

WORLD ACCEPTANCE CORP
Form 10-K/A
June 15, 2005

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-K/A

(Amendment No. 1)

(Mark One)

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

For the fiscal year ended March 31, 2005

OR

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

For the transition period from _____ to _____

Commission file number 0-19599

WORLD ACCEPTANCE CORPORATION

(Exact name of registrant as specified in its charter)

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South Carolina
(State or other jurisdiction of incorporation or organization)

570425114
(I.R.S. Employer Identification No.)

108 Frederick Street Greenville, South Carolina
(Address of principal executive offices)

29607
(Zip Code)

(864) 298-9800

(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

Common Stock, no par value

(Title of Class)

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. "

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes x No "

The aggregate market value of voting stock held by non-affiliates of the registrant as of September 30, 2004, computed by reference to the closing sale price on such date, was \$421,262,598. (For purposes of calculating this amount only, all directors and executive officers are treated as affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.) As of June 3, 2005, 18,719,707 shares of the registrant's Common Stock, no par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

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Portions of the Registrant's definitive Proxy Statement pertaining to the 2005 Annual Meeting of Shareholders (the Proxy Statement) and filed pursuant to Regulation 14A are incorporated herein by reference into Part III hereof.

Explanatory Note

The purpose of this amendment on Form 10-K/A (this Amendment) to our Annual Report on Form 10-K for the year ended March 31, 2005 (the 2005 10-K) is to include in Part II, Item 8 manually signed reports of our independent registered public accounting firm, which were inadvertently omitted from the 2005 10-K as initially filed.

The Items of our 2005 10-K which are amended herein are:

Part II

Item 8. Financial Statements and Supplementary Data

Part IV

Item 15. Exhibits and Financial Statement Schedules

Signatures

Exhibits - Exhibits 23, 31.1, 31.2, 32.1 and 32.2 have been refiled or returned, as applicable.

Part II

Item 8. Financial Statements and Supplementary Data

CONSOLIDATED BALANCE SHEETS

| | March 31, | |
|--|-----------------------|--------------------|
| | 2005 | 2004 |
| Assets | | |
| Cash | \$ 3,046,677 | 4,314,107 |
| Gross loans receivable | 351,496,149 | 310,130,665 |
| Less: | | |
| Unearned interest and deferred fees | (84,472,686) | (73,602,603) |
| Allowance for loan losses | (20,672,740) | (17,260,750) |
| Loans receivable, net | 246,350,723 | 219,267,312 |
| Property and equipment, net | 9,806,237 | 9,273,602 |
| Deferred tax asset | 10,690,000 | 9,535,000 |
| Other assets, net | 6,254,360 | 4,065,296 |
| Intangible assets, net | 17,358,505 | 15,514,003 |
| | <u>\$ 293,506,502</u> | <u>261,969,320</u> |
| Liabilities and Shareholders' Equity | | |
| Liabilities: | | |
| Senior notes payable | 82,900,000 | 91,350,000 |
| Subordinated notes payable | | 2,000,000 |
| Other notes payable | 1,000,000 | 1,682,000 |
| Income taxes payable | 1,624,069 | 383,009 |
| Accounts payable and accrued expenses | 18,271,240 | 9,973,974 |
| Total liabilities | <u>103,795,309</u> | <u>105,388,983</u> |
| Shareholders' equity: | | |
| Preferred stock, no par value | | |
| Authorized 5,000,000 shares, no shares issued or outstanding | | |
| Common stock, no par value | | |
| Authorized 95,000,000 shares; issued and outstanding 18,984,907 and 18,857,197 shares at March 31, 2005 and 2004, respectively | | |
| Additional paid-in capital | 11,964,056 | 12,822,906 |
| Retained earnings | 177,747,137 | 143,757,431 |
| Total shareholders' equity | <u>189,711,193</u> | <u>156,580,337</u> |
| Commitments and contingencies | | |
| | <u>\$ 293,506,502</u> | <u>261,969,320</u> |

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

| | Years Ended March 31, | | |
|---|-----------------------|--------------------|--------------------|
| | 2005 | 2004 | 2003 |
| Revenues: | | | |
| Interest and fee income | \$ 177,581,630 | 151,499,678 | 133,255,872 |
| Insurance commissions and other income | 33,176,378 | 27,652,829 | 22,414,951 |
| Total revenues | 210,758,008 | 179,152,507 | 155,670,823 |
| Expenses: | | | |
| Provision for loan losses | 40,036,597 | 33,481,447 | 29,569,889 |
| General and administrative expenses: | | | |
| Personnel | 73,361,104 | 62,696,557 | 55,537,903 |
| Occupancy and equipment | 12,430,896 | 10,183,032 | 9,026,611 |
| Data processing | 1,910,285 | 1,955,642 | 1,765,844 |
| Advertising | 7,792,313 | 7,093,498 | 5,755,145 |
| Amortization of intangible assets | 2,585,267 | 2,264,619 | 2,172,584 |
| Other | 14,143,555 | 12,120,018 | 11,499,105 |
| | 112,223,420 | 96,313,366 | 85,757,192 |
| Interest expense | 4,640,285 | 3,942,572 | 4,493,219 |
| Total expenses | 156,900,302 | 133,737,385 | 119,820,300 |
| Income before income taxes | 53,857,706 | 45,415,122 | 35,850,523 |
| Income taxes | 19,868,000 | 16,650,000 | 12,987,000 |
| Net income | \$ 33,989,706 | 28,765,122 | 22,863,523 |
| Net income per common share: | | | |
| Basic | \$ 1.81 | 1.58 | 1.28 |
| Diluted | \$ 1.74 | 1.49 | 1.25 |
| Weighted average shares outstanding: | | | |
| Basic | 18,761,066 | 18,251,639 | 17,860,101 |
| Diluted | 19,557,515 | 19,347,080 | 18,304,976 |

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

| | Additional Paid-in Capital | Retained Earnings | Total |
|--|---|------------------------------|--------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Balances at March 31, 2002 | \$ 681,354 | 101,752,026 | 102,433,380 |
| Proceeds from exercise of stock options (416,734 shares), including tax benefits of \$392,945 | 2,745,120 | | 2,745,120 |
| Common stock repurchases (1,623,549 shares) | (2,377,753) | (9,623,240) | (12,000,993) |
| Net income | | 22,863,523 | 22,863,523 |
| | <u> </u> | <u> </u> | <u> </u> |
| Balances at March 31, 2003 | 1,048,721 | 114,992,309 | 116,041,030 |
| Proceeds from exercise of stock options (1,237,146 shares), including tax benefits of \$3,774,332 | 11,774,185 | | 11,774,185 |
| Net income | | 28,765,122 | 28,765,122 |
| | <u> </u> | <u> </u> | <u> </u> |
| Balances at March 31, 2004 | 12,822,906 | 143,757,431 | 156,580,337 |
| Proceeds from exercise of stock options (577,710 shares), including tax benefits of \$3,181,612 | 7,891,669 | | 7,891,669 |
| Common stock repurchases (486,000 shares) | (8,750,519) | | (8,750,519) |
| Net income | | 33,989,706 | 33,989,706 |
| | <u> </u> | <u> </u> | <u> </u> |
| Balances at March 31, 2005 | \$ 11,964,056 | 177,747,137 | 189,711,193 |
| | <u> </u> | <u> </u> | <u> </u> |

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended March 31, | | |
|---|-----------------------|--------------|--------------|
| | 2005 | 2004 | 2003 |
| Cash flows from operating activities: | | | |
| Net income | \$ 33,989,706 | 28,765,122 | 22,863,523 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Amortization of intangible assets | 2,585,267 | 2,264,619 | 2,172,584 |
| Amortization of loan costs and discounts | 56,098 | 156,886 | 123,086 |
| Provision for loan losses | 40,036,597 | 33,481,447 | 29,569,889 |
| Depreciation | 2,073,933 | 1,757,211 | 1,726,424 |
| Deferred taxes | (1,155,000) | (918,000) | (1,685,000) |
| Change in accounts: | | | |
| Other assets, net | (2,245,162) | 481,993 | (333,570) |
| Income taxes payable | 4,422,672 | 2,110,324 | (175,574) |
| Accounts payable and accrued expenses | 8,297,266 | 2,276,741 | 881,200 |
| Net cash provided by operating activities | 88,061,377 | 70,376,343 | 55,142,562 |
| Cash flows from investing activities: | | | |
| Increase in loans receivable, net | (45,628,235) | (46,380,225) | (41,272,627) |
| Net assets acquired from office acquisitions, primarily loans | (21,678,455) | (18,661,742) | (16,874,896) |
| Increase in intangible assets from acquisitions | (4,429,769) | (3,179,814) | (2,804,077) |
| Purchases of property and equipment, net | (2,419,886) | (2,362,994) | (2,891,724) |
| Net cash used by investing activities | (74,156,345) | (70,584,775) | (63,843,324) |
| Cash flows from financing activities: | | | |
| Proceeds (repayment) of senior revolving notes payable, net | (8,450,000) | (6,700,000) | 21,150,000 |
| Repayment of subordinated notes payable | (2,000,000) | (2,000,000) | (2,000,000) |
| Proceeds (repayment) of other notes payable | (682,000) | 1,200,000 | |
| Proceeds from exercise of stock options | 4,710,057 | 7,999,853 | 2,352,175 |
| Repurchase of common stock | (8,750,519) | | (12,000,993) |
| Net cash provided by (used in) financing activities | (15,172,462) | 499,853 | 9,501,182 |
| Increase (decrease) in cash | (1,267,430) | 291,421 | 800,420 |
| Cash at beginning of year | 4,314,107 | 4,022,686 | 3,222,266 |
| Cash at end of year | \$ 3,046,677 | 4,314,107 | 4,022,686 |

See accompanying notes to consolidated financial statements.

(1) **Summary of Significant Accounting Policies**

The Company's accounting and reporting policies are in accordance with U.S. generally accepted accounting principles and conform to general practices within the finance company industry. The following is a description of the more significant of these policies used in preparing the consolidated financial statements.

Nature of Operations

The Company is a small-loan consumer finance company head-quartered in Greenville, South Carolina that offers short-term small loans, medium-term larger loans, related credit insurance products and ancillary products and services to individuals who have limited access to other sources of consumer credit. It also offers income tax return preparation services and refund anticipation loans (through a third party bank) to its customer base and to others.

The Company also markets computer software and related services to finance companies through its ParaData Financial Systems (ParaData) subsidiary.

As of March 31, 2005, the Company operated 579 offices in South Carolina, Georgia, Texas, Oklahoma, Louisiana, Tennessee, Missouri, Illinois, New Mexico, Kentucky, Alabama and Colorado.

Principles of Consolidation

The consolidated financial statements include the accounts of World Acceptance Corporation and its wholly owned subsidiaries (the Company). Subsidiaries consist of operating entities in various states, ParaData, a software company acquired during fiscal 1994, and WAC Insurance Company, Ltd., a captive reinsurance company established in fiscal 1994. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates in the Preparation of Financial Statements

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

Business Segments

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The Company reports operating segments in accordance with SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information* (SFAS No. 131). Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assess performance. SFAS 131 requires that a public enterprise report a measure of segment profit or loss, certain specific revenue and expense items, segment assets, information about the way that the operating segments were determined and other items.

The Company has one reportable segment, which is the consumer finance company. The other revenue generating activities of the Company, including the sale of insurance products, income tax preparation, buying club and the automobile club, are done in the existing branch network in conjunction with or as a compliment to the lending operation. There is no discrete financial information available for these activities and they do not meet the criteria under SFAS 131 to be reported separately.

ParaData provides data processing systems to 109 separate finance companies, including the Company. At March 31, 2005 and 2004, ParaData had total assets of \$1,904,000 and \$3,760,000, respectively, which represented less than 2.0% of total consolidated assets at each fiscal year end. Total net revenues (system sales and support) for ParaData for the years ended March 31, 2005, 2004 and 2003 were \$2,332,000, \$2,251,000, and \$2,268,000, respectively, which represented less than 3% of consolidated revenue for each year. For the years ended March 31, 2005, 2004 and 2003, ParaData had income before income taxes of \$332,000, \$288,000, and \$486,000, respectively. Although ParaData is an operating segment under SFAS 131, it does not meet the criteria to require separate disclosure.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments with a maturity of three months or less from the date of original issuance to be cash equivalents.

Loans and Interest Income

The Company is licensed to originate direct cash consumer loans in the states of Georgia, South Carolina, Texas, Oklahoma, Louisiana, Tennessee, Missouri, Illinois, New Mexico, Kentucky, Alabama and Colorado. During fiscal 2005 and 2004, the Company originated loans generally ranging up to \$3,000, with terms of 24 months or less. Experience indicates that a majority of the direct cash consumer loans are renewed.

Fees received and direct costs incurred for the origination of loans are deferred and amortized to interest income over the contractual lives of the loans. Unamortized amounts are recognized in income at the time that loans are renewed or paid in full.

Loans are carried at the gross amount outstanding, reduced by unearned interest and insurance income, net deferred origination fees and direct costs, and an allowance for loan losses. Unearned interest is deferred at the time the loans are made and accreted to income on a collection method, which approximates the level yield method. Charges for late payments are credited to income when collected.

The Company generally offers its loans at the prevailing statutory rates for terms not to exceed 24 months. Management believes that the carrying value approximates the fair value of its loan portfolio.

Allowance for Loan Losses

The Company maintains an allowance for loan losses in an amount that, in management's opinion, is adequate to cover losses inherent in the existing loan portfolio. The Company charges against current earnings, as a provision for loan losses, amounts added to the allowance to maintain it at levels expected to cover probable losses of principal. When establishing the allowance for loan losses, the Company takes into consideration the growth of the loan portfolio, the mix of the loan portfolio, current levels of charge-offs, current levels of delinquencies, and current economic factors. The allowance for loan losses has an allocated and an unallocated component. The Company uses historical information for net charge-offs by loan type and average loan life by loan type to estimate the allocated component of the allowance for loan losses. This methodology is based on the fact that many customers renew their loans prior to the contractual maturity. Average contractual loan terms are approximately nine months and the average loan life is approximately four months. The allowance for loan loss model also reserves 100% of the principal on loans greater than 90 days past due on a recency basis. Loans are charged off at the earlier of when such loans are deemed to be uncollectible or when six months have elapsed since the date of the last full contractual payment. The Company's charge-off policy has been consistently applied and no significant changes have been made to the policy during the periods reported. Management considers the charge-off policy when evaluating the appropriateness of the allowance for loan losses.

The Company records acquired loans at fair value based on current interest rates, less allowances for uncollectibility and collection costs. The acquired loan portfolios generally include some loans that the Company deems uncollectible but which do not have an allowance assigned to them by the acquirer. An allowance for loan losses is then estimated based on a review of the loan portfolio, considering delinquency levels,

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charge-offs, loan mix and other current economic factors. The Company then records the acquired loans at their gross value and records the related allowance for loan losses. These are reflected as purchase accounting acquisitions (also see Note 2 to the Consolidated Financial Statements). Subsequent charge-offs related to acquired loans are reflected in the purchase accounting acquisition adjustment in the year of acquisition. At March 31, 2005 and 2004, there were no concentrations of loans in any local economy, type of property, or to any one borrower.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is recorded using the straight-line method over the estimated useful life of the related asset as follows: building, 40 years; furniture and fixtures, 5 to 10 years; equipment, 3 to 7 years; and vehicles, 3 years. Amortization of leasehold improvements is recorded using the straight-line method over the lesser of the estimated useful life of the asset or the term of the lease. Additions to premises and equipment and major replacements or betterments are added at cost. Maintenance, repairs, and minor replacements are charged to operating expense as incurred. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in income.

Other Assets

Other assets include cash surrender value of life insurance policies, prepaid expenses and other deposits.

Intangible Assets

Intangible assets include the cost of acquiring existing customers, the value assigned to noncompete agreements, and goodwill (the excess cost over the fair value of the net assets acquired). These assets are being amortized as follows: customer lists, 9 years; and non-compete agreements, the term of agreement, which approximates the estimated useful lives. Effective April 1, 2002, the Company ceased amortization of goodwill. Management periodically evaluates the recoverability of the unamortized balances of these assets and adjusts them as necessary.

The Company tests for impairment in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS 142). Potential impairment of goodwill exists when the carrying amount of a reporting unit exceeds its implied fair value. The fair value for each reporting unit is computed using one or a combination of the following three methods; income, market value, or cost method. The income method uses a discounted cash flow analysis to determine fair value by considering a reporting unit's capital structure and applying a risk-adjusted discount rate to forecast earnings based on a capital asset pricing model. The market value method uses recent transaction analysis or publicly traded comparable analysis for similar assets and liabilities to determine fair value. The cost method assumes the net assets of a recent business combination accounted for under the purchase method of accounting will be recorded at fair value if no event or circumstance has occurred triggering a decline in the value. To the extent a reporting unit's carrying amount exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired, and a second test will be performed. In the second step, the implied fair value of the reporting unit's goodwill, determined by allocating the reporting unit's fair value to all of its assets (recognized and unrecognized) and liabilities as if the reporting unit had been acquired in a business combination at the date of the impairment test, is compared to its carrying amount. If the implied fair value of reporting unit goodwill is lower than its carrying amount, goodwill is impaired and is written down to its implied fair value. The loss recognized is limited to the carrying amount of goodwill. Once an impairment loss is recognized, future increases in fair value will not result in the reversal of previously recognized losses.

Fair Value of Financial Instruments

SFAS No. 107, *Disclosures about the Fair Value of Financial Instruments* requires disclosures about the fair value of all financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. The Company's financial instruments consist of the following: cash, loans receivable, senior notes payable, and other note payable. Fair value approximates carrying value for all of these instruments. Loans receivable are originated at prevailing market rates and have an average life of approximately four months. Given the short-term nature of these loans, they are continually repriced at current market rates. The Company's revolving credit facility and other note payable have a variable rate based on a margin over LIBOR and reprice with any changes in LIBOR.

Insurance Premiums

Insurance premiums for credit life, accident and health, property and unemployment insurance written in connection with certain loans, net of refunds and applicable advance insurance commissions retained by the Company, are remitted monthly to an insurance company. All commissions are credited to unearned insurance commissions and recognized as income over the life of the related insurance contracts using a method similar to that used for the recognition of interest income.

Non-file Insurance

Non-file premiums are charged on certain loans at inception and renewal in lieu of recording and perfecting the Company's security interest in the assets pledged on certain loans and are remitted to a third-party insurance company for non-file insurance coverage. Such insurance and the related insurance premiums, claims, and recoveries are not reflected in the accompanying consolidated financial statements except as a reduction in loan losses (see note 6).

Certain losses related to such loans, which are not recoverable through life, accident and health, property, or unemployment insurance claims are reimbursed through non-file insurance claims subject to policy limitations. Any remaining losses are charged to the allowance for loan losses.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Supplemental Cash Flow Information

For the years ended March 31, 2005, 2004, and 2003, the Company paid interest of \$4,529,445, \$3,747,688 and \$4,448,128, respectively.

For the years ended March 31, 2005, 2004, and 2003, the Company paid income taxes of \$16,600,328, \$15,457,676, and \$14,847,574, respectively.

Supplemental non-cash financing activities for the years ended March 31, 2005, 2004, and 2003, consist of:

| | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|---|---------------------|-------------|-------------|
| Tax benefits from exercise of stock options | \$ 3,181,612 | 3,774,332 | 392,945 |

Earnings Per Share

Earnings per share (EPS) are computed in accordance with SFAS No. 128, Earnings per Share. Basic EPS includes no dilution and is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution of securities that could share in the earnings of the Company. Potential common stock included in the diluted EPS computation consists of stock options, which are computed using the treasury stock method.

Reclassifications

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Certain reclassification entries have been made for fiscal 2004 and 2003 to conform with fiscal 2005 presentation. There was no impact on shareholders' equity or net income previously reported as a result of these reclassifications.

Stock-Based Compensation

At March 31, 2005, the Company had three stock-based employee compensation option plans, which are described more fully in Note 10. The Company accounts for its option plans under the recognition and measurement principles of APB Opinion 25, *Accounting for Stock Issued to Employees*, and related Interpretations (APB Opinion 25). No stock-based employee compensation cost is reflected in net income related to these plans, as all options granted under those plans had an exercise price equal to or greater than the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share as if the Company had applied the fair value recognition provisions of SFAS No. 123, *Accounting for Stock Based Compensation* (SFAS 123) to stock-based employee compensation option plans for the years ended March 31.

| (Dollars in thousands except per share amounts) | 2005 | 2004 | 2003 |
|--|------------------|-------------|-------------|
| Net income | | | |
| As reported | \$ 33,990 | 28,765 | 22,864 |
| Deduct: | | | |
| Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effect | 1,038 | 1,080 | 806 |
| Pro forma net income | \$ 32,952 | 27,685 | 22,058 |
| Basic earnings per share | | | |
| As reported | \$ 1.81 | 1.58 | 1.28 |
| Pro forma | \$ 1.76 | 1.52 | 1.24 |
| Diluted earnings per share | | | |
| As reported | \$ 1.74 | 1.49 | 1.25 |
| Pro forma | \$ 1.68 | 1.43 | 1.21 |

Recently Issued Accounting Pronouncements*Accounting for Certain Loans or Debt Securities Acquired in a Transfer*

Effective April 1, 2005, The Company adopted SOP No. 03-3 (*SOP 03-3*), *Accounting for Certain Loans or Debt Securities Acquired in a Transfer*, which prohibits carry over or creation of valuation allowances in the initial accounting of all loans acquired in a transfer that are within the scope of this SOP. The prohibition of the valuation allowance carryover applies to the purchase of an individual loan, a pool of loans, a group of loans, and loans acquired in a purchase business combination. The initial adoption of this issue did not have an impact on the financial condition or results of operations of the Company. The Company is in the process of evaluating the impact of this pronouncement on future acquisitions.

Share-Based Payment

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In December 2004, the FASB issued SFAS No. 123R (*SFAS 123R*), *Share-Based Payment*, which requires companies to recognize in the income statement the grant-date fair value of stock options and other equity-based compensation issued to employees. SFAS 123R is an amendment of SFAS No. 123 (*SFAS 123*), *Accounting for Stock-Based Compensation*, and its related implementation guidance. SFAS 123R does not change the accounting guidance for share-based payment transactions with parties other than employees provided in SFAS 123. Under SFAS 123R, the way an award is classified will affect the measurement of compensation cost. Liability-classified awards are remeasured to fair value at each balance-sheet date until the award is settled. Liability-classified awards include the following:

Employee awards with cash-based settlement or repurchase features, such as a stock appreciation right with a cash-settlement option;

Awards for a fixed dollar amount settleable in the company's stock;

Share-based awards with a net-settlement feature for an amount in excess of the minimum tax withholding; and

Awards that vest or become exercisable based on the achievement of a condition other than service, performance, or market condition.

Equity-classified awards are measured at grant-date fair value, amortized over the subsequent vesting period, and are not subsequently remeasured. Equity-classified awards include the following:

Share-based awards with net-settlement features for minimum tax withholdings;

Awards that permit a cashless exercise using a broker unrelated to the employer;

Awards containing a put feature that give employees the right to require the company to repurchase the shares at fair value, when the employee bears the risks and rewards normally associated with ownership for six months or longer.

Effective April 21, 2005, the Securities and Exchange Commission issued an amendment to Rule 4-01(a)(1) of Regulation S-X delaying the effective date for public entities that do not file as small business issuers to the first annual period beginning after June 15, 2005 instead of SFAS 123R's original effective date, which was as of the beginning of the first interim reporting period beginning after June 15, 2005. The Company will adopt this SFAS on April 1, 2006 and is evaluating the impact on the Company's fiscal 2007 results of operations.

Accounting for Nonmonetary Transactions

In December 2004, the FASB issued SFAS No. 153 (*SFAS 153*), *Exchanges of Nonmonetary Assets-an amendment of APB Opinion No. 29*, which eliminates the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS 153 is effective for nonmonetary transactions occurring in fiscal years beginning after June 15, 2005.

(2) **Allowance for Loan Losses**

The following is a summary of the changes in the allowance for loan losses for the years ended March 31, 2005, 2004, and 2003:

| | March 31, | | |
|--------------------------------------|---------------|--------------|--------------|
| | 2005 | 2004 | 2003 |
| Balance at the beginning of the year | \$ 17,260,750 | 15,097,780 | 12,925,644 |
| Provision for loan losses | 40,036,597 | 33,481,447 | 29,569,889 |
| Loan losses | (41,984,428) | (35,731,794) | (30,987,772) |
| Recoveries | 3,941,348 | 3,118,924 | 2,541,785 |
| Purchase accounting acquisitions | 1,418,473 | 1,294,393 | 1,048,234 |
| Balance at the end of the year | \$ 20,672,740 | 17,260,750 | 15,097,780 |

For the years ended March 31, 2005, 2004 and 2003, the Company recorded adjustments of approximately \$1.4 million, \$1.3 million, and \$1.0 million, respectively, to the allowance for loan losses in connection with its acquisitions in accordance generally accepted accounting principles. These adjustments represent the allowance for loan losses on acquired loans (also see Note 1).

(3) **Property and Equipment**

Summaries of property and equipment follow:

| | March 31, | |
|--|--------------|--------------|
| | 2005 | 2004 |
| Land | \$ 250,443 | 250,443 |
| Buildings and leasehold improvements | 3,970,157 | 3,587,981 |
| Furniture and equipment | 17,721,483 | 16,140,532 |
| | 21,942,083 | 19,978,956 |
| Less accumulated depreciation and amortization | (12,135,846) | (10,705,354) |
| Total | \$ 9,806,237 | 9,273,602 |

(4) **Intangible Assets**

Intangible assets, net of accumulated amortization, consist of:

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| | March 31, | |
|---|----------------------|------------|
| | 2005 | 2004 |
| Cost of acquiring existing customers | \$ 10,671,432 | 9,580,015 |
| Value assigned to noncompete agreements | 2,107,129 | 2,789,637 |
| Goodwill | 4,533,219 | 3,053,826 |
| Other | 46,725 | 90,525 |
| Total | \$ 17,358,505 | 15,514,003 |

The following summarizes the changes in the carrying amount of goodwill for the year ended March 31, 2004 and 2005:

| | |
|-----------------------------------|---------------------|
| Balance at March 31, 2003 | \$ 1,788,420 |
| Goodwill acquired during the year | 1,265,406 |
| | <hr/> |
| Balance at March 31, 2004 | \$ 3,053,826 |
| Goodwill acquired during the year | 1,479,393 |
| | <hr/> |
| Balance at March 31, 2005 | \$ 4,533,219 |

The estimated amortization expense for intangible assets for the years ended March 31 is as follows: \$2,716,990 for 2006, \$2,447,406 for 2007, \$1,983,585 for 2008, \$1,636,234 for 2009, \$1,347,538 for 2010, and an aggregate of \$2,693,533 for the years thereafter.

Goodwill is tested for impairment annually. The Company performed an annual impairment test as of March 31, 2005 and determined that none of the recorded goodwill was impaired.

(5) Notes Payable

Summaries of the Company's notes payable follow:

Senior Notes Payable

\$152,000,000 Revolving Credit Facility This facility provides for borrowings of up to \$152.0 million, with \$82.9 million outstanding at March 31, 2005, subject to a borrowing base formula. The Company may borrow, at its option, at the rate of prime or LIBOR plus 2.00%. At March 31, 2005, the Company's interest rate was 4.9% and the unused amount available under the revolver was \$69.1 million. The revolving credit facility has a commitment fee of 0.375% per annum on the unused portion of the commitment. Borrowings under the revolving credit facility mature on September 30, 2006.

A member of the Company's Board of Directors serves as an Executive Vice President of The South Financial Group, which is the Parent of Carolina First Bank. As of March 31, 2005 Carolina First Bank had committed to fund up to \$20.0 million under the credit facility and had outstanding \$1.0 million in another note payable.

Other Note Payable

The Company also has a \$1.0 million note payable to a bank, bearing interest of LIBOR plus 2.00% payable monthly, which is to be repaid in five annual installments of \$200,000 ending on May 1, 2009.

The various debt agreements contain restrictions on the amounts of permitted indebtedness, investments, working capital, repurchases of common stock and cash dividends. At March 31, 2005, \$57.3 million was available under these covenants for the payment of cash dividends, or the repurchase of the Company's common stock. In addition, the agreements restrict liens on assets and the sale or transfer of subsidiaries. The Company was in compliance with the various debt covenants for all periods presented.

The aggregate annual maturities of the notes payable for each of the fiscal years subsequent to March 31, 2005, are as follows: 2006, \$200,000; 2007, \$83,100,000; 2008, \$200,000; 2009, \$200,000; 2010, \$200,000; and none thereafter.

(6) Non-file Insurance

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The Company maintains non-file insurance coverage with an unaffiliated insurance company. The following is a summary of the non-file insurance activity for the years ended March 31, 2005, 2004, and 2003:

| | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|----------------------------|---------------------|-------------|-------------|
| Insurance premiums written | \$ 3,953,652 | 3,391,523 | 2,120,692 |
| Recoveries on claims paid | \$ 290,062 | 296,330 | 304,215 |
| Claims paid | \$ 4,119,148 | 3,060,456 | 2,253,125 |

(7) Leases

The Company conducts most of its operations from leased facilities, except for its owned corporate office building. It is expected that in the normal course of business, expiring leases will be renewed at the Company's option or replaced by other leases or acquisitions of other properties. All of the Company's leases are operating leases.

The future minimum lease payments under noncancelable operating leases as of March 31, 2005, are as follows:

| | |
|-------------------------------------|---------------------|
| 2006 | \$ 5,340,152 |
| 2007 | 2,977,760 |
| 2008 | 1,065,333 |
| 2009 | 156,843 |
| 2010 | 50,094 |
| Thereafter | 0 |
| | <hr/> |
| Total future minimum lease payments | <u>\$ 9,590,182</u> |

Rental expense for cancelable and noncancelable operating leases for the years ended March 31, 2005, 2004, and 2003, was \$6,857,274, \$5,460,005, and \$4,830,932, respectively.

(8) Income Taxes

Income tax expense attributable to income from continuing operations consists of:

| | <u>Current</u> | <u>Deferred</u> | <u>Total</u> |
|-----------------------------------|----------------------|--------------------|-------------------|
| Year ended March 31, 2005: | | | |
| U.S. Federal | \$ 18,945,000 | (860,000) | 18,085,000 |
| State and local | 2,078,000 | (295,000) | 1,783,000 |
| | <hr/> | <hr/> | <hr/> |
| | <u>\$ 21,023,000</u> | <u>(1,155,000)</u> | <u>19,868,000</u> |
| Year ended March 31, 2004: | | | |
| U.S. Federal | \$ 16,182,000 | (813,000) | 15,369,000 |
| State and local | 1,386,000 | (105,000) | 1,281,000 |
| | <hr/> | <hr/> | <hr/> |
| | <u>\$ 17,568,000</u> | <u>(918,000)</u> | <u>16,650,000</u> |
| Year ended March 31, 2003: | | | |
| U.S. Federal | \$ 13,577,000 | (1,468,000) | 12,109,000 |
| State and local | 1,095,000 | (217,000) | 878,000 |
| | <hr/> | <hr/> | <hr/> |
| | <u>\$ 14,672,000</u> | <u>(1,685,000)</u> | <u>12,987,000</u> |

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Income tax expense attributable to income from continuing operations was \$19,868,000, \$16,650,000, and \$12,987,000, for the years ended March 31, 2005, 2004 and 2003, respectively, and differed from the amounts computed by applying the U.S. federal income tax rate of 35% to pretax income from continuing operations as a result of the following:

| | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|--|----------------------|-------------|-------------|
| U.S. Federal | \$ 18,850,000 | 15,895,000 | 12,458,000 |
| Increase (reduction) in income taxes resulting from: | | | |
| State tax, net of federal benefit | 1,159,000 | 833,000 | 571,000 |
| Change in valuation allowance | 104,000 | 122,000 | (18,000) |
| Insurance income exclusion | (73,000) | (117,000) | (190,000) |
| Other, net | (172,000) | (83,000) | 76,000 |
| | \$ 19,868,000 | 16,650,000 | 12,987,000 |

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2005 and 2004 are presented below:

| | 2005 | 2004 |
|--|----------------------|--------------------|
| Deferred tax assets: | | |
| Allowance for doubtful accounts | \$ 7,726,000 | 6,368,000 |
| Unearned insurance commissions | 3,863,000 | 3,309,000 |
| Accounts payable and accrued expenses primarily related to employee benefits | 1,759,000 | 1,534,000 |
| Tax over book accrued interest receivable | 1,361,000 | 1,200,000 |
| Other | 516,000 | 415,000 |
| | <u>15,225,000</u> | <u>12,826,000</u> |
| Gross deferred tax assets | 15,225,000 | 12,826,000 |
| Less valuation allowance | (516,000) | (412,000) |
| | <u>14,709,000</u> | <u>12,414,000</u> |
| Net deferred tax assets | 14,709,000 | 12,414,000 |
| Deferred tax liabilities: | | |
| Tax over book basis of depreciable assets | (1,571,000) | (942,000) |
| Intangible assets | (1,160,000) | (1,130,000) |
| Discount of purchased loans | (167,000) | (90,000) |
| Deferred net loan origination fees | (775,000) | (717,000) |
| Prepaid expenses | (346,000) | |
| | <u>(4,019,000)</u> | <u>(2,879,000)</u> |
| Gross deferred liabilities | (4,019,000) | (2,879,000) |
| | <u>\$ 10,690,000</u> | <u>9,535,000</u> |
| Net deferred tax assets | \$ 10,690,000 | 9,535,000 |

The valuation allowance for deferred tax assets as of March 31, 2005 and 2004 was \$516,000 and \$412,000, respectively. The valuation allowance against the potential total deferred tax assets as of March 31, 2005 and 2004 relates to state net operating losses. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversals of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. In order to fully realize the deferred tax asset, the Company will need to generate future taxable income prior to the expiration of the deferred tax assets governed by the tax code. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at March 31, 2005. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

The Internal Revenue Service has examined the Company's federal income tax returns for the fiscal years 1994 through 1996. Tax returns for fiscal 2002 and subsequent years are subject to examination by taxing authorities.

(9) Earnings Per Share

The following is a reconciliation of the numerators and denominators of the basic and diluted EPS calculations.

| | For the year ended March 31, 2005 | | |
|--|-----------------------------------|-------------------------|------------------------|
| | Income (Numerator) | Shares (Denominator) | Per Share Amount |
| Basic EPS | | | |
| Income available to common shareholders | \$ 33,989,706 | 18,761,066 | \$ 1.81 |
| Effect of Dilutive Securities | | | |
| Options | | 796,449 | |
| Diluted EPS | | | |
| Income available to common shareholders plus assumed conversions | \$ 33,989,706 | 19,557,515 | \$ 1.74 |
| For the year ended March 31, 2004 | | | |
| | Income (Numerator) | Shares (Denominator) | Per Share Amount |
| Basic EPS | | | |
| Income available to common shareholders | \$ 28,765,122 | 18,251,639 | \$ 1.58 |
| Effect of Dilutive Securities | | | |
| Options | | 1,095,441 | |
| Diluted EPS | | | |
| Income available to common shareholders plus assumed conversions | \$ 28,765,122 | 19,347,080 | \$ 1.49 |
| For the year ended March 31, 2003 | | | |
| | Income (Numerator) | Shares (Denominator) | Per Share Amount |
| Basic EPS | | | |
| Income available to common shareholders | \$ 22,863,523 | 17,860,101 | \$ 1.28 |
| Effect of Dilutive Securities | | | |
| Options | | 444,875 | |
| Diluted EPS | | | |
| Income available to common shareholders plus assumed conversions | \$ 22,863,523 | 18,304,976 | \$ 1.25 |

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Options to purchase 0, 50,000, and 591,115, shares of common stock at various prices were outstanding during the years ended March 31, 2005, 2004 and 2003, respectively, but were not included in the computation of diluted EPS because the option exercise price was greater than the average market price of the common shares.

(10) **Benefit Plans**

Retirement Plan

The Company provides a defined contribution employee benefit plan (401(k) plan) covering full-time employees, whereby employees can invest up to 15% of their gross pay. The Company makes a matching contribution equal to 50% of the employees' contributions for the first 6% of gross pay. The Company's expense under this plan was \$610,536, \$594,430, and \$430,530, for the years ended March 31, 2005, 2004, and 2003, respectively.

Supplemental Executive Retirement Plan

The Company has instituted a Supplemental Executive Retirement Plan (SERP), which is a non-qualified executive benefit plan in which the Company agrees to pay the executive additional benefits in the future, usually at retirement, in return for continued employment by the executive. The Company selects the key executives who participate in the SERP. The SERP is an unfunded plan, which means there are no specific assets set aside by the Company in connection with the establishment of the plan. The executive has no rights under the agreement beyond those of a general creditor of the Company. For the years ended March 31, 2005, 2004, and 2003, contributions of \$317,882, \$588,021, and \$515,394, respectively were charged to operations related to the SERP.

Executive Deferred Compensation Plan

The Company has an Executive Deferral Plan. Eligible executives may elect to defer all or a portion of their incentive compensation to be paid under the Executive Incentive Plan. As of March 31, 2005, \$285,000 had been deferred under this plan.

Stock Option Plans

The Company has a 1992 Stock Option Plan, a 1994 Stock Option Plan and a 2002 Stock Option Plan for the benefit of certain directors, officers, and key employees. Under these plans, 4,350,000 shares of authorized common stock have been reserved for issuance pursuant to grants approved by the Compensation and Stock Option Committee. The options have a maximum duration of 10 years, may be subject to certain vesting requirements, and are priced at the market value of the Company's common stock on the date of grant of the option.

The Company applies APB Opinion 25 in accounting for the stock option plans described in the preceding paragraph. Accordingly, no compensation expense has been recognized for the stock-based option plans.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions used for grants in 2005, 2004, and 2003, respectively: dividend yield of zero; expected volatility of 41.1%, 39.6%, and 47.5%; risk-free interest rate of 4.1%, 3.9%, and 3.9%; and expected lives of 10 years for all plans in all three years. The fair values of options granted were \$9.02 in 2005, \$9.63 in 2004, and \$4.99 in 2003.

Option activity for the years ended March 31 were as follows:

| | 2005 | | 2004 | | 2003 | |
|--|-----------|---------------------------------|-------------|---------------------------------|-----------|---------------------------------|
| | Shares | Weighted Average Exercise Price | Shares | Weighted Average Exercise Price | Shares | Weighted Average Exercise Price |
| Options outstanding, beginning of year | 1,649,991 | \$ 7.58 | 2,608,645 | \$ 7.34 | 2,897,568 | \$ 7.00 |
| Granted | 188,500 | \$ 22.50 | 340,250 | \$ 15.63 | 186,500 | \$ 8.54 |
| Exercised | (577,710) | \$ 8.15 | (1,237,146) | \$ 7.27 | (416,734) | \$ 5.80 |
| Forfeited | (23,150) | \$ 7.97 | (61,758) | \$ 7.19 | (58,689) | \$ 5.66 |
| Options outstanding, end of year | 1,237,631 | \$ 11.60 | 1,649,991 | \$ 9.10 | 2,608,645 | \$ 7.34 |
| Options exercisable, end of year | 628,831 | \$ 8.01 | 1,001,991 | \$ 7.58 | 2,026,713 | \$ 7.37 |

The following table summarized information regarding stock options outstanding at March 31, 2005:

| Range of Exercise Price | Options Outstanding | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price | Options Exercisable | Weighted Average Option Price |
|-------------------------|---------------------|---|---------------------------------|---------------------|-------------------------------|
| \$ 4.90 - \$5.99 | 323,352 | 4.05 | \$ 5.32 | 290,852 | \$ 5.35 |
| \$ 6.00 - \$ 7.99 | 83,482 | 3.35 | \$ 6.70 | 83,482 | \$ 6.70 |
| \$ 8.00 - \$ 9.99 | 270,500 | 6.98 | \$ 8.48 | 81,100 | \$ 8.51 |
| \$ 10.00 - \$ 12.99 | 156,547 | 5.17 | \$ 11.13 | 111,547 | \$ 11.00 |
| \$ 13.00 - \$ 16.99 | 189,250 | 8.10 | \$ 16.17 | 51,850 | \$ 15.15 |
| \$ 22.00 - \$ 23.99 | 214,500 | 9.39 | \$ 23.23 | 10,000 | \$ 22.25 |
| \$ 4.90 - \$ 23.99 | 1,237,631 | 6.33 | \$ 11.60 | 628,831 | \$ 8.01 |

(11) Acquisitions

The following table sets forth the acquisition activity of the Company for the last three fiscal years:

| | 2005 | 2004 | 2003 |
|------------------------------|-------------------|--------|--------|
| | (\$ in thousands) | | |
| Number of offices purchased | 60 | 68 | 42 |
| Merged into existing offices | 30 | 29 | 21 |
| Purchase Price | \$ 26,107 | 21,843 | 19,679 |

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| | | | |
|--|-------------------|-------------------|-------------------|
| Tangible assets: | | | |
| Net loans | 21,491 | 18,293 | 16,663 |
| Furniture, fixtures & equipment | 187 | 370 | 212 |
| | <u> </u> | <u> </u> | <u> </u> |
| Excess of purchase prices over carrying value of net tangible assets | \$ 4,429 | 3,180 | 2,804 |
| | <u> </u> | <u> </u> | <u> </u> |
| Customer lists | 2,720 | 1,718 | 1,640 |
| Non-compete agreements | 230 | 197 | 150 |
| Goodwill | 1,479 | 1,265 | 1,014 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total intangible assets | \$ 4,429 | 3,180 | 2,804 |
| | <u> </u> | <u> </u> | <u> </u> |

The Company evaluates each acquisition to determine if the acquired enterprise meets the definition of a business. Those that meet the definition of a business are accounted for under SFAS No. 141 and those that do not meet the definition of a business combination are accounted for as asset purchases. The results of all acquisitions have been included in the Company's consolidated financial statements since the respective acquisition dates. The pro forma impact of these purchases as though they had been acquired at the beginning of the periods presented would not have a material effect on the results of operations as reported.

(12) Quarterly Information (Unaudited)

The following sets forth selected quarterly operating data:

| | 2005 | | | | 2004 | | | |
|--|-----------|--------|--------|--------|--------|--------|--------|--------|
| | First | Second | Third | Fourth | First | Second | Third | Fourth |
| (Dollars in thousands, except earnings per share data) | | | | | | | | |
| Total revenues | \$ 47,478 | 49,754 | 53,166 | 60,360 | 40,263 | 41,676 | 44,285 | 52,928 |
| Provision for loan losses | 8,627 | 11,282 | 13,731 | 6,397 | 7,929 | 9,328 | 11,077 | 5,147 |
| General and administrative expenses | 26,419 | 26,531 | 29,460 | 29,813 | 22,643 | 21,961 | 25,074 | 26,635 |
| Interest expense | 989 | 1,067 | 1,314 | 1,270 | 991 | 928 | 997 | 1,027 |
| Income tax expense | 4,177 | 3,968 | 3,160 | 8,563 | 3,089 | 3,358 | 2,533 | 7,670 |
| Net income | \$ 7,266 | 6,906 | 5,501 | 14,317 | 5,611 | 6,101 | 4,604 | 12,449 |
| Earnings per share: | | | | | | | | |
| Basic | \$.39 | .38 | .29 | .75 | .32 | .34 | .25 | .67 |
| Diluted | \$.37 | .36 | .28 | .73 | .30 | .32 | .23 | .63 |

(13) Litigation

At March 31, 2005, the Company and certain of its subsidiaries have been named as defendants in various legal actions arising from their normal business activities in which damages in various amounts are claimed. Although the amount of any ultimate liability with respect to such matters cannot be determined, the Company believes that any such liability will not have a material adverse effect on the Company's results of operations or financial condition taken as a whole.

(14) Commitments

The Company has entered into employment agreements with certain key executive employees. The employment agreements have terms of one or three years and call for aggregate minimum annual base salaries of \$800,000, adjusted annually as determined by the Company's Compensation and Stock Option Committee. The agreements also provide for annual incentive bonuses, which are based on the achievement of certain predetermined operational goals.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors

World Acceptance Corporation:

We have audited the accompanying consolidated balance sheets of World Acceptance Corporation and subsidiaries (the Company) as of March 31, 2005 and 2004, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended March 31, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of World Acceptance Corporation and subsidiaries as of March 31, 2005 and 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2005, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of March 31, 2005, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated June 9, 2005 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting

Greenville, South Carolina

June 9, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors

World Acceptance Corporation

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that World Acceptance Corporation (the Company) maintained effective internal control over financial reporting as of March 31, 2005, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

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

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of March 31, 2005, is fairly stated, in all material respects, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2005, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of March 31, 2005 and 2004, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended March 31, 2005, and our report dated June 9, 2005 expressed an unqualified opinion on those consolidated financial statements.

Greenville, South Carolina

June 9, 2005

PART IV.

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K

- (1) The following consolidated financial statements of the Company and Report of Independent Registered Public Accounting Firm are filed herewith.

Consolidated Financial Statements:

Consolidated Balance Sheets at March 31, 2005 and 2004

Consolidated Statements of Operations for the years ended March 31, 2005, 2004 and 2003

Consolidated Statements of Shareholders' Equity for the years ended March 31, 2005, 2004 and 2003

Consolidated Statements of Cash Flows for the years ended March 31, 2005, 2004 and 2003

Reports of Independent Registered Public Accounting Firm

- (2) Financial Statement Schedules

All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions, are inapplicable, or the required information is included elsewhere in the consolidated financial statements.

(3) Exhibits

The following exhibits are filed as part of this report or, where so indicated, have been previously filed and are incorporated herein by reference.

| <u>Exhibit Number</u> | <u>Description</u> | <u>Filed Herewith (*), previously filed (+) or Incorporated by Reference Previous Exhibit Number</u> | <u>Company Registration No. or Report</u> |
|---------------------------|--|--|---|
| 3.1 | Second Amended and Restated Articles of Incorporation of the Company, as amended | 3.1 | 333-107426 |
| 3.2 | Amended Bylaws of the Company | 3.4 | 33-42879 |
| 4.1 | Specimen Share Certificate | 4.1 | 33-42879 |
| 4.2 | Articles 3, 4 and 5 of the Form of Company's Second Amended and Restated Articles of Incorporation (as amended) | 3.1 | 333-107426 |
| 4.3 | Article II, Section 9 of the Company's Second Amended and Restated Bylaws | 3.2 | 33-42879 |
| 4.4 | Amended and restated Revolving Credit Agreements, dated as of June 30, 1997, as amended between Harris Trust and Savings Bank, the Banks signatory thereto from time to time and the Company | 4.4 | 9-30-03 10-Q |
| 4.5 | Twelfth Amendment to Amended and restated Revolving Credit Agreements, dated as of December 16, 2004 | + | |
| 4.6 | Note Agreement, dated as of June 30, 1997, between Principal Mutual Life Insurance Company and the Company re: 10% Senior Subordinated Secured Notes | 4.7 | 9-30-97 10-Q |
| 4.7 | First Amendment to Note Agreement, dated as of August 21, 2003, between Principal Life Insurance Company (f/k/a Principal Mutual Life Insurance Company) and the Company | 4.7 | 9-30-03 10-Q |
| 4.8 | Amended and Restated Security Agreement, Pledge and Indenture of Trust, dated as of June 30, 1997, between the Company and Harris Trust and Savings Bank, as Security Trustee | 4.8 | 9-30-97 10-Q |
| 4.9 | Third Amendment to Amended and Restated Security Agreement, Pledge and Indenture of Trust dated as of August 27, 2004 (Subsidiary Security Agreement) | 4.9 | 9-30-04 10-Q |
| 4.10 | Fourth Amendment to Amended and Restated Security Agreement, Pledge and Indenture of Trust, dated as of August 27, 2004 (Company Security Agreement) | 4.10 | 9-30-04 10-Q |
| 10.1+ | Amended and Restated Employment Agreement of Charles D. Walters, effective as of June 1, 2003 | 10.1 | 6-30-03 10-Q |
| 10.2+ | Amended Agreement of Amended and Restated Employment Agreement of Charles D. Walters, effective as of January 28, 2004 | 10.2 | 6-30-04 10-Q |

| Exhibit Number | Description | Filed Herewith (*), previously filed (+) or Incorporated by | |
|-------------------|---|---|--|
| | | Reference Previous Exhibit Number | Company Registration No. or Report |
| 10.23 | Employment Agreement of A. Alexander McLean, III, effective April 1, 1994 | 10.2 | 1994 10-K |
| 10.4+ | First Amendment to Employment Agreement of A. Alexander McLean, III, effective as of June 1, 2003 | 10.3 | 6-30-03 10-Q |
| 10.5+ | Amended and Restated Employment Agreement of Douglas R. Jones, effective as of June 1, 2003 | 10.4 | 6-30-03 10-Q |
| 10.6+ | Securityholders Agreement, dated as of September 19, 1991, between the Company and certain of its securityholders | 10.5 | 33-42879 |
| 10.7+ | World Acceptance Corporation Supplemental Income Plan | 10.7 | 2000 10-K |
| 10.8+ | Board of Directors Deferred Compensation Plan | 10.6 | 2000 10-K |
| 10.9+ | 1992 Stock Option Plan of the Company | 4 | 33-52166 |
| 10.10+ | 1994 Stock Option Plan of the Company, as amended | 10.6 | 1995 10-K |
| 10.11+ | 2002 Stock Option Plan of the Company | Appendix A | Definitive Proxy Statement on Schedule 14A for the 2002 Annual Meeting |
| 10.12+ | The Company's Executive Incentive Plan | 10.6 | 1994 10-K |
| 10.13+ | World Acceptance Corporation Retirement Savings Plan | 4.1 | 333-14399 |
| 10.14+ | Executive Deferral Plan | 10.12 | 2001 10-K |
| 14 | Code of Ethics | 14 | 2004 10-K |
| 21 | Schedule of the Company's Subsidiaries | + | |
| 23 | Consent of KPMG LLP | * | |
| 31.1 | Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer | * | |
| 31.2 | Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer | * | |
| 32.1 | Section 1350 Certification of Chief Executive Officer | * | |
| 32.2 | Section 1350 Certification of Chief Financial Officer | * | |

+ Management Contract or other compensatory plan required to be filed under Item 14(c) of this report and Item 601 of Regulation 5-K of the Securities and Exchange Commission.

SIGNATURES

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

WORLD ACCEPTANCE CORPORATION

By: /s/ A. Alexander McLean III
A. Alexander McLean, III

Executive Vice President and CFO

Date: June 14, 2005