,000	\$ 34,451,000

=====  
=====  
=====

Total income taxes paid approximated \$25 million, \$32.3 million, and \$40.5 million for 1998, 1997, and 1996, respectively.

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OLDE Financial Corporation  
Notes to Consolidated Financial Statements (Continued)

13. Related party transactions

Directors and officers of the Company and their associates maintain cash accounts and margin accounts with OLDE Discount and execute securities transactions through OLDE Discount in the ordinary course of business.

OLDE Discount purchases significant advertising and promotional material from Financial Marketing Services, Inc. ("FMS"), a Michigan corporation wholly-owned by the majority shareholder of the Company, and North American Printing Company ("North American") formerly Sumner Press, Ltd., a Canadian company controlled by FMS. North American supplies FMS with substantially all of OLDE Discount's printed advertising materials. In total, the Company's advertising purchases from FMS amounted to approximately \$11.5 million, \$11.9 million, and \$11.7 million for the years ending December 31, 1998, 1997, and 1996, respectively. Other subsidiaries of FMS charged the Company approximately \$852,000, \$887,700, and \$850,000 in the same periods, respectively, primarily for mailing and general services.

In February 1998, OLDE Property Corporation purchased the Company's two corporate headquarter buildings and a nearby warehouse facility from the Company's majority shareholder for \$7 million. The buildings were then leased to OLDE Discount.

In January 1998, the Board of Directors of OLDE Discount declared and paid a dividend in the amount of \$3,775,003 to OLDE Financial Corporation. The Company utilized these funds to redeem shares of its capital stock in the amount of \$3,970,104. OAM paid a dividend to the Company in August in the amount of \$4,000,000.

At December 31, 1998 and 1997, the Company held investments of \$15 million and \$14.2 million, respectively, in shares of money market mutual funds sponsored and managed by subsidiaries of the Company.

14. Estimated fair values of financial instruments

Generally accepted accounting principles currently require disclosure of estimated fair market values of financial instruments. The Company uses present value techniques to determine the estimated values of its financial instruments where quoted market values are not available. These techniques require judgment, and the estimates may be significantly affected by the assumptions made. A portion of the Company's financial instruments are securities traded in nationally recognized financial markets. These instruments are carried in the Company's financial statements at quoted market value or the market value for comparable securities which represents estimated fair value. Changes in market values of these instruments are reflected in current operating results.

A substantial portion of the Company's other financial instruments, consisting primarily of customer margin loans and customer credit balances, earn or pay rates of interest that change in accordance with general changes in short-term interest rates. Such instruments are carried in the financial statements at the amount receivable or payable on demand, which is considered to be the estimated fair value.

The above disclosures do not extend to estimated fair value amounts for items not defined as financial instruments by FASB No. 107 "Disclosures About Fair Value of Financial Instruments", for example customer relationships, which possess significant value.

H&R BLOCK, INC.  
PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

## DESCRIPTION OF TRANSACTION

On December 1, 1999, H&R Block, Inc. (the "Company"), through its wholly-owned subsidiary Block Financial Corporation ("BFC"), completed its acquisition of the outstanding capital stock of OLDE Financial Corporation and its subsidiaries ("Olde"). The purchase price paid by BFC was \$850 million cash plus an estimated net tangible book value payment of \$37.1 million. A final cash adjustment will be made based on the aggregate consolidated net tangible book value at the acquisition date, after a final independent audit of the balance sheet is completed. The acquisition will be accounted for as a purchase.

The Company obtained a \$750 million acquisition facility to support commercial paper issued to acquire Olde. At the closing date of December 1, 1999, the transaction was funded using the commercial paper and internal cash. It is the intent of the Company to convert approximately \$500 million of the short-term commercial paper borrowings into term debt through a debt offering in the fourth quarter of fiscal 2000. In the pro forma consolidated financial statements, it is assumed that \$500 million of long-term debt has been issued.

## PRO FORMA FINANCIAL STATEMENT ASSUMPTIONS

The Company's fiscal year end is April 30. The accompanying pro forma consolidated balance sheet is as of October 31, 1999, the date of the most recent balance sheet the Company has filed with the Securities and Exchange Commission, and assumes that the acquisition of Olde occurred on that date. Included in the Company's pro forma consolidated balance sheet is financial information as of September 24, 1999 for Olde, due to a difference in fiscal year ends.

The accompanying pro forma income statements are for the year ended April 30, 1999 and the six months ended October 31, 1999, and assume that the acquisition of Olde occurred on May 1, 1998. Included in the Company's pro forma consolidated statement of earnings for the year ended April 30, 1999 is financial information for the twelve months ended March 26, 1999 for Olde, derived by taking audited financial information for the year ended December 31, 1998, adding the quarter ended March 26, 1999 and deducting the quarter ended March 27, 1998. Included in the Company's pro forma consolidated statement of earnings for the six months ended October 31, 1999 is financial information for the six months ended September 24, 1999 for Olde.

Since the pro forma financial statements are as of April 30 and October 31 and are based on preliminary information related to the purchase, the actual purchase adjustments will differ from those presented herein. In addition, the Company intends to have an appraisal completed for the real estate acquired. When completed, the real estate assets will be adjusted to fair market value, creating differences in the purchase price allocation, including the amount allocated to goodwill and other intangible assets, from those presented herein. These unaudited pro forma financial statements are presented for illustrative purposes only and are not necessarily indicative of the operating results or financial position that would have occurred had the merger been consummated on the dates indicated and are not necessarily indicative of the future operating results or financial position of the combined companies.

The pro forma financial statements assume that: (i) the adjusted stockholder's equity at acquisition was \$393.1 million, which is the adjusted stockholder's equity of Olde as of September 24, 1999, (ii) the Company financed the acquisition through the issuance of \$500 million in ten-year long-term debt at a fixed rate of 8.25% per annum and \$389.386 million in short-term notes payable at an average variable rate of 5.61% per annum for the annual period presented and 5.59% per annum for the six-month period presented (iii) the carrying value of Olde's assets and liabilities approximated fair market value on the date of acquisition, except for exchange memberships which were adjusted to fair market value (iv) goodwill and other intangible assets arising from the transaction

will be amortized on a straight-line basis over 15 years and (v) the one-year non-compete agreement was expensed over 12 months in the consolidated statement of earnings for the year ended April 30, 1999.

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H&R BLOCK, INC.  
Pro Forma Consolidated Balance Sheet  
October 31, 1999  
(Unaudited, amounts in thousands)

	H&R Block, Inc. Consolidated	Olde	Subtotal	Pro Forma Adjustments	Pro Forma
	-----	-----	-----	-----	-----
CURRENT ASSETS:					
Cash and cash equivalents	\$ 168,182	\$ 95,924	\$ 264,106	\$ --	\$ 264,106
Marketable securities	43,831	50,199	94,030	--	94,030
Receivables, net	727,738	6,089	733,827	--	733,827
Receivables from customers, brokers, dealers and clearing organizations	--	1,913,615	1,913,615	--	1,913,615
Prepaid expenses and other current assets	169,198	9,390	178,588	--	178,588
	-----	-----	-----	-----	-----
Total current assets	1,108,949	2,075,217	3,184,166	--	3,184,166
INVESTMENTS AND OTHER ASSETS:					
Investments in marketable securities	218,103	32,434	250,537	--	250,537
Excess of cost over fair value of net tangible assets acquired	659,166	--	659,166	501,494 (1)	1,160,660
Other	151,602	794	152,396	1,402 (1)	153,798
	-----	-----	-----	-----	-----
	1,028,871	33,228	1,062,099	502,896	1,564,995
PROPERTY AND EQUIPMENT, net					
	135,695	51,747	187,442	--	187,442
	-----	-----	-----	-----	-----
	\$ 2,273,515	\$ 2,160,192	\$ 4,433,707	\$ 502,896	\$ 4,936,603
	-----	-----	-----	-----	-----
CURRENT LIABILITIES:					
Notes payable	\$ 625,666	\$ --	\$ 625,666	\$ 389,386 (2)	\$ 1,015,052
Accounts payable, accrued expenses and deposits	108,314	31,916	140,230	--	140,230
Accounts payable to customers, brokers and dealers	--	1,705,180	1,705,180	--	1,705,180
Accrued salaries, wages and payroll taxes	24,708	19,076	43,784	--	43,784
Accrued taxes on earnings	53,162	5,243	58,405	--	58,405
Current portion of long-term debt	56,358	--	56,358	--	56,358
	-----	-----	-----	-----	-----
Total current liabilities	868,208	1,761,415	2,629,623	389,386	3,019,009
LONG-TERM DEBT					
	352,598	--	352,598	500,000 (2)	852,598
OTHER NONCURRENT LIABILITIES					
	104,051	12,287	116,338	--	116,338
COMMITMENTS AND CONTINGENCIES					
	--	--	--	--	--
STOCKHOLDERS' EQUITY:					
Common stock	1,089	3,052	4,141	(3,052) (1)	1,089
Additional paid-in capital	419,411	80	419,491	(80) (1)	419,411
Accumulated other comprehensive income (loss)	(16,313)	--	(16,313)	--	(16,313)
Retained earnings	997,534	383,358	1,380,892	(383,358) (1)	997,534
	-----	-----	-----	-----	-----
	1,401,721	386,490	1,788,211	(386,490)	1,401,721
Less cost of common stock in treasury	453,063	--	453,063	--	453,063
	-----	-----	-----	-----	-----
	948,658	386,490	1,335,148	(386,490)	948,658
	-----	-----	-----	-----	-----
	\$ 2,273,515	\$ 2,160,192	\$ 4,433,707	\$ 502,896	\$ 4,936,603
	-----	-----	-----	-----	-----

The accompanying notes are an integral part of this  
pro forma financial statement.

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October 31, 1999  
(Unaudited, amounts in thousands)

(1) Adjustments to the balance sheet were made to record the changes in goodwill and other intangible assets and debt financing resulting from the purchase of Olde, as if the transaction had occurred on October 31, 1999.

The computation of the purchase price is as follows:

Payments to shareholders	\$ 787,000
Payments to escrow	100,000
Non-compete agreement	100
	-----
CASH PURCHASE PRICE	\$ 887,100
	=====

Exchange memberships were adjusted to fair market value. The computation of the amount assigned to goodwill and other intangible assets to be recorded on the purchase is as follows:

Assets purchased	\$ 2,160,192
Less: Liabilities assumed	(1,773,702)
Plus: Exchange memberships, marked to market	1,402
	-----
Net assets acquired	387,892
	-----
Cash purchase price	887,100
Plus: Estimated acquisition expenses	2,286
Less: Net assets acquired	(387,892)
	-----
GOODWILL AND OTHER INTANGIBLE ASSETS	\$ 501,494
	=====

(2) The Company assumed the use of short-term notes payable and long-term debt to finance the acquisition. The Company's existing commercial paper program was used to obtain \$389,386 of notes payable. The remaining purchase price will be financed with a \$500,000 long-term debt offering.

Cash purchase price	\$ 887,100
Plus: Estimated acquisition expenses	2,286
	-----
Total financing needed	\$ 889,386
	=====
TOTAL LONG-TERM DEBT	\$ 500,000
	=====
TOTAL SHORT-TERM NOTES PAYABLE	\$ 389,386
	=====

(Unaudited, amounts in thousands)

	H&R Block, Inc. Consolidated	Olde	Subtotal	Pro Forma Adjustments	Pro Forma
<b>REVENUES:</b>					
Service revenues	\$ 1,324,494	\$ 328,401	\$ 1,652,895	\$ --	\$ 1,652,895
Product sales	174,124	--	174,124	--	174,124
Royalties	123,201	--	123,201	--	123,201
Other	22,846	20,224	43,070	--	43,070
	<u>1,644,665</u>	<u>348,625</u>	<u>1,993,290</u>	<u>--</u>	<u>1,993,290</u>
<b>EXPENSES:</b>					
Employee compensation and benefits	610,866	136,078	746,944	--	746,944
Occupancy and equipment	232,003	28,838	260,841	--	260,841
Marketing and advertising	90,056	15,742	105,798	--	105,798
Bad debt	71,662	180	71,842	--	71,842
Interest	69,338	49,577	118,915	63,095 (1)	182,010
Supplies, freight and postage	57,157	11,441	68,598	--	68,598
Other	158,509	42,199	200,708	33,533 (1)	234,241
	<u>1,289,591</u>	<u>284,055</u>	<u>1,573,646</u>	<u>96,628</u>	<u>1,670,274</u>
Operating earnings	355,074	64,570	419,644	(96,628)	323,016
<b>OTHER INCOME:</b>					
Investment income, net	32,234	14,132	46,366	--	46,366
Other, net	(3,767)	--	(3,767)	--	(3,767)
	<u>28,467</u>	<u>14,132</u>	<u>42,599</u>	<u>--</u>	<u>42,599</u>
Earnings from continuing operations before income taxes	383,541	78,702	462,243	(96,628)	365,615
Taxes on earnings	145,746	32,084	177,830	(24,014) (2)	153,816
	<u>237,795</u>	<u>46,618</u>	<u>284,413</u>	<u>(72,614)</u>	<u>211,799</u>
<b>NET EARNINGS FROM CONTINUING OPERATIONS</b>					
	\$ 237,795	\$ 46,618	\$ 284,413	\$ (72,614)	\$ 211,799
<b>BASIC NET EARNINGS PER SHARE FROM CONTINUING OPERATIONS</b>					
	\$ 2.38		\$ 2.85		\$ 2.12
<b>DILUTED NET EARNINGS PER SHARE FROM CONTINUING OPERATIONS</b>					
	\$ 2.36		\$ 2.82		\$ 2.10
Basic weighted average shares outstanding	99,761		99,761		99,761
Diluted weighted average shares outstanding	100,821		100,821		100,821

The accompanying notes are an integral part of this pro forma financial statement.

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H&R BLOCK, INC.  
Pro Forma Consolidated Statement of Earnings  
Six Months Ended October 31, 1999  
(Unaudited, amounts in thousands)

	H&R Block, Inc. Consolidated	Olde	Subtotal	Pro Forma Adjustments	Pro Forma
<b>REVENUES:</b>					
Service revenues	\$ 226,202	\$ 181,627	\$ 407,829	\$ --	\$ 407,829
Product sales	94,241	--	94,241	--	94,241
Royalties	4,140	--	4,140	--	4,140
Other	6,923	10,991	17,914	--	17,914
	<u>331,506</u>	<u>192,618</u>	<u>524,124</u>	<u>--</u>	<u>524,124</u>
<b>EXPENSES:</b>					
Employee compensation and benefits	193,658	73,058	266,716	--	266,716
Occupancy and equipment	110,599	14,867	125,466	--	125,466
Marketing and advertising	19,855	7,711	27,566	--	27,566
Interest	34,818	31,130	65,948	31,508 (1)	97,456
Supplies, freight and postage	12,891	6,327	19,218	--	19,218
Other	96,942	18,502	115,444	16,717 (1)	132,161

	468,763	151,595	620,358	48,225	668,583
Operating earnings	(137,257)	41,023	(96,234)	(48,225)	(144,459)
OTHER INCOME:					
Investment income, net	5,053	3,938	8,991	--	8,991
Other, net	250	--	250	--	250
	5,303	3,938	9,241	--	9,241
Earnings (loss) before income tax benefit	(131,954)	44,961	(86,993)	(48,225)	(135,218)
Income tax expense (benefit)	(50,143)	17,551	(32,592)	(11,973) (2)	(44,565)
NET EARNINGS (LOSS)	\$ (81,811)	\$ 27,410	\$ (54,401)	\$ (36,252)	\$ (90,653)
BASIC NET LOSS PER SHARE	\$ (0.84)		\$ (0.56)		\$ (.93)
DILUTED NET LOSS PER SHARE	\$ (0.84)		\$ (0.56)		\$ (.93)
Basic weighted average shares outstanding	97,764		97,764		97,764
Diluted weighted average shares outstanding	97,764		97,764		97,764

The accompanying notes are an integral part of this pro forma financial statement.

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H&R BLOCK, INC.

Notes to Pro Forma Consolidated Statements of Earnings  
Year Ended April 30, 1999 and Six Months Ended October 31, 1999  
(Unaudited, amounts in thousands)

- (1) Adjustments to the statements of earnings were made to reflect the change in interest expense and amortization of goodwill and other intangible assets, as if the transaction had occurred on May 1, 1998.

	Year Ended April 30, 1999	Six Months Ended Oct. 31, 1999
Interest expense on long-term debt	\$ 41,250	\$ 20,625 (a)
Interest expense on short-term notes payable	21,845	10,883 (b)
Increase in amortization of goodwill and other intangible assets	33,433	16,717 (c)
Amortization of non-compete agreement for 12 months	100	-- (d)
ADJUSTMENT TO OTHER OPERATING EXPENSES	\$ 96,628	\$ 48,225

- (a) The Company plans to issue 10-year long-term debt totaling \$500,000 to fund part of the purchase of Olde. The computation of the increased interest expense uses an assumed interest rate of 8.25%, based on the current interest rate environment incorporating the Company's current investment grade rating and interest rate hedging instruments already entered into on a portion of the debt. A 1/8% increase in this rate would result in additional interest expense of \$625 for the fiscal year ended April 30, 1999 and \$313 for the six months ended October 31, 1999.

Long-term debt	\$ 500,000
Assumed annual interest rate	8.25%

Interest expense for fiscal year ended April 30, 1999	\$ 41,250
Interest expense for six months ended October 31, 1999	\$ 20,625

- (b) The Company is funding part of the purchase of Olde with \$389,386 of short-term notes payable, using its existing commercial paper program. The computation of the increased interest expense uses the actual daily average interest rate incurred by the Company for short-term borrowings during the period of time presented in the pro forma consolidated statements of earnings, which is variable based on the market. A 1/8% increase in this rate would result in additional interest expense of \$487 for the fiscal year ended April 30, 1999 and \$243 for the six months ended October 31, 1999.

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H&R BLOCK, INC.

Notes to Pro Forma Consolidated Statements of Earnings  
Year Ended April 30, 1999 and Six Months Ended October 31, 1999  
(Unaudited, amounts in thousands)

	Year Ended April 30, 1999	Six Months Ended Oct. 31, 1999
Short-term notes payable	\$ 389,386	\$ 389,386
Assumed annual interest rate	5.61%	5.59%
Annual interest expense	\$ 21,845	\$ 21,767
Interest expense for six months		\$ 10,883

- (c) The amount assigned to goodwill and other intangible assets related to the purchase of Olde is \$501,494. The computation of amortization on this amount is as follows:

Goodwill and other intangible assets arising from the purchase of Olde	\$ 501,494
Divided by: Amortization period of 15 years	15
Amortization on goodwill and other intangible assets for fiscal year ended April 30, 1999	\$ 33,433
Amortization on goodwill and other intangible assets for six months ended October 31, 1999	\$ 16,717

- (d) As part of the closing, a one-year non-compete agreement was signed with an officer of Olde. This amount was expensed in the pro forma consolidated statement of earnings for the fiscal year ended April 30, 1999.

- (2) The tax effect of the adjustments to consolidated earnings was calculated at the Company's statutory federal rate and blended state rate of 38.0% for the year ended April 30, 1999 and the six months ended October 31, 1999.

	Year Ended April 30, 1999	Six Months Ended Oct. 31, 1999
Interest expense on long-term debt	\$ 41,250	\$ 20,625
Interest expense on short-term notes payable	21,845	10,883
Expense for non-compete agreement	100	--

PRO FORMA ADJUSTMENTS EXCLUDING



NON-DEDUCTIBLE AMORTIZATION OF GOODWILL  
AND OTHER INTANGIBLE ASSETS

\$ 63,195

\$ 31,508

TAX EFFECT OF PRO FORMA ADJUSTMENTS

\$ (24,014)

\$ (11,973)

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EXHIBIT INDEX  
Exhibit No.

Description of Exhibit

23.1

Consent of Independent Auditors

99.1

Press release dated December 2, 1999, filed as Exhibit 99.1 to the Company's Current Report on Form 8-K dated December 1, 1999, is incorporated herein by this reference.

[Ernst & Young Letterhead]

Consent of Independent Auditors

We consent to the inclusion in Form 8-K of H&R Block, Inc. and the incorporation by reference in the registration statements of H&R Block, Inc. listed below of our report dated February 8, 1999, with respect to the consolidated financial statements of OLDE Financial Corporation and subsidiaries as of December 31, 1998 and 1997 and for the three years in the period ended December 31, 1998, filed with the Securities and Exchange Commission:

Registration Statement No. 33-185 on Form S-8  
Registration Statement No. 33-33889 on Form S-8  
Registration Statement No. 33-54989 on Form S-8  
Registration Statement No. 33-64147 on Form S-8  
Registration Statement No. 333-62515 on Form S-8  
Registration Statement No. 333-42143 on Form S-8

/S/ ERNST & YOUNG LLP

Detroit, Michigan  
February 14, 2000

H & R BLOCK

NEWS RELEASE

For further information:

Media Relations: Neil Getzlow, 816-932-4886  
Investor Relations: Brian Schell, 816-932-7561

H & R BLOCK COMPLETES ACQUISITION OF OLDE

FOR RELEASE DECEMBER 1, 1999

KANSAS CITY, MO. - H&R Block Inc. (NYSE:HRB) today announced it has completed the acquisition of Olde Financial Corporation, parent of Olde Discount Corporation, the fourth largest discount broker in the United States. Block announced its plans September 1 to purchase all of the stock of Olde for \$850 million in cash.

Founded in 1955, H&R Block is a diversified company with subsidiaries providing a wide range of financial products and services. H&R Block Tax Services Inc. served 18.9 million taxpayers in more than 10,000 offices located primarily in the United States, Canada, Australia and the United Kingdom in 1999. Option One Mortgage Corporation, Assurance Mortgage Corporation of America and H&R Block Mortgage Company offer a full range of home mortgage products. Through RSM McGladrey Inc. and HRB Business Services Inc., the company has built a national accounting, tax and consulting firm. Block Financial Corporation develops and publishes consumer financial and personal productivity software, such as Kiplinger TaxCut(R). Quarterly results and other information regarding H&R Block are available on the company's web site at [www.hrblock.com](http://www.hrblock.com).

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