



# 2016

**ANNUAL REPORT**

**INVESTING IN THE COMMUNITY**

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# MANAGING DIRECTOR'S STATEMENT

The company has enjoyed another very successful year and while many of you have been kind enough to join us at our annual presentations in the past, with the increase in investors, we now have the enviable problem of finding larger venues to accommodate everyone at a single winter venue. Consequently, we have elected to provide a written report now and hold a larger summer function in each island to which we will invite our investors and supporters.

As you are aware the monies you have invested in our Loan Note companies are used to fund the loans which Cherry Godfrey makes to its thousands of customers. The lending

business has had a very successful year with good growth in the volume of lending and a continuation of very low levels of bad debt which are exceptional when viewed against bad debt levels typical in many other lending businesses.

As at 31st December 2016 we have circa £48m of secured loan related assets and have seen no increase in our bad debt level which stands at circa 0.28%.

This is in fact a small decrease on the bad debt level at this time last year and is, we believe, a result of our continued careful lending policies and ongoing effective management of customer loans.



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# MANAGING DIRECTOR'S STATEMENT CONTINUED

We have always taken the view that there is no benefit in lending to customers who may have difficulty in repaying loans and that when we do experience a problem with a loan our ongoing monitoring identifies this very quickly and we work with the customer to try and remedy any issues.

The total number of loans now stands at 11,000 with an average value of £4300. Demand for loans has continued to grow which we believe reflects our continued focus on providing our customers with a high quality, transparent and fair service. We have continued to apply the same strict lending criteria that we have always used to seek to ensure the quality of our lending

book. We will not at any point be looking to grow the size of our lending activity by taking on loans which have a higher risk profile than our traditional business.

Our auditors have continued to provide quarterly oversight of the assets, which of course adds to the security for the Loan Notes. I am pleased to report that they have raised no issues in any of their reports. Our security arrangements with the Loan Note trustees JTC continue as before.

You will be able to see further on in this report a reminder of the Loan Note structure which reflects the security arrangements.



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# MANAGING DIRECTOR'S STATEMENT CONTINUED

During the year our first Loan Note has been fully redeemed and closed, the second Loan Note is currently fully subscribed at £30m and the third Loan Note has circa £10m currently invested.

In the latter part of 2016 we initiated our plans to commence lending in the Isle of Man where our research has shown that there is a very similar lending market to that in Guernsey and Jersey. We expect to be able to replicate our lending activity in the Isle of Man with a similar prudent approach to that lending and to create a high quality loan book similar to our current Channel Island book. We have now established our business in the Isle of Man and have moved into new premises in Douglas, where we have completed the recruitment of two experienced directors for the business. We are already receiving Isle of Man business and expect to commence working with a major retail business in a similar arrangement to that which we have with Airtel Vodafone in Guernsey and Jersey. We have launched a fourth Loan Note in the Isle of Man which will be utilised to provide funding for the new lending business in the Isle of Man and for ongoing Channel Island business.

Overall this has been a very good year for our lending business and we

know from investors comments that the returns we are providing continue to meet their expectations. We fully expect to see 2017 be a continuation of the 2016 business trends, with the Isle of Man starting to add further high quality lending business.

I would like to thank investors for their continued support and if any investor requires any further information please do not hesitate to contact me.

We look forward to seeing you at our summer function.



David Cherry,  
Group Managing Director

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**148**

**NEW LOAN NOTES  
ISSUED IN 2016**



**528**

**NUMBER OF  
INVESTORS**



**493**

**TOTAL LOAN NOTES  
ESTABLISHED**

## **THE LOAN NOTES**



**£39,076,000**

**VALUE OF ESTABLISHED LOAN NOTES**

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# 2016 FINANCIAL HIGHLIGHTS

Annual income generated from lending activities is in line with projections, up by 68% from £2.6 million to £4.4 million, for the year.

In the same period our arrears' ratio for bad debt has improved to record lows of 0.28%.

This is significantly below Cherry Godfrey's long term average bad debt ratio of 1.35%.

Our financial modelling has been based upon this 1.35% average.

We continue to focus on the quality of our key credit assessment functions, due diligence, underwriting and internal monitoring to ensure future performance.



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**£48,117,000**

**TOTAL VALUE OF SECURED ASSETS\***

\* (Customer Loans, plus Cash at bank minus Bad Debt)



**11,347**

**NUMBER OF LOANS  
UNDER MANAGEMENT**

**£117,068**

**BAD DEBT**



**0.28%**

**BAD DEBT AS %**



**5,561**

**LOANS WRITTEN  
IN 2016**

**THE LOAN  
PORTFOLIO**



**£4,342**

**AVERAGE ADVANCE TO  
CUSTOMER IN 2016**

**£24,146,000**

**LOAN AMOUNT ADVANCED IN 2016**



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# THE LOAN PORTFOLIO

We have maintained steady growth in the direct sales of customer loans with a small reduction being seen in dealer introduced loans.

The majority of loans are made to longstanding customers. We also continue to seek more introductions from Retail Business Partners.

We are a member of the UK CCTA (Consumer Credit Trading Association), and are participating in the GFSC Lending, Credit & Finance Review Project.





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# OUR CORE PRINCIPLES

As you would expect, we take our responsibility to our investors, our customers and the regulators very seriously. As one of the Channel Island Primary Lenders for over 20 years, our overriding business principles remain unchanged.





## **WE WILL**

- **Value our customers and treat them fairly**
- **Ensure our customers can afford their loans by understanding their circumstances and capacity**
- **Embrace technology to aid our decision making process**
- **Provide an environment and atmosphere where a client can approach us and expect to be treated with consideration and fairness**



## **WE WON'T**

- **Provide sub prime (high risk/cost) products**
  - **Provide any form of Pay Day Loan**
  - **Knowingly overcommit our customers**
  - **Turn away a customer seeking help**
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## OUR FUTURE

We have seen excellent growth in income throughout the year and look forward to projected trends exceeding this in 2017.

As part of our planning for 2017, we have established a new retail operation in the Isle of Man which has just opened for business in February, with premises, staffing, regulatory and licensing all in place with the invaluable help of the Isle of Man Economic Development Department.

In anticipation of our growth, we have appointed a further two new Directors – Mr Colin Mitchell and Mr Chris Hall in the Isle of Man. Both having extensive banking, retail and compliance experience gained over successful careers at the forefront of banking and utility businesses.



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# ISLE OF MAN

We expect to replicate our highly successful Airtel Vodafone business model with a major Isle of Man utility company which will provide access to a lending market of potentially a further 65,000 customers using our tried and tested business model.



**65,000**  
**POTENTIAL CUSTOMERS**





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# ISLE OF MAN LOAN NOTE FOUR

The Loan Note was launched in the Isle of Man in January 2016.

Investment terms, coupon and security will be the same as those published for our current Loan Note Three product.

JTC continue to provide custody by way of a Trust Agreement with Grant Thornton continuing to provide Quarterly Audit reports to the Trustee. Requirements for Entry into Loan Note Four is a minimum of £50,000.





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# REMINDER OF THE CORPORATE STRUCTURE AND THE PROVISION OF SECURITY

Initially your invested funds are cleared through the banking system into the relevant consumer funding companies. From there, the funds move to Cherry Godfrey Finance who provide and manage consumer loans for clients.

All loans provided by Cherry Godfrey Finance to our customers are immediately assigned to the Trustee under the security arrangement. Likewise, all related bank accounts are also assigned to the Trustee.

It is from interest earned on the loans that your interest return is generated and the related costs of running the Loan Notes are met.

The Auditors carry out a quarterly review of the loan structure. In the event of default, the Auditors will instruct the Trustee to take full management control of the assets for the protection of investors.





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# ADVISORS

Babbé continue to provide oversight for the legal aspect of each Channel Island Loan Note with Cains providing legal services in the Isle of Man.

JTC, one of the Channel Islands' largest Trust companies, are responsible for holding the assets on behalf of Investors.

Grant Thornton provide External Audit on a quarterly basis ensuring that assets under trust always exceed funds invested.



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For more information, call 01481 711666 or 01624 711666 email [investment@cherrygodfrey.com](mailto:investment@cherrygodfrey.com)  
This information does not constitute an offer, or an invitation to purchase securities. Investors should not purchase or subscribe for any securities referred to in this publication except on the basis of information contained in the prospectus which is available to download at [www.cherrygodfrey.com/investment](http://www.cherrygodfrey.com/investment). Investment in any Cherry Godfrey Consumer Funding company is not a deposit. Investment in any Cherry Godfrey Consumer Funding company does not fall within the scope of any Banking Deposit Compensation Scheme in Guernsey, Jersey or the Isle of Man and accordingly any loss of investment in any Cherry Godfrey Consumer Funding company is not eligible for compensation under those schemes. Issued by Cherry Godfrey Consumer Funding Limited reg no 55041, Cherry Godfrey Consumer Funding II Limited reg no 55039, Cherry Godfrey Consumer Funding III Limited reg no 55040, Cherry Godfrey Consumer Funding (IOM) Ltd reg no 013752V. Contact [investment@cherrygodfrey.com](mailto:investment@cherrygodfrey.com)