UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2002

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 0-14112

JACK HENRY & ASSOCIATES, INC.
(Exact name of registrant as specified in its charter)

Delaware	43-1128385
(State or other jurisdiction of incorporation)	I.R.S. Employer Identification No.)

663 Highway 60, P. O. Box 807, Monett, MO 65708
(Address of principal executive offices)
(Zip Code)

417-235-6652
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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 x No

APPLICABLE ONLY TO CORPORATE ISSUERS:
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of January 24, 2003, Registrant had 87,687,789 shares of common stock outstanding ($.01 par value).

JACK HENRY & ASSOCIATES, INC.

CONTENTS

PART I	FINANCIAL INFORMATION	PAGE NO.
Item 1	Financial Statements	
	Condensed Consolidated Balance Sheets December 31, 2002, (Unaudited) and June 30, 2002	3
	Condensed Consolidated Statements of Income for the Three and Six Months Ended December 31, 2002 and 2001 (Unaudited)	4
	Condensed Consolidated Statements of Cash Flows for	5

	the Six Months Ended December 31, 2002 and 2001 (Unaudited)	
	Notes to the Condensed Consolidated Financial Statements (Unaudited)	6
Item 2	Management's Discussion and Analysis of Results of Operations and Financial Condition	9
Item 3	Quantitative and Qualitative Disclosure about Market Risk	12
Item 4	Controls and Procedures	13
PART II	OTHER INFORMATION	
Item 5	Other Information	13
Item 6	Exhibits and Reports on Form 8-K	13

Part I. Financial Information
Item 1. Financial Statements

JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share and Per Share Data)

	DECEMBER 31, 2002	JUNE 30, 2002
ASSETS	(Unaudited)	
CURRENT ASSETS		
Cash and cash equivalents	$ 30,209	$ 17,765
Investments, at amortized cost	998	997
Trade receivables	74,090	131,431
Prepaid cost of product	16,310	17,663
Prepaid expenses and other	12,522	11,221
Deferred income taxes	800	900
Total	$ 134,929	$ 179,977
PROPERTY AND EQUIPMENT, net	$ 188,201	$ 173,775
OTHER ASSETS:		
Goodwill	42,503	40,335
Trade names	3,699	3,699
Customer relationships, net of amortization	61,778	63,130
Computer software, net of amortization	10,689	7,499
Prepaid cost of product	12,767	12,992
Other non-current assets	5,015	4,735
Total	$ 136,451	$ 132,390
Total assets	$ 459,581	$ 486,142
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 9,929	$ 9,051
Accrued expenses	10,731	11,352
Accrued income taxes	1,087	225
Deferred revenues	61,738	92,028
Total	$ 83,485	$ 112,656
DEFERRED REVENUES	16,415	16,947
DEFERRED INCOME TAXES	19,300	15,800
Total liabilities	$ 119,200	$ 145,403
STOCKHOLDERS' EQUITY:		
Preferred stock - $1 par value; 500,000 shares authorized; None issued	-	-
Common stock - $.01 par value; shares authorized 250,000,000; Shares issued at 12/31/02 and 6/30/02 90,519,856	905	905
Additional paid-in capital	168,166	168,061
Retained earnings	217,417	201,162
Treasury stock at cost; 2,839,067 shares at 12/31/02; 1,568,910 shares at 6/30/02	(46,107)	(29,389)
Total stockholders' equity	$ 340,381	$ 340,739
Total liabilities and stockholders' equity	$ 459,581	$ 486,142

See notes to condensed consolidated financial statements.

JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Per Share Data)
(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2002	2001	2002	2001
REVENUES				
License	$ 13,807	$ 16,017	$ 25,876	$ 30,788
Support and service	57,339	48,745	111,180	97,850
Hardware sales	24,163	26,783	45,733	49,039
Customer reimbursements	7,254	6,682	13,752	13,117
Total	$102,563	$ 98,227	$196,541	$190,794
COST OF SALES				
Cost of license	975	131	1,766	387
Cost of services	39,605	34,032	75,017	65,980
Cost of hardware	17,863	18,371	34,027	33,250
Customer reimbursement expenses	7,254	6,682	13,752	13,117
Total	$ 65,697	$ 59,216	$124,562	$112,734
GROSS PROFIT	$ 36,866	$ 39,011	$ 71,979	$ 78,060
OPERATING EXPENSES				
Selling and marketing	7,661	6,975	14,860	13,544
Research and development	3,962	3,543	7,513	6,453
General and administrative	7,012	8,657	13,748	16,162
Total	$ 18,635	$ 19,175	$ 36,121	$ 36,159
OPERATING INCOME	$ 18,231	$ 19,836	$ 35,858	$ 41,901
INTEREST INCOME (EXPENSE)				
Interest income	191	571	378	1,390
Interest expense	(32)	(41)	(55)	(88)
Total	$ 159	$ 530	$ 323	$ 1,302
INCOME BEFORE INCOME TAXES	$ 18,390	$ 20,366	$ 36,181	$ 43,203
PROVISION FOR INCOME TAXES	6,713	7,332	13,206	15,553
NET INCOME	$ 11,677	$ 13,034	$ 22,975	$ 27,650
Diluted income per share	$ .13	$ .14	$ .26	$ .30
Diluted weighted average shares outstanding	88,812	92,247	89,196	92,485
Basic net income per share	$ .13	$ .15	$ .26	$ .31
Basic weighted average shares outstanding	87,680	88,982	87,882	88,967

See notes to condensed consolidated financial statements.

JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	Six Months Ended December 31, 2002	Six Months Ended December 31, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 22,975	$ 27,650
Adjustments to reconcile net income to cash from operating activities:		
Depreciation	11,917	9,921
Amortization	3,126	3,305
Deferred income taxes	3,600	(486)
Other, net	(27)	(57)
Changes in:		
Trade receivables	57,486	25,235
Prepaid expenses and other	(18)	(3,113)
Accounts payable	867	(8,610)
Accrued expenses	(623)	(1,442)
Income taxes (including tax benefit from exercise of stock options)	972	6,284
Deferred revenues	(30,941)	(9,137)
Net cash from operating activities	$ 69,334	$ 49,550
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	$ (26,303)	$ (23,145)
Purchase of investments	(1,993)	(996)
Proceeds from maturity of investments	2,000	1,000
Purchase of customer contracts	(304)	-
Payment for acquisition, net	(4,151)	(2,923)
Computer software developed/purchased	(2,726)	(402)
Other, net	25	30
Net cash from investing activities	$ (33,452)	$ (26,436)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock upon exercise of stock options	$ 470	$ 6,830
Proceeds from sale of common stock, net	402	391
Dividends paid	(6,145)	(5,339)
Principal payments on notes payable	-	(45)
Purchase of treasury stock	(18,165)	(6,708)
Net cash from financing activities	$ (23,438)	$ (4,871)
NET INCREASE IN CASH AND CASH EQUIVALENTS	$ 12,444	$ 18,243
Cash and cash equivalents at beginning of period	17,765	18,589
Cash and cash equivalents at end of period	$ 30,209	$ 36,832

See notes to condensed consolidated financial statements

Net cash paid for income taxes was $8,635 and $9,312 for the six months ended December 31, 2002 and 2001, respectively.

The Company paid interest of $55 and $72 for the six months ended December 31, 2002 and 2001, respectively.

JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF THE COMPANY

Jack Henry & Associates, Inc. ("JHA" or the "Company") is a computer software company, which has developed or acquired several banking and credit union software systems. The Company's revenues are predominately earned by marketing those systems to financial institutions nationwide together with computer equipment (hardware) and by providing the conversion and software customization services for a financial institution to install a JHA software system. JHA also provides continuing support and services to customers using the systems either in-house or outsourced.

CONSOLIDATION

The condensed consolidated financial statements include the accounts of JHA and all of its wholly owned subsidiaries and all significant intercompany accounts and transactions have been eliminated.

COMPREHENSIVE INCOME

Comprehensive income for each of the three and six-month periods ended December 31, 2002 and 2001, equals the Company's net income.

RECLASSIFICATION

Where appropriate, prior period financial information has been reclassified to conform with the current period's presentation.

OTHER SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed by the Company are set forth in Note 1 to the Company's consolidated financial statements included in its Annual Report on Form 10-K ("Form 10-K") for the fiscal year ended June 30, 2002.

2. RECENT ACCOUNTING PRONOUNCEMENTS

Statement of Financial Accounting Standards ("SFAS") No.144, Accounting for the Impairment or Disposal of Long-Lived Assets, was issued in August 2001. This Statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This Statement supersedes SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for the disposal of a segment of a business (as previously defined in that Opinion). The provisions of this Statement are effective for financial statements issued for fiscal years beginning after December 15, 2001 (July 1, 2002 for JHA), and interim periods within those fiscal years, with early application encouraged. The adoption of this standard on July 1, 2002 did not have a material effect on the Company's consolidated financial position or results of operations.

In April 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 145, Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections. Under this new standard, gains and losses from extinguishments of debt should be classified as extraordinary items only if they meet the criteria in APB Opinion No. 30. Applying the provision of APB Opinion No. 30 will distinguish transactions that are part of an entity's recurring operations from those that are unusual or infrequent or that meet the criteria for classification as an extraordinary item. The adoption of this standard on July 1, 2002, did not have a material effect on the Company's consolidated financial position or results of operations.

In June 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities, which is effective for any activity initiated after December 31, 2002. This standard addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). This standard requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at fair value only when the liability is incurred. The accounting for similar events and circumstances will be the same, thereby improving the comparability and representational faithfulness of reported financial information. The adoption of this standard on January 1, 2003 did not have a material impact on its consolidated financial position or results of operations.

Effective November 22, 2002, the Emerging Issues Task Force ("EITF") reached a consensus regarding EITF Issue No. 02-16, Accounting by a Customer, Including a Reseller, for Cash Consideration Received from a vendor. This consensus requires that payments from a vendor be classified as a reduction to the price of the vendor's goods and taken as a reduction to cost of sales unless the payments are (1) a reimbursement for costs incurred to sell the product or (2) a payment for assets or services provided. The consensus also requires that payments from a vendor be recognized as a reduction to cost of sales on a rational and systematic basis. This consensus is effective for fiscal years beginning after December 15, 2002 (July 1, 2003 for JHA). The Company does not expect the adoption of this consensus to have a material impact on its consolidated financial position or results of operation.

In November 2002, FASB Interpretations No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of FASB Statements No. 5, 57, and 107 ("FIN 45") was issued. FIN 45 elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that is has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing a guarantee. The initial recognition and initial measurement provisions of this Interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year-end. The disclosure requirements in this Interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002. The adoption of this Interpretation on January 1, 2003 did not have a material effect on the Company's consolidated financial position or results of operations.

3. INTERIM FINANCIAL STATEMENTS

The accompanying condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q of the Securities and Exchange Commission and in accordance with accounting principles generally accepted in the United States of America applicable to interim condensed consolidated financial statements, and do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete consolidated financial statements. The condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes, which are included in its Form 10-K for the year ended June 30, 2002.

In the opinion of management of the Company, the accompanying condensed consolidated financial statements reflect all adjustments necessary (consisting solely of normal recurring adjustments) to present fairly the financial position of the Company as of December 31, 2002, the results of its operations and its cash flows for the three and six-month periods ended December 31, 2002 and 2001.

The results of operations for the period ended December 31, 2002 are not necessarily indicative of the results to be expected for the entire year.

4. ADDITIONAL INTERIM FOOTNOTE INFORMATION

The following additional information is provided to update the notes to the Company's annual consolidated financial statements for developments during the six months, ended December 31, 2002:

Stock Repurchase Program

On October 4, 2002, the Company's Board of Directors increased its existing stock repurchase authorization by 3.0 million shares to 6.0 million total shares. On September 21, 2001, the Board of Directors had originally approved a program to repurchase up to 3.0 million shares of common stock. As of December 31, 2002, 3,009,384 shares have been purchased for $49.1 million. During the three and six-month periods ended December 31, 2002, the Company purchased 249,200 and 1,356,200 shares for $2.3 million and $18.2 million, respectively. During the three and six-month periods ended December 31, 2002, the Company issued 5,737 and 54,687 shares upon exercise of stock options and 16,141 and 31,356 shares to the Employee Stock Purchase Plan, respectively, leaving a balance of 2,839,067 treasury shares at a cost of $46.1 million at December 31, 2002.

Acquisition of Credit Union Solutions, Inc. (CUSI)

On November 15, 2002, the Company acquired all the outstanding shares of CUSI for $5.0 million in cash. CUSI provides in-house data processing software, related hardware and services to smaller credit unions, primarily those with assets less than $50 million. This acquisition expands the potential market for the Company, as the Company's existing core products were too expensive to sell to credit unions of this size. The purchase price for CUSI was allocated to the assets and liabilities acquired based on then estimated fair values at the acquisition date, resulting in allocation to goodwill of $2.2 million, software of $1.2 million, and customer contracts of $0.7 million, of which software and customer contracts are being amortized on a straight-line basis over a period of ten and twenty years, respectively. The accompanying consolidated financial statements do not include any revenues and expenses related to this acquisition prior to the closing date.

5. SHARES USED IN COMPUTING NET INCOME PER SHARE

	(In Thousands) Three Months Ended December 31,		Six Months Ended December 31,	
	2002	2001	2002	2001
Weighted average number of common shares outstanding - basic	87,680	88,982	87,882	88,967
Common stock equivalents	1,132	3,265	1,314	3,518
Weighted average number of common and common equivalent shares outstanding - diluted	88,812	92,247	89,196	92,485

Per share information is based on the weighted average number of common shares outstanding for the periods ended December 31, 2002 and 2001. Stock options have been included in the calculation of income per share to the extent they are dilutive.

Non dilutive stock options to purchase approximately 6,173,368 shares and 658,228 shares for the three month periods ended December 31, 2002 and 2001, respectively, were not included in the computation of diluted income per common share.

6. BUSINESS SEGMENT INFORMATION

The Company is a leading provider of integrated computer systems that perform data processing (available for in-house or outsourced installations) for banks and credit unions. The Company evaluates the performance of the banking and credit union segments and allocates resources to them based on various factors, including prospects for growth, return on investment and return on revenues.

	(In Thousands) Three Months Ended December 31,		Six Months Ended December 31,	
	2002	2001	2002	2001
Revenues				
Bank systems and services	$ 87,768	$ 83,500	$168,470	$162,527
Credit union systems and services	14,795	14,727	28,071	28,267

Total	$102,563	$ 98,227	$196,541	$190,794
Gross Profit				
Bank systems and services	$ 33,328	$ 34,657	$ 64,261	$ 68,830
Credit union systems and services	3,538	4,354	7,718	9,230
Total	$ 36,866	$ 39,011	$ 71,979	$ 78,060

	(In Thousands) December 31, 2002	June 30, 2002
Property and equipment, net		
Bank systems and services	$ 185,779	$ 170,882
Credit union systems and services	2,422	2,893
Total	$ 188,201	$ 173,775
Intangible assets, net		
Bank systems and services	$ 17,590	$ 49,531
Credit union systems and services	58,576	24,797
Total	$ 76,166	$ 74,328
Goodwill		
Bank systems and services	$ 25,495	$ 25,491
Credit union systems and services	17,008	14,844
Total	$ 42,503	$ 40,335

7. SUBSEQUENT EVENT

Acquisition of National Bancorp Data Services, LLC (NBDS)

On January 1, 2003, the Company acquired all the outstanding membership interests in NBDS for $2.1 million in cash. NBDS provides item processing and imaging services to financial institutions in the greater Chicago, Illinois area. This acquisition expands our geographic footprint for item processing centers and expands the potential market for outsourcing customers. The purchase price for NBDS was allocated to the assets and liabilities acquired based on then estimated fair values at the acquisition date. The accompanying consolidated financial statements do not include any revenues and expenses related to this acquisition.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

RESULTS OF OPERATIONS

Background and Overview

Jack Henry and Associates, Inc. provides integrated computer systems for in-house and outsourced data processing to commercial banks with under $10.0 billion in total assets, credit unions and other financial institutions. The Company has developed and acquired banking and credit union application software systems that we market, together with compatible computer hardware, to financial institutions throughout the United States. The Company also performs data conversion and software installation for the implementation of our systems and provides continuing customer support and services after the systems are installed. For our customers who prefer not to make an up-front investment in software and hardware, we provide our full range of products and services on an outsourced basis through our eight data centers and fifteen item processing centers, as of January 1, 2003, located across the United States.

A detailed discussion of the major components of the results of operations for the three and six-month periods ended December 31, 2002 compared to the same period in the previous year follows:

REVENUE - Revenues increased 4% to $102.6 million for the three months ended December 31, 2002 from $98.2 million for the same period last year. Non-hardware revenues increased 10% to $78.4 million, accounting for 76% of second quarter fiscal 2003 revenues, compared to $71.4 million in the second quarter a year ago, representing 73% of revenue. License fee revenues decreased 14% to $13.8 million compared to $16.0 million in the second quarter a year ago. Support and services revenues increased 18% to $57.3 million for the three months ended December 31, 2002 compared to $48.7 million in the same period in the previous year. Hardware revenues decreased 10% to $24.2 million and represented 24% of total revenues for the second quarter compared to $26.8 million or 27% of total revenues in the same period in the previous year.

For the six months ended December 31, 2002, revenues increased 3% to $196.5 million from $190.8 million for the same period last year. Non-hardware revenues increased 6% to $150.8 million, accounting for 77% of the year to date revenues, compared to $141.8 million for the same period a year ago, representing 74% of revenue. License fee revenues decreased 16% to $25.9 million compared to $30.8 million for the same period a year ago. Support and services revenues increased 14% to $111.2 million for the six months ended December 31, 2002 compared to $97.9 million last year. Hardware revenues decreased 7% to $45.7 million and represented 23% of total revenues for the six months ended December 31, 2002, compared to $49.0 million or 26% of total revenues for the same period last year.

Support and services revenue growth for the three and six months ended December 31, 2002 compared to the same periods last year is composed of $2.3 million and $5.6 million growth in outsourcing services, $1.5 million and $2.9 million growth in ATM and debit card processing services, $4.7 million and $5.9 million growth in in-house support revenue and $0.2 million increase and $1.1 million decrease in installation services, respectively. We believe that the current decline in licensing and hardware revenue is due to the industry-wide softness and reduction in spending in the capital goods marketplace. Our complementary and credit union products have remained strong contributors during these weak economic times. Based on current economic conditions and sales forecast, we do not anticipate significant changes in revenue mix or gross profit in the near term. However, we remain confident that when the market recovers, we will be positioned to generate strong sales.

Our backlog increased at December 31, 2002 to $158.0 million ($57.6 in-house and $100.4 outsourcing) from $141.7 million ($52.8 in-house and $88.9 outsourcing) at June 30, 2002 and $132.1 million ($52.3 in-house and $79.8 outsourcing) at December 31, 2001.

COST OF SALES - Cost of sales increased 11% for the three months ended December 31, 2002 from $59.2 million in December 31, 2001 to $65.7 million. Cost of licensing increased $0.8 million to $1.0 million for the three months ended December 31, 2002, compared to $0.1 million, in the same period in the prior year. Cost of services and customer reimbursements increased 15% to $46.9 million from $40.7 million. Cost of hardware decreased 3% to $17.9 million for the three months ended December 31, 2002 from $18.3 million for the same three-month period last year.

Cost of sales increased 10% for the six months ended December 31, 2002 from $112.7 million in December 31, 2001 to $124.6 million. Cost of licensing increased $1.4 million to $1.8 million compared to $0.4 million. Cost of services and customer reimbursements increased 12% to $88.8 million from $79.1 million. Cost of hardware increased 2% to $34.0 million for the six months ended December 31, 2002 from $33.2 million for the same six months last year.

Cost of services and customer reimbursements increased for the three and six-months ended December 31, 2002, primarily due to the increase in outsourcing, ATM and debit card transactions processing and in-house support revenue. While license sales decreased, the cost of software increased due to our increased sales of third party software. Total employee related expense increased 13% and 11% or $3.1 million and $4.8 million, respectively, for the three and six-month periods ended December 31, 2002 to support the increase in support and services revenues. The increase in employee expenses includes an 11% increase in personnel headcount this year as compared to the prior year. There was also an overall increase of 14% or $1.8 million in depreciation and amortization expense for the six months ended December 31, 2002 compared to the prior year due to capital expenditures being placed in services during the prior twelve months.

Cost of hardware decreased 3% for the second quarter compared to the 10% decrease in hardware revenues due to the industry wide continued slow down in technology spending coupled with the effect of reduced incentives from hardware suppliers. The cost of hardware increased 2% for the six months ended December 31, 2002 compared to the 7% decrease in hardware revenue. In addition, the changes in revenue and cost of hardware were significantly impacted by large hardware discounts offered by vendors and passed through to the customers, which created an increase in units sold, but at reduced levels of total revenue and profit margins. These special discounts, as distinguished from dealer incentives, were offered for a limited time and we do not anticipate them to be repeated in the near term. Based on current economic conditions and vendor incentives being offered, we do not anticipate other significant changes in hardware costs and related margins in the immediate future.

GROSS PROFIT - Gross profit decreased 6% to $36.9 million or 36% of revenue compared to $39.0 million or 40% of revenue in the second quarter of 2002. Non-hardware margin was 39% for this quarter compared to 43% in the same quarter last year. Hardware margin was 26% compared to 31% in the second quarter a year ago.

Gross profit decreased 8% to $72.0 million or 37% of revenue for the six months ended December 31, 2002, compared to $78.0 million or 41% of revenue for the same period in the prior year. Non-hardware margin was 40% for the six months ended December 31, 2002 compared to 44% for the same period last year. For the first half of 2003, hardware margin was 26% compared to 32% for the same period last year.

Gross profit margins decreased due to the various reasons and observations described above.

OPERATING EXPENSES - Total operating expenses decreased 3% to $18.6 million in the three months ended December 31, 2002 compared to $19.2 million in the same period for the prior year. Selling and marketing expenses increased 10%, research and development expenses increased 12% and general and administrative expenses decreased 19% in the same three- month period.

For the six months ending December 31, 2002 and 2001, operating expenses remained the same at $36.1 million. Selling and marketing expenses increased 10%, research and development expenses increased 16% and general and administrative expenses decreased 15% for the same six-month period.

Selling and marketing expense increased 10% for the quarter and six months ended December 31, 2002, primarily due to a similar increase in personnel costs related to increased size of our sales force. Research and development increased 12% and 16% for the three and six-months ended December 31, 2002, respectively, primarily due to increases in personnel to allow for continued development of new products and improvement of existing products. General and administrative expenses decreased 19% and 15% for the quarter and six-months ended December 31, 2002, respectively, mainly due to continued efforts to control expenses by management and lower employee benefit costs this year in our self-insured health care benefits. Health care benefits included in general and administrative expense decreased $1.0 million and $1.7 million for the quarter and six-months ended December 31, 2002, compared to the same periods last year.

INTEREST INCOME (EXPENSE) - Net interest income for the three and six months ended December 31, 2002 reflects decreases of $372,000 and $979,000, respectively, when compared to the same periods last year due to lower interest rates on our cash investments and decreased borrowings.

PROVISION FOR INCOME TAXES - The provision for income taxes was $6.7 million, or 36.5% of income before income taxes for the three months ended December 31, 2002 compared with $7.3 million or 36% of income before income taxes for the same period last year. The provision for income taxes was $13.2 million, or 36.5% of income before income taxes for the six months ended December 31, 2002 compared with $15.6 million or 36% of income before income taxes for the same period last year

NET INCOME - Net income for the second quarter was $11.7 million or $.13 per diluted share compared to $13.0 million, or $.14 per diluted share in the same period last year. For the six months ended December 31, 2002, net income was $23.0 million or $.26 per diluted share compared to $27.7 million or $.30 per diluted share for the same period last year.

Business Segment Discussion

Revenues in the bank systems and services business segment increased 5% from $83.5 million to $87.8 million for the three months ended December 31, 2001 and 2002, respectively. Gross profit decreased 4% from $34.7 million in the second quarter of the previous year to $33.3 million in the current second quarter. Gross profit margin decreased 9% to 38% from 41% for the current second quarter compared to the same quarter in the previous year.

Revenues in the bank systems and services business segment increased 4% from $162.5 million to $168.5 million for the six months ended December 31, 2001 and 2002, respectively. Gross profit decreased 7% from $68.8 million for the six months ended December 31, 2001 to $64.3 million for the same period ended December 31, 2002. Gross profit margin decreased 10% to 38% from 42% for the current six months compared to the same period in the previous year.

Revenues in the credit union systems and services business segment remained flat at $14.7 million for the second quarter ended December 31, 2002 and 2001. Gross profit decreased 19% from $4.4 million in the second quarter of the previous year to $3.5 million in the current second quarter. Gross profit margin decreased in the current second quarter compared to the same quarter in the previous year from 30% to 24%. The credit union segment gross profit margin was also impacted by increases in personnel costs, customer reimbursements and reduction in hardware margins due to reduced vendor incentives.

Revenues in the credit union systems and services business segment decreased slightly by 1% to $28.0 million in the first half of fiscal 2003 from $28.2 million. Gross profit decreased 16% from $9.2 million in the first half of the previous year to $7.7 million in the current six months of fiscal 2003. Gross profit margin decreased this year as compared to the same period last year from 33% to 28%.

All gross profit margins decreased in the three and six month periods ending December 31, 2002 primarily due to a decline in licensing revenue relating to an industry wide software slowdown along with higher employee costs, higher depreciation expense and reduced vendor incentives disclosed above.

FINANCIAL CONDITION

Liquidity

The Company's cash and cash equivalents and investments increased to $31.2 million at December 31, 2002, from $18.7 million at June 30, 2002. Cash provided by operations was $69.3 million for the six months ended December 31, 2002 as compared to $49.6 million for the six months ended December 31, 2001, primarily due to collection of annual in-house support fees billed at June 30, 2002 resulting in a reduction in trade receivables of $57.5 million offset by a reduction in deferred revenues of $30.9 million. Cash used in investing activities for the six months ended December 31, 2002, of $33.5 million included capital expenditures of $26.3 million, primarily for expansion at our Monett and Birmingham offices, plus acquisitions and capitalization of software costs aggregating $6.9 million. Financing activities used cash of $23.4 million during the six months ended December 31, 2002, of which the majority was used to purchase treasury stock for $18.2 million. In addition, dividends paid during the first six-month period ended December 31, 2002, were $6.1 million.

JHA has available credit lines totaling $58.0 million at December 31, 2002.

Capital Requirements and Resources

JHA generally uses existing resources and funds generated from operations to meet its capital requirements. Capital expenditures totaling $26.3 million and $23.1 million for the six month periods ended December 31, 2002 and 2001, respectively, were made for expansion of facilities and additional equipment. These were funded from cash generated by operations. The total consolidated capital expenditures of JHA are not expected to exceed $52 million for fiscal year 2003.

On September 21, 2001, the Company's Board of Directors approved a stock buyback of the Company's common stock of up to 3.0 million shares, and approved an increase on October 4, 2002 to 6.0 million shares. Stock buybacks totaling $18.2 million and $6.7 million for the six months periods ended December 31, 2002 and 2001, respectively, were funded with cash from operations.

The Company paid a $.035 per share cash dividend on December 3, 2002 to stockholders of record on November 19, 2002, which was funded from operations. In addition, the Company's Board of Directors, subsequent to December 31, 2002, declared a quarterly cash dividend of $.035 per share on its common stock payable February 27, 2003 to stockholders of record on February 12, 2003. This dividend will be funded with cash generated from operations.

Critical Accounting Policies

The Company regularly reviews its selection and application of significant accounting policies and related financial disclosures. The application of these accounting policies requires that management make estimates and judgments. The estimates that affect the application of our most critical accounting policies and require our most significant judgments are outlined in Management's Discussion and Analysis of Financial Condition and Results of Operations - "Critical Accounting Policies" - contained in our annual report on Form 10-K for the year ended June 30, 2002.

Forward Looking Statements

The Management's Discussion and Analysis of Results of Operations and Financial Condition and other portions of this report contain forward-looking statements within the meaning of federal securities laws. Actual results are subject to risks and uncertainties, including both those specific to the Company and those specific to the industry, which could cause results to differ materially from those contemplated. The risks and uncertainties include, but are not limited to, the matters detailed at Risk Factors in its Annual Report on Form 10-K for the fiscal year ended June 30, 2002. Undue reliance should not be placed on the forward-looking statements. The Company does not undertake any obligation to publicly update any forward-look statements.

CONCLUSION

JHA's results of operations and its financial position continued to be favorable as of and for the six months ended December 31, 2002. This reflects the continuing attitude of cooperation and commitment by each employee, management's ongoing cost control efforts and commitment to deliver top quality products and services to the markets it serves.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Market risk refers to the risk that a change in the level of one or more market prices, interest rates, indices, volatilities, correlations or other market factors such as liquidity, will result in losses for a certain financial instrument or group of financial instruments. We are currently exposed to credit risk on credit extended to customers and interest risk on investments in U.S. government securities. We actively monitor these risks through a variety of controlled procedures involving senior management. We do not currently use any derivative financial instruments. Based on the controls in place, credit worthiness of the customer base and the relative size of these financial instruments, we believe the risk associated with these exposures will not have a material adverse effect on our consolidated financial position or results of operations.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Controls and Procedures

Within 90 days prior to the filing of this report, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO), an evaluation of the effectiveness of the Company's disclosure controls and procedures was performed. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures are effective to ensure that material information is recorded, processed, summarized and reported by management of the Company on a timely basis in order to comply with the Company's disclosure obligations under the Securities Exchange Act of 1934 and the SEC rules thereunder.

There have been no significant changes in our internal controls or in other factors that could significantly affect those controls subsequent to the date of their last evaluation.

PART II. OTHER INFORMATION

ITEM 5. Other Information

On December 18, 2002, the Board of Directors appointed Joseph J. Maliekel to fill the empty seventh seat on the Board. Mr. Maliekel is an outside, independent Board member. He has been employed for the last three years as Director of External Reporting for Monsanto Company in St. Louis, Missouri and prior to joining Monsanto he was a Senior Manager with Deloitte & Touche LLP. Mr. Maliekel is 42. Because of his auditing and other accounting experience, the Board has determined that Mr. Maliekel is an "audit committee financial expert" and he has been appointed as an additional member of the Audit Committee.

On January 2, 2003, pursuant to a succession plan announced by the Company on May 14, 2002, Terry Thompson retired from his position as President of the Company and Jack Prim, previously Chief Operating Officer, was appointed by the Board to be the new President. Tony Wormington, previously General Manager of Technology Services, was appointed Chief Operating Officer. Mr. Prim, age 48, has more than 25 years of industry experience. He joined the Company in 1995 and has served as General Manager of the Company's Liberty division and then as Chief Operating Officer from May 2001. He earned his BA in Business Administration from the University of North Carolina at Charlotte and his Masters in Business Administration from Queens College in Charlotte, North Carolina. He will continue to reside in Charlotte.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

99.1 Written Statement of the Chief Executive Officer dated February 14, 2003.

99.2 Written Statement of the Chief Financial Officer dated February 14, 2003.

(b) Reports on Form 8-K

On November 19, 2002, the Company filed a Form 8-K with respect to the acquisition of Credit Union Solutions, Inc.

On January 3, 2003, the Company filed a Form 8-K with respect to the acquisition of National Bancorp Data Services, LLC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report on Form 10-Q to be signed on behalf of the undersigned thereunto duly authorized.

JACK HENRY & ASSOCIATES, INC.

Date: February 14, 2003

/s/ Michael E. Henry

Michael E. Henry
Chairman of the Board
Chief Executive Officer

Date: February 14, 2003

/s/ Kevin D. Williams

Kevin D. Williams
Treasurer and Chief Financial Officer

CERTIFICATION

I, Michael E. Henry, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Jack Henry & Associates, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 14, 2003

/s/ Michael E. Henry

Michael E. Henry
Chief Executive Officer

CERTIFICATION

I, Kevin D. Williams, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Jack Henry & Associates, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 14, 2003

/s/ Kevin D. Williams

Kevin D. Williams
Chief Financial Officer

EXHIBIT 99.1

Written Statement of the Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350

Solely for the purposes of complying with 18 U.S.C. Section 1350, I, the undersigned Chief Executive Officer of Jack Henry & Associates, Inc. (the "Company"), hereby certify that the Quarterly Report on Form 10-Q of the Company for the quarter ended December 31, 2002 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 14, 2003

/s/ Michel E. Henry

Michael E. Henry
Chief Executive Officer

EXHIBIT 99.2

Written Statement of the Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350

Solely for the purposes of complying with 18 U.S.C. Section 1350, I, the undersigned Chief Financial Officer of Jack Henry & Associates, Inc. (the "Company"), hereby certify that the Quarterly Report on Form 10-Q of the Company for the quarter ended December 31, 2002 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 14, 2003

/s/ Kevin D. Williams

Kevin D. Williams
Chief Financial Officer