

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 (NO FEE REQUIRED)

For the fiscal year ended June 30, 1999

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (D) OF THE
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from _____ to _____

Commission Number 0-14112

JACK HENRY & ASSOCIATES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

43-1128385

(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 (\$.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

As of August 17, 1999, Registrant had 20,117,855 shares of Common Stock outstanding (\$.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 \$571,062,848 (based on the average of the reported high and low sales prices on NASDAQ on such date).

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.

DOCUMENTS INCORPORATED BY REFERENCE

The below indicated portions of the Jack Henry & Associates, Inc. definitive Proxy Statement for the 1999 Annual Meeting of Stockholders (the "Proxy Statement") are incorporated by reference into Part III of this Report.

CROSS REFERENCE SHEET

Part of
Form 10-K

Proxy Statement

Part III, Item 10

"Election of Directors" and
"Executive Officers and
Significant Employees"

Part III, Item 11 "Executive Compensation";
"Compensation Committee
Report"; and "Company
Performance"

Part III, Item 12 "Stock Ownership of Certain
Stockholders" and
"Election of Directors"

PART I

ITEM 1. BUSINESS

INTEGRATED BANKING SOFTWARE SYSTEMS

OVERVIEW -- Jack Henry & Associates, Inc. ("JHA" or the "Company") provides integrated computer systems for in-house and service bureau data processing to banks and other financial institutions. JHA has developed several banking applications software systems which it markets, along with the computer hardware, to financial institutions throughout the United States. JHA also performs data conversion, software installation and software customization for the implementation of its systems, and provides continuing customer maintenance/support services after the systems are installed.

Over the last five years, the Company's revenues have grown from \$54.8 million to \$184.5 million; and earnings have grown from \$5.5 million to \$31.8 million. The Company's growth has resulted primarily from acquisitions and internal expansion. This growth has allowed the Company to develop new products and expand its core systems customer base to approximately 1,400. The number of Company employees has increased from 274 to 977.

MARKETS AND COMPETITION -- JHA's primary market consists of the approximately 8,800 commercial banks in the United States with less than \$10 billion in total assets. Community banks account for approximately 8,700 of that number. The population of community banks decreased by 4% in 1998. In 1998, statistics reported in "Automation in Banking 1999" showed that financial institutions spent approximately \$34 billion on hardware, software, services and telecommunications. In-house vendors have 61% of the commercial banks as customers. Centralized off-site service bureaus provide data processing for 39% of the banks, down from two-thirds in the mid 80's. Many organizations provide data processing to banks through a service bureau approach. Some service bureaus are affiliated with large financial institutions which may have other relationships with potential bank customers, but this is less prevalent than in the past. Typically, a bank which is making a data processing decision will consider both service bureau and in-house alternatives. Of the small-to-mid-size banks with in-house installations, 42% utilize IBM hardware, 24% NCR and 21% Unisys Corporation, respectively. All other vendors were under 6% shares of the in-house community bank market. In 1998, eight of the top ten software providers in this market, ranked by number of installed customers, offered their products on IBM hardware. According to that survey, JHA had the most installed customers (approximately 1,275 at 12-31-98) of all providers. Although the top ten software providers accounted for about 88% of in-house systems installed, the study identified 21 other software vendors in this arena. That number has been declining in recent years.

JHA believes that the primary competitive factors in software selection are comprehensiveness of applications, features and functions, flexibility and ease of use, customer support, references of existing customers, and hardware preferences and pricing. The price of the software and the related services is also a significant competitive factor which may be determinative, particularly for smaller banks. Management believes that JHA's results and the size of its customer base indicate that JHA generally compares favorably in the competitive factors. However, the in-house banking software industry includes several competitors, based upon the size of their respective customer bases. Over half of the most successful competitors utilize IBM hardware.

PRODUCTS AND SERVICES -- JHA's business and operations include three major categories which are software and installation, maintenance/support and hardware. Software includes the development and licensing of applications software systems and the conversion, installation and customization services required for the customer's installation of the systems. Maintenance/support consists of the ongoing services to assist the customer in operating the systems and to modify and update the software to meet changes in banking. Hardware sales (often referred to as remarketing) include both the computer equipment and the equipment maintenance on which the JHA software systems operate. Also, included in hardware is the resale of forms and supplies. The following table

illustrates the significance of each of these three areas, expressed as a percentage of total revenues:

	Year Ended June 30,		
	1999	1998	1997
Software licensing and installation	26%	28%	26%
Maintenance/support and services	37%	32%	30%
Hardware sales	37%	40%	44%
Total Revenues	100%	100%	100%

JHA's primary banking software systems are CIF 20/20(TM) and the Silverlake System(R). CIF 20/20 is the latest version of a series of systems that has evolved from JHA's original system which was first installed in 1977. It is written using the RPG/400 language to take advantage of the relational data base features and functions of the IBM AS/400(TM) computer. CIF/36, CIF/34 and CIF/32 are all predecessors of this software system, which ran on IBM System 36, 34 and 32 hardware. CIF 20/20 operates on IBM AS/400 and IBM System 36 hardware and is designed primarily for financial institutions with total assets ranging up to \$300 million. The Silverlake System was developed (rather than having been migrated from equipment with other architecture) by JHA in 1986 and 1987 to take advantage of the relational data base characteristics of IBM System 38 and AS/400 hardware. It is designed generally for somewhat larger banks than CIF 20/20 and multi-bank groups ranging up to \$10 billion in total assets. The computer equipment now being offered extends this system into the low end of the large bank arena, previously limited to "mainframe" computer systems. JHA is one of the few vendors that offers its customers truly native software products for use on the AS/400.

Each of the systems consists of several fully integrated applications software modules, such as Deposits, Loans, General Ledger, and the Customer Information File (which is a centralized file containing customer data for all applications). The systems make extensive use of parameters established by the customer. The systems can be interfaced with (connected to) a variety of peripheral devices used in bank operations including teller machines, on-line teller terminals and magnetic character readers. JHA software is designed to provide maximum flexibility in meeting a bank's data processing requirements within a single system, minimizing data entry.

JHA devotes significant effort and expense to develop and continually upgrade and enhance its software. Upgrades and enhancement efforts are directed primarily through prioritized lists prepared by its national users organization and in response to changes in the banking environment. Bank regulation, by federal and state banking agencies, has a significant impact on JHA's software since JHA must maintain its systems in compliance with those regulations. JHA's research and development expenditures were \$5,138,000, \$4,155,000 and \$3,131,000 in FY '99, '98 and '97, respectively. Portions of the expenditures are required to be capitalized when incurred and then amortized in subsequent periods. Including the effect of this amortization, the amount of research and development costs charged to expense in those years is \$5,073,000, \$4,163,000 and \$3,012,000, respectively.

The Company licenses CIF 20/20 and the Silverlake System under standard license agreements which provide the customer with a fully-paid, nonexclusive, nontransferable right to use the software for a term of 25 years on a single computer and for a single financial institution location upon payment of the license fee. Generally, license fees are payable 25% upon execution of a license agreement, 65% upon delivery of the software, and the balance at the installation of the last application module. The Company provides a limited warranty for its unmodified software for a period of 60 days from delivery. Under the warranty, the Company will correct any program errors at no additional charge to the customer.

JHA claims a proprietary interest in its software programs, documentation, methodology and know-how. It also utilizes copyright protection, trademark registration, trade secret laws and contract restrictions to protect its interest in these products.

JHA provides data conversion and software installation services to assist its customers in implementing their JHA software system. JHA provides these services on an hourly or a fixed-fee basis, depending on the customers' preference. After a customer installation is complete, the customer is encouraged (but not required) to contract with JHA for software maintenance/support. These services, which are provided for an annual fee, include

updates of the software to meet regulatory requirements and telephone support to assist the customer in operating the system. JHA also offers maintenance services for hardware, providing customers who have contracted for this service with "one-call" system support covering hardware, system software and applications software. The hardware maintenance contract is between JHA and its customer. The actual hardware maintenance is performed by the hardware manufacturer under a contract between the manufacturer and JHA.

Silverlake System(R) is a registered trademark of Jack Henry & Associates, Inc. CIF 20/20(TM) is a trademark of Jack Henry & Associates, Inc. AS/400(TM) is a trademark of International Business Machines Corporation.

Hardware manufacturers enter into marketing and other arrangements with software companies, such as JHA, because each depends upon the products of the other. These arrangements generally include financial incentives paid by the manufacturer to the software company. They may be structured as hardware commissions based upon hardware sold by the manufacturer in conjunction with the company's software or as a remarketer arrangement. A remarketer arrangement allows the software company to purchase hardware from the manufacturer at a discount and sell (remarket) it to customers along with the company's software. Remarketer arrangements usually require the software company to assume more of the marketing and customer contact responsibilities. The margin earned by a remarketer on hardware it sells is generally greater than the amounts received on commission arrangements. Only a minor portion of JHA's revenues are realized from commission arrangements. Remarketer arrangements are generally not exclusive. Effective January 1, 1999, JHA renewed its industry remarketer (IR) agreement with IBM for an additional two year term. The Company continues to operate under the IBM Business Partner marketing program, and under that program has been a Premier Business Partner for the past seven years.

The IR agreement allows JHA to sell IBM's newest mid-range computer system, the AS/400, along with its banking software system. It also allows JHA to provide upgraded and additional equipment to its existing IBM customers. IBM hardware maintenance will also continue to be offered to customers, providing "one-call" customer support service for hardware, system software and applications software support.

JHA offers outsourcing solutions to customers through service bureaus, which give the customers the same capabilities as the in-house offering, which perform data and item processing. Customers pay monthly usage fees on the multi-year service contracts for these services.

JHA offers automatic teller machine (ATM) software and provides regional and national switching services for various electronic fund transactions. Customers pay license and maintenance fees for the software and monthly usage and item processing fees for the switching services.

JHA also offers emergency facilities backup to its core system customers using its Bank Business Recovery Services ("BBRS"). The Company has established nine locations, strategically located geographically, to provide backup to its customers. Each location contains the computer equipment needed to provide bank data processing in the event a subscriber's equipment is destroyed in a fire or natural disaster.

The service bureau, electronic funds switching services and bank business recovery services provided by JHA are subject to specific review by various banking regulatory agencies.

MARKETING -- JHA markets its products throughout the United States using sales representatives who are employed by and work directly for JHA. The Company offers both Silverlake System, CIF 20/20 and its other ancillary products through the efforts of its company sales representatives.

JHA's primary market is commercial banks. JHA has not devoted significant marketing and sales efforts to other financial institutions such as savings and loans. JHA does have some savings and loan and savings bank customers, but most of them operate more like a commercial bank than a traditional thrift institution. With its current range of products, JHA systems are appropriate for all but the largest regional money center banks. Most of the sales effort and success has been in banks from \$2 million to \$2 billion in total assets.

JHA also has a few installations in the Caribbean and one in West Africa through the marketing efforts of its small foreign sales corporation, Jack Henry International Limited ("JHI"). JHI's international sales have historically accounted for substantially less than 5% of JHA's revenues.

The Company's backlog of business was \$86,556,000 and \$72,465,000 at June 30, 1999, and 1998. Backlog at August 17, 1999, was \$80,714,000.

RISK FACTORS AFFECTING THE COMPANY'S BUSINESS AND PROSPECTS

The Company's business and the results of its operations are affected by numerous factors and uncertainties, some of which are beyond the control of the Company. 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.

TECHNOLOGICAL CHANGE. The market for the Company's software and hardware is characterized by technological advances and evolving standards. In addition, changes in banking requirements and new equipment introductions and enhancements could render the Company's existing products unmarketable. Accordingly, the Company's future success depends heavily upon its ability to enhance its current products in a timely fashion and develop and introduce new products that keep pace with technological developments.

AGGRESSIVE COMPETITION. Competition in the banking software and services industries is expected to remain vigorous. The Company competes on the basis of product quality, reliability, performance, ease of use, quality of support and product pricing. Some of the Company's competitors have strong financial, marketing, manufacturing and technological resources, broad product lines and larger installed customer bases than does the Company.

DEPENDENCE ON IBM RELATIONSHIP. The Company's products incorporate and use computer hardware and equipment developed by IBM. There can be no assurance that IBM will continue to manufacture hardware that supports the Company's product lines or that IBM's products will be available to the Company on a timely basis.

RAPID GROWTH OF THE COMPANY. The Company is growing at a rapid pace, both internally and through acquisitions. The Company's ability to compete effectively and to manage future growth, if any, also will depend on its ability to implement and improve operational, financial and management information systems on a timely basis. The Company's continued success and profitability partly depends on its ability to continue to improve its infrastructure to keep pace with this growth in its business activities.

CHANGES IN THE BANKING AND FINANCIAL SERVICES INDUSTRIES. The Company's primary market for its products consists of approximately 8,800 commercial banks in the United States. The number of commercial banks in the United States has decreased, and will continue to decrease due to the increasing consolidation of banks around the country. While the Company to date has generally profited from this consolidation trend, over the long term the Company's growth could be affected by the shrinking pool of bank customers. Due to challenges posed to the financial services industry by the year 2000 calendar change and a regulatory environment which discourages software and hardware changes in the last half of 1999, there has been an industry-wide decrease in the sale and installation of core systems. This slowdown could have a significant short-term impact on the Company's growth.

YEAR 2000 COMPLIANCE. The Company provides integrated computer systems for in-house and service bureau data processing to banks and other financial institutions. Failure by the Company in making its proprietary software systems Year 2000 (Y2K) compliant would have a material adverse effect on its business. The Company has completed its assessment of its proprietary mission critical and non-mission critical systems and tested (including customer testing) for Y2K compliance. The Company believes the products it currently sells and its internal systems are Y2K compliant.

Notwithstanding the Company's Y2K compliance efforts to date, Y2K compliance is dependent on many factors, some of which are not completely within JHA's control. The Company has received Y2K disclosures prepared by its principal vendors indicating that they will be Y2K compliant in all material respects. The Company has developed and continuously updates contingency plans should any vendor experience Y2K-related problems. Should the systems of one or more significant vendors or suppliers fail to achieve Y2K compliance, the Company's business and financial condition could be adversely affected.

The Company believes that it has and will continue to meet Y2K compliance commitments using existing resources, without incurring significant incremental expenses. Although the Company does not maintain accounting records that separately identify all of the costs associated with its Y2K activities, it is estimated that the total cost has not and will not be material to the Company's financial statements.

OTHER INFORMATION

SUBSIDIARIES

From July 1, 1996 through June 30, 1999, the Company has had the following subsidiaries and affiliates:

Company	Effective Dates	Percent Ownership	Comments
Jack Henry International, Ltd.	July '86 - Present	100%	Markets USA products outside the U.S.A.
BankVision Software, Ltd.	August '93 - Present	100%	Marketed banking products outside the U.S.
CommLink Corp.	July '94 - Present	100%	Markets ATM switching products and services
Liberty Banking Services, Inc.	September 96 - June 97	100%	Marketed service bureau in Rocky Mountain region
GG Pulley & Associates, Inc.	July 97 - Present	100%	Markets image and item processing products and services
Financial Software Systems, Inc.	September 97 - June 98	100%	Marketed payroll software and services
Vertex, Inc.	December 97 - Present	100%	Markets teller software and services
Hewlett Computer Services, Inc.	July 98 - June 99	100%	Marketed service bureaus in Midwest region
Digital Data Services, Inc.	November 98 - June 99	100%	Marketed service bureaus in Florida
Peerless Group, Inc.	December 98 - Present	100%	Markets banking software systems and service bureaus throughout the United States

CORPORATE HISTORY

JHA was incorporated in Missouri in 1977 and was privately held until November 1985 when it sold 725,000 shares of its common stock to the public (along with 375,000 shares sold by stockholders). JHA also reincorporated in Delaware at that time. The Company became subject to periodic reporting and certain other requirements of the Securities Exchange Act of 1934 as a result of that initial public stock offering. The common stock was then qualified for quotation on the National Market System of the NASDAQ interdealer quotation system. The Company's stock symbol is JKHY.

The Company paid a 50% stock dividend March 3, 1992, March 8, 1993, and March 13, 1997. It also paid a 33 1/3% stock dividend March 10, 1994. These, combined with new shares issued under stock options exercised and shares issued to purchase businesses, have increased the total number of shares of common stock outstanding to 20,117,855 as of August 17, 1999.

EMPLOYEES

As of August 17, 1999 the Company had 982 full-time employees. The Company's employees are not covered by a collective bargaining agreement and there have been no labor-related work stoppages. The Company considers its employee relations to be good.

ITEM 2. PROPERTIES

The Company owns approximately 132 acres located in the town of Monett, MO on which it maintains five existing office buildings and three maintenance and storage buildings. The Company also owns buildings in Houston, TX, Allen, TX, and Angola, IN. Office space owned totals approximately 197,000 square feet. Leased office facilities in various cities in the United States total approximately 140,000 square feet.

The Company owns five aircraft which are utilized for business purposes. Many of the Company's customers are located in communities which do not have easily accessible commercial airline service. The Company uses its airplanes in connection with installation, maintenance and sales of its systems. Transportation costs for installation and other customer services are billed to the Company's customers. The Company leases property, which includes real estate, a hangar, and related facilities at the Monett, MO municipal airport. In addition, JHA leases a smaller plane for shorter flights and fewer passengers.

ITEM 3. LEGAL PROCEEDINGS

As in prior years, the Company is subject to various routine legal proceedings and claims arising in the ordinary course of business. The Company's management does not expect that the results in any of these legal proceedings will have a material adverse effect on the Company's 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 AND RELATED STOCKHOLDER MATTERS

The Company's common stock is traded in the over-the-counter market and is quoted on the NASDAQ - National Market System under the symbol JKHY. The following table shows the reported closing sales prices for the common stock during the last two fiscal years. Prices and cash dividends have been adjusted for stock dividends as appropriate.

HIGH	FISCAL 1999		
	LOW		
	First Quarter	\$50.25	\$34.75
	Second Quarter	55.00	30.38
	Third Quarter	50.13	32.00
	Fourth Quarter	40.75	26.44
	Fiscal 1998		
	First Quarter	\$30.25	\$22.00
	Second Quarter	28.13	22.75
	Third Quarter	36.75	24.75
	Fourth Quarter	38.88	29.00

Cash dividends of \$.055 per share were paid on September 23, 1997 and December 9, 1997. Cash dividends of \$.065 per share were paid on March 12, 1998, May 27, 1998, September 24, 1998 and December 10, 1998. Cash dividends of \$.08 per share were paid on March 10, 1999 and May 20, 1999. Further, a cash dividend of \$.08 per share was declared on August 25, 1999, payable September 23, 1999 to stockholders of record on September 7, 1999.

The Company established a practice of paying quarterly dividends at the end of fiscal year 1990. Payment of dividends will continue to be at the discretion of the Board of Directors and will depend, among other factors, upon the earnings, capital requirements, and operating and financial condition of the Company. The Company does not foresee any changes in its dividend practices in the immediate future.

As of September 1, 1999, there were 11,860 holders of the Company's common stock. On that same date the last sale price of the common shares as reported on NASDAQ was \$40.16 per share.

ITEM 6. SELECTED FINANCIAL DATA

Selected Financial Information (A)

(In Thousands, Except Per Share Information)

INCOME STATEMENT DATA	YEAR ENDED JUNE 30,				
	1999	1998	1997	1996	1995
Gross revenue (1)	\$184,497	142,547	120,751	\$89,569	\$63,269
Income from continuing operations	\$ 32,526	\$23,950	\$18,269	\$13,791	\$ 9,065
Loss from discontinued operations (2)	\$ (758)	\$ (668)	\$ (450)	\$ (2,620)	-
Net income	\$ 31,768	\$23,282	\$17,819	\$11,171	\$ 9,065
Income (loss) per share (3):					
Continuing operations	\$ 1.54	\$ 1.16	\$.91	\$.71	\$.49
Discontinued operations	\$ (.04)	\$ (.03)	\$ (.02)	\$ (.14)	-
Net income	\$ 1.50	\$ 1.13	\$.89	\$.57	\$.49
Dividends declared per share	\$.29	\$.24	\$.20	\$.17	\$.15

JUNE 30,

BALANCE SHEET DATA	JUNE 30,				
	1999	1998	1997	1996	1995
Working capital	\$ 22,176	\$35,123	\$16,669	\$ 2,681	\$(6,232)
Total assets	\$174,721	131,962	\$97,581	\$66,010	\$62,339
Long-term debt (4):	-	-	-	\$ 2,933	\$ 2,862
Stockholders' equity	\$114,469	\$82,612	\$60,231	\$31,790	\$ 22,170

Notes:

- (A) The selected financial information has been restated to reflect the acquisition of Peerless Group, Inc., (Peerless) which was accounted for as a pooling of interests and finalized December 16, 1998. Therefore, all periods have been adjusted to reflect the acquisition as if it had occurred at the beginning of the earliest period reported.
- (1) Gross revenue includes software licensing and installation revenues; support revenues; and hardware sales; less sales returns and allowances.
- (2) Losses from discontinued operations are reported as such from the appropriate date.
- (3) Per share data have been adjusted to reflect the stock dividends paid in prior years and are the diluted numbers required by FASB 128.
- (4) Long-term debt relates to Peerless.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

RESULTS OF OPERATIONS

Introduction - All of the revenues (and costs and expenses) in the statements of income relate to JHA's continuing operations, i.e., the installation and support of banking software systems that JHA developed and the marketing of the JHA software along with computer hardware manufactured by others to provide a complete data processing system for in-house or outsourced operations in financial institutions.

The Company established a Year 2000 (Y2K) Committee. This Committee prepared a documented, systematic approach (the Y2K Plan) to review all products and internal systems for Y2K compliance. The Company's Board of Directors reviewed and approved the Y2K Plan as required by the banking regulators of all service bureau providers. The Company has completed its assessment of its proprietary, mission critical and non-mission critical systems and tested (including customer testing) for Y2K compliance. The Company believes the products it currently sells and its internal systems are Y2K compliant. Although the Company does not maintain accounting records that separately identify all of the costs associated with its Y2K activities, it is estimated that the total cost has not and will

not be material to the Company's financial statements.

Total revenues, presented in the statements of income, include software licensing and installation revenues; maintenance/support and services revenues; and hardware sales which includes revenues from the sale of forms and supplies.

Business operations for fiscal years 1999 and 1998 continue to reflect JHA's success in its market niche. JHA's approach of expanding its product and service offerings to provide a top quality, comprehensive data processing installation for its customers helps to drive its success. Results of operations for JHA's banking system business in each of the last two fiscal years are discussed separately below.

The comparisons reflect the restated numbers for the Peerless acquisition which was accounted for as a pooling of interests. Prior periods have been restated to reflect the acquisition as if it had occurred at the beginning of the earliest period reported.

FISCAL YEAR 1999 AS COMPARED TO 1998

REVENUE - The Company continued significant growth with each major component of revenue contributing to the record \$184.5 million, - a 29% increase over FY 98. Continued demand for the Company's core products and related hardware was a driving force in the revenue growth. Sales of ancillary products and services, which, are primarily provided to customers utilizing the core products provided a significant amount of revenue during the year. Acquisitions, electronic transaction fees, service bureau, Internet banking, form sales and customer support fees all contributed to the significant growth in total revenues.

COST OF SALES - Cost of sales increased 30%, reflecting the strong revenue growth. Cost of hardware increased 21% compared to the 18% increase in revenue due to product mix of hardware sold. Cost of services increased 40% compared to a 38% increase in the related components of revenue.

GROSS PROFIT - Gross profit increased 29%, which is consistent with the revenue growth. Minor changes in product mix helped to maintain a gross margin of 46%, which is consistent with FY 98.

OPERATING EXPENSES - The 18% increase in operating expenses reflects efficiencies recognized by the overall growth of the Company compared to the increase in gross profit. The selling and marketing decrease of 8% reflects the change in product mix with a higher percentage of revenues being generated by non-commission sources, such as services relating to service bureau, electronic transaction fees and customer support fees. Research and development costs increased 22%, which were directly related to continued development and refinement of new and existing products. General and administrative costs increased by 50%, supporting the overall growth of the Company and acquisitions, which excluding one time acquisition costs for the Peerless transaction of \$2,200,000, these costs increased 30% which is reflective of the increase in revenues.

OTHER INCOME - Other income rose 16% over last year, primarily due to the increased amount of invested funds throughout the current year compared to last year.

DISCONTINUED OPERATIONS - The Company incurred a \$758,000 loss from discontinued operations, a \$90,000 increase compared to last year. The Company continues to honor prior commitments to existing customers and anticipates final resolution regarding its discontinued operation by third quarter fiscal 2000. Adjustments have been made to the carrying value of the discontinued operations to its current estimated net realizable value.

Fiscal Year 1998 As Compared to 1997

REVENUE - The Company continued great strides forward with each major component contributing to the record \$142.5 million, - a 18% increase. Increased demand for the Company's flagship products continued to be a driving force in the revenue growth. Acquisitions, electronic transaction fees, service bureau, forms sales and customer support fees also contributed to the significant growth with increases at similar levels.

COST OF SALES - Cost of sales increased 12%, significantly less than the rate of revenue growth due to the product mix. Cost of hardware increased 8% while cost of services increased 17%.

GROSS PROFIT - Gross profit increased 26%, significantly higher than the revenue increase due to product mix. This change helped to increase the gross margin at 46% compared to 43% in FY 97.

OPERATING EXPENSES - The 21% increase in operating expenses was favorable when compared to the gross profit increase. The selling and marketing increase of

18% was directly related to the increase in revenues. Research and development costs increased 38% which is directly related to the development of new products. General and administrative expenses increased 21%, supporting the overall growth of the Company and acquisitions.

OTHER INCOME - Other income rose 97% over last year, primarily due to the increased amount of invested funds throughout the year.

DISCONTINUED OPERATIONS - The Company incurred a \$668,000 loss from discontinued operations, a \$218,000 increase compared to last year. Due to a planned sale not closing within the expected timeframe, the Company is honoring commitments to customers by providing support and maintenance.

FINANCIAL CONDITION

Liquidity - JHA's liquidity position (cash plus short-term investments minus working capital borrowings) at June 30, 1999, decreased significantly to \$9,887,000 versus \$27,900,000 last year. The Company generated significantly higher cash flows from operations, but the additional outlays for capital expenditures (some of which resulted from acquisitions) and dividends decreased the Company's liquidity position to its current level. Working capital decreased significantly from \$35,123,000 last year to \$22,176,000 in the current year primarily due to capital expenditures.

The Company believes its liquid assets on hand and those generated from operations are sufficient to meet its cash requirements for FY '00. Cash and investments are expected to increase during the first quarter of FY '00 as the annual software maintenance billings in trade receivables at June 30, 1999, are collected. The Company expects to utilize its \$8,000,000 credit line minimally for operations during the next fiscal year.

Capital Requirements and Resources - JHA generally uses existing resources and funds generated from operations to meet its capital requirements. Capital expenditures of \$38,819,000 were made for purchase and expansion of facilities and additional equipment to provide for the Company's current and future growth. The most significant individual outlays were the acquisition of the Peerless facility in Allen, TX and for upgrades and additions to the corporate aircraft. The Company has no long-term debt and anticipates capital expenditures could approach \$25,000,000 during the next fiscal year. There will also be an expenditure of \$50,000,000 for the purchase of the community banking division of BancTec, Inc. These will be paid with funds from operations and proceeds from a revolving line of credit obtained from a commercial lender. (See Note 13 to the consolidated financial statements).

Subsequent to June 30, 1999, the Company's Board of Directors declared a cash dividend of \$.08 per share on its common stock payable on September 23, 1999, to stockholders of record as of September 7, 1999. Current funds from operations are adequate for this purpose. The Board has indicated that it plans to continue paying dividends so long as the Company's financial picture continues to be favorable.

Forward Looking Statements

The Management's Discussion and Analysis of Results of Operations and Financial Condition, and the discussion under Year 2000 Compliance (included in Item 1), 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, third-party or Company failures to achieve timely, effective remediation of the Year 2000 issues, general economic conditions, actions of competitors, regulatory actions, changes in legislation and technology changes. Undue reliance should not be placed on the forward-looking statements, which speak only as of the date of this Form 10-K. The Company does not undertake any obligation to publicly update any forward-looking statements.

ITEM 7A. QUANTITATIVES AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Market risk refers to the risk that a change in the level of one or more market prices, interest rates, indices, volatilities, correlations or other market factors, such as liquidity, will result in losses for a certain financial instrument or group of financial instruments. The Company is currently exposed to credit risk (on credit extended to customers) and interest risk (on investments in U.S. government securities). The Company actively monitors these risks through a variety of control procedures involving senior management. Based on the controls in place, creditworthiness of the customer base and the relative size of these financial instruments, management believes the risk associated with these instruments at June 30, 1999, will not have a material

adverse effect on the Company s consolidated financial position or results of operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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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.

Supplementary Data:

The information required by this item is contained under the caption Quarterly Financial Information on page 18 of the 1999 Annual Report. Such information is hereby incorporated by reference.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Jack Henry & Associates, Inc.:

We have audited the accompanying consolidated balance sheets of Jack Henry & Associates, Inc. and Subsidiaries (the "Company") as of June 30, 1999 and 1998, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended June 30, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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, Inc. and Subsidiaries at June 30, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 1999 in conformity with generally accepted accounting principles.

August 23, 1999 (September 8, 1999, as to Note 13)
St. Louis, Missouri

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

	YEAR ENDED JUNE 30,		
	1999	1998	1997
REVENUES			
Software licensing & installation	\$ 47,181	\$ 39,484	\$ 31,930
Maintenance/support & service	69,065	45,043	35,994
Hardware sales	68,251	58,020	52,827
Total	\$184,497	\$142,547	\$120,751
COST OF SALES			
Cost of hardware	\$ 48,644	\$ 40,321	\$ 37,504
Cost of services	50,811	36,172	30,856
Total	\$ 99,455	\$ 76,493	\$ 68,360
GROSS PROFIT	\$ 85,042	\$ 66,054	\$ 52,391
OPERATING EXPENSES			
Selling and marketing	\$ 13,638	\$ 14,754	\$ 12,516
Research and development	5,073	4,163	3,012
General and administrative	16,925	11,284	9,358
Total	\$ 35,636	\$ 30,201	\$ 24,886
OPERATING INCOME FROM CONTINUING OPERATIONS	\$ 49,406	\$ 35,853	\$ 27,505
Percent of total revenue	26.8%	25.2%	22.8%
OTHER INCOME			
Interest income	\$ 1,571	\$ 1,315	\$ 738
Other, net	370	354	111
Total	\$ 1,941	\$ 1,669	\$ 849
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	\$ 51,347	\$ 37,522	\$ 28,354
PROVISION FOR INCOME TAXES	18,821	13,572	10,085
INCOME FROM CONTINUING OPERATIONS	\$ 32,526	\$ 23,950	\$ 18,269
LOSS FROM DISCONTINUED OPERATIONS, NET OF TAXES	\$ 758	\$ 668	\$ 450
NET INCOME	\$ 31,768	\$ 23,282	\$ 17,819
Diluted earnings per share:			
Income from continuing operations	\$ 1.54	\$ 1.16	\$.91
Loss from discontinued operations	\$.04	\$.03	\$.02
Net income	\$ 1.50	\$ 1.13	\$.89
Diluted weighted average shares outstanding	21,112	20,582	20,120
Basic earnings per share:			
Income from continuing operations	\$ 1.63	\$ 1.22	\$.96
Loss from discontinued operations	\$.04	\$.03	\$.02
Net income	\$ 1.59	\$ 1.19	\$.94
Basic weighted average shares outstanding	19,960	19,630	18,931

See notes to consolidated financial statements.

(In Thousands, Except Share and Per Share Data)

	JUNE 30,	
	1999	1998
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,185	\$ 24,671
Investments, at amortized cost	6,702	3,229
Trade receivables	51,387	42,560
Income taxes receivable	1,244	-
Prepaid cost of product	8,437	3,612
Prepaid expenses and other	8,887	8,036
Total	\$ 79,842	\$ 82,108
PROPERTY AND EQUIPMENT, net	\$ 65,595	\$ 30,917
OTHER ASSETS:		
Intangible assets, net of amortization	\$ 25,181	\$ 15,272
Computer software, net of amortization	3,015	2,838
Other	1,088	827
Total	\$ 29,284	\$ 18,937
Total assets	\$174,721	\$131,962
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 4,836	\$ 8,097
Accrued expenses	8,166	5,646
Accrued income taxes	-	146
Deferred revenues	44,664	33,096
Total	\$ 57,666	\$ 46,985
DEFERRED INCOME TAXES	2,586	2,365
Total liabilities	\$ 60,252	\$ 49,350
STOCKHOLDERS' EQUITY:		
Preferred stock; \$1 par value; 500,000 shares authorized; none issued	-	-
Common stock; \$.01 par value; 50,000,000 shares authorized; shares issued 1999 - 20,099,678; 1998 - 19,777,458	201	198
Additional paid-in capital	31,999	26,206
Retained earnings	82,269	56,208
Total stockholders' equity	\$114,469	\$ 82,612
Total liabilities and stockholders' equity	\$174,721	\$131,962

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,		
	1999	1998	1997
PREFERRED SHARES (500,000 AUTHORIZED):	-	-	-
COMMON SHARES (50,000,000 AUTHORIZED):			
Shares, beginning of year	19,777,458	19,606,277	12,941,151
Shares issued upon exercise of stock options	314,277	104,465	618,750
Shares issued for Employee Stock Purchase Plan	7,943	5,926	1,659
Shares issued for acquisitions	-	60,790	56,144
Stock dividend	-	-	5,988,573
	20,099,678	19,777,458	19,606,277
Less: Held in treasury	-	-	(15,410)
Shares, end of year	20,099,678	19,777,458	19,590,867

COMMON STOCK - PAR VALUE \$.01 PER SHARE:

Balance, beginning of year	\$ 198	\$ 196	\$ 129
Shares issued upon exercise of stock options	3	2	6
Shares issued for acquisitions	-	-	1
Stock dividend	-	-	60

Balance, end of year	\$ 201	\$ 198	\$ 196
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ADDITIONAL PAID-IN CAPITAL:

Balance, beginning of year	\$ 26,206	\$22,406	\$18,373
Shares issued upon exercise of stock options	3,264	1,620	2,788
Shares issued for Employee Stock Purchase Plan	312	176	42
Shares issued for acquisitions	-	1,228	(306)
Stock dividend	-	-	(60)
Sale of treasury stock	-	-	(451)
Tax benefit on exercise of options	2,217	776	2,020

Balance, end of year	\$ 31,999	\$ 26,206	\$22,406
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TREASURY STOCK:

Balance, beginning of year	\$ -	\$ (293)	\$ -
Purchases of treasury stock	(5)	-	(7,469)
Sales of treasury stock	5	-	6,871
Shares issued for acquisitions	-	293	305

Balance, end of year	\$ -	\$ -	\$ (293)
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RETAINED EARNINGS:

Balance, beginning of year	\$ 56,208	\$37,516	\$23,408
Retained deficit of acquired businesses	(19)	(62)	(80)
Net income	31,768	23,282	17,819
Dividends (1999 - \$.29 per share; 1998 - \$.24 per share; 1997 - \$.20 per share)	(5,688)	(4,528)	(3,631)

Balance, end of year	\$ 82,269	\$56,208	\$37,516
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TOTAL STOCKHOLDERS' EQUITY

\$114,469	\$82,612	\$59,825
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See notes to consolidated financial statements.

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

	YEAR ENDED JUNE 30,		
	1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income from continuing operations	\$ 32,526	\$ 23,950	\$ 18,269
Adjustments to reconcile income from continuing operations to cash from operating activities			
Depreciation and amortization	7,858	6,325	5,179
Provision for deferred income taxes	221	478	322
Other	157	89	87
Changes in:			
Trade receivables	(8,621)	(11,859)	(8,065)
Prepaid expenses and other	(5,795)	(3,167)	(1,742)
Accounts payable	(3,474)	2,073	241
Accrued expenses	2,509	81	2,535
Income taxes	827	872	-
Deferred revenues	11,568	7,625	3,088
Net cash from continuing operations	\$ 37,776	\$ 26,467	\$ 19,914
CASH FLOWS FROM DISCONTINUED OPERATIONS	\$ (608)	\$ (1,075)	\$ (819)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(38,819)	(9,915)	(13,701)
Purchases of investments	(6,708)	(3,177)	(5,887)
Proceeds from sales of investments	3,100	5,800	3,002
Other assets	-	-	(2,500)
Purchases of customer contracts	(7,105)	-	(33)
Computer software developed/purchased	(867)	(281)	(191)
Acquisition costs, net of cash acquired	(5,905)	(1,046)	(282)

Other, net	(241)	(346)	(12)
Net cash from investing activities	\$(56,545)	\$(8,965)	\$(19,604)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock upon exercise of stock options	\$ 3,267	\$ 1,463	\$ 1,532
Proceeds from sale of common stock	312	201	10,595
Dividends paid	(5,688)	(4,528)	(3,631)
Principal payments on notes payable	-	-	(3,540)
Purchase of treasury stock	(5)	-	(5,444)
Proceeds from sale of treasury stock	5	-	5,646
Net cash from financing activities	\$ (2,109)	\$ (2,864)	\$ 5,158
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	\$(21,486)	\$ 13,563	\$ 4,649
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	24,671	11,108	6,459
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,185	\$ 24,671	\$ 11,108

See notes to consolidated financial statements.

JACK HENRY & ASSOCIATES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

DESCRIPTION OF THE COMPANY

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

CONSOLIDATION

The consolidated financial statements include the accounts of JHA and its wholly-owned subsidiaries: Jack Henry International, Ltd., BankVision Software, Ltd., CommLink Corp., G.G. Pulley & Associates, Inc., Vertex, Inc., Hewlett Computer Services, Inc., Digital Data Services, Inc., and Peerless Group, Inc. All significant intercompany accounts and transactions have been eliminated.

The financial statements for all periods presented have been restated to include Peerless Group, Inc. (Peerless) which was acquired on December 16, 1998. The acquisition was accounted for as a pooling of interests and therefore all periods have been adjusted to reflect the acquisition as if it had occurred at the beginning of the earliest period reported (see Note 12).

USE OF ESTIMATES

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

REVENUE RECOGNITION

The Company's various sources of revenue and the methods of revenue recognition are as follows:

SOFTWARE LICENSING FEES - Initial licensing fees are recognized upon delivery of the unmodified software. Monthly software usage charges are recognized ratably over the contract period.

SOFTWARE INSTALLATION AND RELATED SERVICES - Fees for these services are recognized as the services are performed on hourly contracts and at completion on fixed-fee contracts.

MAINTENANCE/SUPPORT FEES - Fees from these contracts are recognized ratably over the life of the contract.

HARDWARE - Revenues from sales of hardware are recognized upon direct shipment by the supplier to the Company's customers. Hardware maintenance revenues are also included. Costs of items purchased and remarketed are reported as cost of hardware in cost of sales.

DEFERRED REVENUES

Deferred revenues consist primarily of prepaid annual software and hardware maintenance fees. Nonrefundable software and hardware deposits 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 customer installations begin. The capitalized costs, which include salaries and related expenses, equipment/facility costs and other direct expenses, are amortized to expense based on estimated revenues over the estimated product life (generally five years).

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 share to the extent they are dilutive. Reconciliation from basic to diluted weighted average shares outstanding is the dilutive effect of outstanding stock options.

CASH EQUIVALENTS

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

INVESTMENTS

The Company invests its cash not required for current operations primarily in U.S. government securities.

Debt securities for which the Company has the positive intent and ability to hold until maturity 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. Interest on investments in debt securities is included in income when earned.

PROPERTY AND EQUIPMENT

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

Intangible assets consist primarily of excess purchase price over the fair value of net assets acquired, software maintenance/support contracts and marketing agreements acquired in business acquisitions. The amounts are amortized over an estimated economic benefit period, generally five to fifteen years using the straight-line method.

The Company reviews long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable.

COMPREHENSIVE INCOME

The Company has adopted Statement of Financial Accounting Standards (SFAS) No. 130, Reporting Comprehensive Income, which established standards for the reporting and display of comprehensive income and its components. Comprehensive income for each of the years in the period ended June 30, 1999, approximates the Company's net income.

BUSINESS SEGMENT INFORMATION

The Company adopted SFAS No. 131, Disclosure About Segments of an Enterprise and Related Information, which establishes standards for the disclosure required related to segments of an enterprise.

The Company is a leading provider of financial data processing systems for financial institutions. In accordance with SFAS No. 131, the Company's operations are classified as one business segment. The financial performance and productivity of the Company is monitored as a single unit as all products and services relate to one line of business, providing comprehensive services for data processing to the financial institution industry. Revenue by type of product and service is presented on the face of the statements of income.

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 is established to reduce deferred tax assets if it is likely that a deferred tax asset will not be realized.

RECENT ACCOUNTING PRONOUNCEMENTS

In October, 1997, the Accounting Standards Executive Committee of the American Institute of Public Accountants (AcSEC) issued Statement of Position (SOP)97-2, Software Revenue Recognition . The Company adopted SOP 97-2 effective July 1, 1998. SOP 97-2 generally requires revenue earned on software arrangements involving multiple elements to be allocated to each element based on the relative fair values of the elements. In March 1998, AcSEC issued SOP 98-4, Deferral of the Effective Date of a Provision of SOP 97-2, Software Recognition , which deferred portions of SOP 97-2 for one year. Revenues in fiscal year 1999 from the sales of software are recognized in accordance with the enacted portions of SOP 97-2 and the Company s management anticipates that the adoption of SOP 98-4 in fiscal year 2000 will not have a material impact on the Company s result of operations.

RECLASSIFICATION

Where appropriate, prior years financial information has been reclassified to conform with the current year s presentation. The statements of cash flows are prepared using the indirect method, which represents a reclassification of the prior year s presentation using the direct method.

NOTE 2: INVESTMENTS

The amortized cost and approximate fair values of held-to-maturity securities at June 30, 1999, and 1998 is included in the following table. 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.

	(In Thousands)	
	1999	1998
U.S. treasury notes	\$6,583	\$3,101
Accrued interest	119	128
Total	\$6,702	\$3,229

NOTE 3: FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values for held-to-maturity securities are based on quoted market prices (See Note 2). For all other financial instruments, including amounts receivable and payable, fair values approximate carrying value.

NOTE 4: PROPERTY AND EQUIPMENT

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

	(In Thousands)		
	1999	June 30, 1998	Estimated useful life
Land	\$ 2,699	\$ 699	
Land Improvements	1,154	708	5-20 years
Buildings	16,056	5,236	25-30 years
Equipment and furniture	34,500	24,091	5-8 years
Aircraft	18,957	10,565	8-10 years
Construction in process and deposits	11,174	2,555	
	\$84,540	\$43,853	
Less accumulated depreciation	18,945	12,936	
Property and equipment, net	\$65,595	\$30,917	

NOTE 5: OTHER ASSETS

Following is an analysis of intangible assets:

(In Thousands)

	Year ended June 30,	
	1999	1998
Balance, beginning of year	\$15,272	\$15,469
Excess purchase price over net assets acquired	11,999	1,339
Amortization	(2,090)	(1,536)
Balance, end of year	\$25,181	\$15,272

Computer software includes the unamortized cost of software products developed or acquired by the Company which were required to be capitalized by generally accepted accounting principles. The costs are amortized over an estimated economic benefit period, generally five years. Following is an analysis of the computer software costs:

(In Thousands)

	Year ended June 30,	
	1999	1998
Balance, beginning of year	\$2,838	\$3,071
Software development costs capitalized	515	281
Software acquired	352	-
Amortization	(690)	(514)
Balance, end of year	\$3,015	\$2,838

NOTE 6: LINE OF CREDIT

The Company has a line of credit with First State Bank of Purdy at June 30, 1999, for \$8 million as described below. It also had a line of credit with the same bank at June 30, 1998. There were no amounts outstanding under the line at June 30, 1999, or 1998. Utilization of the line was minimal during each of the last three fiscal years.

The line of credit is payable upon demand or March 15, 2000, and is secured by \$1 million of investments with the remainder unsecured. Borrowings under the line bear interest at a floating prime rate, 7.75% at June 30, 1999.

NOTE 7: INCOME TAXES

The provision for income taxes on income from continuing operations consists of the following:

(In Thousands)

	Year ended June 30,		
	1999	1998	1997
Current:			
Federal	\$16,800	\$11,936	\$ 8,864
State	1,800	1,158	899
Deferred:			
Federal	204	431	297
State	17	47	25
	\$18,821	\$13,572	\$10,085
Effective tax rate	37%	36%	36%

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

(In Thousands)

	Year ended June 30,	
	1999	1998
Deferred tax assets:		
Carryforwards (operating losses, capital losses, credits, etc.)	\$ 347	\$ 68
Expense reserves (bad debts, insur-		

ance, franchise tax, vacation, etc.)	624	588
Intangible assets	1,236	535
	2,207	1,191
Deferred tax liabilities:		
Excess tax depreciation	(4,104)	(2,998)
Excess tax amortization	(674)	(526)
Other, net	(15)	(32)
	(4,793)	(3,556)
Net deferred tax liability	\$(2,586)	\$(2,365)

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

	Year ended June 30,		
	1999	1998	1997
Computed "expected" tax expense (benefit)	35%	35%	35%
Increase (reduction) in taxes resulting from:			
State income taxes, net of federal income tax benefits	3%	3%	3%
Research & Development Credit	-	(1%)	(1%)
Other	(1%)	(1%)	(1%)
	37%	36%	36%

Net operating less carryforwards of \$847,00 (from acquisitions) and capital loss carryforwards of \$57,000 expire through the year 2014. The Company paid income taxes of \$13,920,000, \$10,481,000 and \$8,343,000 in 1999, 1998 and 1997, respectively.

NOTE 8: INDUSTRY AND SUPPLIER CONCENTRATIONS

The Company sells its products to banks and financial institutions throughout the United States and generally does not require collateral. Adequate reserves (which are insignificant at June 30, 1999, and 1998) are maintained for potential credit losses.

In addition, the Company purchases most of its computer equipment (hardware) and related maintenance for resale in relation to installation of JHA software systems from one supplier. There are a limited number of hardware suppliers for these required materials.

NOTE 9: STOCK OPTION PLANS

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

The 1996 SOP was adopted by the Company October 29, 1996, for its employees. This plan replaced the terminating 1987 SOP. Terms 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 2 1/2 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 at the grant date. The options terminate upon termination of employment, three months after retirement, one year after death or ten years after grant. As of June 30, 1999, there were 1,132,000 shares available for future grants under the plan from the original 2,250,000 shares approved by the stockholders.

The NSOP was adopted by the Company on October 31, 1995, for its outside directors. Options are exercisable beginning six months after grant at a price equal to 100% of the fair market value of the stock at the grant date. The options terminate when director status ends, upon surrender of the option or ten years after grant. A total of 300,000 shares of common stock have been reserved for issuance under this plan with a maximum of 75,000 for each director.

A summary of the activity of all of the Company's stock option plans is:

	Year ended June 30,		
	1999	1998	1997
Options outstanding, beginning of year:	2,161,092	1,560,130	1,456,801

Options granted	347,387	717,427	94,750
Options exercised	(322,889)	(104,465)	(660,225)
Options forfeited	(16,400)	(12,000)	(7,500)
Increase in options outstanding due to 50% stock dividend	-	-	676,304
Options outstanding, end of year:	2,169,190	2,161,092	1,560,130
Currently exercisable	1,661,203	1,519,134	1,497,631
Weighted-average exercise price for options outstanding	to \$21.582	to \$16.647	to \$10.987
Weighted-average exercise price for options granted	to \$42.611	to \$25.094	to \$21.855
Weighted-average exercise price for options exercised	to \$10.373	to \$12.144	to \$ 5.051
Weighted-average fair value of options granted	to \$19.215	to \$ 9.868	to \$ 5.775

Following is an analysis of stock options outstanding (O) and exercisable (E) as of June 30, 1999:

RANGE OF EXERCISE PRICES	SHARES		WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE IN YEARS	WEIGHTED-AVERAGE EXERCISE PRICE	
	O	E	O	O	E
\$ 3 to 10	397,299	397,299	4.61	\$ 5.79	\$ 5.79
11 to 18	602,820	602,820	6.47	15.11	15.11
19 to 24	640,784	381,984	8.28	23.88	23.71
25 to 37	243,420	109,620	8.89	30.85	28.00
37 to 55	284,867	169,480	9.32	44.21	44.27
\$ 3 to 55	2,169,190	1,661,203	7.31	\$21.58	\$18.69

OPTIONS FORFEITED:

FISCAL YEAR	RANGE OF EXERCISE PRICE	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
1999	\$24 to 45	16,400	\$37.41
1998	\$24 to 25	12,000	\$24.13
1997	\$13 to 18	7,500	\$17.92

As permitted under SFAS No. 123, Accounting for Stock-Based Compensation, the Company has elected to continue to follow Accounting Principles Board (APB) No. 25 Accounting for Stock Issued to Employees, in accounting for stock-based awards to employees. Under APB No. 25, the Company generally recognizes no compensation expense with respect to such awards, since the exercise price of the stock options awarded are equal to the fair market value of the underlying security on the grant date.

Pro forma information regarding net income and earnings per share is required by

SFAS No. 123 for awards granted after December 31, 1994, as if the Company had accounted for its stock-based awards to employees under the fair value method of SFAS No. 123. The fair value of the Company's stock-based awards to employees was estimated as of the date of the grant using a Black-Scholes option pricing model.

The Company's pro forma information for continuing operations follows:

Year ended June 30,		
1999	1998	1997

Net income	As reported	\$ 32,526	\$ 23,950	\$ 18,269
	Pro forma	\$ 27,253	\$ 21,895	\$ 18,038
Diluted earnings per share	As reported	\$ 1.54	\$ 1.16	\$.91
	Pro forma	\$ 1.29	\$ 1.06	\$.90
Basic earnings per share	As reported	\$ 1.63	\$ 1.22	\$.96
	Pro forma	\$ 1.37	\$ 1.12	\$.95

Assumptions:

Expected life (years)	2.97	2.16	2.16
Volatility	56%	40%	40%
Risk free interest rate	5.0%	6.1%	5.9%
Dividend yield	.7%	.7%	.7%

NOTE 10: EMPLOYEE BENEFIT PLANS

Stock Purchase Plan - The Company established an employee stock purchase plan on January 1, 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.

401(k) Employee Stock Ownership Plan (ESOP) - The Company has a 401(k) Employee Stock Ownership Plan (the "Plan ") covering substantially all employees of the Company and its subsidiaries. As of July 1, 1987, the plan was amended and restated to include most of the existing ESOP provisions and to add salary reduction contributions allowed under Section 401(k) of the Internal Revenue Code and to require employer matching contributions. The Company has the option of making a discretionary contribution to the Plan, however, none has been made for any of the three most recent fiscal years. The Company assumed responsibility for the Peerless Employee 401(k) Plan as of acquisition date (see Note 12), and will merge it into the Plan as of December 31, 1999. The total expense related to the Plans was \$1,321,000, \$952,000, and \$723,000 for 1999, 1998, and 1997, respectively.

NOTE 11: DISCONTINUED OPERATIONS

In the last quarter of 1996, the Company discontinued the operations of its BankVision Software, Ltd. subsidiary (BankVision) which it planned to sell by December 31, 1996. The estimated loss on disposal recorded in 1996 consisted of the following:

Estimated loss on sale, net of applicable income tax benefit	\$2,390,000
Operating losses from April 1, 1996, through June 30, 1996, net of income tax benefit of \$78,000	\$ 130,000
Estimated operating losses from July 1, 1996, to anticipated disposal date, net of income tax benefit of \$38,000	\$ 100,000
	\$2,620,000

The planned sale of BankVision was not concluded as of June 30, 1999. Thus, additional losses of \$758,000, \$668,000 and \$450,000 were reported for the discontinued BankVision unit for the years ended June 30, 1999, 1998 and 1997, respectively. Several issues which were raised during negotiations for the sale of BankVision caused a delay in the Company s plan for disposing of this subsidiary. These issues have now been addressed. The Company is currently honoring commitments to existing customers and anticipates final resolution regarding its discontinued operations by January 31, 2000. The Company has notified customers that maintenance contracts will not be renewed upon normal expiration. (See Note 13).

NOTE 12: BUSINESS ACQUISITIONS

POOLING OF INTERESTS TRANSACTIONS

The Company acquired all the outstanding shares of Peerless on December 16, 1998, for approximately 827,000 shares of Company stock.

The Company acquired all the outstanding shares of Financial Software Systems,

Inc. on September 2, 1997, for \$600,000 in Company stock.

The Company acquired all the outstanding shares of G. G. Pulley & Associates, Inc. on July 1, 1997, for \$5,000,000 in Company stock.

The Company acquired all the outstanding shares of Liberty Banking Services, Inc. on September 1, 1996, for \$2,000,000 in Company stock.

Prior year financial statements have been restated for the effect of the pooling transactions. The following table presents a reconciliation of revenue and net income previously reported by the Company and Peerless to those presented in the accompanying consolidated financial statements.

	Three Months Ended September 30, 1998	Fiscal 1998	Fiscal 1997
Revenues:			
JHA	\$ 40,728	\$113,423	\$ 82,600
Peerless	8,921	29,124	38,151
Combined	\$ 49,649	\$142,547	\$120,751
Net Income			
JHA	\$ 8,296	\$ 21,569	\$ 15,305
Peerless	497	1,713	2,514
Combined	\$ 8,793	\$ 23,282	\$ 17,819

PURCHASE TRANSACTIONS

On November 25, 1998, the Company acquired all the outstanding shares of Digital Data Services, Inc. common stock for \$2,750,000 in cash.

On July 1, 1998, the Company acquired all the outstanding shares of Hewlett Computer Services, Inc. common stock for \$2,250,000 in cash.

On December 12, 1997, the Company acquired all the outstanding shares of Vertex, Inc. common stock for \$1,905,000 in Company stock and \$1,095,000 in cash.

The consolidated operations of the Company include the operations of the acquirees from their acquisition dates for acquisitions accounted for as purchases. Pro Forma information for acquisitions accounted for as purchases is not presented as the impact was not material.

NOTE 13: SUBSEQUENT EVENTS

On September 7, 1999, the Company completed the sale of its BankVision subsidiary (see discontinued operations, Note 11) for \$1,000,000. Under the terms of the agreement, the purchaser, made a \$500,000 down payment and executed promissory notes to pay \$250,000 (plus interest) in each of the next two years. The net assets of the subsidiary, as of that date, approximately equal the sales proceeds, and as a result, the Company expects the transaction to have minimal effect on its financial results for fiscal year 2000.

On September 8, 1999, the Company completed the acquisition of BancTec, Inc. s community banking business, providing software, account processing capabilities and data center operations to over 800 community banks throughout the United States and the Caribbean. Revenues from these acquired community banking operations total approximately \$17 million and \$43 million for the six months ended June 30, 1999 and calendar 1999, respectively. The total value of the transaction was approximately \$58,000,000, of which \$50,000,000 was in cash and the remainder in the assumption of certain liabilities. The purchase price was paid with approximately \$25,000,000 cash from operations and \$25,000,000 proceeds from a line of credit with a commercial lender. The line of credit provides for advances of up to \$40,000,000, bears interest at variable LIBOR-Based Rates and is due September 7, 2000.

ITEM 9. CHANGES IN AND DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

See the information under the captions "Election of Directors" and "Executive Officers and Significant Employees" 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.

ITEM 11. EXECUTIVE COMPENSATION

See the information under the 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

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

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

(1) Financial Statements:

The following Consolidated Financial Statements of the Company and its subsidiaries and the Reports of Independent Accountants thereon appear under Item 8 of this Report:

Independent Auditors Report.

- Consolidated Statements of Income for the Years Ended June 30, 1999, 1998 and 1997.
- Consolidated Balance Sheets as of June 30, 1999 and 1998.
- Consolidated Statements of Changes in Stockholders' Equity for the Years Ended June 30, 1999, 1998 and 1997.
- Consolidated Statements of Cash Flows for the Years Ended June 30, 1999, 1998 and 1997.
- Notes to Consolidated Financial Statements.

(2) Financial Statement Schedules:

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.

(2) Plan of acquisition

- 2.1 Agreement for purchase and sale of assets regarding the acquisition of certain assets from BancTec, Inc. dated September 8, 1999, attached as exhibit 2.1 to the Company's current report on Form 8-K dated September 20, 1999.

(3) Articles of Incorporation and Bylaws

Except as otherwise specifically noted, the following documents are incorporated by reference as exhibits hereto pursuant to Rule 12b-32:

- 3.1 Certificate of Incorporation attached as Exhibit 3.1 to the Company's Registration Statement on Form S-1, filed November 17, 1985.
- 3.2 Certificate of Amendment of Certificate of Incorporation attached as Exhibit 4 to the Company's Quarterly Report on Form 10-Q for the Quarter ended December 31, 1987.
- 3.3 Certificate of Amendment of Certificate of Incorporation attached as Exhibit 3.1 to the Company's Annual Report on Form 10-K for the Year Ended June 30, 1993.
- 3.4 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.

- 3.5 Certificate of Amendment of Certificate of Incorporation attached as Exhibit 3.5 to the Company's Annual Report on Form 10-K for the Year Ended June 30, 1997.
- 3.6 Certificate of Amendment of Certificate of Incorporation attached as Exhibit 3.6 to the Company's Annual Report on Form 10-K for the Year Ended June 30, 1998.

(10) Material Contracts

Except as otherwise noted, the following Material Contracts are incorporated herein by reference as Exhibits hereto pursuant to Rule 12b-32:

- 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.
- 10.2 The Company's Non-Qualified Stock Option Plan, as amended as of October 26, 1993, attached as Exhibit 19.2 to the Company's Quarterly Report on Form 10-Q for the Quarter ended September 30, 1993.
- 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.
- 10.4 IBM Remarketer Agreement dated May 21, 1992, attached as Exhibit 10.1 to the Company's Annual Report on Form 10-K for the Year Ended June 30, 1992.
- 10.5 Form of Indemnity Agreement which has been entered into as of August 27, 1996, between the Company and each of its Directors, attached as Exhibit 10.8 to the Company's Annual Report on Form 10-K for the Year Ended June 30, 1996.
- 10.6 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.
- 10.7 The Agreement and Plan of Merger regarding acquisition of Peerless Group, Inc., dated August 18, 1998, attached as Exhibit 10.7 to the Company's Annual Report on Form 10-K for the Year Ended June 30, 1998.
- 10.11 Line of Credit Agreement dated September 7, 1999, between the Company and Commerce Bank, N.A., attached as exhibit 10.11 to the Company's current report on Form 8-K dated September 20, 1999.

(21) Subsidiaries of the Registrant

A list of the Company's subsidiaries is attached hereto as Exhibit 21.

(23) Consents of Experts and Counsel

Consent of Independent Auditors is attached hereto as Exhibit 23.

(b) Reports on Form 8-K:

None.

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 24th day of September, 1999.

JACK HENRY & ASSOCIATES, INC., Registrant

By /s/ Michael E. Henry

Michael E. Henry
Chairman of the Board

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 Chief Executive Officer and Director	September 24, 1999
/s/ Michael R. Wallace Michael R. Wallace	President, Chief Operating Officer and Director	September 24, 1999
/s/ John W. Henry John W. Henry	Vice Chairman, Senior Vice President and Director	September 24, 1999
/s/ Jerry D. Hall Jerry D. Hall	Executive Vice President and Director	September 24, 1999
/s/ Terry W. Thompson Terry W. Thompson	Vice President, Treasurer and Chief Financial Officer (Principal Accounting Officer)	September 24, 1999
/s/ James J. Ellis James J. Ellis	Director	September 24, 1999
/s/ Burton O. George Burton O. George	Director	September 24, 1999
/s/ George R. Curry George R. Curry	Director	September 24, 1999

Exhibit 21

JACK HENRY & ASSOCIATES, INC.
MONETT, MO 65708

LIST OF SUBSIDIARIES AT 6/30/99

Jack Henry International, Ltd.
U.S. Virgin Islands

BankVision Software, Ltd.
Delaware
G.G. Pulley, Inc.
New Mexico

Vertex, Inc.
Delaware

Peerless Group, Inc

Delaware

CommLink Corp.
Delaware

Exhibit 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in the Registration Statements of the Jack Henry & Associates, Inc. 1996 Stock Option Plan on Form S-8 (File Nos. 33-65231, 33-65251 and 33-16989) of our report dated August 23, 1999 (September 8, 1999, as to note 13) appearing in the Annual Report on Form 10-K of Jack Henry & Associates, Inc. for the year ended June 30, 1999.

/s/ Deloitte & Touche LLP

St Louis, Missouri
September 24, 1999

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