NICHOLAS FINANCIAL INC
Form 424B1
May 14, 2004

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Filed Pursuant to Rule 424(b)(1)
Registration No. 333-113215

PROSPECTUS

2,000,000 Shares

NICHOLAS FINANCIAL, INC.

Common Stock

Nicholas Financial, Inc. is offering 1,100,000 shares of common stock, no par value, and selling shareholders are offering 900,000 shares of common stock. We will not receive any proceeds from the sale of common stock by the selling shareholders, who are identified in this prospectus under the caption Selling Shareholders.

On April 7, 2004, our common stock began trading on the Nasdaq National Market under the symbol NICK. Our common stock was quoted and traded on the Nasdaq SmallCap System under the symbol NICK through April 6, 2004. On May 13, 2004, the last reported sale price of our common stock on the Nasdaq National Market was $8.25 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page 5 for certain information that should be considered by prospective shareholders.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Price to Public	Underwriting Discount	Proceeds to Company(1)	Proceeds to Selling Shareholder
Per Share	$ 8.00	$ 0.56	$ 7.44	$ 7.44
Total	$ 16,000,000	$ 1,120,000	$ 8,184,000	$ 6,696,000

(1) Before deducting expenses of the offering payable by us estimated at $575,000.

We have granted the underwriter an option to purchase up to 300,000 additional shares of common stock to cover over-allotments.

It is expected that delivery of the shares will be made to investors on or about May 18, 2004.

Ferris, Baker Watts
Incorporated

The date of this Prospectus is May 13, 2004

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NICHOLAS FINANCIAL, INC.

BRANCH OFFICE LOCATIONS

[Graphic consisting of a map of the Eastern United States showing the locations of the Company and of its branch offices.]

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SUMMARY

This summary only highlights the more detailed information appearing elsewhere in this prospectus or incorporated in this prospectus by reference. As this is a summary, it may not contain all information that is important to you.

As used in this prospectus, the terms we, us, our, and Company mean Nicholas Financial, Inc. and its subsidiaries (unless the context indicates another meaning) and the term common stock means our common stock, no par value. Unless otherwise indicated, all information in this prospectus gives effect to a two-for-one common stock dividend effected in September, 2001.

Our Company

We are a Canadian holding company incorporated under the laws of British Columbia in 1986. Our business activities are conducted through two wholly-owned subsidiaries formed pursuant to the laws of the State of Florida, Nicholas Financial, Inc. (Nicholas Financial) and Nicholas Data Services, Inc. (NDS). Nicholas Financial is a specialized consumer finance company engaged primarily in acquiring and servicing retail installment sales contracts (Contracts) for purchases of new and used cars and light trucks. To a lesser extent, Nicholas Financial also makes direct loans and sells consumer-finance related products. NDS is engaged in supporting and updating industry specific computer application software for small businesses located primarily in the Southeastern United States. For the fiscal years ended March 31, 2003 and 2002 and the nine-month periods ended December 31, 2003 and 2002, we had consolidated revenues of $22.4 million, $20.2 million, $18.6 million, and $16.3 million, respectively. Nicholas Financial accounted for approximately 99% and 99% of our consolidated revenues for the fiscal year ended March 31, 2003 and the nine-month period ended December 31, 2003, respectively.

Our principal business is providing financing programs, primarily to purchasers of new and used cars and light trucks who meet our credit standards, but who do not meet the credit standards of traditional lenders, such as banks and credit unions. Unlike these traditional lenders, which make lending decisions primarily based on the credit history of the borrower and typically finance new automobiles, we purchase Contracts of borrowers who may not have a good credit history or Contracts for older model and high mileage automobiles. This is typically referred to as the non-prime automobile finance market.

Our automobile finance programs are currently conducted in seven states through a total of 32 branches, including 16 in Florida, five in Ohio, four in North Carolina, three in Georgia, two in South Carolina and one in each of Michigan and Virginia. As of April 30, 2004, we had non-exclusive agreements with approximately 1,300 dealers for the purchase of individual Contracts that meet our financing criteria, of which approximately 950 are active. We consider a dealer agreement to be active if we have purchased a Contract thereunder in the last six months. These dealer agreements require the dealer to originate Contracts in accordance with our guidelines. Once a Contract meets these guidelines, we then negotiate the price of the Contract with the dealer, which typically includes a discount that historically has ranged between 1% and 15% of the original principal amount. The sale price of the vehicle less a 5% to 20% down payment in the form of a trade-in or cash and not including the negotiated discount is then financed over a period generally of 12 to 66 months. In addition taxes, title fees and, if applicable, premiums for extended service contracts, accident and health insurance and credit life insurance can also be included in the amount financed.

Our policy is to only purchase a Contract after the dealer has provided us with the requisite proof that we have a first priority lien on the financed vehicle (or we have, in fact, perfected such first priority lien), that the customer has obtained the required collision insurance naming us as loss payee and that the Contract has been fully and accurately completed and validly executed.

In addition to our automobile finance program, we also provide direct loans. Direct loans are loans originated directly between us and the consumer. These loans are typically for amounts ranging from $1,000 to $6,000 and are generally secured by a lien on an automobile, water craft or other permissible tangible personal property. The majority of direct loans are originated with current or former customers under our automobile financing program. The typical direct loan has significantly better credit risk than

our automobile financing program due to the customer s payment history with us. Our average direct loan has an initial principal balance of approximately $3,000, and we do not expect the average loan size to increase significantly within the foreseeable future.

Currently, we originate direct loans only in Florida, Georgia and North Carolina. While we expect to make a decision in the coming fiscal year on whether or not to pursue a direct loan license for Ohio, we do not expect to pursue a direct loan license in any other state. We implemented our direct loan program in April 1995. Loans made pursuant to this program constituted approximately 3% of the aggregate principal amount of our total loan portfolio as of December 31, 2003 and accounted for approximately 4% of our revenue for the nine-month period then ended and the fiscal year ended March 31, 2003.

Our executive offices are located at 2454 McMullen Booth Road, Building C, Suite 501, Clearwater, Florida 33759, and our telephone number is (727) 726-0763.

Our Industry

The non-prime automobile finance market is highly fragmented and historically has been serviced by a variety of financial entities, including captive finance subsidiaries of major automobile manufactures, banks, independent finance companies, and small loan companies. Many of these financial entities do not consistently provide financing to this market. Although prime borrowers represent a large segment of the automobile financing market, there are many potential purchasers of automobiles who do not qualify as prime borrowers. Purchasers we consider to be non-prime borrowers are generally unable to obtain credit from traditional sources of automobile financing. We believe that, because these potential purchasers represent a substantial market, there is a demand by automobile dealers with respect to financing for non-prime borrowers that has not been effectively served by traditional automobile financing sources.

Our Strategy

By focusing our efforts on the non-prime automobile finance market, we believe that we can increase our profitability and our long-term shareholder value. To achieve our goals, we intend to implement the following strategies:

Greater Penetration of Current Markets. We believe that by consistently providing financing to the non-prime market while cultivating the relationships between our branch office employees and both our existing dealership base and our customers, we have a significant opportunity to expand our presence in the markets in which we currently operate. Although we have not made any bulk purchases of Contracts in the last five years, if the opportunity arises, we may consider possible acquisitions of portfolios of seasoned Contracts from dealers in bulk transactions as a means of further penetrating our existing markets or expanding our presence in targeted geographic locations.

Controlled Geographic Expansion. We are currently expanding our automobile financing program in the states of Georgia, Michigan, North Carolina, Ohio, South Carolina and Virginia. We have targeted certain geographic locations within these states where we believe there is a sufficient market for our automobile financing program. Our strategy is to monitor these new markets and ultimately decide where and when to open actual branch locations. This method of geographic expansion helps mitigate potential future losses by allowing us to qualify and then develop a market without the expense of the physical addition of a branch office until it is necessary.

Disciplined Underwriting. We consider the following factors related to the borrower when deciding on the purchase of a new Contract: place and length of residence, current and prior job status, history in making installment payments for automobiles, current income and credit history. We believe that through this conservative approach to underwriting we can minimize our exposure to credit risk.

Increase of Direct Loans. We currently offer direct loans primarily to customers under the Contracts previously purchased by us. Approximately 90% of the direct loans that we make are to

existing customers who have Contracts with us. Thus, the growth of our direct loan business generally has been proportionate to the growth of our Contract portfolio. Currently direct loans account for approximately 4% of our total annual revenue and constitute approximately 3% of the aggregate principal amount of our loan portfolio. Historically the direct loan business has been profitable for us, but we do not anticipate that it will account for a more significant portion of our overall revenues and loan portfolio in the foreseeable future.

The Offering

Common Stock Offered by the Company	1,100,000 shares(1)
Common Stock Offered by the Selling Shareholders	900,000 shares
Common Stock to be Outstanding After the Offering	6,185,288 shares(1)(2)
Use of Proceeds	We intend to use the proceeds from this offering to repay amounts outstanding under our existing $75.0 million line of credit facility. As of December 31, 2003 and March 31, 2004, the aggregate amount outstanding under our line of credit facility was approximately $66.0 million and $67.5 million, respectively. We are currently negotiating to increase this line of credit to $85.0 million and to extend its maturity date.
Nasdaq National Market Symbol	NICK

(1) This number does not include 300,000 shares that the underwriter has the option to purchase to cover over-allotments.

(2) The number of shares of common stock to be outstanding after the offering does not include 565,466 shares of common stock subject to outstanding options.

Summary Consolidated Financial Data

	At and for the Nine Months Ended December 31,		At and for the Fiscal Year Ended March 31,		
	2003	2002	2003	2002	2001
	(unaudited)				
Statement of Income Data:					
Revenue:					
Finance revenue	$18,397,452	$16,075,736	$22,048,535	$19,852,758	$17,386,318
Sales	192,755	254,165	328,340	365,367	410,708
	18,590,207	16,329,901	22,376,875	20,218,125	17,797,026
Expenses:					
Cost of sales	39,145	62,685	83,904	78,615	84,870
Marketing	653,282	481,729	654,569	565,626	445,869
Administrative	7,235,719	6,108,890	8,460,662	7,302,275	6,356,555
Provision for credit losses	1,617,028	1,677,758	2,213,859	1,912,918	1,470,744
Depreciation	162,218	130,000	190,257	189,733	145,567
Interest expense	2,905,747	2,955,671	3,936,042	3,898,400	3,761,689
	12,613,139	11,416,733	15,539,293	13,947,567	12,265,294
Operating income before income taxes	5,977,068	4,913,168	6,837,582	6,270,558	5,531,732

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	At and for the Nine Months Ended December 31,		At and for the Fiscal Year Ended March 31,		
	2003	2002	2003	2002	2001
	(unaudited)				
Income tax expense:					
Current	3,356,708	2,667,527	3,884,386	2,195,841	2,075,855
Deferred	(1,100,546)	(832,845)	(1,328,198)	142,578	45,000
	2,256,162	1,834,682	2,556,188	2,338,419	2,120,855
Net income	$ 3,720,906	$ 3,078,486	$ 4,281,394	$ 3,932,139	$ 3,410,877
Earnings per share:					
Basic	$ 0.74	$ 0.62	$ 0.86	$ 0.81	$ 0.73
Diluted	$ 0.69	$ 0.58	$ 0.81	$ 0.75	$ 0.68
Weighted average shares:					
Basic	5,036,730	5,004,470	5,004,055	4,869,078	4,673,198
Diluted	5,395,815	5,312,077	5,299,206	5,263,966	5,137,732
Dividends declared	$ 0.10				
Balance Sheet Data:					
Finance receivables, net	$92,835,072	$81,747,124	$86,178,112	$76,067,387	$65,040,868
Total assets	99,677,476	85,100,957	90,036,928	77,948,882	67,329,364
Line of credit	66,010,290	57,333,426	60,160,238	53,273,426	47,823,426
Total liabilities	73,568,219	64,894,178	67,946,488	59,512,549	52,901,513
Total shareholders equity	26,109,257	20,206,779	22,090,440	18,436,333	14,427,851
Selected Financial Ratios and Other Data:					
Weighted average contractual rate(1)	24.02%	24.21%	24.31%	24.65%	24.77%
Average cost of borrowed funds(2)	6.03%	6.93%	6.86%	7.66%	8.15%
Gross portfolio yield(3)	22.25%	22.20%	22.54%	23.53%	23.79%
Net portfolio yield(4)	16.78%	15.80%	16.26%	16.64%	16.63%
Return on shareholders equity(5)	20.59%	21.24%	21.13%	23.93%	26.69%

(1) Weighted average contractual rate represents the weighted average annual percentage rate (APR) of all Contracts purchased and direct loans originated during the nine months ended December 31, 2003 and 2002 and the fiscal years ended March 31, 2003, 2002 and 2001, respectively.

(2) Average cost of borrowed funds represents interest expense as a percentage of average indebtedness.

(3) Gross portfolio yield represents finance revenue as a percentage of average finance receivables, net of unearned interest.

(4) Net portfolio yield represents finance revenue minus (a) interest expense and (b) the provision for credit losses as a percentage of average finance receivables, net of unearned interest.

(5) Return on shareholders equity represents net income divided by average total shareholders equity during the period.

Note: For comparability purposes, all nine-month key performance indicators expressed as percentages have been annualized.

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RISK FACTORS

Before purchasing any of the shares of common stock being offered, prospective investors should carefully consider the following factors in addition to the other information contained in this prospectus or incorporated herein by reference.

Our profitability and future growth depend on our continued access to bank financing.

The profitability and growth of our business currently depends on our ability to access bank debt at competitive rates. We currently depend on a $75.0 million line of credit facility with a financial institution to finance our purchases of Contracts and fund our direct loans. This line of credit currently has a maturity date of November 30, 2004 and is secured by substantially all our assets. At March 31, 2004, we had approximately $67.5 million outstanding under the line of credit and approximately $7.5 million available for additional borrowing. We will use the net proceeds to us from this offering to reduce the amount outstanding under our line of credit; however, we will continue to depend on the availability of our line of credit, together with cash from operations, to finance our future operations. We are currently negotiating to increase our line of credit to $85.0 million and to extend the maturity date to November 30, 2006. Our inability to obtain additional funds on acceptable terms could adversely impact our ability to grow.

The availability of our credit facility depends, in part, on factors outside of our control, including regulatory capital treatment for unfunded bank lines of credit and the availability of bank loans in general. Therefore, we cannot guarantee that this credit facility will continue to be available beyond the current maturity date on reasonable terms or at all. If we are unable to renew or replace our credit facility or find alternative financing at reasonable rates, we may be forced to liquidate.

The terms of our indebtedness impose significant restrictions on us.

Our existing outstanding indebtedness restricts our ability to, among other things:

- sell or transfer assets;
- incur additional debt;
- repay other debt;
- pay dividends;
- make certain investments or acquisitions;
- repurchase or redeem capital stock;
- engage in mergers or consolidations; and
- engage in certain transactions with subsidiaries and affiliates.

In addition, our line of credit facility requires us to comply with certain financial ratios and covenants and to satisfy specified financial tests, including maintenance of asset quality and portfolio performance tests. Our ability to continue to meet those financial ratios and tests could be affected by events beyond our control. Failure to meet any of these covenants, financial ratios or financial tests could result in an event of default under our credit facility. If an event of default occurs under our line of credit facility, the lender may take one or more of the following actions:

- increase our borrowing costs;
- restrict our ability to obtain additional borrowings under the facility;
- accelerate all amounts outstanding under the facility; or

enforce its interests against collateral pledged under the facility.

If our lender accelerates our debt payments, our assets may not be sufficient to fully repay the debt.

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We will require a significant amount of cash to service our indebtedness and meet our other liquidity needs.

Our ability to make payments on or to refinance our indebtedness and to fund our operations and planned capital expenditures depends on our future operating performance. Our primary cash requirements include the funding of:

- Contract purchases and direct loans;
- interest payments under our line of credit facility and other indebtedness;
- capital expenditures for technology and facilities;
- ongoing operating expenses;
- planned expansions by opening additional branch offices; and
- any required income tax payments.

In addition, because we expect to continue to require substantial amounts of cash for the foreseeable future, we may seek additional debt or equity financing. The type, timing and terms of the financing we select will be dependent upon our cash needs, the availability of other financing sources and the prevailing conditions in the financial markets. There is no assurance that any of these sources will be available to us at any given time or that the terms on which these sources may be available will be favorable. Our inability to obtain such additional financing could adversely impact our ability to grow.

Our substantial indebtedness could adversely affect our financial condition.

We currently have a substantial amount of outstanding indebtedness. Our ability to make payments on, or to refinance, our indebtedness will depend on our future operating performance, including our ability to access additional debt and equity financing, which, to a certain extent, is subject to economic, financial, competitive and other factors beyond our control.

Our high level of indebtedness could have important consequences for our business. For example,

- we may be unable to satisfy our obligations under our outstanding indebtedness;
- we may find it more difficult to fund future working capital, capital expenditures, acquisitions, and general corporate needs;
- we may have to dedicate a substantial portion of our cash resources to the payments on our outstanding indebtedness, thereby reducing the funds available for operations and future business opportunities; and
- we may be more vulnerable to adverse general economic and industry conditions.

We may incur substantial additional debt in the future. If new debt is added to our current levels, the risks described above could intensify.

We may experience high delinquency rates in our loan portfolios, which could reduce our profitability.

Our profitability depends, to a material extent, on the performance of Contracts that we purchase. Historically, we have experienced higher delinquency rates than traditional financial institutions because a large portion of our loans are to non-prime borrowers, who are unable to obtain financing from traditional sources due to their credit history. Although we attempt to mitigate these high credit risks with our underwriting standards and collection procedures, these standards and procedures may not offer adequate protection against the risk of default. In the event of a default, the collateral value of the financed vehicle usually does not cover the outstanding loan balance and costs of recovery. Higher than anticipated delinquencies and defaults on our Contracts would reduce our profitability.

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In addition, in the event we were to make any bulk purchases of seasoned Contracts, we may experience higher than normal delinquency rates with respect to these loan portfolios due to our inability to apply our underwriting standards to each loan comprising the acquired portfolios. We would similarly attempt to mitigate the high credit risks associated with these loans, although no assurances can be given that we would be able to do so.

We depend upon our relationships with our dealers.

Our business depends in large part upon our ability to establish and maintain relationships with reputable dealers who originate the Contracts we purchase. Although we believe we have been successful in developing and maintaining such relationships, such relationships are not exclusive, and many of them are not longstanding. There can be no assurances that we will be successful in maintaining such relationships or increasing the number of dealers with whom we do business, or that our existing dealer base will continue to generate a volume of Contracts comparable to the volume of such Contracts historically generated by such dealers.

Our success depends upon our ability to implement our business strategy.

Our financial position depends on management s ability to execute our business strategy. Key factors involved in the execution of our business strategy include achievement of the desired Contract purchase volume, the use of effective risk management techniques and collection methods, continued investment in technology to support operating efficiency and continued access to significant funding and liquidity sources. Our failure or inability to execute any element of our business strategy could materially adversely affect our financial condition.

Our business is highly dependent upon general economic conditions.

During periods of economic slowdown or recession, delinquencies, defaults, repossessions and losses generally increase. These periods also may be accompanied by decreased consumer demand for automobiles and declining values of automobiles securing outstanding loans, which weakens collateral coverage on our loans and increases the amount of a loss we would experience in the event of default. Significant increases in the inventory of used automobiles during periods of economic recession may also depress the prices at which repossessed automobiles are sold or delay the timing of these sales. Because we focus on non-prime borrowers, the actual rates of delinquencies, defaults, repossessions and losses on these loans are higher than those experienced in the general automobile finance industry and could be more dramatically affected by a general economic downturn. In addition, during an economic slowdown or recession, our servicing costs may increase without a corresponding increase in our servicing income. While we seek to manage the higher risk inherent in loans made to non-prime borrowers through our underwriting criteria and collection methods, no assurance can be given that these criteria or methods will afford adequate protection against these risks. Any sustained period of increased delinquencies, defaults, repossessions or losses or increased servicing costs could adversely affect our financial condition.

Decreased auction proceeds resulting from the depressed prices at which used automobiles may be sold during periods of economic slowdown or recession will reduce our profitability.

If we repossess a vehicle securing a Contract, we typically have it transported to an automobile auction for sale. Auction proceeds from the sale of repossessed vehicles and other recoveries are usually not sufficient to cover the outstanding balance of the Contract, and the resulting deficiency is charged off. In addition, there is, on average, approximately a 30-day lapse between the time we repossess a vehicle and the time it is sold by a dealer or at auction. Furthermore, depressed wholesale prices for used automobiles may result from significant liquidations of rental or fleet inventories, and from increased volume of trade-ins due to promotional financing programs offered by new vehicle manufacturers. During periods of economic slowdown or recession, decreased auction proceeds resulting from the depressed prices at which used automobiles may be sold will result in our experiencing higher credit losses.

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An increase in market interest rates may reduce our profitability.

Our long-term profitability may be directly affected by the level of and fluctuations in interest rates. Sustained, significant increases in interest rates may adversely affect our liquidity and profitability by reducing the interest rate spread between the rate of interest we receive on our Contracts and interest rates that we pay under our outstanding line of credit facility. As interest rates increase, our gross interest rate spread on new originations will generally decline since the rates charged on the Contracts originated or purchased from dealers generally are limited by statutory maximums, restricting our opportunity to pass on increased interest costs. We monitor the interest rate environment and have entered into interest rate swap agreements relating to a significant portion of our outstanding debt with maturities ranging from October 5, 2004 through May 19, 2008. Each of these agreements effectively converts a portion of our floating-rate debt to a fixed-rate, thus reducing the impact of interest rate changes on our interest expense. These interest rate swap agreements may not adequately mitigate the impact of changes in interest rates and we may not be able to enter into such agreements in the future.

Our growth depends upon our ability to retain and attract a sufficient number of qualified employees.

To a large extent, our growth strategy depends on the opening of new offices that will focus primarily on purchasing Contracts and making direct loans in markets we have not previously served. Future expansion of our office network depends upon our ability to attract and retain qualified and experienced office managers and the ability of such managers to develop relationships with dealers that serve those markets. We generally do not open new offices until we have located and hired a qualified and experienced individual to manage the office. Typically, this individual will be familiar with local market conditions and have existing relationships with dealers in the area to be served. Although we believe that we can attract and retain qualified and experienced personnel as we proceed with planned expansion into new markets, no assurance can be given that we will be successful in doing so. Competition to hire personnel possessing the skills and experience required by us could contribute to an increase in our employee turnover rate. High turnover or an inability to attract and retain qualified personnel could have an adverse effect on our origination, delinquency, default and net loss rates and, ultimately, our financial condition.

The loss of one of our key executives could have a material adverse effect on our business.

Our growth and development to date have been largely dependent upon the services of Peter L. Vosotas, our Chairman of the Board, President and Chief Executive Officer, and Ralph T. Finkenbrink, our Chief Financial Officer and Senior Vice President Finance. We do not maintain key-man life insurance policies on these executives. Although we believe that we have sufficient additional experienced management personnel to accommodate the loss of any key executive, the loss of services of one or both of these executives could have a material adverse effect on us.

If we have to force-place insurance on vehicles secured by our Contracts, we may not be able to recover the premium payments for such insurance.

We may force-place a physical damage insurance policy on any vehicle subject to one of our Contracts for which the customer has failed to obtain or maintain a physical damage insurance policy. In such event, we will advance the premium payment for such force-placed insurance and require the insurer to pay any proceeds of such policy directly to us. Although the principal balance of the Contract secured by the financed vehicle to which such premium relates will be increased by the amount of such premium, we may not be able to collect such increased principal balance from the customer. If we have to force-place insurance on a significant number of vehicles, this could have a material adverse effect on our financial condition.

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We are subject to risks associated with litigation.

As a consumer finance company, we are subject to various consumer claims and litigation seeking damages and statutory penalties, based upon, among other things:

- usury laws;
- disclosure inaccuracies;
- wrongful repossession;
- violations of bankruptcy stay provisions;
- certificate of title disputes;
- fraud;
- breach of contract; and
- discriminatory treatment of credit applicants.

Some litigation against us could take the form of class action complaints by consumers. As the assignee of Contracts originated by dealers, we may also be named as a co-defendant in lawsuits filed by consumers principally against dealers. The damages and penalties claimed by consumers in these types of actions can be substantial. The relief requested by the plaintiffs varies but may include requests for compensatory, statutory and punitive damages. No assurances can be given that we will not experience material financial losses in the future as a result of litigation and other legal proceedings.

We are subject to many laws and governmental regulations, and any material violations of or changes in these laws or regulations could have a material adverse effect on our financial condition and business operations.

Our financing operations are subject to regulation, supervision and licensing under various federal, state and local statutes and ordinances. Additionally, the procedures that we must follow in connection with the repossession of vehicles securing Contracts are regulated by each of the states in which we do business. The various federal, state and local statutes, regulations, and ordinances applicable to our business govern, among other things:

- licensing requirements;
- requirements for maintenance of proper records;
- payment of required fees to certain states;
- maximum interest rates that may be charged on loans to finance new and used vehicles;
- debt collection practices;
- proper disclosure to customers regarding financing terms;
- privacy regarding certain customer data;
- interest rates on loans to customers serving in the military;
- telephone solicitation of direct loan customers; and

collection of debts from loan customers who have filed bankruptcy.

We believe that we maintain all material licenses and permits required for our current operations and are in substantial compliance with all applicable local, state and federal regulations. Our failure, or failure by dealers who originate the Contracts we purchase, to maintain all requisite licenses and permits, and to comply with other regulatory requirements, could result in consumers having rights of rescission and other remedies that could have a material adverse effect on our financial condition. Furthermore, any changes in applicable laws, rules and regulations may make our compliance therewith more difficult or expensive or otherwise adversely affect our financial condition.

Our ability to pay cash dividends is restricted by our line of credit.

In August, 2003, we announced an annual cash dividend of $0.10 per share of common stock, payable semi-annually. We paid our first cash dividend of $0.05 per share in September, 2003. On March 22, 2004, we will pay a cash dividend of $0.05 per share to shareholders of record as of March 8, 2004. We intend to continue to pay cash dividends for the foreseeable future, provided our future earnings meet expectations. While we are not restricted by our Articles from declaring dividends, our line of credit prohibits the payment of cash dividends without written approval from our consortium of lenders. Our ability to receive the necessary approvals is largely dependent upon our portfolio performance, and no assurances can be given that we will be able to obtain the necessary approvals in the future.

Our Chief Executive Officer and certain members of the Mahan family hold a significant percentage of our common stock and may take actions adverse to your interests.

Peter L. Vosotas, our Chairman of the Board, President and Chief Executive Officer, and certain members of the Mahan family, including Marvin and Ingrid Mahan, their adult children and certain entities controlled by them, will own approximately 17.2% and 13.3%, respectively, of our common stock following this offering. As a result, they may be able to significantly influence matters requiring shareholder approval, including the election and removal of directors and approval of significant corporate transactions, such as mergers, consolidations and sales of assets. This concentration of ownership could have the effect of delaying, deferring or preventing a change in control or impeding a merger or consolidation, takeover or other business combination, which could cause the market price of our common stock to fall or prevent you from receiving a premium in such transaction.

Our stock is not heavily traded, which may limit your ability to resell your shares.

The average daily trading volume of our shares on the Nasdaq SmallCap System for the twelve months ended March 31, 2004 was approximately 7,100 shares. Thus, our common stock is thinly traded. Thinly traded stock can be more volatile than stock trading in an active public market. Factors such as our financial results, the introduction of new products and services by us or our competitors, and various factors affecting the consumer-finance industry generally may have a significant impact on the market price of our common stock. On April 7, 2004, our common stock began trading on the Nasdaq National Market. Despite this fact, we cannot predict the extent to which an active public market for our common stock will develop or be sustained after this offering. In recent years, the stock market has experienced a high level of price and volume volatility, and market prices for the stocks of many companies have experienced wide price fluctuations that have not necessarily been related to their operating performance. Therefore, our shareholders may not be able to sell their shares at the volumes, prices, or times that they desire.

We operate in a competitive market.

The non-prime consumer-finance industry is highly competitive. There are numerous financial service companies that provide consumer credit in the markets served by us, including banks, credit unions, other consumer finance companies and captive finance companies owned by automobile manufacturers and retailers. Many of these competitors have substantially greater financial resources than us. In addition, our competitors often provide financing on terms more favorable to automobile purchasers or dealers than we offer. Many of these competitors also have long-standing relationships with automobile dealerships and may offer dealerships or their customers other forms of financing, including dealer floor-plan financing and leasing, which are not provided by us. Providers of non-prime consumer financing have traditionally competed primarily on the basis of:

- interest rates charged;
- the quality of credit accepted;
- the flexibility of loan terms offered; and
- the quality of service provided.

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Our ability to compete effectively with other companies offering similar financing arrangements depends on maintaining close relationships with dealers of new and used vehicles. We may not be able to compete successfully in this market or against these competitors.

We have focused on a segment of the market composed of consumers who typically do not meet the more stringent credit requirements of traditional consumer financing sources and whose needs, as a result, have not been addressed consistently by such financing sources. If, however, other providers of consumer financing were to assert a significantly greater effort to penetrate our targeted market segment, we may have to reduce our interest rates and fees in order to maintain our market share. Any reduction in our interest rates or fees could have an adverse impact on our profitability.

We may experience problems with our integrated computer systems or be unable to keep pace with developments in technology.

We use various technologies in our business, including telecommunication, data processing, and integrated computer systems. Technology changes rapidly. Our ability to compete successfully with other financing companies may depend on whether we can exploit technological changes. We may not be able to exploit technological changes, and any investment we make may not make us more profitable.

We utilize integrated computer systems to respond to customer inquiries and to monitor the performance of our Contract and direct loan portfolios and the performance of individual customers under our Contracts and direct loans. Problems with our systems operations could adversely impact our ability to monitor our portfolios or collect amounts due under our Contracts and direct loans, which could have a material adverse effect on our financial condition.

CAUTIONARY NOTE CONCERNING FORWARD-LOOKING STATEMENTS

Some discussions in this prospectus may contain forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995. We caution you to be aware of the speculative nature of forward-looking statements. Statements that are not historical in nature, including the words anticipate, estimate, should, expect, believe, intend, and similar expressions, are intended to identify forward-statements. Although these statements reflect our good faith belief based on current expectations, estimates and projections about (among other things) the industry and the markets in which we operate, they are not guarantees of future performance. Whether actual results will conform to our expectations and predictions is subject to a number of known and unknown risks and uncertainties, including the risks and uncertainties discussed in this prospectus; general economic, market, or business conditions; changes in interest rates, the cost of funds, and demand for our financial services; changes in our competitive position; our ability to manage growth; the opportunities that may be presented to and pursued by us; competitive actions by other companies; changes in laws or regulations; changes in the policies of federal or state regulators and agencies; and other circumstances, many of which are beyond our control. Consequently, all of the forward-looking statements made in this prospectus are qualified by these cautionary statements and there can be no assurance that the actual results anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, us or our business or operations. Except as required by applicable laws, we do not intend to publish updates or revisions of any forward-looking statements we make to reflect new information, future events or otherwise.

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RECENT DEVELOPMENTS

On May 6, 2004, we announced our unaudited financial results for the three months and year ended March 31, 2004. The following discussion summarizes the highlights of those results. You should read the following financial information in conjunction with our Consolidated Financial Statements and the notes thereto included elsewhere in this prospectus and the disclosure under the caption Management s Discussion and Analysis of Financial Condition and Results of Operations.

Condensed Consolidated Income Statements

	Three Months Ended March 31, 2004	Fiscal Year Ended March 31, 2004
	(unaudited)	
Revenue:		
Finance charge income	$6,839,186	$25,236,638
Other income	71,092	263,847
	6,910,278	25,500,485
Costs and expenses:		
Operating expenses	2,970,035	11,060,399
Provision for losses	581,473	2,198,501
Interest expense	946,177	3,851,924
	4,497,685	17,110,824
Income before income taxes	2,412,593	8,389,661
Income tax provision	920,821	3,176,983
Net income	$1,491,772	$ 5,212,678
Earnings per share:		
Basic	$ 0.29	$ 1.03
Diluted	$ 0.27	$ 0.96
Weighted average shares	5,078,411	5,047,094
Weighted average shares and assumed dilution	5,469,045	5,418,708

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Condensed Consolidated Balance Sheet

	March 31, 2004
	(unaudited)
Cash	$ 957,684
Finance receivables, net	97,236,516
Other assets	5,029,252
Total assets	$ 103,223,452
Line of credit	$ 67,510,290
Other notes payable	681,530
Other liabilities	7,622,625
Total liabilities	75,814,445
Shareholders equity	27,409,007
Total liabilities and shareholders equity	$ 103,223,452

For the fourth quarter ended March 31, 2004, we had consolidated revenues of approximately $6.9 million, an increase of 14% from approximately $6.0 million for the fourth quarter of the prior fiscal year. Net income for the fourth quarter ended March 31, 2004 increased 24% to approximately $1.5 million, as compared to approximately $1.2 million for the fourth quarter ended March 31, 2003. Earnings per share increased 17% to $0.27 for the fourth quarter ended March 31, 2004 from $0.23 for the corresponding period of the prior fiscal year.

For the fiscal year ended March 31, 2004, we had consolidated revenues of approximately $25.5 million, an increase of 14% from approximately $22.4 million for the fiscal year ended March 31, 2003. Net income increased 22% to approximately $5.2 million for the fiscal year ended March 31, 2004, as compared to approximately $4.3 million for the prior fiscal year. Earnings per share increased 19% to $0.96 for the fiscal year ended March 31, 2004 from $0.81 for the fiscal year ended March 31, 2003.

The finance receivable balance, net of unearned interest, on our outstanding loan portfolio increased 5% to approximately $118.6 million as of March 31, 2004 from $112.7 million as of December 31, 2003. The primary reason for this increase was the growth of our existing branch offices and the opening of one additional branch office during the fourth quarter ended March 31, 2004. Our gross portfolio yield increased to 23.58% for the fourth quarter ended March 31, 2004 from 22.56% for the third quarter ended December 31, 2003. Our net portfolio yield increased to 18.37% for the fourth quarter ended March 31, 2004 from 16.93% for the third quarter ended December 31, 2003. The primary reason for this quarter-to-quarter increase in our net portfolio yield was a decrease in our net charge-off percentage. Our net charge-off percentage decreased to 5.73% for the fourth quarter ended March 31, 2004 from 8.11% for the third quarter ended December 31, 2003.

Operating expenses as a percentage of average net receivables increased to 10.07% for the fourth quarter ended March 31, 2004 from 9.39% for the third quarter ended December 31, 2003. This increase resulted primarily from the hiring and training of personnel during the fourth quarter for the three additional branch office locations we opened during the month of April 2004, as well as an increase in our corporate staffing necessitated by the continued growth in our branch office network.

Our over thirty-day delinquencies decreased to 1.55% as of March 31, 2004 from 2.70% as of December 31, 2003. We believe this decrease was due primarily to the seasonality of our business.

As of March 31, 2004, the aggregate amount outstanding under our line of credit facility was $67.5 million and we had approximately $7.5 million available for additional borrowing. We are currently negotiating to increase our line of credit facility to $85.0 million and to extend the maturity date of the facility to November 30, 2006, although no assurances can be given that we will be able to do so.

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USE OF PROCEEDS

The net proceeds to us from the sale of 1,100,000 shares of common stock offered by us in this offering (after deducting the underwriting discount and commissions and estimated expenses of the offering payable by us) are estimated to be approximately $7.6 million ($9.8 million if the underwriter s over-allotment option is exercised in full). We intend to use the net proceeds from this offering to repay amounts outstanding under our existing $75.0 million line of credit facility. As of December 31, 2003, the aggregate amount outstanding under this line of credit facility was approximately $66.0 million and the average cost of funds (after giving effect to our interest rate swap agreements) was 5.73% per annum for the nine-months ended as of such date. We are currently negotiating to increase our line of credit to $85.0 million and to extend the maturity date to November 30, 2006, although no assurances can be given that we will be able to do so.

The foregoing represents our anticipated use of the net proceeds of this offering based upon the current status of our business operations, our current plans and current economic conditions. A change in the use of proceeds or timing of such use will be at our discretion. Pending their longer-term use, the net proceeds from this offering may be invested in short-term, investment-grade interest-bearing securities.

We will not receive any proceeds from the sale of shares of common stock by the selling shareholders. The net proceeds to the selling shareholders from the sale of 900,000 shares of common stock offered by them in this offering (after deducting the underwriting discount and commissions payable by the selling shareholders) are estimated to be approximately $6.7 million.

SELLING SHAREHOLDERS

The following table sets forth the number of shares of common stock beneficially owned by each selling shareholder as of April 30, 2004, the number of shares of common stock being offered pursuant to this offering for such selling shareholder s account and the number of shares of common stock and, based on the number of shares of common stock outstanding as of April 30, 2004, the percentage of the outstanding shares of common stock that will be beneficially owned by such selling shareholder if all of the shares of common stock being offered pursuant to this offering by that shareholder are sold (assuming no exercise of the underwriter s over-allotment option). One of the selling shareholders, Peter L. Vosotas, is the Chief Executive Officer, President and a director of the Company.

Some of the selling shareholders either have or have had a material relationship with us within the past three years. On June 30, 2001, we issued 44,444 shares of our common stock to the Roger T. Mahan Grantor Trust (the Grantor Trust) pursuant to the Grantor Trust s exercise of its conversion right under a Convertible Promissory Note, dated June 30, 1995 (the Grantor Trust Note), issued by us in favor of the Grantor Trust. The aggregate principal amount of the Grantor Trust Note was $200,000 and the maturity date was June 30, 2001. The conversion price was $4.50 per share. As a result of such conversion, the Grantor Trust Note was cancelled. We issued shares of our common stock in this transaction pursuant to an exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended. The above transaction, if adjusted for our two-for-one common stock dividend effected in September, 2001, would have resulted in the issuance of 88,888 shares of our common stock at a conversion price of $2.25 per share.

On August 9, 2001, we issued 111,111 shares of our common stock to Mahan Family, LLC (the Family LLC) pursuant to the Family LLC s exercise of its conversion right under a Convertible Promissory Note, dated November 30, 1992 (the Family LLC Note), issued by us in favor of the Family LLC. The aggregate principal amount of the Family LLC Note was $500,000 and the maturity date was November 30, 2001, subject to certain prepayment rights granted to us thereunder. Pursuant to such rights, we gave notice on July 10, 2001 that we intended to prepay the Family LLC Note in full. Under the terms of the Family LLC Note, this notification entitled the Family LLC to convert the note into shares of our common stock, at a conversion price of $4.50 per share. As result of such conversion, the Family LLC Note was cancelled. We

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issued shares of our common stock in this transaction pursuant to an exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended. The above transaction, if adjusted for our two-for-one common stock dividend effected in September, 2001, would have resulted in the issuance of 222,222 shares of our common stock at a conversion price of $2.25 per share.

In addition, we are indebted to Peter Vosotas, our Chairman of the Board, President and Chief Executive Officer, for amounts totaling approximately $681,500 (as of March 31, 2004). These promissory notes are due upon thirty-day demand and carry an interest rate equal to our average cost of funds plus twenty-five basis points. The amount of these notes can change from time to time but cannot exceed $1,000,000 without the approval of our Board of Directors and the Audit Committee thereof.

	Shares Beneficially Owned Prior to Offering		Shares Being Offered	Shares Beneficially Owned After Offering	
Name	**Shares**	**Percent**		**Shares**	**Percent**
Peter L. Vosotas	1,591,156(1)	30.4%	500,000	1,091,156	17.2%
Marvin & Ingrid Mahan	45,664(2)	*	45,664		
Mahan Children, LLC	392,764(3)	7.7	125,000	267,764	4.3
Mahan Family, LLC	473,818(4)	9.3	111,450	362,368	5.9
Grenma, Inc.	160,666(5)	3.2	50,000	110,666	1.8
Roger Mahan	112,220(6)	2.2	32,220	80,000	1.3
Kenneth & Nancy Ernst	36,066(7)	*	35,666	400	*
Total			900,000		

* Less than 1%.

(1) Includes 35,955 shares owned directly by Mr. Vosotas, 1,381,112 shares held in family trusts over which Mr. Vosotas retains voting and investment power and 24,089 shares held by Mr. Vosotas spouse. Also includes 150,000 shares issuable upon the exercise of outstanding stock options. The Peter L. Vosotas Trust, which currently holds 1,189,212 shares, is offering 500,000 shares pursuant to the offering.

(2) Marvin H. Mahan and Ingrid T. Mahan are husband and wife. Includes 33,998 shares owned by PTC Cust. IRA fbo Marvin H. Mahan and 11,666 shares owned directly by Ingrid T. Mahan. Marvin H. Mahan is the sole director and Ingrid T. Mahan is the sole shareholder of Grenma, Inc., and each may be deemed to beneficially own all of the shares owned by Grenma Inc.

(3) Mahan Children, LLC is a New Jersey limited liability company. Roger Mahan, Nancy Ernst and Gary Mahan, the adult children of Marvin H. Mahan and Ingrid T. Mahan, are the sole equity holders and managers of Mahan Children, LLC, and each may be deemed to beneficially own all of the shares owned by Mahan Children, LLC.

(4) Mahan Family, LLC is a New Jersey limited liability company. Roger Mahan, Nancy Ernst and Gary Mahan are each equity holders in and the sole managers of Mahan Family, LLC, and each may be deemed to beneficially own all of the shares owned by Mahan Family, LLC.

(5) Grenma, Inc. is a U.S. Virgin Island corporation. Marvin H. Mahan and Ingrid T. Mahan each may be deemed to beneficially own all of the shares owned by Grenma Inc. See footnote (2) above.

(6) Includes 23,332 shares owned directly by Roger Mahan and 88,888 shares owned by the Grantor Trust. Roger Mahan may also be deemed to beneficially own all of the shares owned by Mahan Family, LLC and Mahan Children, LLC. See footnotes (3) and (4) above. Of the 32,220 shares being offered by Roger Mahan, 23,332 shares are owned directly by Roger Mahan and 8,888 shares are owned by the Grantor Trust.

(7) Kenneth Ernst and Nancy Ernst are husband and wife. Includes 35,666 shares owned jointly by Kenneth and Nancy Ernst and 400 shares owned by their minor son. Kenneth and Nancy Ernst may also be deemed to beneficially own all of the shares owned by Mahan Family, LLC and Mahan Children, LLC. See footnotes (3) and (4) above.

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CAPITALIZATION

The following table sets forth our capitalization at December 31, 2003: (1) on an actual basis; and (2) on an as adjusted basis to give effect to the sale of 1,100,000 shares of common stock offered by the Company in this offering, less the underwriting discount and commissions and estimated expenses, and the application of the estimated net proceeds therefrom. See Use of Proceeds. This table should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto included in this prospectus.

	December 31, 2003(1)	
	Actual	As Adjusted(2)
Debt:		
Line of credit	$66,010,290	$58,401,290
Shareholders equity:		
Preferred stock, no par: 5,000,000 shares authorized; none issued and outstanding		
Common stock, no par; 50,000,000 shares authorized; 5,069,688 shares outstanding; 6,169,688 shares outstanding as adjusted	4,696,014	12,305,014
Other comprehensive loss	(841,045)	(841,045)
Retained earnings	22,254,288	22,254,288
Total shareholders equity	26,109,257	33,718,257
Total capitalization	92,119,547	92,119,547
Book value per share (3)	$ 5.15	$ 5.47

(1) This table excludes 548,066 shares of common stock issuable upon exercise of outstanding options at December 31, 2003, at a weighted average exercise price of $2.42 per share.

(2) If the underwriter s over-allotment option is exercised in full, common stock and total shareholders equity would be $14,537,014 and $35,950,257, respectively.

(3) Actual book value per share equals total shareholders equity of $26,109,257, divided by 5,069,688 shares issued and outstanding at December 31, 2003. Book value per share as adjusted equals total shareholders equity of $33,718,257 (assuming net proceeds of this offering to us of $7,609,000), divided by 6,169,688 shares.

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MARKET FOR COMMON STOCK

On April 7, 2004, our common stock began trading on the Nasdaq National Market under the symbol NICK. Our common stock was traded on the Nasdaq SmallCap System under the symbol NICK through April 6, 2004. The table below sets forth: (i) the high and low bid prices of our common stock as reported by the Nasdaq Stock Market for the periods indicated through April 6, 2004; and (ii) the high and low closing sales prices of our common stock as reported on the Nasdaq National Market for the period commencing on April 7, 2004. The over-the-counter market quotations reflect inter-dealer prices and do not include retail mark-up, mark-down or commission, and may not necessarily represent actual transactions.

	High	Low
Fiscal Year Ending March 31, 2005:		
First quarter (April 7, 2004 through April 30, 2004)	$ 12.24	$ 8.51
First quarter (April 1, 2004 through April 6, 2004)	10.22	8.90
Fiscal Year Ended March 31, 2004:		
Fourth quarter	9.46	7.61
Third quarter	8.80	5.60
Second quarter	7.57	4.77
First quarter	5.22	3.40
Fiscal Year Ended March 31, 2003:		
Fourth quarter	4.06	3.62
Third quarter	4.28	3.50
Second quarter	5.30	4.00
First quarter	6.15	3.80
Fiscal Year Ended March 31, 2002:		
Fourth quarter	4.60	3.80
Third quarter	4.65	3.61
Second quarter	5.56	3.10
First quarter	3.69	2.31

On May 13, 2004, the last reported sale price of our common stock on the Nasdaq National Market was $8.25 per share. At April 12, 2004, there were 1,079 holders of our common stock.

DIVIDEND POLICY

In August, 2003, our Board of Directors announced an annual cash dividend of $0.10 per share of common stock, payable semi-annually. We paid our first cash dividend of $0.05 per share in September, 2003, and our second cash dividend of $0.05 per share in March, 2004. We intend to continue to pay cash dividends for the foreseeable future, provided our future earnings meet expectations. Any payment of future cash dividends and the amounts thereof will be dependent upon our earnings, financial requirements, requirements of our lenders and other factors deemed relevant by our Board of Directors. Our line of credit facility prohibits the payment of dividends without the written approval of our consortium of lenders. Our ability to receive the necessary approvals is largely dependent upon our portfolio performance, and no assurances can be given that we will be able to obtain the necessary approvals in the future.

There are no Canadian foreign exchange controls or laws that would affect the remittance of dividends or other payments to our non-Canadian resident shareholders. There are no Canadian laws that restrict the export or import of capital, other than the Investment Canada Act (Canada), which requires the notification or review of certain investments by non-Canadians to establish or acquire control of a Canadian business. We are not a Canadian business as defined under the Investment Canada Act,

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because we have no place of business in Canada, have no individuals employed in Canada in connection with our business, and have no assets in Canada used in carrying on our business.

Canada and the United States of America are signatories to the Canada-United States Tax Convention Act, 1984 (the Tax Treaty). The Tax Treaty contains provisions governing the tax treatment of interest, dividends, gains and royalties paid to or received by a person residing in the United States. The Tax Treaty also contains provisions to prevent the occurrence of double taxation, essentially by permitting the taxpayer to claim a tax credit for taxes paid in the foreign jurisdiction.

Dividends paid to us from our U.S. subsidiaries current and accumulated earnings and profits will be subject to a U.S. withholding tax of 5%. The gross dividends (i.e., before payment of the withholding tax) must be included in our net income. However, under certain circumstances, we may be allowed to deduct the dividends in the calculation of our Canadian taxable income. If we have no other foreign (i.e., non-Canadian) non-business income, no relief is available in that case to recover the withholding taxes previously paid.

A 15% Canadian withholding tax applies to dividends paid by us to a U.S. shareholder that is an individual. The U.S. shareholder must include the gross amount of the dividends in his net income to be taxed at the regular rates. A foreign tax credit will be available to the extent of the lesser of:

(i) withholding taxes paid (up to a maximum of 15% of certain foreign income from property); and

(ii) the U.S. taxes payable in respect to that foreign income.

Alternatively, an individual can claim the foreign withholding taxes paid as a deduction in the computation of income for tax purposes. If the withholding taxes paid exceed 15% of the foreign income from property, such excess must be deducted in computing net income.

Dividends paid to a corporate U.S. shareholder that owns less than 10% of our voting shares are also subject to a Canadian withholding tax of 15%.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth certain information as of March 31, 2004, with respect to compensation plans under which our equity securities are authorized for issuance:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column(a)
	(a)	(b)	(c)
Equity Compensation Plans Approved by Security Holders	565,466	$2.83	374,534
Equity Compensation Plans Not Approved by Security Holders	None	Not Applicable	None
TOTAL	565,466	$2.83	374,534

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SELECTED CONSOLIDATED FINANCIAL DATA

The following table summarizes our selected consolidated financial information and other financial data. The selected balance sheet and statement of income data, insofar as they relate to the fiscal years ended March 31, 2003, 2002, 2001, 2000 and 1999, are derived from our audited consolidated financial statements. Ernst & Young LLP audited our consolidated financial statements for each of those fiscal years. Effective December 3, 2003, we engaged the accounting firm of Crisp Hughes Evans LLP as our new independent auditors. Effective March 1, 2004, Crisp Hughes Evans LLP merged with Dixon Odom PLLC, with the combined firm now known as Dixon Hughes PLLC. On March 3, 2004, we engaged Dixon Hughes PLLC as our independent auditors, effective as of the foregoing merger. See Changes in and Disagreements with Accountants on Accounting and Financial Disclosures. The selected consolidated financial data for the nine-month periods ended December 31, 2003 and 2002 are derived from unaudited consolidated financial statements. In our opinion, all adjustments, consisting solely of normal recurring adjustments necessary for a fair presentation of results as of and for the nine-month periods ended December 31, 2003 and 2002, have been included. This information should be read together with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes included elsewhere in this prospectus. Results for past periods are not necessarily indicative of results that may be expected for any future period, and results for the nine-month period ended December 31, 2003 are not necessarily indicative of results that may be expected for the full fiscal year ending March 31, 2004.

	At and for the Nine Months Ended December 31,		At and for the Fiscal Year Ended March 31,				
	2003	2002	2003	2002	2001	2000	1999
	(unaudited)						
Statement of Income Data:							
Revenue:							
Finance revenue	$18,397,452	$16,075,736	$22,048,535	$19,852,758	$17,386,318	$13,557,371	$ 9,922,689
Sales	192,755	254,165	328,340	365,367	410,708	517,445	495,849
	18,590,207	16,329,901	22,376,875	20,218,125	17,797,026	14,074,816	10,418,538
Expenses:							
Cost of sales	39,145	62,685	83,904	78,615	84,870	90,471	102,368
Marketing	653,282	481,729	654,569	565,626	445,869	396,307	369,968
Administrative	7,235,719	6,108,890	8,460,662	7,302,275	6,356,555	5,225,373	3,950,839
Provision for credit losses	1,617,028	1,677,758	2,213,859	1,912,918	1,470,744	1,069,719	940,922
Depreciation	162,218	130,000	190,257	189,733	145,567	91,049	90,005
Interest expense	2,905,747	2,955,671	3,936,042	3,898,400	3,761,689	2,771,100	2,358,838
	12,613,139	11,416,733	15,539,293	13,947,567	12,265,294	9,644,019	7,812,940
Operating income before income taxes	5,977,068	4,913,168	6,837,582	6,270,558	5,531,732	4,430,797	2,605,598
Income tax expense:							
Current	3,356,708	2,667,527	3,884,386	2,195,841	2,075,855	1,694,061	1,327,520
Deferred	(1,100,546)	(832,845)	(1,328,198)	142,578	45,000	159,168	(324,278)
	2,256,162	1,834,682	2,556,188	2,338,419	2,120,855	1,853,229	1,003,242
Net income	$ 3,720,906	$ 3,078,486	$ 4,281,394	$ 3,932,139	$ 3,410,877	$ 2,577,568	$ 1,602,356
Earnings per share:							
Basic	$ 0.74	$ 0.62	$ 0.86	$ 0.81	$ 0.73	$ 0.55	$ 0.34
Diluted	$ 0.69	$ 0.58	$ 0.81	$ 0.75	$ 0.68	$ 0.50	$ 0.32
Weighted average shares:							
Basic	5,036,730	5,004,470	5,004,055	4,869,078	4,673,198	4,704,572	4,715,968

Diluted	5,395,815	5,312,077	5,299,206	5,263,966	5,137,732	5,312,630	5,245,564
Dividends declared	$ 0.10						

	At and for the Nine Months Ended December 31,		At and for the Fiscal Year Ended March 31,				
	2003	2002	2003	2002	2001	2000	1999
	(unaudited)						
Balance Sheet Data:							
Finance receivables, net	$92,835,072	$81,747,124	$86,178,112	$76,067,387	$65,040,868	$52,015,107	$39,923,471
Total assets	99,677,476	85,100,957	90,036,928	77,948,882	67,329,364	54,135,378	42,257,014
Line of credit	66,010,290	57,333,426	60,160,238	53,273,426	47,823,426	38,414,549	29,964,549
Total liabilities	73,568,219	64,894,178	67,946,488	59,512,549	52,901,513	43,008,094	33,716,313
Total shareholders equity	26,109,257	20,206,779	22,090,440	18,436,333	14,427,851	11,127,284	8,540,701
Selected Financial Ratios and Other Data:							
Weighted average contractual rate(1)	24.02%	24.21%	24.31%	24.65%	24.77%	24.76%	24.68%
Average cost of borrowed funds(2)	6.03%	6.93%	6.86%	7.66%	8.15%	8.03%	8.45%
Gross portfolio yield(3)	22.25%	22.20%	22.54%	23.53%	23.79%	24.64%	22.77%
Net portfolio yield(4)	16.78%	15.80%	16.26%	16.64%	16.63%	17.66%	15.20%
Return on shareholders equity(5)	20.59%	21.24%	21.13%	23.93%	26.69%	26.21%	20.65%

(1) Weighted average contractual rate represents the weighted average annual percentage rate (APR) of all Contracts purchased and direct loans originated during the nine months ended December 31, 2003 and 2002 and the fiscal years ended March 31, 2003, 2002, 2001, 2000 and 1999, respectively.

(2) Average cost of borrowed funds represents interest expense as a percentage of average indebtedness.

(3) Gross portfolio yield represents finance revenue as a percentage of average finance receivables, net of unearned interest.

(4) Net portfolio yield represents finance revenue minus (a) interest expense and (b) the provision for credit losses as a percentage of average finance receivables, net of unearned interest.

(5) Return on shareholders equity represents net income divided by average total shareholders equity during the period.

Note: For comparability purposes, all nine-month key performance indicators expressed as percentages have been annualized.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our Consolidated Financial Statements and the notes thereto included elsewhere in this prospectus.

Overview

We are a Canadian holding company incorporated under the laws of British Columbia in 1986. We conduct our business activities through two wholly-owned Florida corporations: Nicholas Financial, which purchases and services Contracts, makes direct loans and sells consumer-finance related products; and NDS, which supports and updates certain computer application software. Nicholas Financial accounted for approximately 99% and 99% of our consolidated revenues for the fiscal year ended March 31, 2003 and the nine-month period ended December 31, 2003, respectively.

Our consolidated revenues increased for the fiscal year ended March 31, 2003 and the nine-month period ended December 31, 2003 to $22.4 million and $18.6 million, respectively, from $20.2 million and $16.3 million for the fiscal year ended March 31, 2002 and the nine-month period ended December 31, 2002, respectively. Our consolidated net income increased for the fiscal year ended March 31, 2003 and the nine-month period ended December 31, 2003 to $4.3 million and $3.7 million, respectively, from $3.9 million and $3.1 million for the fiscal year ended March 31, 2002 and the nine-month period ended December 31, 2002, respectively. Our earnings were favorably impacted by an increase in our outstanding loan portfolio, a reduction in our average cost of borrowed funds and a reduction in our charge-off rate.

Portfolio Summary

	Nine Months Ended December 31,		Fiscal Year Ended March 31,	
	2003	2002	2003	2002
	(Dollars in thousands)			
Average finance receivables, net of unearned interest(1)	$110,249	$ 96,555	$ 97,807	$ 84,389
Average indebtedness(2)	64,243	56,900	57,336	50,908
Finance revenue(3)	18,397	16,076	22,049	19,853
Interest expense	2,906	2,956	3,936	3,898
Net finance revenue	15,492	13,120	18,112	15,954
Weighted average contractual rate(4)	24.02%	24.21%	24.31%	24.65%
Average cost of borrowed funds(2)	6.03%	6.93%	6.86%	7.66%
Gross portfolio yield(5)	22.25%	22.20%	22.54%	23.53%
Interest expense as a percentage of average finance receivables, net of unearned interest	3.51%	4.08%	4.02%	4.62%
Provision for credit losses as a percentage of average finance receivables, net of unearned interest	1.96%	2.32%	2.26%	2.27%
Net portfolio yield(5)	16.78%	15.80%	16.26%	16.64%
Operating expenses as a percentage of average finance receivables, net of unearned interest(6)	9.51%	8.88%	9.25%	9.19%

Pre-tax yield as a percentage of average finance receivables, net of unearned interest(7)	7.27%	6.92%	7.01%	7.45%
Write-off to liquidation(8)	9.12%	9.88%	9.32%	8.62%
Net charge-off percentage(9)	7.79%	8.62%	8.13%	7.63%

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(1) Average finance receivables, net of unearned interest, represents the average of gross finance receivables, less unearned interest throughout the period.

(2) Average indebtedness represents the average outstanding borrowings under the line of credit and notes payable-related party. Average cost of borrowed funds represents interest expense as a percentage of average indebtedness.

(3) Finance revenue does not include revenue generated by NDS.

(4) Weighted average contractual rate represents the weighted average annual percentage rate (APR) of all Contracts purchased and direct loans originated during the nine months ended December 31, 2003 and 2002 and the fiscal years ended March 31, 2003 and 2002, respectively.

(5) Gross portfolio yield represents finance revenues as a percentage of average finance receivables, net of unearned interest. Net portfolio yield represents finance revenue minus (a) interest expense and (b) the provision for credit losses as a percentage of average finance receivables, net of unearned interest.

(6) Operating expenses represent total expenses, less interest expense, the provision for credit losses and operating costs associated with NDS.

(7) Pre-tax yield represents net portfolio yield minus operating expenses as a percentage of average finance receivables, net of unearned interest.

(8) Write-off to liquidation percentage is defined as net charge-offs divided by liquidation. Liquidation is defined as beginning receivable balance plus current period purchases minus voids and refinances minus ending receivable balance.

(9) Net charge-off percentage represents net charge-offs divided by average finance receivables, net of unearned interest, outstanding during the period.

Note: For comparability purposes, all nine-month key performance indicators expressed as percentages have been annualized.

Nine Months Ended December 31, 2003 Compared to Nine Months Ended December 31, 2002

Interest Income and Loan Portfolio

Interest income increased 14% to $18.4 million for the period ended December 31, 2003 from $16.1 million for the period ended December 31, 2002. The average finance receivables, net of unearned interest, totaled $110.2 million for the period ended December 31, 2003, an increase of 14% from $96.6 million for the period ended December 31, 2002. The primary reason average finance receivables, net of unearned interest, increased was the increase in the receivable base of several existing branches and the opening of two additional branch locations. The gross finance receivable balance increased 15% to $147.6 million at December 31, 2003 from $129.0 million at December 31, 2002. The primary reason interest revenue increased was the increase in the outstanding loan portfolio. The gross portfolio yield increased from 22.20% for the period ended December 31, 2002 to 22.25% for the period ended December 31, 2002. The net portfolio yield increased from 15.80% for the period ended December 31, 2002 to 16.78% for the period ended December 31, 2003. The primary reasons for the increase in the net portfolio yield were a decrease in charge-offs, a reduction in the provision for credit losses and a reduction in the cost of borrowed funds for the period ended December 31, 2003. The net charge-off percentage for the period ended December 31, 2003 was 7.79% as compared to 8.62% for the period ended December 31, 2002.

Computer Software Business

Sales for the period ended December 31, 2003 were $192,755 as compared to $254,165 for the period ended December 31, 2002, a decrease of 24%. This decrease was primarily due to lower revenue from the existing customer base during the fiscal year. Cost of sales and operating expenses decreased from $351,059 for the period ended December 31, 2002 to $230,509 for the period ended December 31, 2003.

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Operating Expenses

Total expenses, less provision for credit losses, interest expense and costs associated with NDS, increased to $7.9 million for the period ended December 31, 2003 from $6.4 million for the period ended December 31, 2002. This increase of 23% was primarily attributable to the additional staffing of several existing branches, increased general operating expenses and the opening of two additional branch offices. Operating expenses as a percentage of finance receivables, net of unearned interest, increased from 8.88% for the period ended December 31, 2002 to 9.51% for the period ended December 31, 2003. The primary reason for this increase was the addition of infrastructure necessary to accommodate growth further away geographically from our corporate headquarters in Clearwater, Florida.

Interest Expense

Interest expense was $2.9 million for the period ended December 31, 2003 as compared to $3.0 million for the period ended December 31, 2002. The average indebtedness for the period ended December 31, 2003 increased to $64.2 million as compared to $56.9 million for the period ended December 31, 2002. The cost associated with this increase in average indebtedness was offset by a decrease in the average cost of outstanding borrowings from 6.93% during the nine months ended December 31, 2002 to 6.03% during the nine months ended December 31, 2003.

Fiscal 2003 Compared to Fiscal 2002

Interest Income and Loan Portfolio

Interest income increased 11% to $22.0 million for the fiscal year ended March 31, 2003 from $19.9 million for the fiscal year ended March 31, 2002. The average finance receivables, net of unearned interest, totaled $97.8 million for the fiscal year ended March 31, 2003, an increase of 16% from $84.4 million for the fiscal year ended March 31, 2002. The primary reason average finance receivables, net of unearned interest, increased was the increase in the receivable base of several existing branches and the opening of five additional branch locations. The gross finance receivable balance increased 13% to $136.7 million at March 31, 2003 from $120.5 million at March 31, 2002. The primary reason interest revenue increased was the increase in the outstanding loan portfolio. The gross portfolio yield decreased from 23.53% for the fiscal year ended March 31, 2002 to 22.54% for the fiscal year ended March 31, 2002. The net portfolio yield decreased from 16.64% for the fiscal year ended March 31, 2002 to 16.26% for the fiscal year ended March 31, 2003. The primary reason for the decrease in the net portfolio yield was an increase in the net charge-off percentage from 7.63% for the fiscal year ended March 31, 2002 to 8.13% for the fiscal year ended March 31, 2003.

Computer Software Business

Sales for the fiscal year ended March 31, 2003 were $328,340 as compared to $365,367 for the fiscal year ended March 31, 2002, a decrease of 10%. This decrease was primarily due to lower revenue from the existing customer base during the fiscal year. Cost of sales and operating expenses decreased from $466,774 for the fiscal year ended March 31, 2002 to $426,349 for the fiscal year ended March 31, 2003.

Operating Expenses

Total expenses, less provision for credit losses, interest expense and costs associated with NDS, increased to $9.0 million for the fiscal year ended March 31, 2003 from $7.7 million for the fiscal year ended March 31, 2002. This increase of 15% was primarily attributable to the additional staffing of several existing branches, increased general operating expenses and the opening of five additional branch offices. Operating expenses as a percentage of finance receivables, net of unearned interest, increased from 9.19% for the fiscal year ended March 31, 2002 to 9.25% for the fiscal year ended March 31, 2003.

Interest Expense

Interest expense was $3.9 million for each of the fiscal years ended March 31, 2003 and 2002, respectively. The average indebtedness for the fiscal year ended March 31, 2003 increased to $57.3 million as compared to $50.9 million for the fiscal year ended March 31, 2002. This increase was offset by a decrease in the average cost of outstanding borrowings from 7.66% during the fiscal year ended March 31, 2002 to 6.86% during the fiscal year ended March 31, 2003.

Contract Procurement

We purchase Contracts in the states listed in the table below. The Contracts we purchase are predominately for used vehicles; for the periods shown below, less than 3% were new. The average model year collateralizing our portfolio as of March 31, 2003 and 2002 was a 1999 and 1998 vehicle, respectively. The amounts shown in the table below represent our finance receivables, net of unearned interest on Contracts purchased:

State	Maximum Allowable Interest Rate(1)	Nine Months Ended December 31, 2003	Nine Months Ended December 31, 2002	Fiscal Year Ended Ended March 31, 2003	Fiscal Year Ended Ended March 31, 2002
Florida	18-30%(2)	$27,210,545	$26,790,694	$37,230,822	$39,591,216
Georgia	18-30%(2)	6,384,776	5,679,668	7,880,717	7,088,402
North Carolina	18-29%(2)	5,548,857	5,694,837	7,618,287	6,911,208
South Carolina	(3)	2,144,234	1,667,627	2,788,167	1,213,691
Ohio	25%	8,453,317	5,373,214	8,484,637	1,766,272
Virginia	(3)	611,901	65,475	134,636	365,079
Michigan	25%	1,665,511		291,994	
Total		$52,019,141	$45,271,515	$64,429,260	$56,935,868

(1) The allowable maximum interest rates by state are subject to change and are governed by the individual states where we conduct business.

(2) The maximum allowable interest rate in each of these states varies depending upon the model year of the vehicle being financed. In addition, Georgia does not currently impose a maximum allowable interest rate with respect to Contracts over $5,000.

(3) Neither of these states currently imposes a maximum allowable interest rate with respect to the types and sizes of Contracts we purchase. The maximum rate which we will currently charge any customer in each of these states is 29% per annum.

The following table represents information on Contracts purchased by us, net of unearned interest:

	Contracts Purchased Nine Months Ended December 31, 2003	Contracts Purchased Nine Months Ended December 31, 2002	Fiscal Year Ended March 31, 2003	Fiscal Year Ended March 31, 2002
Purchases	$52,019,141	$45,271,515	$64,429,260	$56,935,868
Weighted APR	23.88%	24.11%	24.22%	24.57%
Average Discount	8.91%	8.87%	8.91%	8.66%
Average Term (months)	43	41	43	41
Average Loan	$ 8,128	$ 8,157	$ 8,102	$ 8,230
Number of Contracts	6,400	5,550	7,952	6,918

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The following table represents information on direct loans originated by us, net of unearned interest:

	Direct Loans Originated Nine Months Ended December 31,		Fiscal Year Ended March 31,	
	2003	2002	2003	2002
Originations	$2,940,870	$2,982,344	$3,647,074	$4,100,181
Weighted APR	26.52%	26.07%	26.29%	26.00%
Average Term (months)	26	21	27	29
Average Loan	$ 2,844	$ 2,988	$ 2,965	$ 3,203
Number of Loans	1,034	998	1,230	1,280

Analysis of Credit Losses

Because of the nature of the customers under our Contracts and our direct loan program, we consider the establishment of adequate reserves for credit losses to be imperative. We segregate our Contracts into static pools for purposes of establishing reserves for losses. All Contracts purchased by a branch during a fiscal quarter comprise a static pool. We pool Contracts according to branch location because the branches purchase Contracts in different geographic markets. This method of pooling by branch and fiscal quarter allows us to evaluate the different markets where the branches operate. The static pools also allow us to evaluate the different levels of customer income, stability, credit history, and the types of vehicles purchased in each market. The average static pool consists of 68 Contracts with aggregate finance receivables, net of unearned interest, of approximately $550,000. As of December 31, 2003, we had 469 active static pools.

Contracts are purchased from many different dealers and are all purchased on an individual Contract by Contract basis. Individual Contract pricing is determined by the automobile dealerships and is generally the lesser of state maximum interest rates or the maximum interest rate at which the customer will accept. In certain markets, competitive forces will drive down Contract rates from the maximum rate to a level where an individual competitor is willing to buy an individual Contract. We only buy Contracts on an individual basis; we never purchase Contracts in batches, although we do consider portfolio acquisitions as part of our growth strategy.

A dealer discount represents the difference between the finance receivable, net of unearned interest of a Contract, and the amount of money we actually pay for the Contract. The discount we negotiate is a function of the credit quality of the customer and the wholesale value of the vehicle. The automobile dealer accepts these terms by executing a dealer agreement with us. The entire amount of discount is related to credit quality and is considered to be part of the credit loss reserve. We utilize a static pool approach to track portfolio performance. A static pool retains an amount equal to 100% of the discount as a reserve for credit losses. In situations where, at the date of purchase, the discount is determined to be insufficient to absorb all potential losses associated with the static pool, a portion of future unearned income associated with that specific static pool will be added to the reserves for credit losses until total reserves have reached the appropriate level. Subsequent to the purchase, if the reserve for credit losses is determined to be inadequate for a static pool which is not fully liquidated, then a charge to income through the provision for credit losses is used to reestablish adequate reserves. If a static pool is fully liquidated and has any remaining reserves, the excess reserves are immediately recognized into income. For static pools not fully liquidated, that are determined to have excess reserves, such excess amounts are accreted into income over the remaining life of the static pool. Reserves accreted into income for the fiscal year ended March 31, 2003 and the nine months ended December 31, 2003 were approximately $2.2 million and $1.5 million, respectively, as compared to $2.9 million and $1.5 million for the fiscal year ended March 31, 2002 and for the period ended December 31, 2002, respectively. The primary reason for the decrease for fiscal 2003 as compared to fiscal 2002 was an increase in the charge-off rate to 9.32% from 8.62%.

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The amount and timing of reserves accreted into income is a function of individual static pool performance. We have seen deterioration in the performance of the portfolio for static pools more than 80% liquidated when compared to historical pool performance during the same liquidation cycle. We attribute this increase to the gradual shift in recent years towards purchasing simple interest Contracts as opposed to pre-compute Contracts. This shift towards simple interest Contracts has been dictated by the marketplace and not by us. The difference between the two types of Contracts is as follows: pre-compute Contracts have a stated total interest and cannot be affected by the timeliness or amount of payments received. Two identical Contracts relative to the amount financed, term and annual percentage rate of interest charged (APR) will result in different amounts of interest being charged to an individual based on the amount and timing of payments made under the Contract. We know there is a correlation between delinquency and losses and, as a result, simple interest Contracts will have greater principal balances at the time of loss compared to a pre-compute Contract. This greater principal balance at the time of repossession will result in a greater loss subsequent to the sale of the repossessed vehicle.

We have detailed underwriting guidelines that we utilize to determine which Contracts to purchase. These guidelines are specific and are designed to cause all of the Contracts that we purchase to have common risk characteristics. Our District Managers evaluate their respective branch locations for adherence to these underwriting guidelines. We also utilize an internal audit department to assure adherence to our underwriting guidelines. We utilize the branch model, which allows for Contract purchasing to be done on the branch level. Each Branch Manager may interpret the guidelines differently and, as a result, the common risk characteristics generally will be the same on an individual branch level but not necessarily compared to another branch.

In analyzing a static pool, we consider the performance of prior static pools originated by the branch office, the performance of prior Contracts purchased from the dealers whose Contracts are included in the current static pool, the credit rating of the customers under the Contracts in the static pool, and current market and economic conditions. Each static pool is analyzed monthly to determine if the loss reserves are adequate, and adjustments are made if they are determined to be necessary.

We also segregate our direct loans into static pools by branch and fiscal quarter, and use a similar process to analyze credit losses and establish reserves for losses relating to our direct loan portfolio.

The following table sets forth a reconciliation of the changes in dealer discounts on Contracts:

	Nine Months Ended December 31,		Fiscal Year Ended March 31,	
	2003	**2002**	**2003**	**2002**
Balance at beginning of period	$12,394,089	$11,259,898	$11,259,898	$10,306,699
Discounts acquired on new volume	8,468,596	7,378,298	10,534,472	9,384,892
Losses absorbed	(6,668,320)	(6,786,553)	(8,401,071)	(6,536,368)
Recoveries	838,396	805,170	1,068,556	886,451
Discounts accreted	(1,439,542)	(1,415,651)	(2,067,766)	(2,781,776)
Balance at end of period	$13,593,219	$11,241,162	$12,394,089	$11,259,898
Dealer discounts as a percent of gross indirect contracts	9.50%	9.05%		