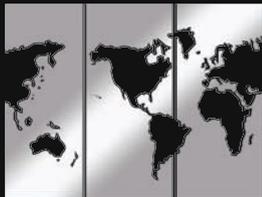


# Nicholas Financial, Inc.



**2007 Annual Report**

[www.NicholasFinancial.com](http://www.NicholasFinancial.com)

A NASDAQ traded company

---

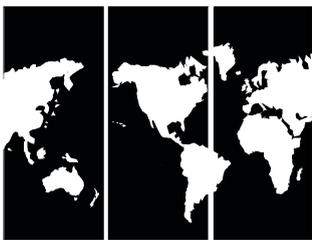
*Quote...*

*“When yields on loans look temptingly high, we always try to remember that the return of your money is more important than the return on your money.”*

*Common Sense*

---

From the President .....	1
Form 10-KSB Annual Report .....	Insert
NFI Shareholder Information . . .	Inside Back Cover



Nicholas Financial, Inc. is a specialty finance company that provides direct consumer loans and purchases installment sales contracts from automobile dealers for used cars and light trucks. Its software subsidiary, Nicholas Data Services, Inc., designs, develops, supports and sells accounting software to small businesses throughout North America and is the computer automation provider for Nicholas Financial.

The Company's stock has been publicly traded since 1987. It is listed on the Nasdaq SmallCap market under the symbol, NICK.

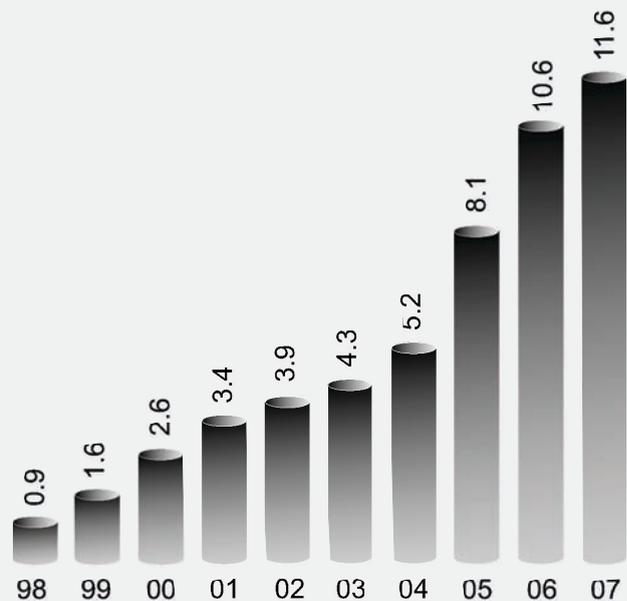
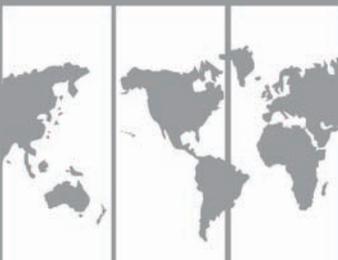
## FROM THE PRESIDENT



Peter L. Vosotas  
Chairman, CEO & President

I am pleased to report that our Company once again achieved outstanding financial results by recording its 17th consecutive year of record revenues and profits during fiscal 2007. Last year marked our 22nd year of business and our 20th year as a publicly traded company. Several notable financial milestones were achieved by our Company during the past year. Net income for the year ended March 31, 2007 increased 10% to \$11,580,000 as compared to \$10,559,000 for the year ended March 31, 2006. Diluted Earnings per share increased by 12% to \$1.13 as compared to \$1.01. Revenue for the year increased 9% to \$46,709,000 as compared to \$42,677,000 last year. Shareholder's Equity grew

*continue...*



**Ten Year Net Income History**  
*(in \$ Millions)*

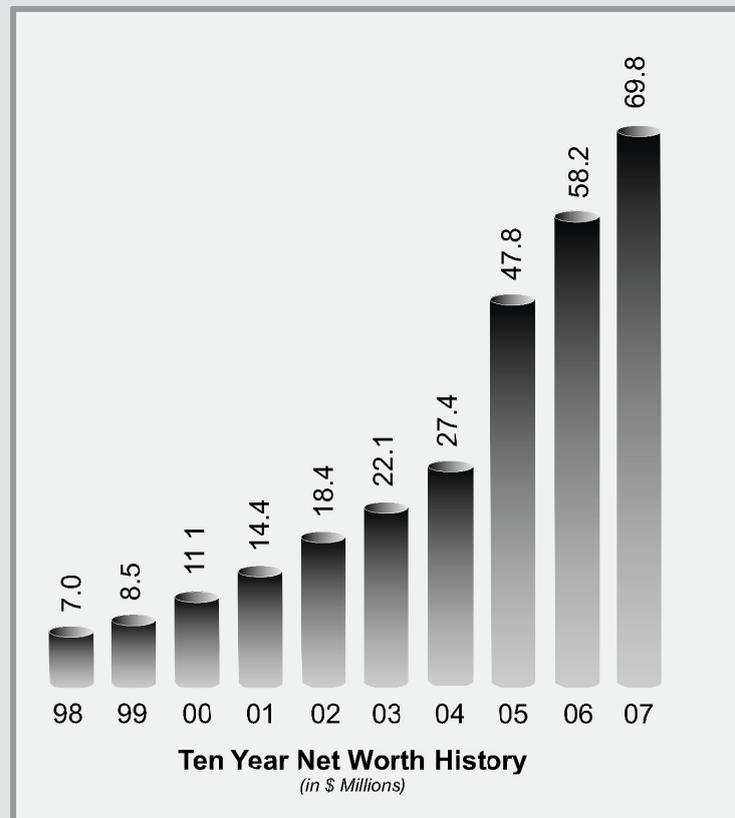
20% from \$58,249,000 to \$69,807,000. The Company announced record income and revenues in each quarter during the past fiscal year.

In keeping with the Company's expansion strategy, Nicholas added five new locations to our branch office network during the past fiscal year. We built our second branch office in Baltimore, Maryland and established our first branch in the state of Alabama, by opening an office in Birmingham this past March. New branches were also opened in Pompano Beach, Florida, New Port Richey, Florida and Savannah, Georgia. The Company now has 47 branches operating in 11 states.

For many years we have made the same statement regarding our accomplishments, "Our consistent financial performance hasn't happened by accident. It is the result of many people working very hard over a long period of time. The automobiles of our employees are usually the first to arrive in the parking lot each morning and invariably the last to drive away at night." To the credit of our employees this statement rings as true today as when it was first written. We, like all companies, have a challenge to find good, hardworking, and qualified people. When we do, we try our best to keep those who work hard and produce results. We reward our employees with excellent benefits, including performance based

bonuses and strong career opportunities. As a result, we have very low employee turnover. Our ability to mold and retain a veteran team is one of the primary reasons for our success. The majority of our senior managers, accounting staff and data processing staff have been with the Company since its inception in the late 1980's.

During the past year we maintained our close relationship with our current lenders, as we continued to address our long-term financing needs. In February of this year we announced an increase in our revolving credit line from



# 2007 ANNUAL REPORT

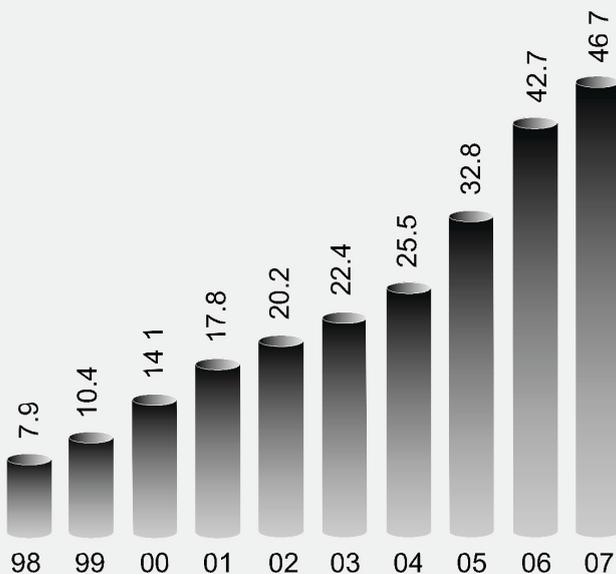
\$100 million to \$110 million. Our creditors led by Bank of America include First Tennessee Bank, Hibernia National Bank and the Bank of Scotland.

We believe that the coming years will be tough going for many American consumers. The current sub-prime housing debacle, coupled with very high consumer debt and rising prices for fuel, insurance, taxes, etc., should make this a difficult time for all consumer lenders. Fortunately for us, we have been doing what we do since 1990 and have weathered many tough times. High interest

rates, low rates, crazy competitors, hurricanes, wars, etc... We not only survived these times, but have prospered year after year despite the changing conditions. We look forward with guarded optimism toward the coming year. Any company that can say, "Our potential customer base is over \$300 billion dollars a year", should be excited about its business prospects especially when no one competitor can claim more than a few market share percentage points.

Our intention is to continue our fundamental strategy of controlled, disciplined growth by increasing our existing branch loan portfolios and building new branch offices. However, in the coming year we also intend to explore additional ways to build our business in order to reinforce our purely organic branch expansion model. On May 23rd of this year, we announced the opening of a Centralized Purchasing Center (CPC), which will underwrite automobile loans and service loan contracts in various geographic markets from our company headquarters in Clearwater, Florida. The primary focus of the CPC will be to establish a presence for the Company in new markets via an alternative marketing method. As always, we will stay alert to possible acquisition opportunities that may come to our attention.

On the negative side I must report on the adverse impact of corporate governance rules



**Ten Year Revenue History**  
(in \$ Millions)

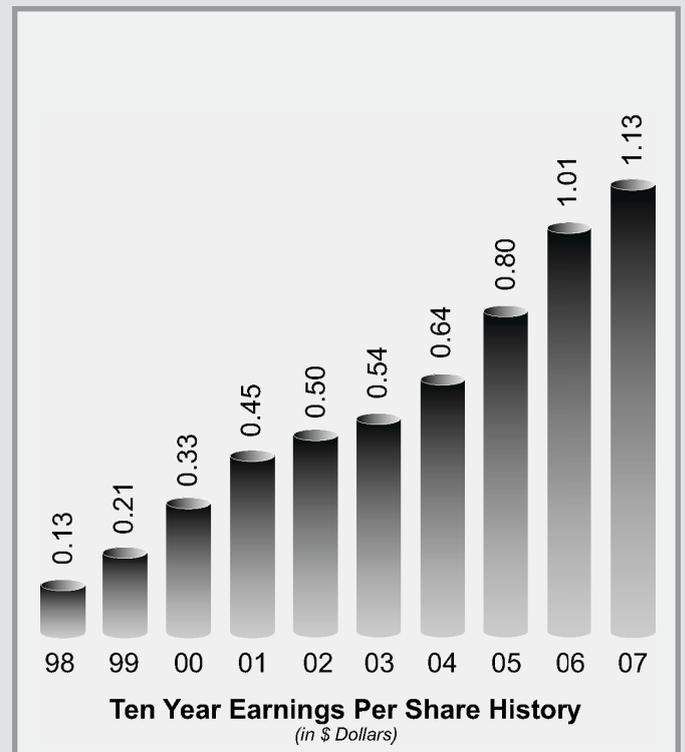
established by Congress. In my estimation, our shareholders are not benefiting from the laws intended to protect the investor under the Sarbanes-Oxley Act. Enacted in 2002, the Sarbanes-Oxley Act requires that the majority of SEC reporting public companies must be subjected to a very detailed and expensive scrutiny of their internal controls over financial reporting. The result, in our case, is that accounting expenses have increased approximately 100% and the cost in time and effort spent by our company to meet the requirements of Sarbanes-Oxley has drastically lowered overall productivity. Large public companies have not suffered like smaller companies such as ours, since most large companies have larger accounting staffs and greater internal resources. As a result of spectacular crimes by a very small percentage of large public companies and the “one size fits all” reaction by Congress, these new rules are currently doing their best to kill the patient that they were intended to cure.

We are very proud of our employees, whose dedication, talent and loyalty have made Nicholas an important force in automobile financing. We are grateful for their ongoing efforts and for the support of our customers, bankers, vendors and shareholders. We remain determined to increase the value of our publicly traded stock. We are convinced that our shareholders will be rewarded if we continue to

build the net worth of our Company each year. To all of you who have invested in Nicholas, we wish to thank you for having continued faith in our Company. On behalf of our Board of Directors and our employees, we thank you for the confidence that you have entrusted in us.



Peter L. Vosotas  
Chairman, CEO & President  
June, 2007



# SHAREHOLDER INFORMATION



## Corporate Offices:

Nicholas Financial, Inc.  
2454 McMullen Booth Rd.  
Building C  
Clearwater, Florida 33759

## Directors:

Peter L. Vosotas  
Chairman, CEO & President

Stephen Bragin  
Audit Committee Member  
Compensation Committee Member  
Owner Florida Produce Co., Retired

Scott Fink  
Audit Committee Member  
Compensation Committee Member  
President & Owner  
Franchise Auto Dealerships

Ralph T. Finkenbrink  
Senior Vice President & CFO  
Corporate Secretary

Alton R. "Charlie" Neal  
Audit Committee Chairman  
Compensation Committee Member  
Partner  
Johnson, Blakely, Pope, Bokor,  
Ruppel & Burns

## Independent Auditors:

Dixon Hughes  
Atlanta, Georgia

## General Counsel:

Foley & Lardner  
Chicago, Illinois

## Transfer Agent & Registrar:

Computershare Investor Services  
510 Burrard Street  
Vancouver, BC, Canada V6C 3B9

## Stock Information:

Listed on the NASDAQ National  
Market System  
Trading Symbol: NICK

## Corporate Officers:

Ralph T. Finkenbrink  
Senior Vice President & CFO

Matthew J. Foget  
Vice President Marketing

Sherrie M. Isenberg  
Director of Human Resources

Sotirios A. Kakalis  
Director of Loss Recovery

Douglas W. Marohn  
Vice President Branch Operations

Michael J. Marika  
Chief Information Officer

Chad W. Steinorth  
Vice President Finance

Peter L. Vosotas  
CEO & President

## Notice To Shareholders:

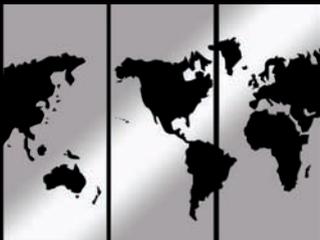
The Company will supply to any owner of Common Stock, upon written request to the Company at the above address and without charge, a copy of the Annual Report on Form 10-K for the year ended March 31, 2007, which has been filed with the Securities and Exchange Commission.

The Annual Report and 10-K are also available on the Company's internet website at

[www.nicholasfinancial.com](http://www.nicholasfinancial.com)

The Annual Meeting is on August 7, 2007 at 9:00 am, at the Nicholas Financial corporate offices:

Nicholas Financial, Inc.  
2454 McMullen Booth Road  
Clearwater, Florida 33759



## **Nicholas Financial, Inc.**

**2454 McMullen-Booth Road  
Building C**

**Clearwater, FL 33759 USA**

**Telephone - (727) 726-0763**

**Fax - (727) 726-2140**

**[www.nicholasfinancial.com](http://www.nicholasfinancial.com)**