

## H&R Block Reports Record Annual Revenues and Earnings

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### *Company Announces 12.5 Percent Dividend Increase*

H&R Block Inc. (NYSE: HRB) today reported record revenues and net earnings for the fiscal year ended April 30. Revenues totaled \$3.3 billion, an increase of 11.3 percent over the prior year. Net earnings increased 55 percent to \$434.4 million, up from \$281.2 million. Net earnings per diluted share increased 52 percent to \$2.31, an increase of 79 cents per share from the prior year's \$1.52 per diluted share.

Financial results reflect the company's previously announced early adoption of Statement of Financial Accounting Standards (SFAS) No. 141 and 142. This change eliminated the amortization of goodwill and certain other intangible assets. In accordance with SFAS 142, the comparative prior year results include amortization of these intangible assets. The effect of this change improved net earnings for fiscal year 2002 by \$47.9 million or 26 cents per diluted share.

"Continuing strength in our tax and mortgage businesses helped us achieve record results for 2002," said Mark A. Ernst, president and chief executive officer of H&R Block. "Our mix of businesses allowed us to perform very well despite a difficult economic environment in the United States.

"We're also making progress in building multi-service relationships with our clients," Ernst said. "At the end of the year we had more than 265,000 clients with both tax and financial service relationships."

For the company's fourth quarter, revenues totaled \$1.9 billion, an 11.7 percent increase over the prior year's fourth quarter. Net earnings totaled \$463.6 million, up 22.6 percent from a year ago. Earnings per diluted share rose 21.8 percent for the quarter to \$2.46.

Cash earnings for the year improved by \$107.7 million, a 29.4 percent increase, to \$474.3 million, up from \$366.6 million the prior year. Cash earnings per diluted share increased 27.3 percent to \$2.52 per share, compared with \$1.98 per diluted share last year. The company defines cash earnings as net earnings excluding the after-tax effect of amortization expense of acquired intangible assets.

Reflecting the company's strong financial condition and continuing performance, H&R Block's Board of Directors approved a 12.5 percent increase in the quarterly cash dividend, raising the dividend from 16 to 18 cents per share, payable Oct. 1, 2002, to shareholders of record on Sept. 10, 2002.

"Based upon the fundamental strength in our businesses, their underlying growth rates and our spending plans, we currently expect earnings per diluted share for fiscal year 2003 to increase to a range of \$2.60 to \$2.75," Ernst said. "Revenue growth is expected to be within our long-term guidance range of 10 to 15 percent."

The company also announced that during its fiscal year it repurchased 12.2 million shares under its existing share repurchase authorization at a total cost of \$462.5 million, or \$37.76 per share. During the fourth quarter, the company repurchased 2.6 million shares at a total cost of \$110.7 million, or \$43.24 per share.

### U.S Tax Operations

H&R Block's U.S. tax operations reported fiscal 2002 revenues of \$1.83 billion, a 12.8 percent increase over \$1.62 billion in fiscal 2001. Pretax earnings improved 22.9 percent to \$533.5 million, compared with \$434.1 million for fiscal 2001. The early adoption of SFAS 141 and 142 contributed \$11 million to the year-over-year earnings improvement. Operating margins improved from 26.8 percent to 29.1 percent.

Tax preparation and related fees for the year in company- and franchise- owned offices totaled \$2.1 billion, or 10.8 percent above the prior year. The average fee for tax preparation and related services rose 9.1 percent to \$121.83. The total number of

clients served by company-owned offices, franchise operations and e-commerce increased 2.7 percent to 18.6 million.

"We saw a very solid performance from our U.S. tax operations this year," Ernst said. "Strategically we succeeded in attracting a somewhat higher income client base while increasing our share of the overall tax services market."

During the year, H&R Block filed 15.6 million returns electronically, an increase of 7.7 percent; 84 percent of all returns processed by the company were filed electronically.

The company's software business achieved 6.6 percent unit growth due primarily to the popularity of TaxCut State, TaxCut Home & Business, and legal software. The number of online paid tax clients increased 70 percent.

#### International Tax Operations

International tax operations, which includes Canada, Australia, the United Kingdom and overseas franchise operations, reported a 17.7 percent increase in pretax earnings to \$7.1 million, compared with \$6 million for fiscal 2001. Revenues grew slightly to \$78.7 million.

Canada's pretax earnings rose 39.1 percent to \$7.7 million for fiscal 2002, up from \$5.6 million last year. Canada's revenue declined slightly to \$55.8 million.

In Australia, pretax earnings declined 16.1 percent to \$2.9 million on a 1.3 percent decline in revenues. Tax operations in the United Kingdom reported a \$2.5 million loss for the fiscal year on a 36.9 percent decline in revenues.

"Our International management team is taking the steps necessary to position us for improved results in the future," said Ernst.

#### Mortgage Operations

Mortgage operations, which primarily includes Option One Mortgage Corp. and H&R Block Mortgage Corp., reported pretax earnings that increased 145.9 percent to \$339.4 million for fiscal year 2002, up from \$138 million the prior year. The early adoption of SFAS 141 and 142 contributed \$13.6 million to the year-over-year improvement. Revenues grew 76.7 percent to \$734.9 million, up from \$415.8 million the prior year.

During the fourth quarter, the company recorded a \$106 million pretax write-up of its interests in residuals through other comprehensive income. The write-up reflects the stronger than previously expected cash flows from the company's retained residual interests from past securitizations. Along with a write-up taken in the company's second quarter, total pretax residual write-ups through other comprehensive income totaled \$151.1 million during the year.

"We had absolutely outstanding performance in our mortgage operations this year. While we clearly benefited from the declining rate environment during the year, we have also taken important steps to improve the infrastructure of all our operations for the future," Ernst said.

Option One and H&R Block Mortgage originated \$11.5 billion in loans during fiscal 2002, an increase of 75.5 percent compared with last year's \$6.5 billion. Option One's servicing portfolio ended the year at \$23.8 billion, a 30.6 percent increase over last year's \$18.2 billion.

H&R Block Mortgage, H&R Block's retail mortgage subsidiary, generated revenues of \$85.9 million, a 100.7 percent increase over last year. H&R Block Mortgage reported pretax earnings of \$16.6 million, compared with an \$8.1 million loss last year.

"H&R Block Mortgage reached profitability each quarter this year, which is an indicator that shows our financial partner strategy is beginning to succeed," Ernst said. "Nearly 55 percent of all our retail loan originations in the fourth quarter were for H&R Block tax clients."

#### Investment Services

As anticipated, the weak market environment negatively affected results in H&R Block's investment services segment, which operates under the name H&R Block Financial Advisors (HRBFA).

HRBFA reported revenues of \$250.7 million for fiscal 2002, down 46.9 percent from \$472.4 million in fiscal 2001. HRBFA reported a \$54.9 million pretax loss for fiscal 2002, compared to \$9.3 million in pretax earnings the prior year. The early adoption of SFAS 141 and 142 decreased the pretax loss for the year by \$17.9 million. The full-year loss includes one-time, pretax charges of \$3.1 million taken in the fourth quarter for the discontinuation of certain operations.

The business suffered from significant declines in margin balances and equity trading, both reflective of broader market shifts. The company ended the year with 695,000 active accounts and margin balances of \$0.8 billion.

While results were disappointing, the business made progress in serving the saving and investing needs of H&R Block clients. More than 160,000 new accounts were opened for H&R Block tax clients, including more than 130,000 IRA accounts.

#### Business Services

Business services, which includes RSM McGladrey Inc. and related services businesses, reported pretax earnings of \$22.7 million, up 42.4 percent from pretax earnings of \$16 million reported in fiscal 2001. The early adoption of SFAS 141 and 142 improved the year-over-year comparison by \$19.3 million. Business services reported revenues of \$416.9 million, an increase of 8 percent over fiscal 2001 revenues of \$386.2 million.

During the year, the company made important investments in a variety of long-term growth initiatives within this segment. Among them were the acquisitions of a controlling interest in a payroll processing company and a business valuation and investment banking firm. The reported results are net of pretax losses of \$6.7 million from these two new businesses. The broader range of services is designed to enable the company to meet more of its clients' needs in the future.

#### Other

At 5 p.m. EDT June 12, the company will host a conference call to brief analysts and investors on its results. Company executives will discuss year-end results, future expectations and also respond to questions. The call will be Webcast in a listen-only format for the media and public. The link to the Webcast is available at [www.hrblock.com](http://www.hrblock.com).

A replay of the call will be available beginning at 8 p.m. EDT June 12 and continuing until 8 p.m. EDT June 19, by dialing 800-642-1687 (U.S./Canada) or 706-645-9291 (International). The replay access code is 4034649. A replay of the Webcast will also be available at [www.hrblock.com](http://www.hrblock.com) through June 19.

Except for historical information contained herein, the matters set forth in this press release are forward-looking statements based upon current information and expectations. Such statements speak only as of the date on which they are made, are not guarantees of future performance, and involve certain risks, uncertainties and assumptions that could cause actual results to differ materially from what is expressed, implied or forecast in such forward-looking statements. Such differences could be caused by a number of factors, including, but not limited to: the uncertainty that the company will achieve or exceed its revenue, earnings, and earnings per share growth goals or expectations for fiscal year 2003; changes in economic, political or regulatory environments; changes in competition; litigation involving the company and its subsidiaries; and risks described from time to time in reports and registration statements filed by H&R Block Inc. and its subsidiaries with the Securities and Exchange Commission. Readers should take these factors into account in evaluating such forward-looking statements.

#### About H&R Block:

H&R Block Inc. ([www.hrblock.com](http://www.hrblock.com)) is a diversified company with subsidiaries that deliver tax services and financial advice, investment and mortgage products and services, and business accounting and consulting services. The world's largest tax preparation company, H&R Block in fiscal year 2002 served nearly 21 million clients in approximately 10,400 retail offices worldwide and with award-winning software and online services. It is the only major tax preparation and financial services company that focuses primarily on helping middle-income Americans achieve their financial objectives. Investment services and securities products are offered through H&R Block Financial Advisors Inc., member NYSE, SIPC. H&R Block Inc is not a registered broker-dealer. H&R Block Mortgage Corp. offers retail mortgage products. Option One Mortgage Corp offers wholesale mortgage products and a range of mortgage services. RSM McGladrey Inc. serves mid-sized businesses with accounting, tax and consulting services.

H&R BLOCK, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
Unaudited, amounts in thousands, except per share data

	Three months ended April 30,		
	2002	2001	2000
Revenues	\$1,881,327	\$1,683,851	\$1,587,230
Earnings before income taxes	765,881	641,635	557,743
Net earnings before change in accounting	463,584	373,689	340,781
Cumulative effect of change in accounting principle for derivative & hedging activities (less applicable income taxes of \$2,717)	-	4,414	-
Net earnings	\$463,584	\$378,103	\$340,781
Basic net earnings per share:			
Net earnings before change in accounting	\$2.54	\$2.04	\$1.73
Net earnings	\$2.54	\$2.06	\$1.73
Basic shares outstanding	182,530	183,307	196,498
Diluted net earnings per share:			
Net earnings before change in accounting	\$2.46	\$2.00	\$1.72
Net earnings	\$2.46	\$2.02	\$1.72
Diluted shares outstanding	188,084	186,815	197,611

	Year ended April 30,		
	2002	2001	2000
Revenues	\$3,317,736	\$2,981,337	\$2,425,685
Earnings before income taxes	716,840	473,078	412,266
Net earnings before change in accounting	434,405	276,748	251,895
Cumulative effect of change in accounting principle for derivative & hedging activities (less applicable income taxes of \$2,717)	-	4,414	-
Net earnings	\$434,405	\$281,162	\$251,895
Basic net earnings per share:			
Net earnings before change in accounting	\$2.38	\$1.50	\$1.28
Net earnings	\$2.38	\$1.53	\$1.28
Basic shares outstanding	182,903	183,893	196,067

Diluted net earnings per share:

Net earnings before change in accounting	\$2.31	\$1.49	\$1.27
Net earnings	\$2.31	\$1.52	\$1.27
Diluted shares outstanding	188,327	185,135	197,858

#### Notes to Consolidated Statements of Operations

On June 20, 2001, the Company's Board of Directors declared a two-for-one stock split of its Common Stock in the form of a 100% stock distribution effective August 1, 2001, to shareholders of record as of the close of business on July 10, 2001. Basic net earnings per share is based on the weighted average number of shares outstanding during each period. The dilutive effect of potential common shares is included in diluted net earnings per share. All periods presented have been adjusted to reflect the stock split.

Reclassifications have been made to prior years to conform with current period presentation.

Results for the three months and the year ended April 30, 2001 and 2000 have been adjusted to reflect the implementation of Emerging Issues Task Force Issue No. 01-9, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)." The effect of this change was to reduce revenues and expenses by \$27.6 million and \$25.2 million for the three months ended April 30, 2001 and 2000 and by \$32.6 million and \$35.3 million for the year ended April 30, 2001 and 2000. There was no impact on net earnings.

Results for the three months and the year ended April 30, 2001 and 2000 have been adjusted to reflect the implementation of Emerging Issues Task Force Issue No. 01-14, "Income Statement Characterization of Reimbursements Received for 'Out-of-Pocket' Expenses Incurred." The effect of this change was to increase revenues and expenses by \$7.4 million and \$4.5 million for the three months ended April 30, 2001 and 2000 and by \$12.3 million and \$9.1 million for the year ended April 30, 2001 and 2000. There was no impact on net earnings.

Effective May 1, 2001, the Company adopted a new methodology for allocation of corporate services and support costs to business units. This change was made in an effort to more accurately reflect each business line's performance. Prior year segment results have been restated to reflect the new methodology.

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, "Business Combinations," and No. 142, "Goodwill and Other Intangible Assets" (SFAS 141 & 142). SFAS 141 addresses financial accounting and reporting for business combinations and replaces APB Opinion No. 16, "Business Combinations" (APB 16). SFAS 141 no longer allows the pooling of interests method of accounting for acquisitions, provides new recognition criteria for intangible assets and carries forward without reconsideration the guidance in APB 16 related to the application of the purchase method of accounting. SFAS 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets and replaces APB Opinion No. 17, "Intangible Assets." SFAS 142 addresses how intangible assets should be accounted for upon their acquisition and after they have been initially recognized in the financial statements. As of May 1, 2001, the Company elected early adoption of both SFAS 141 & 142. The implementation of these standards has the effect of reducing amortization expense of acquired intangible assets.

In the fourth quarter of fiscal 2001, the Company elected the early adoption of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended in June 1999 (SFAS 133) and Statement of Financial Accounting Standards No. 138, "Accounting for Derivative Instruments and Hedging Activities, an Amendment of FASB Statement No. 133" (SFAS 138). SFAS 133 and SFAS 138 establish accounting and reporting standards for derivatives and hedging activities, and requires companies to record derivative instruments as assets or liabilities, measured at fair value. The Company has identified derivative instruments related to certain of its commitments to originate residential mortgage loans. The net transition adjustment for adoption of SFAS 133 and SFAS 138 of \$4.4 million is shown as the cumulative effective of a change in accounting principle in the consolidated statement of earnings for the year ended April 30, 2001.

On December 1, 1999, the Company completed the acquisition of the outstanding capital stock of Olde Financial Corporation and Financial Marketing Services, Inc. (collectively, OLDE). The purchase price was \$850 million in cash plus net tangible book value payments of \$48.5 million. The acquisition was accounted for as a purchase and, accordingly, OLDE's results are included since the date of the acquisition. The acquisition was funded with short-term borrowings and the issuance of \$500 million in Senior Notes in the fourth quarter of fiscal 2000.

On August 2, 1999, the Company, through a subsidiary, RSM McGladrey, Inc., completed the purchase of substantially all of the non-attest assets of McGladrey & Pullen, LLP. The purchase price was \$240 million in cash payments over four years and the assumption of certain pension liabilities with a present value of \$52.7 million. The acquisition was accounted for as a purchase, and accordingly, results are included since the date of acquisition.

During the fiscal years ended April 30, 2002, 2001 and 2000, the Company issued shares of its common stock pursuant to provisions for exercise of the Company's stock option plans as follows: 2002 - 9,647,182 shares; 2001 - 983,542 shares; 2000 - 2,047,164 shares. During the same periods, the Company reacquired shares of its common stock as follows: 2002 - 12,259,158 shares at an aggregate cost of \$462,938,000; 2001 - 13,632,196 shares at an aggregate cost of \$222,894,000; 2000 - 2,272,600 shares at an aggregate cost of \$50,654,000.

H&R BLOCK, INC.

SELECTED OPERATIONAL INFORMATION

Unaudited, amounts in thousands

	Three months ended April 30,			
	Revenues		Earnings (loss)	
	2002	2001	2002	2001
U.S. tax operations	\$1,411,838	\$1,267,844	\$693,581	\$603,855
International tax operations	52,259	50,896	18,979	19,716
Mortgage operations	225,993	136,343	101,991	57,978
Investment services	55,848	92,021	(27,329)	(21,542)
Business services	137,060	134,174	20,553	19,448
Corporate operations	(1,671)	2,573	(24,216)	(11,633)
Interest expense on acquisition debt	-	-	(19,001)	(22,999)
	\$1,881,327	\$1,683,851	764,558	644,823
Investment income, net			419	(377)
Intercompany interest*			904	(2,811)
			765,881	641,635
Taxes on earnings			302,297	267,946
Net earnings before change in accounting principle			463,584	373,689

Cumulative effect of change in accounting principle	-	4,414
Net earnings	\$463,584	\$378,103

	Year ended April 30,			
	Revenues		Earnings (loss)	
	2002	2001	2002	2001
U.S. tax operations	\$1,830,752	\$1,622,636	\$533,468	\$434,067
International tax operations	78,710	78,469	7,093	6,024
Mortgage operations	734,890	415,802	339,388	137,992
Investment services	250,685	472,425	(54,862)	9,298
Business services	416,926	386,168	22,716	15,953
Corporate operations	5,773	5,837	(56,133)	(30,899)
Interest expense on acquisition debt	-	-	(79,002)	(98,759)
	\$3,317,736	\$2,981,337	712,668	473,676
Investment income, net			3,097	5,977
Intercompany interest*			1,075	(6,575)
			716,840	473,078
Taxes on earnings			282,435	196,330
Net earnings before change in accounting principle			434,405	276,748
Cumulative effect of change in accounting principle			-	4,414
Net earnings			\$434,405	\$281,162

\* Intercompany interest represents net interest expense charged to financial related businesses for corporate cash that was borrowed to fund their operating activities and net unallocated interest expense attributable to commitment fees on the Company's credit facility.

H&R BLOCK, INC.

SELECTED OPERATIONAL INFORMATION

WITH FISCAL 2001 ADJUSTED FOR SFAS 142 \*\*

Unaudited, amounts in thousands, except per share amounts

	Year ended April 30,				
	Revenues		Earnings (loss)		
	2002	2001 (reported)	2002	2001 (reported)	2001 (adjusted) **
U.S. tax operations	\$1,830,752	\$1,622,636	\$533,468	\$434,067	\$445,031
International tax operations	78,710	78,469	7,093	6,024	6,651
Mortgage operations	734,890	415,802	339,388	137,992	151,569
Investment services	250,685	472,425	(54,862)	9,298	27,237
Business services	416,926	386,168	22,716	15,953	35,247
Corporate operations	5,773	5,837	(56,133)	(30,899)	(30,899)
Interest expense on acquisition debt	-	-	(79,002)	(98,759)	(98,759)
	\$3,317,736	\$2,981,337	712,668	473,676	536,077
Investment income, net			3,097	5,977	5,977
Intercompany interest*			1,075	(6,575)	(6,575)
			716,840	473,078	535,479
Taxes on earnings			282,435	196,330	210,865

Net earnings			
before change in			
accounting			
principle	434,405	276,748	324,614
Cumulative effect			
of change in			
accounting			
principle	-	4,414	4,414
Net earnings	\$434,405	\$281,162	\$329,028
Diluted earnings			
per share	\$2.31	\$1.52	\$1.78

	Year ended April 30,	
	% Change Better (Worse)	
	2001	2001
	(reported)	(adjusted)**
U.S. tax operations	22.9%	19.9%
International tax operations	17.7%	6.6%
Mortgage operations	145.9%	123.9%
Investment services	-	-
Business services	42.4%	-35.6%
Corporate operations	-81.7%	-81.7%
Interest expense on acquisition		
debt	20.0%	20.0%
	50.5%	32.9%
Investment income, net	-48.2%	-48.2%
Intercompany interest*	-	-
	51.5%	33.9%
Taxes on earnings	43.9%	33.9%
Net earnings before change in		
accounting principle	57.0%	33.8%
Cumulative effect of change in		
accounting principle	-100.0%	-100.0%
Net earnings	54.5%	32.0%
Diluted earnings per share	52.0%	29.8%

\* Intercompany interest represents net interest expense charged to financial related businesses for corporate cash that was borrowed to fund their operating activities and net unallocated interest expense attributable to commitment fees on the Company's credit facility.

\*\* Fiscal year 2001 results adjusted to remove the effects of amortization of goodwill and certain intangible assets consistent with the accounting treatment applied for fiscal year 2002 in accordance with the adoption of SFAS 142.

H&R Block, Inc.  
Consolidated Balance Sheets  
Unaudited, amounts in thousands, except share data

	April 30,	
	2002	2001
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$436,145	\$187,616
Cash and cash equivalents -		
restricted	152,173	84,197
Marketable securities --		
available-for-sale	-	8,266
Marketable securities -- trading	28,370	46,158

Receivables from customers, brokers, dealers and clearing organizations, less allowance for doubtful accounts of \$1,785 and \$1,692	844,538	1,310,804
Receivables, less allowance for doubtful accounts of \$64,057 and \$47,125	368,345	365,304
Prepaid expenses and other current assets	415,572	260,942
Total current assets	2,245,143	2,263,287

OTHER ASSETS:

Investments in available-for- sale marketable securities	15,260	31,559
Residual interests in securitizations	365,371	238,600
Intangible assets	380,657	402,209
Goodwill	726,284	649,617
Property and equipment, at cost less accumulated depreciation and amortization	286,500	288,847
Other	211,576	239,586
	\$4,230,791	\$4,113,705

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable to customers, brokers and dealers	\$903,201	\$1,058,000
Accounts payable, accrued expenses and deposits	410,622	353,291
Accrued salaries, wages and payroll taxes	253,401	221,830
Accrued taxes on earnings	252,822	295,599
Current portion of long-term debt	59,656	51,763
Total current liabilities	1,879,702	1,980,483

LONG-TERM DEBT 868,387 870,974

OTHER NONCURRENT LIABILITIES 113,282 88,507

STOCKHOLDERS' EQUITY:

Common stock, no par, stated value \$.01 per share	2,179	2,179
Additional paid-in capital	468,052	419,957
Accumulated other comprehensive income (loss)	44,128	(42,767)
Retained earnings	1,767,702	1,449,022
	2,282,061	1,828,391
Less cost of 36,819,739 and 34,336,910 shares of common stock in treasury	912,641	654,650
Total stockholders' equity	1,369,420	1,173,741
	\$4,230,791	\$4,113,705

H&R Block, Inc.

Consolidated Statements of Cash Flows

Unaudited, amounts in thousands

Year ended April 30,  
2002 2001

Cash flows from operating activities:		
Net earnings	\$434,405	\$281,162
Adjustments to reconcile net earnings to net cash provided by operating activities:		

Depreciation and amortization	155,386	205,608
Provision for bad debt	76,804	84,422
Accretion of acquisition liabilities	11,700	11,863
Provision for deferred taxes on earnings	35,869	(38,870)
Net (gain) loss on sale of operating unit	1,666	(2,040)
Effect of change in accounting principle	-	(4,414)
Tax benefit from stock option exercises	57,809	2,235
Accretion of residual interests in securitizations, net	(19,596)	(12,357)
Net gain on sales of available- for-sale securities	(423)	(17,744)
Changes in:		
Cash and cash equivalents - restricted	(67,976)	(51,014)
Receivables from customers, brokers, dealers and clearing organizations	465,926	1,544,640
Receivables	(112,588)	(480,032)
Mortgage loans held for sale:		
Originations and purchases	(11,771,688)	(7,254,552)
Sales and principal repayments	11,780,758	7,336,659
Marketable securities - trading	17,788	(755)
Prepaid expenses and other current assets	(179,694)	(88,515)
Accounts payable to customers, brokers and dealers	(154,799)	(1,512,200)
Accounts payable, accrued expenses and deposits	57,608	133,695
Accrued salaries, wages and payroll taxes	31,751	48,901
Accrued taxes on earnings	(42,777)	66,465
Other, net	(16,543)	(4,806)
Net cash provided by operating activities	761,386	248,351
Cash flows from investing activities:		
Purchases of available-for-sale securities	(7,241)	(10,636)
Maturities of available-for-sale securities	75,320	21,524
Sales of available-for-sale securities	23,173	356,192
Purchases of property and equipment, net	(108,063)	(90,033)
Payments made for business acquisitions, net of cash acquired	(46,030)	(21,143)
Proceeds from sale of operating units	121	23,200
Other, net	(16,253)	(24,347)
Net cash provided by (used in) investing activities	(78,973)	254,757
Cash flows from financing activities:		
Repayments of notes payable	(10,622,011)	(18,219,741)
Proceeds from issuance of notes payable	10,622,011	17,935,944
Payments on acquisition debt	(50,594)	(68,743)
Dividends paid	(115,725)	(108,374)
Payments to acquire treasury shares	(462,938)	(222,895)
Proceeds from stock options exercised	195,233	19,550
Other, net	140	2,049
Net cash used in financing activities	(433,884)	(662,210)
Net increase(decrease) in cash and cash equivalents	248,529	(159,102)
Cash and cash equivalents at beginning of the period	187,616	346,718
Cash and cash equivalents at end of the period	\$436,145	\$187,616
Supplementary cash flow data:		
Income taxes paid	\$236,784	\$150,784
Interest paid	105,072	230,448

Consolidated Statements of Operations  
 Unaudited, amounts in thousands, except per share data

	Three Months Ended April 30,		Twelve Months Ended April 30,	
	2002	2001	2002	2001
<b>Revenues:</b>				
Service revenues	\$1,494,740	\$1,360,924	\$2,333,064	\$2,179,896
Interest income	58,311	60,814	206,433	279,833
Gain on sale of mortgage loans	134,656	81,982	456,958	244,789
Product sales	63,508	52,832	127,226	101,489
Royalties	126,843	115,854	164,615	149,683
Other income	3,269	11,445	29,440	25,647
	1,881,327	1,683,851	3,317,736	2,981,337
<b>Operating expenses:</b>				
Employee compensation and benefits	610,636	567,450	1,308,705	1,192,294
Occupancy and equipment	111,281	103,006	305,387	283,181
Interest	25,818	47,332	116,141	242,551
Depreciation and amortization	48,291	56,618	155,386	205,608
Marketing and advertising	80,763	55,022	155,729	110,973
Supplies, freight and postage	37,659	33,317	75,710	70,440
Bad debt	26,610	40,974	76,804	84,422
Other	172,607	138,098	408,446	326,802
	1,113,665	1,041,817	2,602,308	2,516,271
Operating earnings	767,662	642,034	715,428	465,066
<b>Other income:</b>				
Investment income, net	419	(377)	3,097	5,977
Other, net	(2,200)	(22)	(1,685)	2,035
	(1,781)	(399)	1,412	8,012
Earnings before income taxes	765,881	641,635	716,840	473,078
Taxes on earnings	302,297	267,946	282,435	196,330
Net earnings before change in accounting principle	463,584	373,689	434,405	276,748
Cumulative effect of change in accounting principle	-	4,414	-	4,414
Net earnings	\$463,584	\$378,103	\$434,405	\$281,162
Basic net earnings per share	\$2.54	\$2.06	\$2.38	\$1.53
Basic shares outstanding	182,530	183,307	182,903	183,893
Diluted net earnings per share	\$2.46	\$2.02	\$2.31	\$1.52
Diluted shares outstanding	188,084	186,815	188,327	185,135

H&R BLOCK, INC.  
 FINANCIAL SERVICES OPERATING DATA  
 Unaudited

H&R Block Financial Advisors, Inc.

	For the year ended 04/26/2002	For the three months ended			01/25/2002
		04/26/2002	04/27/2001	% Change	
Customer trades (000's)	1,448	279	489	-42.9%	402
Customer daily average trades	5,767	5,849	7,760	-24.6%	6,241
Average commission per trade	\$62.03	\$60.70	\$67.21	-9.7%	\$64.61
Number of active accounts (000's)	695	701	620	13.2%	603
Average trades per active account per quarter	n/a	0.40	0.79	-49.6%	0.67
Average trades per active account per year (annualized)	2.08	1.59	3.15	-49.6%	2.67
Ending balance of assets under administration (\$ bn's)	\$25.5	\$25.5	\$31.5	-19.0%	\$27.2
Average assets per active account	\$36,672	\$36,672	\$50,817	-27.8%	\$45,191
Ending debit balances (\$ bn's)	\$0.8	\$0.8	\$1.3	-38.4%	\$0.9
Ending credit balances (\$ bn's)	\$0.8	\$0.8	\$0.8	3.1%	\$0.9

Option One Mortgage Corporation

	For the year ended 04/30/2002	For the three months ended			01/31/2002
		04/30/2002	04/30/2001	% Change	
Number of loans originated					
Wholesale	74,208	20,693	14,160	46.1%	17,344
Retail	15,125	4,022	3,520	14.3%	4,056
Total	89,333	24,715	17,680	39.8%	21,400
Volume of loans originated (000's)					
Wholesale	\$9,457,331	\$2,784,076	\$1,579,171	76.3%	\$2,346,687
Retail	1,995,842	505,154	467,579	8.0%	549,112
Total	\$11,453,173	\$3,289,230	\$2,046,750	60.7%	\$2,895,799

Loan sales	\$11,440,190	\$3,334,989	\$2,127,493	56.8%	\$2,868,690
Servicing portfolio Number of loans serviced (000's)	209.6	209.6	173.9	20.5%	202.4
Servicing portfolio (\$ bn's)	\$23.8	\$23.8	\$18.2	30.6%	\$22.7

SOURCE H&R Block Inc.

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