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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the action you should take, you are recommended to immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent professional adviser, who is authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

If you sell or have sold or otherwise transferred all of your shares in Davenham Group plc, please pass 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 who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

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**Davenham Group plc**

*(incorporated and registered in England and Wales with registered number 03976032)*

**Notice of general meeting  
(pursuant to section 656 of the Companies Act 2006)  
to consider serious loss of capital**

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This document should be read as a whole. Your attention is drawn, in particular, to the letter to Shareholders from the Chairman of Davenham Group plc which is set out on pages 3 to 4 of this document.

Notice of a General Meeting of Davenham Group plc, to be held at 8 St John Street, Manchester M3 4DU on 18 May 2010 at 10.30 am, is set out on pages 5 to 6 of this document.

Whether or not you propose to attend the General Meeting, please complete, sign and return the enclosed Form of Proxy in accordance with the instructions printed on it to the offices of the Company's registrars, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZX as soon as possible and, in any event, so as to be received no later than 10.30 am on 14 May 2010. Completion and return of a Form of Proxy will not preclude you from attending and voting at the General Meeting should you choose to do so. Further instructions relating to the Form of Proxy are set out in the notice of General Meeting at the end of this document.

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### EXPECTED TIMETABLE OF EVENTS

Latest time and date for receipt of Forms of Proxy	10.30 am on 14 May 2010
General Meeting	10.30 am on 18 May 2010

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### DEFINITIONS

<b>Company</b>	Davenham Group plc;
<b>Directors or Board</b>	the directors of the Company whose names are set out on page 3 of this document;
<b>Form of Proxy</b>	the form of proxy for use in connection with the General Meeting;
<b>General Meeting</b>	the general meeting of the Company to be held at 8 St John Street, Manchester M3 4DU on 18 May 2010 at 10.30 am, notice of which is set out at the end of this document, and any adjournment thereof;
<b>Group</b>	the Company and its subsidiaries;
<b>Interim Results</b>	the interim results of the Company for the six months ended 31 December 2009 published on 31 March 2010;
<b>Notice</b>	the notice of General Meeting set out at the end of this document;
<b>Shareholders</b>	the holders of Shares; and
<b>Shares</b>	ordinary shares in the Company.

## LETTER FROM THE CHAIRMAN OF DAVENHAM GROUP PLC

# Davenham Group plc

*(incorporated and registered in England and Wales with registered number 03976032)*

Directors:  
James Kerr-Muir (Chairman)  
Paul Burke (Group Managing Director)  
Graham "Sam" Footitt (Senior non-executive director)  
David Stewart (Non-executive director)

Registered Office:  
8 St John Street  
Manchester  
M3 4DU

21 April 2010

To Shareholders

Dear Sir or Madam

### **Notice of General Meeting to consider serious loss of capital**

#### **1. Introduction**

I am writing to give you notice of, and to explain the reasons for, the General Meeting to be held on 18 May 2010 to consider the serious loss of capital of the Company. A Form of Proxy accompanies this document.

#### **2. Update on the Company's position**

In the last nine months there has been considerable activity by the Board and management team to reduce the Group's operating costs, to realise cash from its loan portfolio thus reducing its borrowings, and to work closely with Hawkpoint, the Group's NOMAD and financial adviser, to undertake a strategic review of the Group's options.

Whilst the strategic review is yet to be concluded, the Board considers it likely that there will be little or no value remaining for ordinary shareholders in the Company.

The results for the six months ended 31 December 2009 were published on 31 March 2010. Those results reflect a continuation of the challenging trading conditions for our loan books. The property loan book has been particularly impacted, with the Group continuing to find it difficult to sell property assets at acceptable prices, the vast majority of which are non-performing, resulting in reduced income and continued operating losses.

Revenue for the six months to 31 December 2009 was £17.4 million (2008: £27.0 million), Finance costs were slightly reduced to £7.4 million (2008: £8.0 million), reflecting the step down in the Group's bank facility. Our focus on reducing the cost base is reflected in a reduction in administrative expenses to £6.2 million (2008: £11.5 million). After exceptional items, the operating loss for the period (before taxation) was £8.0 million (2008: £30.4 million).

### **3. Action already taken by the Board - Strategic Review**

As a result of deteriorating economic conditions in late 2008, the Company instigated an extensive and detailed review of its operations leading to its decision to focus on operating its trade and asset portfolios cautiously, whilst optimising recoveries from its property portfolio. It was also clear at that time that the business was too highly geared, given the outlook for capital markets.

Since that time, the business has been significantly de-leveraged to a smaller operating and cost base, a smaller loan portfolio and a smaller balance sheet and, having slowed the rate of provisioning in our property book considerably, we announced in our final results statement in September 2009, and in our 2009 Annual Report and Accounts, that we had appointed Hawkpoint to evaluate the Group's strategic options.

The Company updated Shareholders on 8 January 2010, confirming that, as part of that strategic review, we were seeking indicative expressions of interest in elements of the Group (or in raising finance for them).

The strategic review has now progressed to discussions with a small number of parties and the Board intends to continue to run a thorough and orderly process. However, there remains material uncertainty as to the outcome of the strategic review and the Board now considers it likely that there will be little or no value remaining for Shareholders in the Company.

### **4. Serious Loss of Capital**

Due to the continuing losses incurred by the Group, the Directors have concluded that the value of the Company's net assets is now less than half of its called up share capital – in particular those losses have recently reached a point at which it was appropriate, in light of the size of the external secured borrowings owed by the Group and of the range of potential outcomes of the strategic review, to write down the carrying value in the Company's balance sheet of the Company's investments in its trading subsidiaries (and of the value of certain intra-group debts owed by those subsidiaries to the Company), thus reducing the Company's net assets substantially.

In a situation where the value of the Company's net assets is less than half of its called up share capital, the Directors are required, under section 656 of the Companies Act 2006, to convene a general meeting of the Company for the purpose of allowing shareholders to consider whether any, and if so what, steps should be taken to deal with the situation.

In light of the continuing strategic review, the Board does not consider it necessary for specific resolutions to be proposed at the General Meeting.

### **5. Action to be taken by Shareholders**

You will find enclosed with this document a Form of Proxy for use at the General Meeting. Whether or not you propose to attend the General Meeting in person, you are asked to complete the Form of Proxy in accordance with the instructions printed on it and to return it to the Company's registrars, Equiniti so as to arrive as soon as possible, but in any event so as to be received no later than 10.30 am on 14 May 2010. Completion and return of a Form of Proxy will not preclude you from attending the General Meeting and voting in person should you wish to do so.

Yours faithfully

**James Kerr-Muir**

Chairman

Davenham Group plc

## NOTICE OF GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a GENERAL MEETING of Davenham Group plc (the "Company") will be held at 8 St John Street, Manchester M3 4DU on 18 May 2010 at 10.30 am (the "**Meeting**") for the purpose of considering, in accordance with section 656 of the Companies Act 2006, whether any, and if so what, steps should be taken to deal with the situation that the net assets of the Company are half or less of its called up share capital.

Dated: 21 April 2010

By Order of the Board  
QConsult Limited  
Secretary

Registered Office:  
8 St John Street  
Manchester  
M3 4DU

### NOTES

1. A member entitled to attend and vote at the 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 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 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 the address stated on the Form of Proxy, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZX by 10.30 am on 14 May 2010. 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. 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.

NOTES continued

5. 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.
6. The Company may treat as invalid a CREST proxy instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertified Securities Regulations 2001.
7. 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.
8. In the case of joint holders of a 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.
9. To be entitled to attend and vote at the 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 6.00 pm on 16 May 2010 or, if the Meeting is adjourned, 6.00 pm on the date two 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 Meeting.
10. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy nomination rights (a "Nominated Person") you may, under an agreement between you and the member of the Company who has nominated you, have a right to be appointed (or have someone else appointed) as a proxy for the Meeting. If you do not have such a proxy appointment right, or you do but do not wish to exercise it, you may under any such agreement have a right to give instructions to the member who has appointed you as to the exercise of voting rights.
11. As at 20 April 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 shares in the Company as at that date was 26,060,565.
12. A copy of this notice and other information required by s311A of the Companies Act 2006 can be found at [www.davenham.co.uk](http://www.davenham.co.uk).
13. 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.

**DAVENHAM GROUP PLC GENERAL MEETING  
FORM OF PROXY**

I/We \_\_\_\_\_

(Please insert full name(s) and address(es) in block letters)

of \_\_\_\_\_

being (a) member/members of the above-named Company hereby appoint the Chairman of the Meeting, or (see Note 1 below)

of \_\_\_\_\_

regarding \_\_\_\_\_ shares as my/our proxy to vote for me/us on my/our behalf at the General Meeting of the Company to be held at 10.30 am on 18 May 2010 and at any adjournment thereof.

Please tick this box if this proxy appointment is one of multiple appointments being made.

Name: (Block capitals) \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

Signature(s):  
or Common Seal \_\_\_\_\_

Date: \_\_\_\_\_

**Notes**

1. Any member entitled to attend and vote at the General Meeting is entitled to appoint one or more proxies (who need not be a member of the Company) of his/her own choice to attend and, on a poll, to vote in his/her place. If a member wishes to appoint a proxy other than the Chairman, delete the words "the Chairman of the Meeting or," initial the alteration and insert the name of the person you wish to appoint as your proxy. The Chairman of the Meeting shall act as a proxy unless another proxy is indicated. A proxy will act in his/her discretion in relation to any business at the meeting (including any resolution to amend a resolution or to adjourn the meeting).
2. All members are entitled to attend and vote at the meeting, whether or not they have returned a form of proxy.
3. If a member is a corporation, this form of proxy must be executed under its common seal or by the signature of an officer or attorney duly authorised in writing. A copy of the authorisation of such officer or attorney must be lodged with the form of proxy.
4. In the case of joint holders, the signature of any one holder will be sufficient, but the names of all joint holders should be stated, and the vote of the senior holder who tenders a vote will be accepted to the exclusion of the vote(s) of other joint holder(s), seniority being determined by the order in which the names stand in the register of members of the Company.
5. In order to be valid, this form of proxy, duly executed together with any power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, must be lodged at the Company's Registrars by 10.30 am on 14 May 2010 or not less than 48 hours before any adjournment of the meeting.
6. CREST participants may lodge their proxy appointments via CREST. Please refer to note 3 in the notice of meeting.
7. Any alterations made to this form of proxy should be initialled.



SECOND FOLD

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**Equiniti  
Aspect House  
Spencer Road  
Lancing  
West Sussex  
BN99 6ZX**

THIRD FOLD AND TUCK IN

FIRST FOLD

