NICHOLAS FINANCIAL INC
Form 10QSB
February 13, 2004

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934 FOR THE PERIOD ENDED DECEMBER 31, 2003

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 file number: 0-26680

NICHOLAS FINANCIAL, INC.
(Exact name of registrant as specified in its Charter)

British Columbia, Canada	8736-3354
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
2454 McMullen Booth Road, Building C Clearwater, Florida	33759
(Address of Principal Executive Offices)	(Zip Code)

(727) 726-0763
(Registrant's telephone number, Including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 and 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____.

As of January 31, 2004 there were 5,080,288 shares of common stock outstanding.

2

Nicholas Financial, Inc.
Form 10-QSB
Index

3

Part I. Item 1

Nicholas Financial, Inc.
Condensed Consolidated Balance Sheet
(Unaudited)

	December 31, 2003
Assets	
Cash	$ 2,161,193
Finance receivables, net	92,835,072
Accounts receivable	32,395
Assets held for resale	676,635
Prepaid expenses and other assets	361,104
Property and equipment, net	561,127
Deferred income taxes	3,049,950
Total assets	$99,677,476
Liabilities	
Line of credit	$66,010,290
Drafts payable	473,587

Notes payable - related party	981,530
Accounts payable	3,453,175
Dividends payable	253,354
Derivatives	1,351,076
Deferred revenues	1,045,207
Total liabilities	73,568,219
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 issued and outstanding	4,696,014
Accumulated other comprehensive loss	(841,045)
Retained earnings	22,254,288
Total shareholders' equity	26,109,257
Total liabilities and shareholders' equity	$99,677,476

See accompanying notes.

4

Nicholas Financial, Inc.
Condensed Consolidated Statements of Income
(Unaudited)

	Three months ended December 31, 2003	Three months ended December 31, 2002	Nine months ended December 31, 2003	Nine months ended December 31, 2002
Revenue:				
Interest income on finance receivables	$6,334,652	$5,350,248	$18,397,452	$16,075,736
Sales	50,447	78,850	192,755	254,165
	6,385,099	5,429,098	18,590,207	16,329,901
Expenses:				
Cost of sales	10,456	19,865	39,145	62,685
Marketing	221,459	172,388	653,282	481,729
Administrative	2,437,986	2,012,342	7,235,719	6,108,890
Provision for credit losses	632,873	548,554	1,617,028	1,677,758
Depreciation	30,000	51,000	162,218	130,000
Interest expense	950,109	1,023,976	2,905,747	2,955,671
	4,282,883	3,828,125	12,613,139	11,416,733
Operating income before income taxes	2,102,216	1,600,973	5,977,068	4,913,168
Income tax expense:				

Current	1,060,332	1,585,769	3,356,708	2,667,527
Deferred	(264,155)	(993,962)	(1,100,546)	(832,845)
	796,177	591,807	2,256,162	1,834,682
Net income	$1,306,039	$1,009,166	$3,720,906	$3,078,486
Earnings per share - basic	$0.26	$0.20	$0.74	$0.62
Earnings per share - diluted	$0.24	$0.19	$0.69	$0.58
Dividends declared	-	-	$0.10	-

See accompanying notes.

Nicholas Financial, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine months ended December 31, 2003	2002
Operating activities		
Net income	$ 3,720,906	$ 3,078,486
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	162,218	130,000
Provision for credit losses	1,617,028	1,677,758
Deferred income taxes	(1,100,546)	(832,845)
Changes in operating assets and liabilities:		
Accounts receivable	(16,167)	(5,098)
Prepaid expenses, other assets and assets held for resale	(400,466)	(350,677)
Accounts payable and other liabilities	477,803	(805,737)
Drafts payable	(190,933)	(109,392)
Income taxes payable	(201,379)	921,902
Deferred revenues	128,318	294,402
Net cash provided by operating activities	4,196,782	3,998,799
Investing activities		
Purchase and origination of finance contracts	(48,982,384)	(43,112,044)
Principal payments received	40,708,394	35,754,549
Purchase of property and equipment, net of disposals	(255,749)	(165,969)
Net cash used in investing		

activities	(8,529,739)	(7,523,464)
Financing activities		
Issuance of notes payable - related party	172,920	112,094
Net proceeds from line of credit	5,850,052	4,060,000
Payment of dividend	(253,359)	-
Sale of common stock	243,321	40,173
Net cash provided by financing activities	6,012,939	4,212,267
Net increase in cash	1,679,982	687,602
Cash, beginning of period	481,211	51,239
Cash, end of period	$ 2,161,193	$ 738,841

See accompanying notes.

6

Nicholas Financial, Inc.
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

December 31, 2003

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Nicholas Financial, Inc. (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-QSB pursuant to the Securities and Exchange Act of 1934, as amended in Article 10 of Regulation SB. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for interim periods are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2004. For further information, refer to the condensed consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-KSB for the year ended March 31, 2003, as filed with the Securities and Exchange Commission on June 30, 2003.

2. Revenue Recognition

Interest income on finance receivables is recognized using the interest method. Accrual of interest income on finance receivables is suspended when a loan is contractually delinquent for 60 days or more or the collateral is repossessed, whichever is earlier.

The Company attributes all of its dealer discount and a portion of unearned income to a reserve for credit losses. Such amounts reduce the interest recognized over the life of the contract. The Company receives a commission for selling add-on services to consumer borrowers and amortizes the commission, net of the related costs, over the term of the loan using the interest method. The Company's net fees charged for processing a loan are recognized as an adjustment to the yield and are amortized over the life of the loan using the interest method.

The amount of future unearned income represents the amount of finance charges the Company expects to fully earn over the life of the current portfolio, and is computed as the product of the contract rate, the contract term, and the contract amount. The Company aggregates the contracts purchased during a three-month period for all of its branch locations. After the analysis of purchase date accounting is complete, any uncollectable amounts would be contemplated in the allowance for credit losses.

3. Earnings Per Share

Basic earnings per share excludes any dilutive effects of common stock equivalents such as options, warrants, and convertible securities. Diluted earnings per share includes the effects of dilutive options, warrants, and convertible securities. Basic and diluted earnings per share have been computed as follows:

	Three months ended December 31, 2003	Three months ended December 31, 2002	Nine months ended December 31, 2003	Nine months ended December 31, 2002
Numerator for earnings per share - net income	$1,306,039	$1,009,166	$3,720,906	$3,078,486
Denominator:				
Denominator for basic earnings per share - weighted average shares	5,064,623	5,003,592	5,036,730	5,004,470
Effect of dilutive securities:				
Employee stock options	374,366	274,025	359,085	307,607

Denominator for diluted earnings per share	5,438,989	5,277,617	5,395,815	5,312,077
Earnings per share - basic	$0.26	$0.20	$0.74	$0.62
Earnings per share - diluted	$0.24	$0.19	$0.69	$0.58

Nicholas Financial, Inc.
Notes to the Condensed Consolidated Financial Statements
(continued)
(Unaudited)

4. Finance Receivables

Finance receivables consist of automobile finance installment contracts and direct consumer loans and are detailed as follows:

Finance receivables, gross contract	$147,649,215
Less: Unearned interest	(34,935,642)
Finance receivables, net of unearned interest	112,713,573
Dealer discounts	(13,593,218)
Allowance for credit losses	(6,285,283)
Finance receivables, net	$ 92,835,072

The terms of the receivables range from 12 to 60 months and bear a weighted average effective interest rate of approximately 24%.

5. Line of Credit

The Company has a $75 million Line of Credit facility (the Line) which expires on November 30, 2004. The Company may borrow the lesser of the $75 million or amounts based upon formulas principally related to a percentage of eligible finance receivables, as defined. Borrowings under the Line may be under various LIBOR pricing options or at the prime rate plus twenty-five basis points. Prime rate based borrowings are generally less than $5 million. Pledged as collateral for this credit facility are all of the assets of Nicholas Financial, Inc. As of December 31, 2003 the outstanding amount of the credit facility was approximately $66 million and the amount available under the line of credit was approximately $9 million. As of December 31, 2003 the Company was in full compliance with all debt covenants.

6. Notes Payable - Related Party

The Company's notes payable consist of unsecured notes bearing interest at 6.29% with principal and interest due within 30-days upon demand. The notes totaled $981,530 at December 31, 2003 and are held by a related party.

9

Nicholas Financial, Inc.
Notes to the Condensed Consolidated Financial Statements
(continued)
(Unaudited)

7. Derivatives and Hedging

The Company is party to interest rate swap agreements which are derivative instruments. For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk, such as interest rate risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of the future cash flows of the hedged item, if any, is recognized in current earnings during the period of change.

The Company has entered into interest rate swap agreements that effectively convert a portion of its floating-rate debt to a fixed-rate basis, thus reducing the impact of interest rate changes on future interest expense. At December 31, 2003 $50,000,000 of the Company's borrowings have been designated as the hedged items to interest rate swap agreements. Under the swap agreements, the Company received an average variable rate of 3.35% and 4.08% and paid an average fixed rate of 5.73% and 7.07% during the three months ended December 31, 2003 and 2002, respectively. Under the swap agreements, the Company received an average variable rate of 3.45% and 3.98% and paid an average fixed rate of 6.03% and 6.93% during the nine months ended December 31, 2003 and 2002, respectively. A loss of $1,351,076 related to the fair value of the swaps at December 31, 2003 has been recorded in the caption derivatives on the balance sheet. Amounts of net losses on derivative instruments expected to be reclassified from comprehensive income to earnings in the next 12 months are not expected to be material. The Company has also entered into one forward locking swap included in the table below.

The Company has entered into the following cash-flow hedges:

Date Entered	Effective Date	Notional Amount	Fixed Rate Of Interest	Maturity Date
May 17, 2000	May 17, 2000	$10,000,000	6.87%	May 17, 2004
October 5, 2001	October 5, 2001	$10,000,000	3.85%	October 5, 2004
June 28, 2002	June 28, 2002	$10,000,000	3.83%	July 2, 2005
January 6, 2003	April 2, 2003	$10,000,000	3.35%	April 2, 2007
January 31, 2003	August 1, 2003	$10,000,000	3.20%	August 2, 2006
February 26, 2003	May 17, 2004	$10,000,000	3.91%	May 19, 2008

The Company has also entered into various interest rate option agreements with maturities through May 17, 2004.

The Company utilizes the above noted interest rate swaps to manage its interest rate exposure. The swaps effectively convert a portion of the Company's floating rate debt to a fixed rate, more closely matching the interest rate characteristics of the Company's finance receivables. There has historically been no ineffectiveness associated with the Company's hedges.

10

Nicholas Financial, Inc.
Notes to the Condensed Consolidated Financial Statements
(continued)
(Unaudited)

8. Stock Options

The Company has an employee stock incentive plan for officers, directors and key employees under which 548,066 shares of common stock were reserved for issuance as of December 31, 2003. Options currently granted by the Company generally vest over a five-year period.

As permitted under Statement of Financial Accounting Standards (SFAS) No. 148, "Accounting for Stock-Based Compensation - Transaction and Disclosure"' which amended SFAS 123, "Accounting for Stock-Based Compensation", the Company has elected to continue to follow the intrinsic value method in accounting for its stock-based employee compensation arrangements as defined by Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees", and related interpretations including FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation", an interpretation of APB. 25. No stock-based employee compensation cost is reflected in operations, as all options granted under those plans have an exercise price equal to or above the market value of the underlying common stock on the date of grant.

The fair value method uses the Black-Scholes option-pricing model to determine compensation expense associated with the Company's options. The follow table illustrates the effect on net income and net income per share if the Company had applied the fair value recognition provisions of SFAS 123 to stock-based employee compensation:

	Three months ended December 31,		Nine months ended December 31,	
	2003	2002	2003	2002
Net Income	$1,306,039	$1,009,166	$3,720,906	$3,078,486
Basic earnings per share	$0.26	$0.20	$0.74	$0.62
Fully diluted				

earnings per share	$0.24	$0.19	$0.69	$0.58
Stock based employee compensation cost under the Fair Value Method	$10,509	$15,282	$32,535	$59,594
Pro forma net income	$1,295,530	$993,884	$3,688,371	$3,018,892
Pro forma basic earnings per share	$0.26	$0.19	$0.73	$0.60
Pro forma diluted earnings per share	$0.24	$0.18	$0.68	$0.57

11

Nicholas Financial, Inc.
Notes to the Condensed Consolidated Financial Statements
(continued)
(Unaudited)

9. Comprehensive Income

The Company is party to interest rate swap agreements which are derivative instruments. For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk, such as interest rate risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings.

The following table reconciles net income with comprehensive income for the three and nine months ended December 31, 2003 and 2002.

	Three months ended December 31,		Nine months ended December 31,	
	2003	2002	2003	2002
Net income	$1,306,039	$1,009,166	$3,720,906	$3,078,486
Mark to market - interest rate swaps(net of tax)	361,673	80,676	561,300	(573,911)
Comprehensive income	$1,667,712	$1,089,842	$4,282,206	$2,504,575

12

Part I. Item 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

Consolidated net income increased for the three and nine month periods ended December 31, 2003 to $1,306,039 and $3,720,906, respectively, compared to $1,009,166 and $3,078,486 for the three and nine month periods ended December 31, 2002, respectively. Earnings were favorably impacted by an increase in the outstanding loan portfolio, a reduction in the average cost of borrowed funds and a reduction in the charge-off rate. The Company's software subsidiary, Nicholas Data Services (NDS),did not contribute significantly to consolidated operations in the three or nine month periods ended December 31, 2003 or 2002.

Portfolio Summary

	Three months ended December 31, 2003	Three months ended December 31, 2002	Nine months ended December 31, 2003	Nine months ended December 31, 2002
Average finance receivables, net of unearned interest(1)	$112,338,303	$98,504,403	$110,248,781	$96,554,714
Average indebtedness (2)	$66,328,452	$57,952,802	$64,243,278	$56,899,973
Total finance revenue(3)	$6,334,652	$5,350,248	$18,397,452	$16,075,736
Interest expense	950,109	1,023,976	2,905,747	2,955,671
Net finance revenue	$5,384,543	$4,326,272	$15,491,705	$13,120,065
Weighted average contractual rate(5)	23.85%	23.79%	24.02%	24.21%
Average cost of borrowed funds (2)	5.73%	7.07%	6.03%	6.93%
Gross portfolio yield(4)	22.56%	21.73%	22.25%	22.20%
Interest expense as a percentage of average finance receivables, net of unearned interest	3.38%	4.16%	3.51%	4.08%

Provision for credit losses as a percentage of average finance receivables, net of unearned interest	2.25%	2.23%	1.96%	2.32%
Net portfolio yield(4)	16.93%	15.34%	16.78%	15.80%
Expenses as a percentage of average finance receivables, net of unearned interest (6)	9.39%	8.69%	9.51%	8.88%
Pre-tax yield as a percentage of average finance receivables, net of unearned interest(7)	7.54%	6.65%	7.27%	6.92%
Write-off to liquidation(8)	9.64%	11.97%	9.12%	9.88%
Net charge-off percentage (9)	8.11%	10.50%	7.79%	8.62%

13

(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 and notes payable-related party. Average cost of borrowed funds represents interest expense as a percentage of average indebtedness.

(3) Total finance revenue does not include revenue generated by NDS. See page 14 for detail on NDS revenue for the three months ended December 31, 2003 and 2002, respectively. See page 15 for detail on NDS revenue for the nine months ended December 31, 2003 and 2002, respectively.

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

(5) Weighted average contractual rate represents the weighted average annual percentage rate (APR) of all contracts purchased during the three and nine months ended December 31, 2003 and 2002, respectively.

(6) Operating expenses do not include interest expense, the provision for credit losses or operating expenses associated with NDS. See page 14 for detail on NDS operating expenses for the three months ended December 31, 2003 and 2002, respectively. See page 15 for detail on NDS operating expenses for the nine months ended December 31, 2003 and 2002, respectively.

(7) Pre-tax yield represents net portfolio yield minus operating

expenses as a percentage of average finance receivables, net of unearned interest.

(8) 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 three and nine month key performance indicators expressed as percentages have been annualized.

14

Three months ended December 31, 2003 compared to three months ended December 31, 2002

Interest Income and Loan Portfolio

Interest income increased 18% to $6.3 million for the period ended December 31, 2003, from $5.4 million for the period ended December 31, 2002. The average finance receivables, net of unearned interest equaled $112.3 million for the period ended December 31, 2003, an increase of 14% from the $98.5 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 $148 million at December 31, 2003 from $129 million at December 31, 2002. The primary reason interest income increased was the increase in the outstanding loan portfolio. The gross portfolio yield increased from 21.73% for the period ended December 31, 2002 to 22.56% for the period ended December 31, 2003. The net portfolio yield increased from 15.34% for the period ended December 31, 2002 to 16.92% for the period ended December 31, 2003. The primary reasons for the increase in the net portfolio yield was a decrease in charge-offs 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 8.11% compared to 10.50% for the period ended December 31, 2002.

Computer Software Business

Sales for the period ended December 31, 2003 were $50,447 compared to $78,850 for the period ended December 31, 2002, a decrease of 36%. This decrease was primarily due to lower revenue from the existing customer base during the period ended December 31, 2003. Cost of sales and operating expenses decreased from $115,073 for the period ended December 31, 2002 to $65,754 for the period ended December 31, 2003.

Expenses

Operating expenses, excluding provision for credit losses and interest expense, increased to $2.6 million for the period ended December 31, 2003 from $2.2 million for the period ended December 31, 2002. This increase of 18% 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 8.69% for the period ended December 31, 2002 to 9.38% for the period ended December 31, 2003.

Interest Expense

Interest expense decreased to $950,109 for the period ended December 31, 2003 as compared to $1,023,976 for the period ended December 31, 2002. The average indebtedness for the period ended December 31, 2003 increased to $66.3 million compared to $58.0 million for the period ended December 31, 2002. This increase was offset by a decrease in the average cost of borrowed funds from 7.07% during the three months ended December 31, 2002 to 5.73% during the three months ended December 31, 2003.

15

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 equaled $110.2 million for the period ended December 31, 2003, an increase of 14% from the $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 $148 million at December 31, 2003 from $129 million at December 31, 2002. The primary reason interest income 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, 2003. 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 was 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% 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 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 nine month period. 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.

Expenses

Operating expenses, excluding provision for credit losses and interest expense, increased to $7.9 million for the period ended December 31, 2003 from $6.7 million for the period ended December 31, 2002. This increase of 18% 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.

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 compared to $56.9 million for the period ended December 31, 2002. This increase was offset by a decrease in the average cost of borrowed funds from 6.93% during the nine months ended December 31, 2002 to 6.03% during the nine months ended December 31, 2003.

16

Contract Procurement

The Company purchases contracts in the states listed below. The Company has been expanding its contract procurement in South Carolina, Ohio, Michigan and Virginia. Please see Future Expansion. The contracts purchased by the Company are predominately for used vehicles, less than 3% were new. The average model year collateralizing the portfolio is a 1998 vehicle.

The amounts shown in the table below represent the finance receivables, net of unearned interest of indirect contracts purchased.

State	Maximum allowable Interest rate (1)	3 Months Ended 12/31/03	3 Months Ended 12/31/02	9 Months Ended 12/31/03	9 Months Ended 12/31/02
FL	30%	$8,226,294	$7,667,048	$27,210,545	$26,790,694
GA	29%	1,802,773	1,844,048	6,384,776	5,679,668
NC	29%	1,581,909	1,755,160	5,548,857	5,694,837
SC	29%	664,595	568,994	2,144,234	1,667,627
OH	25%	2,267,575	1,714,623	8,453,317	5,373,214

VA	29%	438,850	10,432	611,901	65,475
MI	29%	597,254	-	1,665,511	-
Total		$15,579,250	$13,560,305	$52,019,141	$45,271,515

(1) The allowable maximum interest rates by State is subject to change and are governed by the individual states the Company conducts business in.

Indirect Contracts Purchased

	3 Months Ended 12/31/03	3 Months Ended 12/31/02	9 Months Ended 12/31/03	9 Months Ended 12/31/02
Purchases	$15,579,250	$13,560,305	$52,019,141	$45,271,515
Weighted APR	23.66%	23.66%	23.88%	24.11%
Average Discount	8.80%	9.00%	8.91%	8.87%
Average Term(mnths)	43	40	43	41
Average Loan	$8,110	$8,091	$8,128	$8,157
Number of Contracts	1,921	1,676	6,400	5,550

Loan Origination

The following table represents information on direct loans originated by the Company, net of unearned interest.

Direct Loans Originated

	3 Months Ended 12/31/03	3 Months Ended 12/31/02	9 Months Ended 12/31/03	9 Months Ended 12/31/02
Originations	$1,047,014	$935,909	$2,940,870	$2,982,344
Weighted APR	26.64%	26.60%	26.52%	26.07%
Average Term(mnths)	24	20	26	21
Average Loan	$2,755	$2,713	$2,844	$2,988
Number of Loans	380	345	1,034	998

Analysis of Credit Losses

Because of the nature of the borrowers under the Contracts and its direct consumer loan program, the Company considers the establishment of adequate reserves for credit losses to be imperative. The Company segregates its Contracts into pools for purposes of establishing reserves for losses. Each such pool consists of the loans purchased by a Company branch office during a three month period. The average pool consists of 68 Contracts with an aggregate finance receivables, net of unearned interest of approximately $554,000. As of December 31, 2003, the Company had 469 active pools.

The Company pools Contracts according to branch location because the branches purchase contracts in different markets located in Florida, Georgia, North Carolina, South Carolina, Virginia, Michigan and Ohio. All Contracts purchased by a branch during a fiscal quarter comprise a pool. This method of pooling by branch and quarter allows the Company to evaluate the different markets where the branches operate. The pools also allow the Company to evaluate the different levels of customer income, stability, credit history, and the types of vehicles purchased in each market.

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. The Company only buys contracts on an individual basis and never purchases contracts in batches.

Dealer discounts represent the difference between finance receivables, net of unearned interest of an installment contract and the amount of money the Company actually pays for the contract. The discount negotiated by the Company is a function of the credit quality of the customer and the wholesale value of the vehicle. The automotive dealer accepts these terms by executing a dealer agreement with the Company. The entire amount of discount relates to credit quality and is considered to be part of the credit loss reserve. The Company utilizes a static pool approach to track portfolio performance. A static pool retains an amount equal to 100% of the discount into 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 pool, a portion of future unearned income associated with that specific 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 pool which is not fully liquidated, then a charge to income through the provision is used to reestablish adequate reserves. If a pool is fully liquidated and has any remaining reserves, the excess reserves are immediately recognized into income. For pools not fully liquidated, that are determined to have excess reserves, such excess amounts are accreted into income over the remaining life of the pool. Reserves accreted into income for the three month period ended December 31, 2003 were $442,665 compared to $301,326 in the period ended December 31, 2002. Reserves accreted into income for the nine months ended December 31, 2003 were $1,439,542 compared to $1,415,651 for the period ended December 31, 2002.

The Company has definitive underwriting guidelines it utilizes to determine which contracts to purchase. These guidelines are very specific and result in all loan purchases having common risk characteristics. The Company utilizes its District Managers to evaluate their respective branch locations for adherence to these underwriting guidelines. The Company also utilizes an internal audit department to assure adherence to its underwriting guidelines. The Company utilizes the branch model which allows for contract purchasing to be done on the branch level. Each Branch Manager will interpret the guidelines differently and as a result the common risk characteristics will be the same on an individual branch level but not necessarily compared to another branch.

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

18

The following table sets forth a reconciliation of the changes in dealer discounts on indirect contracts.

	Three months ended December 31,		Nine months ended December 31,	
	2003	2002	2003	2002
Balance at beginning of period	$13,693,963	$11,850,964	$12,394,089	$11,098,758
Discounts acquired on new volume	2,504,121	2,160,225	8,468,596	7,378,298
Losses absorbed	(2,420,384)	(2,748,703)	(6,668,320)	(6,625,413)
Recoveries	258,184	280,002	838,396	805,170
Discounts accreted	(442,665)	(301,326)	(1,439,542)	(1,415,651)
Balance at end of period	$13,593,219	$11,241,162	$13,593,219	$11,241,162
Dealer discounts as a percent of gross indirect contracts	9.50%	9.05%	9.50%	9.05%

The following table sets forth a reconciliation of the changes in the allowance for credit losses on indirect contracts.

	Three months ended December 31, 2003	Three months ended December 31, 2002	Nine months ended December 31, 2003	Nine months ended December 31, 2002
Balance at beginning of period	$5,774,119	$4,980,530	$5,428,681	$4,266,314
Current period provision	467,085	447,398	1,331,193	1,457,387
Losses absorbed	(129,872)	(97,300)	(648,542)	(393,073)
Balance at end of period	$6,111,332	$5,330,628	$6,111,332	$5,330,628
Allowance as a percent of gross indirect contracts	4.27%	4.29%	4.27%	4.29%

The following table sets forth a reconciliation of the changes in the allowance for credit losses on direct loans.

	Three months ended December 31, 2003	Three months ended December 31, 2002	Nine months ended December 31, 2003	Nine months ended December 31, 2002
Balance at beginning of period	$201,349	$202,310	$176,126	$200,612
Current period provision	87,660	101,156	207,707	220,371
Losses absorbed	(55,235)	(57,929)	(138,974)	(156,982)
Recoveries	9,638	8,921	22,627	24,052
Discounts accreted	(69,461)	(36,763)	(93,535)	(70,358)
Balance at end of period	$173,951	$217,695	$173,951	$217,695
Allowance as a percent of gross direct loan receivables	3.83%	4.58%	3.83%	4.58%

Total Discounts and Allowances at end of period	$19,878,501	$16,789,485	$19,878,501	$16,789,485
Discounts and Allowances as a				

percent of gross receivables	13.46%	13.02%	13.46%	13.02%

The average dealer discount associated with new volume remained consistent with last year. For the three and nine months ended December 31, 2003 the average discount was 8.80% and 8.91% respectively, as compared to 8.98% and 8.87% for the three and nine months ended December 31, 2002, respectively. The Company does not consider these changes to be material and is not the result of any change in buying philosophy or competition.

The provision for credit losses increased to $632,873 for the three months ended December 31, 2003 from $548,554 for the three months ended December 31, 2002. For the nine months ended December 31, 2003 the provision for credit losses decreased to $1,617,028 compared to $1,677,758 for the nine months ended December 31, 2002.

The Company's write-offs as a percentage of liquidation decreased from 11.97% and 9.88% for the three and nine-month periods ended December 31, 2002, respectively, to 9.64% and 9.12% for the three and nine-month periods ended December 31, 2003, respectively. The Company anticipates portfolio performance will stabilize in the near term but will continue to be higher in relation to past years when the overall economic conditions and unemployment rate was better. In response to current conditions the Company has raised its initial target reserve percentage on new static pools to 12.4% from 11.8%. The Company does not believe there have been any significant changes in loan concentrations, terms or quality of contracts purchased during the current fiscal year that would have contributed to the rise in losses. The delinquency percentage for contracts more than thirty days past due for the nine month period ended December 31, 2003 decreased to 2.71% from 3.07% for the period ended December 31, 2002. The delinquency percentage for direct loans more than thirty days past due for the period ended December 31, 2003 decreased to 2.24% from 2.52% for the nine month period ended December 31, 2002. The Company does not give much consideration to short-term trends in delinquency when evaluating reserve levels. Delinquency percentages tend to be very volatile and often are not necessarily an indication of future losses. The Company utilizes a static pool approach to analyzing portfolio performance and looks at specific pool performance and recent trends as leading indicators to future performance of the portfolio.

Recoveries as a percentage of write-offs were 10.28% and 11.55% for the three and nine-month periods ended December 31, 2003, respectively, as compared to 10.00% and 11.56% for the three and nine-month periods ended December 31, 2002, respectively. Recoveries are seasonally lower in the December quarter and the current year results are consistent with prior reporting periods.

Reserves accreted into income for the three and nine-month periods ended December 31, 2003 were $512,126 and $1,533,077, respectively, as compared to $338,089 and $1,486,009 for the three and nine-month periods ended December 31, 2002, respectively. The amount and timing of reserves accreted into income is a function of individual static pool performance. The Company has seen deterioration in the performance of the portfolio for static pools more than eighty percent liquidated when compared to historical pool performance during the same liquidation cycle. The Company attributes 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 the Company. The difference between the two types of contracts is as follows: pre-compute contracts have a stated total interest and cannot be effected by the timeliness or amount of payments received. In contrast, simple interest contracts charge interest based on the timeliness and 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. The Company knows there is a correlation between delinquency and losses 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.

20

The following tables present certain information regarding the delinquency rates experienced by the Company with respect to Indirect contracts purchased and Direct loans originated:

	December 31, 2003		December 31, 2002	
Indirect contracts				
Gross balance outstanding	$143,113,043		$124,238,870	
Delinquencies	Dollar Amount	Percent*	Dollar Amount	Percent*
30 to 59 days	$2,836,531	1.98%	$2,595,883	2.09%
60 to 89 days	805,643	0.56%	852,351	0.69%
90 + days	247,261	0.17%	363,195	0.29%
Total delinquencies	$3,889,435	2.71%	$3,811,429	3.07%
Direct Loans				
Gross balance outstanding	$4,536,172		$4,753,330	
Delinquencies				
30 to 59 days	$ 37,451	0.83%	$ 52,074	1.10%
60 to 89 days	33,612	0.74%	46,896	0.99%
90 + days	30,354	0.67%	20,869	0.43%

Total delinquencies	$101,417	2.24%	$119,839	2.52%

*Delinquencies as a
percent of outstanding balance

The delinquency percentage for indirect contracts more than thirty days past due for the period ended December 31, 2003 decreased to 2.71% from 3.07% for the period ended December 31, 2002. The delinquency percentage for direct loans more than thirty days past due for the period ended December 31, 2003 decreased to 2.24% from 2.52% for the period ended December 31, 2002.

The Company does not give much consideration to short-term trends in delinquency percentages when evaluating reserve levels. Delinquency percentages tend to be very volatile and often are not necessarily an indication of future losses. The Company utilizes a static pool approach to analyzing portfolio performance and looks at specific pool performance and recent trends as leading indicators to future performance of the portfolio.

Income Taxes

The Company's effective tax rate remained relatively consistent at 37.87% and 37.75% for the three and nine month periods ended December 31, 2003, respectively, compared to 36.97% and 37.34% for the three and nine months ended December 31, 2002, respectively.

21

Liquidity and Capital Resources

The Company's cash flows for the nine month periods ended December 31, 2003 and December 31, 2002 are summarized as follows:

	Nine months ended December 31, 2003	Nine months ended December 31, 2002
Cash provided by (used in):		
Operating Activities -	$4,196,782	$3,998,799
Investing Activities - (primarily purchase of Contracts)	(8,529,739)	(7,523,464)
Financing Activities	6,012,939	4,212,267
Net increase in cash	1,679,982	687,602

The Company's primary use of working capital during the nine months ended December 31, 2003 was the funding of the purchase of Contracts. The Contracts were financed substantially through borrowings on the Line. The Line is secured primarily by Contracts, and available borrowings are based on a percentage of qualifying Contracts. As of December 31, 2003 the Company had approximately $9 million available under the Line. Since inception, the Company has also funded a portion of its working capital needs through cash flows from operating activities.

The self-liquidating nature of installment Contracts and other loans enables the Company to assume a higher debt-to-equity ratio than in most businesses. The amount of debt the Company incurs from time to time under these financing mechanisms depends on the Company's need for cash and its ability to borrow under the terms of the Line. The Company believes that borrowings available under the Line as well as cash flow from operations and, if necessary, the issuance of additional subordinated debt and, or the sale of additional securities in the capital markets, will be sufficient to meet its short term funding needs.

The Company is currently negotiating an amendment to the Line. The amendment is to increase the amount of the Line and extend the maturity date. The Company believes it will have this amendment completed prior to March 31, 2004, but no assurances can be given that this amendment will be completed.

On August 11, 2003 the Company announced a $0.10 per share annual cash dividend, payable semi-annual. The Company intends to continue its cash dividend program for the foreseeable, provided that future earnings meet expectations. The Company must also receive waivers from its current lenders in order to pay cash dividends. The ability for the Company to receive the necessary waivers is largely dependent upon portfolio performance. No assurance can be given that these waivers will be granted.

22

Future Expansion

The Company currently operates twenty-nine branch locations, sixteen in Florida, three in Georgia, three in North Carolina, five in Ohio and one branch location in both Michigan and South Carolina. Each office is budgeted (size of branch, number of employees and location) to handle up to 1,000 accounts and up to $7.5 million in outstanding receivables. To date none of our branches have reached this capacity.

The Company currently intends to continue its expansion through the purchase of additional Contracts and the expansion of its direct consumer loan program. In order to increase the size of the Company's portfolio of Contracts, it will be necessary for the Company to open additional branch offices and increase the size of its revolving Line, either with its current lender or another lender. The Company, from time to time, has and will meet with investment bankers and financial institutions discussing various strategies to meet the future needs of the Company. The Company believes opportunity for growth continues to exist in South Carolina, Ohio and Michigan and intends to continue its expansion activities in those states. The Company has expanded its automobile financing program in Virginia and has opened its first branch location as of February 10, 2004. The Company is currently developing additional markets in Pensacola, FL, Greenville, SC, Greensboro, NC, and Newport News, VA. The Company is developing these respective markets by utilizing its Central Buying Office in its Corporate Headquarters in Clearwater FL to purchase, process and service these Contracts. The Company's strategy is to monitor these new markets and ultimately decide where and when to open actual branch locations. No assurances can be given, however, that any further such expansion will occur.

Recently Issued Accounting Standards

In October 2003, the AICPA issued SOP 03-3, "Accounting for Loans or Certain Debt Securities Acquired in a Transfer." SOP 03-3 applies to a loan with evidence of deterioration in credit quality subsequent to its origination that is acquired by completion of a transfer (as defined in SOP 03-3), for which it is probable at acquisition of such loan, that the acquirer will be unable to collect all contractually required payments receivable. SOP 03-3 requires that the acquirer recognize the excess of all cash flows expected at acquisition over the investor's initial investment in the loan as interest income on a level-yield basis over the life of the loan as the accretable yield. The loan's contractual required payments receivable in excess of the amount of its cash flows expected at acquisition (nonaccretable difference) should not be recognized as an adjustment to yield, a loss accrual or a valuation allowance for credit risk. Subsequent increases in cash flows expected to be collected generally would be recognized prospectively through adjustment of the loan's yield over its remaining life. Decreases in cash flows expected to be collected would be recognized as impairment. SOP 03-3 is effective for loans acquired in fiscal years beginning after December 31, 2004. Management is currently evaluating the provisions of SOP 03-3.

Forward-Looking Information

This 10-QSB contains various forward-looking statements and information that are based on management's beliefs and assumptions, as well as information currently available to management. When used in this document, the words "anticipate", "estimate", "expect" and similar expressions are intended to identify forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. Such statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or expected. Among the key factors that may have a direct bearing on the Company's operating results are fluctuations in the economy, the degree and nature of competition, demand for consumer financing in the markets served by the Company, the Company's products and services, increases in the default rates experienced on Contracts, adverse regulatory changes in the Company's existing and future markets, the Company's ability to expand its business, including its ability to complete acquisitions and integrate the operations of acquired businesses, to recruit and retain qualified employees, to expand into new markets and to maintain profit margins in the face of increased pricing competition.

Part I. Item 3

CONTROLS AND PROCEDURES

The Company maintains controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon their evaluation of those controls and procedures performed as of the end of the period covered by this quarterly report, the chief executive officer and the chief financial officer of the Company concluded that the Company's disclosure controls and procedures were adequate.

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the change to the Company's internal control over financial reporting that occurred during our fiscal quarter ended December 31, 2003, as required by paragraph (d) of Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended, and have concluded that there were no such changes that materially affected, or are reasonably likely to material affect, the Company's internal control over financial reporting.

Part II - Other Information

Item 6. (a) Exhibits - See exhibit index following the signature page.

(b) Reports on Form 8-K -

On October 3, 2003, we filed a current report on Form 8-K announcing that on September 30, 2003, Ernst & Young LLP advised the Company's audit committee it would resign as the Company's independent auditors. Ernst & Young's reports on the Company's financial statements for the years ended March 31, 2003 and 2002 did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope, or accounting principles. During the fiscal years ended March 31, 2003 and 2002, and the subsequent interim period ended September 30, 2003, there were no disagreements between the Company and Ernst & Young on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Ernst & Young, would have caused it to make reference to the subject matter of the disagreements in connection with its reports.

On December 4, 2003, we filed a current report on Form 8-K announcing that the Company's audit committee chairman announced that effective December 3, 2003, the Company engaged the accounting firm of Crisp Hughes Evans LLP as its new independent auditors

25

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NICHOLAS FINANCIAL, INC.
(Registrant)

Date: February 13, 2004 /s/Peter L Vosotas

Peter L. Vosotas
Chairman, President,
Chief Executive Officer
(Principal Executive Officer)

Date: February 13, 2004 /s/Ralph T Finkenbrink

Ralph T. Finkenbrink
(Principal Accounting Officer)

26

EXHIBIT INDEX

Item 6. Exhibits and Reports on Form 8-K

3.1 Articles of Incorporation and By-Laws of Nicholas Financial, Inc.

Incorporated by reference to the Company's Form 10-SB (File No. 0-26680) filed on March 13, 1996

4.1 Stock Certificate

Incorporated by reference to Exhibit 4.1 to the Company's Form 10-SB (File No. 0-26680) filed on March 13, 1996

10.1.1 Loan and Security Agreement dated March 31, 1993 between BA Business Credit, Inc. and Nicholas Financial, Inc.

Incorporated by reference to Exhibit 10.1.1 to the Company's Form 10-SB (File No. 0-26680) filed on March 13, 1996

10.1.2 Amendment No. 1 to Loan Agreement dated January 14, 1994

Incorporated by reference to Exhibit 10.1.2 to the Company's Form 10-SB (File No. 0-26680) filed on March 13, 1996

10.1.3 Temporary Line Increase Agreement dated Mach 28, 1994

Incorporated by reference to Exhibit 10.1.3 to the Company's Form 10-SB (File No. 0-26680) filed on March 13, 1996

10.1.4 Amendment No. 2 to Loan Agreement dated June 3, 1994

Incorporated by reference to Exhibit 10.1.4 to the Company's Form 10-SB (File No. 0-26680) filed on March 13, 1996

10.1.5 Amendment No. 3 to Loan Agreement dated July 5, 1994

Incorporated by reference to Exhibit 10.1.5 to the Company's Form 10-SB (File No. 0-26680) filed on March 13, 1996

10.1.6 Amendment No. 4 to Loan Agreement dated March 31, 1995

Incorporated by reference to Exhibit 10.1.6 to the Company's Form 10-SB (File No. 0-26680) filed on March 13, 1996

10.1.7 Amendment No. 5 to Loan Agreement dated July 13, 1995

Incorporated by reference to Exhibit 10.1.7 to the Company's Form 10-KSB for the fiscal year ended March 31, 1996

10.1.8 Amendment No. 6 to Loan Agreement dated May 13, 1996

Incorporated by reference to Exhibit 10.1.8 to the Company's Form 10-QSB for the three months ended June 30, 1996

10.1.9 Amendment No. 7 to Loan Agreement dated July 5, 1997

Incorporated by reference to Exhibit 10.1.9 to the Company's Form 10-QSB for the three months ended September 30, 1997

10.1.10 Amendment No. 8 to Loan Agreement dated September 18, 1998

Incorporated by reference to Exhibit 10.2.0 to the Company's Form 10-QSB for the three months ended September 30, 1998

27

10.1.11 Amendment No. 9 to Loan Agreement dated November 25, 1998

Incorporated by reference to Exhibit 10.2.1 to the Company's Form 10-QSB for the three months ended December 31, 1998

10.1.12 Amendment No. 10 to Loan Agreement dated November 24, 1999

Incorporated by reference to Exhibit 10.2.2 to the Company's Form 10-QSB for the three months ended December 31, 1999

10.1.13 Amendment No. 11 to Loan Agreement dated August 1, 2000

Incorporated by reference to Exhibit 10.1.13 to the Company's Form 10-KSB for the year ended March 31, 2001

10.1.14 Amendment No. 12 to Loan Agreement dated March 16, 2001

Incorporated by reference to Exhibit 10.1.14 to the Company's Form 10-KSB for the year ended March 31, 2001

10.3.1 Employee Stock Option Plan

Incorporated by reference to the Company's 1999 Annual proxy statement dated June 29, 1999

10.3.2 Non-Employee Stock Option Plan

Incorporated by reference to the Company's 1999 Annual proxy statement dated June 29, 1999

10.4.1 Employment Contract, dated November 22, 1999, between Nicholas Financial, Inc. and Ralph Finkenbrink, Senior Vice President of Finance.

Incorporated by reference to Exhibit 10.2.1 to the Company's Form 10-QSB for the three months ended December 31, 1999

10.4.2 Employment Contract, dated March 16, 2001, between Nicholas Financial, Inc. and Peter L. Vosotas President & Chief Executive Officer.

Incorporated by reference to the Company's 2001 Annual proxy statement dated July 2, 2001

21 Subsidiaries of Nicholas Financial, Inc.

Incorporated by reference to the Company's Form 10-SB (File No. 0-26680) filed on March 13, 1996

24 Powers of Attorney (included on signature page hereto)

31.1 Written Certification of the Chief Executive Officer

31.2 Written Certification of the Chief Financial Officer

32.1
Written Statement of the Chief Executive Officer Pursuant to 18 U.S.C. 1350

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

28

Exhibit 31.1
CERTIFICATION

I, Peter L. Vosotas, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Nicholas Financial, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact

necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

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

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

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

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

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

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

   a) all significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 13, 2004 /s/Peter L Vosotas

Peter L. Vosotas
President & CEO

29

Exhibit 31.2

CERTIFICATION

I, Ralph T. Finkenbrink, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Nicholas Financial, Inc.;

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

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

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

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

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

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

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

   a) all significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 13, 2004

/s/Ralph T Finkenbrink

Ralph T. Finkenbrink
Senior Vice-President

30

Exhibit 32.1

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

Solely for the purposes of complying with 18 U.S.C. 1350, I , the undersigned Chief Executive Officer of Nicholas Financial, Inc. (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-QSB of the Company for the quarter ended December 31, 2003 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Peter L Vosotas

Peter L. Vosotas
Chief Executive Officer
February 13, 2004

31

Exhibit 32.2

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

Solely for the purposes of complying with 19 U.S.C. 1350, I , the undersigned Chief Financial Officer of Nicholas Financial, Inc. (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-QSB of the Company for the quarter ended December 31, 2003 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Ralph Finkenbrink

Ralph Finkenbrink
Chief Financial Officer
February 13, 2004