


2019 Annual Report

Powering-up positivity in our
island economies



 Cherry Godfrey

GUERNSEY - JERSEY - ISLE OF MAN

WELCOME

Global events of the past few months remind us that we should take absolutely nothing for granted. At Cherry Godfrey, we will not only continue to place value in our customer relationships, but we also want to be a beacon of positivity in our island economies. We have a robust and flexible operation to meet the challenges presented by the coronavirus pandemic. These moments in history will only strengthen our resolve to support and serve our fellow islanders.



CEO's Statement

Cherry Godfrey has enjoyed another exceptional year with substantial and sustainable growth. In our report last year, we projected 10% growth and I am delighted to record that we achieved 22%. I would like to acknowledge the contribution of our dedicated and hard working staff for helping us achieve this fantastic result. This report provides the highlights of the calendar year ending December 2019. I'll refer to the fiscal year, ending June 2020, later in this statement.

As at 31st December 2019, we have circa £86 million of secured loan-related assets, an increase of £17 million from December 2018. Furthermore, our bad debt has remained consistently low at 0.25% compared to 0.28% in 2018, which we attribute to our continued prudent and thorough underwriting. You will be aware that your investment in the Loan Note companies is used to make thousands of modest loans to local families and businesses. Our very low levels of bad debt are exceptional when viewed against typical UK lending businesses.

We have always taken the view that there is no benefit to lending to customers who may have difficulty in repaying loans. However, customers do sometimes fall on hard times. With our vigilant monitoring, we identify customers in difficult

situations very quickly and work with them to find an appropriate solution.

The total number of loans currently stands at 11,435 with the average loan size decreasing very slightly from £5,503 to £5,459. We have continued to apply the same strict lending criteria 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 £67 million invested.

We want to thank our investors for continuing to promote our Loan Notes through word of mouth. This has meant we have not had to advertise for new investors in the Channel Islands for more than four years. In spite of this, we are still receiving applications and currently have a waiting list of new investors.

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 22% increase in the loans advanced compare to 2018.

I would like to thank investors for their continued support and if any investors

require further information please do not hesitate to contact me. Unfortunately, in response to the global pandemic, we have had to delay our annual summer events.

We hope to hold investor events later in the year, ensuring that we comply with the prevailing requests of respective island governments and will send out details of these in due course. Whilst we customarily announce the highlights of our fiscal year at the summer functions, be sure that we will contact you with these once they are available.

Let's continue to power-up positivity in our island economies.

David Cherry CEO



Group Head of Lending Statement

By **Kieran S Rose** Group Director of Lending

Cherry Godfrey Finance continues to focus on growth across the Channel Islands and Isle of Man. The re-launch of our **Mortgage and Life Insurance** proposition in Guernsey and appointment of Business Development team is designed to demonstrate the breadth of our products and services to our local residents.

Our newly appointed Business Development Managers have been visiting our local businesses and communicating the flexibility of our offering. They are showing the local marketplace how working together with Cherry Godfrey can improve their business!

Protect and Grow: Behind the scenes, we have strengthened our Risk Committee and optimised efficiencies within our Underwriting function. This action enhances our existing security measures whilst maintaining the swift service levels our customers expect.

COVID19 Response: I am incredibly proud of the whole group in our response to the global pandemic. Within days, our teams transitioned to remote working and we devised new campaigns to offer assistance to our customers when they needed it most. Our teams in each office reached out to hundreds of customers every day to speak to them during a very difficult time.

Our IT and Marketing departments ensured we used all channels possible to keep our islanders informed in respect of our accessibility and how we could help them. As a result of the lockdown period, Cherry Godfrey has emerged stronger and more flexible than ever before!

Our Finance team has joined up with our Insurance team to complement the launch of our Signature product. This raises our profile in the local professional sector and offers sophisticated solutions to our more discerning clientele. Solutions include bridging and development finance, as well as tailored liquidity offerings to our local trust sector.

We are always on the move, exploring avenues to best provide the best levels of customer service to our island communities.

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 **10%** in 2020

With the introduction of our products and services we are confident this growth will be achieved for the year

FINANCIAL HIGHLIGHTS

1. Annual income generated from lending activities is up by 16% from £7.3 million to £8.5 million, for the year.
2. In the same period our arrears' ratio for bad debt has remained extremely low at 0.25%
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.

New loan notes issued in 2019

202

Total loan notes established

943

Number of investors

713

Value of established loan notes

£66,789,000

LOAN PORTFOLIO



Total value of secured assets
(Customer Loans, plus Cash
at bank minus Bad Debt)

£85,583,000

Bad debt

£197,682

Loans written in 2019

8,244

Bad debt as %

0.25 %

Average advance to customer in 2019

£5,543

Number of loans under management

11,435

Loan amount advanced in 2019

£45,700,000

Group Head of Insurance Statement

By **Tim Rattray** Group Director of Insurance

A tremendous amount of hard work has translated into an exceptional year. We have had to expand both insurance teams to meet the demands of additional business. We now have two people employed in The Isle of Man, and we are in the process of completing a licence enabling us to conduct general insurance on the island.

Our recently appointed Business Development Managers on each island will look to drive insurance enquiries initially from our existing customer base in finance. Ultimately, their broader mandate will be to identify new opportunities in both the finance and insurance sectors. We certainly anticipate powering up positivity in our island economies.

Our new insurer agreements will allow us to have a more extensive panel of insurers for our clients. We have stepped-up our visibility through marketing initiatives, particularly in household insurance. As a result, we have seen a rise in enquiries and a high take-up.

The introduction of our new IT system will enable us to have a full 'quote and buy' facility on our website. The system will be hugely beneficial in respect of motor, household and travel insurance.

Signature - signed, sealed and delivered.

For the individual who pays more than £2,000 for their primary household insurance, we are now able to offer our new concept product - Signature. Signature enables investors to place their entire insurance matters into a single portfolio. Cover includes buildings, contents, collections, jewellery/watches, car/motorcycles, holiday homes, investment properties, boats, aircraft and private medical insurance amongst others.

This is a highly personalised service for High Net Worth Individuals. In line with our mantra - insurance that values you - we appoint one key contact. While bulky policy documents are kept safely on our Cherry Godfrey system, simple summary documents are issued to Signature clients.

With specially negotiated discounted valuation rates on buildings and jewellery/watches, we believe that Signature will be an attractive proposition and a further successful revenue stream.



The Signature Suite

Signature Insurance products available:

- Home & Contents
- Fine art
- Jewellery & Watches
- Cars & Vehicles
- Holiday Homes
- Investment Properties
- Yachts & Aircraft
- Private Medical Insurance
- Life Insurance

Finance available to Signature clients:*

- Bridging Finance
- Business Working Capital
- Collectors Loans
- Interest only loans
- Development Finance
- Trust Lending
- Marine Mortgages
- Vehicle Finance
- Mortgages

Signature investment products available:

- Loan Note II
- Loan Note III
- Loan Note VI

* all lending subject to credit assessment

signature
BY CHERRY GODFREY



David Cherry
CEO



Tanzy Cherry
COO



Selena Cherry
Director



Tim Rattray
Group Director
of Insurance



Kieran Rose
Group Director
of Lending



Janis Pozdnakovs
Group Finance
Director



Colin Mitchell
IOM Managing
Director

Board of Directors



Howard De La Haye
Director



Marie Donnelly
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

Mortgages and Life Department Update

By **Alison Humphreys** Mortgage Executive and Life Adviser

January 2020 saw Cherry Godfrey in Guernsey reopen its Mortgage and Life Department. Already a highly successful part of our business in Jersey, this is the next step in extending our full range of services across the three Islands in which we operate.

The team is headed by Alison Humphreys who joined Cherry Godfrey in January 2020. Alison has over 30 years in the finance industry both in the retail and private banking sectors and holds the relevant qualifications for mortgage and life insurance. We are now able to offer advice on mortgages and life insurance products to our Guernsey based clients as well as bespoke solutions, where appropriate, utilising the services of our partner lending banks and insurance companies complemented by our own in-house products.

During the first few months, relationships were established with our key lending and insurance partners and the process defined. We have also been raising awareness of our new offering in Guernsey and our client centric focus through our relationships with estate agents, advocates and clients and, more recently, advertising channels. Our message - we listen to our clients, understand their requirements and work with them to find the right solutions.

The property market started the year on a very positive note with buoyant sales, property prices rising and a lot of available stock. Lenders positivity and commitment to the islands was reflected

in their mortgage terms and we have received a warm welcome from them.

Covid 19 brought the property market to a halt for a few weeks and lenders reigned in their lending criteria whilst taking stock of the situation. Despite this we have not seen any let up in the level of mortgage enquiries in either island which is very positive news and for all of us we are gradually finding our "new" normal.

It is also refreshing to see a surge in the life insurance side of the business. Frequently left on the "to do" list, awareness of our own mortality has been heightened due to Covid 19 and clients have been reviewing family protection requirements. This is an area we want to be supporting clients in over the coming year, bringing to the fore not only the importance of life insurance cover but also its affordability.

The team is expanding and over the coming months we will be looking not only at mortgages for new property purchases but also opportunities for our clients to take advantage of the low interest rate environment by making sure that their current products remain suitable and economical for them.

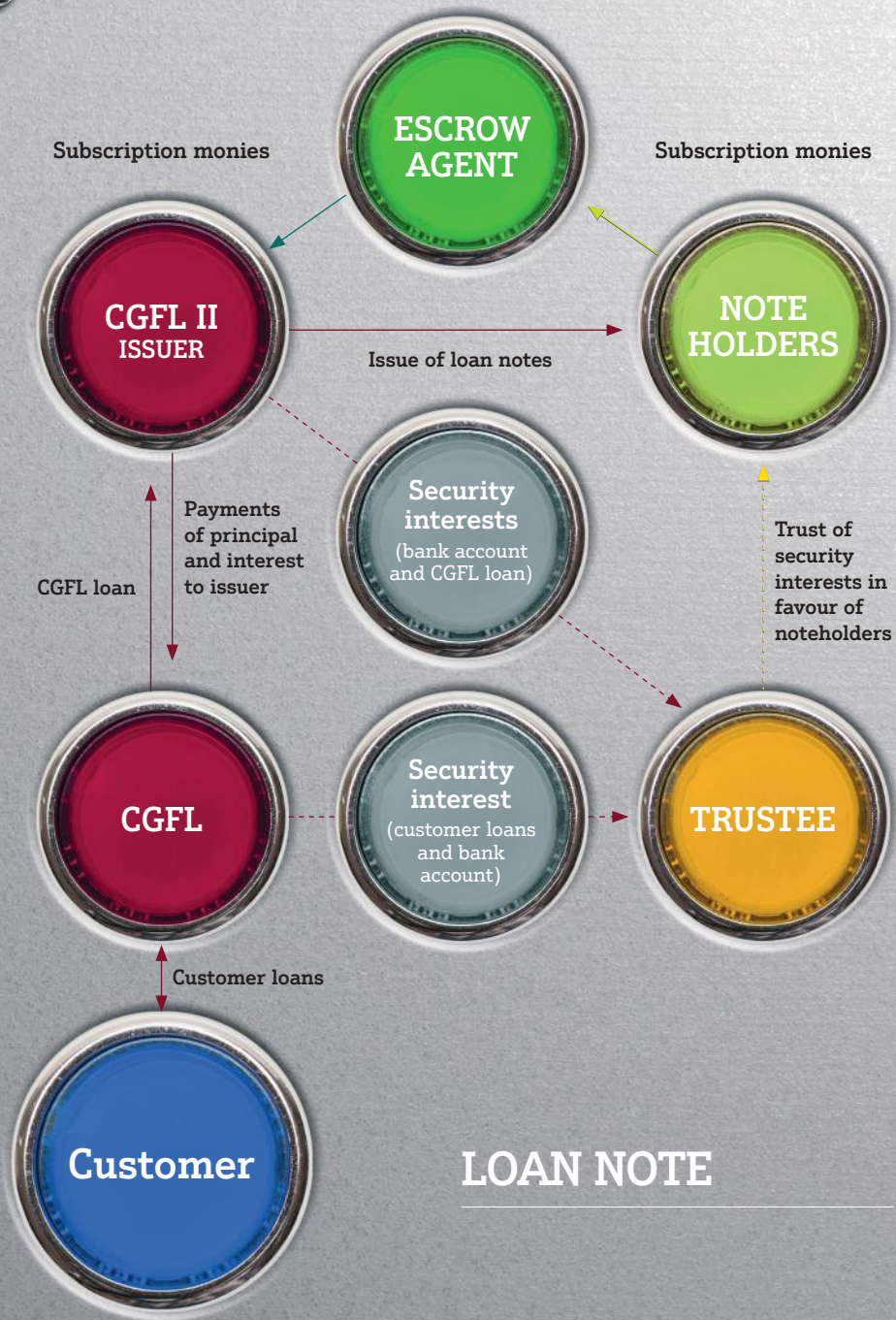
Reminder of the corporate Structure and the Provision of Security

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.



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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