

2018 Annual Report

**Forging ahead
in the islands**



 **Cherry Godfrey**
Finance that values you

GUERNSEY - JERSEY - ISLE OF MAN



Managing Director's Statement

// Cherry Godfrey continues to play an increasing role within the wheels of industry in Guernsey, Jersey and The Isle of Man. Our projected growth of 19% has been eclipsed by this year's final figure of 21%. I would like to thank our dedicated and very loyal staff who have worked extremely hard to make this happen. //

This report provides the highlights of our business for the calendar year ending December 2018. As always, we will provide a further update on our performance for the fiscal year, ending June 2019, at our Annual Drinks Receptions.



As at 31st December 2018, we have a circa £69 million of secured loan-related assets, up from £58 million. Furthermore, our bad debt has remained consistently low at 0.28% compared to 0.29% in 2017, which we attribute to our continued prudent and thorough underwriting.

As you are aware, your investment in the Loan Note companies is used to make thousands of modest loans to local families and businesses. The continuation of very low levels of bad debt are exceptional when viewed against bad debt levels typical in many other UK lending businesses.

While we have always taken the view that there is no benefit to lending to customers who may have difficulty in repaying loans, customers do sometimes fall on hard times.

With our ongoing monitoring, we are able to identify any customers in difficult situations very quickly and work with them to find an appropriate solution.

The total number of loans currently stands at 9854 with the average loan size increasing very slightly from £4,812 to £5,503. We do expect the number of loans to increase and the average advance to reduce next year with the continued growth of our retail partner network.

We have continued to apply the same strict lending criteria that we have always used, 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, there have been no issues 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. The Loan note structure, which reflects the security arrangements is detailed further in the report.

Our three active Loan Notes currently have circa £55 million invested.

We would like to take this opportunity to thank you, our investors, for continuing to promote our Loan Notes through word of mouth, which has meant we have not had to advertise for new investors in the Channel Islands for over three years yet we are still receiving applications and currently have a waiting list of new investors wanting to join.

Both our Jersey and Isle of Man operations are continuing to grow in line with expectations. With both of our retail partner networks expanding considerably, we have seen a significant increase in the number of customers we are attracting.

We continue to create a high-quality loan book across all three jurisdictions.

Overall this has been another fantastic year for our lending business, with a 21% increase in the loans advanced compare to 2017. We fully expect to see 2019 as a continuation of the 2018 business trends.

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

On a last note, I would like to extend once again my personal thanks to David Barrow who has retired as Group Finance Director from Cherry Godfrey. David has been a tremendous business partner and friend throughout the years and Cherry Godfrey has much to thank him for. We wish him and Diane all the best in their retirement and trust that they will very much enjoy their upcoming sailing holidays and grandparent duties. I am delighted that David will remain on the board as a Non-Executive Director.

I look forward to seeing you at our summer functions.

David Cherry
Group Managing Director

2018 Financial Highlights

117	741	644	£54,657,000
New loan notes issued in 2018	Total loan notes established	Number of investors	Value of established loan notes

2. In the same period our arrears' ratio for bad debt has remained extremely low at 0.28%

1. Annual income generated from lending activities is up by 22% from £6 million to £7.3 million, for the year.

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

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

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

The Loan Portfolio

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 long standing 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.

£69,469,000

9,854

**£175,144
- 0.28%**

7,634

£5,504

£42,015,000

Total value of secured assets

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

Number of loans under management

Bad debt

Loans written in 2018

Average advance to customer in 2017

Loan amount advanced in 2018

We have projected growth of 10% in 2019

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.

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

Changes in Group Leadership Team

There have been some changes in Cherry Godfrey's Group Leadership Team effective from 2019.

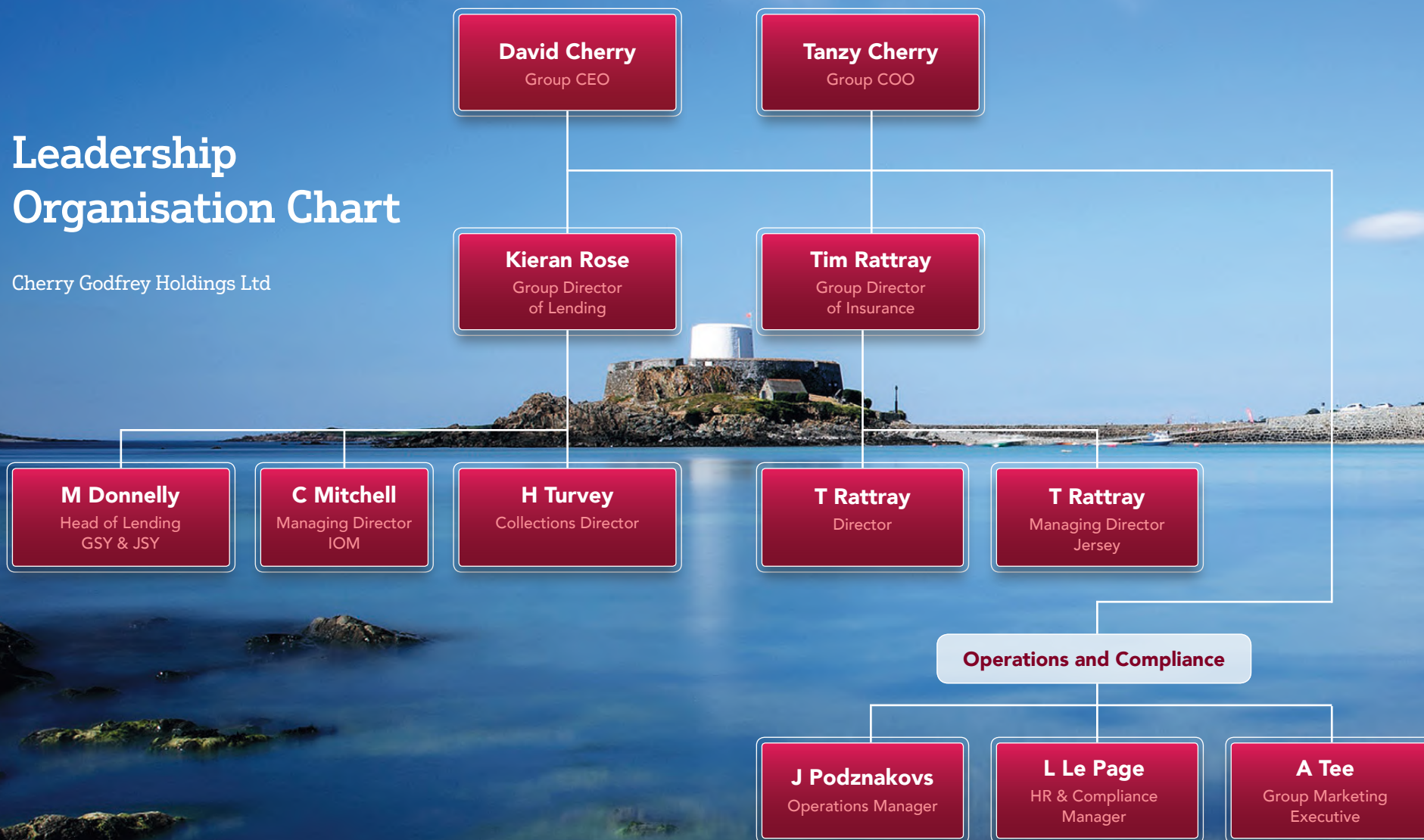
The changes are designed to accelerate the execution of the company strategy, drive growth and enable strategic innovation across all the products.

Leadership changes include the following:

- **David Cherry**, currently Group Managing Director, **will become Chief Executive Officer**
- **Tanzy Cherry**, currently Director, **will become Chief Operations Officer**

Leadership Organisation Chart

Cherry Godfrey Holdings Ltd



Board of Directors

Howard De La Haye will soon be approaching retirement and Tim Rattray has stepped up as Managing Director for Jersey.



David Cherry
CEO



Tanzy Cherry
COO



Selena Cherry
Director



Tim Rattray
Group Director
of Insurance



Kieran Rose
Group Director
of Lending



Howard De La Haye
Director



Marie Donnelly
Director



Colin Mitchell
IOM Managing
Director



Hazel Turvey
Director



Martyn Weeks
Director



David Barrow
Non-Executive
Director



Ian Campbell
Non-Executive
Director



Chris Hall
Non-Executive
Director



Simon Howitt
Non-Executive
Director



Andrew Moore
Non-Executive
Chairman



Reminder

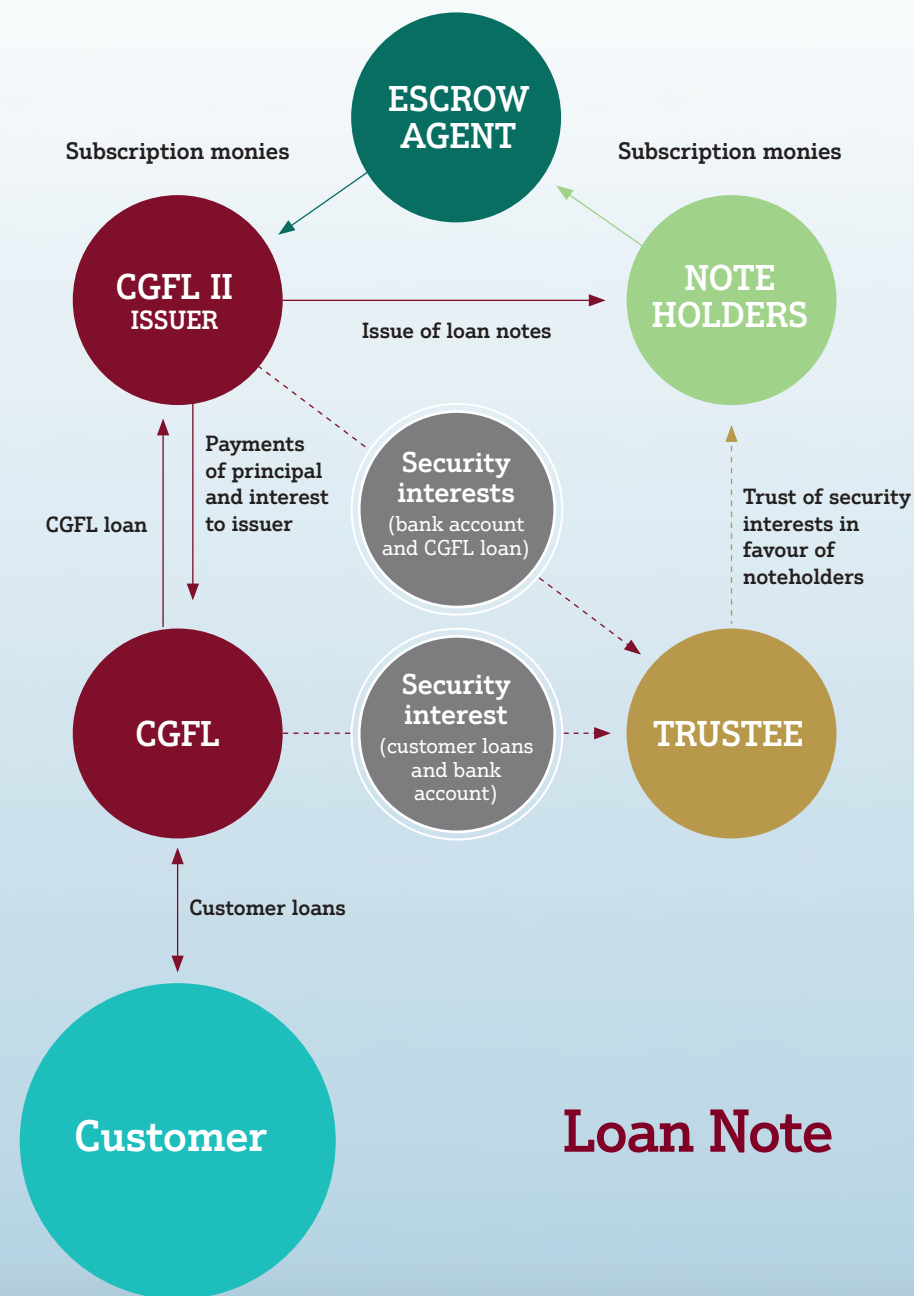
of the Corporate Structure and the Provision of Security

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.





Personal Makes The Difference

2018 saw our marketing team develop a brand campaign that accurately expressed the essence of our business.

We have a culture that values customers. Relationships have been given a lot of attention since our inception 26 years ago, in fact we still do significant business with a number of our customers from those early days. We believe that for many of our competitors this facet of business is a struggle. For us, it has brought us much success.

In initially reviewing the brand, we embraced a look that was sympathetic to our flexible and empathetic approach by introducing more curves and some variations in the corporate burgundy. We added a supporting line that expressed how important customer relationships are... FINANCE THAT VALUES YOU. This became the template for our campaign. We put the emphasis on the customer.

We created three TV commercials covering personal, business and student loans. In a world that often recognises us as a number rather than a name, we met Rob, Tony and Sam who revealed how Cherry Godfrey treated them as a customer with a relationship based on first name terms. This challenged the finance industry standard and drew a more emotional response. Radio also featured in the campaign focusing on the same message of building relationship, but taking a more light-hearted approach.

The campaign was rolled out across cinema and outdoor across the three jurisdictions. It has proven to add value, not only to the customer proposition, but also to the brand.



Peel Castle, Isle of Man



Elizabeth College, Guernsey

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.

For more information, call 01481 711666 or 01624 711666 email 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. 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



St Ouen, Jersey