

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.**

If you sell or have sold or otherwise transferred all your shares in the Company please forward this document together with the accompanying Form of Proxy as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

This document should be read as a whole. Your attention is drawn to the letter from the board of directors (the “**Board**”) which is set out on pages 2 to 4 of this document and which recommends that you vote AGAINST all the resolutions.

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## **Davenham Group plc**

*(Incorporated and registered in England and Wales with registered number 3976032)*

### **Notice of General Meeting**

**as requisitioned by one Member pursuant to section 303  
of the Companies Act 2006**

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This document has not been and will not be examined or approved by the London Stock Exchange or the Financial Services Authority.

**Notice of a General Meeting of the Company to be held at 274 Deansgate, Camp Street, Manchester, M3 4JB at 11 a.m. on 11 January 2011 is set out at the end of this document.** A Form of Proxy is enclosed with this document and you are asked to complete and sign the Form of Proxy in accordance with the instructions printed thereon and return it by post to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZX so as to be received by the Registrars by no later than 11 a.m. on 7 January 2011. Completion and return of a Form of Proxy will not prevent you from attending and voting in person at the General Meeting convened by the above mentioned Notice, should you so wish.

The contents of this document are not to be construed as legal, financial or tax advice.

**Davenham Group plc**  
**(the “Company” and together with its subsidiaries, the “Group”)**  
*(A company incorporated in England and Wales with company number 3976032)*

*Directors*

James Rodier Kerr-Muir (Chairman)  
Paul Edward Burke (Group Managing Director)

*Registered Office*

274 Deansgate  
Camp Street  
Manchester  
M3 4JB

14 December 2010

Dear Shareholder

Further to the Company’s announcement on 1 December 2010, the Board of Davenham Group plc hereby gives notice of a general meeting of the Company (the “**General Meeting**”) to be held at 274 Deansgate, Camp Street, Manchester, M3 4JB on 11 January 2011 at 11 a.m.

The General Meeting has been called by the directors of the Company, as required under section 303 of the Companies Act 2006, in order that Shareholders may consider and vote on the resolutions proposed by the Requisitioner (as defined below).

This follows receipt of a requisition notice from DG Anthony (the “**Requisitioner**”), being a shareholder holding not less than 5 per cent. of the paid up share capital of the Company. The requisition notice sets out ordinary resolutions for the removal of Paul Burke (Group Managing Director) and James Kerr-Muir (Chairman) as directors and for the appointment as directors of David Anthony and Gary Jennison (such resolutions, the “**Requisitioned Resolutions**”).

**Board Recommendation**

**The Board unanimously recommends that Shareholders vote AGAINST all of the Requisitioned Resolutions, as they are considered by the Board to be against the best interests of the Company and of Shareholders as a whole.**

**This letter explains why your Board believes that the Requisitioned Resolutions are AGAINST the best interests of the Company and of Shareholders as a whole and sets out what actions you should take to exercise your vote.**

Enclosed with this circular is a statement from Mr. Anthony which he is entitled under the terms of the Companies Act 2006 to include in relation to the Requisitioned Resolutions.

**Summary of the strategic review**

In March 2009, the Company negotiated a two year bank facility with its lending bank syndicate (the “**Banking Syndicate**”), which was tailored to support the asset and trade divisions’ working capital requirements whilst reflecting the recovery of cash from the downsizing of the property loan book. The facility (the “**2009–2011 Banking Facility**”) commenced at £215 million with a quarterly step down to £90 million due by 30 September 2010.

In October 2009 the Company appointed Hawkpoint Partners Limited to evaluate the Group’s strategic options – the strategic review encompassed a variety of workstreams aimed at trying both to preserve shareholder value and to retain the support of the Banking Syndicate in the face of impending covenant breaches under the 2009–2011 Banking Facility – these workstreams included:

1. seeking indicative expressions of interest in elements of the Group (or in raising finance for them) from over 60 potentially interested parties (including a significant number of private equity houses and a number of companies already active in Davenham’s markets), followed by detailed discussions with those parties that had put forward propositions that were considered worthy of further consideration; and
2. the preparation by the Board of a detailed business plan based on a proposal for Davenham to continue writing selective new business and for the Banking Syndicate to renew their funding lines over the medium term (the “**New Business Plan**”).

The Banking Syndicate granted appropriate covenant waivers under the 2009–2011 Banking Facility in order to allow the strategic review to be conducted in a thorough and orderly manner. In

parallel to the strategic review, the Banking Syndicate elected to update the results of the independent business review that had been carried out by Deloitte on their behalf in the run-up to the negotiation and agreement of the 2009–2011 Banking Facility, so that the Banking Syndicate could assess the progress and outcome of the strategic review with the benefit of having its own detailed, up to date knowledge of the Group and its loan books (including of the level of the likely losses to the Banking Syndicate if the Company was put into receivership or some other insolvency process at any juncture).

Towards the end of the strategic review it became increasingly clear that:

1. the levels of the final offers being received from third parties (the “**Third Party Proposals**”) meant that the Group was being valued by external parties at substantially less than the total amount of the Group’s debt to the Banking Syndicate;
2. the Banking Syndicate was very unlikely to be willing to confirm the extension of its 2009 – 2011 Banking Facility beyond its March 2011 expiry (whether in support of the New Business Plan or otherwise);
3. given the quantum of the debt owed to the Banking Syndicate, there would be little or no value remaining for shareholders in the Company – and this was duly noted to the stock market in the announcement (on 31 March 2010) of the Company’s interim results for the six months ended 31 December 2009; and
4. the Company would need to convene a meeting of shareholders pursuant to (section 656 of) the Companies Act 2006 (which requires the directors of a public company to convene a meeting of shareholders where the net assets of that company have fallen to less than one half of its paid up share capital, in order to consider whether any (and if so what) steps should be taken to deal with the situation) – this meeting was convened on 21 April 2010 and held on 18 May 2010, in compliance with the provisions of the Companies Act 2006 – no shareholder put forward any proposals or resolutions at this meeting.

The final outcomes of the strategic review were presented to the Banking Syndicate. Following detailed discussions with the Company and with Hawkpoint Partners, the Banking Syndicate confirmed to the Company that:

1. none of the Third Party Proposals held sufficient interest for the Banking Syndicate at the financial levels at which the Third Party Proposals had been received;
2. the Banking Syndicate would not be granting any further covenant waivers (with the result that the 2009 – 2011 Banking Facility would be repayable on an “on demand” basis);
3. the Group would be required to cease to write new business and, with the support of the Banking Syndicate, to collect in its loan books in a prudent and orderly manner; and
4. the 2009 – 2011 Banking Facility would not be extended (at that stage at least) beyond its existing expiry date of March 2011 and until that date it would be put formally on the “on demand” basis noted above (such restated on demand facility, the “**On Demand Facility**”).

The Company confirmed the conclusion of the strategic review to the stock market on 30 June 2010 and noted that there was likely to be no value for shareholders in the Company. In a subsequent announcement issued on 22 September 2010, the Board reconfirmed its view that there was likely to be no value for shareholders in the Company – this subsequent announcement was released following share price volatility in the Company for which there had been no apparent explanation.

### **Background to the Board’s Recommendation**

Since 30 June 2010 the Company has been in the process of collecting its loan books in the prudent and orderly manner required by the Banking Syndicate. During that period since 30 June 2010 the Board has also been cooperating to the degree it considered appropriate with those parties (including the Requisitioner) that approached the Company with potential new ideas or strategies and whom the Board felt either might reduce the loss that is likely to be suffered by the Banking Syndicate or might even potentially offer some level of value for Shareholders.

On 23 November 2010, the Company received notice of the Requisitioned Resolutions from the Requisitioner. As soon as practicable thereafter, the Board arranged for a meeting between a representative of the Requisitioner, representatives of the principal members of the Banking

Syndicate and the Board. At that meeting the representatives of the principal members of the Banking Syndicate made it clear to the representative of the Requisitioner that:

1. the Banking Syndicate did not wish to see any changes to the Board; and
2. the Banking Syndicate was content for the Board to continue to cooperate to the appropriate degree with parties (including the Requisitioner) who might credibly put forward ideas or proposals of interest.

The day following this meeting, the Requisitioner confirmed that he would not withdraw the Requisitioned Resolutions (and the Company released an announcement promptly thereafter to confirm that the Requisitioned Resolutions had been received and that the Board would be required to convene a general meeting in order for the Requisitioned Resolutions to be voted on by Shareholders).

**It is the firm belief of the Board (having attended the meeting referred to above and following further detailed discussions between the Company and the Banking Syndicate) that, if the Requisitioned Resolutions are passed, the Banking Syndicate will forthwith exercise its rights under the On Demand Facility to put the Company into receivership (in order to collect in the balance of the Group's loan books via that receivership).** The passing of the Requisitioned Resolutions would therefore (in the Board's view) deprive Shareholders of any remaining chance of a solvent reconstruction of the Group that might see some element of value for the Company's Shareholders (albeit that the Board remains of the view that it is likely that there will be no value for Shareholders).

**The Board therefore recommends that you vote AGAINST the Requisitioned Resolutions.**

#### **VOTING INTENTIONS OF THE MAJOR SHAREHOLDER**

On 6 December 2010 the 29.13 per cent shareholding in the Company formerly held by ACP Capital was acquired by Kingswood Property Finance Limited Partnership ("**Kingswood**"). Kingswood have confirmed to the Company that Kingswood will be following the recommendation of the Board and have formally and irrevocably undertaken to the Company that Kingswood will be voting against the Requisitioned Resolutions. The Company has also received an irrevocable undertaking from a shareholder holding a further 4.98 per cent of the Company's issued share capital that they too will be voting against the Requisitioned Resolutions. The Board anticipates therefore that the holders of at least 34 per cent of the total number of issued shares in the Company will be voting against the Requisitioned Resolutions. The Company has not received an indication from any shareholder that they will be voting in favour of the Requisitioned Resolutions, other than from the Requisitioner himself.

#### **ACTION TO BE TAKEN**

Set out at the end of this document is the Notice of General Meeting to be held at 274 Deansgate, Camp Street, Manchester, M3 4JB on 11 January 2011 at 11 a.m. A proxy form is enclosed with this document. Whether or not you intend to be present at the General Meeting, you are asked to complete the Form of Proxy so it is received by the Company's Registrar, Equiniti, as soon as possible but in any event not later than 11 a.m. on 7 January 2011.

**Your Directors believe that the Requisitioned Resolutions are AGAINST the best interests of the Company and of Shareholders as a whole.**

**Accordingly, the Board unanimously recommends that Shareholders VOTE AGAINST ALL THE REQUISITIONED RESOLUTIONS.**

Yours faithfully

J Kerr-Muir  
Chairman

P Burke  
Group Managing Director

**Davenham Group plc**  
**(the “Company”)**

*(Incorporated and registered in England and Wales with registered number 3976032)*

**NOTICE OF GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that a **GENERAL MEETING** of Davenham Group plc (the “**Company**”) will be held at 274 Deansgate, Camp Street, Manchester, M3 4JB at 11 a.m. on 11 January 2011 for the purpose of considering and, if thought fit, passing the following resolutions, which will be proposed as ordinary resolutions

**Your Board unanimously recommends**  
**that you vote AGAINST resolutions 1 to 4**

1. **THAT** Mr Paul Burke be and is removed from the office of director of the Company from the close of the General Meeting.
2. **THAT** Mr James Kerr-Muir be and is removed from the office of director of the Company from the close of the General Meeting.
3. **THAT** Mr David Anthony be and is appointed to the office of director of the Company with immediate effect.
4. **THAT** Mr Gary Jennison be and is appointed to the office of director of the Company with immediate effect.

By Order of the Board

QConsult Limited  
Secretary

*Registered Office*  
274 Deansgate  
Camp Street  
Manchester  
M3 4JB

14 December 2010

The attention of members is drawn to the following notes, which form part of this Notice.

**Notes:**

1. A member entitled to attend and vote at the General Meeting is also entitled to appoint a proxy or proxies to attend, speak and vote instead of him. A member may appoint more than one proxy in relation to the General Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company. Appointment of a proxy will not preclude a member from attending and voting in person at the General Meeting.
2. To be effective, the Form of Proxy and, if relevant, the power of attorney or other authority under which it is executed (or a notarially certified copy of such power or authority) must be received by the Company's registrars, Equiniti at Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZX by 11 am on 7 January 2011. A Form of Proxy is enclosed with this notice.
3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available at [www.euroclear.com/CREST](http://www.euroclear.com/CREST)). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.
4. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("Euroclear UK & Ireland") specifications and must contain the information required for such instructions, as described in the CREST manual.
5. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time for the receipt of proxy appointments specified in note 2 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
6. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK and Ireland does not make available special procedures in CREST for any particular message. Normal system timing and limitations will, therefore, apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST systems and timing.
7. The Company may treat as invalid a CREST proxy instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
8. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member, provided that they do not do so in relation to the same shares.
9. In the case of joint holders of share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority is determined by the order in which the names of the holders stand in the register of members in respect of the joint holding.
10. To be entitled to attend and vote at the General Meeting (and for the purposes of determination by the Company of the votes they may cast), a person must be entered on the Register of Members of the Company at 6pm on 7 January 2011 or, if the General Meeting is adjourned, 6pm on the date two business days before the date for the adjourned Meeting. Changes to entries on the Register of Members after that time will be disregarded in determining the right of any person to attend or vote at the General Meeting.
11. As at 13 December 2010 (being the latest business day prior to the publication of this notice) the Company's issued share capital consisted of 26,060,565 ordinary shares of 1p each. The total number of voting ordinary shares in the Company as at that date was 26,060,565.
12. You may not use any electronic address provided within this notice or any related documents (including the Form of Proxy) to communicate with the Company other than as expressly stated.



