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FINANCIAL FEDERAL CORP
Form 10-K
October 28, 2003

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549-1004

FORM 10-K

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

For the fiscal year ended July 31, 2003

Commission file number 1-12006

FINANCIAL FEDERAL CORPORATION
(Exact name of Registrant as specified in its charter)

Nevada
(State of incorporation)

88-0244792
(I.R.S. Employer Identification No.)

733 Third Avenue, New York, New York 10017
(Address of principal executive offices)

Registrant's telephone number, including area code: (212) 599-8000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class -----	Name of exchange on which registered -----
Common Stock, \$.50 par value	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: None

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

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 Rule 12b-2 of the Securities Exchange Act of 1934. Yes No

The aggregate market value of the Common Stock of the Registrant held by non-affiliates of the Registrant on October 16, 2003 was \$561,283,915.20. The aggregate market value was computed by reference to the closing price of the Common Stock on the New York Stock Exchange on the prior day (\$32.96 per share). For the purposes of this response, executive officers and directors are deemed to be the affiliates of the Registrant and the holding by non-affiliates was computed as 17,029,245 shares. The number of shares of Registrant's Common Stock

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outstanding as of October 16, 2003 was 18,617,344 shares.

DOCUMENTS INCORPORATED BY REFERENCE

The Registrant's Definitive Proxy Statement for its Annual Meeting of Stockholders, to be held on December 9, 2003, which will be filed pursuant to Regulation 14A within 120 days of the close of Registrant's fiscal year, is incorporated by reference in answer to Part III of this Annual Report on Form 10-K.

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FINANCIAL FEDERAL CORPORATION AND SUBSIDIARIES

Annual Report on Form 10-K
for the year ended July 31, 2003

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PART I

Item 1. BUSINESS

The Company, incorporated under the laws of Nevada in 1989, is an independent nationwide financial services company with \$1.4 billion of assets at July 31, 2003. The Company finances industrial and commercial equipment through installment sales and leasing programs for manufacturers, dealers and end users of such equipment. The Company also makes capital loans to equipment users, secured by the same types of equipment and other collateral. The Company provides its services to middle-market businesses located throughout the nation, generally with annual revenues of up to \$25 million, in the general construction, road and infrastructure construction and repair, road transportation, waste disposal and manufacturing industries. The Company focuses on financing a wide range of new and used revenue-producing/essential-use equipment of major manufacturers that is movable, has an economic life longer than the term of the financing, is not subject to rapid technological obsolescence, has applications in multiple industries and has a relatively broad resale market. Equipment financed by the Company includes air compressors, bulldozers, buses, cement mixers, compactors, crawler cranes, earth-movers, excavators, generators, hydraulic truck cranes, loaders, machine tools, motor graders, pavers, personnel and material lifts, recycling equipment, resurfacers, rough terrain cranes, sanitation trucks, scrapers, trucks, truck tractors and trailers. Virtually all of the Company's finance receivables are secured by a first lien on such equipment collateral. The Company may expand the types of equipment collateral it finances and leases.

Available Information

The Company's website is www.financialfederal.com. The Company makes the following filings available in the Investor Relations section of its website as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission: Annual Report on form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports. These filings are also available free of charge.

Marketing

The Company markets its finance and leasing services through marketing personnel based in more than twenty domestic locations, including five full service operations centers. The Company originates finance receivables through relationships with equipment dealers and, to a lesser extent, manufacturers (collectively referred to as "vendors"). The Company also markets its services directly to equipment users for the acquisition or use of equipment and for capital loans. The Company does not use brokers to generate business. The Company's marketing personnel are full-time employees who are salaried rather

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than commission-based and the majority participate in the Company's stock option plans.

The Company's marketing activities are relationship and service oriented. The Company focuses on providing prompt, responsive and customized service to its customers and business prospects. The Company's marketing and managerial personnel solicit business from vendors and end users of equipment. The Company's marketing and managerial personnel have, on average, approximately twenty years of experience in the industries they serve. Management believes that the experience, knowledge and relationships of its executives and marketing personnel, related to the Company's customer and prospect base, equipment values, resale markets, and local economic and industry conditions, enable the Company to compete on the basis of prompt, responsive and customized service. The Company's customer services include making prompt credit decisions, arranging financing structures meeting customers' needs and the Company's underwriting criteria, providing direct contact between customers and Company executives with decision-making authority and providing prompt and knowledgeable responses to customers' inquiries and temporary issues encountered in the ordinary course of their business.

The Company obtains business in several ways. Dealers and, to a lesser extent, manufacturers of equipment refer their customers (equipment users) to the Company, or such customers directly approach the Company to finance equipment purchases. The Company also purchases installment sale contracts, leases and personal property security agreements from vendors who extend credit to purchasers of their equipment and the Company makes capital loans to equipment users. Customers seek capital loans to consolidate debt, provide working capital, reduce monthly debt service, enhance bonding capacity (generally in the case of road contractors) and acquire additional equipment or other assets. In addition, the Company leases equipment to end users, generally under noncancelable full-payout leases.

The Company has relationships with more than 100 vendors that are generally mid-sized, since larger vendors typically generate concentrations of business greater than the Company presently services. The Company is not obligated to purchase any finance receivables from vendors nor are vendors obligated to sell any finance receivables to the Company.

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The Company's vendor relationships are nonexclusive. The Company is not dependent on any single vendor. The Company independently approves the credit of prospective obligors for all vendor-generated business and uses its own documentation.

In order to expand its customer base and broaden its marketing coverage geographically, the Company has purchased portfolios of finance receivables from financial institutions, vendors and others generally in the range of \$1.0 million to \$15.0 million. These portfolios included finance receivables secured by a broader range of equipment than that typically financed directly by the Company.

Originating, Structuring and Underwriting of Finance Receivables

The Company originates finance receivables in amounts generally ranging from \$50,000 to \$1.0 million with fixed or floating interest rates and terms of two to five years. The Company's finance receivables provide for monthly payments and may include prepayment premium provisions. The average transaction size of finance receivables originated by the Company was \$209,000 in fiscal 2003, \$188,000 in fiscal 2002 and \$172,000 in fiscal 2001.

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The Company's underwriting policies and procedures are designed to maximize yields and minimize delinquencies and charge-offs. Unlike many of its competitors, the Company does not use credit scoring models but instead relies upon the experience of its credit officers and management to assess the creditworthiness of obligors and collateral values. Each credit submission, regardless of size, requires the approval of at least two credit officers.

The Company attempts to structure transactions to meet the financial needs of its customers. Transactions may be structured as installment sales, leases or secured loans. Structuring transactions includes arranging terms and the repayment schedule, determining rate and other fees and charges, identifying the primary and any additional equipment collateral to be pledged, and evaluating the need for additional credit support such as liens on accounts receivable, inventory and/or real property, certificates of deposit, commercial paper, payment guarantees, security deposits, delayed funding and full or partial recourse to the selling vendor and/or the principals/affiliates of the obligor.

A vendor seeking to finance a sale of equipment through the Company or an equipment user seeking to obtain financing directly from the Company must submit a credit application. The credit application includes financial and other information of the obligor and any guarantors and a description of the collateral to be pledged or leased and its present or proposed use. The Company's credit personnel analyze the credit application, investigate the credit of the obligor and any guarantors, evaluate the primary collateral to be pledged, investigate financial, trade and industry references and review the obligor's payment history. The Company may also obtain reports from independent credit reporting agencies and conduct lien, UCC, litigation, judgement, bankruptcy and tax searches. If the credit application is approved on terms acceptable to the vendor and/or the obligor, the Company either purchases an installment sale contract or lease from the vendor or enters into a finance or lease transaction directly with the equipment user. The Company funds the transaction upon receiving all required documentation in form and substance satisfactory to the Company and its legal department. Under the Company's documentation, the obligor/lessee is responsible for all applicable sales, use and property taxes.

The Company may obtain full or partial recourse on finance receivables assigned to the Company by vendors obligating them to pay the Company in the event of an obligor's default or a breach of warranty. The Company may also withhold an agreed upon amount from a vendor or obligor or obtain cash collateral as security.

The procedures used by the Company in purchasing a portfolio of finance receivables include reviewing and analyzing the terms of the finance receivables to be purchased, the credit of the related obligors, the documentation relating to such finance receivables, the value of the related pledged collateral, the payment history of the obligors and the implicit yield to be earned by the Company.

Collection and Servicing

Customer remittances of finance receivables are directed to bank lockboxes. Collection efforts for delinquent accounts are performed by collection personnel and managers in the respective operations centers in conjunction with senior management and, if necessary, the Company's legal department. Senior management reviews all past due accounts at least monthly. Decisions regarding collateral repossession and the sale or other disposition of repossessed collateral are made by the Company's senior management and legal staff.

Competition

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The Company's business is highly competitive. The Company competes with banks, manufacturer-owned and other finance and leasing companies, and other financial institutions including GE Capital Corp., CitiCapital, CIT and Wells

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Fargo. Some of the Company's competitors may be better positioned than the Company to market their services and financing programs due to their ability to offer additional services and products and more favorable rates and terms. Many of these competitors are larger, have longer operating histories, possess greater financial and other resources and may have lower costs of funds than the Company, enabling them to provide financing at rates lower than the Company may be willing to provide. The Company competes by emphasizing a high level of equipment and financial expertise, customer service, flexibility in structuring financing transactions, management involvement in customer relationships and by attracting and retaining the services of experienced managerial, marketing and administrative personnel. The Company's present strategy for attracting and retaining such personnel is to offer a competitive salary, an equity interest in the Company through participation in its stock plans and enhanced career opportunities.

Employees

At July 31, 2003, the Company employed 229 people. All employees and officers are salaried. The Company offers group health and life insurance benefits, a qualified 401(k) plan and Section 125 cafeteria plans. The Company does not match employee contributions to the 401(k) plan. There are no collective bargaining, employment, pension or incentive compensation arrangements other than deferred compensation agreements, stock option agreements, restricted stock agreements and the 2001 Management Incentive Plan and the 2002 Supplemental Retirement Benefit for the Chief Executive Officer. These agreements contain, without limitation, non-disclosure and non-solicitation provisions. The Company considers its relations with its employees to be satisfactory.

Regulation

The Company's commercial financing, lending and leasing activities are generally not subject to regulation, except that certain states may regulate motor vehicle transactions, impose licensing, documentation and lien perfection requirements, and/or restrict the amount of interest or finance rates and other amounts the Company may charge. The Company's failure to comply with such regulations, requirements or restrictions could result in loss of principal and interest or finance charges, penalties and imposition of restrictions on future business activities.

Executive Officers

Paul R. Sinsheimer, 56, has served as Chairman of the Board and Chief Executive Officer of the Company since December 2000, as President of the Company since September 1998, as an Executive Vice President of the Company from its inception in 1989 to September 1998 and as a director of the Company since its inception in 1989. From 1970 to 1989, Mr. Sinsheimer was employed by Commercial Alliance Corporation, where he served in various positions including Executive Vice President.

John V. Golio, 42, has served as an Executive Vice President of the Company since October 2001, as a Senior Vice President of the Company from 1997 through October 2001 and as a Vice President of the Company's major operating

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subsidiary and Branch Manager since joining the Company in January 1996. Before joining the Company, Mr. Golio was employed by Commercial Alliance Corporation and its successors in various capacities, including branch operations manager.

William M. Gallagher, 54, has served as a Senior Vice President of the Company since 1990, as Chief Credit Officer since 2002 and as a Vice President of the Company from its inception in 1989 to 1990. From 1973 to 1989, Mr. Gallagher was employed by Commercial Alliance Corporation, where he held various positions including Vice President and Branch Manager.

Troy H. Geisser, 42, has served as a Senior Vice President and Secretary of the Company since February 1996 and as General Counsel from 1996 to 2000. >From 1990 to 1996, Mr. Geisser held several positions, including Vice President of the Company's major operating subsidiary and Branch Manager. From 1986 to 1990, Mr. Geisser was employed by Commercial Alliance Corporation and its successors, where he held several positions including Northern Division Counsel.

Steven F. Groth, CFA, 51, has served as a Senior Vice President and Chief Financial Officer since joining the Company in September 2000. Before joining the Company, Mr. Groth was Senior Banker and Managing Director of Specialty Finance and Transportation with Fleet Bank since 1997 and, from 1985 to 1996, he held several positions, including Division Head, with Fleet Bank and its predecessor, NatWest Bank.

Angelo G. Garubo, 43, has served as a Vice President and General Counsel of the Company since April 2000. From 1990 to 2000, Mr. Garubo was a partner in the law firm Danzig, Garubo & Kaye where he represented the Company in various matters.

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David H. Hamm, CPA, 39, has served as a Vice President of the Company since October 2001 and as Controller and an Assistant Treasurer since joining the Company in 1996. From 1985 to 1996, Mr. Hamm was employed in the public accounting profession, including eight years with Eisner & Lubin LLP as an audit manager.

Item 2. PROPERTIES

The Company's executive offices are located at 733 Third Avenue, New York, New York and consist of approximately 5,000 square feet. At July 31, 2003, the Company had five full service operations centers (where credit analysis and approval, collection and marketing functions are performed) in Houston, Texas; Lisle (Chicago), Illinois; Teaneck (New York metropolitan area), New Jersey; Charlotte, North Carolina and Irvine (Los Angeles), California, consisting of approximately 4,000 to 15,000 square feet. The Company leases all of its office space. The leases terminate on various dates through fiscal 2007. Management believes that the Company's existing facilities are suitable and adequate for their present and proposed uses and that suitable and adequate facilities should be available on reasonable terms for any additional offices the Company may need to open.

Item 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the Company is a party or to which any of its property is subject.

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Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of fiscal 2003.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock trades on the New York Stock Exchange under the symbol "FIF." The quarterly high and low closing sales prices per share of the Common Stock as reported by the New York Stock Exchange follow:

	Price Range	
	High	Low
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Fiscal year 2003		

First Quarter ended October 31, 2002	\$34.70	\$27.90
Second Quarter ended January 31, 2003	\$29.42	\$24.21
Third Quarter ended April 30, 2003	\$25.96	\$17.95
Fourth Quarter ended July 31, 2003	\$30.30	\$22.40
Fiscal year 2002		

First Quarter ended October 31, 2001	\$28.38	\$23.74
Second Quarter ended January 31, 2002	\$31.25	\$24.25
Third Quarter ended April 30, 2002	\$35.17	\$29.25
Fourth Quarter ended July 31, 2002	\$35.98	\$25.99
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The Company has not paid or declared any cash dividends on its Common Stock. The Company may consider paying cash dividends on the Common Stock. The payment of cash dividends, if any, will depend upon the Company's earnings, financial condition, capital requirements, cash flow and long-range plans and such other factors deemed relevant by the Board of Directors.

Number of Record Holders

There were 88 holders of record of the Company's Common Stock at October 16, 2003. This amount included nominees that hold the Company's Common Stock on behalf of approximately 3,500 other persons and institutions in "Street Name."

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Item 6. SELECTED FINANCIAL DATA

Years Ended July 31,	2003	2002	2001	2000

Finance Receivables, Net	\$1,391,734	\$1,412,298	\$1,289,865	\$1,118,087
Total Assets	1,426,082	1,447,846	1,313,663	1,127,785

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Total Senior Debt	1,042,276	1,030,396	931,598	791,348
Stockholders' Equity	316,396	248,569	206,411	172,423
Finance Income	130,247	138,777	138,278	111,513
Interest Expense	43,534	51,007	64,397	52,205
Net Interest Margin	86,713	87,770	73,881	59,308
Net Earnings	30,088	37,068	31,616	26,722
Earnings per Common Share, Diluted	1.65	1.99	1.75	1.52
Earnings per Common Share, Basic	1.67	2.23	1.99	1.79

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In thousands, except per share amounts

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

OVERVIEW

Financial Federal Corporation is an independent financial services company operating through three wholly-owned subsidiaries. The Company does not have any unconsolidated subsidiaries, partnerships or joint ventures. The Company also does not have any off-balance sheet assets or liabilities and is not involved in any income tax shelters. The Company has one fully consolidated special purpose entity that it established for its asset securitization facility.

The Company provides collateralized lending, financing and leasing services nationwide to middle-market businesses in the general construction, road and infrastructure construction and repair, road transportation, waste disposal and manufacturing industries. The Company finances a wide range of new and used revenue-producing/essential-use equipment such as cranes, earth movers, machine tools, personnel lifts, trailers and trucks. The Company borrows from banks and insurance companies and issues commercial paper directly and indirectly to money market funds and other investors.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires management to make judgments, assumptions, and estimates that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Note 1 to the Consolidated Financial Statements describes the significant accounting policies and methods used in the preparation of the Consolidated Financial Statements. Estimates are used for, but not limited to, the accounting for the allowance for credit losses on finance receivables, impaired finance receivables, assets received to satisfy receivables and residual values on direct financing leases. The following critical accounting policies are impacted significantly by judgments, assumptions, and estimates used in the preparation of the Consolidated Financial Statements.

The allowance for credit losses on finance receivables is estimated by management based on total finance receivables, charge-offs, non-accrual/delinquent finance receivables and management's current assessment of the risks inherent in the Company's finance receivables from national and regional economic conditions, industry conditions, concentrations, the financial condition of counterparties (includes the obligor/lessee and other parties the Company may have recourse to such as equipment vendors/manufacturers and owners/affiliates of the obligor/lessee), equipment collateral values and other factors. Changes in the allowance level may be necessary based on unexpected changes in these factors.

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Impaired finance receivables are recorded at their current estimated net realizable value (if less than their carrying amount). Assets received to satisfy receivables are recorded at their current estimated fair value less selling costs (if less than their carrying amount). Management estimates these amounts based on expected cash flows and the prevailing market value and condition of the collateral. Adverse changes in the expected cash flows and market value and condition of the collateral would cause the Company to incur additional write-downs.

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The Company records residual values on its direct financing leases at the lowest of (i) any stated purchase option, (ii) the present value at the end of the initial lease term of rentals due under any renewal options or (iii) the estimated fair value of the equipment at the end of the lease. The Company may not be able to realize the full amount of the estimated residual value recorded due to subsequent adverse changes in equipment values which would cause the Company to incur a write-down.

RESULTS OF OPERATIONS

Comparison of Fiscal 2003 to Fiscal 2002

Net earnings decreased by 19% to \$30.1 million in fiscal 2003 from \$37.1 million in fiscal 2002. Excluding the \$1.7 million loss on the redemption of the Company's convertible debt in fiscal 2003 (\$1.1 million after-tax), net earnings decreased by 16% to \$31.2 million in fiscal 2003. The decrease was due to (i) a higher provision for losses on finance receivables, increased costs and reduced finance income resulting from a higher level of non-performing assets, (ii) the effects of continued low market interest rates and, to a lesser extent, (iii) increased costs of being a public company. These factors were partially offset by (i) the increase in average finance receivables outstanding, (ii) reduced interest expense from the conversion of \$35.0 million of debt into equity and, to a lesser extent, (iii) lower salary expense.

Finance income decreased by 6% to \$130.2 million in fiscal 2003 from \$138.8 million in fiscal 2002. The decrease resulted from the lower net yield of finance receivables from continued low market interest rates and, to a lesser extent, increased non-accrual finance receivables. These factors were partially offset by the 4% (\$57 million) increase in average finance receivables outstanding to \$1.425 billion in fiscal 2003 from \$1.368 billion in fiscal 2002.

Interest expense, incurred on borrowing used to fund finance receivables, decreased by 15% to \$43.5 million in fiscal 2003 from \$51.0 million in fiscal 2002. The decrease resulted from lower average market interest rates and the August 2002 debt conversion/redemption. These factors were partially offset by the 3% (\$32 million) increase in average debt outstanding (excluding the conversion of \$35.0 million of debt into equity).

Net finance income before provision for credit losses on finance receivables decreased by 1% to \$86.7 million in fiscal 2003 from \$87.8 million in fiscal 2002. Net finance income before provision for credit losses expressed as a percentage of average finance receivables outstanding ("net interest margin") decreased to 6.1% in fiscal 2003 from 6.3% in fiscal 2002. The decrease resulted from the effects of continued low market interest rates and the increase in non-accrual finance receivables. These factors were partially offset by the effect of the decrease in the Company's leverage.

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The provision for credit losses on finance receivables increased to \$12.0 million in fiscal 2003 from \$5.6 million in fiscal 2002 due to increased net charge-offs (write-downs of finance receivables less recoveries). The increase in net charge-offs resulted from higher amounts of non-performing assets, declining equipment values, a weak resale market and general economic conditions.

Salaries and other expenses increased by 11% to \$23.4 million in fiscal 2003 from \$21.0 million in fiscal 2002. The increase resulted from increased costs associated with higher amounts of non-performing assets and, to a lesser extent, increased costs of being a public company (includes internal and external audit costs, legal fees and insurance). These factors were partially offset by decreased salary expense due to the effect of work force reductions exceeding salary increases. Salaries and other expenses expressed as a percentage of average finance receivables outstanding ("expense ratio") increased to 1.6% in fiscal 2003 from 1.5% in fiscal 2002. The increase resulted from the increase in expenses, partially offset by the increase in average finance receivables outstanding.

The provision for income taxes decreased to \$19.5 million in fiscal 2003 from \$24.1 million in fiscal 2002 resulting from the decrease in earnings before income taxes. The Company's effective tax rate was 39.4% in fiscal 2003 and 2002.

Diluted earnings per share decreased by 17% to \$1.65 per share in fiscal 2003 from \$1.99 per share in fiscal 2002, and basic earnings per share decreased by 25% to \$1.67 per share in fiscal 2003 from \$2.23 per share in fiscal 2002. The percentage decrease in diluted earnings per share was lower than the percentage decrease in net earnings primarily due to the decrease in the number of dilutive shares outstanding from the August 2002 redemption of convertible debt. The percentage decrease in basic earnings per share was higher than the percentage decrease in net earnings primarily due to the issuance of 1.16 million shares of common stock from the August 2002 conversion of \$35.0 million of debt. Diluted and basic earnings per share for fiscal 2003, excluding the after-tax loss on redemption of convertible debt, were \$1.71 and \$1.74, respectively.

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Net earnings and diluted and basic earnings per share excluding the \$1.1 million after-tax loss on the redemption of convertible debt are non-GAAP financial measures. Management believes these amounts to be useful to investors in comparing the Company's current operating performance to past and future fiscal periods. The excluded loss resulted from the Company's redemption of its 4.5% convertible subordinated notes. The notes were redeemed to eliminate their dilutive effect. This was a non-recurring event.

Comparison of Fiscal 2002 to Fiscal 2001

Net earnings increased by 17% to \$37.1 million in fiscal 2002 from \$31.6 million in fiscal 2001 primarily due to lower market interest rates and growth in finance receivables, partially offset by the effects of higher net charge-offs and higher non-performing assets.

Finance income increased by less than 1% to \$138.8 million in fiscal 2002 from \$138.3 million in fiscal 2001. The increase was primarily due to the 11% (\$133 million) increase in average finance receivables outstanding to \$1.368 billion in fiscal 2002 from \$1.235 billion in fiscal 2001 offset by (i) the decrease in the net yield of finance receivables as a result of the decline in market interest rates since January 2001 and, to a lesser extent, (ii) an

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increase in the level of non-performing assets in fiscal 2002. Finance receivables originated in fiscal 2002 and in fiscal 2001 were \$805 million and \$736 million, respectively.

Interest expense decreased by 21% to \$51.0 million in fiscal 2002 from \$64.4 million in fiscal 2001. The decrease was primarily due to significantly lower average market interest rates in fiscal 2002, partially offset by the 11% (\$102 million) increase in average debt outstanding in fiscal 2002 from fiscal 2001.

Net finance income before provision for credit losses on finance receivables increased by 19% to \$87.8 million in fiscal 2002 from \$73.9 million in fiscal 2001. Net interest margin increased to 6.3% in fiscal 2002 from 6.0% in fiscal 2001. The increase was primarily due to the decline in market interest rates from January 2001 and, to a lesser extent, the decrease in the Company's leverage to 4.5 at July 31, 2002 from 5.0 at July 31, 2001.

The provision for credit losses on finance receivables increased by 13% to \$5.6 million in fiscal 2002 from \$5.0 million in fiscal 2001 primarily due to the increase in net charge-offs and the growth in finance receivables in fiscal 2002.

Salaries and other expenses increased by 23% to \$21.0 million in fiscal 2002 from \$17.1 million in fiscal 2001. The increase was primarily due to the increase in the number of marketing and administrative employees, salary increases and increased costs associated with higher non-performing assets. The expense ratio increased to 1.5% in fiscal 2002 from 1.3% in fiscal 2001. The increase resulted from the increase in expenses, partially offset by the increase in average finance receivables outstanding.

The provision for income taxes increased to \$24.0 million in fiscal 2002 from \$20.2 million in fiscal 2001 primarily due to the increase in earnings before income taxes and, to a lesser extent, the increase in the Company's effective tax rate to 39.4% in fiscal 2002 from 38.9% in fiscal 2001.

Diluted earnings per share increased by 14% to \$1.99 per share in fiscal 2002 from \$1.75 per share in fiscal 2001, and basic earnings per share increased by 12% to \$2.23 per share in fiscal 2002 from \$1.99 per share in fiscal 2001. The percentage increase in diluted earnings per share was lower than the percentage increase in net earnings primarily due to the effect that the convertible notes have on the diluted earnings per share calculation and the 23% increase in the average price of the Company's common stock in fiscal 2002. The percentage increase in basic earnings per share was lower than the percentage increase in net earnings primarily due to the increase in the number of outstanding shares of the Company's common stock resulting from the exercise of the Company's 1.6 million warrants in the second quarter of fiscal 2001.

RECEIVABLE PORTFOLIO AND ASSET QUALITY

Finance receivables outstanding decreased by 1% (\$21.0 million) to \$1.415 billion at July 31, 2003 from \$1.436 billion at July 31, 2002. Finance receivables comprise installment sale agreements and secured loans (collectively referred to as "loans") and investments in direct financing leases. At July 31, 2003, loans were 82% (\$1.159 billion) of finance receivables, and leases were 18% (\$256.8 million) of finance receivables.

Finance receivables originated in fiscal 2003 and 2002 were \$696 million

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and \$805 million, respectively. Finance receivables collected in fiscal 2003 and 2002 were \$694 million and \$650 million, respectively. Originations decreased due to general economic conditions.

The Company's underwriting policies and procedures require obtaining a first lien on equipment financed or ownership of equipment leased. The equipment financed/leased by the Company generally possesses certain characteristics that can mitigate losses. The equipment collateral typically has an economic life exceeding the term of the transaction, historically low levels of technological obsolescence, use in multiple industries, ease of access and transporting, and a broad, established resale market. The Company does not finance/lease aircraft and railcars, computer related equipment, fixtures and telecommunications equipment or equipment not located in the United States.

The Company has an allowance for credit losses on finance receivables on its balance sheet. The purpose of the allowance is to provide for any inherent losses at the balance sheet date. The allowance for credit losses was \$23.8 million at July 31, 2003 and \$24.2 million at July 31, 2002. The allowance level was 1.68% of finance receivables at July 31, 2003 and at July 31, 2002. Management periodically reviews the allowance to determine that its level is appropriate.

Net charge-offs of finance receivables (write-downs less recoveries) increased to \$12.4 million in fiscal 2003 from \$3.4 million in fiscal 2002. Net charge-offs, expressed as a percentage of average finance receivables outstanding ("loss ratio"), increased to 0.87% in fiscal 2003 from 0.24% in fiscal 2002. Write-downs are recorded on impaired finance receivables when all amounts contractually due are not expected to be collected from the combination of the obligor/lessee, any guarantor and the liquidation of the underlying collateral. Net charge-offs increased primarily due to a higher level of non-performing assets, declining equipment values, a weak resale market and general economic conditions.

Effective August 1, 2002, the Company accelerated the non-accrual classification of finance receivables. Finance receivables with a contractual payment 90 days or more past due are classified as non-accrual; the prior threshold was 120 days. This change did not have a significant impact on the Company's results of operations, financial position or cash flows. In addition, the Company has reclassified assets received to satisfy finance receivables (repossessed equipment) from finance receivables to other assets. The Company made these changes to conform to industry practice. Non-accrual finance receivables and repossessed equipment are presented below (\$ in millions):

July 31,	2003	2002
Non-accrual finance receivables*	\$ 42.9	\$ 29.4
Repossessed equipment	19.7	23.8
Total non-performing assets	\$ 62.6	\$ 53.2
Percentage of total finance receivables	4.4%	3.7%

*includes \$4.4 million (0.3% of total receivables) at July 31, 2003 arising from the acceleration of the non-accrual classification of finance receivables from 120 to 90 days.

Delinquent finance receivables (transactions with a contractual payment 60 or more days past due) were \$22.2 million (1.6% of total finance receivables) at July 31, 2003 compared to \$32.4 million (2.3% of total finance receivables) at July 31, 2002. Approximately half of the Company's non-accrual finance

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receivables at July 31, 2003 were not delinquent.

The Company's asset quality statistics in fiscal 2003, although having improved in the fourth quarter, continued to reflect weak economic and industry conditions and the effects of the war. These factors caused more customers to pay late, stop paying, declare bankruptcy or liquidate their businesses and also caused declines in equipment values. A continuation of these conditions could result in higher net charge-offs and non-performing assets. Increases in net charge-offs would have a negative effect on earnings through additional increases in the provision for credit losses and increases in non-performing assets would have a negative effect on earnings by reducing finance income and increasing charge-offs. Although net charge-offs have been increasing and may continue to increase, the current and expected levels are within current and historical industry experience.

Finance receivables reflect certain industry and geographic concentrations of credit risk. These concentrations arise from counterparties having similar economic characteristics that could cause their ability to meet their contractual obligations to be similarly affected by changes in economic or other conditions. At July 31, 2003, the major industry concentrations are construction related-38%, road transportation-32%, waste services-14% and manufacturing-11%. The regional geographic concentrations are Southeast-30%, Northeast-21%, Southwest-21%, West-15% and Central-13%.

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The Company limits its exposure with any single customer. At July 31, 2003, this limit was \$18.0 million. The Company's largest and ten largest customer(s) accounted for \$13.9 million (1%) and \$80.1 million (6%), respectively, of total finance receivables at July 31, 2003.

LIQUIDITY AND CAPITAL RESOURCES

The Company's operations and growth depend upon the continued availability of funds to originate or acquire finance receivables, to purchase portfolios of finance receivables and to repay maturing debt. The Company may obtain funds from many sources, including operating cash flow, private and public issuances of term debt, conduit and term securitizations of finance receivables, borrowings under committed unsecured revolving credit facilities, dealer placed and directly issued commercial paper and sales of common and preferred equity. Management believes that the Company's sources of liquidity are well diversified. The Company is not dependent on any single funding source or on any single credit provider. Management believes, but cannot assure, that sufficient liquidity is available to the Company to support its future operations and growth.

The senior term notes of the Company's major operating subsidiary are rated "BBB" by Fitch, Inc. ("Fitch", a Nationally Recognized Statistical Ratings Organization) and the subsidiary's commercial paper is rated "F-2" by Fitch. All of the Company's senior term notes and a majority of the Company's commercial paper were issued by the subsidiary. The Company's access to capital markets at competitive rates is partly dependent on these investment grade credit ratings. Fitch recently reaffirmed its ratings of the subsidiary with a positive outlook.

The debt agreements of the subsidiary contain certain restrictive covenants including limitations on indebtedness, encumbrances, investments, dividends and other distributions to the Company, sales of assets, mergers and other business combinations, capital expenditures, interest coverage and net worth. None of the debt agreements contain a material adverse change clause.

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Based on the minimum net worth requirements of these agreements, the amount of equity that the Company could distribute was indirectly limited to \$130.8 million at July 31, 2003.

Total debt decreased by 7% (\$81.6 million) to \$1.042 billion at July 31, 2003 from \$1.124 billion at July 31, 2002 and stockholders' equity increased by 27% (\$67.8 million) to \$316.4 million at July 31, 2003 from \$248.6 million at July 31, 2002. As a result, leverage (debt-to-equity ratio) decreased to 3.3 at July 31, 2003 from 4.5 at July 31, 2002. The decrease in debt and the increase in equity resulted from the conversion of \$35.0 million of debt into equity in August 2002 and net earnings of \$30.1 million in fiscal 2003.

Debt comprised the following (\$ in millions):

	July 31, 2003		July 31, 2002	
	Amount	Percent	Amount	Percent
Senior term notes	\$ 597.0	57%	\$ 510.0	46%
Asset securitization financings	325.0	31	225.0	20
Commercial paper	111.6	11	227.2	20
Borrowings under bank credit facilities	11.4	1	68.2	6
Subordinated debt	--	--	93.5	8
Total principal amount	1,045.0	100%	1,123.9	100%
Fair value adjustment of hedged debt	(2.7)		--	
Total debt	\$1,042.3		\$1,123.9	

The Company has decreased its short-term unsecured debt since fiscal 2001. Short-term unsecured debt has decreased from 43% of total debt at July 31, 2000 to 12% at July 31, 2003.

Senior Term Notes

In April 2003, the Company issued \$200.0 million of unsecured senior term notes to thirteen insurance companies. The Company received \$115.0 million in April 2003 and \$85.0 million in June 2003 (to match maturing debt). The Company used the proceeds to repay borrowings under bank credit facilities, commercial paper and maturing term debt. The notes include \$112.0 million of fixed rate notes and \$88.0 million of floating rate notes due at maturity as follows: \$155.0 million in April and June 2008 and \$45.0 million in April and June 2010.

In August 2002, the Company received the remaining \$100.0 million of its July 2002 issuance of \$200.0 million of fixed and floating rate unsecured senior term notes and used the proceeds to repay borrowings under bank credit facilities and commercial paper.

In fiscal 2003, the Company repaid \$203.0 million of unsecured senior term notes at maturity with proceeds from borrowings under bank credit facilities and new term debt. The Company also prepaid a 6.4% \$10.0 million unsecured senior term note at principal with proceeds from borrowings under bank credit

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facilities.

At July 31, 2003, the \$597.0 million of senior term notes outstanding comprised \$557.0 million of private placements and medium term notes with insurance companies and \$40.0 million of bank term loans. The weighted average maturity of the notes is 3.2 years (compared to 2.2 years at July 31, 2002) and the notes are due as follows (in millions):

Fiscal:	2004	2005	2006	2007	2008	2010
	\$ 92.0	\$102.8	\$ 90.8	\$ 72.2	\$194.2	\$ 45.0

Asset Securitization Financings

In August 2002, the Company borrowed \$100.0 million in the third transaction under its asset securitization facility that was established in July 2001. The Company used the proceeds to repay borrowings under bank credit facilities and commercial paper. The Company structured the terms of the facility so that any securitization proceeds are classified as debt and not as sales of receivables for financial reporting purposes. Therefore, the Company has not recorded any gains on sales of securitized receivables. At July 31, 2003, the Company had \$325.0 million of asset securitization financings accounted for as secured borrowings included in senior debt on its Consolidated Balance Sheet.

Borrowings under the securitization facility are limited to a minimum level of securitized receivables. When borrowings exceed the minimum level, the Company can repay the excess or securitize more receivables. The Company can securitize more receivables during the term of the facility. The facility expires March 27, 2004. The Company currently intends to renew the facility for another year. Upon the expiration of the facility, the Company can repay borrowings outstanding or convert them into term debt. The term debt would be repaid in monthly amounts equal to the collections of securitized receivables. Currently, the Company would exercise the conversion option if the facility was not renewed. Based on the contractual payments of the \$432.3 million of securitized receivables at July 31, 2003, the term debt would be fully repaid by July 2005.

The unsecured senior debt agreements of the Company's major operating subsidiary limit the amount of finance receivables that the subsidiary can securitize to 40% of its finance receivables outstanding, approximately \$559.0 million at July 31, 2003. Therefore, the Company could securitize an additional \$126.7 million of finance receivables at July 31, 2003. The amount that the Company can borrow under the securitization facility is limited to 94% of securitized receivables.

Commercial Paper

The Company issues commercial paper directly and through a \$350.0 million program. The Company's commercial paper is unsecured and matures within 270 days. The Company has not obtained commitments from any purchaser of its commercial paper for additional or future purchases. Increases in commercial paper are generally offset by decreases in bank and other borrowings, and vice versa.

Commercial paper outstanding at July 31, 2003 was \$111.6 million, a decrease of \$115.6 million from the \$227.2 million outstanding at July 31, 2002. The Company's current policy is to maintain committed revolving credit facilities from banks so that the aggregate amount available thereunder exceeds commercial paper outstanding.

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Bank Credit Facilities

At July 31, 2003, the Company had \$385.0 million of committed unsecured revolving credit facilities from ten banks (a \$40.0 million decrease from July 31, 2002). This includes \$200.0 million of facilities with original terms ranging from two to five years and \$185.0 million of facilities with an original term of one year. At July 31, 2003, \$11.4 million was outstanding, with a maturity of seven days, under a multi-year facility. These facilities range from \$5.0 million to \$50.0 million. The multi-year facilities expire as follows (in millions):

Fiscal:	2004	2005	2006
	\$65.0	\$75.0	\$60.0

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During fiscal 2003, the Company obtained \$50.0 million of additional credit facilities from a bank and renewed \$150.0 million of credit facilities with four banks. Also, \$90.0 million of credit facilities from six banks expired in fiscal 2003. At July 31, 2003, the Company had a commitment to obtain two new credit facilities from a bank totaling \$40.0 million.

These facilities provide the Company with a dependable, low-cost source of funds and support for its commercial paper program. The Company can borrow the full amount under each facility. None of the facilities are for commercial paper back-up only. These facilities may or may not be renewed upon expiration.

Information on the combined amounts of commercial paper and bank borrowings follows (in millions):

Fiscal:	2003	2002	2001
Maximum outstanding during the year	\$ 269.5	\$ 376.9	\$ 459.3
Average outstanding during the year	199.7	317.7	408.0
Outstanding at year end	123.0	295.4	287.9

Convertible Notes

In July 2002, the Company called its 4.5% convertible subordinated notes due in May 2005 for redemption. The redemption was completed in August 2002; \$56.2 million of the notes were redeemed for cash and \$35.0 million of the notes were converted into 1.16 million shares of the Company's common stock at the stated conversion price of \$30.15625 per share. The Company called the notes because they were an expensive form of financing considering their dilution and their cost relative to current market interest rates. The Company also had sufficient resources to call the notes from the July 2002 \$200.0 million debt issuance and the August 2002 \$100.0 million asset securitization financing. The Company paid a \$1.1 million prepayment premium equal to 1.93% of the principal amount of the notes redeemed for cash.

Stockholders' Equity

In fiscal 2003, the Company repurchased 55,000 shares of common stock for \$1.3 million through its repurchase program. At July 31, 2003, \$18.7 million was

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available under the program for future repurchases.

MARKET INTEREST RATE RISK AND SENSITIVITY

The Company's earnings are sensitive to fluctuations in market interest rates (includes LIBOR, rates on U.S. Treasury securities, money market rates and the prime rate). Changes in these rates affect the Company's finance income and interest expense. Generally, based on the current mix of fixed rate and floating rate finance receivables and debt, increases in rates would have a negative impact on earnings, and decreases in rates would have a positive impact on earnings because the Company has more floating rate and short-term debt than fixed rate term debt, and more fixed rate finance receivables than floating rate finance receivables. As a result, if market interest rates rise, the Company's borrowing costs would increase faster than the yield on its finance receivables. Conversely, if market interest rates decline, the Company's borrowing costs would decrease faster than the yield on its finance receivables. These effects would diminish over time. In addition, since the Company's interest earning assets exceed its interest bearing liabilities, eventually, lower market interest rates would reduce net earnings and higher rates would increase net earnings. These broad statements do not take into account the effects of economic and other conditions that could accompany interest rate fluctuations.

The net yield of finance receivables less the weighted average cost of borrowed funds represents the net interest spread, an important measure of a finance company's profitability. The net interest spread for fiscal 2003, 2002 and 2001 follow:

Years Ended July 31,	2003	2002	2001
Net yield of finance receivables	9.1%	10.1%	11.2%
Weighted average cost of borrowed funds	4.1	4.8	6.7
Net interest spread	5.0%	5.3%	4.5%

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The effect of continued low market interest rates started to reduce the Company's net interest spread in the second quarter of fiscal 2003. The Company expects the net interest spread to continue to decline because the net yield of finance receivables will decline (as new finance receivables are booked at rates that are lower than the rates on finance receivables collected) more than the Company's cost of funds.

The Company monitors and manages its exposure to market interest rate fluctuations through risk management procedures that include using certain derivative financial instruments and changing the proportion of its fixed rate term debt versus its floating rate and short term debt. The Company may use derivatives to hedge its exposure to interest rate risk on certain debt obligations. The Company does not use derivatives for speculation and the Company does not trade derivatives.

In fiscal 2003, the Company entered into interest rate swap agreements, with notional amounts totaling \$87.5 million, and designated them as fair value hedges of the fixed rate term notes issued in April 2003. Under the terms of the swaps, the Company receives fixed rates that are equal to the rates on the respective hedged notes and pays floating rates indexed to six-month LIBOR (1.10% at July 31, 2003) on the notional amounts. The swaps expire on the

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respective notes' maturity dates. The swaps effectively converted the fixed rate notes to floating rates. The swaps reduced interest expense by \$132,000 in fiscal 2003. Based on six-month LIBOR at July 31, 2003, the swaps would reduce annual interest expense by approximately \$2.0 million. The terms of the swaps follow (\$ in millions):

Issue Date	Expiration Date	Notional Amount	Receive Rate	July 31, 2003 Pay Rate
April 2003	April 2010	\$12.5	4.96%	2.42%
July 2003	April 2008	25.0	4.37	1.90
July 2003	June 2008	12.5	4.37	2.59
July 2003	June 2008	25.0	4.37	2.39
July 2003	June 2010	12.5	4.96	2.57

At July 31, 2003, \$1.326 billion (94%) of finance receivables were fixed rate and \$89.8 million (6%) were indexed to the prime rate. Finance receivables provide for monthly payments for periods of two to five years. The Company experiences some prepayments that accelerate the scheduled maturities of finance receivables. At July 31, 2003, \$481.0 million of fixed rate finance receivables are scheduled to mature within one year and the weighted average remaining maturity of fixed rate finance receivables is approximately 1.8 years.

At July 31, 2003, fixed rate term debt (as swapped) was \$319.0 million, or 31% of total debt outstanding. The Company's other debt, \$726.0 million, comprising commercial paper, bank borrowings, asset securitization financings and floating rate term notes, reprices as follows: \$410.1 million (56%) within one month; \$296.1 million (41%), within the following two months and the remainder, \$19.8 million (3%), within the following six months.

Fixed rate term debt (\$319.0 million) and stockholders' equity (\$316.4 million) totaled \$635.4 million at July 31, 2003. This represented 45% of total debt plus equity. Since fixed rate finance receivables exceeds this amount significantly, the Company's net interest spread would be affected by fluctuations in market interest rates. The Company does not match the maturities of its debt to its finance receivables.

Management periodically calculates the net earnings effect of a hypothetical, immediate 100 basis point (1.0%) increase in market interest rates. At July 31, 2003, such a hypothetical adverse change in rates would reduce annual net earnings by approximately \$2.4 million (8%) and would reduce the net interest spread by approximately 45 basis points (0.45%) to 4.6%. The 100 basis point increase is 57% of the weighted average interest rate on the Company's short-term and floating rate debt at July 31, 2003. Actual future changes in market interest rates may differ materially and their effect on net earnings may also differ materially due to changes in finance receivable and debt repricing structures. In addition, any other factors that may accompany an actual immediate 100 basis point increase in market interest rates were not considered in the calculation.

NEW ACCOUNTING STANDARDS

On August 1, 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," required debt

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extinguishment gains and losses to be classified as an extraordinary item. Due to the rescission of SFAS No. 4, the \$1.7 million loss the Company incurred on its August 2002 convertible debt redemption was reported as a separate item included in operating earnings instead of an extraordinary item net of income taxes.

In November 2002, the Financial Accounting Standards Board ("FASB") issued Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 requires a guarantor to record a liability for the fair value of its guarantees when issued and disclose them in detail in its interim and annual financial statements. The disclosure requirements are effective for financial statements of periods ending after December 15, 2002. The recognition and measurement provisions are applicable prospectively to guarantees issued or modified after December 31, 2002. The Company generally does not issue guarantees and did not have any material guarantees at July 31, 2003. Therefore, FIN No. 45 did not have a material impact on the Company's results of operations, financial position or cash flows.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure." SFAS No. 148 provides alternative methods of transition for a voluntary change to expense stock-based employee compensation and requires prominent disclosures in annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The required disclosures appear in Note 1 to the Consolidated Financial Statements. The Company does not currently plan to make a voluntary change to record expense for stock options.

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities--an interpretation of ARB No. 51." Variable interest entities often are created for a single specified purpose, for example, to facilitate securitization, leasing, hedging, research and development, reinsurance or other transactions or arrangements. FIN No. 46 requires certain variable interest entities to be consolidated by the primary beneficiary (the entity that will be at risk for a majority of the expected losses or receive a majority of the expected residual returns of the variable interest entity). FIN No. 46 applies to variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired on or prior to January 31, 2003, the Company is required to apply FIN No. 46 (as amended by FASB Staff Position No. FIN 46-6 issued in October 2003) on January 31, 2004. The Company consolidates fully one variable interest entity (a special purpose entity that it established for its asset securitization facility) under current accounting rules. The consolidation of this entity will not be affected by the adoption of FIN No. 46. The Company does not expect the adoption of FIN No. 46 will have a material impact on its results of operations or financial position.

FORWARD-LOOKING STATEMENTS

Certain statements in this document may include the words or phrases "can be," "expects," "may," "may affect," "may depend," "believe," "estimate," "intend," "could," "should," "would," "if" and similar words and phrases that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are subject to various known and unknown risks and uncertainties and the Company cautions you that any forward-looking information provided by or on its behalf is not a guarantee of future performance. The Company's actual results could differ materially from those anticipated by such forward-looking statements due to a number of factors, some of which are beyond the Company's control, including, without limitation, (i) the ability to obtain funding on acceptable terms, (ii) changes in the risks inherent in the Company's

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receivables portfolio and the adequacy of the Company's reserves, (iii) changes in market interest rates, (iv) changes in economic, financial, and market conditions, (v) changes in competitive conditions and (vi) the loss of key executives or personnel. Forward-looking statements apply only as of the date made and the Company is not required to update forward-looking statements for subsequent or unanticipated events or circumstances.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See Item 7, Market Interest Rate Risk and Sensitivity.

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Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Independent Auditors' Report

The Board of Directors and Shareholders
Financial Federal Corporation:

We have audited the consolidated balance sheets of Financial Federal Corporation and subsidiaries as of July 31, 2003 and 2002, and the related consolidated statements of stockholders' equity, income and cash flows for each of the two years in the period ended July 31, 2003. These 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. The consolidated statements of stockholders' equity, income and cash flows of Financial Federal Corporation and subsidiaries for the year ended July 31, 2001 were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated August 31, 2001.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Financial Federal Corporation and subsidiaries as of July 31, 2003 and 2002, and the results of their operations and their cash flows for each of the two years in the period ended July 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

New York, New York
September 30, 2003

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FINANCIAL FEDERAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)

July 31,	2003
ASSETS	
Finance receivables	\$ 1,415,489
Allowance for credit losses	(23,754)
Finance receivables - net	1,391,735
Cash	8,015
Other assets	26,332
TOTAL ASSETS	\$ 1,426,082
LIABILITIES	
Senior debt:	
Long-term (\$9,080 at July 31, 2003 and \$10,856 at July 31, 2002 due to related parties)	\$ 775,023
Short-term	267,253
Subordinated debt (\$2,231 at July 31, 2002 due to related parties)	--
Accrued interest, taxes and other liabilities	42,337
Deferred income taxes	25,073
Total liabilities	1,109,686
STOCKHOLDERS' EQUITY	
Preferred stock - \$1 par value, authorized 5,000 shares	--
Common stock - \$.50 par value, authorized 100,000 shares, shares issued and outstanding: 18,483 (net of 149 treasury shares) at July 31, 2003 and 17,372 (net of 137 treasury shares) at July 31, 2002	9,242
Additional paid-in capital	105,464
Retained earnings	201,690
Total stockholders' equity	316,396
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,426,082

The notes to consolidated financial statements are made a part hereof.

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FINANCIAL FEDERAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

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Common Stock - \$.50 Par Value				
	Shares	Par Value	Additional Paid-in Capital	Warrant
BALANCE AT JULY 31, 2000	14,958	\$ 7,479	\$ 58,785	\$ 2
Exercise of warrants	1,607	803	3,723	(2)
Common stock received in connection with exercise of warrants (held in treasury)	(137)	(68)	(789)	-
Employee stock plans:				
Shares issued	112	56	1,003	-
Compensation recognized	--	--	76	-
Other	--	--	123	-
Net earnings	--	--	--	-
BALANCE AT JULY 31, 2001	16,540	8,270	62,921	
Employee stock plans:				
Shares issued	832	416	2,809	-
Compensation recognized	--	--	1,473	-
Tax benefits	--	--	369	-
Other	--	--	23	-
Net earnings	--	--	--	-
BALANCE AT JULY 31, 2002	17,372	8,686	67,595	
Conversion of subordinated debt	1,159	580	34,437	-
Repurchases of common stock (43 shares retired and 12 shares held in treasury)	(55)	(27)	(562)	-
Employee stock plans:				
Shares issued	140	70	1,249	-
Shares canceled	(133)	(67)	67	-
Compensation recognized	--	--	2,546	-
Tax benefits	--	--	132	-
Net earnings	--	--	--	-
BALANCE AT JULY 31, 2003	18,483	\$ 9,242	\$ 105,464	\$

The notes to consolidated financial statements are made a part hereof.

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FINANCIAL FEDERAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS
(In thousands, except per share amounts)

Years Ended July 31,	2003	2002	2001
Finance income	\$130,247	\$138,777	\$138,278
Interest expense	43,534	51,007	64,397

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Net finance income before provision for credit losses on finance receivables	86,713	87,770	73,881
Provision for credit losses on finance receivables	11,950	5,600	4,975
Net finance income	74,763	82,170	68,906
Salaries and other expenses	23,391	21,028	17,139
Loss on redemption of convertible debt	1,737	--	--
Earnings before income taxes	49,635	61,142	51,767
Provision for income taxes	19,547	24,074	20,151
NET EARNINGS	\$ 30,088	\$ 37,068	\$ 31,616
EARNINGS PER COMMON SHARE:			
Diluted	\$ 1.65	\$ 1.99	\$ 1.75
Basic	\$ 1.67	\$ 2.23	\$ 1.99

The notes to consolidated financial statements are made a part hereof.

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FINANCIAL FEDERAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

Years Ended July 31,	2003	
Cash flows from operating activities:		
Net earnings	\$ 30,088	\$
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Provision for credit losses on finance receivables	11,950	
Depreciation and amortization	17,717	
Loss on redemption of convertible debt	1,737	
Deferred income taxes	(5,482)	
Increase in other assets	(3,473)	
(Decrease) increase in accrued interest, taxes and other liabilities	(4,783)	
Other	132	
Net cash provided by operating activities	47,886	
Cash flows from investing activities:		
Finance receivables originated	(696,300)	(8

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Finance receivables collected	694,282	6

Net cash used in investing activities	(2,018)	(1)

Cash flows from financing activities:		
Commercial paper - maturities 90 days or less, net increase (decrease)	(106,415)	
Commercial paper - maturities greater than 90 days:		
Proceeds	81,284	
Repayments	(90,475)	
Bank borrowings - net increase (decrease)	(56,785)	
Proceeds from asset securitization financings	100,000	1
Proceeds from senior term notes issued	300,000	1
Repayments of senior term notes	(213,000)	
Redemptions of subordinated debt	(59,598)	
Proceeds from exercise of stock options	1,319	
Proceeds from exercise of warrants	--	
Repurchases of common stock	(1,275)	

Net cash provided by (used in) financing activities	(44,945)	1

NET INCREASE (DECREASE) IN CASH	923	
Cash - beginning of year	7,092	

CASH - END OF YEAR	\$ 8,015	\$
=====		
Supplemental disclosures of cash flow information:		
Interest paid	\$ 47,121	\$
=====		
Income taxes paid	\$ 22,130	\$
=====		

The notes to consolidated financial statements are made a part hereof.

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FINANCIAL FEDERAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

NOTE 1 - Summary of Significant Accounting Policies

Description of Business

Financial Federal Corporation (the "Company") provides collateralized lending, financing and leasing services nationwide to middle-market businesses in the general construction, road and infrastructure construction and repair, road transportation, manufacturing and waste disposal industries. The Company lends against, finances and leases a wide range of new and used revenue-producing/essential-use equipment such as cranes, earth movers, machine tools, personnel lifts, trailers and trucks.

Principles of Consolidation

The consolidated financial statements include the accounts of Financial Federal Corporation and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

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Finance Receivables

Finance receivables comprise loans and other financings and noncancelable leases. All leases are accounted for as direct financing leases, where total lease payments, plus any residual values, less the cost of the leased equipment is recorded as unearned finance income. Residual values are recorded at the lowest of (i) any stated purchase option, (ii) the present value at the end of the initial lease term of rentals due under any renewal options or (iii) the estimated fair value of the equipment at the end of the lease.

Effective August 1, 2002, the Company classified assets received to satisfy finance receivables (repossessed equipment) as other assets. Prior to August 1, 2002, the Company classified these assets as finance receivables. Certain prior year amounts were reclassified to reflect this change.

Income Recognition

Finance income is recognized over the term of receivables using the interest method. Income recognition is suspended on finance receivables that are considered impaired (full collection of principal and interest being doubtful) by management. This typically occurs when (i) a contractual payment is more than 90 days past due, (ii) the counterparty becomes the subject of a bankruptcy proceeding or (iii) the underlying collateral is being liquidated. Income recognition may be resumed when management believes that full collection of all amounts contractually due is probable. Any collections on impaired receivables are first applied to the recorded investment.

Effective August 1, 2002, the Company accelerated the non-accrual classification of finance receivables. Finance receivables with a contractual payment 90 days or more past due are classified as non-accrual; the prior threshold was 120 days. This change did not have a significant impact on the Company's results of operations and increased non-accrual finance receivables by \$4,443 at July 31, 2003 and by \$2,377 at August 1, 2002.

Allowance for Credit Losses

A general provision for credit losses on finance receivables is charged against income in an amount to increase the allowance for credit losses to a level that management considers appropriate. The allowance is a significant estimate that management determines based on total finance receivables, net charge-offs, non-accrual/delinquent finance receivables and its current assessments of the risks inherent in the Company's finance receivables from national and regional economic conditions, industry conditions, concentrations, the financial condition of counterparties (includes the obligor/lessee and other parties the Company may have recourse to such as equipment vendors/manufacturers and owners/affiliates of the obligor/lessee), equipment collateral values and other factors. Changes in the allowance level may be necessary based on unexpected changes in these factors.

Impaired finance receivables are written-down by a charge to the allowance for credit losses when all amounts contractually due are not expected to be collected from the combination of the obligor/lessee, any guarantor and the liquidation of the underlying collateral. Write-downs subsequently recovered are credited to the allowance. Assets received to satisfy finance receivables are initially written-down to their current estimated fair value less selling costs by a charge to the allowance for credit losses and any subsequent write-downs and recoveries are reflected in operating income.

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Stock-Based Compensation

The Company adopted the disclosure-only provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," and therefore applies Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees," and related Interpretations to account for its stock options. Under APB No. 25, compensation expense is not recorded for stock options granted with an exercise price at least equal to the stock's market price on the grant date. Since the exercise price of all of the Company's stock options equaled the stock's market price on the respective grant dates, compensation expense has not been recorded. The Company records compensation expense for stock awards based on the stock's market price on the grant date and the vesting period. If the expense recognition provisions of SFAS No. 123 were applied, compensation expense would have been recorded for stock options based on their fair value computed with an option-pricing model. The effect on net earnings and earnings per share had the Company recorded compensation expense using the fair value method under SFAS No. 123 follows:

Years Ended July 31,	2003	2002	2001
Net earnings, as reported	\$ 30,088	\$ 37,068	\$ 31,616
Add: Compensation expense recorded for stock awards (after-tax)	1,568	910	47
Deduct: Total stock-based compensation expense determined under fair value based method for all awards (after-tax)	(3,536)	(3,113)	(1,838)
----- Pro forma net earnings	\$ 28,120	\$ 34,865	\$ 29,825
Diluted earnings per common share:			
As reported	\$ 1.65	\$ 1.99	\$ 1.75
Pro forma	1.55	1.90	1.67
Basic earnings per common share:			
As reported	\$ 1.67	\$ 2.23	\$ 1.99
Pro forma	1.56	2.09	1.88

The Company estimated the following weighted average grant date fair values for options granted using the Black-Scholes option-pricing model based on the following assumptions:

Years Ended July 31,	2003	2002	2001
Weighted average grant date fair value	\$ 7.02	\$ 8.89	\$ 8.88
Assumptions:			
Weighted average risk-free interest rate	2.5%	3.3%	4.8%
Expected stock price volatility rate	38%	37%	37%
Weighted average expected life of options granted (in years)	3.9	4.2	4.5

=====

Earnings Per Common Share

Basic earnings per share is net earnings divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share is net earnings plus the after-tax interest cost of dilutive convertible debt, divided by the weighted average number of common shares plus potential common shares from the assumed conversion of dilutive securities outstanding during the period. Dilutive securities comprise stock options, restricted stock, stock units, convertible notes and warrants.

Income Taxes

Deferred tax assets and liabilities are recognized for the estimated future tax effects of temporary differences between the financial statement and tax return bases of assets and liabilities using enacted tax rates. Deferred tax expense is the net change in deferred tax assets and liabilities during the year. The Company is not a party to any income tax shelters.

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Derivative Financial Instruments

The Company uses derivative financial instruments to manage its exposure to the effects of changes in market interest rates on its debt. The Company does not use derivatives for speculation and the Company does not trade derivatives. The fair value of derivatives is recorded as an asset or liability and any changes in fair value are recorded in earnings. For derivatives designated as a fair value hedge, the hedged asset or liability is recorded at fair value (to the extent of the change in the fair value of the derivative) and any changes in fair value are recorded in earnings. The changes in fair value of the derivative designated as a fair value hedge and the hedged asset or liability will offset in correlation to the effectiveness of the hedging relationship. If certain conditions are met, these changes will offset exactly.

Derivatives designated as a hedge must be linked to a specific asset, liability or firm commitment and the risk management objective and strategy must be documented at inception of the hedging relationship as well as the method to be used to determine the effectiveness/ineffectiveness of the hedging relationship.

New Accounting Standards

On August 1, 2002, the Company adopted SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," required debt extinguishment gains and losses to be classified as an extraordinary item. Due to the rescission of SFAS No. 4, the \$1,737 loss the Company incurred on its August 2002 convertible debt redemption (see Note 3) was reported as a separate item in operating earnings instead of an extraordinary item net of income taxes.

In November 2002, the Financial Accounting Standards Board ("FASB") issued Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 requires a guarantor to record a liability for the fair value of its guarantees when issued and disclose them in detail in its interim and annual financial statements. The disclosure requirements are effective for

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financial statements of periods ending after December 15, 2002. The recognition and measurement provisions are applicable prospectively to guarantees issued or modified after December 31, 2002. The Company generally does not issue guarantees and did not have any material guarantees at July 31, 2003. Therefore, FIN No. 45 did not have a material impact on the Company's results of operations, financial position or cash flows.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation--Transition and Disclosure." SFAS No. 148 provides alternative methods of transition for a voluntary change to expense stock-based employee compensation and requires prominent disclosures in annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The required disclosures appear in the above Stock-Based Compensation section. The Company does not currently plan to make a voluntary change to record expense for stock options.

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities--an interpretation of ARB No. 51." Variable interest entities often are created for a single specified purpose, for example, to facilitate securitization, leasing, hedging, research and development, reinsurance or other transactions or arrangements. FIN No. 46 requires certain variable interest entities to be consolidated by the primary beneficiary (the entity that will be at risk for a majority of the expected losses or receive a majority of the expected residual returns of the variable interest entity). FIN No. 46 applies to variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired on or prior to January 31, 2003, the Company is required to apply FIN No. 46 (as amended by FASB Staff Position No. FIN 46-6 issued in October 2003) on January 31, 2004. The Company consolidates fully one variable interest entity (a special purpose entity that it established for its asset securitization facility) under current accounting rules. The consolidation of this entity will not be affected by the adoption of FIN No. 46. The Company does not expect the adoption of FIN No. 46 will have a material impact on its results of operations or financial position.

Use of Estimates

The consolidated financial statements and the notes thereto were prepared in accordance with generally accepted accounting principles which require significant estimates and assumptions to be made by management that affect the amounts reported therein. Actual results could differ significantly from those estimates.

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NOTE 2 - Finance Receivables

Finance receivables comprise installment sale agreements and secured loans (including line of credit arrangements), collectively referred to as loans, with fixed or floating (indexed to the prime rate) interest rates, and investments in direct financing leases, as follows:

July 31,	2003	2002
Loans:		
Fixed rate	\$ 1,073,158	\$ 1,009,285
Floating rate	85,532	100,548
Total loans	1,158,690	1,109,833

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Direct financing leases	256,799	326,636

Finance receivables	\$ 1,415,489	\$ 1,436,469
=====		

Direct financing leases comprised the following:

July 31,	2003	2002

Minimum lease payments receivable	\$ 247,856	\$ 332,541
Residual values	48,813	55,996
Unearned finance income	(39,870)	(61,901)

Direct financing leases	\$ 256,799	326,636
=====		

Finance receivables generally provide for monthly installments of equal or varying amounts with terms ranging from two to five years. Annual contractual maturities of finance receivables at July 31, 2003 are as follows:

	Fixed	Floating	Direct
Fiscal Year Due:	Rate Loans	Rate Loans	Financing

2004	\$ 386,146	\$38,117	\$101,452
2005	304,584	20,583	70,196
2006	208,102	14,313	45,188
2007	109,180	11,715	22,496
2008	46,627	743	6,026
Thereafter	18,519	61	2,498

Total	\$1,073,158	\$85,532	\$247,856
=====			

The weighted average interest rates on fixed rate loans were 8.8% and 9.6% at July 31, 2003 and 2002, respectively.

The activity of the allowance for credit losses is summarized as follows:

Years Ended July 31,	2003	2002	2001

Beginning balance	\$ 24,171	\$ 21,938	\$ 19,048
Provision	11,950	5,600	4,975
Write-downs	(13,876)	(6,546)	(4,170)
Recoveries	1,509	3,179	2,085

Ending balance	\$ 23,754	\$ 24,171	\$ 21,938

Percentage of finance receivables	1.68%	1.68%	1.66%

Net charge-offs *	\$ 12,367	\$ 3,367	\$ 2,085

Loss ratio **	0.87%	0.24%	0.17%
=====			

* write-downs less recoveries

** net charge-offs over average finance receivables

Non-performing assets comprise finance receivables classified as

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non-accrual (income recognition has been suspended) and assets received to satisfy finance receivables (repossessed equipment) as follows:

July 31,	2003	2002
Finance receivables classified as non-accrual	\$42,910	\$29,374
Assets received to satisfy finance receivables	19,666	23,788
Non-performing assets	\$62,576	\$53,162

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Finance receivables classified as non-accrual included impaired loans (excludes direct financing leases) of \$33,745 at July 31, 2003 and \$19,108 at July 31, 2002. The average recorded investment in impaired loans was \$31,429 in 2003, \$20,471 in 2002 and \$12,192 in 2001. At July 31, 2003, the allowance for credit losses included \$750 that was specifically allocated to \$6,222 of impaired finance receivables.

The Company also provides commitments to extend credit. These commitments contain off-balance sheet risk. The Company uses the same credit policies and procedures in providing these commitments as it does for finance receivables. At July 31, 2003 and 2002, the unused portion of these commitments was \$8,624 and \$5,636, respectively.

The Company manages its exposure to the credit risk associated with its finance receivables through established credit policies and procedures that include obtaining a first lien on the primary equipment collateral. The Company focuses on lending against, financing and leasing equipment that has an economic life exceeding the term of the receivable, is not subject to rapid technological obsolescence, has applications in multiple industries, is easily accessible and movable and has a broad, established resale market. The Company may also obtain additional equipment or other collateral, third-party guarantees, advanced payments and/or hold back a portion of the amount financed.

The Company's finance receivables have certain concentrations of credit risk. Concentrations of credit risk arise when counterparties have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Company does not have a significant concentration of credit risk with any counterparty. The major concentrations of credit risk, grouped by the industries and geographic regions of counterparties, expressed as a percentage of finance receivables, follow:

July 31,	2003	2002	July 31,	2003	2002
Industry:			Geographic region:		
Construction related	38%	38%	Southeast	30%	31%
Road transportation	32	29	Northeast	21	22
Waste services	14	14	Southwest	21	19
Manufacturing	11	14	West	15	16
			Central	13	12

NOTE 3 - Debt

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Debt is summarized as follows:

July 31,	2003	2002
Senior debt:		
Fixed rate term notes (as swapped):		
4.37%-5.92% due 2005-2008	\$ 74,500	\$ 17,500
6.23%-6.98% due 2005-2008	112,500	131,250
7.05%-7.73% due 2004	65,000	170,000
8.50%-8.89% due 2004-2005	67,000	105,000

Total fixed rate term notes	319,000	423,750
Floating rate term notes due 2004-2010	278,000	86,250

Total term notes	597,000	510,000
Asset securitization financings	325,000	225,000
Commercial paper	111,561	227,166
Bank borrowings	11,445	68,230

Total senior debt	1,045,006	1,030,396

Subordinated debt:		
4.5% convertible subordinated notes	--	91,188
8.0% subordinated debentures due 2003	--	2,290

Total subordinated debt	--	93,478
Total principal amount	1,045,006	1,123,874

Fair value adjustment of hedged debt	(2,730)	--

Total debt	\$ 1,042,276	\$1,123,874

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Senior Term Notes

In April 2003, the Company issued \$200,000 of unsecured senior term notes. The notes include \$112,000 of fixed rate notes with a weighted average rate of 4.5% and \$88,000 of notes indexed to three-month LIBOR with a weighted average rate of 2.4% at July 31, 2003. The notes are due at maturity as follows: \$155,000 in five years and \$45,000 in seven years. The floating rate notes cannot be prepaid for eighteen or twenty-four months after issuance (based on their respective term) and thereafter can be prepaid without penalty. Shortly after issuance, \$87,500 of the fixed rate notes were swapped to floating rates (see Note 4).

In August 2002, the Company received the remaining \$100,000 of its July 2002 issuance of \$200,000 of unsecured senior term notes. The notes include \$112,500 of fixed rate notes and \$87,500 of floating rate notes. The notes are due at maturity as follows: \$55,500 in three years, \$76,000 in four years and \$68,500 in five years. The floating rate notes cannot be prepaid for twelve to eighteen months after issuance (based on their respective term) and thereafter can be prepaid without penalty.

Interest on fixed rate notes is generally payable semi-annually. Interest rates on floating rate notes are indexed to LIBOR and generally change every thirty to ninety days. Prepayments of fixed rate notes are subject to a premium based on yield maintenance formulas. The weighted average interest rates on

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fixed rate notes (as swapped) were 6.8% and 7.3% at July 31, 2003 and 2002, respectively. The weighted average interest rates on floating rate notes were 2.4% and 2.9% at July 31, 2003 and 2002, respectively.

At July 31, 2003, \$97,000 remained available for future issuances of term notes under the Company's September 2000 Medium Term Note Program.

Asset Securitization Financings

The Company established an asset securitization facility in July 2001. The Company structured the facility to account for securitization proceeds as secured borrowings on its consolidated balance sheets and not as sales of receivables. Therefore, no gains on sales of securitized receivables are recorded. The Company borrowed \$100,000 in August 2002, \$100,000 in December 2001 and \$125,000 in July 2001 under the facility. The secured borrowings are without recourse to the Company.

The terms of the facility provide for committed revolving financing for a one year term that, if not renewed prior to the current expiration date of March 27, 2004, can be converted into term debt at the Company's option. Upon the expiration of the facility, the Company can either repay borrowings outstanding or convert them into term debt. The term debt would be repaid monthly in amounts equal to the collections of securitized receivables. Currently, the Company would exercise the conversion option if the facility was not renewed. Based on the contractual payments of securitized receivables at July 31, 2003, the term debt would be fully repaid by July 2005.

The unsecured senior debt agreements of the Company's major operating subsidiary limit the amount of finance receivables that the subsidiary can securitize to 40% of its finance receivables outstanding, \$559,000 at July 31, 2003. Therefore, the Company could securitize an additional \$126,672 of finance receivables at July 31, 2003. The amount that the Company can borrow under the securitization facility is limited to 94% of securitized receivables.

Finance receivables include \$432,328 and \$265,301 of securitized receivables at July 31, 2003 and 2002, respectively. The weighted average interest rates on borrowings outstanding at July 31, 2003 and 2002 were 1.3% and 1.8%, respectively. The weighted average interest rates on borrowings outstanding during the years ended July 31, 2003, 2002 and 2001 were 1.6%, 2.2% and 4.0%, respectively. The interest rates change monthly.

Commercial Paper

The Company issues commercial paper with a maximum term of 270 days. The weighted average interest rates on commercial paper outstanding at July 31, 2003 and 2002 were 1.5% and 2.2%, respectively. The weighted average interest rates on commercial paper outstanding during the years ended July 31, 2003, 2002 and 2001 were 1.9%, 2.7% and 6.3%, respectively.

Bank Borrowings

At July 31, 2003, the Company had \$385,000 of committed unsecured revolving credit facilities with various banks expiring as follows: \$250,000 within one year and \$135,000 on various dates from August 2004 through April 2006. The Company generally incurs a fee on the unused portion of these facilities. Borrowings under these credit facilities generally mature between one and ninety days and bear interest based on domestic money market rates or LIBOR, at the Company's option. The weighted average interest rates on

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borrowings outstanding at July 31, 2003 and 2002 were 1.6% and 2.4%, respectively. The weighted average interest rates on borrowings outstanding during the years ended July 31, 2003, 2002 and 2001 were 1.9%, 2.8% and 6.0%, respectively.

Subordinated Debt

In July 2002, the Company called its 4.5% convertible subordinated notes due in May 2005 for redemption. The redemption was completed in August 2002; \$56,223 of the notes were redeemed for cash and \$34,965 of the notes were converted into 1,159,000 shares of the Company's common stock at the stated conversion price of \$30.15625 per share. The Company paid a \$1,085 prepayment premium equal to 1.93% of the principal amount of the notes redeemed for cash. The premium, combined with the expensing of unamortized deferred debt issuance costs (which were being amortized over the term of the notes), resulted in a \$1,737 pre-tax loss.

In October 2002, the Company prepaid its 8.0% subordinated debentures due March 2003 for their principal amount.

Other

The debt agreements of the Company's major operating subsidiary contain certain restrictive covenants including limitations on the subsidiary's indebtedness, encumbrances, investments, dividends and other distributions to the Company, sales of assets, mergers and other business combinations, capital expenditures, interest coverage and net worth. None of the debt agreements contain a material adverse change clause. Based on the minimum net worth requirements of these agreements, the amount of equity that the Company could distribute was indirectly limited to approximately \$130,800 at July 31, 2003.

Long-term senior debt comprised the following:

July 31,	2003	2002
Term notes	\$ 505,000	\$277,000
Bank borrowings and commercial paper supported by bank credit facilities expiring after July 31, 2004 and July 31, 2003, respectively	123,006	185,000
Asset securitization financings	149,747	115,841
Fair value adjustment of hedged debt	(2,730)	--
Total long-term senior debt	\$ 775,023	\$577,841

Long-term senior debt at July 31, 2003 matures as follows:

Fiscal:	2005	2006	2007	2008	2010
	\$312,773	\$150,750	\$72,250	\$194,250	\$45,000

The fair value adjustment on hedged debt is the difference between the principal amount and fair value of the fixed rate term notes that were swapped to floating rates. The adjustment represents changes in the fair value of the hedged debt from changes in the swap rate. The fair value adjustment was

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recorded as a reduction of long-term senior debt and equals the fair value of the interest rate swaps recorded as an other liability.

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NOTE 4 - DERIVATIVES

In 2003, the Company entered into interest rate swap agreements, with notional amounts totaling \$87,500, and designated them as fair value hedges of the fixed rate term notes issued in April 2003. Under the terms of the swaps, the Company will receive fixed rates equal to the rates of the respective hedged notes and will pay floating rates indexed to six-month LIBOR on the notional amount. The swaps expire on the respective notes' maturity dates. The swaps effectively converted the fixed rate notes to floating rates and were structured to allow the use of the "short-cut" method of measuring hedge effectiveness. As a result, there is no hedge ineffectiveness from the swaps. The fair value of the swaps at July 31, 2003 was a liability of \$2,730.

The terms of the swaps and related information at July 31, 2003 follow:

Issue Date	Expiration Date	Notional Amount	Receive Rate	Pay Rate	Fair Value
April 2003	April 2010	\$12,500	4.96%	2.42%	\$ 453
July 2003	April 2008	25,000	4.37	1.90	196
July 2003	June 2008	12,500	4.37	2.59	528
July 2003	June 2008	25,000	4.37	2.39	837
July 2003	June 2010	12,500	4.96	2.57	716
Total		\$87,500			\$2,730

NOTE 5 - STOCKHOLDERS' EQUITY

The Company established a common stock repurchase program in August 1996 and expanded the program in August 1998 to include repurchases of its convertible notes. As of July 31, 2003, the Company repurchased 415,000 shares of common stock (477,000 shares as adjusted for stock splits) at a total cost of \$8,009, and \$8,800 principal amount of convertible notes at a total cost of \$7,151. In 2002, the Company increased the amount available under the program by \$13,383. In 2003, the Company repurchased 43,000 shares of common stock in the open market at an average price of \$24.44 per share and received 12,000 shares from certain officers (at an average price of \$18.71 per share) to satisfy the minimum income tax withholding resulting from the vesting of their restricted stock. At July 31, 2003, \$18,724 was available under the program for future repurchases.

In 2001, the Company and the majority of its warrant holders amended the warrant agreements for the purchase of the Company's common stock. The amendment permitted the warrant holders to exercise their warrants with previously owned common stock of the Company in lieu of cash.

In 2001, after the amendment, all of the Company's 1,607,000 outstanding warrants were exercised. The total proceeds to the Company were \$4,497

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(1,125,000 warrants at an exercise price of \$2.83 per warrant and 482,000 warrants at an exercise price of \$2.72 per warrant). The Company received \$1,114 and 137,000 shares of its common stock at an average market value of \$24.70 per share.

NOTE 6 - STOCK PLANS

The Company's 1998 Stock Option/Restricted Stock Plan (the "1998 Plan"), was approved by the Company's stockholders in December 1998. The 1998 Plan, as amended in February 2002 to include restricted stock grants, provides for 2,500,000 incentive or non-qualified stock options or shares of restricted stock to be granted to the Company's officers, other employees and directors. The 1998 Plan expires in September 2008. The Company's prior stock option plan expired in September 1999. Under the plans, the exercise price of an incentive stock option may not be less than the fair market value of the common stock on the date granted and the term of an incentive stock option is limited to ten years.

Options outstanding at July 31, 2003 were generally granted with terms of five or six years and generally vest (become exercisable) over periods of three to five years. At July 31, 2003, 1,004,000 shares of common stock were available for future grants of stock options and restricted stock.

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Stock option activity and related information is summarized as follows:

	Options (in thousands)	Weighted Average Exercise Price
Outstanding at July 31, 2000	1,040	\$16.92
Granted	661	23.32
Exercised	(135)	11.75
Canceled	(8)	19.46
Outstanding at July 31, 2001	1,558	20.06
Granted	517	26.09
Exercised	(242)	14.58
Canceled	(81)	22.44
Outstanding at July 31, 2002	1,752	22.49
Granted	94	21.85
Exercised	(116)	15.87
Canceled	(344)	23.24
Outstanding at July 31, 2003	1,386	22.81
Exercisable at July 31:		
2003	504	\$20.34
2002	352	19.10
2001	375	17.05

The exercise prices of options outstanding at July 31, 2003 ranged from \$18.63 to \$28.85. Additional information by price range follows:

Price Range	Over \$23	Under \$23

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Outstanding:		
Number (in thousands)	862	524
Weighted average exercise price	\$ 24.92	\$ 19.36
Weighted average remaining contractual life (in years)	4.4	3.5
Exercisable:		
Number (in thousands)	102	402
Weighted average exercise price	\$ 23.88	\$ 19.45
=====		

In 2002, the Company established a Supplemental Retirement Benefit ("SERP") for its Chief Executive Officer ("CEO"). Under the SERP, the CEO was granted 100,000 stock units (representing an equivalent number of shares of common stock) that will vest evenly over eight years. In 2010, subject to certain forfeiture provisions, the CEO will receive 100,000 shares of common stock.

In 2001, the Company established a Management Incentive Plan ("MIP") for its CEO. The MIP was approved by the Company's stockholders in December 2001. Under the MIP, the CEO can be awarded shares of restricted stock, in addition to a cash bonus, if the Company achieves certain performance goals. The total number of shares of restricted stock that can be awarded under the MIP is 500,000. The CEO received 50,000 and 30,000 shares of restricted stock in 2002 and 2001, respectively. In 2002, the CEO was also awarded 50,000 shares of restricted stock subject to certain performance goals for 2003. Based on the Company's operating results for fiscal 2003, the CEO received 34,000 of these shares in 2003 and 16,000 shares were forfeited. In 2003, the CEO deferred receipt of 18,000 shares of vested restricted stock. As a result, these shares were converted into stock units. At July 31, 2003, 386,000 shares of restricted stock were available for future awards.

Restricted stock activity under the 1998 Plan and the MIP and related information follow (shares in thousands):

	2003	2002	2001
Years Ended July 31,			
=====			
Granted	40	545	56
Vesting period (in years)	8	8	4
Forfeited	115	2	--
Vested	78	14	--
=====			

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The restricted stock agreements and the SERP provide for full acceleration of vesting upon the occurrence of certain events including a sale of the Company, the officer's death or disability and qualifying terminations of employment. These awards are expensed on a straight-line basis over their respective vesting periods based on the price of the common stock on the dates granted. Compensation expense recorded for these awards was \$2,546 in 2003, \$1,473 in 2002 and \$76 in 2001.

NOTE 7 - EARNINGS PER COMMON SHARE

Earnings per common share ("EPS") was calculated as follows (in thousands, except per share amounts):

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Years Ended July 31,	2003	2002	2001
Net earnings (used for basic EPS)	\$30,088	\$37,068	\$31,616
Effect of convertible securities	115	2,894	2,883
Adjusted net earnings (used for diluted EPS)	\$30,203	\$39,962	\$34,499
Weighted average common shares outstanding (used for basic EPS)	17,975	16,645	15,895
Effect of dilutive securities:			
Stock options *	224	424	302
Restricted stock/stock units	35	27	--
Convertible notes	124	3,024	3,024
Warrants	--	--	542
Adjusted weighted average common shares and assumed conversions (used for diluted EPS)	18,358	20,120	19,763
Net earnings per common share:			
Diluted	\$ 1.65	\$ 1.99	\$ 1.75
Basic	\$ 1.67	\$ 2.23	\$ 1.99

* excludes 370 options in 2003 and 52 options in 2001 that were antidilutive (would have increased EPS because their exercise price exceeded the average price of the common stock)

NOTE 8 - INCOME TAXES

The provision for income taxes comprised the following:

Years Ended July 31,	2003	2002	2001
Currently payable:			
Federal	\$ 20,912	\$18,788	\$15,223
State	4,117	3,818	2,810
Total	25,029	22,606	18,033
Deferred	(5,482)	1,468	2,118
Provision for income taxes	\$ 19,547	\$24,074	\$20,151

Net tax benefits resulting from stock options and restricted stock reduced taxes currently payable and increased additional paid-in capital by \$132 in 2003, \$369 in 2002 and \$118 in 2001.

Income taxes computed at statutory federal rates are reconciled to the provision for income taxes as follows:

Years Ended July 31,	2003	2002	2001
Federal at statutory rates	\$17,372	\$21,400	\$18,118
State taxes (net of federal tax benefit)	2,015	2,674	2,033
Non-deductible interest accrued on debt			

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converted to equity	160	--	--
-----	-----	-----	-----
Provision for income taxes	\$19,547	\$24,074	\$20,151
=====	=====	=====	=====

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Deferred income taxes comprised the tax effect of the following temporary differences:

=====	=====	=====
July 31,	2003	2002
-----	-----	-----
Deferred tax liabilities:		
Leasing transactions	\$ 28,554	\$ 35,039
Finance income and other	7,304	6,611
-----	-----	-----
Total	35,858	41,650
-----	-----	-----
Deferred tax assets:		
Allowance for credit losses	(9,070)	(9,338)
Other	(1,715)	(1,757)
-----	-----	-----
Total	(10,785)	(11,095)
-----	-----	-----
Deferred income taxes	\$ 25,073	\$ 30,555
=====	=====	=====

NOTE 9 - SALARIES AND OTHER EXPENSES

Salaries and other expenses comprised the following:

=====	=====	=====	=====
Years Ended July 31,	2003	2002	2001
-----	-----	-----	-----
Salaries and employee benefits	\$11,404	\$11,716	\$ 9,714
Other expenses	11,987	9,312	7,425
-----	-----	-----	-----
Total	\$23,391	\$21,028	\$17,139
=====	=====	=====	=====

NOTE 10 - LEASE COMMITMENTS

The Company occupies office space under leases expiring through 2007. At July 31, 2003, minimum future annual rentals due under these leases are \$929 in 2004, \$752 in 2005, \$694 in 2006 and \$325 in 2007. Office rent expense was \$1,232 in 2003, \$1,446 in 2002 and \$1,208 in 2001.

NOTE 11 - FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company's financial instruments comprise cash, finance receivables (excluding leases), commitments to extend credit, debt and interest rate swaps. The following methods were used to estimate the fair value of these financial instruments.

The carrying values of cash, commercial paper, bank borrowings and asset securitization financings approximated their fair values based on their

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short-term maturities. Interest rate swaps are recorded at fair value based on market quotes obtained from the swap counterparties.

The fair value of the senior term notes was approximately \$609,200 at July 31, 2003 and \$521,900 at July 31, 2002, compared to their carrying amounts of \$597,000 at July 31, 2003 and \$510,000 at July 31, 2002. Fair value was computed based on the future cash flows of the notes discounted at current interest rates for debt with similar terms and maturities.

The fair value of the 4.5% convertible notes was \$92,947 at July 31, 2002, equal to their principal amount of \$91,188 plus the call premium. The carrying value of the 8.0% subordinated debentures was estimated to approximate their fair value at July 31, 2002 based on their future cash flows discounted at current rates for debt with a similar term and maturity.

It is not practicable for the Company to estimate the fair value of its finance receivables and commitments to extend credit. These financial instruments comprise a substantial number of transactions with commercial obligors in numerous industries, are secured by liens on various types of equipment and may be guaranteed by third parties. Any difference between the carrying value and the fair value of each transaction would be affected by a potential buyer's assessment of the transaction's credit quality, collateral value, third-party guarantee(s), payment history, yield, maturity, documentation and other legal matters, and many other subjective considerations of the buyer. In addition, the value received in a fair market sale of a transaction would be based on the terms of the sale, the documentation governing such sale, the Company's and the buyer's views of general economic conditions, industry dynamics, the Company's and the buyer's tax considerations, and numerous other factors. Information pertinent to estimating the fair value of finance receivables is presented in Note 2.

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NOTE 12 - SELECTED QUARTERLY DATA (UNAUDITED)

	Revenues	Net Earnings	Earnings per Share	
			Diluted	Basic
Fiscal 2003, three months ended:				
October 31, 2002	\$34,971	\$8,273	\$0.45	\$0.47
January 31, 2003	33,278	8,320	0.46	0.46
April 30, 2003	30,692	6,585	0.36	0.36
July 31, 2003	31,306	6,910	0.38	0.38
Fiscal 2002, three months ended:				
October 31, 2001	\$34,633	\$8,832	\$0.48	\$0.53
January 31, 2002	34,589	9,222	0.50	0.56
April 30, 2002	34,188	9,406	0.50	0.56
July 31, 2002	35,367	9,608	0.51	0.57

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND

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FINANCIAL DISCLOSURE

On June 6, 2002, the Board of Directors, on the recommendation of the Audit Committee, appointed the firm of KPMG LLP as the Company's independent public accountants for the fiscal year ending July 31, 2002 and dismissed Arthur Andersen LLP ("Andersen") who have subsequently ceased operations. Andersen's report on the financial statements of the Company for fiscal 2001 did not contain any adverse opinion or disclaimer of opinion nor was it in any way qualified or modified as to uncertainty, audit scope or accounting principles.

The decision to change accountants was recommended by management and approved by the Audit Committee of the Board of Directors as well as the full Board.

During fiscal 2001, and the interim period preceding the dismissal, there were not any disagreements between the Company and Andersen on any matter of accounting principles or practices, financial statement disclosure or audit scope or procedure. The Company has never been advised by Andersen that internal controls necessary for the Company to develop reliable financial statements do not exist or that any information has come to the attention of Andersen which would have caused it not to be able to rely on management's representations or that has made Andersen unwilling to be associated with the financial statements prepared by management. Andersen has not advised the Company of any need to significantly expand the scope of its audit or that information has come to their attention that upon further investigation may materially impact on the fairness or reliability of a previously issued audit report or financial statements issued or to be issued or which would cause them to be unwilling to rely on management's representations or be associated with the Company's financial statements.

Andersen has not advised the Company of any information which they concluded materially impacts upon the fairness or reliability of either a previously issued audit report, underlying financial statements or the financial statements issued or to be issued since the last financial statements covered by an audit report.

Item 9A. CONTROLS AND PROCEDURES

- a. Evaluation of disclosure controls and procedures. The Company's Chief Executive Officer and Chief Financial Officer have conducted an evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) of the Securities Exchange Act of 1934) as of the end of the period covered by this report and each has concluded that such disclosure controls and procedures were effective as of such date to ensure that information required to be disclosed in the Company's reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.
- b. Changes in internal controls. There were no significant changes in the Company's internal controls over financial reporting that occurred during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

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Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by Item 10 is incorporated by reference from the information in the Registrant's Definitive Proxy Statement to be filed pursuant to Regulation 14A for its Annual Meeting of Stockholders to be held December 9, 2003, except as to biographical information on Executive Officers that is contained in Item 1 of this Annual Report on Form 10-K.

The Company adopted a code of ethics that applies to its principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions. The code of ethics is posted on the investor relations section of the Company's website; www.financialfederal.com. The Company intends to satisfy the disclosure requirement under Item 10 of Form 8-K regarding an amendment to, or waiver from, a provision of this code of ethics by posting such information on the website.

Item 11. EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated by reference from the information in the Registrant's Definitive Proxy Statement to be filed pursuant to Regulation 14A for its Annual Meeting of Stockholders to be held December 9, 2003.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Equity Compensation Plan Information

Equity compensation plan category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted average exercise price of outstanding options (b)	Number remaining future equity plan securities (c)
Approved by security holders	1,386,445	\$ 22.81	
Not approved by security holders	--	--	
Total	1,386,445	\$ 22.81	

(1) Amount includes 1,004,049 stock options or shares of restricted stock available for future issuance under the Company's Amended and Restated 1998 Stock Option/Restricted Stock Plan and 385,550 shares of restricted stock available for future issuance under the Company's 2001 Management Incentive Plan.

Other information required by Item 12 is incorporated by reference from the information in the Registrant's Definitive Proxy Statement to be filed pursuant to Regulation 14A for its Annual Meeting of Stockholders to be held December 9, 2003.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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The information required by Item 13 is incorporated by reference from the information in the Registrant's Definitive Proxy Statement to be filed pursuant to Regulation 14A for its Annual Meeting of Stockholders to be held December 9, 2003.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 is incorporated by reference from the information in the Registrant's Definitive Proxy Statement to be filed pursuant to Regulation 14A for its Annual Meeting of Stockholders to be held December 9, 2003.

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PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Documents filed as part of this report:

1. INDEX TO FINANCIAL STATEMENTS FILED AS PART OF THIS REPORT:

	Page

Independent Auditors' Report	16
Consolidated Balance Sheets as at July 31, 2003 and 2002	17
Consolidated Statements of Stockholders' Equity for the fiscal years ended July 31, 2003, 2002 and 2001	18
Consolidated Income Statements for the fiscal years ended July 31, 2003, 2002 and 2001	19
Consolidated Statements of Cash Flows for the fiscal years ended July 31, 2003, 2002 and 2001	20
Notes to Consolidated Financial Statements	21-32

The report of the Company's predecessor accountant (Arthur Andersen LLP) for the fiscal year ended July 31, 2001 follows:

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders
Financial Federal Corporation

We have audited the accompanying consolidated balance sheet of Financial Federal Corporation and subsidiaries as of July 31, 2001 and the related consolidated statements of stockholders' equity, operations and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated balance sheet of Financial Federal Corporation as of July 31, 2000 and the related statements of stockholders' equity, operations and cash flows for each of the two years in the period ended July 31, 2000 were audited by other auditors whose report dated August 31, 2000 expressed an unqualified opinion on those statements.

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We conducted our audit in accordance with auditing standards generally accepted in the 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Financial Federal Corporation and subsidiaries as of July 31, 2001 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP

New York, New York
August 31, 2001

The above report is a copy of the previously issued Andersen accountants' report. This report has not been re-issued by Andersen.

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2. EXHIBITS

Exhibit No.	Description of Exhibit

3.1	(a) Articles of Incorporation of the Registrant
3.2	(a) By-laws of the Registrant
3.3	(a) Form of Restated and Amended By-laws of the Registrant
3.4	(f) Certificate of Amendment of Articles of Incorporation dated December 9, 1998
3.5	(f) Restated By-laws of the Registrant as amended through December 30, 1998
3.6	(g) Restated By-laws of the Registrant as amended through March 7, 2000
4.8	(c) Indenture dated January 14, 1998 for Credit's Rule 144A Medium Term Note Program
4.12	(d) Specimen Common Stock Certificate
4.13	(h) Indenture dated September 20, 2000 for Financial Federal Credit Inc.'s \$200 million Rule 144A Medium Term Note program
10.8	(a) Form of Commercial Paper Note issued by the Registrant
10.9	(a) Form of Commercial Paper Note issued by Credit
10.10	(a) Stock Option Plan of the Registrant and forms of related stock option agreements
10.21	(b) Form of Commercial Paper Dealer Agreement of Credit
10.22	(b) Form of Deferred Compensation Agreement with certain officers as filed under the Top Hat Plan with the Department of Labor
10.25	(e) Amended and Restated 1998 Stock Option/Restricted Stock Plan of the Registrant
10.26	(g) Deferred Compensation Agreement dated March 7, 2000 between the Registrant and Clarence Y. Palitz, Jr.
10.27	(h) 2001 Management Incentive Plan for the Chief Executive

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- Officer ("CEO") of the Registrant
- 10.28 (h) Form of Restricted Stock Agreement dated February 27, 2001 between the Registrant and its CEO
 - 10.29 (h) Form of Restricted Stock Agreement dated February 27, 2001 between the Registrant and certain of its senior officers
 - 10.30 (i) Form of Restricted Stock Agreement dated March 1, 2002 between the Registrant and its CEO
 - 10.31 (i) Form of Restricted Stock Agreement dated March 1, 2002 between the Registrant and certain of its senior officers
 - 10.32 (j) Supplemental Retirement Benefit dated June 4, 2002 between the Registrant and its CEO
 - 10.33 (k) Agreement to Defer Restricted Stock dated February 26, 2003 between the Registrant and its CEO
 - 10.34 (k) Agreement to Defer Restricted Stock dated February 26, 2003 between the Registrant and its CEO
 - 12.1 * Computation of Debt-To-Equity Ratio
 - 21.1 * Subsidiaries of the Registrant
 - 23.1 * Independent Auditors consent from KPMG LLP
 - 23.2 * Disclosure in lieu of consent from Arthur Andersen LLP
 - 31.1 * Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002
 - 31.2 * Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes Oxley Act of 2002
 - 32.1 * Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes Oxley Act of 2002
 - 32.2 * Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes Oxley Act of 2002

* Filed herewith.

Previously filed with the Securities and Exchange Commission as an exhibit to the Company's:

-
- (a) Registration Statement on Form S-1 (Registration No. 33-46662).
 - (b) Form 10-K for the fiscal year ended July 31, 1996.
 - (c) Form 10-Q for the quarter ended January 31, 1998.
 - (d) Registration Statement on Form S-3 (Registration No. 333-56651).
 - (e) Registration Statement on Form S-8 (Registration No. 333-50962).
 - (f) Form 10-Q for the quarter ended January 31, 1999.
 - (g) Form 10-Q for the quarter ended January 31, 2000.
 - (h) Form 10-Q for the quarter ended April 30, 2001.
 - (i) Form 10-Q for the quarter ended April 30, 2002.
 - (j) Form 10-K for the fiscal year ended July 31, 2002.
 - (k) Form 10-Q for the quarter ended January 31, 2003.

(b) Reports on Form 8-K

The Company filed a report on Form 8-K dated June 10, 2003 reporting, under Item 9 (pursuant to Item 12), the announcement of earnings for the third fiscal quarter ended April 30, 2003.

SIGNATURES

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

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FINANCIAL FEDERAL CORPORATION
(Registrant)

By: /s/ Paul R. Sinsheimer

Chairman of the Board, Chief Executive
Officer and President

October 24, 2003

Date

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Lawrence B. Fisher

Director

October 24, 2003

Date

/s/ William C. MacMillen, Jr.

Director

October 24, 2003

Date

/s/ Michael C. Palitz

Director

October 24, 2003

Date

/s/ Thomas F. Robards

Director

October 24, 2003

Date

/s/ H. E. Timanus, Jr.

Director

October 24, 2003

Date

/s/ Stephen D. Weinroth

Director

October 24, 2003

Date

/s/ Steven F. Groth

Senior Vice President and Chief Financial
Officer (Principal Financial Officer)

October 24, 2003

Date

/s/ David H. Hamm

Vice President and Controller (Principal
Accounting Officer)

October 24, 2003

Date