

Davenham Group plc**Full Year Trading Update****Notice of Preliminary Results**

Davenham Group plc ("Davenham" or "the Group"), a leading independent asset based lender to the UK SME sector, today issues a trading update for the year ended 30 June 2008 ahead of announcing its preliminary results on 8 September 2008.

Financial year ended 30 June 2008

The Board of Davenham anticipates that the results for the financial year ended 30 June 2008 will be in line with expectations, reflecting management's actions in recent years to build Davenham's infrastructure and risk controls.

At the year end, £211m had been drawn down from the Group's £300m borrowing facilities and the loan portfolio stood at £284m (2007: £271m). This reflects a cautious approach to loan growth and in particular, a more conservative approach to new business which has been in place since Autumn last year, especially in the Property division, through a tightening of the Group's lending criteria. This conservatism is in response to an increasingly challenging economic environment, which has been well publicised.

Outlook

The Board of Davenham is well placed to cope with more challenging market conditions given the close relationship it maintains with its borrowers, its highly skilled risk teams and the short term nature of its lending.

The Group continues to see strong demand for its Asset and Trade finance products as the clearing banks remain more cautious in these areas. This demand is presenting both improved pricing and credit risk in line with our appetite.

The Group's attitude towards the property market has become increasingly selective, resulting in more conservative underwriting against the lower volume of quality transactions in the market place. As a result of the above, the Group does not expect significant growth across the overall portfolio during the remainder of 2008 and 2009 but does expect an improvement in both the pricing and risk of new business.

As a result of the challenging economic environment, Davenham has seen a degree of credit slippage across its risk classifications in its property portfolio. The Board believes it is prudent to plan for challenging economic conditions to continue and anticipates an increase in the level of impairment in its property portfolio within manageable levels.

David Coates, Chief Executive of Davenham Group plc, said:

"We are pleased to have achieved our target results for the year ended 30 June 2008 against the background of increasingly challenging trading conditions during the last six months of the financial year.

"Davenham's strength lies in its ability to manage closely secured credit to its customers. The current environment leaves the Group well positioned to take advantage of increased volumes and better quality new business."

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About Davenham:

Davenham is a leading, independent asset based lender to the UK SME sector. The Company provides lending solutions designed to meet the financing needs of UK SMEs – typically involving loans of between £10,000 and £5 million. Davenham has a diverse loan portfolio, with its lending activities organised into the following divisions: property finance, asset finance and trade finance.

Davenham provides asset based lending to such organisations that are not adequately serviced by mainstream lenders, who tend to adopt a formulaic approach to lending decisions. This funding is used to finance short term property transactions, the acquisition of plant, machinery and equipment and the funding of stock, debtors and letters of credit.

The business was founded in 1991 in Manchester from where its core operations are run. In recent years, Davenham has begun to expand and it now also operates from offices in Leeds, Birmingham, Bristol, Glasgow, Liverpool, London, and Newcastle.