

2020 Annual Report

Adaptation makes things work



 Cherry Godfrey

GUERNSEY - JERSEY - ISLE OF MAN

AND WE'RE MASTERS AT ADAPTING TO CHANGE

CEO's Statement

WELCOME

If ever there was a year for business to adapt to changing circumstances, it was 2020.

At a time when we needed to adapt to the rapidly changing environment, we still saw excellent growth in our lending volume and a continuation of very low levels of bad debt. So, despite the pandemic and all the difficulties it caused, I am delighted to record that we achieved a 9% increase in our lending volume.



CEO's Statement *Continued*

I would like to thank our dedicated and very loyal staff who have worked extremely hard to make this happen, especially since we had to make rapid provision for our local teams to work remotely.

This report provides the highlights of our business for the calendar year ending December 2020. As always, we will provide a further update on our performance for the fiscal year, ending June 2021, at our annual drinks receptions.

The key points

- As of 31 December 2020, we have circa £93m. of secured loan-related assets, an increase of £7m. from December 2019.
- We currently have 12,125 live loans with the average loan size increasing very slightly from £5,543 in 2019 to £5,549 in 2020.
- We have continued to apply the same strict lending criteria that we have always used, to ensure the quality of our lending. 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 bad debt has remained consistently low at 0.25%, which we attribute to our continued prudent and thorough underwriting. As you know, 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.
- 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 £72m. invested.
- We continue to create a high-quality loan book across all three jurisdictions.
- Both our Jersey and Isle of Man operations are continuing to grow in line with expectations. With our retail partner networks expanding considerably, we have seen a significant increase in the number of customers we are attracting.



CEO's Statement *Continued*

How we achieved this success

As each of our jurisdictions went into varying levels of lockdown, all avenues into Cherry Godfrey needed to be adapted to ensure our local customers knew how to reach us. We wanted our customers to know that Cherry Godfrey is as far from the 'faceless corporate' as you can get.

Cherry Godfrey has always been about building valued relationships with our fellow islanders. It is sad to see that other finance providers are withdrawing levels of customer service and tightening the parameters within which they will do business with people. Opening doors, not closing them, was more important than ever as people and businesses were presented with challenges that have not been seen before.

And that's where our strength lies, because we are always in a position to listen to customers and deliver solutions that really meet their needs, not have fixed products that would only fit certain scenarios.

The Cherry Godfrey team worked around the clock to develop new ways of communicating, providing finance solutions and introducing our loyal customers to our full suite of insurance, loans, mortgages and life products.

Customer care is key

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 can identify any customers in difficult situations very quickly and work with them to find an appropriate solution.

Last year we introduced a 'care call' culture, to let customers know that we would assist them through the changing environment, and it paid dividends, strengthening our relationships and reflecting well on our brand.

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

So we find ourselves facing another uncertain but hopefully better year in 2021. It will be one in which constantly adapting the ways that we work will, I'm sure, be the secret to our success. The landscape is changing constantly; we must keep changing alongside it.



If you, as our valued investors, require any further information, please do not hesitate to contact me.

A stylized, handwritten signature in white ink.

David Cherry

CEO



Growth of **The Board**

2020 saw the appointment of four new members to the Cherry Godfrey Board of Directors, further strengthening our wealth of expertise as we grow the business further.

Graham Thoume

Group Director of Operations

Graham is an enthusiastic business leader with an extensive experience in the finance industry, having previously worked at a C-Suite executive level in London, Amsterdam, Brussels, Paris, Luxembourg, Frankfurt, Singapore and the Caribbean.

During this time, he worked on a variety of incentives and projects in mergers and acquisitions, commercial strategy, IT development and establishing AML/CFT risk management strategies and regimes.

He is internationally networked in the private client, family office and institutional banking sectors and has demonstrable skills in strategic leadership, business leadership and financial operations management. Graham has added value across diverse organisations and locations in a broad range of roles within the finance industry.

Andrew Tapsell

Managing Director - Isle of Wight

Andrew was recruited in August 2020 as Managing Director of the Isle of Wight branch. Andrew moved to the island with his family in 1975 and, after A-levels, joined Barclays Bank at their Newport Office.

He worked for Barclays for 31 years in various roles, including personal lending, business banking and running sub-branches. He then moved to the alternative commercial lender, ThinCats, where he was Director of Business Development for the South for three years.

Andrew's career has focused on building relationships, securing new business and arranging finance for trading companies and all this will stand him in good stead to lead our Isle of Wight office.

Ian Stewart

Insurance Director - Guernsey

Following 20 years with Rossborough Insurance, the last 15 of which he was a Director, Ian brought a wealth of knowledge to Cherry Godfrey when he joined as Insurance Director for Guernsey.

Ian has a wealth of experience in the industry both in underwriting and broking and has been focusing on ways to dovetail our lending and insurance offerings for the benefit of our customers.

Ian has a Chartered Insurance Institute Diploma and prides himself on excellent customer service.

Alexie McGrath

*Insurance Director
Isle of Man*

Alexie was recruited in 2020 as Insurance Director for the Isle of Man. In the last year she has overseen the successful roll out of our insurance offering to the Manx community.

Alexie was formerly Head of Commercial Broking with a local insurance broker and has a Certificate of Insurance from the Chartered Insurance Institute. Alexie is currently half way through completing her Certificate level qualification from the Institute of Directors.



Group Director of Lending Statement

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

2020 proved to be quite the challenge! The agile nature of Cherry Godfrey gave us an edge over our more cumbersome competition. Whilst banks and bank-backed providers frantically jumped to managing their infrastructure and balance sheets, Cherry Godfrey did what it truly does best... looked to our customers recognising that, whilst we may be under a 'COVID-cloud', we must weather the storm together.

A Contact Lens

During the lockdowns seen across the islands, our teams placed a keen focus on customer contact. We spoke to our customers and built solutions that fit the local requirements. Cherry Godfrey pride ourselves on our customer relationships. Our regular contact with customers focused not only on the financial wellbeing of each customer, but was equally important to their emotional wellbeing. Our teams placed their focus on showing that we are always here to talk to, even when times are difficult, consistently demonstrating how we differentiate ourselves from the 'Corporate Beasts'.

We did not stop at customer contact. In recognition that our islanders were all in this together, our leaders reached out to States and Government bodies, local commerce chambers and key industry figures to determine how we might be able to best complement the Islands' collective economic recovery.

Unbound by corporate product governance, Cherry Godfrey continues to innovate, listening to our communities and building solutions to meet local demand. A far cry from the banks that like to say "No".

Summer Lovin'

The 'Contact Lens' reaped dividends and the demand for Cherry Godfrey's services rocketed out of the spring lockdown. Hardy island residents were determined to return stronger than before and they demonstrated their appreciation of our care with loyalty and trust in Cherry Godfrey's products. All-time record levels of business were seen in the summer of 2020, showing that our people-centric strategy was gratefully received.

The Mushroom Effect

Many businesses during 2020 were forced to contract under the challenging circumstances. Some of our competitors

reduced staff and the breadth of their product offerings in response to the crisis.

Not Cherry Godfrey.

Even in the dark, things grow! In the Isle of Man, we expanded our service proposition, opening a new insurance department and, more recently, a mortgage and life division. Plans are in place to expand our activities in Jersey and Guernsey....and we eagerly anticipate a new launch into the Isle of Wight during 2021. Our executive board continue to meet every morning to ensure that, whilst we prioritise the safety of our staff and customers amidst the pandemic, it is imperative that each member of the board understands the part they have to play in achieving our strategic goals.

Smooth Operators

Towards the close of 2020, Cherry Godfrey built relationships with some of the islands' major retail businesses. Our reliable and personable service levels coupled with our swift response are well known, clearly contributing to winning such valuable relationships. The **pièce de résistance** however has been built by our in-house IT team who have been working day and night to advance our IT platform and integrate with our retail partners to ensure that each customer's journey is as smooth as possible.

Our frontline team and Business Development Managers have trained our new partners and the demonstration of such smooth, simplistic operations has been met with some astonishment. Our IT team are to be highly commended for their commitment and innovation. IT will be an area of continued investment.

Cherry Godfrey continues to remain nimble, proving that we are not only unique, but also uniquely placed to address an ever-changing environment. We understand our islands and, most importantly, we enjoy two-way communication with our fellow island residents. We remain proud to be... **Strategically Different.**



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 2021

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

Group Director of Insurance Statement

By **Tim Rattray** Group Director of Insurance

2020 was a tough year for a multitude of reasons, but it was also a year where our team really came together and helped Cherry Godfrey grow – especially around the insurance element of our business. I'm very pleased with how the insurance teams performed over the past 12 months, especially whilst working from home during lockdown. We know that being away from the office makes everything logistically difficult, but we've retained the ability to be agile and flexible which has benefited both our customers and the business.

Growth and new business

Thankfully COVID restrictions did not stop us proactively opening agencies with a significant number of insurers, this has allowed us to place virtually any type of risk which comes to us. We also saw the roll-out of an insurance offering to our Isle of Man customers for the first time and the acquisition of staff to launch and grow that business further.

Across all our businesses, we now have a number of new schemes, including a fantastic Household Insurance policy, which are generating a large increase in the numbers written. Aside from the obvious increase in business this brings to our insurance arm, it has cross-selling benefits as our offerings support and enhance one another.

People power

We're fortunate to have a robust team across the islands and we saw that enhanced last year, when we strengthened our teams in Jersey and Guernsey. Construction Insurance expert Lisa Baudin joined us in Jersey, while former Rossborough Managing Director, Ian Stewart, became our Insurance Director in Guernsey.

Looking ahead

The next steps will be really to embed our insurance business further and to open it up to customers browsing for the right insurance products. As such, we are upgrading our IT system which will allow us to provide a 'quote and buy' facility for Household and small Commercial risks on our website.

While we know that we are at our best when we can speak to our customers and share our insurance expertise, we also know that they like to browse, compare and buy products in their own time.

So, while 2020 was a strange year for all of us (and 2021 has started the same way), I'm very positive for the next 12 months. I'm pleased to say we have the right people and the right products to be able to gain more market share in the various islands.



FINANCIAL HIGHLIGHTS

1. Annual income generated from lending activities is up by 9% from £8.5 million to £9.3 million, for the year.
2. In the same period our arrears ratio for bad debt 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 2020: | 127 |
| Total loan notes established | 1070 |
| Number of investors | 759 |
| Value of established loan notes | £72,379,000 |





LOAN PORTFOLIO

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

£92,967,793

Bad debt

£217,187

Loans written in 2020

7,523

Bad debt as %

0.25 %

Average advance to customer in 2020

£5,549

Number of loans under management

12,125

Loan amount advanced in 2020

£41,746,613

Cherry Godfrey Expansion

While all aspects of the business continue to do well, there have been several key areas of growth...

Enhancing insurance offering in Guernsey

Since his appointment as Insurance Director, Ian Stewart has focused on bolstering our staff expertise and what we can offer our customers.

We have continued our programme to ensure all customer-facing staff are Chartered Insurance Institute qualified. This means not only are our customers given the best advice by qualified professionals, but we can develop and promote career opportunities for staff by encouraging internal progression.

By developing a strong insurance team, who help and support each other, we can ensure they enjoy coming to work for us.

For our existing and new customers, we've:

- o Offered focused sales campaigns on Cyber Insurance and Directors' & Officers' Insurance.
- o Developed and launched an insurance re-broking strategy to ensure that all clients' insurances are regularly marketed.
- o Promoted and generated cross-selling leads to other Cherry Godfrey divisions.

By demonstrating an understanding of the business and insurance requirements, our goal is to enhance our role as our clients' 'Trusted Insurance Advisers' rather than just their insurance brokers.

Expansion in Isle of Man

Although 2020 was a difficult year, Cherry Godfrey Isle of Man continued to grow, and for the next stage of our strategic development a new general insurance intermediary business was established to complement our existing finance division.

Alexie McGrath joined as Director to lead the insurance business and was joined by Kirree Watterson as Commercial Account Handler. The combined industry experience of both Alexie and Kirree, covering personal lines and commercial insurance, will enable Cherry Godfrey to offer a strong insurance proposition in the local market.

The insurance business offers a strong suite of products covering both Commercial Insurance products such as:

- Professional Indemnity
- Directors' and Officers'
- Cyber
- Property Owners & General Liability
- Motor, Household, Marine and Travel Insurance.

To further complement the insurance and finance business, Cherry Godfrey launched a mortgage broking service for all types of mortgage. The new service comes at a particularly opportune time with the local property market seeing significant growth in mortgage transactions.

The new service is being driven by Mortgage & Life Adviser Alastair Gillespie, who has 40 years' industry experience, 23 of which have been in the Isle of Man.

Finally, and to complete our growth in 2020, the finance team was strengthened further with Lyn Costain joining us as Lending and Mortgage Assistant Manager. Lyn has 20 years' experience at the Isle of Man Bank, which was split between the loans, local and international mortgage departments; She brings a wealth of experience and local knowledge to the team.

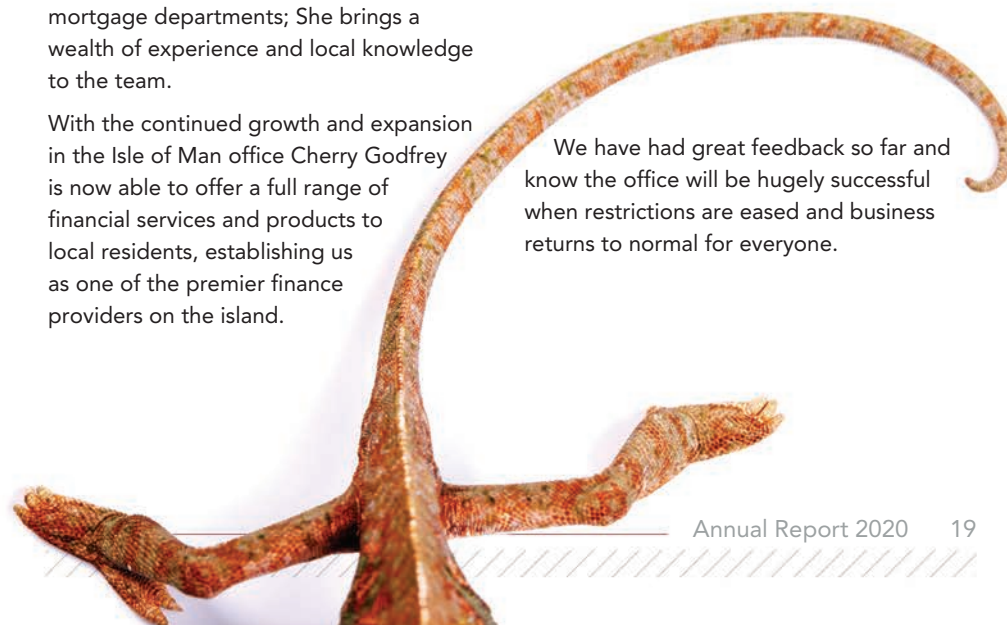
With the continued growth and expansion in the Isle of Man office Cherry Godfrey is now able to offer a full range of financial services and products to local residents, establishing us as one of the premier finance providers on the island.

New Jersey Mortgage and Life office

Our Jersey team were fortunate to secure new premises for the Mortgage and Life office on Charles Street, St Helier. Not only does this new office give our customers somewhere fresh to visit us, it has also enhanced the brand's visibility as thousands of people walk by each day.

While relocating a business can be tricky at the best of times, it's all the more difficult in a year where lockdowns could happen at any time. Thankfully the four staff members who have relocated were able to settle into their new home before Jersey was put under further Covid restrictions.

We have had great feedback so far and know the office will be hugely successful when restrictions are eased and business returns to normal for everyone.





David Cherry
CEO



Tanzy Cherry
COO



Selena Cherry
Director



Kieran Rose
Group Director
of Lending



Tim Rattray
Group Director
of Insurance



Graham Thoume
Group Director
of Operations



Janis Pozdnakovs
Group Finance
Director



Andrew Tapsell
IOW Managing
Director



Colin Mitchell
IOM Managing
Director



Hazel Turvey
Director



Ian Stewart
Insurance
Director



Howard De La Haye
Director



Martyn Weeks
Director



Alexie McGrath
Director

Board of Directors



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

The Corporate Structure and 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.

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 undertake our External Audit on a quarterly basis, ensuring that assets under trust always exceed funds invested.

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