

17 October 2008

Davenham Group plc
("Davenham " or the "Company")

Trading update and statement regarding dividend

Since the announcement by Davenham Group plc ("Davenham" or the "Company") of our preliminary results on 8 September 2008, the markets in which the Company operates have been exposed to a rapidly deteriorating economic climate and, more recently, to unprecedented turmoil in the financial markets. The property market, in particular, has continued to weaken with an exceptionally low volume of transactions.

Against this background, the Company has recorded a further rise in the level of loan impairment and the Board expects this trend to continue, primarily in Davenham's property portfolio. In these circumstances, the Board has decided to enact a number of initiatives as follows:

- the writing of new facilities in the property division has ceased, albeit that new business in trade and medium and large ticket asset finance continues at satisfactory levels;
- resources available to the Company's specialist recovery unit are being substantially increased; and
- headcount has been reduced by 20 per cent. in anticipation of the reduction in the scale of the business going forward.

Having regard to the changed economic climate and notwithstanding the management initiatives outlined above, the Board does not expect Davenham to be profitable in the current financial year.

In the circumstances, the Board has decided to withdraw its recommendation for a final dividend of 7p per share which had been due to be approved by shareholders at the Annual General Meeting on Friday 24 October 2008. This will have the benefit of conserving cash for the Group during these uncertain times.

Davenham's principal banking facilities are committed until December 2009. The Company has entered discussions with its banks regarding the revision and extension of its banking facilities which will include an early renegotiation of the banking covenants to reflect the changed dynamics of the business.

The pre-emptive actions we are taking to reduce the Company's cost base and downsize the business to a smaller base are designed to optimise Davenham's position during these difficult times.

Ends -

Enquiries

Davenham

0161 832 8484

David Coates, Chief Executive

www.davenham.co.uk

Paul Burke, Finance Director

Hawkpoint Partners Limited (Nominated Adviser) 020 7665 4500

Lawrence Guthrie / Joseph Ayala

Smithfield

020 7360 4900

Katie Hunt / Reg Hoare / Rebecca Whitehead