

P R E S S R E L E A S E

Release Date 24th March 2009

www.davenham.co.uk

Davenham today announces the result of its strategic review and the successful £215 million refinancing of its banking facilities to support its new strategy of focusing on its asset and trade finance divisions, whilst optimising recoveries from its property division.

Strategic Update

As previously stated in the trading update issued to the London Stock Exchange on Friday 17 October 2008, the unprecedented changes that we have seen in the credit environment have precipitated a rapid deterioration in both the value and liquidity of property assets. This has caused an increase in the impairment of Davenham's property loan portfolio as a result of its client base experiencing problems either selling or refinancing their assets.

In this context, the Company has carried out an extensive and detailed strategic review of the business, leading to its decision to focus on operating its trade and asset portfolios within appropriate parameters, whilst optimising recoveries from its property portfolio.

Trading Update

The Company has, together with its advisers, conducted a comprehensive review of its portfolio, the conclusion of which has given rise to an impairment charge of c. £31 million (c. £38 million inclusive of gross up), of which c. 90% is in relation to the impairment of its property loans. This asset write down is expected to be reflected in operating losses for the six months ended 31 December 2008 of approximately £30 million. Following the write-down, Davenham's net asset value will be approximately £26 million.

Further details will be provided in the forthcoming interim results announcement due to be released on 26 March 2009.

Restructuring Update

In line with the revised strategy, much progress has been made with the restructuring initiatives announced in the update to the market issued on 17 October 2008. The Company has:

- ceased writing new facilities in property and is applying highly selective criteria to trade and asset lending, to exclude new small ticket leasing and professional loans facilities;
- substantially increased the resources in its property risk teams;
- closed sales offices in Scotland, Liverpool and Bristol; and
- reduced headcount across the Group by 31% to reflect the reduced scale of the business.

As a result of these actions:

- the overall loan book has reduced from c. £284 million at 30 June 2008 to £249 million at 31 December 2008, with a further reduction to c. £221 million at close of business last night;
- the property loan portfolio represented c. £130 million at 31 December 2008 compared to £154 million at 30 June 2008; and
- the Company expects to realise annualised cost savings of £3.1 million, with exceptional costs of c. £1.7 million in relation to the restructuring having been incurred in the first six months of the current financial year.

Refinancing Completed

Davenham has agreed a new 2 year facility to 31 March 2011, which is 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 new facility contains covenants which the Board feels are acceptable and appropriate to support the new strategy, including the need to obtain banking consent to the payment of dividends. The facility commences at £215 million, reducing over an 18 month period to £90 million, reflecting largely repayments from the property book.

The new facility has been arranged by the Royal Bank of Scotland with the support of the existing syndicate of banks.

Under the new agreement, Davenham's cost of funding will be 3% over LIBOR. The Company is increasing the pricing of new client facilities to protect its margins in view of this anticipated increase in cost of funding.

The Board of Davenham was advised by Hawkpoint on the refinancing.

David Coates, Chief Executive, commented:

"The Board's decisive action in changing Davenham's strategy has enabled the Group to reduce its credit risks, operating costs and financial leverage as well as to optimise its property recoveries, thereby delivering the Group to a position where it has successfully gained the support of its Banking Group.

"The economic environment remains challenging but our successful refinancing positions Davenham to deliver on its new strategy."