

Exhibit

12

H&R BLOCK INC (HRB)

10-K

Annual report pursuant to section 13 and 15(d)

Filed on 06/23/2011

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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, 2011

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**

(Address of principal executive offices, including zip code)

(816) 854-3000

(Registrant's telephone number, including area code)

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:

Common Stock, without par value
(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, 2010, was \$3,564,690,812.

Number of shares of the registrant's Common Stock, without par value, outstanding on May 31, 2011: 305,383,646.

Documents incorporated by reference

The definitive proxy statement for the registrant's Annual Meeting of Shareholders, to be held September 14, 2011, is incorporated by reference in Part III to the extent described therein.



2011 FORM 10-K AND ANNUAL REPORT
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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 2011, 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, Inc. 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 – Historically, refund anticipation loans (RALs) were offered in our US retail tax offices through a contractual relationship with HSBC Holdings plc (HSBC). We purchased a 49.9% participation interest in all RALs obtained through our retail offices. In December 2010, HSBC terminated its contract with us based on restrictions placed on them by their regulator and RALs were not offered in our tax offices this tax season. In connection with the contract termination, we obtained the remaining rights to collect on the outstanding balances of RALs originated in years 2006 and later. The impact of this is discussed in the Tax Services segment results in Item 7.

FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

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 software, online tax preparation fees, 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 (EAs). HRB Bank also offers traditional banking services including checking and savings accounts, individual retirement accounts and certificates of deposit. Segment revenues constituted 77.2% of our consolidated revenues from continuing operations for fiscal year 2011, 76.8% for 2010 and 76.7% for 2009.

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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 24.5 million tax returns worldwide during fiscal year 2011, compared to 23.2 million in 2010 and 23.9 million in 2009. We prepared 21.4 million tax returns in the U.S. during fiscal year 2011, up from 20.1 million in 2010 and 21.0 million in 2009. Our U.S. tax returns prepared, including those prepared by our franchisees and those prepared and filed at no charge, for the 2011 tax season constituted 16.4% of an Internal Revenue Service (IRS) estimate of total individual income tax returns filed during the fiscal year 2011 tax season. This compares to 15.6% in the 2010 tax season and 15.8% in the 2009 tax season. 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, 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 in the U.S.

During fiscal years 2011, 2010 and 2009 we sold certain offices to existing franchisees for sales proceeds totaling \$65.6 million, \$65.7 million and \$16.9 million, respectively. The net gain on these transactions totaled \$45.1 million, \$49.0 million and \$14.9 million in fiscal years 2011, 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,	2011	2010	2009
U.S. OFFICES:			
Company owned offices	5,921	6,431	7,029
Company owned shared locations ⁽¹⁾	572	760	1,542
Total company owned offices	6,493	7,191	8,571
Franchise offices	4,178	3,909	3,565
Franchise shared locations ⁽¹⁾	397	406	787
Total franchise offices	4,575	4,315	4,352
	11,068	11,506	12,923
INTERNATIONAL OFFICES:			
Canada	1,324	1,269	1,193
Australia	384	374	378
	1,708	1,643	1,571

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

We sold 280, 267 and 76 company owned offices to franchisees in fiscal years 2011, 2010 and 2009, respectively. 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, 2011 and 2010 consist primarily of offices in Sears stores operated as "H&R Block at Sears." The Sears license agreement expires in July 2012. Offices in shared locations at April 30, 2009 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 or a RAC.

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

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software, calculations, completion of the appropriate tax forms, error checking and electronic filing. Our software products may be purchased online, through third party retail stores or direct mail.

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 \$58,000 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.

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 or (2) have their tax preparation fees paid directly out of their refund. A RAC is not a loan and is provided by HRB Bank.

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

Peace of Mind Guarantee. The Peace of Mind (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 \$5,500 in additional taxes assessed with respect to the federal, state and local tax returns we prepared for the taxable year covered by the program.

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 2011 was 821,000, compared to 797,000 in 2010 and 782,000 in 2009.

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. These agreements were effective through June 2011, but were terminated by HSBC in December 2010. The impact of this is discussed in Item 7, under Tax Services operating results. 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 was earned over the contract term. Our purchases of the participation interests were financed through short term borrowings. Revenue from our participation was 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 and \$139.8 million in fiscal years 2010 and 2009, 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 earned 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

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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 – We provide both retail and do it yourself tax preparation products and services and face substantial competition throughout our businesses. 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, and we face significant competition from independent tax preparers and CPAs. Certain firms are involved in providing electronic filing services, RALs and RACs to the public. Commercial tax return preparers and electronic filers are highly competitive with regard to price and service and many firms offer services that may include federal and/or state returns at no charge. Additionally, certain tax return preparers were able to offer RALs this tax season while we were not. 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 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.

Do it yourself tax preparation options include use of traditional paper forms, digital electronic forms and various forms of digital electronic assistance, including online and desktop software both of which we offer. Our digital tax solutions businesses compete with a number of companies. Based on tax return volumes, Intuit, Inc. is the largest supplier of tax preparation software and online tax preparation services. Many other companies offer digital and online services. Price and marketing competition for digital tax preparation services is intense among value and premium products and many firms offer services that may include federal and/or state returns at no charge.

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.

The Gramm Leach Bliley Act and related Federal Trade Commission (FTC) regulations require income tax preparers to adopt and disclose consumer privacy policies, and provide consumers a reasonable opportunity to "opt out" of having personal information disclosed to unaffiliated third parties for marketing purposes. Some states have adopted or proposed strict "opt in" requirements in connection with use or disclosure of consumer information. In addition, the IRS generally prohibits the use or disclosure by tax return preparers of taxpayer information without the prior written consent of the taxpayer.

Certain states have regulations and requirements relating to offering income tax courses. These requirements include licensing, bonding and certain restrictions on advertising.

The IRS published final regulations in September 2010 that: (1) require all tax return preparers to use a Preparer Tax Identification Number (PTIN) as their identifying number on federal tax returns filed after December 31, 2010; (2) require all tax return preparers to be authorized to practice before the IRS as a prerequisite to obtaining or renewing a PTIN; (3) caused all previously issued PTINs to expire on December 31, 2010 unless properly renewed; (4) allow the IRS to conduct tax compliance checks on tax return preparers; (5) define the individuals who are considered "tax return preparers" for the PTIN requirement, and (6) set the amount of the PTIN user registration fee at \$64.25 per year. The IRS is also conducting background checks on PTIN applicants. The IRS plans to review the amount of the PTIN user registration fee in the summer of 2011 and may adjust the fee amount. The IRS also published final regulations implementing the individual e file mandate in March 2011.

Other changes are expected to be finalized in calendar year 2011. These include changes to: (1) establish a new class of practitioners who are authorized to practice before the IRS under Circular 230, called "registered tax return preparers" who would be required to (a) pass a competency examination as a prerequisite to becoming a registered tax return preparer, (b) complete annual continuing professional education requirements, and (c) comply with ethical standards; (2) revise the amount of the enrolled agent application and renewal fee; (3) set the amount of a sponsor fee for qualified continuing professional education sponsors; (4) set the amount of