

H&R BLOCK INC
Form 11-K
June 30, 2003

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

FORM 11-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 1-6089

**H&R Block Retirement Savings Plan
(Full title of the Plan)**

**H&R BLOCK, INC.
4400 Main Street**

**Kansas City, Missouri 64111
(Name of issuer of the securities held pursuant to the plan and
the address of its principal executive office)**

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*A schedule of party-in-interest transactions has not been presented because there were no party-in-interest transactions, which are prohibited by ERISA Section 406 and for which there is no statutory or administrative exemption. Schedules of loans, fixed income obligations, and leases in default or uncollectible are not presented, as such loans, fixed income obligations, or leases do not exist.

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Report of Independent Auditors

To the Participants and Administrator of
the H&R Block Retirement Savings Plan:

In our opinion, the accompanying statements of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the H&R Block Retirement Savings Plan (the Plan) at December 31, 2002 and 2001, and the changes in net assets available for benefits for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule H, line 4i - schedule of assets (held at end of year) as of December 31, 2002 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

Kansas City, Missouri
June 27, 2003

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The H&R Block Retirement Savings Plan
Statements of Net Assets Available for Benefits
December 31, 2002 and 2001

| | December 31, | |
|---|-----------------------|-----------------------|
| | 2002 | 2001 |
| Assets | | |
| Cash, non-interest bearing | \$ 36,169,840 | \$ |
| Investments, at fair value: | | |
| H&R Block, Inc. common stock fund | 10,067,064 | 6,278,117 |
| Mutual funds | 214,274,162 | 172,318,771 |
| Self-directed brokerage accounts | 4,778,244 | - |
| Participant loans | 4,264,271 | 1,950,857 |
| | <u>233,383,741</u> | <u>180,547,745</u> |
| Receivables: | | |
| Employer contributions | 1,205,778 | 153,418 |
| Participant contributions | 879,193 | 696,608 |
| Dividends receivable | 171,638 | |
| SmartRetirement: The OLDE 401(k) Plan and Trust transfer | | 33,993,519 |
| Option One Mortgage Company Retirement Plus Plan transfer | 706,478 | |
| | <u>2,963,087</u> | <u>34,843,545</u> |
| Total assets | <u>272,516,668</u> | <u>215,391,290</u> |
| Liabilities | | |
| Due to broker for securities purchased | 22,669,976 | |
| Accrued liabilities | 70,066 | 45,453 |
| | <u>22,740,042</u> | <u>45,453</u> |
| Net assets available for benefits | <u>\$ 249,776,626</u> | <u>\$ 215,345,837</u> |

The accompanying notes are an integral part of these financial statements.

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The H&R Block Retirement Savings Plan
Statement of Changes in Net Assets Available for Benefits
For the Year Ended December 31, 2002

| | For the Year Ended December 31, 2002 |
|---|---|
| Additions: | |
| Investment income: | |
| Dividends and interest | \$ 4,870,528 |
| Net depreciation in fair value of investments | (33,671,499) |
| | <u>(28,800,971)</u> |
| Contributions: | |
| Employer | 16,988,934 |
| Participant | 25,086,081 |
| | <u>42,075,015</u> |
| Other: | |
| Transfer from Option One Mortgage Company Retirement Plus Plan | 38,119,889 |
| | <u>51,393,933</u> |
| Total additions | 51,393,933 |
| Deductions: | |
| Distributions to participants | 16,572,986 |
| Administrative expenses | 390,158 |
| | <u>16,963,144</u> |
| Total deductions | 16,963,144 |
| Net increase in net assets available for benefits | 34,430,789 |
| Net assets available for benefits | |
| Beginning of year | 215,345,837 |
| | <u>249,776,626</u> |
| End of year | <u>\$ 249,776,626</u> |

The accompanying notes are an integral part of these financial statements.

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**The H&R Block Retirement Savings Plan
Notes to Financial Statements
December 31, 2002**

1. Description of the Plan

The H&R Block Retirement Savings Plan (the Plan) is a contributory, defined contribution plan sponsored by HRB Management, Inc. (the Company) for its employees and the employees of certain of its affiliates. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

The Plan became effective on January 1, 1985, and was originally known as the H&R Block Savings Plan. On December 31, 2000, the H&R Block Profit Sharing Plan merged into the H&R Block Savings Plan, and sponsorship of the H&R Block Savings Plan transferred to the Company from H&R Block Tax Services, Inc., an affiliate of the Company.

Effective January 1, 2001, the Company amended and restated the Plan to, among other things, rename the H&R Block Savings Plan to the H&R Block Retirement Savings Plan, and select a new trustee, custodian, and recordkeeper for the Plan. In addition, the Plan began offering a wider selection of investment options to its participants, including the H&R Block, Inc. Common Stock Fund (the Common Stock Fund). The Common Stock Fund uses unit accounting. As a unitized stock fund, the Common Stock Fund holds primarily H&R Block, Inc. Common Stock and a small percentage of cash and short-term investments, while participants hold units of the Common Stock Fund.

During December 2001, the Company approved a plan to merge the SmartRetirement: The OLDE 401(k) Plan and Trust (the OLDE Plan) into the Plan effective December 31, 2001. The OLDE Plan was sponsored by OLDE Financial Corporation, an affiliate of the Company. As a result of this decision to merge, the net assets of the OLDE Plan are presented as a receivable at December 31, 2001 on the statement of net assets available for benefits. These net assets were transferred to the Plan by February 22, 2002.

In December 2001, the Plan was amended and restated to, among other things, allow participants to make pre-tax contributions up to fifty percent of their compensation (subject to Internal Revenue Code limitations), with a discretionary employer matching contribution of up to one hundred percent of a participant's contributions not to exceed five percent of the participant's compensation. In addition, the amendment made vesting in any prospective employer matching contributions immediate. These amendments were effective as of January 1, 2002 for participants employed by a participating employer in the Investment Services Line of Business, as such term is defined by the Plan, and July 1, 2002 for all other participants. Additionally, individual brokerage accounts were added as an investment option during February 2002 for participants employed by a participating employer in the Investment Services Line of Business and as of April 1, 2002 for all other participants.

During December 2002, the Company approved a plan to merge the Option One Mortgage Corporation Retirement Plus Plan (the Option One Plan) into the Plan. The Option One Plan was sponsored by Option One Mortgage Corporation, an affiliate of the Company. Substantially all of the net assets of the Option One Plan were transferred to the Plan by December 31, 2002. Remaining assets totaling \$706,478 were transferred in

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**The H&R Block Retirement Savings Plan
Notes to Financial Statements
December 31, 2002**

2003 and are presented as a receivable in the statement of net assets available for benefits.

The following description provides only general information. Participants should refer to the Plan document for a more complete description of the Plan.

Eligibility

The timing of an employee's eligibility for participation in the Plan depends on whether the employee is classified as a nonseasonal employee or seasonal employee. With respect to participant contributions and employer matching contributions: (a) nonseasonal employees are automatically enrolled in the Plan beginning the first day of the month following or coinciding with the date they complete 90 Days of Service, as such term is defined in the Plan, and (b) seasonal employees are automatically enrolled in the Plan beginning with the first participation date (January 1 or July 1) following or coinciding with the date they complete a Year of Service, as such term is defined in the Plan. With respect to employer profit sharing contributions, both nonseasonal and seasonal employees are eligible to participate beginning the first day of the Plan year that immediately precedes or is coincident with the date the employee completes a Year of Service.

Contributions

Participants may make pre-tax contributions from two to fifty percent of their compensation, subject to Internal Revenue Code limitations. The Company may make discretionary matching contributions of up to one hundred percent of a participant's contributions, not to exceed five percent of the participant's compensation. The Company may make discretionary profit sharing contributions, which will be allocated among participant accounts based on the participant's eligible compensation. For the year ended December 31, 2002, the Company contributed \$9,305,314 and \$7,683,620 for the matching contribution and the profit sharing contribution, respectively.

Vesting

Participant contributions, and earnings thereon, are fully vested and nonforfeitable at all times. Beginning January 1, 2002 for participants in the Investment Services line of business, and beginning July 1, 2002 for all other participants, employer matching contributions made after such applicable effective date, and earnings thereon, are fully vested and nonforfeitable at all times.

Forfeitures

A participant forfeits the unvested portion of his/her account on the last day of the plan year in which the participant incurs the fifth of five consecutive one-year breaks in service. Forfeitures for the plan year are used to reduce employer matching contributions or to reduce the administrative expenses of the Plan. For the year ended December 31, 2002 the amount forfeited was \$841,651. Forfeitures of \$377,258 were used to pay Plan administrative expenses during the year ended December 31, 2002.

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**The H&R Block Retirement Savings Plan
Notes to Financial Statements
December 31, 2002**

Earnings

Earnings are allocated each day to participant accounts based upon the participant's balance in each investment option as a percentage of the Plan's balance in the respective investment option.

Loans

Participant loans must be at least \$1,000 and are limited to the lesser of \$50,000 or fifty percent of the participant's vested account balance. Interest is prime plus one percent. Loans are payable over one to five years except for loans for the purchase of a residence, which may be longer.

Distributions

Generally, distributions may not be made to a participant, or in the case of death, a participant's beneficiary, until administratively feasible following the earliest of the participant's death, disability, or severance from employment. Distributions are in the form of a lump sum cash payment.

Termination

Although the Company has not expressed any intent to do so, it has the right to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth in the Plan and under ERISA.

Investments

Participants may direct to have their accounts invested in one or more of the following investments. Investment options, as described in the respective prospectuses, are as follows:

H&R Block Common Stock Fund: Seeks to provide a high rate of return by investing primarily in the stock of H&R Block, Inc., and holds a small percentage in cash and short-term investments.

AIM Constellation Fund: Seeks capital appreciation by investing primarily in common stocks, emphasizing small- to mid-size emerging-growth companies. Companies in which the fund invests typically fall into two categories: companies that have experienced above-average and consistent long-term earnings growth and exhibit favorable prospects for future growth, and companies that are currently experiencing a dramatic increase in profits.

AIM Global Science and Technology Fund: Seeks long-term growth of capital by investing at least 65% of assets in equity securities of telecommunications and technology companies. The fund will normally invest in the securities of companies located in at least three different countries, including the United States.

AIM Premier Equity Fund: Seeks long-term growth of capital by investing primarily in equities management believes to be undervalued relative to management's appraisal of the current or projected earnings of the companies issuing the securities, or relative to current market values of assets owned by the companies issuing the securities or relative to the equity markets generally. The fund also may invest in

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**The H&R Block Retirement Savings Plan
Notes to Financial Statements
December 31, 2002**

preferred stocks and debt instruments that have prospects for growth of capital. It may hold up to 25% in foreign securities.

AIM Weingarten Fund: Seeks growth of capital by investing primarily in common stocks. Its investments usually fall into one of the following two categories: companies that management considers to have experienced above-average and consistent growth in earnings and to have potential for significant future growth, and companies that management believes are currently experiencing a dramatic increase in profits. The fund may invest up to 20% of assets in foreign securities.

Columbia Small Cap Fund: Seeks to provide long-term capital appreciation by investing at least 65 percent of its net assets in common stocks, or in securities convertible into common stocks, of small capitalization companies.

Dodge & Cox Stock Fund: Seeks to provide long-term capital growth by investing primarily in stocks that, in the fund manager's opinion, appear to be undervalued by the market.

EuroPacific Growth Fund: Seeks to provide long-term capital growth by investing at least 80 percent of its assets in issuers located in Europe and the Pacific basin.

Franklin DynaTech Fund: Seeks capital appreciation by investing primarily in companies that emphasize technological development in fast-growing industries or in undervalued securities. It primarily purchases common stocks, but it may also hold utility debt securities and preferred stocks. The fund typically invests in high-quality debt; a B rating is its lowest parameter.

Franklin Small-Mid Cap Growth Fund: Seeks long-term capital growth by investing at least 80% of assets in equity securities of companies that have a market capitalization not exceeding \$8.5 billion. It may invest the balance of assets in equity securities of larger companies. The fund may also invest in IPOs, and can invest a very small portion of assets in private or illiquid securities.

Growth Fund of America: Seeks capital growth by investing primarily in common stocks. Management selects securities that it believes are reasonably priced and represent solid long-term investment opportunities. The fund may invest up to 10% of assets in securities of issuers domiciled outside of the U.S. and Canada, and not included in the S&P 500 index.

INVESCO Dynamics Fund: Seeks to provide long-term capital appreciation by investing primarily in common stocks of mid-sized U.S. companies, as well as preferred stocks, convertible securities, and bonds.

Investment Company of America Fund: Seeks long-term growth of capital and income by investing primarily in common stocks. When choosing securities, management gives the possibility of appreciation and potential dividends more weight than current yield.

Legg Mason Value Trust Fund: Seeks to provide long-term capital appreciation by investing primarily in stocks that, in the fund manager's opinion, are being offered at large discounts to the manager's assessment of their intrinsic value.

Lord Abbett Mid-Cap Value Fund: Seeks to provide long-term capital appreciation by investing at least 80 percent of its net assets in equity securities of medium capitalization companies.

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December 31, 2002**

New Perspective Fund: Seeks long-term growth of capital by investing primarily in common stocks of foreign and U.S. companies.

PIMCO Total Return Fund: Seeks to provide maximum total return, consistent with preservation of capital, by investing at least 65 percent of its assets in a diversified portfolio of fixed income instruments of varying maturities, primarily investment grade debt securities.

SEI Tax Exempt Fund: Seeks to provide current income while preserving capital and tracking interest rates over the intermediate term.

Strong Blue Chip 100 Fund: Seeks long-term capital appreciation as well as current income by investing in the common stocks of the 100 largest market capitalization companies primarily traded in the U.S.

Strong Opportunity Fund: Seeks to provide long-term capital growth by investing in stocks of medium-capitalization companies the fund's manager believes are underpriced, yet have attractive growth prospects.

UAM ICM Small Company Fund: Seeks to provide long-term capital appreciation by investing in stocks of small-capitalization companies.

Vanguard Institutional Index 500: Seeks to provide long-term capital appreciation and match the performance of the S&P 500 Index, by investing all or substantially all of its assets in the stocks that make up the Index.

Vanguard Wellington Fund: Seeks to provide conservation of capital, a moderate level long-term capital appreciation and current income, by investing 60 to 70 percent of its assets in dividend paying stocks of established large and medium-sized companies.

Washington Mutual Investors Fund: Seeks income and the opportunity for growth of principal by investing in common stocks or equivalent securities, which are legal for the investment of trust funds in the District of Columbia. It intends to be fully invested and well diversified. Management tries to select a portfolio that an investor with fiduciary responsibility might select under the Prudent Investor Rule of the Superior Court of the District of Columbia.

Reserve Primary Institutional Fund: Seeks to provide current income while preserving capital and tracking interest rates over the intermediate term.

Self-Directed Brokerage Accounts: Participants also have the option to open an individual brokerage account and access and invest contributions in a wide variety of mutual funds, not all of which are listed above.

Participants should refer to the respective prospectuses for a more complete description of the objectives and strategies of each investment option.

2. Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan have been prepared on the accrual basis of accounting.

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**The H&R Block Retirement Savings Plan
Notes to Financial Statements
December 31, 2002**

Investment Valuation and Income Recognition

H&R Block, Inc. Common Stock is stated at fair value as determined by the market closing price on the last business day of the plan year. Mutual funds, including those in self-directed brokerage accounts, are stated at fair value as determined by quoted market prices. Participant loans are valued at cost, which approximates fair value. The Plan presents in the statement of changes in net assets available for benefits the net appreciation (depreciation) in the fair value of its investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments. Purchases and sales of investments are recorded on a trade-date basis. Interest income is accrued when earned. Dividend income is recorded on the ex-dividend date.

Expenses

All administrative expenses of the Plan are paid by the Plan, except to the extent paid by the Company.

Payment of Benefits

Benefits are recorded when they have been approved for payment.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions to and deductions from net assets available for benefits during the reporting period. Actual results could differ from those estimates.

3. Investments

The Plan's investments (including investments bought, sold, and held during the year) depreciated in fair value as follows:

| | For the Year Ended December 31, 2002 |
|---|---|
| Common stock fund | \$ (1,452,653) |
| Mutual funds and self-directed brokerage accounts | (32,218,846) |
| | \$ (33,671,499) |

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Notes to Financial Statements
December 31, 2002**

Individual investments that represent five percent or more of the fair value of the Plan's net assets are as follows:

| | December 31, | |
|----------------------------------|---------------|---------------|
| | 2002 | 2001 |
| Legg Mason Value Trust Fund | \$ 28,250,123 | \$ 32,414,672 |
| SEI Tax Exempt Fund | 23,456,013 | |
| Vanguard Institutional Index 500 | 31,165,946 | 31,800,732 |
| Vanguard Prime Money Market Fund | | 16,966,468 |
| Vanguard Wellington Fund | 72,821,444 | 80,996,160 |

4. Plan Committees and Trustee

The Plan provides for selection of an administrative committee, a plan administrator and a trustee by the Board of Directors of the Company. The administrative committee is responsible for the general administration of the plan and the interpretation of its provisions. The plan administrator is responsible for the reporting and disclosure requirements under ERISA. BNY Western Trust Company is the Plan's trustee.

5. Benefits Payable

The Plan does not record a liability relating to the obligations for benefit payments to terminated employees. The Plan's Form 5500 reflects the liability in the year of termination. As of December 31, 2002 and 2001, net assets available for benefits included assets of \$27,076 and \$4,310, respectively, due to participants who have terminated employment with the Company.

6. Income Tax Status of the Plan

The Plan received a favorable determination letter from the Internal Revenue Service dated September 20, 1995. The Plan has been amended since receiving the letter. However, the plan administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the Plan's financial statements.

7. Related Party Transactions

As of December 31, 2002 and 2001, the Plan's investment portfolio includes an investment in the Common Stock of H&R Block, Inc., a party-in-interest to the Plan.

The Plan's recordkeeper, RSM McGladrey (RSM), is an affiliate of the Company and was paid \$419,368 in administrative fees and reimbursements during the year ended December 31, 2002. As of December 31, 2002, administrative fees payable to RSM totaled \$6,940 and are included in accrued administrative expenses in the Statement of Net Assets Available for Benefits.

The Plan's custodian, H&R Block Financial Advisors, Inc., is an affiliate of the Company.

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EIN: 43-1910017, Plan Number: 002

Schedule H, Line 4i Schedule of Assets (Held at End of Year)

December 31, 2002

| (a) | (b) Identity of Issuer or Borrower | (c) Description of Investment | Shares Held or Interest Rate | (e) Current Value |
|---------------|---------------------------------------|----------------------------------|---------------------------------|-------------------------|
| * | H&R Block, Inc. Common | H&R Block, Inc. Common | | |
| | Stock Fund | Stock | 236,296 | \$ 9,499,099 |
| | | Cash and other assets, net | 567,965 | 567,965 |
| | | | | 10,067,064 |
| Mutual funds: | | | | |
| | AIM Family of Funds | AIM Constellation Fund Class A | 188,555 | 3,135,666 |
| | | AIM Global Science & Tech | | |
| | AIM Family of Funds | Fund | 190,137 | 887,937 |
| | | AIM Premier Equity Fund Class | | |
| | AIM Family of Funds | A | 199,464 | 1,497,972 |
| | AIM Family of Funds | AIM Weingarten Fund Class A | 46,967 | 433,978 |
| | Columbia Funds | Columbia Small Cap Fund | 169,816 | 2,768,004 |
| | Dodge & Cox Funds | Dodge & Cox Stock Fund | 43,808 | 3,857,338 |
| | American Funds Group | EuroPacific Growth Fund | 370,518 | 8,510,780 |
| | Franklin Templeton Investments | Franklin DynaTech Fund A | 38,113 | 622,385 |
| | Franklin Templeton Investments | Franklin Small Mid Cap Fund | 78,007 | 1,712,264 |
| | American Funds Group | Growth Fund of America | 79,281 | 1,464,313 |
| | INVESCO Family of Funds | INVESCO Dynamics Fund | 117,993 | 1,257,805 |
| | | Investment Company of | | |
| | American Funds Group | America Fund | 36,333 | 853,108 |
| | Legg Mason Family of Funds | Legg Mason Value Trust Fund | 651,375 | 28,250,123 |
| | | Lord Abbett Mid-Cap Value A | | |
| | Lord Abbett Family of Funds | Fund | 294,200 | 4,527,734 |
| | American Funds Group | New Perspective Fund | 40,978 | 739,238 |
| | PIMCO Funds | PIMCO Total Return Fund | 1,133,041 | 12,089,557 |
| | Bainbridge | SEI Tax Exempt Fund | 23,456,013 | 23,456,013 |
| | Strong Funds | Strong Blue Chip 100 Fund | 1,022,974 | 8,818,020 |
| | Strong Funds | Strong Opportunity Fund | 91,929 | 2,638,369 |
| | | UAM ICM Small Company | | |
| | Advisors Inner Circle Funds | Fund | 16,646 | 398,676 |
| | Vanguard Group | Vanguard Institutional Index 500 | 387,395 | 31,165,946 |
| | Vanguard Group | Vanguard Wellington Fund | 2,965,043 | 72,821,444 |
| | American Funds Group | Washington Mutual Investors | 89,319 | 2,099,897 |

Table of Contents**The H&R Block Retirement Savings Plan**

EIN: 43-1910017, Plan Number: 002

Schedule H, Line 4i Schedule of Assets (Held at End of Year)

December 31, 2002

| (a) | (b) Identity of Issuer or Borrower | (c) Description of Investment | Shares Held or Interest Rate | (e) Current Value |
|-----------------------------------|---------------------------------------|---|------------------------------------|-------------------------|
| | The Reserve Funds | Reserve Primary Institutional Fund | 267,595 | 267,595 |
| | | | | 214,274,162 |
| Self-directed brokerage accounts: | | | | |
| | AIM Family of Funds | AIM Basic Value Fund Class A Fund | 743 | 16,248 |
| | AIM Family of Funds | AIM Mid Cap Core Equity Fund | 14,260 | 302,030 |
| | AIM Family of Funds | AIM Global Health Care Class A Fund | 4,704 | 101,361 |
| | AIM Family of Funds | AIM Global Science Fund | 1,138 | 5,313 |
| | AIM Family of Funds | AIM Developing Markets Fund | 6,734 | 48,622 |
| | AIM Family of Funds | AIM Investment Strategic Fund Class A | 739 | 5,675 |
| | AIM Family of Funds | AIM Equity Funds Inc. | 12,402 | 119,184 |
| | AIM Family of Funds | AIM Constellation Fund Class A | 582 | 9,680 |
| | AIM Family of Funds | AIM Weingarten Fund Class A | 555 | 5,126 |
| | AIM Family of Funds | AIM Funds Group Small Cap Equity | 863 | 7,105 |
| | AIM Family of Funds | AIM Funds Group Class A Fund | 664 | 4,892 |
| | AIM Family of Funds | AIM International Growth Fund | 12,797 | 163,550 |
| | AIM Family of Funds | AIM International Mutual Fund AIM International Mutual Fund Class A | 64 | 799 |
| | AIM Family of Funds | AIM International Fund Class A | 201 | 1,710 |
| | AIM Family of Funds | AIM International Asia Pacific Fund | 1,507 | 26,303 |
| | AIM Family of Funds | AIM International Asia Pacific Fund | 8,553 | 73,467 |
| | AllianceBernstein Funds | AllianceBernstein American Govt Fund | 1,510 | 10,646 |
| | AllianceBernstein Funds | AllianceBernstein Small Cap Value Fund | 1,081 | 11,672 |
| | American Funds Group | AMCAP Fund Inc. Class A Fund | 3,087 | 46,004 |
| | American Funds Group | American Balanced Fund Class A | 3,081 | 44,424 |
| | American Funds Group | American High Income Fund Class A | 245 | 2,533 |
| | American Funds Group | American Mutual Fund Inc. Class A | 1,266 | 25,722 |
| | Calamos Funds | Calamos Convertible Growth and Income Fund | 757 | 16,809 |

Table of Contents**The H&R Block Retirement Savings Plan**

EIN: 43-1910017, Plan Number: 002

Schedule H, Line 4i Schedule of Assets (Held at End of Year)

December 31, 2002

| (a) | (b) | (c) | Shares Held or Interest Rate | (e) Current Value |
|--------------------------------|---|-----|------------------------------------|-------------------------|
| Identity of Issuer or Borrower | Description of Investment | | | |
| Calamos Funds | Calamos Growth Fund | | 2,235 | 70,299 |
| American Funds Group | Capital Income Builder Fund | | 63 | 2,590 |
| Credit Suisse | Credit Suisse Small Company Fund | | 235 | 4,050 |
| Davis Funds | Davis New York Venture Fund | | 95 | 1,989 |
| Delaware Investments | Delaware Real Estate Trust Fund | | 68 | 983 |
| | Delaware Technology & Innovation Fund | | 4,237 | 4,788 |
| Dreyfus | Dreyfus Index Fund | | 424 | 10,843 |
| | Eaton Vance Worldwide Health Fund | | 1,088 | 8,320 |
| Eaton Vance Group | Eaton Vance Asian Fund | | 140 | 2,768 |
| American Funds Group | EuroPacific Growth Fund | | 285 | 6,544 |
| Excelsior Funds | Excelsior Funds Value Fund | | 320 | 7,837 |
| Franklin Templeton Investments | Franklin Income Fund | | 12,944 | 25,759 |
| Franklin Templeton Investments | Franklin Custodial Utilities Fund | | 1,354 | 11,211 |
| Franklin Templeton Investments | Franklin Custodial Growth Fund | | 710 | 16,895 |
| | Franklin Custodial US Government Fund | | 1,285 | 7,553 |
| Franklin Templeton Investments | Franklin Equity Capital Growth | | 4,407 | 35,388 |
| Franklin Templeton Investments | Franklin Gold Fund | | 8,739 | 112,569 |
| Franklin Templeton Investments | Franklin High Income Fund | | 32,366 | 54,052 |
| | Franklin Investment US Government Fund | | 1,817 | 16,969 |
| Franklin Templeton Investments | Franklin Investment Securities Fund | | 148 | 2,332 |
| Franklin Templeton Investments | Franklin Rising Dividends Fund | | 4,931 | 119,031 |
| Franklin Templeton Investments | Franklin Real Estate Securities Fund | | 3,851 | 62,085 |
| Franklin Templeton Investments | Franklin Small Mid Cap Fund | | 656 | 14,390 |
| Franklin Templeton Investments | Franklin Strategic Fund | | 2,190 | 32,460 |
| Franklin Templeton Investments | Franklin Strategic Services Fund | | 2,199 | 12,312 |
| Franklin Templeton Investments | Franklin Value Investments Fund | | 192 | 7,104 |

Table of Contents**The H&R Block Retirement Savings Plan**

EIN: 43-1910017, Plan Number: 002

Schedule H, Line 4i Schedule of Assets (Held at End of Year)

December 31, 2002

| (a) | (b) | (c) | Shares Held or Interest Rate | (e) Current Value |
|--------------------------------|---|-----|------------------------------------|-------------------------|
| Identity of Issuer or Borrower | Description of Investment | | | |
| Franklin Templeton Investments | Franklin Small Cap Fund | | 67 | 1,541 |
| American Funds Group | Fundamental Investors Fund | | 4,179 | 92,893 |
| GE Funds | GE Small Cap Value Fund | | 1,804 | 21,070 |
| Gabelli Funds | Gabelli Gold Fund | | 8,322 | 102,199 |
| American Funds Group | Growth Fund of America | | 6,489 | 119,852 |
| John Hancock Funds | John Hancock Investment Fund | | 10,889 | 150,377 |
| John Hancock Funds | John Hancock Bond Fund | | 1,288 | 5,343 |
| John Hancock Funds | John Hancock High Income Fund | | 563 | 5,193 |
| Oakmark Funds | Oakmark Investments Fund | | 753 | 22,648 |
| Oakmark Funds | Oakmark International Investments Fund | | 462 | 6,069 |
| Oakmark Funds | Oakmark Equity Income Fund | | 735 | 13,223 |
| ING Funds | ING Mid Cap Value Fund | | 753 | 5,197 |
| ING Funds | ING Russia Fund | | 1,129 | 13,927 |
| ING Funds | ING Global Technology Fund | | 590 | 1,999 |
| American Funds Group | Income Fund of America | | 1,830 | 26,256 |
| American Funds Group | Investment Company of America Fund | | 1,878 | 44,094 |
| Janus | Janus Growth & Income Fund | | 169 | 3,946 |
| John Hancock Funds | John Hancock Technology Fund | | 2,667 | 6,587 |
| Liberty Financial Funds | Liberty Acorn Fund | | 536 | 8,226 |
| Lord Abbett Family of Funds | Lord Abbett Mid-Cap Value A Fund | | 1,261 | 19,404 |
| MFS Family of Funds | MFS Government Securities Fund | | 128 | 1,282 |
| MFS Family of Funds | MFS Mid Cap Growth Fund | | 894 | 5,063 |
| The Munder Funds | Munder Healthcare Fund | | 344 | 4,911 |
| The Munder Funds | Munder Future Income Fund | | 8,256 | 22,704 |
| The Munder Funds | Munder Power Plus Fund | | 2,419 | 14,154 |
| Navellier Performance Funds | Navellier Aggressive Growth Fund | | 467 | 4,192 |

Table of Contents**The H&R Block Retirement Savings Plan**

EIN: 43-1910017, Plan Number: 002

Schedule H, Line 4i Schedule of Assets (Held at End of Year)

December 31, 2002

| (a) | (b) | (c) | Shares Held or Interest Rate | (e) Current Value |
|--------------------------------|--|-----|------------------------------------|-------------------------|
| Identity of Issuer or Borrower | Description of Investment | | | |
| American Funds Group | New Perspective Fund | | 1,259 | 22,720 |
| American Funds Group | New World Fund | | 90 | 1,750 |
| One Group | One Group Small Cap Fund | | 713 | 11,621 |
| One Group | One Group Market Expansion Fund | | 115 | 852 |
| OppenheimerFunds | Oppenheimer Main Street Fund | | 3,696 | 100,093 |
| OppenheimerFunds | Oppenheimer Quest Balanced Value Fund | | 333 | 4,207 |
| OppenheimerFunds | Oppenheimer Gold & Special Minerals Fund | | 9,968 | 138,558 |
| PBHG Funds | PBHG Clipper Focus Fund | | 244 | 3,223 |
| PBHG Funds | PBHG Small Cap Fund | | 178 | 2,505 |
| PIMCO Funds | PIMCO PEA Renaissance Fund | | 4,143 | 60,237 |
| PIMCO Funds | PIMCO PEA Growth Fund | | 2,083 | 31,896 |
| PIMCO Funds | PIMCO Low Duration Fund | | 333 | 3,422 |
| PIMCO Funds | PIMCO Total Return Fund | | 666 | 7,102 |
| PIMCO Funds | PIMCO Real Return Fund | | 3,131 | 35,259 |
| Pioneer Group | Pioneer Science & Technology Fund | | 6,813 | 15,601 |
| Putnam Funds | Putnam International Fund | | 1,203 | 9,408 |
| Putnam Funds | Putnam International Growth Fund | | 497 | 8,149 |
| Rydex Funds | Rydex Dynamic Venture Fund | | 589 | 42,255 |
| Rydex Funds | Rydex Ursa Fund | | 1,564 | 20,000 |
| Rydex Funds | Rydex Dynamic Velocity Fund | | 12,883 | 130,249 |
| Rydex Funds | Rydex Tempest 500 Fund | | 582 | 54,281 |
| Rydex Funds | Rydex Dynamic Titan Fund | | 3,672 | 77,773 |
| Rydex Funds | Rydex Telecommunications Investment Fund | | 11,838 | 127,846 |
| Seligman Group | Seligman Communications Fund | | 747 | 12,068 |
| Babson Fund Group | Shadow Stock Fund Inc. | | 425 | 5,036 |

Table of Contents**The H&R Block Retirement Savings Plan**

EIN: 43-1910017, Plan Number: 002

Schedule H, Line 4i Schedule of Assets (Held at End of Year)

December 31, 2002

| (a) | (b) Identity of Issuer or Borrower | (c) Description of Investment | Shares Held or Interest Rate | (e) Current Value |
|-------------------|---------------------------------------|--|------------------------------------|-------------------------|
| | American Funds Group | Small Cap World Fund | 46 | 812 |
| | Turner Funds | Turner Small Cap Value Fund | 306 | 4,727 |
| | Franklin Templeton Investments | Templeton Developing Markets Fund | 17,989 | 179,891 |
| | Franklin Templeton Investments | Templeton World Fund | 12,234 | 157,693 |
| | Franklin Templeton Investments | Templeton Foreign Fund | 25,074 | 208,366 |
| | Franklin Templeton Investments | Templeton Growth Fund | 1,460 | 23,262 |
| | Franklin Templeton Investments | Templeton Global Fund | 3,828 | 39,045 |
| | Franklin Templeton Investments | Templeton Global Bond Fund | 3,080 | 27,626 |
| | Vanguard Group | Vanguard Explorer Fund | 110 | 4,999 |
| | Vanguard Group | Vanguard Institutional Index 500 | 18 | 1,493 |
| | Vanguard Group | Vanguard Index Small Cap Fund | 89 | 1,396 |
| | Delaware Investments | Voyageur Mutual Fund | 302 | 4,580 |
| | American Funds Group | Washington Mutual Investment Fund | 1,079 | 25,363 |
| | Westcore Funds | Westcore Growth Fund | 1,022 | 8,671 |
| | The Reserve Funds | Reserve Funds Primary Fund | 741,863 | 741,863 |
| | | | | <u>4,778,244</u> |
| Plan participants | | Participant Loans, 5.6% to 11.0% per annum | | 4,264,271 |
| Total investments | | | | <u>\$ 233,383,741</u> |

Column (d) omitted as cost information is not required for participant directed assets.

* Indicates party-in-interest to the Plan.

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

H&R Block Retirement Savings Plan

Date June 30, 2003

By: /s/ FRANK J. COTRONEO

Frank J. Cotroneo
Chief Financial Officer
H&R Block, Inc.

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Exhibit Index

Exhibits

| | |
|--|----|
| Consent of Independent Accountants (Exhibit 23) | 19 |
| Certification pursuant to 18 U.S.C. 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002 (Exhibit 99.1) | 20 |