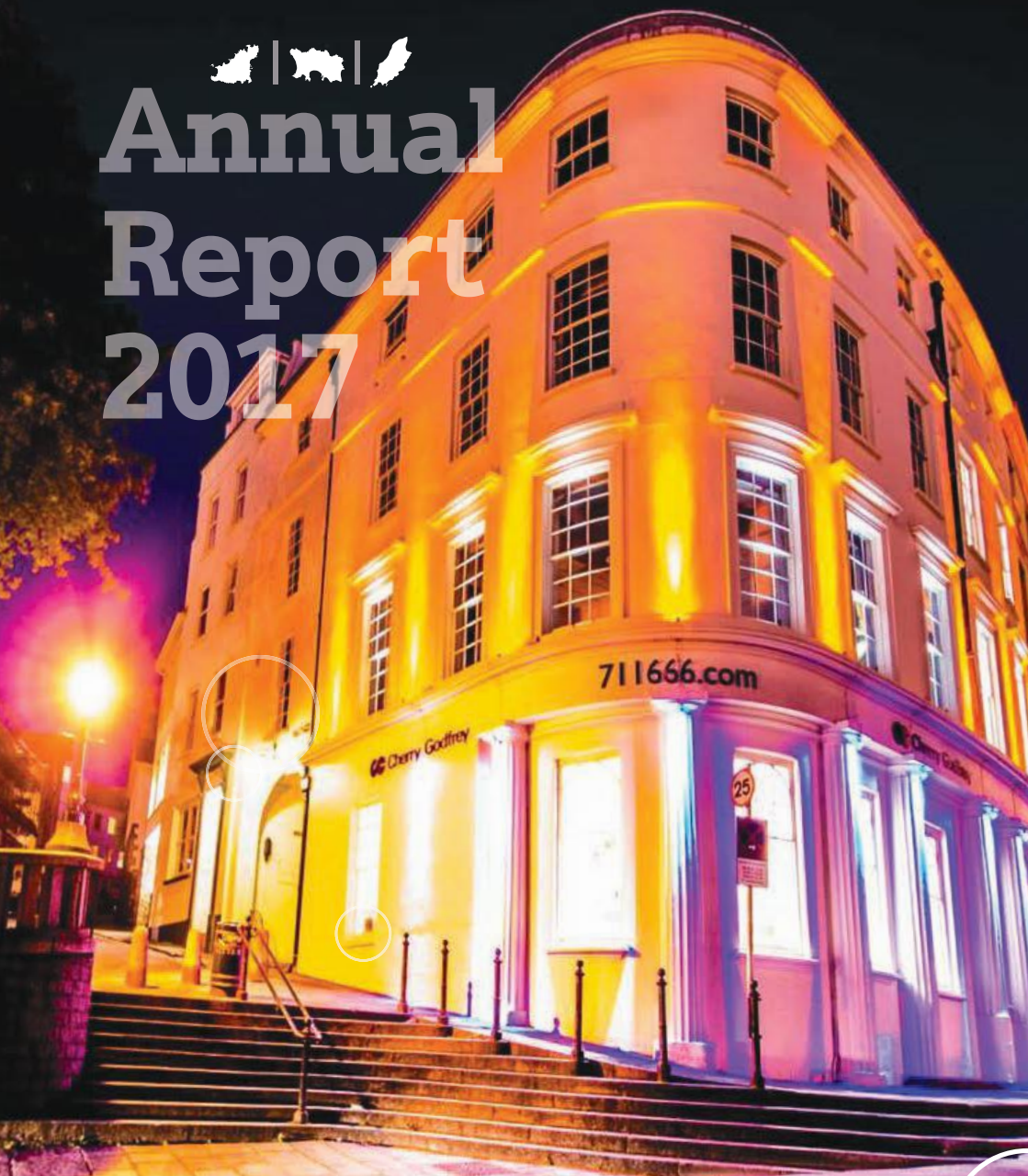




Annual Report 2017



Cherry Godfrey
Finance that values you

Managing Director's Statement

I am delighted to report that Cherry Godfrey has had its most successful year to date and is continuing to go from strength to strength.

David Cherry
Group Managing Director



I am delighted to report that Cherry Godfrey has had its most successful year to date and is continuing to go from strength to strength. I hope this written report will be of interest to you and gives you a real insight into how we are doing. We will give you a further update at our summer parties when we celebrate our 25th Birthday. In the meantime, if you have any questions, please let me know, and I will be happy to go through them with you.

As you are aware, your investment in our Loan Note companies is used to fund the loans which Cherry Godfrey makes to its thousands of customers. The business has had an extremely 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 UK lending businesses.

As at 31st December 2017, we have circa £58m of secured loan-related assets and have seen no significant increase in our bad debt levels which stands at 0.29% compared to 2016 which was 0.28%. This tiny increase in the bad debt level is, we believe, a result of our continued careful lending policies and ongoing effective management of customer loans.

Although we are very particular in our underwriting, there are

occasions where a customer's circumstances may change, and as such, they may have difficulty in repaying loans. When a customer falls into difficulty, our ongoing monitoring identifies this very quickly, and we work with the customer to try to find an appropriate solution.

The total number of loans now stands at 11,689 with an average value of £4,812. Demand for loans has continued to grow which we believe reflects our continued focus on providing our customers with high quality, transparent and local 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.

With Grant Thornton's continued oversight, as our auditors, no issues have been raised in any of their quarterly reports, which serves to demonstrate the security of the Loan Notes. Our security arrangement remains with the oversight of JTC, continuing their role as Trustee.

A reminder of the Loan Note structure, which reflects the security arrangements is detailed further in this report.

As you know, last year, our initial Loan Note was fully redeemed and closed. The other three active Loan Notes are currently open with a total of circa £48m invested.

We would like to take this opportunity to thank you, our investors, for promoting our Loan Notes through word of mouth, which has meant we have not had to advertise for new investors for over two years yet are still receiving many applications and from time to time have a waiting list to join. Consequently, our fourth Loan Note in the Isle of Man has not needed to be promoted at all through any media and is still attracting investors.

The Isle of Man operation is growing in line with expectations. The introduction of Insurance Premium Funding has seen a significant increase in the number of customers we are attracting, providing cross-selling opportunities. Our research in the Isle of Man has proven to be correct that the lending market is similar to that in the Channel Islands and we continue to create a high-quality loan book across all three jurisdictions.

Our Jersey operation is consistently achieving sales of over £1 million per month, and we see this increasing to closer to £2 million in 2018.

Our retail partner funding has grown significantly over the last 12 months with customers choosing to borrow responsibly for their large shopping purchases and not just putting them on very expensive Credit Cards. This has proved extremely helpful for our local shops enabling them to cope better in very difficult trading conditions.

As market leaders and innovators, we are currently in the process of launching a number of new products, some of which we touched upon at our Summer Party in 2017. These are further detailed in this report.

Overall this has been another very good year for our lending business, with a 43% increase in the loans advanced compared to 2016. The growth has come mainly from our Isle of Man and Jersey operations but with Guernsey still holding its own and growing by a very respectable 18%.

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 functions.

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**New loan
notes issued
in 2017**

624

**Total loan
notes established**

586

**Number of
investors**

£48,012,000

**Value of established
loan notes**

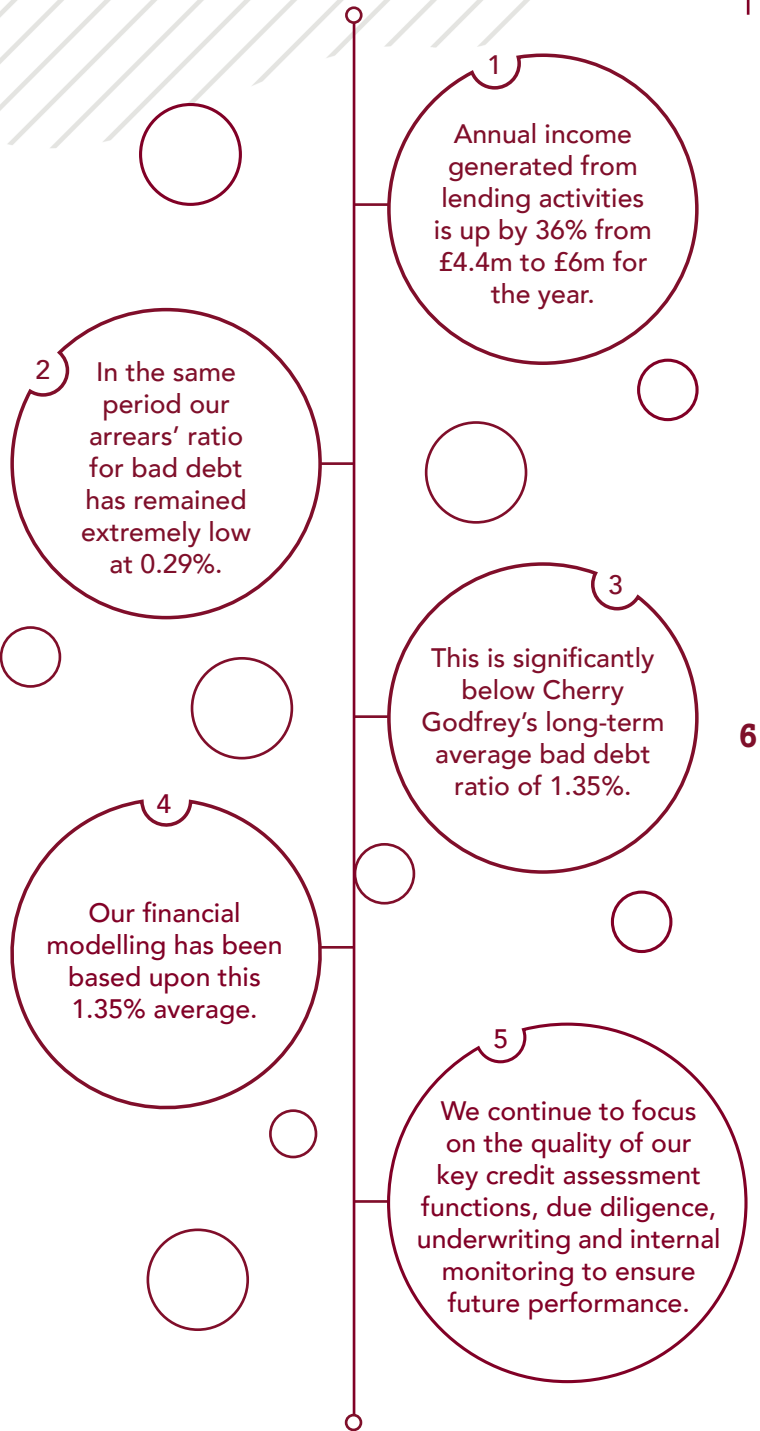
The Loan Notes



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2017 Financial Highlights

2017 Financial Highlights



£57,669,000

Total value of secured assets

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

+

11,689

Number of loans under management

£138,404

Bad debt

7,213

Loans written in 2017

0.29%

Bad debt as %

+

£4,812

Average advance to customer in 2017

£34,711,000

Loan amount advanced in 2017

+



We have seen substantial growth in the direct sales of customer loans. One factor worth noting is that our retail banking competitors are charging considerably higher rates than us, for advances under £5000. As the Bank of England interest rates begin to climb, the exceptionally large margins that our competitors have enjoyed will become increasingly hard to maintain, ensuring Cherry Godfrey stays incredibly competitive into the future.

Another significant reason for our growth is that the majority of loans are made to longstanding customers, who we know. Know Your Customer (KYC) has been at the forefront of compliance

in recent years and is extremely prevalent in our business model. It allows us to make responsible lending decisions, easily and efficiently for clients ensuring they come back to us time and again.

We have continued our membership of the UK CCTA (Consumer Credit Trading Association), and are actively participating in the GFSC Lending, Credit & Finance Review Project. We are also members of the JFSC's Code of Consumer Lending steering group for their review of current legislation in Jersey and provide representatives for both regulatory steering groups.

Finance that values you

In 2018 we are celebrating 25 years of Cherry Godfrey. This will be a wonderful milestone in the company's history. We believe that now is a good time to formally acknowledge the single-most consistent facet of how we have conducted business over those years and how we see it continuing in the future. It most certainly is our personal approach that

makes the difference, with every client receiving the full attention of a dedicated account manager.

So, as we journey on our next 25 years, we want our branding to express this clearly to islanders. Cherry Godfrey is all about finance that values you - a promise that we will deliver on.

Our core principles

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 where a client is treated with consideration and fairness

We won't

- ✘ Provide subprime (high risk/cost) products
- ✘ Provide any form of Pay Day Loan
- ✘ Knowingly overcommit our customers
- ✘ Turn away any customer seeking help

We have projected growth of 19% in 2018

With the introduction of our new products and technology, the first quarter has exceeded this already, therefore, we are confident this growth will be achieved for the year.

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1

Fund-it!

We have partnered up with the Jersey Evening Post and the Guernsey Press to market the Fund-It product. This small loan offering is proving very popular, and with our thorough automated checks, we are attracting really good quality customers. We are also up to a third cheaper than the banks on advances below £5000, so it is an incredible competitive product.

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New Products

2

Student Loans

We are working with the Governments in all three jurisdictions to enable our youngsters to enjoy a University education. These loans are tailored to each family's circumstances but generally, consist of an interest only period while studying then interest and capital when the student is working. The parents or guardians act as guarantors and are typically homeowners so that the quality of the advances is very good.

3

Flexi-Draft

This homeowner only product is starting to gain traction and is fulfilling a very useful role in the Islands.

The interest only facility is renewable annually and allows customers to drawdown and repay (up to their agreed limit) through an online portal. The customer only pays for the money when they are using it, and it is an extreme flexible, competitive alternative to a bank overdraft.

An aerial photograph of a rugged coastline. The image shows dark, layered rock formations on the left and right, with white, foamy waves crashing against them. The water is a deep blue-green color. The overall scene is dynamic and powerful.

Board of Directors

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David Barrow
GROUP FINANCE DIRECTOR



David Cherry
GROUP MANAGING DIRECTOR



Selena Cherry
DIRECTOR



Tanzy Cherry
DIRECTOR



Howard De La Haye
JERSEY MANAGING DIRECTOR



Marie Donnelly
DIRECTOR



Colin Mitchell
IOM MANAGING DIRECTOR



Hazel Turvey
DIRECTOR



Martyn Weeks
DIRECTOR



Ian Campbell
NON-EXECUTIVE DIRECTOR



Chris Hall
NON-EXECUTIVE DIRECTOR



Simon Howitt
NON-EXECUTIVE DIRECTOR



Andrew Moore
NON-EXECUTIVE CHAIRMAN

Reminder

of the Corporate Structure and the Provision of Security

View the chart on the next spread

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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.

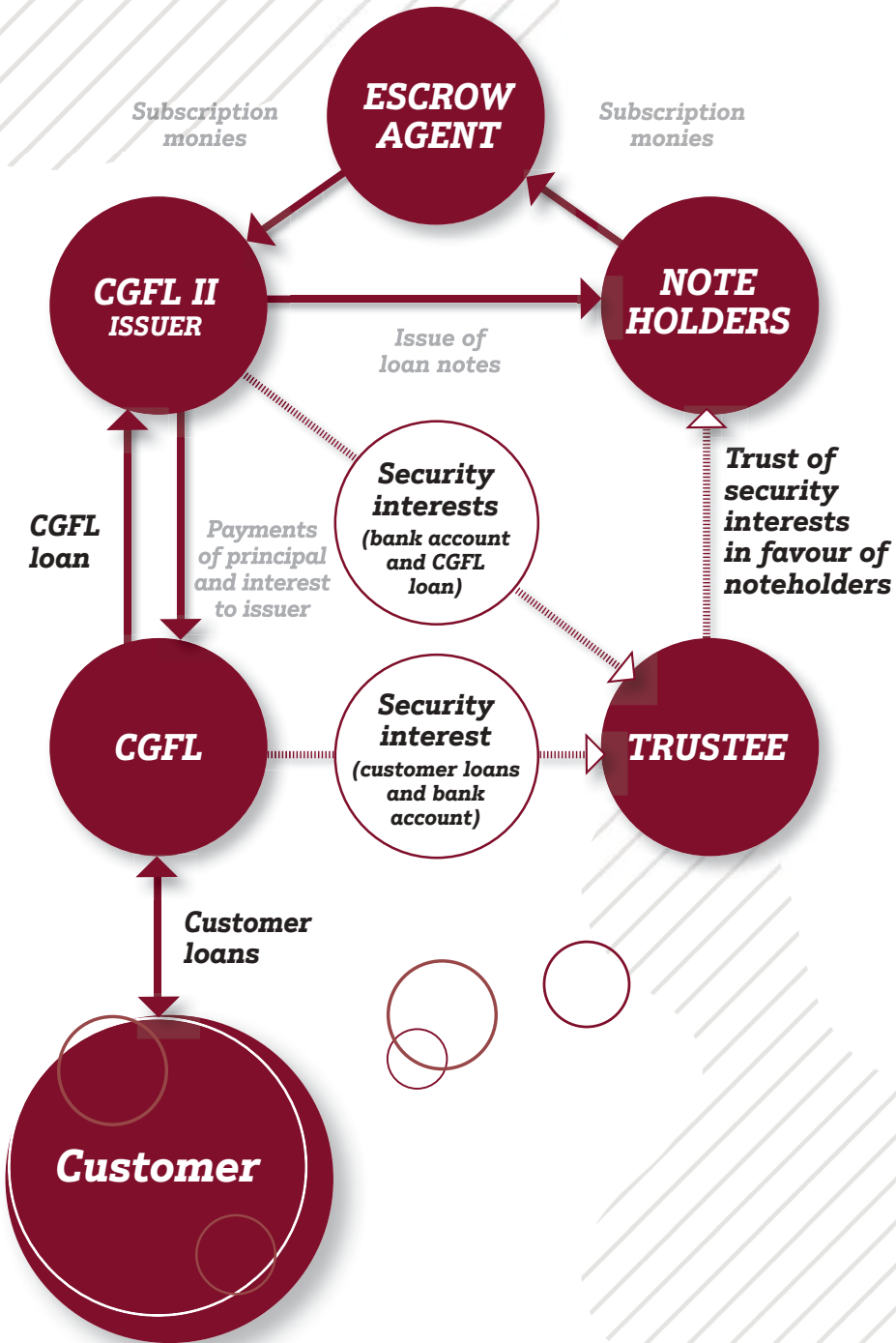
It is from interest earned on the loans that your interest return is generated and the related costs of running the Loan Notes are met.

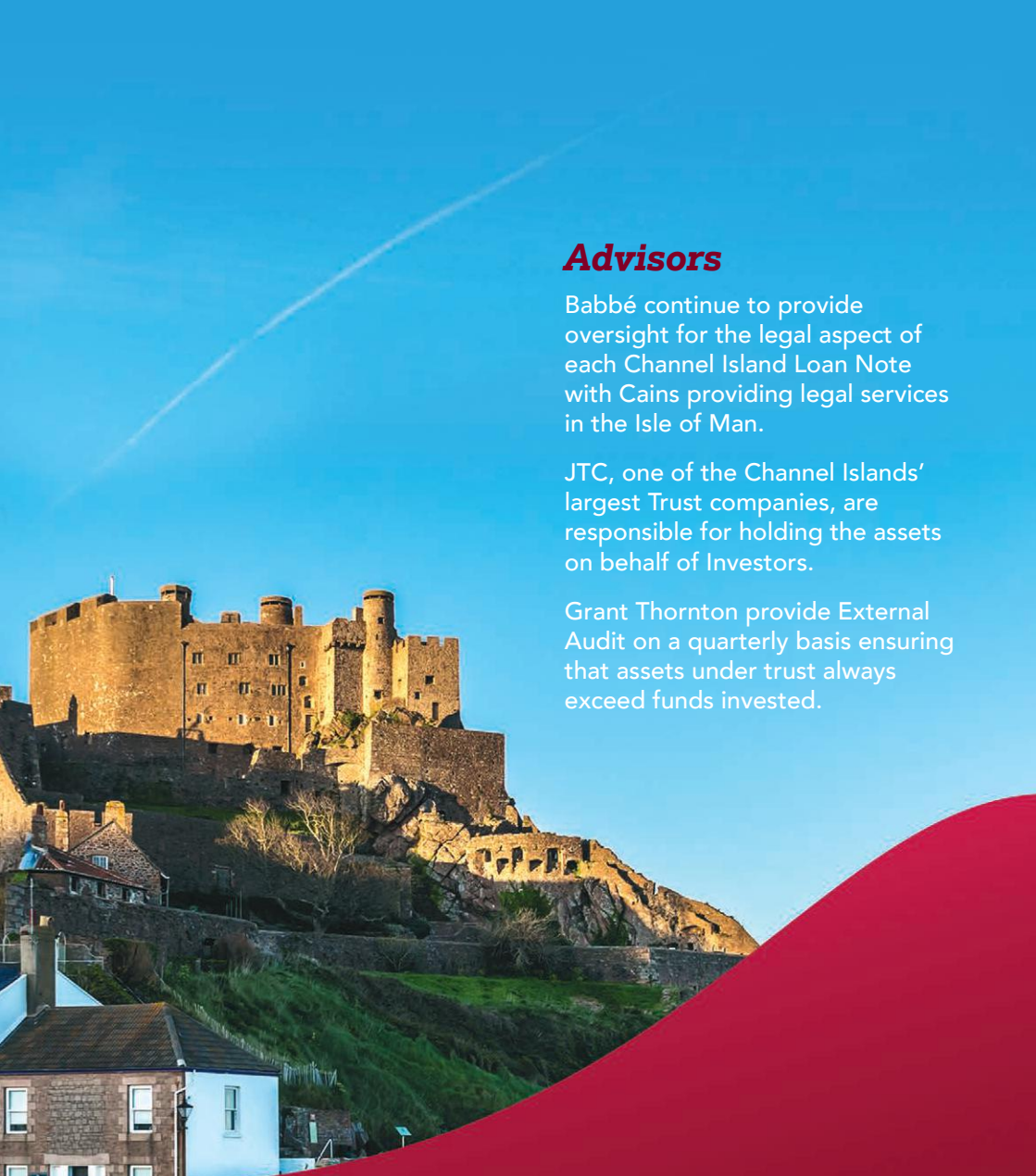
The Auditors carry out a quarterly review of the loan structure. In the event of default, the Auditors will instruct the Trustee to take full management control of the assets for the protection of investors.



Loan Note







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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