

Exhibit

13

H&R BLOCK INC (HRB)

10-K

Annual report pursuant to section 13 and 15(d)

Filed on 06/29/2010

Filed Period 04/30/2010

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE

ACT OF 1934

For the fiscal year ended April 30, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE

ACT OF 1934

For the transition period from to

Commission file number 1-6089



H&R BLOCK

H&R Block, Inc.

(Exact name of registrant as specified in its charter)

MISSOURI
(State or other jurisdiction of
incorporation or organization)

44 0607856
(I.R.S. Employer
Identification No.)

One H&R Block Way, Kansas City, Missouri 64105

(816) 854-3000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, without par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

(Title of Class)

Indicate by check mark whether the registrant is a well known seasoned issuer as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10 K or any amendment to this Form 10 K.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b 2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b 2 of the Exchange Act). Yes No

The aggregate market value of the registrant's Common Stock (all voting stock) held by non affiliates of the registrant, computed by reference to the price at which the stock was sold on October 31, 2009, was \$6,250,540,705.

Number of shares of the registrant's Common Stock, without par value, outstanding on May 31, 2010: 323,306,058.

Documents incorporated by reference

The definitive proxy statement for the registrant's Annual Meeting of Shareholders, to be held September 30, 2010, is incorporated by reference in Part III to the extent described therein.



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[Table of Contents](#)**INTRODUCTION AND FORWARD-LOOKING STATEMENTS**

Specified portions of our proxy statement are listed as "incorporated by reference" in response to certain items. Our proxy statement will be made available to shareholders in August 2010, and will also be available on our website at www.hrblock.com.

This report and other documents filed with the Securities and Exchange Commission (SEC) may contain forward looking statements. In addition, our senior management may make forward looking statements orally to analysts, investors, the media and others. Forward looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "will," "would," "should," "could" or "may." Forward looking statements provide management's current expectations or predictions of future conditions, events or results. They may include projections of revenues, income, earnings per share, capital expenditures, dividends, liquidity, capital structure or other financial items, descriptions of management's plans or objectives for future operations, products or services, or descriptions of assumptions underlying any of the above. They are not guarantees of future performance. By their nature, forward looking statements are subject to risks and uncertainties. These statements speak only as of the date they are made and management does not undertake to update them to reflect changes or events occurring after that date except as required by federal securities laws.

PART I**ITEM 1. BUSINESS****GENERAL DEVELOPMENT OF BUSINESS**

H&R Block has subsidiaries that provide tax, banking and business and consulting services. Our Tax Services segment provides income tax return preparation, electronic filing and other services and products related to income tax return preparation to the general public primarily in the United States, and also in Canada and Australia. This segment also offers the H&R Block Prepaid Emerald MasterCard® and Emerald Advance lines of credit through H&R Block Bank (HRB Bank), along with other retail banking services. Our Business Services segment consists of RSM McGladrey, Inc. (RSM), a national tax and consulting firm primarily serving mid sized businesses. Corporate operations include interest income from U.S. passive investments, interest expense on borrowings, net interest margin and gains or losses relating to mortgage loans held for investment, real estate owned, residual interests in securitizations and other corporate expenses, principally related to finance, legal and other support departments.

H&R Block, Inc. was organized as a corporation in 1955 under the laws of the State of Missouri. "H&R Block," "the Company," "we," "our" and "us" are used interchangeably to refer to H&R Block, Inc. or to H&R Block, Inc. and its subsidiaries, as appropriate to the context. A complete list of our subsidiaries can be found in Exhibit 21.

NEW DEVELOPMENTS – In May 2010 we announced plans to realign field and support organizations. The realignment included approximately 400 staff reductions and 400 office closures. Associated severance benefits were recorded primarily during the first fiscal quarter of 2011 and totaled approximately \$19 million. There were no significant costs incurred in connection with announced office closures.

During fiscal year 2010, we entered into a new unsecured committed line of credit (CLOC) agreement to support commercial paper issuances, general corporate purposes and for working capital needs. The new facility provides funding up to \$1.7 billion and matures July 31, 2013. This facility replaced our existing CLOCs, which were set to mature in August 2010. See additional discussion in Item 8, note 10 to the consolidated financial statements.

RSM and McGladrey & Pullen LLP (M&P), an independent registered public accounting firm, collaborate to provide tax and consulting services to clients under an alternative practice structure (APS). RSM and M&P also share in certain common overhead costs through an administrative services agreement. These services are provided by, and coordinated through, RSM, for which RSM receives a management fee.

Effective February 3, 2010, RSM and M&P entered into new agreements related to the operation of the APS. See additional discussion of the new agreements in Item 8, note 17.

Effective May 1, 2009, we realigned certain segments of our business to reflect a new management reporting structure. The operations of HRB Bank, which was previously reported as the Consumer Financial Services segment, have now been reclassified, with activities that support our retail tax network included in the Tax Services segment, and the net interest margin and gains and losses relating to our portfolio of mortgage loans held for investment and related assets included in the corporate segment. Presentation of prior period results reflects the new segment reporting structure.

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See discussion below and in Item 8, note 21 to our consolidated financial statements.

DESCRIPTION OF BUSINESS**TAX SERVICES**

GENERAL – Our Tax Services segment is primarily engaged in providing tax return preparation and related services and products in the U.S. and its territories, Canada and Australia. Major revenue sources include fees earned for tax preparation services performed at company owned retail tax offices, royalties from franchise retail tax offices, fees for tax related services, sales of tax preparation and other software, online tax preparation fees, participation in refund anticipation loans (RALs), refund anticipation checks (RACs), fees from activities related to H&R Block Prepaid Emerald MasterCard®, and interest and fees from Emerald Advance lines of credit. HRB Bank also offers traditional banking services including checking and savings accounts, individual retirement accounts and certificates of deposit. Segment revenues constituted 76.8% of our consolidated revenues from continuing operations for fiscal year 2010, 76.7% for 2009 and 74.9% for 2008.

Retail income tax return preparation and related services are provided by tax professionals via a system of retail offices operated directly by us or by franchisees. We also offer our services through seasonal offices located inside major retailers.

TAX RETURNS PREPARED – We, together with our franchisees, prepared approximately 23.2 million tax returns worldwide during fiscal year 2010, compared to 23.9 million in 2009 and 24.6 million in 2008. We prepared 20.1 million tax returns in the U.S. during fiscal year 2010, down from 21.0 million in 2009 and 21.8 million in 2008. Our U.S. tax returns prepared, including those prepared by our franchisees and those prepared and filed at no charge, for the 2010 tax season constituted 15.6% of an Internal Revenue Service (IRS) estimate of total individual income tax returns filed during the fiscal year 2010 tax season. This compares to 15.8% in the 2009 tax season and 16.2% in the 2008 tax season, excluding tax returns filed as a result of the Economic Stimulus Act of 2008 (Stimulus Act). See Item 7 for further discussion of changes in the number of tax returns prepared.

FRANCHISES – We offer franchises as a way to expand our presence in certain markets. Our franchise arrangements provide us with certain rights designed to protect our brand. Most of our franchisees receive use of our software, access to product offerings and expertise, signs, specialized forms, local advertising, initial training and supervisory services, and pay us a percentage, typically approximately 30%, of gross tax return preparation and related service revenues as a franchise royalty.

During fiscal years 2010 and 2009 we sold certain offices to existing franchisees for sales proceeds totaling \$65.7 million and \$16.9 million, respectively. The net gain on these transactions totaled \$49.0 million and \$14.9 million in fiscal years 2010 and 2009, respectively. The extent to which we sell company owned offices will depend upon ongoing analysis regarding the optimal mix of offices for our network, including geographic location, as well as our ability to identify qualified franchisees.

From time to time, we have also acquired the territories of existing franchisees and other tax return preparation businesses, and may continue to do so if future conditions warrant and satisfactory terms can be negotiated. During fiscal year 2009, we acquired the assets and franchise rights of our last major independent franchise operator for an aggregate purchase price of \$279.2 million.

OFFICES – A summary of our company owned and franchise offices is as follows:

April 30,	2010	2009	2008
U.S. OFFICES:			
Company owned offices	6,431	7,029	6,835
Company owned shared locations ⁽¹⁾	760	1,542	1,478
Total company owned offices	7,191	8,571	8,313
Franchise offices	3,909	3,565	3,812
Franchise shared locations ⁽¹⁾	406	787	913
Total franchise offices	4,315	4,352	4,725
	11,506	12,923	13,038
INTERNATIONAL OFFICES:			
Canada	1,269	1,193	1,143
Australia	374	378	366
	1,643	1,571	1,509

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(1) Shared locations include offices located within Sears or other third party businesses. In 2009 and 2008, these locations also included offices within Wal Mart stores.

We sold 267 company owned offices to franchisees in fiscal year 2010 and 76 offices in fiscal year 2009. Additionally, we closed more than 1,700 offices in fiscal year 2010, including over 1,000 offices in Wal Mart stores.

The acquisition of our last major independent franchise operator in fiscal year 2009 included a network of over 600 tax offices, nearly two thirds of which converted to company owned offices upon the closing of the transaction, as reflected in the table above.

Offices in shared locations at April 30, 2010 consist primarily of offices in Sears stores operated as "H&R Block at Sears." The Sears license agreement expires in July 2010. Offices in shared locations at April 30, 2009 and 2008 included offices in Wal Mart stores. The Wal Mart agreement expired in May 2009.

SERVICE AND PRODUCT OFFERINGS – In addition to our retail offices, we offer a number of digital tax preparation alternatives. By offering professional and do it yourself tax preparation options through multiple channels, we seek to serve our clients in the manner they choose to be served.

We also offer clients a number of options for receiving their income tax refund, including a check directly from the IRS, an electronic deposit directly to their bank account, a prepaid debit card, a RAC or a RAL.

Software Products. We develop and market H&R Block At Home™ income tax preparation software. H&R Block At Home™ offers a simple step by step tax preparation interview, data imports from money management software and tax preparation software, calculations, completion of the appropriate tax forms, error checking and electronic filing. Our software products may be purchased through third party retail stores, direct mail or online.

Online Tax Preparation. We offer a comprehensive range of online tax services, from tax advice to complete professional and do it yourself tax return preparation and electronic filing, through our website at www.hrblock.com. This website allows clients to prepare their federal and state income tax returns using the H&R Block At Home™ Online Tax Program, access tax tips, advice and tax related news and use calculators for tax planning.

We participate in the Free File Alliance (FFA). This alliance was created by the tax return preparation industry and the IRS, and allows qualified filers with adjusted gross incomes less than \$57,000 to prepare and file their federal return online at no charge. We feel this program provides a valuable public service and increases our visibility with new clients, while also providing an opportunity to offer our state return preparation and other services to these clients.

RALs. RALs are offered to our U.S. clients by a designated bank primarily through a contractual relationship with HSBC Holdings plc (HSBC). An eligible, electronic filing client may apply for a RAL at one of our offices. After meeting certain eligibility criteria, clients are offered the opportunity to apply for a loan from HSBC in amounts up to \$9,999 based on their anticipated federal income tax refund. We simultaneously transmit the income tax return information to the IRS and the lending bank. Within a few days after the filing date, the client receives a check, direct deposit or prepaid debit card in the amount of the loan, less the bank's transaction fee, our tax return preparation fee and other fees for client selected services. Additionally, qualifying electronic filing clients are eligible to receive their RAL proceeds, less applicable fees, in approximately one hour after electronic filing using the Instant Money service. A RAL is repaid when the IRS directly deposits the participating client's federal income tax refund into a designated account at the lending bank. See related discussion in "Loan Participations" below.

RACs. Refund Anticipation Checks are offered to U.S. clients who would like to either: (1) receive their refund faster and do not have a bank account for the IRS to direct deposit their refund; (2) have their tax preparation fees paid directly out of their refund; or (3) receive their refund faster but do not qualify for a RAL under the existing credit criteria. A RAC is not a loan and is provided through a contractual relationship with HSBC.

Peace of Mind (POM) Guarantee. The POM guarantee is offered to U.S. clients, in addition to our standard guarantee, whereby we (1) represent our clients if audited by the IRS, and (2) assume the cost, subject to certain limits, of additional taxes owed by a client resulting from errors attributable to one of our tax professionals' work. The POM program has a per client cumulative limit of \$5,000 in additional taxes assessed with respect to the federal, state and local tax returns we prepared for the taxable year covered by the program.

Emerald Advance Lines of Credit. Emerald Advance lines of credit are offered to clients in tax offices from late November through early January, currently in an amount not to exceed \$1,000. If the borrower meets certain criteria as agreed in the loan terms, the line of credit can be increased and utilized year round. These lines of credit are offered by HRB Bank.

H&R Block Prepaid Emerald Mastercard®. The H&R Block Prepaid Emerald MasterCard® allows a client to receive a tax refund from the IRS directly on a prepaid debit card, or to direct RAL or RAC proceeds to the card to avoid high cost check cashing fees. The card can be used for everyday purchases, bill payments and ATM withdrawals anywhere MasterCard® is accepted. Additional funds can be added to the card account year round

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through direct deposit or at participating retail locations. The H&R Block Prepaid Emerald MasterCard® is issued by HRB Bank.

Tax Return Preparation Courses. We offer income tax return preparation courses to the public, which teach students how to prepare income tax returns and provide us with a source of trained tax professionals.

CashBack Program. We offer a refund discount (CashBack) program to our customers in Canada. In accordance with current Canadian regulations, if a customer's tax return indicates the customer is entitled to a tax refund, we issue a check to the client in the amount of the refund, less a discount. The client assigns to us the full amount of the tax refund to be issued by the Canada Revenue Agency (CRA) and the refund check is then sent by the CRA directly to us. In accordance with the law, the discount is deemed to include both the tax return preparation fee and the fee for tax refund discounting. This program is financed by short term borrowings. The number of returns discounted under the CashBack program in fiscal year 2010 was approximately 797,000, compared to 782,000 in 2009 and 749,000 in 2008.

LOAN PARTICIPATIONS – Since July 1996, we have been a party to agreements with HSBC and its predecessors to participate in RALs provided by a lending bank to H&R Block tax clients. During fiscal year 2006, we signed new agreements with HSBC in which we obtained the right to purchase a 49.9% participation interest in all RALs obtained through our retail offices. We received a signing bonus from HSBC during fiscal year 2006 in connection with these agreements, which was recorded as deferred revenue and is earned over the contract term. These agreements are effective through June 2011 and we have the right to extend through 2013. Our purchases of the participation interests are financed through short term borrowings and we bear all of the credit risk associated with our participation interests. Revenue from our participation is calculated as the rate of participation multiplied by the fee paid by the borrower to the lending bank. Our RAL participation revenue was \$146.2 million, \$139.8 million and \$190.2 million in fiscal years 2010, 2009 and 2008, respectively.

SEASONALITY OF BUSINESS – Because most of our clients file their tax returns during the period from January through April of each year, substantially all of our revenues from income tax return preparation and related services and products are received during this period. As a result, this segment generally operates at a loss through the first eight months of the fiscal year. Peak revenues occur during the applicable tax season, as follows:

United States and Canada	January	April
Australia	July	October

HRB Bank's operating results are subject to seasonal fluctuations primarily related to the offering of the H&R Block Prepaid Emerald MasterCard® and Emerald Advance lines of credit, and therefore peak in January and February and taper off through the remainder of the tax season.

COMPETITIVE CONDITIONS – The retail tax services business is highly competitive. There are a substantial number of tax return preparation firms and accounting firms offering tax return preparation services. Many tax return preparation firms and many firms not otherwise in the tax return preparation business are involved in providing electronic filing and RAL services to the public. Commercial tax return preparers and electronic filers are highly competitive with regard to price and service. In terms of the number of offices and personal tax returns prepared and electronically filed in offices, online and via our software, we are one of the largest providers of direct tax return preparation and electronic filing services in the U.S. We also believe we operate the largest tax return preparation businesses in Canada and Australia.

Our digital tax solutions businesses compete with a number of companies. Intuit, Inc. is the largest supplier of tax preparation software and online tax preparation services. There are many smaller competitors in the online market, as well as free state sponsored online filing programs. Price and marketing competition for digital tax preparation services is increasing, including offers of free tax preparation services.

HRB Bank provides banking services primarily to our tax clients, both retail and digital, and for many of these clients, HRB Bank is the only provider of banking services. HRB Bank does not seek to compete broadly with regional or national retail banks.

GOVERNMENT REGULATION – Federal legislation requires income tax return preparers to, among other things, set forth their signatures and identification numbers on all tax returns prepared by them and retain all tax returns prepared by them for three years. Federal laws also subject income tax return preparers to accuracy related penalties in connection with the preparation of income tax returns. Preparers may be prohibited from further acting as income tax return preparers if they continuously and repeatedly engage in specified misconduct.

The federal government regulates the electronic filing of income tax returns in part by requiring electronic filers to comply with all publications and notices of the IRS applicable to electronic filing. We are required to provide certain electronic filing information to the taxpayer and comply with advertising standards for electronic filers. We are also subject to possible monitoring by the IRS, penalties for improper disclosure or use of income tax return preparation, other preparer penalties and suspension from the electronic filing program.