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ANNUAL REPORT

Traditional
values in a
modern world



GUERNSEY - JERSEY - ISLE OF MAN - ISLE OF WIGHT

Welcome

In a modern world that is constantly evolving, Cherry Godfrey remain steadfast in our commitment to traditional values, while advancing with modern expectations.



As we reflect on the past year, we are proud to have stayed true to our core values of exceptional customer service and a personal approach, whilst ensuring we embrace change and continuously improve.

Despite the challenges brought about by inflation and increases to the cost of living that we haven't seen in more than a decade, our dedicated team of seasoned professionals have continued to provide unwavering support to our customers. As a result, we embark on another year of growth and success and are excited to share our 2023 Annual Report - showcasing the remarkable strides we have made in expanding our customer base and celebrating the launch of our insurance and mortgage business on the Isle of Wight, marking the successful completion of what we set out to achieve in our 5-year plan back in 2018.

We have earned a reputation as a financial services company with a personal approach and traditional values at its heart. As we navigate the ever-changing landscape, our commitment lies in our core principles, whilst utilising new technologies that further enhance the way we service our customers. Our colleagues, customers and you, our loyal investors, are the foundation of our success and we look forward to another year of growth and prosperity together.



...we are proud to have stayed true to our core values of exceptional customer service and a personal approach



A message from our Chief Executive Officer and Chief Operations Officer



Tanzy Cherry
COO

David Cherry
CEO

This report provides the highlights of our business activities for the calendar year ending December 2023. As always, we will provide a further update on our performance for the fiscal year, ending June 2024, at our annual drinks receptions held in each island. We look forward to seeing you all there again this year.

THE KEY POINTS:

- As of 31 December 2023, we have circa £144 million of secured loan related assets, an increase of £26 million from December 2022.
- We currently have 15,633 live loans, with the average loan size increasing slightly from £6,598 in 2022 to £6,610 in 2023.
- Your investments in the Loan Note companies are used to extend thousands of modest loans to local people and businesses. Our focus has always been on small advances, creating a low risk loan portfolio, and this remains at the core of our business. As always, we continue to apply strict lending criteria to ensure the quality of our lending and ensure that the average loan size remains stable throughout this challenging year for economic growth.

£144m
secured loan
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up £26 million from
Dec 2022

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£113m
invested
in our
Loan Notes

- The continuation of very low levels of bad debt are exceptional, particularly with high levels of inflation and subsequent significant increases to the cost of living. Our bad debt has remained consistently low at 0.48% which we attribute to our continued prudent and thorough underwriting and our commitment to proactively working with our customers, should they find themselves in financial difficulty.
- On 1st July 2023, the Lending, Credit and Finance Law came into force in Guernsey. It offers new protection to customers who make use of secured lending and consumer credit and will ensure that the Bailiwick remains compliant with international standards. We have worked closely with the Guernsey Financial Services Commission throughout the development process and continue to liaise with industry to ensure best practice and greater transparency for our fellow island residents.
- Our Loan Notes currently have circa £113 million invested. The Loan Note structure, which reflects the security arrangements, is detailed further in this report.
- With Grant Thornton's continued oversight as our Auditors and JTC continuing their role as Trustee, our investors' security remains strong. There have been no issues raised in any of the quarterly reports, which serves to demonstrate the robustness of the Loan Note model.
- We continue to create a high-quality loan book across all four jurisdictions and all of our operations across Guernsey, Jersey, Isle of Man and Isle of Wight are growing in line with, or above, expectations.
- We are researching ways of using new technology and implementing Artificial Intelligence to optimise efficiencies within our business. This will be ongoing as technology develops and, we hope, evolve Cherry Godfrey without detracting from the personal touches that characterise us.
- We are now able to offer all of our products and services across all four islands, which marks the successful completion of what we set out to achieve in our 5-year plan. This amazing achievement is down to not only the hard work and commitment of our dedicated colleagues, but also the ongoing support and belief placed in Cherry Godfrey by our investors. The future is bright. We hope that you continue to support us, so that we can continue to support local people and businesses for many years to come.

If you, as our valued investors, require any further information, please do not hesitate to get in touch.

Group Director of Lending Statement

Kieran Rose
GROUP DIRECTOR OF LENDING

The landscape has changed for our Guernsey business, and it looks set to do the same in Jersey in 2024. The Lending, Credit and Finance legislation came into force on 1st July 2023, with the intent to implement consumer protection rights in a similar vein to the UK and other finance jurisdictions.

'That can only be a good thing though, right?'

As with many practices put in place for good reasons, it's all about the execution. Cherry Godfrey has always prided itself on the high-quality levels of service we offer our customers and how we tailor finance solutions to our customers, whose circumstances can vary enormously!

If finance providers are grouped into a single category and without a measured approach in terms of regulation, it will become difficult to continue to offer such bespoke solutions in the future for fear that standing out will be perceived as non-conformance.

Given that the core of Cherry Godfrey's finance provision is as a retail consumer lender, we remain hopeful that the level of scrutiny placed on our range of finance

offerings is tempered with the light-touch we have been promised, allowing us to continue to offer the breadth of options we have available to our local island communities.

The last year has seen inflation and cost of living rises that many of our customers have not seen the like of. This has resulted in a noted withdrawal of credit appetite from mortgage providers and many of our competitors in the consumer lending space. As the High Street Banks pull away from their own customers, they merely create new conversations for Cherry Godfrey to have with people who want to talk about the uncertainties ahead. As a proud people-first business with traditional values, we will continue to do exactly that!

“

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The Guernsey business continues to benefit from being the heart of the Cherry Godfrey Group, with a loyal customer base and a long, trusted history on the island. New legislation brings with it some niggling frustrations, but also removes some of the competition that may have the presence, but not the heart, in the island. We need not grow much more of our market share in Guernsey, but strive to maintain the excellent levels of customer service we are known for and continue to offer a diverse suite of options to our customers across our product range.



Everywhere else? We are figuring on biggering!

Jersey have a notable opportunity to expand the business with a delicious cocktail of old and new blood within the team. As we strive to demonstrate traditional values in a modern world, we welcome fresh ideas from new recruits, at the same time keeping a weathered eye on the family values that Cherry Godfrey holds so dear. Much of our existing team remain as we welcome Simon Davies, Tania Castro and Sharon Tumelty, who carry decades of finance experience within the very Jersey market we seek to grow! Simon and Sharon have most recently worked for a close competitor of Cherry Godfrey, whereas Tania has been introducing new customers to Cherry Godfrey for many years via Jersey Post, a brand also held as trusted and dear to the Jersey community.

The Isle of Man continues to gain strength under the watchful eye of Director Kevin Farrington. His oversight has commanded a shift in both the quantity and the quality of customer contact Cherry Godfrey has with its customer base. Working closely with Insurance Director Alexie McGrath, Kevin and the team ensure that every opportunity is taken to introduce Isle of Man customers and businesses to our full product suite. A definite positive shift for our Isle of Man business.

So, we look to our operations in the Isle of Wight and, more recently, the UK. Managing Director Andrew Tapsell and his team in the Isle of Wight have left no stone unturned and continue to make waves felt by the wider community. Feedback from the customer base is, quite simply, that no other business offers the same level of customer service that Cherry Godfrey provides... EXACTLY what we are after.



“

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”

The launch of our insurance and mortgage broking business on the Isle of Wight now mirrors the Cherry Godfrey vision of providing our full product suite in all jurisdictions. Watch this space!

Never a dull moment at Cherry Godfrey! In a bustling and ever-changing environment, our aim is to evolve to fit modern expectations, continue to grow, whilst not deviating from our core values. Our customers, our colleagues, our stakeholders, our wider networks... **People are our strength.**

We leap into the year of the dragon with a fire in our belly.



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



Our success is based on our aim to evolve to meet modern expectations, whilst not deviating from our traditional core values that remain, and have not differed since the very start.



Group Director of Insurance Statement

Ian Stewart

GROUP DIRECTOR OF INSURANCE

2023 was a year of continued growth for all insurance divisions. Both Jersey and Guernsey offices achieved a 13% income growth over 2022, and the Isle of Man office achieved a significant 33% growth on the previous year's figures. This growth has been achieved despite difficult market conditions and the ever-reducing pool of insurers with whom we work.

Our growth can be attributed to many factors – our rapidly improving standing in all of our jurisdictions as trusted insurance advisers and our commitment to outstanding customer service, which remains at the forefront of everything we do. We also have a successful model of internal lead generation supported by the “One Cherry Godfrey” culture within the organisation.

We continue to strengthen our teams with quality and experienced brokers. It is pleasing that experienced professionals within the industry are attracted to Cherry Godfrey as a great place to work and one that offers the ability to further develop their careers in a positive and enjoyable environment. Nigel Quick, our Jersey Managing Director, has enjoyed great recruitment success over recent months.

On 27th November 2023 we were delighted to open our new insurance office on the Isle of Wight. We opened

our finance office on the island over two years ago and it is now a well-established business within the local community. This expansion means that we are now able to offer insurance to Isle of Wight customers and businesses as well as mortgage advice and life insurance.

We are fortunate to have a fantastic and experienced insurance team in place and it's been exciting to see the team hit the ground running from day one. They are passionate about the customer experience and providing exemplary customer service – something that will enable them to establish a good market presence quickly. The time is absolutely right for a new player in the Isle of Wight insurance market and our unique offering of being a “one-stop” financial shop is being extremely well received.

The insurance team has continued to grow its expertise, demonstrated by many individuals undertaking professional

qualifications to further expand their skill-sets and knowledge. We recognise that by continuing to support the personal development of our colleagues, we help drive engagement and motivation levels whilst also ensuring we continue to give the best quality advice for customers. It is encouraging to see so many colleagues committed to improving their skills and knowledge whilst also supporting the local insurance Institutes and making the industry a vibrant and social environment in which to work.

2023 was the year in which we celebrated our 30th anniversary. It was fabulous to see the teams from all of the Islands getting together to celebrate and being able to meet up and share experiences.

We have set further ambitious growth plans for the coming year. With the talent and experience we have amongst our colleagues, we should continue to go from strength to strength. Cherry Godfrey is building a strong reputation in the insurance market around trust, expertise and, in particular, outstanding customer service with traditional values that give that extra human touch, which our customers tell us is becoming more and more difficult to find.

With these traits as the backbone of our business, how can we fail?

Loan Portfolio

Total Value of Secured Assets:
(Customer Loans, plus Cash at Bank minus Bad Debt)

£144m

Average Advance to Customers in 2023 :

£6,610

Bad Debt as Percentage :

0.48%

Number of Loans Written in 2023 :

10,791

Number of Loans Under Management :

15,633

Loan Amount Advanced in 2023 :

£71,376,404



Financial Highlights

1. Annual income generated from lending activities is up 26.98%, from £11.6 million to £14.7 million, for the year.
2. In the same period, our arrears ratio for bad debt remained extremely low at 0.48%. This is significantly below Cherry Godfrey's long-term financial modelling, which has been based on a bad debt ratio of 1.35%.
3. Our insurance business continues to see positive income growth, with Jersey and Guernsey achieving 13% and the Isle of Man achieving a significant 33% growth on 2022. This also continues to play a valuable route to market for our lending business, with many of our customers deciding to utilise the wide range of products and services we have on offer.
4. We continue to focus on the quality of our key credit assessment functions, due diligence, underwriting precision, and internal monitoring to ensure we are always improving future performance and retain our low-risk loan portfolio.



New Loans Notes Issued:

549

Total Loan Notes Established:

2,199

Number of Investors:

1,096

Value of Established Loan Notes:

£113,228,517

The Next Natural Move - Isle of Wight and Beyond...

In 2023, the Cherry Godfrey Group turned thirty. September also marked the second anniversary of Cherry Godfrey Isle of Wight's authorisation by the FCA. For the past two years, we have set about getting to know everyone on the Island and letting them get to know us.

We celebrated this milestone by launching our mortgage and insurance broking business on the Isle of Wight, which marked the successful completion of our five-year plan, to offer all products to all customers across our four jurisdictions.

We also acquired NRM Financial Limited (Priory Mortgage Advice), a well-established small company offering mortgage and life insurance advice across the Isle of Wight and the south coast of England, enabling us to accelerate our access to the market locally.

COO Tanzy Cherry commented: *"With a similar passion for going above and beyond in terms of customer service, the team at Priory Mortgage Advice were perfectly aligned with the Cherry Godfrey ethos and family values that we have stood by since our inception, so we were very pleased to welcome them to the Cherry Godfrey team on the Isle of Wight. Nathan Maddocks has been appointed as Managing Director of Cherry Godfrey Insurance Services Isle of Wight and Stuart Kelly as Director."*

In just two short years, we have earned a reputation as a financial services company with a personal approach and traditional values at its heart and we're now a well-established business within the local community. The support from local people and businesses is what has enabled us to expand our services and grow our presence on the Isle of Wight.

We are also delighted to announce the promotion of Sarah Alabie to Insurance Director on the island. Sarah joined the Isle of Wight team two years ago and her wealth of experience, industry knowledge and dedication to the success of Cherry Godfrey is admirable.

Cherry Godfrey's insurance office opened its doors in November, offering customers a range of insurance products, from motor, home, marine and holiday insurance, to everything business insurance related, to professional indemnity, as well as property owners' insurance.

Tanzy continues, *"The team's passion and commitment is second to none, providing our customers with the same excellent service they have come to expect from the team at Cherry Godfrey, with even more products on offer. We are already seeing a fantastic pipeline of customers building and I have no doubt that with the opportunities we have available to us on the Isle of Wight, they will be giving all islands a run for their money over the years to come."*

Following the acquisition of Priory Mortgages, we are already broking mortgages for properties on the south coast, which opens communications with property owners that have already undergone a rigorous affordability assessment.

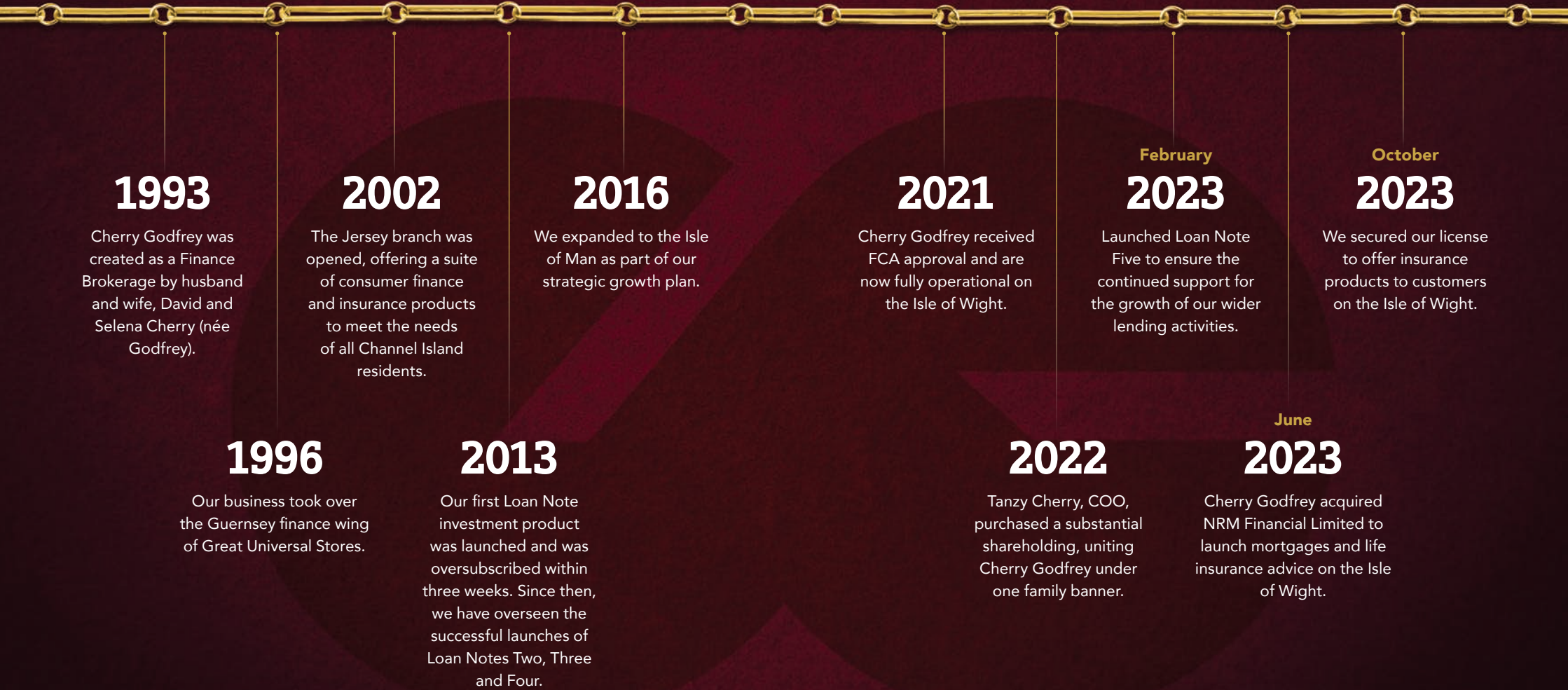
The natural move is to conservatively determine our next steps into the UK market. We will, of course, identify all opportunities and evaluate them with a strict, risk-based approach and stringent underwriting processes.

At the time of writing, we are getting ready to open our Southampton office.

With a great new team in place, they will work alongside Director Stuart Kelly, building the Cherry Godfrey brand in the traditional way we have always embedded our products and services in every community in which we operate. We have an exciting opportunity ahead, and we are looking to the future with optimism.

“ I have no doubt that with the opportunities we have available to us on the Isle of Wight, they will be giving all islands a run for their money over the years to come. ”

Our History



1993

Cherry Godfrey was created as a Finance Brokerage by husband and wife, David and Selena Cherry (née Godfrey).

2002

The Jersey branch was opened, offering a suite of consumer finance and insurance products to meet the needs of all Channel Island residents.

2016

We expanded to the Isle of Man as part of our strategic growth plan.

2021

Cherry Godfrey received FCA approval and are now fully operational on the Isle of Wight.

February

2023

Launched Loan Note Five to ensure the continued support for the growth of our wider lending activities.

October

2023

We secured our license to offer insurance products to customers on the Isle of Wight.

1996

Our business took over the Guernsey finance wing of Great Universal Stores.

2013

Our first Loan Note investment product was launched and was oversubscribed within three weeks. Since then, we have overseen the successful launches of Loan Notes Two, Three and Four.

2022

Tanzy Cherry, COO, purchased a substantial shareholding, uniting Cherry Godfrey under one family banner.

June

2023

Cherry Godfrey acquired NRM Financial Limited to launch mortgages and life insurance advice on the Isle of Wight.

Board of Directors



David Cherry
Chief Executive Officer



Tanzy Cherry
Chief Operations Officer



Selena Cherry
Director



Janis Pozdnakovs
Group Finance Director



Kieran Rose
Group Director of Lending



Ian Stewart
Group Director of Insurance



Graham Thoume
Group Director of Operations



Hazel Turvey
Group Director of Collections



Kevin Farrington
Isle of Man Director



Alexie McGrath
Isle of Man Insurance Director



Richard Le Ruez
Jersey Mortgage and Life Director



Nigel Quick
Jersey Managing Director



Sarah Alabie
Isle of Wight Insurance Director



Stuart Kelly
Isle of Wight Director



Andrew Tapsell
Isle of Wight Managing Director Finance



Nathan Maddocks
Isle of Wight Managing Director Insurance



Ian Campbell
Non-Executive Director



Simon Howitt
Non-Executive Director



John Hunter
Non-Executive Director



Andrew Moore
Non-Executive Director



John Mould
Non-Executive Director

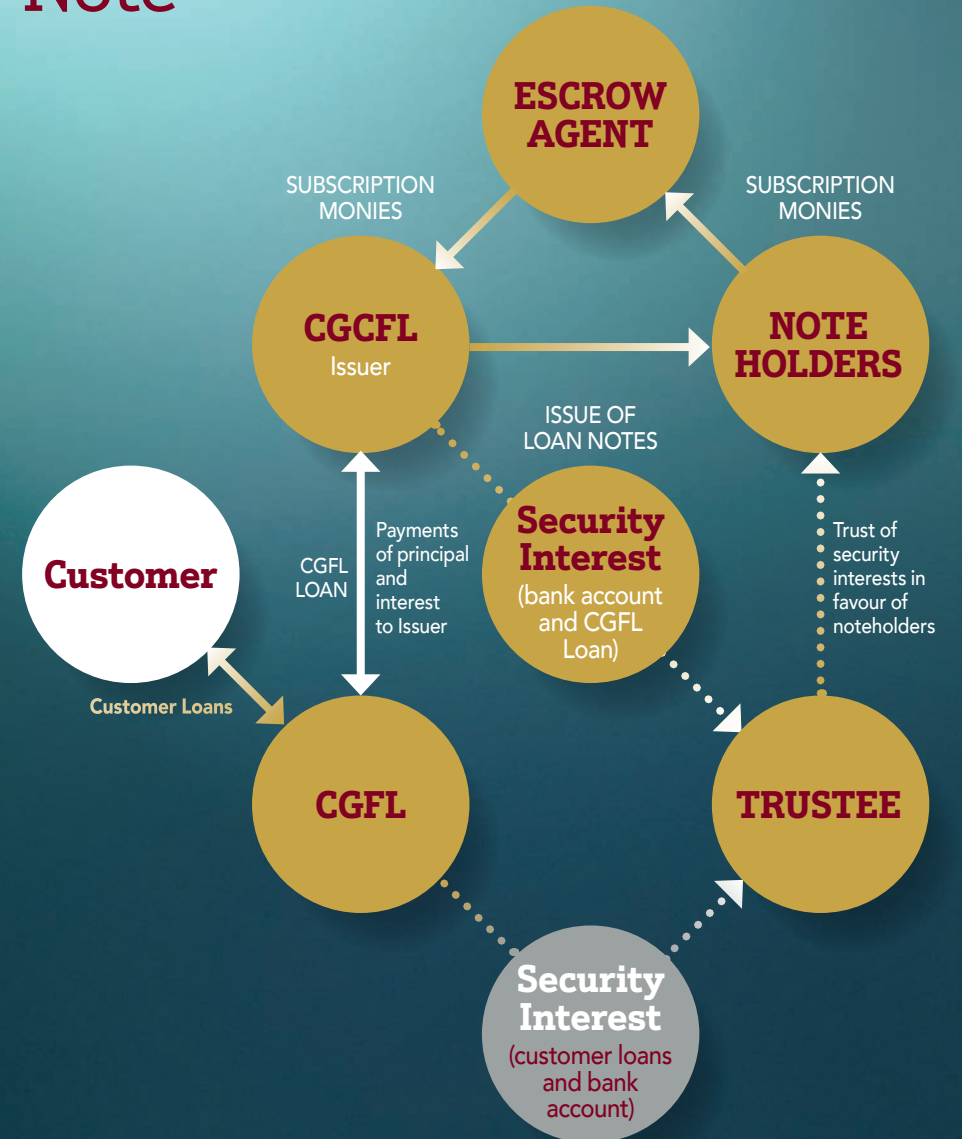
The Corporate Structure and Provision Security

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.

Loan Note





Advisors

Babbe and Appleby 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 Island's largest trust companies, are responsible for holding the assets on behalf of investors. Grant Thornton undertakes our external audit on a quarterly basis, ensuring that assets under trust always exceed funds invested.

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