

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 June 30, 2005

OR

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

For the transition period from _____ to _____

Commission Number 0-14112

JACK HENRY AND ASSOCIATES, INC.

(Exact name of registrant as specified in its charter)

Delaware

43-1128385

(State or Other Jurisdiction of
Incorporation or Organization)

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

663 Highway 60, P.O. Box 807, Monett, MO 65708

(Address of Principal Executive Offices)

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

Securities registered pursuant to Section 12(b) of the Act: None

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

Common Stock (\$0.01 par value)

(Title of Class)

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 is an accelerated filer (as defined in Exchange Act Rule 12b-2) Yes No

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

As of August 17, 2005, the Registrant had 91,620,750 shares of Common Stock outstanding (\$0.01 par value). On that date, the aggregate market value of the Common Stock held by persons other than those who may be deemed affiliates of Registrant was \$1,480,344,116 (based on the average of the reported high and low sales prices on NASDAQ on such date).

DOCUMENTS INCORPORATED BY REFERENCE

Certain sections of the Company's Notice of Annual Meeting of Stockholders and Proxy Statement for its 2005 Annual Meeting of Stockholders (the "Proxy Statement"), as described in the footnotes to the Table of Contents below, are incorporated by reference into Part II, Item 5 and into Part III of this Report.

TABLE OF CONTENTS

	Page Reference
PART I	
ITEM 1. BUSINESS	3
ITEM 2. PROPERTIES	17
ITEM 3. LEGAL PROCEEDINGS	17
ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	17
PART II	
ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES (1)	18
ITEM 6. SELECTED FINANCIAL DATA	19
ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	20
ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	31
ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	32
ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	58
ITEM 9A. CONTROLS AND PROCEDURES	58
ITEM 9B. OTHER INFORMATION	58
PART III	
ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT (2)	59
ITEM 11. EXECUTIVE COMPENSATION (3)	59
ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS (4)	59
ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS (5)	59
ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES (6)	59
PART IV	
ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES	59

- (1) Proxy Statement section entitled "Equity Compensation Plan Information"
- (2) Proxy Statement sections entitled "Election of Directors", "Corporate Governance," "Audit Committee Report," "Executive Officers and Significant Employees," and "Section 16(a) Beneficial Ownership Reporting Compliance."
- (3) Proxy Statement sections entitled "Executive Compensation", "Compensation Committee Report", and "Company Performance."
- (4) Proxy Statement sections entitled "Stock Ownership of Certain Stockholders," "Election of Directors," and "Equity Compensation Plan Information."
- (5) Proxy Statement section entitled "Certain Relationships and Related Transactions."
- (6) Proxy Statement sections entitled "Audit Committee Report" and "Independent Registered Public Accounting Firm - Audit and Non-Audit Fees."

PART I

Item 1. Business

Jack Henry & Associates, Inc. ("JHA" or the "Company") is a leading provider of integrated computer systems providing data processing and management information to banks, credit unions, other financial and non-financial institutions in the United States. The Company was formed in 1976 and made its initial public offering in 1985. Since formation, JHA has grown by developing highly specialized products and services for its financial institution customers, acquiring organizations that complement and add to the infrastructure of the Company, retaining satisfied customers and adding new customers.

We offer a complete, integrated suite of data processing system solutions to improve our customers' management of their entire back-office and customer/member interaction processes. We believe our solutions enable our financial institution customers to provide better service to their customers and compete more effectively against other banks, credit unions, and alternative financial institutions. Our customers either install and use our systems in-house or outsource these operations to us. We perform data conversion and hardware and software installation for the implementation of our systems and integrated applications. We also provide continuing customer support services to ensure proper product performance and reliability, which provides us with continuing client relationships and recurring revenue. For our customers who prefer not to acquire hardware and software, we provide outsourcing services through 6 data centers and 22 item-processing centers located across the United States.

Our gross revenue has grown from \$366.9 million in fiscal 2001 to \$535.9 million in fiscal 2005, representing a compound annual growth rate over this five-year period of 17%. Net income from continuing operations has grown from \$55.6 million in fiscal 2001 to \$75.5 million in fiscal 2005, also a compound annual growth rate of 17%.

Industry Background

According to the Automation in Banking 2005 report, United States financial institutions, including commercial banks, thrifts and credit unions, increased spending on hardware, software, services and telecommunications to \$45.9 billion in calendar 2004 from \$38.3 billion in calendar 2000, representing a compound annual growth rate of 5%. There was an increase in industry spending of 8% from December 31, 2003 to December 31, 2004.

The Federal Deposit Insurance Corporation ("FDIC") reported there were approximately 9,000 commercial and savings banks in the United States as of December 31, 2004. Our bank systems and services segment, which represented approximately 80% of our total revenues in fiscal 2005, is primarily commercial banks with less than \$30.0 billion in assets, of which there were approximately 8,900 at December 31, 2004. Consolidation within the banking and savings services industry has resulted in a 3% compound annual decline in the population of commercial banks from calendar years 2000 to 2004. Even with the decline in the population, aggregate assets of these banks increased at an annual compound rate of 8% between calendar year 2000 and 2004. Comparing calendar year 2004 to 2003, new bank charters increased 8% and mergers increased 17%.

Our other market segment is credit union systems and services within the United States. The National Credit Union Association reported there were approximately 9,200 credit unions in the United States as of December 31, 2004. This segment represented approximately 20% of our total revenues in fiscal 2005. These are primarily cooperative, not-for-profit financial institutions organized to promote savings and provide credit and services to their members. Although the number of these credit unions has declined at a 3% compound annual rate between calendar year 2000 and 2004, their aggregate assets have increased at a compound annual growth rate of 10% to \$661.8 billion at December 31, 2004.

Commercial banks and credit unions play an important role in the geographic and demographic communities and with the customers they serve. Typically, customers and members of these financial institutions rely on them because of their ability to provide personalized, relationship-based services while focusing on retail, commercial and business needs. We believe these core strengths will allow our financial institution customers to effectively compete with other banks, credit unions and alternative financial institutions. In order to succeed and to maintain strong customer relationships, we believe these banks and credit unions must:

- * focus on excellence in delivery to customers/members of their primary products and service offerings;
- * sell more products and services to existing customers through utilization of customer relationship management ("CRM") products;

- * deploy products and services that enable customers to conduct their banking transactions through the channel of their choice, such as internet banking and bill payment, electronic account statements, interactive voice response systems and ATM delivery channels;
- * capitalize on deposit growth opportunities through technological solutions that allow for remote deposit capture at the merchant's place of business;
- * manage by using products and services that deliver business intelligence assimilated and analyzed on an automated basis;
- * implement advanced technologies and services, such as enhanced security protection, imaging for all transactions and platform automation;
- * use advanced technologies in back-office processes to improve operating efficiency and control costs, while increasing service and lowering costs to their customers;
- * introduce new revenue generating products and services complementing traditional banking services, such as insurance products; and
- * manage risks by implementing technology that monitors and tracks transactions for fraud and criminal behavior.

According to Automation in Banking 2005 and Callahan & Associates 2004 in calendar 2004 approximately 56% of all commercial banks and 75% of all credit unions utilized in-house hardware and software systems to perform all of their core systems and data processing functions. Off-site data processing centers provided system services on an outsourced basis for 44% of all banks and 25% of all credit unions. For a number of years, we have been expanding our outsourcing services and capacity to include all of our core solution products.

Internet banking, on-line bill payment, and other services for individuals, plus cash management, Automated Clearing House ("ACH") management and other services for the commercial customers of financial institutions continue to grow rapidly within the industry. Callahan and Associates' 2005 Credit Union Technology Survey reported 91% of credit union respondents now offer internet home banking and 87% offer on-line bill pay. In the banking industry Grant Thornton's Twelfth Annual Survey of Bank Executives reports that 7 in 10 bankers promoted internet banking and bill payment to retain deposits in 2004 and 6 in 10 report plans to emphasize these services in 2005.

According to Callahan & Associates 2004 Credit Union Technology Survey released in April 2005 95% of the respondents stated multi-factor authentication or biometrics technology was a spending priority in 2005, while 63% of respondents indicated new full service ATM deployment was necessary in 2005.

Our Solution

We are a single-source provider of a comprehensive and flexible suite of integrated products and services that address the information and security technology, and data processing needs of financial institutions on various hardware platforms and operating systems. Our business derives revenues from three primary sources of revenue:

- * software licenses;
- * support and service fees which include implementation services; and
- * hardware sales, which includes all non-software remarketed products.

We develop software applications designed primarily for use on hardware supporting IBM and UNIX/NT operating systems. Our marketed product and service offerings are centered on five proprietary software applications, each comprising the core data processing and information management functions of a commercial bank or credit union. Any of these core systems can be utilized either through an in-house or outsourced delivery method depending on the financial institution's management style and philosophy. Key functions of each of our core software applications include deposits, loans, general ledger, and customer information file. Our software applications make extensive use of parameters allowing our customers to tailor the software to their needs without needing to customize or program the software. Our software applications are designed to provide maximum flexibility in meeting our customer data processing requirements within a single, integrated system. To complement our core software applications, we provide approximately 100 integrated complementary products and services for use on an in-house or an outsourced basis by financial institutions.

The financial services industry today is highly competitive, with new

entrants competing for market share of traditional banking services, including the formation of banking affiliates by insurance companies, brokerage firms and even retailers. We believe our integrated solutions provide our customers with tools and strategies to increase revenues, contain costs, and deliver premium customer services. Specifically our integrated products and services enable them to:

- * Implement Advanced Technologies with Full Functionality. Our comprehensive suite of products and services is designed to meet our customers' information technology needs through custom-tailored solutions using proprietary software products. Our clients can either perform these functions themselves on an in-house basis through the implementation of our software systems or outsource those functions to us.
- * Rapidly Deploy New Products and Services. Once a financial institution has implemented our core software, either in-house or on an outsourced basis, we can quickly and efficiently implement additional applications and functions. This allows our customers to rapidly deploy new products and services for their clients and members while generating new revenue streams. We offer state-of-the-art solutions with the latest technology which allows financial institutions to concentrate on critical business processes while attending to the needs of their customers. Our products include a full suite of ATM management products, a suite of fraud detection and prevention products, a suite of document and check image products, ACH and remote merchant capture and electronic clearing services and a fingerprint authentication solution utilizing biometric security.
- * Integrate with Other Solutions. Our open system architecture "jXchange" will allow for easier integration between products, whether it is a JHA product or an application from another vendor, to allow the customer to best meet their particular needs.
- * Focus on Customer Relationships. Our products and services allow our customers to stay focused on their primary business of gaining, maintaining and expanding their customer relationships while providing the latest technology in financial products and services.
- * Access Outsourcing Solutions to Improve Operating Efficiency. Customers utilizing our outsourcing solutions benefit from access to all of our products and services without having to maintain personnel to update and run these systems and without having to make large up-front capital expenditures to implement these advanced technologies.
- * Solve Complex Business Operating Needs. Our customers' businesses have become more complex and carry added regulatory and reporting burdens unique to financial institutions. Customers using our unique products specifically developed to satisfy niche, complex business issues can contain costs, and have increased levels of accuracy and provide assurance that the customer is in compliance with regulatory requirements.
- * Manage Risk. We offer a range of solutions that help our customers manage operational risks, including disaster recovery services, biometric security, and software designed to detect and react to fraudulent transactions.

Our Strategy

Our objective is to grow our revenue and earnings organically, supplemented by strategic acquisitions. The key components of our business strategy are to:

- * Provide High Quality, Value-Added Products and Services to Our Clients. We compete on the basis of providing our customers with the highest-value products and services in the market. We believe we have achieved a reputation as a premium product and service provider.
- * Continue to Expand Our Product and Service Offerings. We continually upgrade our core software applications and expand our complementary product and service offerings to respond to technological advances and the changing requirements of our clients. For example, we offer several turn-key solutions that enable financial institutions to rapidly deploy sophisticated and state-of-the-art new products and services. Our integrated solutions enable our customers to offer competitive services relative to larger banks and alternative financial institutions. We intend to continue to expand Internet solutions, security solutions, exception management reporting, document management solutions and other products and services.

- * Expand Our Existing Customer Relationships. We seek to increase the information technology and security products and services we provide to those customers that do not utilize our full range of products and services. In this way, we are able to increase revenues from current customers with minimal additional sales and marketing expenses.
- * Extend Our Markets. We now market and sell products and services to virtually any financial institution regardless of what core processing solution is utilized, effectively extending our targeted market for selected complementary products to over 16,000 additional financial institutions in the United States, as well as additional vertical industries.
- * Adopt Open Integration Standards. We are increasing our utilization of more open integration standards through Service Oriented Architecture and Web Services through our jXchange integration tools enabling increased interoperability between our products and services and those of third parties.
- * Expand Our Customer Base. We seek to establish long-term relationships with new customers through our sales and marketing efforts and selected acquisitions. As of June 30, 2005, we have over 6,900 customers, an increase of 142% from fiscal 2000 with 2,850 customers.
- * Build Recurring Revenue. We enter into contracts with customers to provide services that meet their ongoing information technology needs. We provide ongoing software support for our in-house customers. Additionally, we provide data processing for our outsourcing customers and ATM and debit card transaction switching services, both on contracts that typically extend for periods of five to ten years.
- * Maximize Economies of Scale. We strive to develop and maintain a sufficiently large client base to create economies of scale, enabling us to provide value-priced products and services to our clients while expanding our operating margins.
- * Attract and Retain Capable Employees. We believe attracting and retaining high-quality employees is essential to our continued growth and success. Our corporate culture focuses on the needs of employees; a strategy which has contributed to low employee turnover.

Our Acquisitions

To complement and accelerate our internal growth, we selectively acquire companies that provide us with one or more of the following:

- * products and services to complement our existing offerings;
- * new customers;
- * entry into new markets within financial services as well as other vertical markets; and/or.
- * additional outsourcing capabilities.

When evaluating acquisition opportunities, we focus on companies with highly demanded products and services, a strong employee base and management team and excellent customer relationships. Since the start of fiscal 2002, we have completed the following acquisitions:

Fiscal Year	Company or Product Name	Products and Services
2005	Tangent Analytics	Business Intelligence Solutions
2005	Stratika	Profitability Solutions
2005	Synergy, Inc.	Document Imaging
2005	TWS, Inc.	ATM Image/ Item Processing
2005	Optinfo, Inc.	Enterprise Exception Management
2005	Verinex Technologies	Biometric Security Solutions
2005	Select Payment Processing	Payment Processing Solutions
2005	Banc Insurance Services	Insurance Agency Outsourcing
2004	Call Report Analyzer, Y9	Regulatory Reporting
2004	e-ClassicSystems, Inc.	Software products to manage ATM networks
2004	PowerPay.ach, .rck, and .arc	Suite of Automated Clearing House products
2004	Yellow Hammer Software, Inc.	Fraud Protection for financial institutions
2003	National Bancorp Data Services, LLC	Item Processing services
2003	Credit Union Solutions, Inc.	Data processing systems and services for smaller credit unions

2002	Transcend Systems Group	Customer Relationship Management software and related services
2002	System Legacy Solutions	Image data conversion systems

Our Products and Services

Changing technologies, business practices and financial products have resulted in issues of compatibility, scalability and increased complexity for the hardware and software used in many financial institutions. We have responded to these issues by developing a fully integrated suite of products and services consisting of core software systems, hardware, and complementary products and services.

We provide our full range of products and services to financial institutions on either an in-house or outsourced basis. For those customers who prefer to purchase systems for their in-house facilities, we contract to sell computer hardware with the licenses for core and complementary software. We also contract to provide installation, data conversion, training and ongoing support, and other services along with other services to assist customers in management of operation efficiencies.

We also offer our full suite of software products and services on an outsourced basis to customers who do not wish to maintain, update, and run these systems or to make large up-front capital expenditures to implement these advanced technologies. Our principal outsourcing service is the delivery of mission-critical data processing services using our data centers located within the United States. We provide our outsourcing services through an extensive national data and service center network, comprised of 6 data centers and 22 item-processing centers. We monitor and maintain our network on a seven-day, 24-hour basis. Customers typically pay monthly fees on service contracts of up to 5 years for these services.

While it is our goal to provide the full suite of solutions a financial institution may require, we recognize the reality that a number of our clients will wish to deploy some technology solutions provided by other companies. Accordingly, we are deploying enhanced integration capabilities with third party solutions. This is particularly important as we continue to expand our presence in the mid-tier banking space, defined as banks ranging from \$1 to \$30 billion in assets.

Information regarding the classification of our business into separate segments serving the banking and credit union industries is set forth in Note 13 to the Consolidated Financial Statements (see item 8 below).

Hardware Systems

Our software operates on a variety of hardware systems. We have entered into remarketing agreements with IBM Corporation, Avnet, Inc. and other hardware providers which allow us to purchase hardware at a discount and sell (remarket) it to our customers. We currently sell the IBM eServer systems (iSeries, pSeries and xSeries); IBM workstations; Dell servers and workstations; NCR, BancTec and Unisys check transports; and a variety of other devices that complement our software solutions.

We have a long-term strategic relationship with IBM, dating to the initial design of our first core software applications 29 years ago. In addition to our remarketing agreement with IBM, which we regularly renew, we have been named a "Premier Business Partner" of IBM for the last thirteen consecutive years. Our relationship with IBM provides us with a substantial and ongoing source of revenue.

Biometrics is the latest technology in security for financial and non-financial institutions. We offer a fingerprint scanner along with flexible, state-of-the-art software components which provide the framework for the complete suite of applications.

In continuing our belief of being a 'complete solution', we also offer a full line of financial institution forms required for day-to-day operations, year-end tax forms, plus office and operating supplies for their equipment.

Core Software Applications

Each of our core software systems consists of several fully-integrated application modules, such as deposits, loans, general ledger, and the customer information file, which is a centralized file containing customer data for all applications. We can custom-tailor these modules utilizing parameters determined by our customers. The applications can be connected to a wide variety of peripheral hardware devices used in financial institutions' operations. Our software is designed to provide maximum flexibility in meeting our customers' data processing requirements within a single system to minimize data entry and improve operational efficiencies.

For a customer who chooses to acquire in-house capabilities, we generally license our core system under a standard license agreement, which provides the customer with a fully paid, nonexclusive, nontransferable right to use

the software on a single computer and at a single location. The same core software system can be delivered on an outsourced basis as well.

Our core software applications are differentiated broadly by customer size, scalability, functionality, customer competitive environment and, to a lesser extent, cost. Our core applications include:

Bank Systems and Services Segment

- * Silverlake System[R] operates on the IBM iSeries processing platform and is used primarily by banks with total assets ranging from \$500 million to \$30.0 billion;
- * CIF 20/20[R] operates on the IBM iSeries processing platform and is primarily used by and targeted to banks ranging from de novo up to \$1.0 billion in assets;
- * Core Director[R] operates on the Windows Server-based platform employing client/server technology and is primarily used by and targeted to banks ranging from de novo up to \$1.0 billion in assets.

Credit Union Systems and Services Segment

- * Episys[R] operates on the IBM pSeries processing platform with a UNIX/NT operating system and is used primarily by credit unions with total assets greater than \$50.0 million. According to Callahan and Associates 2005 Credit Union Directory, our Episys[R] core product is the most widely installed data processing solution among credit unions with assets exceeding \$25 million in the United States.
- * Cruise[R] operates on the IBM xSeries platform, utilizing Microsoft SQL Server with a 100% Windows[R] interface, allowing all data available with 'point and click' simplicity. Cruise is used primarily by credit unions with total assets under \$50.0 million.

Complementary Products and Services

In years past our strategy has been focused on two fronts; acquiring new core banking and credit union clients, and selling additional complementary products and services to those banks and credit unions that were using our core solutions. We did not generally offer our complementary products and services to banks or credit unions that were not using one of our core processing solutions. With our acquisitions in recent years, we are now marketing and selling selected complementary products and solutions to banks and credit unions regardless of which core processing solutions the financial institutions are using. Thus, in today's environment we now have essentially two categories of complementary products: 1) those that we offer only to those banks or credit unions that use one of our core processing solutions, and 2) those that we offer to any financial institution regardless of core provider, which are primarily those products and services we acquired in 2004 and 2005.

We offer the banks and credit unions using Jack Henry core processing systems approximately 100 complementary products or services. These products have been developed and designed to assist banks and credit unions accomplish specific business strategies. Our complementary products are categorized into product families by particular business strategy needs. The product families and a sample of some of the solutions offered within each family are as follows:

Business Intelligence

- * Synapsys[R] is an enterprise-wide relationship management solution for both retail and commercial customers that integrates sales management, customer profiling, automated sales tracking, profitability assessment, lead generation, and referral tracking capabilities.
- * ARGOKeys[R] is the ARGO/JHA joint solution for our Silverlake customers that provides branch sales and automation solutions, including a deposit platform, a lending platform with an advanced automated decision module, and a complete CRM solution, all of which are fully integrated with our core and teller systems.
- * Stratika RPM[TM] is a Relationship Profitability Manager that provides enterprise profitability solutions for banks and credit unions. RPM provides detailed profitability measurement systems for customized product, account, customer, relationship, branch, regional, and organizational profitability measurements.
- * Intelligence Warehouse / Intelligence Manager is a business intelligence and analytics solution for our Silverlake customers designed to capture data from any number of sources and store all

data in one data warehouse. This Intelligence Warehouse then serves as the foundation for developing business insights, to report on user defined performance and event driven metrics. These insights are delivered to the Intelligence Manager desktop in the form of user defined interactive "dashboards" to give users an "at a glance" view of activities and performance measurements within their financial institution.

- * Business Analytics[™] is a Web-based business intelligence framework which integrates enterprise-wide systems to pull information together from many sources and put it into a usable format for strategic decision reporting through the use of a dashboard.
- * eEMS[™] is an enterprise risk management solution consisting of four integrated modules. nBalance[R] is a real-time, rules-based data reconciliation module. Exception Manager automates the research and resolution of data discrepancies. Case Manager automates the workflow to resolve and repair exceptions. Our Risk and Control Console provides an analytic tool to deliver business intelligence about operational risk.

Retail Delivery

- * InTouch Voice Response[™] is a fully-automated interactive voice response system for 24-hour telephone-based customer account management.
- * OnTarget[™] is an integrated deposit platform, lending platform, and teller solution for our Core Director and Banker II customers through a partnering alliance with ARGO.
- * Streamline Platform Automation[R] is an automated new account origination and documentation preparation solution that integrates new customer data, including signature cards, disclosure statements, and loan applications into the core customer data files on a real-time basis for our iSeries customers.
- * Vertex Teller Automation System[™] is an online teller automation system that enables tellers to process transactions more efficiently and with greater accuracy.
- * Banc Insurance Services[™] provides a complete outsourced insurance agency custom-branded for a financial institution.

Business Banking

- * NetTeller[R] Cash Management solution offers commercial banking customers flexibility and online access to their accounts with ACH, wire transfer, reporting and account management capabilities.
- * Mutual Fund Sweep is a deposit management solution that enables banks to transfer commercial customers' excess deposits into interest bearing overnight mutual fund investments.
- * Remote Deposit Capture is a web-based image capture, storage and processing solution which enables corporations and merchants to electronically convert paper checks of all types into ACH and/or Check 21 items.
- * Accounts Receivable Check Conversion ("ARC") is a web-enabled service that allows a business to electronically convert paper checks they receive in the mail, lockbox or in a drop box into ACH items.
- * Point of Purchase Check Conversion ("POP") is a web-enabled software solution that allows a business to electronically convert paper checks received in-person into ACH items.
- * Represented Check ("RCK") is web-enabled software that allows a financial institution to electronically re-present paper checks that have been returned to their commercial customers for insufficient funds.
- * Internet Checks ("WEB") is web-enabled software that allows a business to accept paper checks on their Internet website and electronically convert the payments into ACH items.
- * Telephone Checks ("TEL") is web-enabled software that allows a business to accept paper checks over the telephone and electronically convert the payments into ACH items.
- * Preauthorized Payment and Deposit ("PPD") is web-enabled software that allows a business to process recurring check payments as ACH items.

- * Cash Concentration or Disbursement ("CCD") is web-enabled software that allows a business to collect and distribute business to business payments as ACH items.

Internet Banking

- * NetTeller[R] Online Banking[TM] is an Internet-based home banking system that provides secure, real-time account information and transaction capabilities for individual commercial customers.
- * NetTeller[R] MemberConnect Web[TM] is an Internet-based home banking system that provides secure, real-time account information and transaction capabilities for credit union members.
- * NetTeller[R] Bill Pay[TM] is an on-line bill pay solution for financial institutions which allows their customers to make payments to any payee in North America.
- * DirectLine OFX allows NetTeller[R] customers to offer a direct connect service utilizing personal financial management tools for their customers.
- * eStatements is a suite of products which include an electronic document generation and delivery system for statements and notices to both bank and credit union customers.

Electronic Funds Transfer

- * ATM Manager Pro[R] is a suite of software modules that provides reporting and operational analysis tools to ATM owners.
- * PassPort.atm[TM] can drive and monitor all types of lease lines and dial-up ATM's, along with the switch processing services connecting financial institutions to regional and national networks.
- * PassPort.dc[TM] allows financial institutions to issue, support, and manage signature based Visa[R] Check or MasterMoney[TM] debit cards worldwide.
- * PassPort.pro[TM] provides for online authorization, driving and monitoring of a financial institution's own network of up to hundreds of ATMs.
- * ImageCenter ATM[TM] is software that automates ATM deposits with image capture and processing, courier tracking and monitoring, fraud detection and prevention, and balancing.

Asset Management and Protection

- * BiIdentify[R] is a biometric fingerprint security solution that uses physical biometrics which are unique to every individual. The system provides wizard-based registration, single-touch identification, plus event logging for auditing and regulatory compliance.
- * Centurion Disaster Recovery[R] provides multi-tiered disaster recovery protection, including comprehensive disaster planning and procedures.
- * Fraud Detective[TM] is a suite of software modules that enables banks and credit unions to detect and react to suspicious transaction-based fraud. The system also alerts financial institutions of other fraudulent activity, such as money laundering and kiting.
- * Call Report Analyzer[TM] is Windows-based software designed to allow banks to accurately and efficiently file regulatory reports required by the FDIC.
- * Y-9 Report Analyzer[TM] allows banks to electronically file other regulatory reports ("Y-9C, Y-9LP, Y-11S, or Y-9SP")
- * TimeTrack Payroll System[TM] is an integrated payroll accounting and human resources software system.
- * Demand Account Reclassification calculates appropriate reserve requirements based upon reclassification opportunities of deposited funds.

Item and Document Imaging

- * 4|sight[TM] item image solution is our new generation of imaging products, which allows our customers to create and store digital check images for inclusion in monthly statements, and facilitate their customer support services.

- * ImageCenter Check[™] is a turnkey image-based item processing platform designed for the unique requirements of credit unions.
- * SuperIMAGE[R] is a check image system that provides enhanced integration, automation, and dependability in item imaging for high-volume environments.
- * Synergy Intelligent Document Imaging[™] is a suite of product modules for companies of all sizes for intelligent document imaging by capturing, archiving and retrieval of paper based and electronic documents.
- * Check 21 solutions are a series of products enabling banks and credit unions to capture, package and send electronic check image cash letters for clearing transit items instead of sending cash letters of the actual physical checks for clearing.
- * TWS ATM Deposit Management/Image Capture[™] enables is software designed to capture images of deposited items at the ATM and route the images to the processing center for image clearing.

Professional Services and Education

- * FormSmart[R] provides day-to-day financial institution operating forms, year-end tax forms and other printing and office supplies.
- * Intellix[™] is a consulting service specifically for our bank system and services segment. This service assists customers to fully utilize their core software products by developing workflow processes and re-engineering processes to capitalize on the capabilities provided within our core software.
- * Know-It-All Education[™] offers multiple educational classes on our products and services through various formats, including self-paced electronic modules, internet classes with instructors, on-site training, and classes at numerous Jack Henry facilities.
- * Matrix Network Services[R] provides network design, implementation, security and related consulting services to financial institutions.

Implementation and Training

Although not a requirement, the majority of our customers contract separately with us for implementation and training services in connection with their purchase of in-house systems. The complete implementation process of a core system typically includes planning, design, data conversion, and testing. At the culmination of this process, one of our implementation teams travels to our customer's facilities to ensure the smooth transfer of data to the new system. Separate charges for implementation fees are billed to our customers on either a fixed fee or hourly charge model depending on the system. Implementation and training services are also required in connection with new outsourcing customers, and are billed separately at the time of installation.

Both in connection with implementation of new systems and on an ongoing basis, we provide extensive training services and programs related to our products and services. Training is provided in our regional training centers, at meetings and conferences, onsite at our customers' locations, or online with JHA Webex. Training can be customized to meet our customers' requirements. The large majority of our customers acquire training services from us, both to improve their employees' proficiency and productivity and to make full use of the complete functionality of our systems. Generally, training services are paid for on an hourly basis or as an annual subscription, representing blocks of training time that can be used by our customers in a flexible fashion.

Support and Services

Following the implementation of our integrated software at a customer site, we provide ongoing software support services to assist our customers in operating the systems. We also offer support services for hardware systems, primarily through our hardware suppliers, providing customers who have contracted for this service with "one-call" system support covering hardware and software applications.

Support is provided through a 24-hour telephone service available to our customers seven days a week. Our experienced support staff can resolve most questions and problems quickly. For more complicated issues, our staff, with our customers' permission and assistance, can log on to our customers' systems remotely. We maintain our customers' software largely through releases which contain enhancements and additional features and functionality. Updates are issued also when required by changes in applicable laws and regulations. We provide support services on all of our core systems as well as our complementary software products regardless of

whether it is delivered in-house or outsourced.

In 2005, we introduced expanded company-wide support tools and capabilities through a suite of customer relationship management products from PeopleSoft which we refer to internally as jSource. jSource provides the ability for customers to utilize the internet to initiate support services, request customization and to track the status of any customer initiated projects online. The system is designed to provide us with comprehensive views of our customers and the ability to view events, sales activity or service-related issues that may transpire with each customer. jSource was initially rolled out for customer service and will be expanded into the sales and marketing aspects of our business throughout the next 12 to 18 months.

Nearly all of our in-house customers contract for annual support services from us. These services are a significant source of recurring revenue, and are contracted for on an annual basis and are typically priced at approximately 18 to 20% of the particular software product's license fee. These fees generally increase as our customers' asset base increases and as they increase the level of functionality of their system by purchasing additional complementary products. Software support fees are generally billed at June 30 and are paid in advance for the entire fiscal year, with pro-ration for new contracts that start during the year at the time of final conversion. Hardware support fees are also paid in advance for the entire contract period that ranges from one to five years. Most contracts automatically renew annually unless our customer or we give notice of termination at least 60 days prior to expiration. Identical support is provided to our outsourced customers by the same support personnel, but is included as part of their overall monthly fees and therefore not billed separately.

Research and Development

We devote significant effort and expense to develop new software, service products and continually upgrade and enhance our existing offerings. Typically, we upgrade our core software applications and complementary services once per year. We believe our research and development efforts are highly efficient because of the extensive experience of our research and development staff and because our product development is highly customer-driven. Through our regular contact with customers through formalized product Focus Groups, Change Control Boards, structured strategic meetings, at annual user group meetings, sales contacts and our ongoing maintenance services, our customers inform us of the new products and functionalities they desire. Research and development expenses for fiscal 2005, 2004, and 2003 were \$27.7 million, \$23.7 million, and \$15.9 million, respectively.

Sales and Marketing

Our primary markets consist of commercial banks and credit unions with some products being utilized in other verticals and sold through our sales staff or channel partners.

Dedicated sales forces, inside sales teams, and technical sales support teams conduct our sales efforts for our two market segments, and are overseen by regional sales managers. Our dedicated sales executives are responsible for sales activities focused on acquiring new core customers. Our account executives nurture long-term relationships with our client base and cross sell our many complementary products and services. Our inside sales force markets specific complementary products and services to our existing customers. We also have a dedicated sales force responsible for new customers for our acquired businesses targeted outside our core customer base. All sales force personnel have responsibility for a specific territory. The sales support teams write business proposals and contracts and prepare responses to request-for-proposals regarding our software and hardware solutions. All of our sales professionals receive a base salary and performance-based commission compensation.

Our marketing efforts consist of sponsorship and attendance at trade shows, e-mail newsletters, print media advertisement placements, telemarketing, and national and regional marketing campaigns. We also conduct a number of national user group meetings each year, which enable us to keep in close contact with our customers and demonstrate new products and services to them.

We continue to sell and support selected products and solutions in the Caribbean, and now have installations in Europe and South America as a result of our recent acquisitions. Our international sales have accounted for less than 1% of our total revenues in each of the three years ended June 30, 2005, 2004, and 2003.

Backlog

Our backlog consists of contracted in-house products and services (prior to delivery) and the remaining portion of outsourcing contracts, which are typically for five-year periods, and approximately represents the minimum guaranteed payments over the remainder of the contract period. Our backlog at June 30, 2005 was \$64.0 million for in-house products and services and

\$135.1 million for outsourcing services, with a total backlog of \$199.1 million. Of the \$135.1 million amount of the backlog for outsourcing service at June 30, 2005, approximately \$98.0 million is not expected to be realized in our current fiscal year due to the long-term nature of many of our outsourcing service contracts. Backlog at June 30, 2004 was \$67.2 million for in-house products and services and \$124.1 million for outsourcing services, with a total backlog of \$191.3 million. Our in-house backlog is subject to seasonal variations and can fluctuate quarterly. Our outsourcing backlog continues to experience solid growth with new contracting activity and as we recognize revenue throughout the coming fiscal year, the backlog is expected to remain constant due to the revenue surpassing the new contracting activity.

Competition

The market for companies providing technology solutions to financial institutions is competitive and fragmented, and we expect continued strong competition from both existing competitors and companies entering our existing or future markets. Some of our current competitors have longer operating histories, larger customer bases, and greater financial resources. The principal competitive factors affecting the market for our services include comprehensiveness of the applications, features and functionality, flexibility and ease of use, customer support, references from existing customers and price. We compete with large vendors that offer transaction processing products and services to financial institutions, including Fidelity National Financial Inc., Fiserv, Inc., and Metavante. In addition, we compete with a number of providers that offer one or more specialized products or services. There has been significant consolidation among providers of information technology products and services to financial institutions, and we believe this consolidation will continue in the future.

Intellectual Property, Patents, and Trademarks

Although we believe that our success depends upon our technical expertise more than on our proprietary rights, our future success and ability to compete depends in part upon our proprietary technology. We have registered or filed applications for our primary trademarks. Most of our technology is not patented. Instead, we rely on a combination of contractual rights and copyrights, trademarks and trade secrets to establish and protect our proprietary technology. We generally enter into confidentiality agreements with our employees, consultants, resellers, customers, and potential customers. We restrict access to and distribution of our source code and further limit the disclosure and use of other proprietary information. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain or use our products or technology. We cannot be certain that the steps taken by us in this regard will be adequate to prevent misappropriation of our technology, or that our competitors will not independently develop technologies that are substantially equivalent or superior to our technology.

Government Regulation

The financial services industry is subject to extensive and complex federal and state regulation. Our current and prospective customers, which consist of financial institutions such as community/regional banks and credit unions, operate in markets that are subject to substantial regulatory oversight and supervision. We must ensure our products and services work within the extensive and evolving regulatory requirements applicable to our customers, including but not limited to those under the federal truth-in-lending and truth-in-savings rules, the Privacy of Consumer Financial Information regulations, usury laws, the Equal Credit Opportunity Act, the Fair Housing Act, the Electronic Funds Transfer Act, the Fair Credit Reporting Act, the Bank Secrecy Act, the USA Patriot Act, the Gramm-Leach-Bliley Act, and the Community Reinvestment Act. The compliance of our products and services with these requirements depends on a variety of factors including the particular functionality, the interactive design and the classification of customers. Our customers must assess and determine what is required of them under these regulations and they contract with us to ensure that our products and services conform to their regulatory needs. It is not possible to predict the impact any of these regulations could have on our business in the future.

We are not chartered by the Office of the Comptroller of Currency, the Board of Governors of the Federal Reserve System, the National Credit Union Administration or other federal or state agencies that regulate or supervise depository institutions. The services provided by our OutLink Data Centers are subject to examination by the Federal Financial Institution Examination Council regulators under the Bank Service Company Act. On occasion these services are also subject to examination by state banking authorities.

We provide outsourced data and item processing through our geographically dispersed OutLink Data Centers, electronic transaction processing through PassPort ATM and Select Payment, Internet banking through NetTeller, Internet Teller and MemberConnect online banking, and bank business recovery services through Centurion Disaster Recovery. As a service provider to financial institutions, our operations are governed by the same regulatory

requirements as those imposed on financial institutions. We are subject to periodic review by Federal Financial Institution Examination Council regulators who have broad supervisory authority to remedy any shortcomings identified in such reviews.

Employees

As of June 30, 2005 and 2004, we had 2,989 and 2,533 full time employees, respectively. Of our employees, approximately 600 are employed in the credit union segment of our business, with the remainder employed in the bank business segment or in general and administrative functions that serve both segments. Our employees are not covered by a collective bargaining agreement and there have been no labor-related work stoppages. We consider our relationship with our employees to be good.

Available Information

Our internet website is easily accessible to the public at www.jackhenry.com. Our key corporate governance documents and our Code of Conduct addressing matters of business ethics are available in the "Investor Relations" portion of the website, together with archives of press releases and other materials. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and other filings and amendments thereto that we make with the U.S. Securities and Exchange Commission (the "SEC") are available free of charge on the website as soon as reasonably practicable after such reports have been filed with or furnished to the SEC.

RISK FACTORS

The Company's business and the results of its operations are affected by numerous factors and uncertainties, some of which are beyond our control. The following is a description of some of the important risk factors and uncertainties that may cause the actual results of the Company's operations in future periods to differ materially from those currently expected or desired.

Changes within the banking and credit union industry could reduce demand for our products. In the current environment of low interest rates, revenue growth at many commercial banks and credit unions has stagnated. Many banks and credit unions have been slow to resume their capital spending, including spending on computer software and hardware, affecting both our sales to new customers and upgrade/complementary product sales to existing customers.

We may not be able to manage growth. We have grown both internally and through acquisitions. Our expansion has and will continue to place significant demands on our administrative, operational, financial and management personnel and systems. We cannot assure you that we will be able to enhance and expand our product lines, manage costs, adapt our infrastructure and modify our systems to accommodate future growth.

If we fail to adapt our products and services to changes in technology, we could lose existing customers and be unable to attract new business. The markets for our software and hardware products and services are characterized by changing customer requirements and rapid technological changes. These factors and new product introductions by our existing competitors or by new market entrants could reduce the demand for our existing products and services and we may be required to develop or acquire new products and services. Our future success is dependent on our ability to enhance our existing products and services in a timely manner and to develop or acquire new products and services. If we are unable to develop or acquire new products and services as planned, or fail to achieve timely market acceptance of our new or enhanced products and services, we may incur unanticipated expenses, lose sales or fail to achieve anticipated revenues.

Our growth may be affected if we are unable to find or complete suitable acquisitions. We have augmented the growth of our business with a number of acquisitions and we plan to continue to acquire appropriate businesses, products and services. This strategy depends on our ability to identify, negotiate and finance suitable acquisitions. Substantial recent merger and acquisition activity in our industry has affected the availability and pricing of such acquisitions. If we are unable to acquire suitable acquisition candidates, we may experience slower growth.

Acquisitions may be costly and difficult to integrate. We have acquired a number of businesses in the last year and will continue to explore acquisitions in the future. We may not be able to successfully integrate acquired companies. We may encounter problems in connection with the integration of new businesses including: financial control and computer system compatibility; unanticipated costs; unanticipated quality or customer problems with acquired products or services; diversion of management's attention; adverse effects on existing business relationships with suppliers and customers; loss of key employees; and significant amortization expenses related to identifiable intangible assets. Without additional acquisitions, we may not be able to grow and to develop new products and services as quickly as we have in the past to meet competitive challenges. If our

integration strategies fail, our business, financial condition and results of operations could be materially and adversely affected.

If our strategic relationship with IBM were terminated, it could have a negative impact on the continuing success of our business. We have developed a strategic relationship with IBM. As part of this collaborative relationship, we market and sell IBM hardware and equipment to our customers under an IBM Business Partner Agreement and resell maintenance on IBM hardware products to our customers. Much of our software is designed to be compatible with the IBM hardware that is run by a majority of our customers. If IBM were to terminate or fundamentally modify our strategic relationship, our relationship with our customers and our revenues and earnings could suffer. We could also lose software market share or be required to redesign existing products or develop new products that would be compatible with the hardware used by our customers.

Competition may result in price reductions and decreased demand for our products and services. We expect that competition in the markets we serve will remain vigorous. We compete on the basis of product quality, reliability, performance, ease of use, quality of support, integration with other products and pricing. We cannot guarantee that we will be able to compete successfully with our existing competitors or with companies entering our markets in the future. Certain of our competitors have strong financial, marketing and technological resources and, in some cases, a larger customer base than we do. They may be able to adapt more quickly to new or emerging technologies or to devote greater resources to the promotion and sale of their products and services.

The loss of key employees could adversely affect our business. We depend to a significant extent on the contributions and abilities of our senior management. Our Company has grown significantly in recent years and our management remains concentrated in a small number of key employees. If we lose one or more of our key employees, we could suffer a loss of sales and delays in new product development, and management resources would have to be diverted from other activities to compensate for this loss. We do not have employment agreements with any of our executive officers. We do, however, have a management succession plan in place.

Consolidation of financial institutions will continue to reduce the number of our customers and potential customers. Our primary market consists of approximately 9,000 commercial banks (includes savings & loans) and 9,200 credit unions. The number of commercial banks and credit unions has decreased because of mergers and acquisitions over the last several decades and is expected to continue to decrease as more consolidation occurs, which will reduce our number of potential customers. Because of this consolidation, some of our existing customers could terminate, or refuse to renew their contracts with us and potential customers could break off negotiations with us.

The services we provide to our customers are subject to government regulation that could hinder our ability to develop portions of our business or impose additional constraints on the way we conduct our operations. The financial services industry is subject to extensive and complex federal and state regulation. As a supplier of services to financial institutions, some of our operations are examined by the Office of the Comptroller of the Currency, the Federal Reserve Board and the Federal Deposit Insurance Corporation, among other regulatory agencies. These agencies regulate services we provide and the manner in which we operate, and we are required to comply with a broad range of applicable laws and regulations. In addition, existing laws, regulations, and policies could be amended or interpreted differently by regulators in a manner that has a negative impact on our existing operations or that limits our future growth or expansion. Our customers are also regulated entities, and actions by regulatory authorities could determine both the decisions they make concerning the purchase of data processing and other services and the timing and implementation of these decisions. The provision of financial services over the Internet has raised concerns with respect to the use, confidentiality, and security of private customer information. Regulatory agencies, Congress and state legislatures are considering numerous regulatory and statutory proposals to protect the interests of consumers and to require compliance by the industry with standards and policies that have not been defined.

Network or Internet security problems could damage our reputation and business. We rely on standard network and Internet security systems, most of which we license from third parties, to provide the security and authentication necessary to effect secure transmission of data. Computer networks and the Internet are vulnerable to unauthorized access, computer viruses and other disruptive problems. In addition, advances in computer capabilities, new discoveries in the field of cryptography or other events or developments may render our security measures inadequate. Someone who is able to circumvent security measures could misappropriate proprietary information or cause interruptions in our operations or those of our customers. Security risks may result in liability to us and also may deter financial institutions from purchasing our products. We may need to expend significant capital or other resources protecting against the threat of security breaches or alleviating problems caused by breaches. Eliminating

computer viruses and alleviating other security problems may result in interruptions, delays or cessation of service to users, any of which could harm our business.

As technology becomes less expensive and more advanced, purchase prices of hardware may decline and our revenues and profits from remarketing arrangements may decrease. Computer hardware technology is rapidly developing. Hardware manufacturers are producing less expensive and more powerful equipment each year, and we expect this trend to continue into the future. As computer hardware becomes less expensive, revenues and profits derived from our hardware remarketing may decrease and become a smaller portion of our revenues and profits.

An operational failure in our outsourcing facilities could cause us to lose customers. Damage or destruction that interrupts our provision of outsourcing services could damage our relationship with certain customers and may cause us to incur substantial additional expense to repair or replace damaged equipment. Although we have installed back-up systems and procedures to prevent or reduce disruption, we cannot assure you that we will not suffer a prolonged interruption of our transaction processing services. In the event that an interruption of our network extends for more than several hours, we may experience data loss or a reduction in revenues by reason of such interruption. In addition, a significant interruption of service could have a negative impact on our reputation and could lead our present and potential customers to choose service providers other than us.

If others claim that we have infringed their intellectual property rights, we could be liable for significant damages. We do not believe that any of our products or services infringe the proprietary rights of third parties. We cannot be sure, however, that others will not make infringement claims, and we have agreed to indemnify many of our customers against those claims. We anticipate that the number of infringement claims will increase as the number of software solutions and services increases and the functionality of our products and services expands. Any of those claims, whether with or without merit, could be time-consuming, result in costly litigation and may not be resolved on terms favorable to us.

Expansion of services to non-traditional customers could expose us to new risks. Some of our recent acquisitions include business lines that are marketed outside our traditional, regulated, and litigation-averse base of financial institution customers. These non-regulated customers may entail greater operational, credit and litigation risks than we have faced before and could result in increases in bad debts and litigation costs.

Competitive pressures in our industry or general economic conditions may require that we reduce our prices or offer other favorable terms to customers on our products and services which could result in lower margins and reduce net income. We compete with a variety of software vendors in all of our major product lines. Some of our competitors may have advantages over us due to their size, product lines, greater marketing resources, or exclusive intellectual property rights. If competitors offer more favorable pricing, payment or other contractual terms, warranties, or functionality, or if general economic conditions decline such that customers are less willing or able to pay the cost of our products, we may need to lower prices or offer other favorable terms in order to successfully compete.

The accounting treatment for employee stock options has changed, which will affect our earnings and cause us to reconsider our business practices. We previously accounted for the issuance of stock options under APB Opinion No. 25 and recognized no compensation expense for employee stock options. With the recent adoption of Statement of Financial Accounting Standards No. 123(R), we will be required in FY2006 to recognize compensation expense for granted stock options based upon a calculation of their fair values at date of grant. We have decided to reduce the number of stock options granted to employees and to rely instead on alternative forms of equity compensation, such as grants of restricted stock. This could affect our ability to retain existing employees and attract qualified candidates, and also could increase the cash compensation we would have to pay them.

Increases in service revenue as a percentage of total revenues may decrease overall margins. We continue to experience a trend of a greater proportion of our products being sold as outsourcing services rather than in-house licenses. We realize lower margins on service revenues than on license revenues. Thus, if service revenue increases as a percentage of total revenue, our gross margins will be lower and our operating results may be impacted.

Failure to achieve favorable renewals of service contracts could negatively impact our outsourcing business. Our contracts with our customers for outsourced data processing services generally run for a period of 3-5 years. Because of the rapid growth of our outsourcing business over the last five years, we will experience greater numbers of these contracts coming up for renewal over the next few years. Renewal time presents our customers with the opportunity to consider other providers or to renegotiate their contracts with us. If we are not successful in achieving high renewal rates upon favorable terms, our revenues from outsourcing and associated profit

margins could be negatively impacted.

Item 2. Properties

We own approximately 153 acres located in Monett, Missouri on which we maintain eight office and shipping & receiving and maintenance buildings. We also own buildings in Houston, Texas; Allen, Texas; Albuquerque, New Mexico; Birmingham, Alabama; Lenexa, Kansas; Angola, Indiana; Shawnee Mission, Kansas; Rogers, Arkansas; Oklahoma City, Oklahoma and San Diego, California. Our owned facilities represent approximately 778,000 square feet of office space in nine states. We have 48 leased office facilities in 24 states, which total approximately 291,000 square feet. All of the space is utilized for normal business purposes.

Of our facilities, the credit union business segment uses office space totaling approximately 121,500 square feet in six facilities. The majority of our San Diego, California offices are used in the credit union business segment, as are portions of five other office facilities. The remainder of our leased and owned facilities, approximately 948,000 square feet of office space, is primarily devoted to serving our bank business segment or supports our whole business.

We own seven aircraft. Many of our customers are located in communities that do not have an easily accessible commercial airline service. We primarily use our airplanes in connection with implementation, sales of systems and internal requirements for day-to-day operations. Transportation costs for implementation and other customer services are billed to our customers. We lease property, including real estate and related facilities, at the Monett, Missouri municipal airport.

Item 3. Legal Proceedings

We are subject to various routine legal proceedings and claims arising in the ordinary course of business. We do not expect that the results in any of these legal proceedings will have a material adverse effect on our business, financial condition, results of operations or cash flows.

Item 4. Submission of Matters To a Vote of Security Holders

None.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's common stock is quoted on the Nasdaq National Market ("NASDAQ") under the symbol "JKHY". The following table sets forth, for the periods indicated, the high and low sales price per share of the common stock as reported by NASDAQ.

Fiscal 2005	High	Low
-----	-----	-----
First Quarter	\$20.13	\$17.17
Second Quarter	20.55	18.50
Third Quarter	21.96	17.79
Fourth Quarter	19.19	15.35

Fiscal 2004	High	Low
-----	-----	-----
First Quarter	\$19.75	\$16.25
Second Quarter	22.04	17.46
Third Quarter	21.00	17.70
Fourth Quarter	20.16	17.70

The Company established a practice of paying quarterly dividends at the end of fiscal 1990 and has paid dividends with respect to every quarter since that time. Quarterly dividends per share paid on the common stock for the two most recent fiscal years ended June 30, 2005 and 2004 are as follows:

Fiscal 2005	Dividend
-----	-----
First Quarter	\$0.040
Second Quarter	0.040
Third Quarter	0.045
Fourth Quarter	0.045

Fiscal 2004	Dividend
-----	-----

First Quarter	\$0.035
Second Quarter	0.035
Third Quarter	0.040
Fourth Quarter	0.040

The declaration and payment of any future dividends will continue to be at the discretion of our Board of Directors and will depend upon, among other factors, our earnings, capital requirements, contractual restrictions, and operating and financial condition. The Company does not currently foresee any changes in its dividend practices.

Information regarding the Company's equity compensation plans is set forth under the caption "Equity Compensation Plan Information" in the Company's definitive Proxy Statement and is incorporated herein by reference.

On August 17, 2005, there were approximately 49,238 holders of the Company's common stock. On that same date the last sale price of the common shares as reported on NASDAQ was \$18.86 per share.

Issuer Purchases of Equity Securities

The following shares of the Company were repurchased during the quarter ended June 30, 2005:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet Be Purchased Under the Plans (1)
April 1 - April 30,	-	\$ -	-	4,990,616
May 1 - May 31, 2005	304,800	\$ 17.66	304,800	4,685,816
June 1 - June 30, 2005	248,500	\$ 18.39	248,500	4,437,316
Total	553,300	\$ 17.99	553,300	4,437,316

(1) Purchases made under the stock repurchase authorization approved by the Company's Board of Directors on October 4, 2002 with respect to 3.0 million shares, which was increased by 2.0 million shares on April 29, 2005. These authorizations have no specific dollar or share price targets and no expiration dates.

Item 6. Selected Financial Data

Selected Financial Data (In Thousands, Except Per Share Data)

Income Statement Data	YEAR ENDED JUNE 30,				
	2005	2004	2003	2002	2001(1)
Revenue (2)	\$535,863	\$467,415	\$404,627	\$396,657	\$366,903
Net income	\$ 75,501	\$ 62,315	\$ 49,397	\$ 57,065	\$ 55,631
Diluted income per share	\$ 0.81	\$ 0.68	\$ 0.55	\$ 0.62	\$ 0.61
Dividends declared per share	\$ 0.17	\$ 0.15	\$ 0.14	\$ 0.13	\$ 0.11
Balance Sheet Data					
Working capital	\$ 13,710	\$ 85,818	\$ 70,482	\$ 67,321	\$ 65,032
Total assets	\$814,153	\$653,614	\$548,575	\$486,142	\$433,121
Long-term debt	\$ -	\$ -	\$ -	\$ -	\$ 228
Stockholders' equity	\$517,154	\$442,918	\$365,223	\$340,739	\$302,504

(1) Revenue for the year ended June 30, 2001, has been restated for the adoption of Emerging Issues Task Force Issue No. 01-14, "Income Statement Characterization of Reimbursements Received for 'Out of Pocket' Expenses Incurred".

(2) Revenue includes license sales, support and service revenues, and hardware sales, less returns and allowances.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the "Selected Financial Data" and the consolidated financial statements and related notes included elsewhere in this report.

OVERVIEW

Background and Overview

We provide integrated computer systems for in-house and outsourced data processing to commercial banks, credit unions and other financial institutions. We have developed and acquired banking and credit union application software systems that we market, together with compatible computer hardware, to these financial institutions. We also perform data conversion and software implementation services for our systems and provide continuing customer support services after the systems are implemented. For our customers who prefer not to make an up-front capital investment in software and hardware, we provide our full range of products and services on an outsourced basis through our six data centers and 22 item-processing centers located throughout the United States.

A detailed discussion of the major components of the results of operations follows. All amounts are in thousands and discussions compare fiscal 2005 to fiscal 2004 along with fiscal 2004 to fiscal 2003.

We derive revenues from three primary sources of revenue:

- software licenses;
- support and service fees, which include implementation services; and
- hardware sales, which includes all non-software remarketed products.

Over the last five fiscal years, our revenues have grown from \$366,903 in fiscal 2001 to \$535,863 in fiscal 2005. Income from continuing operations has grown from \$55,631 in fiscal 2001 to \$75,501 in fiscal 2005. This growth has resulted primarily from internal expansion supplemented by strategic acquisitions, allowing us to develop and acquire new products and services for approximately 2,300 customers who utilize our core software systems as of June 30, 2005.

Since the start of fiscal 2001, we have completed 16 acquisitions. All of these acquisitions were accounted for using the purchase method of accounting and our consolidated financial statements include the results of operations of the acquired companies from their respective acquisition dates.

License revenue represents the sale and delivery of application software systems contracted with us by the customer. We license our proprietary software products under standard license agreements that typically provide the customer with a non-exclusive, non-transferable right to use the software on a single computer and for a single financial institution location.

Support and services fees are generated from implementation services contracted with us by the customer, ongoing support services to assist the customer in operating the systems and to enhance and update the software, and from providing outsourced data processing services and ATM and debit card processing services. Outsourcing services are performed through our data and item centers. Revenues from outsourced item and data processing and ATM and debit card processing services are derived from monthly usage fees typically under five-year service contracts with our customers.

Cost of license fees represents the third party vendor costs associated with license fee revenue.

Cost of services represents costs associated with conversion and implementation efforts, ongoing support for our in-house customers, operation of our data and item centers providing services for our outsourced customers, ATM and debit card processing services, and direct operation costs.

We have entered into remarketing agreements with several hardware manufacturers under which we sell computer hardware and related services to our customers. Cost of hardware consists of the direct and related costs of purchasing the equipment from the manufacturers and delivery to our customers.

We have two business segments: bank systems and services and credit union systems and services. The respective segments include all related license, support and service, and hardware sales along with the related cost of sales.

RESULTS OF OPERATIONS

FISCAL 2005 COMPARED TO FISCAL 2004

Fiscal 2005 showed strong growth in license and support and service revenues and improved gross and operating margins, which allowed us to leverage a 15% increase in total revenue to a 21% increase in net income. The Company has made acquisitions which have had little effect on the results of operations.

REVENUE

License Revenue

	Year Ended June 30,		% Change
	2005	2004	
License	\$ 82,374	\$ 62,593	+32%
Percentage of total revenue	15%	13%	

License revenue represents the delivery and acceptance of application software systems contracted by us with the customer. We license our proprietary software products under standard license agreements that typically provide the customer with a non-exclusive, non-transferable right to use the software on a single computer and for a single financial institution location.

License revenue increased by \$19,781 compared to last fiscal year mainly due to growth in delivery and acceptance of software systems within both the bank and credit union segments. Year-to-date license revenue in fiscal 2005 experienced growth in many software solutions. The leading elements were Episys[R] (our flagship software solution for larger credit unions), third party credit union ancillary software solutions, Silverlake System[R] (our flagship software solution for larger banks), 4|sight[TM] (our complementary image solution), and Fraud Detective[TM] (our anti-fraud and anti-money laundering software solution).

Support and Service Revenue

	Year Ended June 30,		% Change
	2005	2004	
Support and service	\$ 364,076	\$ 311,287	+17%
Percentage of total revenue	68%	67%	

Year Over Year Change	\$ Change	% Change
In-House Support & Other Services	\$ 23,264	16%
EFT Support	15,577	43%
Outsourcing Services	11,016	13%
Implementation Services	2,932	7%
Total Increase	\$ 52,789	=====

Support and service revenues are generated from implementation services (including conversion, installation, configuration and training), annual support to assist the customer in operating their systems and to enhance and update the software, outsourced data processing services and ATM and debit card processing services.

There was strong growth in all of the support and service revenue components. In-house support and other services increased primarily from additional software licenses sold during the previous twelve months. EFT support, including ATM and debit card transaction processing services, experienced the largest percentage of growth. Our daily transaction counts are rapidly growing as our customers continue to experience consistent organic growth in ATM and debit card transactions as well as strong new customer contracting activity. Outsourcing services for banks and credit unions also continue to drive revenue growth at a strong pace as we add new bank and credit union customers and open new data processing sites. We expect growth in outsourcing to continue as we add services from recent acquisitions to our existing and new customers. Implementation services reflect growth as contracting activity continues for new license implementation as well as merger conversions for our existing customers.

Hardware Revenue

	Year Ended June 30,		% Change
	2005	2004	
Hardware	\$ 89,413	\$ 93,535	-4%
Percentage of total revenue	17%	20%	

The Company has entered into remarketing agreements with several hardware manufacturers under which we sell computer hardware, hardware maintenance and related services to our customers. Revenue related to hardware sales is recognized when the hardware is shipped to our customers.

Hardware revenue continued to decrease as in prior years due to the overall rising equipment processing power and decreasing equipment prices. There was an increase in servers and the related components. Hardware maintenance revenue which represents 1.9% of the hardware revenue increased due to maintenance contracts acquired relating to acquisitions.

COST OF SALES AND GROSS PROFIT

Cost of license represents the cost of software from third party vendors through remarketing agreements. These costs are recognized when license revenue is recognized. Cost of support and service represents costs associated with conversion and implementation efforts, ongoing support for our in-house customers, operation of our data and item centers providing services for our outsourced customers, ATM and debit card processing services and direct operating costs. These costs are recognized as they are incurred. Cost of hardware consists of the direct and related costs of purchasing the equipment from the manufacturers and delivery to our customers. These costs are recognized at the same time as the related hardware revenue is recognized. Ongoing operating costs to provide support to our customers are recognized as they are incurred.

Cost of Sales and Gross Profit

	Year Ended June 30,		% Change
	2005	2004	
Cost of License	\$ 5,547	\$ 4,738	+17%
Percentage of total revenue	1%	1%	
License Gross Profit	\$ 76,827	\$ 57,855	+33%
Gross Profit Margin	93%	92%	
Cost of support and service	\$ 244,097	\$ 207,730	+18%
Percentage of total revenue	46%	44%	
Support and Service Gross Profit	\$ 119,979	\$ 103,557	+16%
Gross Profit Margin	33%	33%	
Cost of hardware	\$ 63,769	\$ 66,969	-5%
Percentage of total revenue	12%	14%	
Hardware Gross Profit	\$ 25,644	\$ 26,566	-3%
Gross Profit Margin	29%	28%	
TOTAL COST OF SALES	\$ 313,413	\$ 279,437	+12%
Percentage of total revenue	58%	60%	
TOTAL GROSS PROFIT	\$ 222,450	\$ 187,978	+18%
Gross Profit Margin	42%	40%	

Cost of license increased for the fiscal year due to more third party reseller agreement software vendor costs. These costs increased primarily in the prior quarters of the current fiscal year. Gross profit margin on license revenue increased slightly due to the associated costs for third party software marketed through reseller agreements. Cost of support and service increased for the year, in line with the support and service revenue increase, primarily due to additional personnel costs and costs relating to the expanding infrastructure (including depreciation, amortization, and maintenance contracts) as compared to the same periods last year. The gross profit margin remained at 33% in support and service for both fiscal years, primarily due to increased headcount relating to support and service, facility costs related to new acquisitions, and depreciation expense of new equipment. Cost of hardware decreased for the year, in line with the decrease in hardware sales, primarily due to the types of equipment sold, with varying vendor incentives in the current year. Incentives and rebates received from vendors fluctuate quarterly and annually due to changing thresholds established by the vendors. Hardware gross profit margin increased minimally due to the number of hardware shipments, sales mix and vendor rebates received throughout the year.

OPERATING EXPENSES

Selling and Marketing

	Year Ended June 30,		% Change
	2005	2004	
Selling and marketing	\$ 46,630	\$ 35,964	+30%
Percentage of total revenue	9%	8%	

Dedicated sales forces, inside sales teams, technical sales support teams and channel partners conduct our sales efforts for our market segments, and are overseen by regional sales managers. Our sales executives are responsible for pursuing lead generation activities for new core customers. Our account executives nurture long-term relationships with our client base and cross sell our many complementary products and services. Our inside sales force markets specific complementary products and services to our existing customers.

For the 2005 fiscal year, selling and marketing expenses increased due to commissions and expenses related to revenue growth with a direct correlation to license and hardware revenue. Sales force head count from acquisitions during fiscal 2005 also contributed to the additional expenses for the year.

Research and Development

	Year Ended June 30,		% Change
	2005	2004	
Research and development	\$ 27,664	\$ 23,674	+17%
Percentage of total revenue	5%	5%	

We devote significant effort and expense to develop new software; to service products and to continually upgrade and enhance our existing offerings. Typically, we upgrade all of our core and complementary software applications once per year. We believe our research and development efforts are highly efficient because of the extensive experience of our research and development staff and because our product development is highly customer-driven.

Research and development expenses grew primarily due to employee costs associated with increased headcount for ongoing development of new products and enhancements to existing products, depreciation and equipment maintenance expense and employees added from acquisitions. Research and development expenses remained at 5% of total revenue for both fiscal years.

General and Administrative

	Year Ended June 30,		% Change
	2005	2004	
General and administrative	\$ 29,087	\$ 29,534	-2%
Percentage of total revenue	5%	6%	

General and administrative expense decreased due to overall cost control measures implemented throughout the year. In addition, General and administrative expenses decreased due to a loss on disposal of assets of approximately \$1,000 along with assets being fully depreciated during fiscal 2005.

INTEREST INCOME (EXPENSE)

Interest income increased 16% from \$1,006 to \$1,162 due primarily to higher interest rates on invested balances. Interest expense increased 263% from \$107 to \$388 due to borrowings on the revolving bank credit facilities.

PROVISION FOR INCOME TAXES

The provision for income taxes was \$44,342 or 37.0% of income before income taxes in fiscal 2005 compared with \$37,390 or 37.5% of income before income taxes fiscal 2004. The decrease in the percentage for fiscal 2005 is due to changes in the estimated state tax rates and from our reevaluation of changes in state tax laws in relationship to our tax structure.

NET INCOME

Net income increased 21% from \$62,315, or \$0.68 per diluted share in fiscal 2004 to \$75,501, or \$0.81 per diluted share in fiscal 2005.

FISCAL 2004 COMPARED TO FISCAL 2003

Fiscal 2004 showed strong growth in revenues and improved gross and operating margins, which allowed us to leverage a 16% increase in revenues to a 26% increase in net income.

REVENUE

License Revenue

	Year Ended June 30,		% Change
	2004	2003	
License	\$ 62,593	\$ 48,284	+30%
Percentage of total revenue	13%	12%	

License revenue represents the delivery and acceptance of application software systems contracted with us by the customer. We license our proprietary software products under standard license agreements that typically provide the customer with a non-exclusive, non-transferable right to use the software on a single computer and for a single financial institution location.

License revenue grew by \$14,309 compared to last fiscal year due to

increased delivery of software relating to the timing of installations.

Support and Service Revenue

	Year Ended June 30,		% Change
	2004	2003	
Support and service	\$ 311,287	\$ 260,452	+20%
Percentage of total revenue	67%	64%	

Year Over Year Change	\$ Change	% Change
In-House Support & Other Services	\$ 23,867	19%
EFT Support	9,557	36%
Outsourcing Services	11,849	17%
Implementation Services	5,562	15%
Total Increase	\$ 50,835	

Support and service revenues are generated from implementation services (including conversion, implementation, configuration and training), annual support services to assist the customer in operating their systems and to enhance and update the software, outsourced data processing services and EFT support (including ATM and debit card processing services).

In-house support and other services increased due to our continued implementation of core and complementary products during the fiscal year, for which most of these customers contract for ongoing support service, beginning upon final implementation. Outsourcing services experienced growth in volume with existing customers and installations of new customers, which led to expansion of our data centers. EFT services (including ATM and debit card processing) were offered to the credit union segment this year, which contributed to the growth. Implementation services grew over the prior year correlating to the increase of license revenue. Recurring revenue (support and service revenue less implementation services) increased to 57% of total revenue in fiscal 2004 from 55% of total fiscal 2003 revenue.

Hardware Revenue

	Year Ended June 30,		% Change
	2004	2003	
Hardware	\$ 93,535	\$ 95,891	-2%
Percentage of total revenue	20%	24%	

The Company has entered into remarketing agreements with several hardware manufacturers under which we sell computer hardware, hardware maintenance and related services to our customers. Revenue related to hardware sales is recognized when the hardware is shipped to our customers.

Hardware revenue remained relatively flat year over year, while decreasing to 20% of revenues compared with 24% of fiscal 2003 revenues primarily due to the increase in our license revenue and expansion and growth in our support and service revenue for the year.

COST OF SALES AND GROSS PROFIT

Cost of license represents the cost of software from third party vendors through remarketing agreements. These costs are recognized when license revenue is recognized. Cost of support and service represents costs associated with conversion and implementation efforts, ongoing support for our in-house customers, operation of our data and item centers providing services for our outsourced customers, ATM and debit card processing services and direct operating costs. These costs are recognized as they are incurred. Cost of hardware consists of the direct and related costs of purchasing the equipment from the manufacturers and delivery to our customers, plus the ongoing operating costs to provide support to our customers. These costs are recognized at the same time as the related hardware revenue is recognized.

Cost of Sales and Gross Profit

	Year Ended June 30,		% Change
	2004	2003	
Cost of License	\$ 4,738	\$ 3,890	+22%
Percentage of total revenue	1%	1%	
License Gross Profit	\$ 57,855	\$ 44,394	+30%
Gross Profit Margin	92%	92%	
Cost of support and service	\$ 207,730	\$ 178,256	+17%
Percentage of total revenue	44%	44%	

Support and Service Gross	\$ 103,557	\$ 82,196	+26%
Gross Profit Margin	33%	32%	

Cost of hardware	\$ 66,969	\$ 69,145	-3%
Percentage of total revenue	14%	17%	
Hardware Gross Profit	\$ 26,566	\$ 26,746	-1%
Gross Profit Margin	28%	28%	

TOTAL COST OF SALES	\$ 279,437	\$ 251,291	+11%
Percentage of total revenue	60%	62%	
TOTAL GROSS PROFIT	\$ 187,978	\$ 153,336	+23%
Gross Profit Margin	40%	38%	

The increase in total cost of sales is primarily due to a 12% increase in employee related expenses for increased headcount and a 24% increase in depreciation and amortization expense included in the cost of support and service. This is due mainly to our efforts to continue improving operating efficiencies by investing and upgrading technology equipment. Both fiscal years' cost of support and service remained constant at 44% of total revenue. Cost of license increased mainly due to obligations to third party vendors for the software we resell. The decrease in cost of hardware correlates to the decrease in hardware revenue.

Gross margin increased from 38% to 40% in fiscal 2004 due to overall increase in revenue while exercising cost control. Gross margin on license revenue remained consistent at 92% for both fiscal years. The gross profit improvement is due to a significant increase in the delivery of the Company's core and complementary software licenses. For fiscal 2004, delivery of third party license revenue and cost remained flat when compared with fiscal 2003. The increase in gross margin for support and service is primarily due to increased volumes, increased number of customers, and continued leveraging of resources of employees and equipment in our outsourcing and ATM/Debit card processing services.

Hardware gross margin for fiscal 2004 and fiscal 2003 remained even at 28%.

OPERATING EXPENSES

Selling and Marketing

	Year Ended June 30,		% Change
	2004	2003	
	-----		-----
Selling and marketing	\$ 35,964	\$ 30,664	+17%
Percentage of total revenue	8%	8%	
Change from prior year			

Dedicated sales forces, inside sales teams, and technical sales support teams conduct our sales efforts for our two market segments, and are overseen by regional sales managers. Our sales executives are responsible for pursuing lead generation activities for new core customers. Our account executives nurture long-term relationships with our client base and cross sell our many complementary products and services. Our inside sales force markets specific complementary products and services to our existing customers.

The increase in selling and marketing expenses relates to higher employee related expenses in fiscal 2004 compared with fiscal 2003, which is relatively in line with the growth in revenue.

Research and Development

	Year Ended June 30,		% Change
	2004	2003	
	-----		-----
Research and development	\$ 23,674	\$ 15,892	+49%
Percentage of total revenue	5%	4%	

We devote significant effort and expense to develop new software, service products and continually upgrade and enhance our existing offerings. Typically, we upgrade all of our core and complementary software applications annually. We believe our research and development efforts are highly efficient because of the extensive experience of our research and development staff and because our product development is highly customer-driven.

The increase in research and development expense is primarily attributable to a 45% increase in employee related expenses. The increase includes standard salary increases along with additional employee headcount for ongoing development of new products and enhancements to existing products in both segments of our business.

General and Administrative

	Year Ended June 30,		% Change
	2004	2003	
General and administrative	\$ 29,534	\$ 29,509	<1%
Percentage of total revenue	6%	7%	

General and administrative expenses remained flat year over year. This is due to overall cost control measures implemented throughout the year.

INTEREST INCOME (EXPENSE)

Interest income increased 60% from \$630 to \$1,006 due to higher invested balances. Interest expense decreased 3% from \$110 in fiscal 2003 to \$107 in fiscal 2004.

PROVISION FOR INCOME TAXES

The provision for income taxes was \$37,390 or 37.5% of income before income taxes in fiscal 2004 compared with \$28,394, or 36.5% of income before income taxes in fiscal 2003. The increase in the percentage for fiscal 2004 is due to changes in various state tax laws and the allocation of income amongst states.

NET INCOME

Net income increased 26% from \$49,397, or \$0.55 per diluted share in fiscal 2003 to \$62,315, or \$0.68 per diluted share in fiscal 2004.

BUSINESS SEGMENT DISCUSSION

Bank Systems and Services

	2005	% Increase	2004	% Increase	2003
Revenue	\$428,695	12%	\$382,084	11%	\$343,127
Gross Profit	\$181,792	18%	\$154,646	15%	\$134,995
Gross Profit Margin	42%		40%		39%

The revenue increase in the bank systems and services business segment is primarily due to improved license sales for most products and continued growth in support and service revenue. Gross profit increased due to growth in license and support and service revenue, which carry a higher gross profit margin. There was a decrease in hardware revenue, which usually carries a lower gross profit margin. The mix of revenue combined with improved procedures and overall cost controls allowed us to leverage our resources, resulting in a steady increase to our profit margin year over year.

In fiscal 2004, revenues in the bank systems and services business segment increased primarily due to improved license sales for most products and continued growth in support and service revenue. Gross profit in this business segment increased due the revenue mix, combined with improved procedures and overall cost controls.

Credit Union Systems and Services

	2005	% Increase	2004	% Increase	2003
Revenue	\$107,168	26%	\$85,331	39%	\$61,500
Gross Profit	\$ 40,658	22%	\$33,332	82%	\$18,341
Gross Profit Margin	38%		39%		30%

Revenues in the credit union systems and services business segment increased substantially in fiscal 2005 from fiscal 2004. This increase is mainly due to strong growth in support and service revenue from new services introduced in the prior year, with the outsourced area experiencing the greatest increase. Gross profit in this business segment decreased slightly in fiscal 2005 from fiscal 2004 mainly due to the decrease in hardware margin relating to the sales mix and vendor rebates.

Revenues in the credit union systems and services business segment increased in fiscal 2004 from fiscal 2003 primarily due to improved license sales and strong growth in support and service revenue from new services introduced this year. Gross profit in this business segment increased in fiscal 2004 from fiscal 2003 due to additional products and services sold which carry a higher gross profit margin, continued leverage of existing resources, improved processes and procedures combined with overall cost controls.

LIQUIDITY AND CAPITAL RESOURCES

We have historically generated positive cash flow from operations and have generally used existing resources and funds generated from operations to meet capital requirements. We expect this trend to continue in the future.

The Company's cash and cash equivalents decreased to \$11,608 at June 30, 2005, from \$53,758 at June 30, 2004. Cash provided by operations decreased \$4,534 to \$108,275 for the fiscal year ended June 30, 2005 as compared to \$112,809 for the fiscal year ended June 30, 2004. The decrease consists of an increase in net income of \$13,186, an increase in depreciation and amortization expense of \$5,371, a total decrease of \$1,479 in deferred income taxes, loss on disposal of property and equipment and other expenses. Net income was affected by the following items: \$17,120 in the use of trade receivables, \$8,651 in prepaid expenses, \$5,520 in accounts payable and accrued expenses, \$6,236 in deferred revenues and a decrease of \$7,597 in accrued income taxes.

Cash used in investing activities for the fiscal year ended June 2005 was \$185,062, which included capital expenditures of \$58,046, primarily for a new building in Allen, TX of \$13,000, computer equipment and software of \$28,300, and building infrastructure within the company. Acquisitions of eight companies, which expanded our product offerings and expanded our potential market, used \$119,501 in fiscal 2005, while \$7,846 was used for software development costs. Financing activities generated cash of \$34,637, primarily from the proceeds from issuance of stock upon exercise of stock options of \$14,264, the sale of common stock of \$781 and a short term note payable of \$45,000. Generated cash was offset by dividends paid to stockholders of \$15,456 and the purchase of treasury stock of \$9,952.

In 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 to 6.0 million shares in 2002. Through fiscal 2004, a total of 3,00,9384 shares had been repurchased by the Company under these authorizations. Repurchases through fiscal 2004 were funded with cash from operations.

During fiscal 2004 there were 2,009,694 shares and 37,776 shares reissued from treasury stock for the shares exercised under the employee stock option plan and purchased under the employee stock purchase plan, respectively. At June 30, 2004, there were 315,651 shares remaining in treasury stock.

During fiscal 2005 there were 306,027 shares and 9,624 shares reissued from treasury stock for the shares exercised under the employee stock option plan and purchased under the employee stock purchase plan, respectively, depleting the existing treasury shares.

In April 2005, the Board of Directors increased the existing stock repurchase authorization by 2.0 million shares. Under this authorization, the Company may finance its share repurchases with available cash reserves or short-term borrowings on its existing credit facility. The share repurchase program does not include specific price targets or timetables and may be suspended at any time. As of June 30, 2005, 553,300 shares had been repurchased during the fiscal year for \$9,952. At June 30, 2005, there were 553,300 shares remaining in treasury stock and the Company had the remaining authority to repurchase up to 4,437,316 shares.

Subsequent to June 30, 2005, the Company's Board of Directors declared a cash dividend of \$.045 per share on its common stock payable on September 19, 2005, to stockholders of record on September 8, 2005. Current funds from operations are adequate for this purpose. The Board has indicated that it plans to continue paying dividends as long as the Company's financial picture continues to be favorable.

The Company renewed a bank credit line on March 22, 2005 which provides for funding of up to \$8,000 and bears interest at the prime rate (6.00% at June 30, 2005). The credit line expires March 22, 2006 and is secured by \$1,000 of investments. At June 30, 2005, no amount was outstanding.

In October 2004, the Company renewed a bank credit line that provided for funding up to \$25,000 and bore interest at a variable LIBOR-based rate. At March 31, 2005, there was a 30-day note outstanding for \$14,000 under such credit line. The credit line was terminated and the outstanding note of \$14,000 was paid in full on April 19, 2005, using the proceeds of a loan under a new unsecured revolving bank credit facility, entered into on the same date.

The new unsecured revolving bank credit facility allows borrowing of up to \$150,000, which may be increased by the Company at any time in the next three years to \$225,000. The unsecured revolving bank credit facility bears interest at a rate equal to (a) LIBOR or (b) an alternate base rate (the greater of (a) the Federal Funds Rate plus 1/2% or (b) the Prime Rate), plus an applicable percentage in each case determined by the Company's leverage ratio. The new unsecured revolving credit line terminates April 19, 2010. At June 30, 2005, the revolving bank credit facility balance was \$45,000.

CONTRACTUAL OBLIGATIONS AND OTHER COMMITMENTS

At June 30, 2005 the Company's total off-balance sheet contractual

obligations were \$14.3 million. This balance consists of \$9.7 million of long-term operating leases for various facilities which expire from 2006 to 2011 and the remaining \$4.6 million is for purchase commitments related to property and equipment. The Company also has contingent earn-out obligations of up to \$28.4 million to the sellers in three acquisitions completed during fiscal year 2005. These amounts are payable over three to five years based variously upon gross revenues, net earnings and net operating income achieved by the individual acquired business units.

The Company's new unsecured revolving bank credit facility allows borrowing of up to \$150,000, which may be increased at any time in the next three years to \$225,000. The unsecured revolving credit line terminates on April 19, 2010. At June 30, 2005 the revolving bank credit facility balance was \$45,000. The balance was subsequently paid in full on August 8, 2005.

RECENT ACCOUNTING PRONOUNCEMENTS

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (R), "Share-Based Payment" ("SFAS 123(R)"), a revision of SFAS 123. SFAS 123 (R) supersedes APB 25 and amends Statement of Financial Accounting Standards No. 95 "Statement of Cash Flows" ("SFAS 95"). SFAS 123(R) is similar to the approach described in SFAS 123 except that SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the consolidated statements of income, in lieu of pro forma disclosure as provided above. SFAS 123 (R) is effective for fiscal periods beginning after June 15, 2005. The Company adopted the provisions of SFAS 123 (R) as of July 1, 2005, the first day of fiscal 2006 and currently intends to use the modified-prospective method and use the Black-Scholes model for estimating the fair value of equity compensation.

In December 2004, the FASB issued SFAS No. 153 ("SFAS 153"), Exchanges of Nonmonetary Assets, an Amendment of APB Opinion No. 29, effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005, and therefore effective for the Company on July 1, 2005. SFAS No. 153 requires that exchanges of productive assets be accounted for at fair value unless fair value cannot be reasonably determined or the transaction lacks commercial substance. SFAS No. 153 is not expected to have a material effect on the Company's consolidated financial statements.

In December 2004, the FASB issued Staff Position 109-1, "Application on FASB Statement No. 109, Accounting for Income Taxes, for the Tax Deduction Provided to U.S. Based Manufacturers by the American Jobs Creation Act of 2004" ("FSP 109-1"). FSP 109-1 clarifies how to apply Statement No. 109 to the new law's tax deduction for income attributable to "Domestic production activities." The Company is currently evaluating the impact of the new law.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections - a replacement of APB Opinion No. 20 and FASB Statement No.3" ("SFAS 154"). SFAS 154 changes the requirements for the accounting for, and reporting of, a change in accounting principle. SFAS 154 requires that a voluntary change in accounting principle be applied retrospectively with all prior period financial statements presented using the accounting principle. SFAS 154 is effective for accounting changes and corrections of errors in fiscal years beginning after December 15, 2005. The implementation of SFAS 154 is not expected to have a material impact on the Company's consolidated financial statements.

CRITICAL ACCOUNTING POLICIES

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States. The significant accounting policies are discussed in Note 1 to the consolidated financial statements. Certain of these accounting policies as discussed below require management to make estimates and assumptions about future events that could materially affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

Revenue Recognition

We recognize revenue in accordance with the provisions of Statement of Position ("SOP") 97-2, "Software Revenue Recognition," as amended by SOP 98-9, "Software Revenue Recognition, with Respect to Certain Transactions," and clarified by Staff Accounting Bulletin ("SAB") 101, "Revenue Recognition in Financial Statements," SAB 104, "Revenue Recognition," and Emerging Issues Task Force Issue No. 00-21 ("EITF 00-21"), "Accounting for Revenue Arrangements with Multiple Deliverables." The Company derives revenues from the following sources: license fees, support and service fees and hardware sales.

License Fee Revenue. For software license agreements that do not require significant modification or customization of the software, the Company recognizes software license revenue when persuasive evidence of an arrangement exists, delivery of the product has occurred, the license fee is

fixed and determinable and collection is probable. The Company's software license agreements generally include multiple products and services or "elements." None of these elements are deemed to be essential to the functionality of the other elements. SOP 97-2, as amended by SOP 98-9, generally requires revenue earned on software arrangements involving multiple elements to be allocated to each element based on Vendor Specific Objective Evidence ("VSOE") of fair value. Fair value is determined for license fees based upon the price charged when sold separately. In the event that we determine that VSOE does not exist for one or more of the delivered elements of a software arrangement, but does exist for all of the undelivered elements, revenue is recognized the residual method allowed by SOP 98-9. Under the residual method, a residual amount of the total arrangement fee is recognized as revenue for the delivered elements after the established fair value of all undelivered elements has been deducted.

Support and Service Fee Revenue. Software implementation services are generally for training, implementation, and configuration of licensed software. These services are not considered essential to the functionality of the related software. VSOE of fair value is established by pricing used when these services are sold separately. Generally, for implementation services under \$50,000, revenue is recognized when services are completed. On certain larger implementations, revenue is recognized based on milestones during the implementation. Milestones are triggered by tasks completed or based on direct labor hours.

Maintenance support revenue is recognized pro-rata over the contract period, typically one year. VSOE of fair value is determined based on contract renewal rates.

Outsourced data processing services and ATM, debit card, and other transaction processing services revenues are recognized in the month the transactions were processed or the services were rendered.

Hardware Revenue. Hardware revenue is recognized upon delivery to the customer, when title and risk of loss are transferred. VSOE of fair value is determined based on pricing used when the items are sold separately. The Company also remarkets maintenance contracts on hardware to our customers. Hardware maintenance revenue is recognized ratably over the agreement period.

Depreciation and Amortization Expense

The calculation of depreciation and amortization expense is based on the estimated economic lives of the underlying property, plant and equipment and intangible assets, which have been examined for their useful life and determined that no impairment exists. We believe it is unlikely that any significant changes to the useful lives of our tangible and intangible assets will occur in the near term, but rapid changes in technology or changes in market conditions could result in revisions to such estimates that could materially affect the carrying value of these assets and the Company's future consolidated operating results. All long lived assets are tested for valuation and potential impairment on a scheduled annual basis.

FORWARD LOOKING STATEMENTS

Except for the historical information contained herein, the matters discussed in the Management's Discussion and Analysis of Financial Condition and Results of Operations 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 in "Risk Factors" in Item 1 of the Company's 2005 Form 10-K annual report filed with the Securities and Exchange Commission. Undue reliance should not be placed on the forward-looking statements. The Company does not undertake any obligation to publicly update any forward-looking statements.

Potential risks and uncertainties which could adversely affect the Company include: the financial health of the banking industry, our ability to continue or effectively manage growth, adapting our products and services to changes in technology, changes in our strategic relationships, price competition, loss of key employees, consolidation in the banking industry, increased government regulation, network or internet security problems, declining computer hardware prices, and operational problems in our outsourcing facilities and others listed in "Risk Factors" of Item 1.

Item 7A. Quantitative and Qualitative Disclosures 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 instruments will not have a material adverse effect on our consolidated financial position or results of operations.

Item 8. Financial Statements and Supplementary Data

Index to Financial Statements

Report of Independent Registered Public Accounting Firm	33
Management's Annual Report on Internal Control over Financial Reporting	34
Report of Independent Registered Public Accounting Firm	35
Financial Statements	
Consolidated Statements of Income, Years Ended June 30, 2005, 2004, and 2003	36
Consolidated Balance Sheets, June 30, 2005 and 2004	37
Consolidated Statements of Changes in Stockholders' Equity, Years Ended June 30, 2005, 2004, and 2003	38
Consolidated Statements of Cash Flows, Years Ended June 30, 2005, 2004, and 2003	39
Notes to Consolidated Financial Statements	40

Financial Statement Schedules

There are no schedules included because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Jack Henry & Associates, Inc.
Monett, Missouri

We have audited the accompanying consolidated balance sheets of Jack Henry & Associates, Inc. and subsidiaries (the "Company") as of June 30, 2005 and 2004, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended June 30, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Jack Henry & Associates and subsidiaries at June 30, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2005, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of June 30, 2005, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 12, 2005 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

St. Louis, Missouri

September 12, 2005

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Jack Henry & Associates, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting. Jack Henry & Associates, Inc.'s internal control system was designed to provide reasonable assurance to the company's management and board of directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Jack Henry & Associates, Inc. management assessed the effectiveness of the company's internal control over financial reporting as of June 30, 2005. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. Based on our assessment, we believe that, as of June 30, 2005, the company's internal control over financial reporting is effective based on those criteria.

Jack Henry & Associates, Inc. independent registered public accounting firm has issued an audit report on our assessment of the company's internal control over financial reporting, which report is included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Jack Henry & Associates, Inc.
Monett, Missouri

We have audited management's assessment, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting, that Jack Henry & Associates, Inc. and subsidiaries (the "Company") maintained effective internal control over financial reporting as of June 30, 2005, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of June 30, 2005, is fairly stated, in all material respects, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2005, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended June 30, 2005 of the Company and our report dated September 12, 2005 expressed an unqualified opinion on those financial statements.

/s/ DELOITTE & TOUCHE LLP

St. Louis, Missouri

September 12, 2005

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

	YEAR ENDED JUNE 30,		
	2005	2004	2003
REVENUE			
License	\$ 82,374	\$ 62,593	\$ 48,284
Support and service	364,076	311,287	260,452
Hardware	89,413	93,535	95,891
Total	535,863	467,415	404,627
COST OF SALES			
Cost of license	5,547	4,738	3,890
Cost of support and service	244,097	207,730	178,256
Cost of hardware	63,769	66,969	69,145
Total	313,413	279,437	251,291
GROSS PROFIT	222,450	187,978	153,336
OPERATING EXPENSES			
Selling and marketing	46,630	35,964	30,664
Research and development	27,664	23,674	15,892
General and administrative	29,087	29,534	29,509
Total	103,381	89,172	76,065
OPERATING INCOME	119,069	98,806	77,271
INTEREST INCOME (EXPENSE)			
Interest income	1,162	1,006	630
Interest expense	(388)	(107)	(110)
Total	774	899	520
INCOME BEFORE INCOME TAXES	119,843	99,705	77,791
PROVISION FOR INCOME TAXES	44,342	37,390	28,394
NET INCOME	\$ 75,501	\$ 62,315	\$ 49,397
Diluted net income per share	\$ 0.81	\$ 0.68	\$ 0.55
Diluted weighted average shares outstanding	92,998	91,859	89,270
Basic net income per share	\$ 0.83	\$ 0.70	\$ 0.56
Basic weighted average shares outstanding	90,891	89,325	87,866

See notes to consolidated financial statements.

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

	JUNE 30,	
	2005	2004
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 11,608	\$ 53,758
Investments, at amortized cost	993	998
Receivables	209,922	169,873
Prepaid expenses and other	14,986	14,023
Prepaid cost of product	20,439	19,086
Deferred income taxes	2,345	1,320
	-----	-----
Total current assets	260,293	259,058
PROPERTY AND EQUIPMENT, net	243,191	215,100
OTHER ASSETS:		
Prepaid cost of product	10,413	6,758
Computer software, net of amortization	29,488	18,382
Other non-current assets	6,868	5,791
Customer relationships, net of amortization	68,475	61,368
Trade names	4,010	4,029
Goodwill	191,415	83,128
	-----	-----
Total other assets	310,669	179,456
	-----	-----
Total assets	\$ 814,153	\$ 653,614
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 15,895	\$ 9,171
Accrued expenses	24,844	21,509
Accrued income taxes	3,239	6,258
Note payable	45,000	-
Deferred revenues	157,605	136,302
	-----	-----
Total current liabilities	246,583	173,240
LONG TERM LIABILITIES:		
Deferred revenues	13,331	8,694
Deferred income taxes	37,085	28,762
	-----	-----
Total long term liabilities	50,416	37,456
	-----	-----
Total liabilities	296,999	210,696
STOCKHOLDERS' EQUITY		
Preferred stock - \$1 par value; 500,000 shares authorize, none issued	-	-
Common stock - \$0.01 par value: 250,000,000 shares authorized;		
Shares issued at 06/30/05 were 92,050,778		
Shares issued at 06/30/04 were 90,519,856	920	905
Additional paid-in capital	195,878	175,706
Retained earnings	330,308	271,433
Less treasury stock at cost 553,300 shares at 06/30/05, 315,651 shares at 06/30/04	(9,952)	(5,126)
	-----	-----
Total stockholders' equity	517,154	442,918
	-----	-----
Total liabilities and stockholders' equity	\$ 814,153	\$ 653,614
	=====	=====

See notes to consolidated financial statements.

JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In Thousands, Except Share and Per Share Data)

	YEAR ENDED JUNE 30,		
	2005	2004	2003
PREFERRED SHARES:	-	-	-
COMMON SHARES:			
Shares, beginning of year	90,519,856	90,519,856	90,519,856
Shares issued upon exercise of stock options	1,381,085	-	-
Shares issued for Employee Stock Purchase Plan	32,111	-	-
Shares issued in acquisition	117,726	-	-
Shares, end of year	92,050,778	90,519,856	90,519,856
COMMON STOCK - PAR VALUE \$0.01 PER SHARE:			
Balance, beginning of year	\$ 905	\$ 905	\$ 905
Shares issued upon exercise of stock options	14	-	-
Shares issued for Employee Stock Purchase Plan	-	-	-
Shares issued in acquisition	1	-	-
Balance, end of year	\$ 920	\$ 905	\$ 905
ADDITIONAL PAID-IN CAPITAL:			
Balance, beginning of year	\$ 175,706	\$ 169,299	\$ 168,061
Shares issued upon exercise of stock options	14,250	21,661	3,539
Shares issued for Employee Stock Purchase Plan	780	719	771
Shares issued in acquisition	2,240	-	-
Tax benefit on exercise of stock options	6,858	6,408	1,227
Cost of treasury shares reissued	(3,956)	(22,381)	(4,299)
Balance, end of year	\$ 195,878	\$ 175,706	\$ 169,299
RETAINED EARNINGS:			
Balance, beginning of year	\$ 271,433	\$ 233,396	\$ 201,162
Net income	75,501	62,315	49,397
Reissuance of treasury shares	(1,170)	(10,870)	(4,873)
Dividends (2005-\$0.17 per share; 2004-\$0.15 per share; 2003-\$0.14 per share)	(15,456)	(13,408)	(12,290)
Balance, end of year	\$ 330,308	\$ 271,433	\$ 233,396
TREASURY STOCK:			
Balance, beginning of year	\$ (5,126)	\$ (38,377)	\$ (29,389)
Purchase of treasury shares	(9,952)	-	(18,165)
Reissuance of treasury shares upon exercise of stock options	4,970	32,638	8,187
Reissuance of treasury shares for Employee Stock Purchase Plan	156	613	990
Balance, end of year	\$ (9,952)	\$ (5,126)	\$ (38,377)
TOTAL STOCKHOLDERS' EQUITY	\$ 517,154	\$ 442,918	\$ 365,223

See notes to consolidated financial statements.

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

	YEAR ENDED JUNE 30,		
	2005	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	\$ 75,501	\$ 62,315	\$ 49,397
Adjustments to reconcile net income from continuing operations to cash from operating activities:			
Depreciation	29,795	26,790	24,025
Amortization	9,116	6,750	6,169
Deferred income taxes	5,275	5,588	7,940
(Gain) loss on disposal of property and equipment	1,058	2,293	(29)
Other, net	-	(69)	671
Changes in operating assets and liabilities, net of acquisitions:			
Trade receivables	(35,017)	(17,897)	(19,675)
Prepaid expenses, prepaid cost of product, and other	(7,015)	1,636	(647)
Accounts payable	5,160	(471)	555
Accrued expenses	3,303	3,414	5,896
Income taxes (including tax benefit of \$6,858, \$6,408, and \$1,227 from exercise of stock options).	4,190	11,787	1,428
Deferred revenues	16,909	10,673	23,131
Net cash from operating activities	108,275	112,809	98,861
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for acquisitions, net	(119,501)	(48,288)	(6,537)
Capital expenditures	(58,046)	(49,141)	(45,958)
Purchase of investments	(4,976)	(3,991)	(3,988)
Purchase of customer contracts	-	-	(304)
Proceeds from sale of property and equipment	170	971	38
Proceeds from investments	5,000	4,633	4,000
Computer software developed	(7,846)	(4,409)	(5,162)
Other, net	137	188	(561)
Net cash from investing activities	(185,062)	(100,037)	(58,472)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock upon exercise of stock options	14,264	21,661	3,539
Proceeds from sale of common stock, net	781	719	776
Dividends paid	(15,456)	(13,408)	(12,290)
Note payable	45,000	-	-
Purchase of treasury stock	(9,952)	-	(18,165)
Net cash from financing activities	34,637	8,972	(26,140)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (42,150)	\$ 21,744	\$ 14,249
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	\$ 53,758	\$ 32,014	\$ 17,765
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 11,608	\$ 53,758	\$ 32,014

See notes to consolidated financial statements.

JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (In Thousands, Except Share and Per Share Amounts)

NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF THE COMPANY

Jack Henry & Associates, Inc. and Subsidiaries ("JHA" or the "Company") is a leading provider of integrated computer systems that has developed and acquired a number of 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 implementation services for a financial institution to utilize a JHA software system. JHA also provides continuing support and services to customers using in-house or outsourced systems.

CONSOLIDATION

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

STOCK OPTIONS

In accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), no compensation expense is recorded for stock options or other stock-based awards that are granted to employees with an exercise price equal to or above the common stock price on the grant date.

In October 1995, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards (SFAS) No. 123 "Accounting for Stock-Based Compensation" ("SFAS 123"). SFAS 123 establishes fair value as the measurement basis for equity instruments issued in exchange for goods or services and stock-based compensation plans. Fair value may be measured using quoted market prices, option-pricing models or other reasonable estimation methods. SFAS 123 permits the Company to choose between adoption of the fair value based method or disclosing pro forma net income (loss) information. The Statement was effective for transactions entered into after December 31, 1995. Through fiscal 2005, the Company accounted for stock-based compensation in accordance with APB 25, as amended, and provides below the pro forma disclosures required by SFAS 123 as amended by Statement of Financial Accounting Standards No. 148 "Accounting for Stock-Based Compensation Transition and Disclosure" ("SFAS 148").

Pro forma information regarding net income and net income per share is required by SFAS 123. The Company computes fair value for this purpose using the Black-Scholes option valuation model. Option valuation models require the input of highly subjective assumptions, including the expected stock price volatility.

The weighted average fair value of options granted was \$6.97, \$7.43 and \$4.68 for 2005, 2004, and 2003, respectively, using the Black-Scholes option pricing model. The assumptions used in this model to estimate fair value and resulting values are as follows:

	Year Ended June 30,		
	2005	2004	2003
Weighted Average Assumptions:			
Expected life (years)	3.53	3.88	4.35
Volatility	48%	53%	55%
Risk free interest rate	3.1%	1.6%	1.3%
Dividend yield	0.88%	0.75%	1.16%

The following table illustrates the effect on net income and net income per share if the Company had applied the fair value recognition provisions of SFAS 123 (in thousands, except per share amounts):

	Year Ended June 30,		
	2005	2004	2003
Net income, as reported	\$ 75,501	\$ 62,315	\$ 49,397
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	1,614	7,187	6,572

Pro forma net income	\$ 73,887	\$ 55,128	\$ 42,825
	=====	=====	=====
Diluted net income per share			
As reported	\$ 0.81	\$ 0.68	\$ 0.55
Pro forma	\$ 0.79	\$ 0.60	\$ 0.48
Basic net income per share			
As reported	\$ 0.83	\$ 0.70	\$ 0.56
Pro forma	\$ 0.81	\$ 0.62	\$ 0.49

In December 2004, the FASB issued SFAS No. 123 (R), "Share-Based Payment" ("SFAS 123(R)"), a revision of SFAS 123. SFAS 123 (R) supersedes APB 25 and amends Statement of Financial Accounting Standards No. 95 "Statement of Cash Flows" ("SFAS 95"). SFAS 123(R) is similar to the approach described in SFAS 123 except that SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the consolidated statements of income, in lieu of pro forma disclosure as provided above. SFAS 123 (R) is effective for fiscal periods beginning after June 15, 2005. The Company adopted the provisions of SFAS 123 (R) as of July 1, 2005, the first day of fiscal 2006 and currently intends to use the modified-prospective method and use the Black-Scholes model for estimating the fair value of equity compensation.

On June 29, 2005, the Board of Directors approved the immediate vesting of all stock options previously granted under the 1996 Stock Option Plan ("1996 SOP") that had exercised prices higher than the market price on such date. As a result of this action, the vesting of 201,925 options was accelerated by an average of 15 months. No other changes to these options were made. The weighted average exercise price of these accelerated options is \$21.15, and exercise prices of the affected options range from \$18.64 to \$25.00. The accelerated options constitute only 2.1% of the company's outstanding options. No options held by any directors or executive officers of the Company were accelerated or affected in any manner by this action.

The purpose of accelerating vesting of the options was to enable the Company to reduce the impact of recognizing future compensation expense associated with these options upon adoption of SFAS 123(R). Commencing with the Company's fiscal year that begins July 1, 2005, SFAS 123(R) will require that the Company recognize compensation expense equal to the fair value of equity-based compensation awards over the vesting period of each such award. The aggregate pre-tax expense for the shares subject to acceleration that, absent the acceleration of vesting, would have been reflected in the Company's consolidated financial statements beginning in fiscal 2006 is estimated to be a total of approximately \$802 (approximately \$510 in fiscal 2006, approximately \$185 in fiscal 2007, approximately \$89 in fiscal 2008 and approximately \$18 in fiscal 2009). See "Recent Accounting Pronouncements," below for additional information related to stock options.

For options currently outstanding, the adoption of the fair value method under SFAS 123(R) is not expected to have a significant impact on the Company's consolidated statements of income and, the Company's overall financial position will not be affected by the adoption of SFAS 123(R). The actual impact of SFAS 123(R) cannot be predicted at this time because it will depend on levels of share-based payments granted in the future and other factors.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION

The Company recognizes revenue in accordance with the provisions of Statement of Position ("SOP") 97-2, "Software Revenue Recognition," as amended by SOP 98-9, "Software Revenue Recognition, with Respect to Certain Transactions," and clarified by Staff Accounting Bulletin ("SAB") 101, "Revenue Recognition in Financial Statements," SAB 104, "Revenue Recognition," and Emerging Issues Task Force Issue No. 00-21 ("EITF 00-21"), "Accounting for Revenue Arrangements with Multiple Deliverables." The Company derives revenues from the following sources: license fees, support and service fees and hardware sales. There are no rights of return, condition of acceptance or price protection in the Company's sales contracts.

License Fee Revenue. For software license agreements that do not require significant modification or customization of the software, the Company recognizes software license revenue when persuasive evidence of an arrangement exists, delivery of the product has occurred, the license fee is fixed and determinable and collection is probable. The Company's software

license agreements generally include multiple products and services or "elements." None of these elements are deemed to be essential to the functionality of the other elements. SOP 97-2, as amended, generally requires revenue earned on software arrangements involving multiple elements to be allocated to each element based on Vendor Specific Objective Evidence ("VSOE") of fair value. Fair value is determined for license fees based upon the price charged when sold separately. In the event that we determine that VSOE does not exist for one or more of the delivered elements of a software arrangement, but does exist for all of the undelivered elements, revenue is recognized the residual method allowed by SOP 98-9. Under the residual method, a residual amount of the total arrangement fee is recognized as revenue for the delivered elements after the established fair value of all undelivered elements has been deducted.

Support and Service Fee Revenue. Software implementation services are generally for training, implementation, and configuration of licensed software. These services are not considered essential to the functionality of the related software. VSOE of fair value is established by pricing used when these services are sold separately. Generally, for implementation services under \$50,000 revenue is recognized when services are completed. On certain larger implementations, revenue is recognized based on milestones during the implementation. Milestones are triggered by tasks completed or based on direct labor hours.

Maintenance support revenue is recognized pro-rata over the contract period, typically one year. VSOE of fair value is determined based on contract renewal rates.

Outsourced data processing services and ATM, debit card, and other transaction processing services revenues are recognized in the month the transactions are processed or the services are rendered.

Hardware Revenue. Hardware revenue is recognized upon delivery to the customer, when title and risk of loss are transferred. VSOE of fair value is determined based on pricing used when the items are sold separately. The Company also remarkets maintenance contracts on hardware to our customers. Hardware maintenance revenue is recognized ratably over the agreement period.

PREPAID COST OF PRODUCT

Costs for remarketed hardware and software maintenance contracts, which are prepaid, are recognized ratably over the life of the contract, generally one to five years, with the related revenue amortized from deferred revenues.

DEFERRED REVENUES

Deferred revenues consist primarily of prepaid annual software support fees and prepaid hardware maintenance fees. Hardware maintenance contracts are multi-year; therefore, the deferred revenue and maintenance are classified in accordance with the terms of the contract. Software and hardware deposits received are also reflected as deferred revenues.

COMPUTER SOFTWARE DEVELOPMENT

The Company capitalizes new product development costs incurred from the point at which technological feasibility has been established through the point at which the product is ready for general availability. Software development costs that are capitalized are evaluated on a product-by-product basis annually and are assigned an estimated economic life based on the type of product, market characteristics, and maturity of the market for that particular product. The Company's amortization policy for these capitalized costs is to amortize the costs in accordance with SFAS 86, Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed. Generally, these costs are initially amortized on a straight-line basis, and are monitored on a regular basis to assess that the amortization method is still appropriate and that the remaining estimated life of the asset is reasonable (generally five to ten years).

CASH EQUIVALENTS

The Company considers all highly liquid investments with maturities of three months or less at the time of acquisition to be cash equivalents.

INVESTMENTS

The Company invests its cash that is not required for current operations primarily in U.S. government securities and money market accounts. The Company has the positive intent and ability to hold its debt securities until maturity and accordingly, these securities are classified as held-to-maturity and are carried at historical cost adjusted for amortization of premiums and accretion of discounts. Premiums and discounts are amortized and accreted, respectively, to interest income using the level-yield method over the period to maturity. The held-to-maturity securities typically mature in less than one year. Interest on investments in debt securities is included in income when earned.

The amortized cost of held-to-maturity securities is \$993 and \$998 at June 30, 2005 and 2004, respectively. Fair market values of these securities did not differ significantly from amortized cost due to the nature of the securities and minor interest rate fluctuations during the periods.

PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

Property and equipment is stated at cost and depreciated principally using the straight-line method over the estimated useful lives of the assets.

Intangible assets consist of goodwill, customer relationships, computer software, and trade names acquired in business acquisitions in addition to internally developed computer software. The amounts are amortized, with the exception of goodwill and trade names, over an estimated economic benefit period, generally five to twenty years, using the straight-line method.

The Company reviews its long-lived assets and identifiable intangible assets with finite lives for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. The Company evaluates goodwill and trade names for impairment of value on an annual basis and between annual tests if events or changes in circumstances indicate that the asset might be impaired.

COMPREHENSIVE INCOME

Comprehensive income for each of the three years ended June 30, 2005 equals the Company's net income.

BUSINESS SEGMENT INFORMATION

In accordance with SFAS No. 131, Disclosure About Segments of an Enterprise and Related Information, the Company's operations are classified as two business segments: bank systems and services and credit union systems and services (see Note 13). Revenue by type of product and service is presented on the face of the consolidated statements of income. Substantially all the Company's revenues are derived from operations and assets located within the United States of America.

COMMON STOCK

In 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 to 6.0 million shares in 2002. Through fiscal 2004, a total of 3,00,9384 shares had been repurchased by the Company under these authorizations. Repurchases through fiscal 2004 were funded with cash from operations.

During fiscal 2004 there were 2,009,694 shares and 37,776 shares reissued from treasury stock for the shares exercised under the employee stock option plan and purchased under the employee stock purchase plan, respectively. At June 30, 2004, there were 315,651 shares remaining in treasury stock.

During fiscal 2005 there were 306,027 shares and 9,624 shares reissued from treasury stock for the shares exercised under the employee stock option plan and purchased under the employee stock purchase plan, respectively.

In April 2005, the Board of Directors increased the existing stock repurchase authorization by 2.0 million shares to 8.0 million shares. Under this authorization, the Company may finance its share repurchases with available cash reserves or short-term borrowings on its existing credit facility. The share repurchase program does not include specific price targets or timetables and may be suspended at any time. As of June 30, 2005, 553,300 shares had been repurchased during the fiscal year for \$9,952. At June 30, 2005, there were 553,300 shares remaining in treasury stock and the Company had the remaining authority to repurchase up to 4,437,316 shares.

INCOME PER SHARE

Per share information is based on the weighted average number of common shares outstanding during the year. Stock options have been included in the calculation of income per diluted share to the extent they are dilutive. The difference between basic and diluted weighted average shares outstanding is the dilutive effect of outstanding stock options (see Note 10).

INCOME TAXES

Deferred tax liabilities and assets are recognized for the tax effects of differences between the financial statement and tax bases of assets and liabilities. A valuation allowance would be established to reduce deferred tax assets if it is more likely than not that a deferred tax asset will not be realized.

RECENT ACCOUNTING PRONOUNCEMENTS

In December 2004, the FASB issued SFAS No. 123 (R), "Share-Based Payment"

("SFAS 123(R)"), a revision of SFAS 123. SFAS 123 (R) supersedes APB 25 and amends Statement of Financial Accounting Standards No. 95 "Statement of Cash Flows" ("SFAS 95"). SFAS 123(R) is similar to the approach described in SFAS 123 except that SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the consolidated statements of income, in lieu of pro forma disclosure as provided above. SFAS 123 (R) is effective for fiscal periods beginning after June 15, 2005. The Company adopted the provisions of SFAS 123 (R) as of July 1, 2005, the first day of fiscal 2006 and currently intends to use the modified-prospective method and use the Black-Scholes model for estimating the fair value of equity compensation.

In December 2004, the FASB issued SFAS No. 153 ("SFAS 153"), Exchanges of Nonmonetary Assets, an Amendment of APB Opinion No. 29, effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005, and therefore effective for the Company on July 1, 2005. SFAS No. 153 requires that exchanges of productive assets be accounted for at fair value unless fair value cannot be reasonably determined or the transaction lacks commercial substance. SFAS No. 153 is not expected to have a material effect on the Company's consolidated financial statements.

In December 2004, the FASB issued Staff Position 109-1, "Application on FASB Statement No. 109, Accounting for Income Taxes, for the Tax Deduction Provided to U.S. Based Manufacturers by the American Jobs Creation Act of 2004" ("FSP 109-1"). FSP 109-1 clarifies how to apply Statement No. 109 to the new law's tax deduction for income attributable to "Domestic production activities." The Company is currently evaluating the impact of the new law on the Company's consolidated financial statements.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections - a replacement of APB Opinion No. 20 and FASB Statement No.3" ("SFAS 154"). SFAS 154 changes the requirements for the accounting for, and reporting of, a change in accounting principle. SFAS 154 requires that a voluntary change in accounting principle be applied retrospectively with all prior period financial statements presented using the accounting principle. SFAS 154 is effective for accounting changes and corrections of errors in fiscal years beginning after December 15, 2005. The implementation of SFAS 154 is not expected to have a material impact on the Company's consolidated financial statements.

NOTE 2: FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values for held-to-maturity securities are based on quoted market prices. For all other financial instruments, including amounts receivable or payable and short-term borrowings, fair values approximate carrying value, based on the short-term nature of the assets and liabilities and the variability of the interest rates on the borrowings.

NOTE 3: PROPERTY AND EQUIPMENT

The classification of property and equipment, together with their estimated useful lives is as follows:

	June 30,		
	----- 2005	2004 -----	Estimated Useful Life -----
Land	\$ 15,598	\$ 9,458	
Land improvements	17,873	16,418	5-20 years
Buildings	80,790	59,984	25-30 years
Leasehold improvements	16,140	13,103	5-10 years(1)
Equipment and furniture	133,931	108,703	5-8 years
Aircraft and equipment	50,523	49,478	8-10 years
Construction in progress	19,681	32,218	
	-----	-----	
	\$ 334,536	\$ 289,362	
Less accumulated depreciation	91,345	74,262	
	-----	-----	
Property and equipment, net	\$ 243,191	\$ 215,100	
	=====	=====	

(1) Lesser of lease term or economic life

At June 30, 2005 and 2004, the Company had commitments of approximately \$4,600 and \$6,900, respectively, to purchase property and equipment.

NOTE 4: OTHER ASSETS

Changes in the carrying amount of goodwill for the years ended June 30, 2005 and 2004, by reportable segments, are:

	Banking Systems and Services	Credit Union Systems and Services	Total
Balance, as of July 1, 2003	\$ 27,314	\$ 17,229	\$ 44,543
Goodwill acquired during the year	38,585	-	38,585
Balance, as of June 30, 2004	65,899	17,229	83,128
Goodwill acquired during the year	100,718	7,569	108,287
Balance, as of June 30, 2005	\$ 166,617	\$ 24,798	\$ 191,415

Information regarding other identifiable intangible assets is as follows:

	June 30,			2004		
	2005			2004		
	Carrying Amount	Accumulated Amortization	Net	Carrying Amount	Accumulated Amortization	Net
Customer relationships	\$109,244	\$ (40,769)	\$ 68,475	\$ 96,254	\$ (34,886)	\$ 61,368
Trade names	4,010	-	4,010	4,029	-	4,029
Totals	\$113,254	\$ (40,769)	\$ 72,485	\$100,283	\$ (34,886)	\$ 65,397

Trade names have been determined to have indefinite lives and are no longer amortized. Customer relationships have lives ranging from five to 20 years.

Computer software includes the unamortized cost of software products developed or acquired by the Company, which are capitalized and amortized over five to ten years.

Following is an analysis of the computer software capitalized:

	Carrying Amount	Accumulated Amortization	Total
Balance, July 1, 2003	\$ 18,854	\$ (6,354)	\$ 12,500
Acquired software	3,191	-	3,191
Capitalized development cost	4,409	-	4,409
Amortization expense	-	(1,718)	(1,718)
Balance, June 30, 2004	26,454	(8,072)	18,382
Acquired software	6,666	-	6,666
Disposals	(3,580)	3,401	(179)
Capitalized development cost	7,846	-	7,846
Amortization expense	-	(3,227)	(3,227)
Balance, June 30, 2005	\$ 37,386	\$ (7,898)	\$ 29,488

Amortization expense for all intangible assets was \$9,116, \$6,750 and \$6,169 for the fiscal years ended June 30, 2005, 2004, and 2003, respectively. The estimated aggregate future amortization expense for each of the next five years for all intangible assets remaining as of June 30, 2005, is as follows:

Year	Customer Relationship	Software	Total
2006	\$6,422	\$3,428	\$9,850
2007	5,947	3,150	9,097
2008	5,657	3,128	8,785
2009	5,563	2,694	8,257
2010	5,444	1,611	7,055

NOTE 5: LINES OF CREDIT

The Company renewed a credit line on March 22, 2005 which provides for funding of up to \$8,000 and bears interest at the prime rate (6.00% at June 30, 2005). The credit line expires March 22, 2006 and is secured by \$1,000 of investments. There were no outstanding amounts at June 30, 2005 or 2004.

In October 2004, the Company renewed a bank credit line that provided for funding up to \$25,000 and bore interest at a variable LIBOR-based rate. At March 31, 2005, there was a 30-day note outstanding for \$14,000 under such credit line. The credit line was terminated and the outstanding note of \$14,000 was paid in full on April 19, 2005, using the proceeds of a loan under a new unsecured revolving bank credit facility, entered into on the

same date.

The new unsecured revolving bank credit facility allows borrowing of up to \$150,000, which may be increased by the Company at any time in the next three years to \$225,000. The unsecured revolving bank credit facility bears interest at a rate equal to (a) LIBOR or (b) an alternate base rate (the greater of (a) the Federal Funds Rate plus 1/2% or (b) the Prime Rate), plus an applicable percentage in each case determined by the Company's leverage ratio. The new unsecured revolving credit line terminates April 19, 2010. At June 30, 2005, the outstanding revolving bank credit facility balance was \$45,000 (\$15,000 at 6.00%, \$15,000 at 4.27% and \$15,000 at 4.15% at June 30, 2005).

The Company paid interest of \$171, \$107, and \$110 in 2005, 2004, and 2003, respectively.

NOTE 6: LEASE COMMITMENTS

The Company leases certain property under operating leases which expire over the next seven years. As of June 30, 2005, net future minimum lease payments under non-cancelable terms are as follows:

Years Ending June 30,	
2006	\$ 3,112
2007	2,668
2008	1,910
2009	1,072
2010	583
Thereafter	277

Total	\$ 9,622
	=====

Rent expense for all operating leases amounted to \$4,169, \$4,233, and \$3,921 in 2005, 2004, and 2003, respectively.

NOTE 7: INCOME TAXES

The provision for income taxes consists of the following:

	Year ended June 30,		
	-----	-----	-----
	2005	2004	2003
	-----	-----	-----
Current:			
Federal	\$ 35,221	\$ 28,096	\$ 19,001
State	3,846	3,706	1,453
Deferred:			
Federal	4,982	5,306	7,577
State	293	282	363
	-----	-----	-----
	\$ 44,342	\$ 37,390	\$ 28,394
	=====	=====	=====

The tax effects of temporary differences related to deferred taxes shown on the balance sheets were:

	June 30,	
	-----	-----
	2005	2004
	-----	-----
Deferred tax assets:		
Carryforwards (operating losses)	\$ 2,797	\$ 1,094
Expense reserves (bad debts, insurance, franchise tax and vacation)	1,481	754
Intangible assets	615	583
Other, net	866	565
	-----	-----
	5,759	2,996
	-----	-----
Deferred tax liabilities:		
Accelerated tax depreciation	(25,336)	(22,992)
Accelerated tax amortization	(15,163)	(7,446)
	-----	-----
	(40,499)	(30,438)
	-----	-----
Net deferred tax liability	\$ (34,740)	\$ (27,442)
	=====	=====

The deferred taxes are classified on the balance sheets as follows:

June 30,

	2005	2004
Deferred income taxes (current)	\$ 2,345	\$ 1,320
Deferred income taxes (long-term)	(37,085)	(28,762)
	\$ (34,740)	\$ (27,442)

The following analysis reconciles the statutory federal income tax rate to the effective income tax rates reflected above:

	Year Ended June 30,		
	2005	2004	2003
Computed "expected" tax expense (benefit)	35.0%	35.0%	35.0%
Increase (reduction) in taxes resulting from:			
State income taxes, net of federal income tax benefits	3.5%	4.0%	2.5%
Research and development credit	-1.5%	-1.5%	-1.0%
	37.0%	37.5%	36.5%

Net operating loss carryforwards of \$9,258 (from acquisitions) expire through the year 2024. \$1,699 is available for use in the Company's June 30, 2005 federal income tax returns leaving \$7,559 available for subsequent years. The Company paid income taxes of \$34,891, \$20,314, and \$19,025 in 2005, 2004, and 2003, respectively.

The Company's federal income tax returns for the years ended June 30, 1999 - June 30, 2001 have been examined by the Internal Revenue Service ("IRS"). In connection with the examination of these returns, the IRS has proposed to disallow research & experimentation ("R&E") credits claimed on these returns. The Company has appealed this proposal, but a final determination has not yet been received. The complete disallowance of these credits would increase the Company's federal income tax liability by approximately \$1,500 plus interest. The Company believes that the R&E credits claimed for these years are appropriate and has contested the disallowance of these credits. While there can be no assurance that the Company will prevail in contesting this disallowance, it believes the facts or the relevant tax law does not support any such disallowance. Consequently, the Company has not accrued any liability in connection with this matter.

NOTE 8: INDUSTRY AND SUPPLIER CONCENTRATIONS

The Company sells its products to banks, credit unions, and financial institutions throughout the United States and generally does not require collateral. All billings to customers are due net 30 days from date of billing. Reserves (which are insignificant at June 30, 2005 and 2004) are maintained for potential credit losses.

In addition, the Company purchases most of its computer hardware and related maintenance for resale in relation to installation of JHA software systems from two suppliers. There are a limited number of hardware suppliers for these required materials. If these relationships were terminated, it could have a significant negative impact on the future operations of the Company.

NOTE 9: STOCK OPTION PLANS

The Company currently issues options under two stock option plans: the 1996 Stock Option Plan ("1996 SOP") and the Non-Qualified Stock Option Plan ("NSOP").

1996 SOP

The 1996 SOP was adopted by the Company on October 29, 1996, for its employees. Terms and vesting periods of the options are determined by the Compensation Committee of the Board of Directors when granted and for options outstanding include vesting periods up to four years. Shares of common stock are reserved for issuance under this plan at the time of each grant, which must be at or above fair market value of the stock at the grant date. The options terminate 30 days after termination of employment, three months after retirement, one year after death or 10 years after grant. In October 2002, the stockholders approved an increase in the number of stock options available from 13.0 million to 18.0 million shares.

On April 11, 2003, the Company granted approximately 3,670,000 stock options to approximately 2,100 full time employees, or 94% of all full time employees as of that date. The options were issued at the exercise price of \$10.84 per share, which represented the fair market value of the stock as of that date and vest in two equal portions based on stock price performance or on specific dates. The two portions vested and became fully exercisable

when the Company's common stock achieved a closing market price of 125% or more and 150% or more, respectively, of the exercise price for 10 consecutive trading days. Such options fully vested during the first quarter of fiscal 2004. As of June 30, 2005, there were 2,344,533 shares available for future grants under the plan from the 18,000,000 shares approved by the stockholders.

On June 29, 2005, the Board of Directors approved the immediate vesting of all stock options previously granted under the 1996 SOP that had exercised prices higher than the market price on such date (See Note 1).

NSOP

The NSOP was adopted by the Company on October 31, 1995, for its outside directors. Options are exercisable beginning six months after grant at an exercise price equal to 100% of the fair market value of the stock at the grant date. The options terminate upon surrender of the option, upon the expiration of one year following notification of a deceased optionee, or 10 years after grant. 1,200,000 shares of common stock have been reserved for issuance under this plan with a maximum of 300,000 for each director. As of June 30, 2005, there were 445,833 shares available for future grants under the plan.

Changes in stock options outstanding are as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding July 1, 2002	10,217,569	\$ 13.90
Granted	3,897,150	10.92
Forfeited	(313,925)	17.89
Exercised	(501,740)	7.04
Expired	1,200	6.39
Outstanding June 30, 2003	13,300,254	13.19
Granted	192,167	18.65
Forfeited	(98,391)	21.59
Exercised	(2,009,694)	10.78
Outstanding June 30, 2004	11,384,336	13.64
Granted	224,300	18.56
Forfeited	(155,127)	19.70
Exercised	(1,687,112)	8.43
Outstanding June 30, 2005	9,766,397	\$ 14.55

For the year ended June 30, 2005, 306,027 shares and 9,624 shares were reissued from treasury stock for shares exercised in the employee stock option plan and the employee stock purchase plan (See Note 11), respectively.

For the year ended June 30, 2004, 2,009,694 shares and 37,776 shares were reissued from treasury stock for shares exercised in the employee stock option plan and the employee stock purchase plan (See Note 11), respectively.

Following is an analysis of stock options outstanding and exercisable as of June 30, 2005:

Range of Exercise Prices	Shares		Weighted-Average Remaining Contractual Life in Years	Weighted-Average Exercise Price	
	Outstanding	Exercisable	Outstanding	Outstanding	Exercisable
\$ 3.15 - \$ 9.44	1,817,817	1,817,817	2.22	\$ 6.38	\$ 6.38
\$ 9.45 - \$10.75	413,500	413,500	3.68	10.38	10.38
\$10.76 - \$10.84	1,848,822	1,848,822	7.78	10.84	10.84
\$10.85 - \$16.49	310,581	249,646	5.32	12.02	11.89
\$16.50 - \$16.88	3,314,210	3,314,210	4.76	16.88	16.88
\$16.89 - \$31.00	2,061,467	1,889,532	6.40	22.58	23.01
\$ 3.15 - \$31.00	9,766,397	9,533,527	5.18	\$14.55	\$14.51

NOTE 10: EARNINGS PER SHARE

The following table reflects the reconciliation between basic and diluted net income per share:

Year Ended June 30,

	2005			2004			2003		
	Net Income	Weighted Average Shares	Per Share Amount	Net Income	Weighted Average Shares	Per Share Amount	Net Income	Weighted Average Shares	Per Share Amount
Basic Income Per Share:									
Net income available to common stockholders	\$75,501	90,891	\$0.83	\$62,315	89,325	\$0.70	\$49,397	87,866	\$0.56
Effect of dilutive securities:									
Stock options	-	2,107	(0.02)	-	2,534	(0.02)	-	1,404	(0.01)
Diluted Income Per Share:									
Net income available to common stockholders	\$75,501	92,998	\$0.81	\$62,315	91,859	\$0.68	\$49,397	89,270	\$0.55

Stock options to purchase approximately 1,791,614 shares for fiscal 2005, 1,758,583 shares for fiscal 2004, and 5,972,949 shares for fiscal 2003, were not dilutive and therefore, were not included in the computations of diluted income per common share amounts.

NOTE 11: EMPLOYEE BENEFIT PLANS

The Company established an employee stock purchase plan in 1996. The plan allows the majority of employees the opportunity to directly purchase shares of the Company. Purchase prices for all participants are based on the closing bid price on the last business day of the month.

The Company has a defined contribution plans for its employees, the 401(k) Retirement Savings Plan (the "Plan"). The plan is subject to the Employee Retirement Income Security Act of 1975 ("ERISA") as amended. Under the Plan, the Company matches 100% of full time employee contributions up to 5% of compensation subject to a maximum of \$5 per year. Employees must be 18 years of age and be employed for at least six months. The Company has the option of making a discretionary contribution; however, none has been made for any of the three most recent fiscal years. The total matching contributions for the Plan were \$5,212, \$4,487, and \$4,139 for fiscal 2005, 2004, and 2003, respectively.

The Company also had an Employee Stock Ownership Plan (the "ESOP" Plan), which it terminated as of January 1, 2005 and is in the process of completing its liquidation. No contribution had been made to the ESOP Plan for any of the three most recent fiscal years.

NOTE 12: BUSINESS ACQUISITIONS

PURCHASE TRANSACTIONS

Fiscal 2005 Acquisitions:

On March 2, 2005, the Company acquired all of the membership interests in Tangent Analytics, LLC, ("Tangent"), a developer of business intelligence software systems. The purchase price for Tangent, \$4,000 paid in cash, was allocated to the assets and liabilities acquired based on then estimated fair values at the acquisition date, resulting in an allocation of (\$140) to working capital, \$89 to deferred tax liability, \$241 to capitalized software and \$4,128 to goodwill. Contingent purchase consideration of up to \$5,000 may be paid over the next three years based upon Tangent's earnings before interest, depreciation, taxes and amortization. The acquired goodwill has been allocated to the bank segment and is non-deductible for federal income tax.

Effective January 1, 2005, the Company acquired all of the membership interests in RPM Intelligence, LLC, doing business as Stratika ("Stratika"). Stratika provides customer and product profitability solutions for financial institutions. The purchase price for Stratika, \$6,241 paid in cash, was allocated to the assets and liabilities acquired based on then estimated fair values at the acquisition date, resulting in an allocation of \$9 to working capital, \$156 to deferred tax liability, \$422 to capitalized software and \$5,963 to goodwill. Contingent purchase consideration of up to \$10,000 may be paid over the next three years based upon the net operating income of Stratika. The acquired goodwill has been allocated to the bank segment and is non-deductible for federal income tax.

On December 17, 2004, the Company acquired certain assets of SERSynergy[™] ("Synergy"), a division of SER Solutions, Inc. Synergy is a market leader for intelligent document management for financial institutions. The purchase price for Synergy, \$34,466 paid in cash, was allocated to the assets and

liabilities acquired based on then estimated fair values at the acquisition date, resulting in an allocation of (\$3,216) to working capital, \$248 to deferred tax liability, \$2,541 to capitalized software, \$6,145 to customer relationships, and \$29,243 to goodwill. The acquired goodwill has been allocated to the bank segment and is deductible for federal income tax.

Effective December 1, 2004, the Company acquired the capital stock of TWS Systems, Inc. and three affiliated corporations (collectively "TWS"). TWS is a leading provider of image-based item processing solutions for credit unions. The purchase price for TWS, \$10,885 paid in cash, was allocated to the assets and liabilities acquired, based on then estimated fair values at the acquisition date, resulting in an allocation of (\$157) to working capital, 1,759 to deferred tax liability, \$2,110 to capitalized software, \$2,645 to customer relationships, and \$7,569 to goodwill. The acquired goodwill has been allocated to the credit union segment and is non-deductible for federal income tax.

On November 23, 2004, the Company acquired the capital stock of Optinfo, Inc. ("Optinfo"). Optinfo is a leading provider of enterprise exception management software and services. The purchase price for Optinfo, \$12,927 paid in cash and \$2,240 of vested options to acquire common stock, was allocated to the assets and liabilities acquired based on then estimated fair values at the acquisition date, resulting in an allocation of \$705 to working capital, \$1,346 to deferred tax asset, \$156 to deferred tax liability, \$421 to capitalized software, and \$12,806 to goodwill. The acquired goodwill has been allocated to the bank segment and is non-deductible for federal income tax.

Effective October 1, 2004, the Company acquired the capital stock of Verinex Technologies, Inc. ("Verinex"). Verinex is a leading developer and integrator of biometric security solutions. The purchase price for Verinex, \$35,000 paid in cash, was allocated to the assets and liabilities acquired based on then estimated fair values at the acquisition date, resulting in an allocation of \$574 to working capital, \$1,729 to deferred tax liability, \$464 to capitalized software, \$4,208 to customer relationships, and \$31,457 to goodwill. The acquired goodwill has been allocated to the bank segment and is non-deductible for federal income tax.

Effective October 1, 2004, the Company acquired Select Payment Processing, Inc. ("SPP") by merger. SPP is a provider of an innovative electronic payment processing solution for financial institutions. The purchase price for SPP, \$12,000 paid in cash, was allocated to the assets and liabilities acquired based on then estimated fair values at the acquisition date, resulting in an allocation of \$7 to working capital, \$938 to deferred tax asset, \$1,729 to deferred tax liability, \$467 to capitalized software and \$10,570 to goodwill. The acquired goodwill has been allocated to the bank segment and is non-deductible for federal income tax.

On September 1, 2004, the Company acquired Banc Insurance Services, Inc. ("BIS") in Massachusetts. BIS is a provider of turnkey outsourced insurance agency solutions for financial institutions. The purchase price for BIS, \$6,700 paid in cash, was allocated to the assets and liabilities acquired based on then estimated fair values at the acquisition date, resulting in an allocation of \$56 to working capital and \$6,549 to goodwill. Contingent purchase consideration may be paid over the next five years based upon BIS gross revenues which could result in additional allocations to goodwill of up to \$13,400. The acquired goodwill has been allocated to the bank segment and is non-deductible for federal income tax.

The accompanying consolidated statements of income for the fiscal year ended June 30, 2005 and 2004 do not include any revenues and expenses related to these acquisitions prior to the respective closing dates of each acquisition. The following unaudited pro forma consolidated financial information is presented as if these acquisitions had occurred at the beginning of the periods presented. In addition, this unaudited pro forma financial information is provided for illustrative purposes only and should not be relied upon as necessarily being indicative of the historical results that would have been obtained if these acquisitions had actually occurred during those periods, or the results that may be obtained in the future as a result of these acquisitions.

Pro Forma (unaudited)	Year Ended June 30,	
	2005	2004
Revenue	\$ 553,389	\$ 503,368
Gross profit	229,825	201,138
Net Income	\$ 78,092	\$ 66,309
Earnings per share - diluted	\$ 0.84	\$ 0.72

Diluted Shares	92,998	91,859
	=====	=====
Earnings per share - basic	\$ 0.86	\$ 0.74
	=====	=====
Basic Shares	90,891	89,325
	=====	=====

Fiscal 2004 Acquisitions

On February 2, 2004, the Company acquired all of the common stock of Yellow Hammer Software, Inc. ("YHS"). The purchase price for YHS, \$19,769 paid in cash, was allocated to the assets and liabilities acquired based on then estimated fair values at the acquisition date, resulting in the allocation of (\$637) to working capital, \$706 to capitalized software, \$1,200 to customer relationships, \$17,737 to goodwill and \$330 to trade names. The acquired goodwill was allocated to the bank segment and is non-deductible for federal income tax.

On February 19 and April 1, 2004, the Company acquired specific assets consisting of a suite of Automated Clearing House payment products. The purchase price for ACH, \$6,100 paid in cash, was allocated as follows: (\$39) to working capital, \$4,837 to goodwill, \$1,000 to non-compete which is included in customer relationships, and \$304 to capitalized software. The acquired goodwill was allocated to the bank segment and is non-deductible for federal income tax.

On May 1, 2004, the Company acquired all of the outstanding stock of e-ClassicSystems, Inc. ("e-Classic"). The purchase price for e-Classic, \$15,000 paid in cash, was allocated to the assets and liabilities acquired based on then estimated fair values at the acquisition date, resulting in the allocation of (\$7) to working capital, \$1,493 to capitalized software, \$990 to customer relationships, and \$11,383 to goodwill. The acquired goodwill was allocated to the bank segment and is non-deductible for federal income tax.

On June 1, 2004, the Company acquired specific assets consisting of a suite of regulatory reporting products. The purchase price, \$8,000 paid in cash, was allocated as follows: (\$1,164) to working capital, \$4,629 to goodwill, \$3,852 to customer relationships and \$690 to capitalized software. The acquired goodwill was allocated to the bank segment and is deductible for federal income tax.

Fiscal 2003 Acquisitions

On January 1, 2003, the Company acquired all the outstanding membership interests in National Bancorp Data Services, LLC ("NBDS"). The purchase price for NBDS, \$2,100 paid in cash, was allocated to the assets and liabilities acquired based on then estimated fair values at the acquisition date resulting in allocation of \$300 to working capital and \$1,800 to goodwill. The acquired goodwill was allocated to the bank segment and is non-deductible for federal income tax.

On November 15, 2002, the Company acquired all the outstanding shares of Credit Union Solutions, Inc. ("CUSI"). The purchase price for CUSI, \$5,000 paid in cash, was allocated to the assets and liabilities acquired based on then estimated fair values at the acquisition date. This resulted in an allocation of \$97 to working capital, \$2,408 to goodwill, capitalized software of \$1,222 and customer contracts of \$710. The acquired goodwill was allocated to the credit union segment and is non-deductible for federal income tax.

The accompanying consolidated financial statements do not include any revenues and expenses related to these acquisitions prior to their respective closing dates. Pro forma results of acquisitions completed in 2004 and 2003 were not material, therefore such amounts have not been presented.

NOTE 13: BUSINESS SEGMENT INFORMATION

The Company is a leading provider of integrated computer systems that perform data processing (available for in-house or service bureau installations) for banks and credit unions. The Company's operations are classified into two business segments: bank systems and services ("Bank") and credit union systems and services ("Credit Union"). The Company evaluates the performance of its segments and allocates resources to them based on various factors, including prospects for growth, return on investment, and return on revenue.

For the Year Ended June 30, 2005

-----	-----	-----
Bank	Credit Union	Total
-----	-----	-----

REVENUE			
License	\$ 53,563	\$ 28,811	\$ 82,374
Support and service	305,696	58,380	364,076
Hardware	69,436	19,977	89,413
	-----	-----	-----
Total	428,695	107,168	535,863
	-----	-----	-----
COST OF SALES			
Cost of license	2,402	3,145	5,547
Cost of support and service	196,140	47,957	244,097
Cost of hardware	48,361	15,408	63,769
	-----	-----	-----
Total	246,903	66,510	313,413
	-----	-----	-----
GROSS PROFIT	\$ 181,792	\$ 40,658	\$ 222,450
	=====	=====	=====

For the Year Ended June 30, 2004

	Bank	Credit Union	Total
	-----	-----	-----
REVENUE			
License	\$ 38,338	\$ 24,255	\$ 62,593
Support and service	268,249	43,038	311,287
Hardware	75,497	18,038	93,535
	-----	-----	-----
Total	382,084	85,331	467,415
	-----	-----	-----
COST OF SALES			
Cost of license	2,444	2,294	4,738
Cost of support and service	171,359	36,371	207,730
Cost of hardware	53,635	13,334	66,969
	-----	-----	-----
Total	227,438	51,999	279,437
	-----	-----	-----
GROSS PROFIT	\$ 154,646	\$ 33,332	\$ 187,978
	=====	=====	=====

For the Year Ended June 30, 2003

	Bank	Credit Union	Total
	-----	-----	-----
REVENUE			
License	\$ 29,275	\$ 19,009	\$ 48,284
Support and service	234,095	26,357	260,452
Hardware	79,757	16,134	95,891
	-----	-----	-----
Total	343,127	61,500	404,627
	-----	-----	-----
COST OF SALES			
Cost of license	1,834	2,056	3,890
Cost of support and service	148,921	29,335	178,256
Cost of hardware	57,377	11,768	69,145
	-----	-----	-----
Total	208,132	43,159	251,291
	-----	-----	-----
GROSS PROFIT	\$ 134,995	\$ 18,341	\$ 153,336
	=====	=====	=====

For the Year Ended June 30,

	2005	2004	2003
	-----	-----	-----
Depreciation expense, net			
Bank systems and services	\$ 27,248	\$ 25,970	\$ 23,370
Credit Unions systems and services	2,547	820	655
	-----	-----	-----
Total	\$ 29,795	\$ 26,790	\$ 24,025
	=====	=====	=====
Amortization expense, net			
Bank systems and services	\$ 7,356	\$ 5,301	\$ 4,787
Credit Unions systems and services	1,760	1,449	1,382
	-----	-----	-----
Total	\$ 9,116	\$ 6,750	\$ 6,169
	=====	=====	=====
Capital expenditures, net			
Bank systems and services	\$ 49,360	\$ 23,505	\$ 45,759
Credit Unions systems and services	8,686	25,636	199
	-----	-----	-----
Total	\$ 58,046	\$ 49,141	\$ 45,958
	=====	=====	=====

	For the Year Ended June 30,	
	2005	2004
Property and equipment, net		
Bank systems and services	\$ 208,541	\$ 187,242
Credit Unions systems and services	34,650	27,858
Total	\$ 243,191	\$ 215,100
Identified intangible assets, net		
Bank systems and services	\$ 238,503	\$ 125,650
Credit Unions systems and services	50,575	41,257
Total	\$ 289,078	\$ 166,907

The Company has not disclosed any additional asset information by segment, as the information is not produced internally and its preparation is impracticable.

QUARTERLY FINANCIAL INFORMATION (unaudited)

	For the Year Ended June 30, 2005				Total
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	
REVENUE					
License	\$ 19,551	\$ 22,148	\$ 20,943	\$ 19,732	\$ 82,374
Support and service	83,648	87,726	92,509	100,193	364,076
Hardware	20,897	26,086	20,930	21,500	89,413
Total	124,096	135,960	134,382	141,425	535,863
COST OF SALES					
Cost of license	1,609	1,734	1,085	1,119	5,547
Cost of support and service	56,030	60,946	61,436	65,685	244,097
Cost of hardware	15,895	18,531	14,584	14,759	63,769
Total	73,534	81,211	77,105	81,563	313,413
GROSS PROFIT	50,562	54,749	57,277	59,862	222,450
OPERATING EXPENSES					
Selling and marketing	10,732	11,920	11,598	12,380	46,630
Research and development	6,142	6,741	7,738	7,043	27,664
General and administrative	7,465	8,127	6,915	6,580	29,087
Total	24,339	26,788	26,251	26,003	103,381
OPERATING INCOME	26,223	27,961	31,026	33,859	119,069
INTEREST INCOME (EXPENSE)					
Interest income	459	359	171	173	1,162
Interest expense	(3)	(14)	(110)	(261)	(388)
Total	456	345	61	(88)	774
INCOME BEFORE INCOME TAXES	26,679	28,306	31,087	33,771	119,843
PROVISION FOR INCOME TAXES	10,005	10,614	11,658	12,065	44,342
NET INCOME	\$ 16,674	\$ 17,692	\$ 19,429	\$ 21,706	\$ 75,501
Diluted net income per share	\$ 0.18	\$ 0.19	\$ 0.21	\$ 0.23	\$ 0.81
Diluted weighted average shares outstanding	92,485	92,957	93,421	93,127	92,998
Basic net income per share	\$ 0.18	\$ 0.20	\$ 0.21	\$ 0.24	\$ 0.83
Basic weighted average shares outstanding	90,286	90,650	91,212	91,414	90,891

QUARTERLY FINANCIAL INFORMATION (unaudited)

	For the Year Ended June 30, 2004				
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
	-----	-----	-----	-----	-----
REVENUE					
License	\$ 12,960	\$ 12,400	\$ 15,343	\$ 21,890	\$ 62,593
Support and service	72,524	76,717	78,353	83,693	311,287
Hardware	23,456	23,613	26,012	20,454	93,535
	-----	-----	-----	-----	-----
Total	108,940	112,730	119,708	126,037	467,415
	-----	-----	-----	-----	-----
COST OF SALES					
Cost of license	913	252	1,131	2,442	4,738
Cost of support and service	49,049	51,696	52,073	54,912	207,730
Cost of hardware	16,321	16,073	19,185	15,390	66,969
	-----	-----	-----	-----	-----
Total	66,283	68,021	72,389	72,744	279,437
	-----	-----	-----	-----	-----
GROSS PROFIT	42,657	44,709	47,319	53,293	187,978
	-----	-----	-----	-----	-----
OPERATING EXPENSES					
Selling and marketing	8,772	8,531	8,634	10,027	35,964
Research and development	5,319	5,912	6,344	6,099	23,674
General and administrative	7,005	7,673	6,842	8,014	29,534
	-----	-----	-----	-----	-----
Total	21,096	22,116	21,820	24,140	89,172
	-----	-----	-----	-----	-----
OPERATING INCOME	21,561	22,593	25,499	29,153	98,806
	-----	-----	-----	-----	-----
INTEREST INCOME (EXPENSE)					
Interest income	287	281	248	190	1,006
Interest expense	(26)	(3)	(52)	(26)	(107)
	-----	-----	-----	-----	-----
Total	261	278	196	164	899
	-----	-----	-----	-----	-----
INCOME BEFORE INCOME TAXES	21,822	22,871	25,695	29,317	99,705
	-----	-----	-----	-----	-----
PROVISION FOR INCOME TAXES	7,965	8,348	9,379	11,698	37,390
	-----	-----	-----	-----	-----
NET INCOME	\$ 13,857	\$ 14,523	\$ 16,316	\$ 17,619	\$ 62,315
	=====	=====	=====	=====	=====
Diluted net income per share	\$ 0.15	\$ 0.16	\$ 0.18	\$ 0.19	\$ 0.68
	=====	=====	=====	=====	=====
Diluted weighted average shares outstanding	91,069	92,000	92,077	92,291	91,859
	=====	=====	=====	=====	=====
Basic net income per share	\$ 0.16	\$ 0.16	\$ 0.18	\$ 0.20	\$ 0.70
	=====	=====	=====	=====	=====
Basic weighted average shares outstanding	88,515	89,231	89,654	89,899	89,325
	=====	=====	=====	=====	=====

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosures

None.

Item 9A. Controls and Procedures

As of the end of the period covered by this Annual Report on Form 10-K, an evaluation was carried out under the supervision and with the participation of our management, including our Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15. Based upon that evaluation, the CEO and CFO concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including our consolidated subsidiaries) required to be included in our periodic SEC filings.

The Management's Report on Internal Control over Financial Reporting required by this Item 9A is in Item 8, "Financial Statements and Supplementary Data." Our independent registered accounting firm, Deloitte & Touche LLP, audited management's assessment and independently assessed the effectiveness of the Company's internal control over financial reporting. Deloitte & Touche LLP has issued an attestation report concurring with management's assessment, which is included in Item 8 of this Form 10-K.

During the fiscal quarter ending June 30, 2005, there has been no change in internal control over financial reporting that has materially affected, or is reasonably likely to affect, the Company's internal control over financial reporting.

Attached as Exhibits 31.1 and 31.2 to this Annual Report on Form 10-K are certifications of the CEO and the CFO, which are required in accord with Rule 13a-14 of the Securities Exchange Act of 1934 (the Exchange Act). This Controls and Procedures section includes the information concerning the controls evaluation referred to in the certifications and it should be read in conjunction with the certifications.

Item 9B. Other Information

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

See the information under the captions "Election of Directors", "Corporate Governance", "Audit Committee Report", "Executive Officers and Significant Employees" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's definitive Proxy Statement which is incorporated herein by reference.*

Item 11. Executive Compensation

See the information under captions "Executive Compensation", "Compensation Committee Report" and "Company Performance" in the Company's definitive Proxy Statement which is incorporated herein by reference.*

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

See the information under the captions "Stock Ownership of Certain Stockholders", "Election of Directors" and "Equity Compensation Plan Information" in the Company's definitive Proxy Statement which is incorporated herein by reference.*

Item 13. Certain Relationships and Related Transactions

See the information under the caption "Certain Relationships and Related Transactions" in the Company's definitive Proxy Statement which is incorporated herein by reference.*

Item 14. Principal Accountant Fees and Services

See the information under the captions "Audit Committee Report" and "Independent Registered Public Accounting Firm" in the Company's definitive Proxy Statement which is incorporated herein by reference.*

* Incorporated by reference pursuant to Rule 12b-23 and General Instruction G(3) to Form 10-K.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as part of this Report:

(1) The following Consolidated Financial Statements of the Company and its subsidiaries and the Report of Independent Registered Public Accounting Firm thereon appear under Item 8 of this Report:

- Report of Independent Registered Public Accounting Firm
- Consolidated Statements of Income for the Years Ended June 30, 2005, 2004 and 2003
- Consolidated Balance Sheets as of June 30, 2005 and 2004
- Consolidated Statements of Changes in Stockholders' Equity for the Years Ended June 30, 2005, 2004 and 2003
- Consolidated Statements of Cash Flows for the Years Ended June 30, 2005, 2004 and 2003

(2) The following Financial Statement Schedules filed as part of this Report appear under Item 8 of this Report:

There are no schedules included because they are not applicable or the required information is shown in the Consolidated Financial Statements or Notes thereto.

(3) All exhibits not followed herewith are incorporated by reference to a prior filing as indicated, pursuant to Rule 12b-32:

Index to Exhibits

Exhibit No.	Description
3.1.7	Restated Certificate of Incorporation, attached as Exhibit 3.1.7 to the Company's Annual Report on Form 10-K for the Year ended June 30, 2003.
3.2.1	Amended and Restated Bylaws, attached as Exhibit A to the Company's Quarterly Report on Form 10-Q for the Quarter ended March 31, 1996.
10.1	The Company's 1987 Stock Option Plan, as amended as of October 27, 1992, attached as Exhibit 19.1 to the Company's Quarterly Report on Form 10-Q for the Quarter ended September 30, 1992.
10.3	The Company's 1995 Non-Qualified Stock Option Plan, attached as Exhibit 10.3 to the Company's Annual Report on Form 10-K for the Year Ended June 30, 1996.
10.8	Form of Indemnity Agreement which has been entered into as of August 27, 1996, between the Company and each of its Directors and Executive Officers, attached as Exhibit 10.8 to the Company's Annual Report on Form 10-K for the Year Ended June 30, 1996.
10.9	The Company's 1996 Stock Option Plan, attached as Exhibit 10.9 to the Company's Annual Report on Form 10-K for the Year Ended June 30, 1997.
10.17	IBM Business Partner Agreement dated January 1, 2003, attached as Exhibit 10.17 to the Company's Annual Report on Form 10-K for the Year Ended June 30, 2003.
10.18	Stock Purchase Agreement with Verinex Technologies, Inc. dated October 1, 2004 attached as Exhibit 10.18 to the Company's Quarterly Report on Form 10-Q for the Quarter ended September 30, 2004.
10.19	Asset Purchase Agreement with SER Systems, Inc. and SER Solutions, Inc. dated December 17, 2004 attached as Exhibit 10.19 to the Company's Quarterly Report on Form 10-Q for the Quarter ended December 31, 2004.
10.20	Credit Agreement with Wachovia Bank, National Association as Administrative Agent, attached as Exhibit 10.20 to the Company's Current Report on Form 8-K filed April 21, 2005.
10.21	Amendment to the Company's 1996 Stock Option Plan, attached as Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 5, 2005.
10.22	2006 Executive Bonus Plan, attached as Exhibit 10.22 to the Company's Current Report on Form 8-K filed September 2, 2005.
10.23	2006 General Manager Bonus Plan, attached as Exhibit 10.23 to the Company's Current Report on Form 8-K filed September 2, 2005.
10.24	2006 Independent Director Compensation Plan, attached as Exhibit 10.24 to the Company's Current Report on Form 8-K filed September 2, 2005.
21.1	List of the Company's subsidiaries.
23.1	Consent of Independent Registered Public Accounting Firm.
32.1	Certification of Chief Executive Officer.
32.2	Certification of Chief Financial Officer.
32.1	Written Statement of the Chief Executive Officer Pursuant to

18 U.S.C. Section 1350.

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized this 26th day of August, 2005.

JACK HENRY & ASSOCIATES, INC., Registrant

By /s/ John F. Prim

John F. Prim

Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature -----	Capacity -----	Date ----
/s/ Michael E. Henry ----- Michael E. Henry	Chairman of the Board and Director	September 13, 2005
/s/ John F. Prim ----- John F. Prim	Chief Executive Officer	September 13, 2005
/s/ Kevin D. Williams ----- Kevin D. Williams	Chief Financial Officer and Treasurer (Principal Accounting Officer)	September 13, 2005
/s/ John W. Henry ----- John W. Henry	Vice Chairman, Senior Vice President and Director	September 13, 2005
/s/ Jerry D. Hall ----- Jerry D. Hall	Executive Vice President and Director	September 13, 2005
/s/ Joseph J. Maliekel ----- Joseph J. Maliekel	Director	September 13, 2005
/s/ James J. Ellis ----- James J. Ellis	Director	September 13, 2005
/s/ Craig R. Curry ----- Craig R. Curry	Director	September 13, 2005

[Exhibits are omitted, but are available upon request directed to Kevin D. Williams, CFO at the address set forth on the cover page and are also available in the Form 10-K posted at our investor relations website, www.jackhenry.com/ir/.]

Jack Henry and Associates, Inc. Subsidiaries

Jack Henry & Associates, Inc.
Jack Henry Services, L.P.
Jack Henry Systems, L.P.
Jack Henry Software/Commlink, L.P.
Symitar Systems, Inc.
Sys-Tech, Inc.
System Legacy Solutions, Inc.
Yellow Hammer Software, Inc.
Check Collect, Inc.
Jack Henry ACH, L.P.
E-ClassicSystems, Inc.
Banc Insurance Services, Inc.
Banc Insurance Agency, Inc.
Select Payment Processing, Inc.
Jack Henry, L.L.C.
Verinex Technologies, Inc.
Optinfo, Inc.
TWS Systems, Inc.
TWS Item Processing, LTD
TWS Financial, Inc.
TWS Services, Inc.
TWS Services of Alaska, Inc.
JHA Synergy, Inc.
RPM Intelligence, LLC
Tangent Analytics, LLC
Jack Henry International, Ltd.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Numbers 33-65231, 33-65251, 333-16989, 333-69299, 333-63912, and 333-101680 on Form S-8 of our reports dated September 12, 2005, relating to the financial statements of Jack Henry & Associates, Inc., and management's report on the effectiveness of internal control over financial reporting appearing in the Annual Report on Form 10-K of Jack Henry & Associates, Inc. for the year ended June 30, 2005.

/s/ Deloitte & Touche LLP

St. Louis, Missouri
September 13, 2005

CERTIFICATION

I, John F. Prim, certify that:

1. I have reviewed this annual report on Form 10-K 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 annual 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-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter, (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, 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 and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information ; 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 over financial reporting.

Date: September 13, 2005

/s/ John F. Prim

John F. Prim
Chief Executive Officer

CERTIFICATION

I, Kevin D. Williams, certify that:

1. I have reviewed this annual report on Form 10-K 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 annual 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-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter, (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, 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 and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information ; 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 over financial reporting.

Date September 13, 2005

/s/ Kevin D. Williams

Kevin D. Williams
Chief Financial Officer

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 Annual Report on Form 10-K of the Company for the fiscal year ended June 30, 2005 (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: September 13, 2005

/s/ John F. Prim

John F. Prim
Chief Executive Officer

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 Annual Report on Form 10-K of the Company for the fiscal year ended June 30, 2005 (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: September 13, 2005

/s/ Kevin D. Williams

Kevin D. Williams
Chief Financial Officer