

6% p.a

RETURN
ON YOUR INVESTMENT



Cherry Godfrey

Financial experts you can trust

CONSUMER FINANCE INVESTMENT OPPORTUNITY

Cherry Godfrey Finance Limited proposes to sponsor a special purpose vehicle (Cherry Godfrey Consumer Funding II Limited) to be used to issue Loan Notes with which to finance a diversified portfolio of customer loans made up of lending to Channel Island and Isle of Man resident individuals and companies.

The investment vehicle seeks to raise up to £30m. The loan notes will have a life of 9 years with a break out option at each three year anniversary and will receive interest at a rate of 6% annually, 5.75% (pro rata) if paid quarterly or, 5.50% (pro rata) if paid monthly. In addition, provision is made to increase the return to 3% (or 2.75% quarterly, 2.50% monthly) above the Bank of England base rate should trends move upward during the life of the product.

BACKGROUND

Cherry Godfrey have been providing consumer funding, mortgage and insurance products in the Channel Islands for the past two decades and have grown to become the largest independent, pan channel island, provider of these services.

The company benefits from a large active database of clients associated with one or more of these product groups.

Cherry Godfrey have created a unique route to market through its relationships with State, corporate and retail trading partners who promote Cherry Godfrey services and products alongside their own.

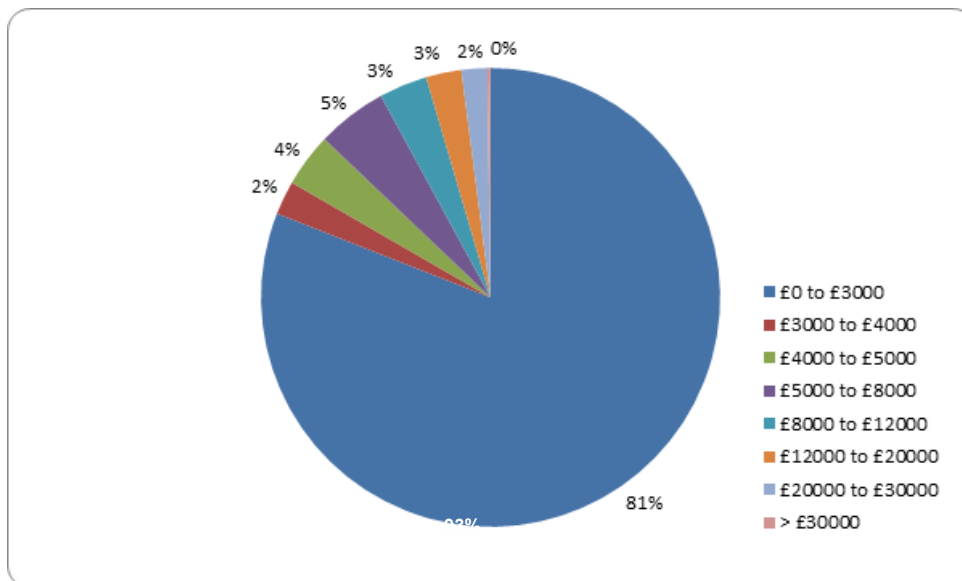
Cherry Godfrey has operated a long term Agency Agreement with its current funder for the provision of finance for its customer lending activities.

Much of the smaller lending will comprise loans to Cherry Godfrey's insurance clients for the purpose of paying insurance premiums and carries a low risk profile as failure to make loan repayments results in the prompt cancellation of the policy and repayment of the balance of the remaining insurance premium.

It is expected that individual loans will have an average life of 30 months with a large percentage being 12 month loans for insurance premium payments.

Based upon £30m of customer advances, it is anticipated that the portfolio might comprise circa 6000 loans.

Analysis of anticipated portfolio by unit value



The Loan advances will be made under the terms of an existing underwriting procedure which has been developed over a number of years and which has been instrumental in the low level of Bad Debt experienced. Cherry Godfrey operate reciprocal agreements with both CI and UK credit reference organisations enabling detailed data sharing of positive and derogatory credit history providing client exposure records which are utilised in the underwriting process.

It is anticipated that 75% of loans forming the £0 to £3000 category will be made up of Insurance Premium Funding and Vendor Introduced customers. All Isle of Man business written will be restricted to Insurance Premium Funding and Vendor Introduced clients only.

CURRENT CONSUMER PORTFOLIO

Cherry Godfrey manages a current loan portfolio of circa £30m; this portfolio has experienced bad debt levels of circa 1.35%, significantly below the historical UK average.

An actuarial review of all loan business written by Cherry Godfrey covering the period from 2000 to 2009 was carried out by BWCI Ltd which demonstrates bad debt at 1.35% of loans made during that period. Cherry Godfrey's accounts post 2009 have shown little deviation from the 1.35% bad debt ratio. Cherry Godfrey is not currently aware of any factors that would indicate any likely deterioration in its historically low level of bad debt.

Monitoring of Bad Debt is undertaken by daily reporting and verified by the production of system generated reports Agreement. Average trend values for 2012 have been maintained at 1.08%.

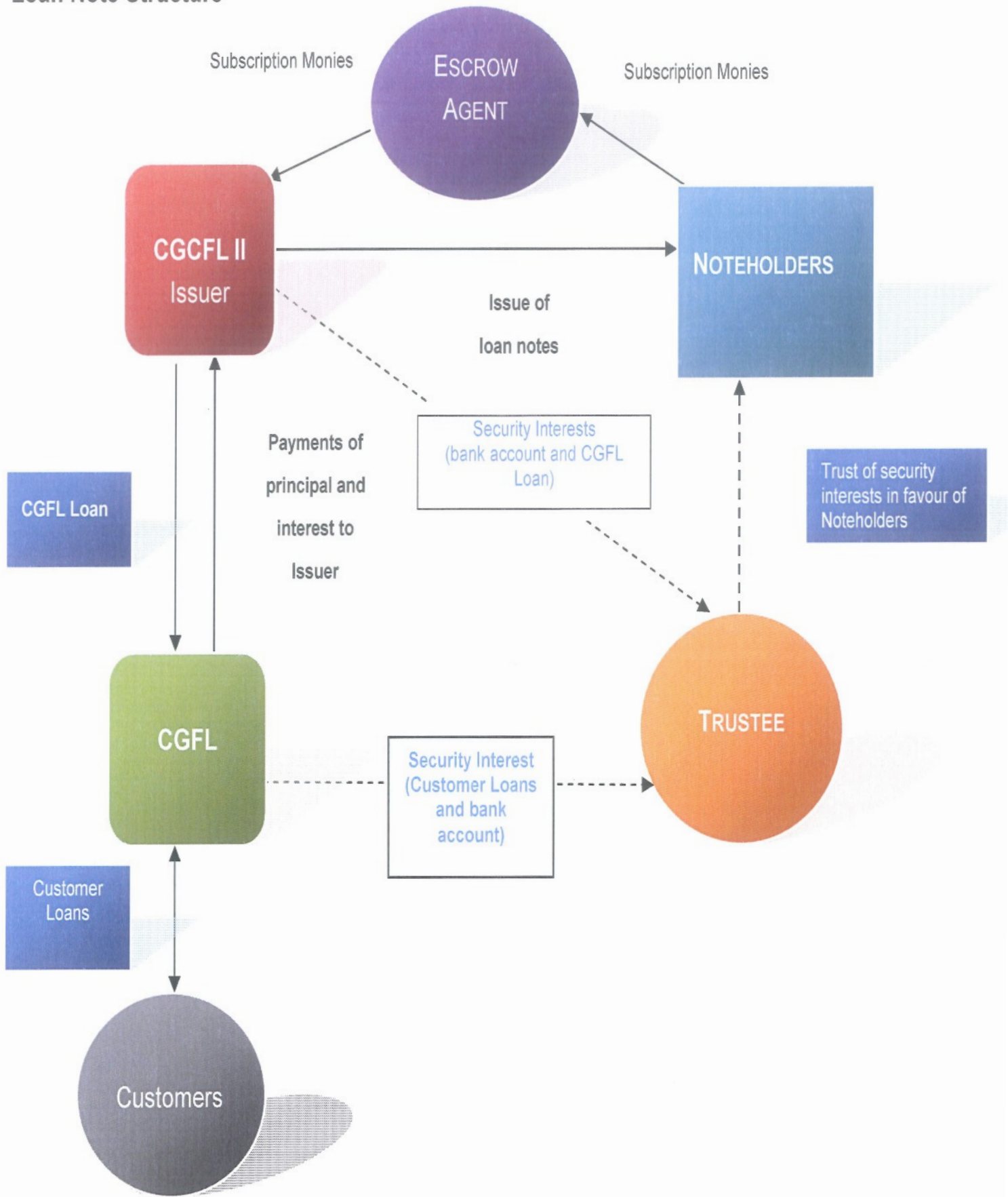
Cherry Godfrey ascribes its low bad debt levels to four principal factors;

1. Expertise in identifying suitable loan customers, many customers are well known to Cherry Godfrey and have previously borrowed on a regular basis.
2. Sophisticated intelligence based upon historical records and public financial records.
3. Loans are well diversified and avoid significant exposure to related borrowers using prudent underwriting criteria.
4. When compared to UK data, the Channel Islands and Isle of Man enjoy low rates of unemployment together with above average levels of remuneration with a significant percentage of residents being employed within well diversified finance, administrative and insurance based industries.

Utilising a detailed and sophisticated database of historical client data, which can be cross referenced with CI and UK public records, ensures that appropriate underwriting information is readily available.

Thorough understanding of local law and credit control procedures related to the maintenance of consumer and mortgage facilities helps to ensure the long term security of loan portfolios.

Loan Note Structure



A Guernsey Special Purpose Vehicle will be incorporated (Cherry Godfrey Consumer Funding II Limited) which will:

- Issue Loan Notes up to the value of £30,000,000 with a minimum investment of £50,000.
- Enter into a loan agreement with Cherry Godfrey Finance Limited which will use the funding to provide consumer loans of the profile described above.
- Cherry Godfrey Finance Limited will pay either, 6.0% annually or, 5.75% per annum quarterly, or 5.50 per annum monthly or, In the event of an increase in interest rates, 3% annually, 2.75% quarterly or 2.5% monthly over the bank of England base rate, to the SPV to facilitate payment of interest on the loan notes and will additionally meet any operating costs of the SPV.
- Security of assets will be provided through the appointment of an independent trustee to hold all individual consumer loans written by Cherry Godfrey Finance Ltd under a Declaration of Trust. These loans will be separately designated from any other loans made by Cherry Godfrey Finance. Any funds loaned by the SPV to Cherry Godfrey Finance and not utilised in the making of loans to customers will be held in the separately designated bank account which will also be held under the Declaration of Trust.
- Verification of the loans held under the Declaration of Trust will be carried out by an independent auditor on behalf of the SPV at 3 monthly intervals.

SECURITY

A Loan Agreement between the SPV (Cherry Godfrey Consumer Funding II Limited) and Cherry Godfrey Finance Limited will exist to enable the SPV to lend the proceeds raised from the loan notes to Cherry Godfrey Finance Limited. These funds will be used for customer loans as described above and be monitored by the SPV's auditor.

The customer loans will be subject to a Security Agreement in favour of the Trustee. The Trustee will execute the Declaration of Trust to hold the loans and the segregated bank account for the benefit of the Loan Note Holders.

Under the terms of the Loan Note Instrument there will be a number of default triggers. If a default occurs the Trustee will take possession of the loans and the designated bank account and these assets will be held for the exclusive benefit of the SPV Loan Note holders.

The key events of default will be:

1. The Company is declared to be *état en désastre* or ceases to trade.
2. The Company fails to meet the 6% pa interest payment to the SPV.
3. Failure of Security as advised by the Auditor.

INVESTMENT RETURN

Returns on the Loan Notes will be based upon the total capital provided by investors, whether fully utilised or not.

Consumer Loans to the customers of Cherry Godfrey Finance will earn interest at circa 14%

This will provide for ;

- Loan note interest payments 6% pa
- Anticipated bad debt of circa 1.35%
- Running costs of the SPV 0.5%
- Cherry Godfrey Finance margin 6.15%

It is possible that further loan notes will be issued in future.

REPAYMENT OF LOAN NOTE

The loan notes will be issued with a fixed termination date.

The loan notes will be transferable.

Cherry Godfrey will have the right to repay the loan notes or a part thereof (any partial early repayment will be not less than 50% of the value of the loan notes) at any time after the expiry of 24 months following the commencement date.

This information is an advertisement and not a prospectus. It does not constitute an offer, or an invitation to purchase, securities in Guernsey. Investors should not purchase or subscribe for any securities referred to in this advertisement except on the basis of information contained in the prospectus which is available at the registered office of Cherry Godfrey Consumer Funding Limited, 1 Fountain Street, St Peter Port, Guernsey, GY1 4AQ during normal business hours on any weekday.

Investment in Cherry Godfrey Consumer Funding II Limited does not fall within the scope of the Banking Deposit Compensation Scheme (Bailiwick of Guernsey) Ordinance, 2008 and accordingly any loss of investment in Cherry Godfrey Consumer Funding II Limited is not eligible for compensation under that Ordinance.

Loan Note Registered under 5.02 (4) of the Prospectus Rules by The Guernsey Financial Service Commission. Issued by Cherry Godfrey Consumer Funding Limited reg no 55041, Contact admin@cherrygodfrey.com