

**THIS DOCUMENT AND THE ACCOMPANYING FORM OF PROXY AND ELECTION FORM ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 immediately.**

**If you sell or otherwise transfer or have sold or otherwise transferred all of your Ordinary Shares, you should send this document and the accompanying form of proxy and Election Form 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. However, such documents should not be distributed, forwarded or transmitted into any jurisdiction in which to do so would constitute a breach of the relevant laws of such jurisdiction. If you sell or have sold or otherwise transferred only part of your holding, you should retain these documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.**

**No prospectus is required, in accordance with the Prospectus Directive (Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (as amended)), to be published in connection with the proposed issue of B Shares and C Shares.**

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## **Dunelm Group plc**

(Incorporated and registered in England and Wales with No. 4708277)

**Proposed Return of Capital to Shareholders of 70 pence per Ordinary Share**

**by way of one B Share or one C Share for each Ordinary Share**

**Notice of General Meeting**

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**This document should be read as a whole. Your attention is drawn to the letter from the Chairman of Dunelm set out in Part 1 of this document which contains the recommendation by the Directors to Shareholders to vote in favour of the Resolution to be proposed at the General Meeting, notices for which are set out in Part 12 of this document. Shareholders should read the whole of this document and not rely just on the summarised information set out in the Chairman's Letter.**

No application will be made to the UK Listing Authority or to the London Stock Exchange for any of the B Shares, C Shares or Deferred Shares to be admitted to the Official List or to trading on the London Stock Exchange's main market for listed securities, nor will the B Shares or the C Shares or the Deferred Shares be admitted to trading on any other recognised investment exchange.

None of the B Shares, the C Shares or the Deferred Shares has been or will be registered under the US Securities Act or the state securities laws of the United States and none of them may be offered or sold in the United States unless pursuant to a transaction which has been registered under the US Securities Act and/or relevant state securities laws or which is not subject to the registration requirements of the US Securities Act or such laws, either because of an exemption therefrom or otherwise.

None of the B Shares, the C Shares or the Deferred Shares or this document has been approved, disapproved or otherwise recommended by any US federal or state securities commission or other regulatory authority or any non-US securities commission or regulatory authority nor have any such authorities confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

UBS Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and is acting as financial adviser to Dunelm in connection with the Return of Capital and for no one else and will not be responsible to anyone other than Dunelm (whether or not a recipient of this document) for providing the protections afforded to clients of UBS Limited nor for providing advice in relation to the proposals described in this document or any other matter referred to in this document. Persons other than Dunelm are recommended to seek their own financial and professional advice.

Apart from the responsibilities and liabilities, if any, which may be imposed on UBS Limited by the FSMA or the regulatory regime established thereunder, UBS Limited accepts no responsibility or liability whatsoever for the contents of this document or for any other statement made or purported to be made in connection with the Company, the proposed Return of Capital or the Resolution. UBS Limited accordingly disclaims all and any responsibility or liability whether arising in tort, contract or otherwise

(save as referred to above) which it might otherwise have in respect of this document or any such statement.

Notice of a General Meeting of Dunelm to be held at the Dunelm Store Support Centre, Watermead Business Park, Syston, Leicestershire, LE7 1AD at 10.00 am on 2 March 2015 is set out in Part 12 of this document. The Form of Proxy for use at the General Meeting accompanies this document and, to be valid, should be completed and returned in accordance with the instructions set out therein as soon as possible but in any event so as to reach Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, not later than 10.00 am on 26 February 2015. Shareholders who hold their Ordinary Shares in CREST may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Equiniti so that it is received no later than 10.00 am on 26 February 2015. Completion and return of the Form of Proxy or the transmission of a CREST Proxy Instruction will not preclude Shareholders from attending and voting in person at the General Meeting should they so wish.

**A summary of the actions to be taken by Shareholders is set out on page 9 of this document and in the accompanying notices of the General Meeting.**

**THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY, NOR SHALL THERE BE ANY SALE, ISSUANCE OR TRANSFER OF THE SECURITIES REFERRED TO IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW.**

The attention of non-UK Shareholders is drawn to paragraph 6 of Part 3 of this document.

#### **Forward-looking statements**

This document includes forward-looking statements concerning the Group. Forward-looking statements are based on current expectations and projections about future events. These forward-looking statements are subject to risks, uncertainties and assumptions about the Group. The Group undertakes no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, save to the extent required in accordance with the Company's continuing obligations under the Listing Rules, the Disclosure and Transparency Rules, applicable laws and regulations.

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*Your attention is drawn to the Definitions in Part 11 which apply throughout this document, the Election Form and the Form of Proxy unless the context requires otherwise.*

### WHERE TO FIND HELP

You will find answers to some of the questions most often asked by shareholders about returns of capital and the procedure for participating in the B/C Share Scheme in Part 4 of this Circular.

If you have further questions on the B/C Share Scheme, there is a Shareholder helpline available between the hours of 8.30 am and 5.30 pm on Business Days. The Shareholder helpline numbers are: 0871 384 2919 (from inside the UK) and +44 121 415 0263 (from outside the UK). Please note that calls to the helpline may be recorded or monitored. Calls to 0871 384 2919 cost 8 pence per minute (excluding VAT) plus network extras. Different charges may apply to calls from mobile telephone. Calls from outside the UK will be charged at applicable international rates.

**Please note that for legal reasons the Shareholder helpline will only be able to provide information contained in this Circular and the Election Form and will be unable to give advice on the merits of the B/C Share Scheme, the Share Alternatives or to provide financial, legal or tax advice.**

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

### General

2015

Latest time and date for receipt of Form of Proxy for General Meeting . . . . .	10.00 am on Thursday 26 February
General Meeting at the Dunelm Store Support Centre, Watermead Business Park, Syston, Leicester, LE7 1AD. . . . .	10.00 am on Monday 2 March
Ordinary Share Record Date for participation in the Return of Capital . . . . .	6.00 pm on Monday 2 March
Latest time for receipt of Election Forms from certificated Shareholders and TTE Instructions from CREST holders in relation to the Share Alternatives . . . . .	4.30 pm on Monday 9 March
B Shares and C Shares issued . . . . .	Tuesday 10 March
<b>Alternative 1: Income Option—the default option</b>	
B Share Dividend declared . . . . .	Tuesday 10 March
Conversion of B Shares in respect of which the B Share Dividend is payable into Deferred Shares . . . . .	Tuesday 10 March
Dispatch of cheques or mandated bank accounts credited (as appropriate) in respect of the B Share Dividend. . . . .	Tuesday 24 March
<b>Alternative 2: Capital Option</b>	
Purchase Offer made . . . . .	Wednesday 11 March
Dispatch of cheques or CREST accounts credited (as appropriate) in respect of proceeds under the Capital Option . .	Tuesday 24 March

Notes:

- (1) References to times in this document are to London time. All dates and times are subject to change. If any of the above dates and times should change, the revised times and/or dates will be notified to Shareholders by an announcement on a Regulatory Information Service.
- (2) All events following the General Meeting are conditional upon approval by Shareholders of the Resolution set out in the notice of General Meeting.
- (3) Share certificates will not be issued for B Shares, C Shares or Deferred Shares.

**PART 1**

**CHAIRMAN'S LETTER**

**DUNELM GROUP PLC**

(Incorporated and registered in England and Wales with No. 4708277)

Directors:

G I Cooper (Non-Executive Chairman)  
W L Adderley (Chief Executive)  
S Emeny (Senior Independent Non-Executive Director)  
M J Sears (Independent Non-Executive Director)  
E M Doherty (Independent Non-Executive Director)  
A Harrison (Independent Non-Executive Director)  
D A Stead (Finance Director)

Registered office:  
Watermead Business Park  
Syston  
Leicestershire  
LE7 1AD

12 February 2015

*To Shareholders of the Company*

Dear Shareholder

**Proposed Return of Capital to Shareholders of 70 pence per Ordinary Share**

**Notice of General Meeting**

**1. Introduction**

As was announced on 11 February 2015 the Board is proposing to return approximately £142 million of capital to Shareholders (equivalent to 70 pence per Ordinary Share), which is in addition to the interim dividend of 5.5 pence per share. The background to and reasons for the Return of Capital are detailed in paragraph 2 below.

If the Return of Capital is approved at the General Meeting, Shareholders on the register at the close of business on 2 March 2015 will be sent a payment of 70 pence per Ordinary Share by 24 March 2015.

The precise aggregate amount of the Return of Capital will depend on the number of Ordinary Shares in issue at 6.00 pm on 2 March 2015. However, based on the number of Ordinary Shares in issue on 11 February 2015, the Return of Capital would amount to approximately £142 million in total.

The purpose of this document is to provide you with information relating to the Return of Capital and to explain the reasons for it and why the Board considers it to be in the best interests of Dunelm and Shareholders as a whole.

The Return of Capital requires the approval of Shareholders which will be sought at the General Meeting to be held on 2 March 2015 at the Dunelm Store Support Centre, Watermead Business Park, Syston, Leicester, LE7 1AD. Notice of the General Meeting is set out in Part 12 of this document.

**2. Background to and reasons for the Return of Capital**

Dunelm has consistently generated significant cashflow and has built up material cash balances in recent years. Dunelm returned £42.2 million of surplus cash to its shareholders in 2010, £65.8 million in 2012 and £50.7 million in 2013, and has continued to generate further cash balances since then in the ordinary course of its trading activities. In the financial year ended 28 June 2014, the Group's average net cash position was £48.3 million, with net cleared funds at the end of the period being £46.8 million. During the half year ended 27 December 2014, daily average cleared funds across the half year amounted to £49.4 million, with net cleared funds at the end of the half year of £61.4 million. In the absence of the proposed Return of Capital the Board would expect the Group's positive cash position to continue to increase further.

The Board has also reviewed its policy on capital structure and dividends. The original policy was established at the time of the flotation of the Company and in the Board's opinion no longer reflects the scale of the business and its consistent track record of cash generation over many years. Accordingly, the Board has determined that, henceforward, the Group will operate with a modest amount of leverage such that net debt, measured as daily average liquid funds over the most recent six month period, should fall

within the range of 0.25 to 0.75 times last 12 months EBITDA. Furthermore, the Board intends that ordinary dividend cover should in future be between 2.0 and 2.5 times on a full year basis. The Board currently anticipates holding cover towards the middle of this range.

In order to fund the intended ongoing debt, the Group has entered into an arrangement with a syndicate of three major banks for the provision of a £150 million revolving credit facility, expiring on 9 February 2020.

Reflecting these policies the Company will pay an interim dividend of 5.5 pence per share (a 10 per cent. increase year on year) on 10 April 2015 to Shareholders on the register at 13 March 2015, and the Board proposes, subject to Shareholder approval, to make a Return of Capital to Shareholders on the terms set out in this document.

### **3. Summary of the proposals**

The Board is mindful of the fact that it has a range of institutional, corporate and individual shareholders and, as such, proposes a flexible mechanism by which the capital is returned. As with previous returns of capital, and having considered the available options, the Board is proposing that the Return of Capital is effected via a B/C Share Scheme under which Shareholders will receive a bonus issue of a newly created class of shares, either B Shares or C Shares, pro-rata to their holding of Ordinary Shares.

This method of return has been chosen as it allows Shareholders (save for certain Overseas Shareholders) to be treated equally irrespective of the size of their investment in Dunelm and gives each Shareholder flexibility to elect to receive all or part of the Return of Capital in a dividend form, if preferred. Whichever alternative is chosen, the Return of Capital will amount to 70 pence per Ordinary Share and, based upon the number of Ordinary Shares in issue (excluding any Ordinary Shares held by Dunelm in treasury, which will not participate in the Return of Capital), the Return of Capital will total approximately £142 million.

### **4. Return of Capital**

#### **4.1 B Shares/C Shares**

Under the Return of Capital, Shareholders will receive a bonus issue of:

#### **One B Share or One C Share for each Ordinary Share held on the Ordinary Share Record Date.**

At the closing middle-market price of 929.5 pence per Ordinary Share on 11 February 2015 (being the latest practicable date prior to the publication of this document), the proposed Return of Capital to Shareholders represents approximately 7.55 per cent. of Dunelm's market capitalisation at that date and 70 pence per Ordinary Share.

The choices available to Shareholders are summarised in paragraph 4.2 below and the main features of the B Shares and the C Shares are set out in Parts 3, 5 and 6 below.

#### **4.2 Share Alternatives**

Under the B/C Share Scheme, Shareholders (other than certain Overseas Shareholders) will have the following alternatives. Shareholders should read Part 8 "United Kingdom Taxation in relation to the Return of Capital" since the two alternatives are likely to have different UK tax consequences.

**Shareholders who are in any doubt as to their tax position should consult an appropriate professional adviser.**

**In the event that a Shareholder fails to make a valid election for one or more of the alternatives set out in this paragraph 4, such Shareholder will be deemed (unless the Company determines otherwise) to have elected for the Income Option in respect of his entire holding.**

**Unless you are an Overseas Shareholder in a Restricted Territory you may elect to receive any one of, or a combination of, the two Share Alternatives set out below. The Capital Option is not available to Overseas Shareholders in Restricted Territories who are only entitled to elect for the Income Option and any such Shareholder shall automatically be deemed to have elected for the Income Option.**

**If you do not properly complete and return your Election Form or if you are a CREST holder and you do not send a valid TTE Instruction, unless the Company determines otherwise, you will be deemed to have elected for the Income Option in respect of all of your entitlement.**

### *Alternative 1: Income Option*

If you choose this alternative (or are deemed to have chosen this alternative), you will receive one B Share for each corresponding Ordinary Share held at the Ordinary Share Record Date. You will receive a single dividend of 70 pence per B Share in respect of those B Shares. Your aggregate entitlement will be rounded down to the nearest penny. It is expected that this will be declared by 10 March 2015. Following the declaration of the B Share Dividend, the B Shares will automatically convert into Deferred Shares. The Deferred Shares will not be listed, and will carry extremely limited rights as Shareholders will have already received a cash pay-out in relation to those shares. It is intended that the Deferred Shares will be purchased by UBS under the Purchase Offer and subsequently purchased from UBS by the Company, in each case for an aggregate sum of 1 penny, and cancelled. Further details of the rights and restrictions attaching to the Deferred Shares are set out in Part 7 of this document.

It is expected that the B Share Dividend will be treated as income for United Kingdom tax purposes.

It is also expected that Shareholders who choose (or are deemed to have chosen) this alternative will have their cheques dispatched or mandated bank accounts credited (as appropriate) by 24 March 2015.

Further information on each of the Share Alternatives is set out in Part 3 of this document.

### *Alternative 2: Capital Option*

If you choose this alternative you will receive one C Share for each corresponding Ordinary Share held at the Ordinary Share Record Date. It is intended that such C Shares will be purchased by UBS as principal under the Purchase Offer by 11 March 2015 for 70 pence per C Share, free and clear from all dealing expenses and commissions, with the proceeds of such sale being sent to relevant Shareholders by 24 March 2015 and it is intended that any such C Shares purchased by UBS would in turn be purchased from UBS by the Company and then cancelled.

It is expected that the proceeds from this sale will be treated as capital for United Kingdom tax purposes.

The making of the Purchase Offer is subject to certain conditions and Shareholders' attention is drawn to paragraph 2 of Part 10 of this Circular, where the Purchase Offer Deed is summarised.

It is also expected that Shareholders who choose this alternative will have their cheques dispatched or CREST accounts credited (as appropriate) by 24 March 2015.

#### 4.3 Information Relating to the B Shares, C Shares and Deferred Shares

None of the B Shares, C Shares or Deferred Shares will be admitted to the Official List or to trading on the London Stock Exchange's main market for listed securities, nor will the B Shares, C Shares or Deferred Shares be listed or admitted to trading on any other recognised investment exchange.

The B Shares, C Shares and Deferred Shares will have limited rights. The rights and restrictions attached to the B Shares, C Shares and Deferred Shares are set out more fully in Parts 5, 6 and 7 of this Circular respectively.

#### 4.4 Key Dates

A detailed expected timetable of principal events in respect of the B/C Share Scheme is set out on page 4 of this document.

### **5. General Meeting**

Your approval is being sought for the proposed Return of Capital.

A notice of General Meeting which has been convened for 10.00 am on 2 March 2015 for this purpose is set out at Part 12 of this document. A Form of Proxy to be used in connection with the General Meeting is enclosed with this document.

The General Meeting is being convened on not less than 14 days' clear notice, in accordance with the Company's articles of association and the authority granted by the Shareholders at the Company's last annual general meeting, to ensure that the Return of Capital is effected as soon as possible.



## 6. Summary explanation of the Resolution to be put to the General Meeting

The Return of Capital is conditional upon the Resolution being passed. The Resolution is a special resolution and will be passed if at least 75 per cent. of the votes cast are in favour.

The Resolution (which is set out in the notice of General Meeting) proposes to:

- (a) authorise the Directors to:
  - (i) capitalise a sum not exceeding £2028.34 standing to the credit of the Company's share premium account to pay up in full the B Shares and C Shares; and
  - (ii) allot and issue B Shares and C Shares up to an aggregate nominal amount of £2028.34 to Shareholders on the basis of one B Share or one C Share for each Ordinary Share held at 6.00 pm on 2 March 2015. The authority granted to the Directors will expire on the earlier of the conclusion of the next annual general meeting of the Company after the passing of this Resolution and 31 December 2015; and
  - (iii) carry out any other act necessary in relation to the Return of Capital; and
- (b) approve the terms of the Option Agreement to be entered into between the Company and UBS described in paragraph 2 of Part 10 of this Circular; and
- (c) adopt new articles of association that incorporate the terms of the B Shares and C Shares (as set out in Parts 5 and 6 of this document respectively) and the Deferred Shares (as set out in Part 7 of this document).

If the Resolution is not passed at the General Meeting, the Return of Capital will not proceed and any Election Forms received by Equiniti will lapse and shall have no effect.

The Return of Capital will have no effect on the number of Ordinary Shares held by any Shareholder and accordingly on the voting share capital of the Company. As a result, the provisions of Rule 9 of the Takeover Code do not apply to the Return of Capital and no approval is being sought from Shareholders for a waiver of these provisions in the context of the Return of Capital.

## 7. United Kingdom taxation in relation to the Return of Capital

If you are a Shareholder resident in the UK (for tax purposes), a tax liability may arise in respect of the capital and/or income which you may receive under the Return of Capital depending upon your individual circumstances. A guide to the general tax position of United Kingdom Shareholders as at the date of this document is set out in Part 8 of this document. **You are strongly advised to read Part 8 of this document and to seek professional advice tailored to your specific circumstances.**

## 8. Overseas Shareholders

The attention of those Shareholders who are not resident in the United Kingdom or who are citizens, residents or nationals of other countries is drawn to the information set out in paragraph 6 of Part 3 of this document.

In particular, Overseas Shareholders should note that, by making a valid election for the Capital Option, such Shareholders will be deemed to represent, warrant, undertake and/or agree (as applicable) in the terms set out in paragraph 6 of Part 3 of this Circular. Furthermore, Overseas Shareholders with a registered address in a Restricted Territory will be deemed to have elected for the Income Option in respect of all of their B/C Share Entitlement. The tax consequences of the B/C Share Scheme may vary for Overseas Shareholders and, accordingly, Overseas Shareholders should consult their own independent professional adviser without delay.

## 9. Share Option Schemes

Holders of options under the Share Option Schemes are not the beneficial owners of Ordinary Shares and so will not be entitled to participate in the Return of Capital.

In previous returns of capital, no adjustments have been made to options. However, in view of the size of the Return of Capital on this occasion it is intended that appropriate adjustments will be made to options outstanding under the Share Option Schemes in accordance with the rules of the relevant scheme in order



to maintain the holders' economic position following the completion of the Return of Capital. Details of the adjustments will be sent to holders of options under the Share Option Schemes in due course.

## 10. Action to be taken

### General Meeting

A Form of Proxy for use at the General Meeting is enclosed. Whether or not you intend to be present at the meeting, you are requested to complete, sign and return the Form of Proxy to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, as soon as possible **but in any event so as to be received no later than 10.00 am on 26 February 2015.**

Shareholders who hold their Ordinary Shares in CREST may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Equiniti so that it is received no later than 10.00 am on 26 February 2015.

Completion and return of the Form of Proxy or the transmission of a CREST Proxy Instruction will not preclude Shareholders from attending and voting in person at the General Meeting should they so wish.

### B/C Share Scheme

The procedure for making elections under the B/C Share Scheme depends on whether your Ordinary Shares are held in certificated or uncertificated form and is summarised below.

Shareholders (other than Overseas Shareholders resident, or with a registered address, in a Restricted Territory) may elect for any combination of the Share Alternatives provided that the total number of Ordinary Shares in respect of which an election is made does not exceed a Shareholder's total holding as at the Ordinary Share Record Date.

Shareholders need to make their own decision regarding any election(s) they make under the B/C Share Scheme between the Share Alternatives and are recommended to consult their own independent professional adviser.

#### (a) Ordinary Shares held in certificated form

Shareholders (other than Overseas Shareholders resident, or with a registered address, in a Restricted Territory) who hold Ordinary Shares in certificated form should make any election for the Share Alternative(s) suitable for them by completing the Election Form, in accordance with the instructions printed thereon, and returning it as soon as possible and, in any event, so as to be received by post (using the accompanying reply-paid envelope if posting from inside the United Kingdom) or (during normal business hours only) by hand by the Company's Registrars, Equiniti Limited, Corporate Actions, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, by no later than 4.30 pm on 9 March 2015. **Shareholders who do not complete and return a valid Election Form by 4.30 pm on 9 March 2015 will be deemed to have elected for the Income Option in respect of their entire B/C Share Entitlement.**

Overseas Shareholders with a registered address in a Restricted Territory will not be sent an Election Form and will be deemed to have elected for the Income Option in respect of all of their B/C Share Entitlement.

#### (b) Ordinary Shares held in uncertificated form

Shareholders (other than Overseas Shareholders resident, or with a registered address, in a Restricted Territory) who hold their Ordinary Shares in uncertificated form should refer to the applicable procedures and related timings set out in Part 3 of this Circular. **Any Shareholder whose TTE Instruction does not settle by 4.30 pm on 9 March 2015 will be deemed to have elected for the Income Option in respect of their entire B/C Share Entitlement.**

The CREST Manual may also assist you in making a TTE Instruction.

**Shareholders who do not make a valid election will be deemed to have elected for the Income Option in respect of ALL of their B/C Share Entitlement.**

## 11. Risk Factors

Your attention is drawn to the risk factors associated with the Return of Capital, which are set out in Part 2 of this document.

## 12. Recommendation

**In the opinion of the Board, which has received financial advice from UBS, the Return of Capital and the Resolution to be proposed at the General Meeting are in the best interests of Shareholders as a whole. In providing advice to the Directors, UBS has relied upon the Directors' commercial assessment of the Return of Capital.**

**Accordingly the Board unanimously recommends that you vote in favour of the Resolution to be proposed at the General Meeting as the Directors intend to do in respect of their beneficial holdings amounting to 63,005,738 Ordinary Shares in aggregate, representing approximately 31.1 per cent. of the current voting share capital of Dunelm.**

## 13. Shareholders' elections

**The Board makes no recommendation to Shareholders in relation to elections for the B/C Share Scheme itself. Shareholders need to take their own decision in this regard and are recommended to consult their own independent professional adviser.**

Yours faithfully,

**Geoff Cooper**  
Chairman  
Dunelm Group plc

## PART 2

### RISK FACTORS RELATED TO THE B/C SHARE SCHEME

*Shareholders should consider carefully all of the information set out in this Circular including, in particular, the risks described below, as well as their personal circumstances, prior to making any decision regarding the B/C Share Scheme.*

*The risks below should be read in conjunction with all other information contained in this Circular.*

#### ***The B/C Share Scheme is conditional***

There is no guarantee that the B/C Share Scheme will take place. The B/C Share Scheme is conditional on, among other matters, the approval of Shareholders and will not proceed if it is not approved by Shareholders. The approval of the Resolution at the General Meeting requires not less than 75 per cent. of the Shareholders voting at the General Meeting in person or by proxy to vote in favour of it.

It is possible that Shareholders may not approve the proposed B/C Share Scheme. If Shareholders do not approve the B/C Share Scheme, the Board would consider all options available in relation to the use of the balance not returned to Shareholders through the B/C Share Scheme and, following such consideration, may present alternative proposals to Shareholders.

#### ***Current tax legislations and practice may change***

The general guide to certain UK tax consequences of the B/C Share Scheme for Shareholders set out in Part 8 of this Circular is based on current UK law and HM Revenue & Customs practice as at the date of the Circular. Current legislation and practice may change (including in the period from the date of this Circular and the date(s) on which any proceeds of the B/C Share Scheme are received by Shareholders) and any such change may affect the taxation liabilities of Shareholders in relation to the B/C Share Scheme.

The UK government published draft legislation on 10 December 2014 which, if enacted, would mean that Shareholders electing to receive a return of capital which would not otherwise be subject to income tax (such as receipt of the proceeds of sale of the C Shares pursuant to the Capital Option) would be subject to taxation as though they had received a dividend. As drafted at the date of this Circular, this legislation would apply to amounts received by Shareholders on or after 6 April 2015. This prospective change to UK tax law is therefore not expected to apply to the proposed Return of Capital. However, it is possible that amendments might be made to the relevant draft legislation before it is enacted that could, potentially, change the expected UK tax treatment of investors who elect to receive the Capital Option.

#### ***The B Shares and C Shares and Deferred Shares are unlisted and may be difficult to transfer***

No application has been, or will be, made for the B Shares or the C Shares or the Deferred Shares to be admitted to the Official List or to trading on the London Stock Exchange's main market for listed securities, nor will the B Shares or the C Shares or the Deferred Shares be listed or admitted to trading on any other recognised investment exchange. The B Shares are not transferable in any circumstances and the C Shares and Deferred Shares are transferable only in limited circumstances. Therefore there will be no market in the B Shares and it is highly unlikely that an active trading market for the C Shares or Deferred Shares will develop or, if developed, will be sustained. As a result, Shareholders may find it difficult to transfer their C Shares or Deferred Shares.

#### ***Shareholders who elect for the Capital Option may not receive their proceeds as capital in the event that the Purchase Offer does not proceed***

The Purchase Offer is conditional on a number of conditions including, among other things, the passing of the Resolution at the General Meeting. Whilst the Company expects the Purchase Offer to proceed, in the event that it does not proceed, UBS will not acquire the C Shares of those Shareholders electing for the Capital Option and instead it is expected that the Company will pay the Default Dividend. This may adversely affect the tax position of the relevant Shareholders, depending on their personal circumstances.

## PART 3

### DETAILS OF THE RETURN OF CAPITAL

#### 1. Conditions to the implementation of the Return of Capital

The Return of Capital is conditional on the approval by Shareholders of the Resolution to be proposed at the General Meeting. If this condition is not satisfied by 8.00 am on 12 March 2015 or such later time and/or date as the Directors may determine, the Return of Capital will not take effect and any Election Forms returned, or TTE Instructions submitted, to Equiniti will lapse.

You are encouraged to vote on the Return of Capital by completing and returning your Form of Proxy for the General Meeting or by completing and transmitting a CREST Proxy Instruction to Equiniti as no B Shares or C Shares will be created and issued and the Return of Capital will not take effect unless the Resolution to be considered at the General Meeting is passed.

#### 2. Allotment of B Shares and C Shares

It is proposed to capitalise a sum not exceeding £2028.34 standing to the credit of the Company's share premium account which will be applied in paying up in full in aggregate up to 202,833,931 B Shares and C Shares, to be allotted by way of a bonus issue to Shareholders on the basis of one B Share or one C Share for each Ordinary Share held at the Ordinary Share Record Date for participation in the Return of Capital.

The B Shares and the C Shares will have the rights set out in Parts 5 and 6 of this document respectively.

The exact number of B Shares and C Shares to be issued will depend upon the elections made (or deemed to be made) by each Shareholder between the Share Alternatives, but in total will be equal to the number of Ordinary Shares in issue at the Ordinary Share Record Date which are eligible to participate in the Return of Capital. As at 11 February 2015 (the latest practicable date prior to the posting of this document) there were 202,432,085 Ordinary Shares in issue and in addition the Company held 401,846 Ordinary Shares in treasury (representing 0.2% of the total number of Ordinary Shares in issue and not held in treasury), which will not participate in the Return of Capital.

No share certificates will be issued for any B Shares which are issued pursuant to the Income Option or any C Shares which are issued pursuant to the Capital Option and no CREST accounts will be credited with any such shares.

The B Shares and the C Shares will neither be admitted to the Official List nor to trading on the London Stock Exchange's main market for listed securities nor will the B Shares or the C Shares be admitted to trading on any other recognised investment exchange.

Shareholders (save for certain Overseas Shareholders) may choose either of the Share Alternatives or a combination of the Share Alternatives.

#### 3. Share Alternatives

Shareholders (with the exception of Overseas Shareholders resident, or with a registered address, in a Restricted Territory) may choose between the two Share Alternatives (the Capital Option, the Income Option, or a combination of the two Share Alternatives) in respect of their B/C Share Entitlement. Details of how to make an election are set out in Part 9 of this document and on the Election Form accompanying this document. If you elect for more than one Share Alternative, you will need to specify a whole number for each Share Alternative you choose. If you do not return an Election Form or TTE Instruction you will be deemed to have elected for the Income Option in respect of your entire entitlement.

**Overseas Shareholders with a registered address in a Restricted Territory will not be sent Election Forms and will be deemed to have elected for the Income Option in respect of the entire number of Ordinary Shares held by them at the Ordinary Share Record Date.**

**Shareholders who do not complete and return a valid Election Form or TTE Instruction by 4.30 pm on 9 March 2015 will be deemed to have elected for the Income Option in respect of ALL of their Ordinary Shares held at the Ordinary Share Record Date. Shareholders who complete a valid Election Form or TTE Instruction in respect of less than the entire number of Ordinary Shares held by them at the Ordinary Share Record Date will be deemed to have elected for the Income Option for those Ordinary Shares in respect of which no election has been made.**

Shareholders should read the general guidance on certain aspects of the UK tax consequences of the B/C Share Scheme set out in Part 8 of this document. Shareholders who are in any doubt as to their tax position, or who are subject to tax in a jurisdiction other than the United Kingdom, should consult an appropriate professional adviser.

#### *Alternative 1—Income Option*

Shareholders who elect, or are deemed to have elected, for the Income Option in respect of some or all of their Ordinary Shares held at the Ordinary Share Record Date will receive one B Share in respect of each Ordinary Share held at the Ordinary Share Record Date and validly elected to such Share Alternative. Shareholders with a registered address in a Restricted Territory will automatically be deemed to have elected for the Income Option in respect of all their Ordinary Shares.

The B Share Dividend of 70 pence on each such B Share will be declared on 10 March 2015 and paid on the Payment Date. It is expected that Shareholders entitled to receive the B Share Dividend will be sent cheques or, if mandate instructions are held in respect of a Sterling bank account, that payments will be made by BACS to mandated accounts in respect of the B Share Dividend on the Payment Date. Aggregate entitlements will be rounded down to the nearest penny.

When the B Share Dividend is declared, the B Shares will be automatically reclassified as Deferred Shares, with each holder of B Shares receiving one Deferred Share for each such B Share held. The Deferred Shares will carry extremely limited rights as more fully described in Part 7 of this document and will have negligible value.

No share certificates will be issued in respect of the B Shares or the Deferred Shares and no CREST accounts will be credited with B Shares or Deferred Shares. The B Shares will not be transferable.

The rights and restrictions attached to the B Shares and the Deferred Shares are more fully set out in Parts 5 and 7 of this document respectively.

Overseas Shareholders with a registered address in a Restricted Territory will automatically be deemed to have elected for the Income Option in respect of all their Ordinary Shares held at the Ordinary Share Record Date. The attention of Overseas Shareholders (and, in particular, Overseas Shareholders resident or with a registered address in a Restricted Territory) is generally drawn to paragraph 6 of this Part 3.

#### *Alternative 2—Capital Option*

Shareholders (other than Overseas Shareholders with a registered address in a Restricted Territory) who elect for the Capital Option will receive one C Share in respect of each Ordinary Share held at the Ordinary Share Record Date and validly elected to such Share Alternative.

It is intended that those C Shares issued to satisfy valid elections for the Capital Option will be purchased by UBS as principal under the Purchase Offer and in turn purchased from UBS by the Company, in each case, for 70 pence each.

The making of the Purchase Offer is subject to certain conditions and, although it is expected that UBS will purchase under the Purchase Offer those C Shares issued to satisfy elections for the Capital Option, there can be no guarantee that it will do so. In the unlikely event that such C Shares have not been purchased by the Effective Date, it is expected that a Default Dividend of 70 pence will be declared on the Payment Date on each such C Share.

It is expected that Shareholders entitled to receive payments in respect of the proceeds from the sale of C Shares issued pursuant to the Capital Option will be sent cheques or, if Shareholders hold their Ordinary Shares in CREST, will have their CREST accounts credited, on the Payment Date. Aggregate entitlements will be rounded down to the nearest penny.

No share certificates will be issued in respect of the C Shares issued pursuant to the Capital Option and no CREST accounts will be credited with such shares.

All stamp duty and stamp duty reserve tax payable on the sale of C Shares to UBS under the Purchase Offer and the subsequent sale of C Shares by UBS to the Company will be paid by the Company.

In the unlikely event that C Shares have not been purchased under the Purchase Offer by the Effective Date, Shareholders receiving the Default Dividend will be sent cheques or, if mandate instructions are held in respect of a Sterling bank account, payments will be made by BACS to mandated accounts in

respect of the Default Dividend on the Payment Date. All payments in respect of the Default Dividend will be made in Sterling.

The rights and restrictions attached to the C Shares are more fully set out in Part 6 of this document.

In the unlikely event that the C Shares have not been purchased by UBS by the Effective Date, the C Shares upon which the Default Dividend becomes payable will be automatically reclassified as Deferred Shares. No share certificates will be issued in respect of such Deferred Shares and no CREST accounts will be credited with such shares. The Deferred Shares will carry extremely limited rights as more fully described in Part 7 of this document and will have negligible value.

The attention of Overseas Shareholders (and, in particular, Overseas Shareholders resident, or with a registered address, in a Restricted Territory) is generally drawn to paragraph 6 of this Part 3.

#### **4. Terms of the Purchase Offer**

The following terms will apply to the Purchase Offer:

- (i) no contract between a Shareholder and UBS will arise in relation to the sale and purchase of any C Shares, or under which UBS may (subject to conditions or otherwise) become entitled or obliged to purchase any C Shares under the Purchase Offer, unless and until UBS (acting as principal, and not as agent, nominee or trustee) makes the Purchase Offer, which is expected to be by way of an announcement through a Regulatory Information Service on the Effective Date, at which point such offer shall be deemed to be accepted by Shareholders in respect of C Shares issued to satisfy valid elections for the Capital Option. The obligation of UBS to make the Purchase Offer is conditional upon the satisfaction, or waiver by UBS, of a number of conditions which are summarised in paragraph 2 of Part 10 of this Circular. In addition, under the terms of the Purchase Offer Deed, UBS shall only be obliged to make the Purchase Offer if the Company serves written notice on UBS by 3.00 pm on 12 March 2015 (or such other time and/or date as UBS and the Company may agree in writing);
- (ii) execution by or on behalf of a Shareholder of an Election Form, or the giving of a TTE Instruction, which includes an election to participate in the Purchase Offer under the Capital Option will irrevocably appoint the Company, or any officer or employee of the Company for the time being, or UBS or any director of UBS for the time being, as attorney for and/or agent of the Shareholder with authority on that Shareholder's behalf and in his or their name, to exercise all rights, powers and privileges attached to the C Shares or otherwise capable of being exercised by that Shareholder in respect of the C Shares in order to give effect to his or their election and to do all acts and things and to execute all such deeds, transfers and other documents as such attorney and/or agent shall consider necessary to give effect to that Shareholder's election;
- (iii) the Election Form, or the giving of a TTE Instruction, which includes an election to participate in the Purchase Offer under the Capital Option and all contracts and matters (whether contractual or non-contractual) resulting therefrom will be governed by and construed in accordance with English law. Execution by or on behalf of a Shareholder of such an Election Form or, as the case may be, the giving of a TTE Instruction constitutes that Shareholder's submission, in relation to all matters arising out of or in connection with such form or instruction and the exercise of the powers of attorney or agent appointed thereunder, to the exclusive jurisdiction of the English courts;
- (iv) upon execution of an Election Form, or the giving of a TTE Instruction, which includes an election to participate in the Purchase Offer under the Capital Option, the Shareholder represents and warrants that such Shareholder has full power and authority to tender, sell, assign, transfer or otherwise dispose of the C Shares in relation to which that Shareholder has accepted the Purchase Offer under that Election Form or TTE Instruction and that UBS will acquire such C Shares free and clear from all liens, charges, restrictions, claims, equitable interests and encumbrances and together with all rights attaching thereto. In addition, by execution of the Election Form or the giving of a TTE Instruction which includes an election to participate in the Purchase Offer under the Capital Option, the Shareholder: (i) agrees that he or she will do all other things and execute any additional documents which may be necessary or, in the opinion of UBS, desirable to effect the purchase of such C Shares by UBS and/or to perfect any of the authorities expressed to be given under the Election Form or by virtue of giving the TTE Instruction; and (ii) acknowledges that UBS shall have no liability whatsoever to such Shareholder in respect of acts done or omitted to be done by it on behalf of such Shareholder



in connection with the instructions given to it by such Shareholder pursuant to the Election Form, the TTE Instruction or otherwise in relation to the Purchase Offer;

- (v) each Shareholder by whom, or on whose behalf, an Election Form is executed or TTE Instruction is given irrevocably represents, warrants, undertakes and agrees to and with the Company and UBS that such Shareholder has observed the laws of all relevant territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due from such Shareholder in any territory in connection with any election for either of the Share Alternatives (or any transaction resulting therefrom) and such Shareholder has not taken or omitted to take any action which may result in the Company, UBS or any other person acting in breach of the legal or regulatory requirements of any territory in connection with the B/C Share Scheme or such Shareholder's election for any of the Share Alternatives (or any transaction resulting therefrom);
- (vi) upon execution of an Election Form, or the giving of a TTE Instruction, which includes an election to participate in the Purchase Offer under the Capital Option, the Shareholder represents and warrants that such Shareholder does not have its registered address in a Restricted Territory and is not resident in a Restricted Territory and is not acting on behalf of a person resident or located in a Restricted Territory;
- (vii) no authority conferred or agreed to by execution of the Election Form, or the giving of a TTE Instruction, which includes an election to participate in the Purchase Offer under the Capital Option, shall be affected by, and all such authority shall survive, the death or incapacity of the Shareholder executing such form or giving such instruction. All obligations of such Shareholder shall be binding upon the heirs, personal representatives, successors and assigns of such Shareholder;
- (viii) by execution of the Election Form, or the giving of a TTE Instruction, which includes an election to participate in the Purchase Offer under the Capital Option, the Shareholder agrees and undertakes that any tender, transfer, sale, assignment or other disposal of any C Share subject to the Purchase Offer by or on behalf of such Shareholder shall be: (a) effected in accordance with the Company's revised Articles of Association as adopted pursuant to the Resolution; and (b) on terms that each such C Share is tendered, transferred, sold, assigned or otherwise disposed of subject to such Shareholder's election and, in particular, on and subject to the terms of the Purchase Offer (including, for the avoidance of doubt, such Shareholder's grant of a power of attorney on the terms set out in paragraph (ii) above);
- (ix) UBS may assign to any of its subsidiaries from time to time or to the Company any covenants, representations and warranties in respect of the C Shares purchased or agreed to be purchased by it; and
- (x) the Directors jointly with UBS may, if they so determine in their absolute discretion, accept an Election Form or TTE Instruction which includes an election to participate in the Purchase Offer under the Capital Option which is received after the relevant time or which is not correctly completed.

Details of the agreements relating to the Purchase Offer are set out in paragraph 2 of Part 10 of this Circular.

## 5. **Withdrawal rights**

Shareholders should note that any election relating to any of the Share Alternatives may be withdrawn by the relevant Shareholder(s) at any time up to 1.00 pm on 9 March 2015. If an election is validly withdrawn, the relevant Shareholder(s) may make a new election during the Election Period, but if a valid election is not made by the end of the Election Period, the relevant Shareholder(s) (other than certain Overseas Shareholders, who are deemed to have elected for the Income Option) will be deemed to have elected for the Income Option in respect of all their entitlement. After the end of the Election Period, all valid elections will be irrevocable. If the Election Period is extended, withdrawal rights will be correspondingly extended.

For a withdrawal of any election to be effective written notice of withdrawal signed by the person(s) who signed the relevant Election Form or the Shareholders who gave the relevant TTE Instruction must:

- 5.1 specify the name(s) and address(es) of the person(s) who is/are tendering the election to be withdrawn, the account number (which, for Shareholders who hold their Ordinary Shares in certificated form, appears on the front page of the relevant Election Form) and the exact number of the Ordinary Shares to be withdrawn; and



- 5.2 in the case of certificated shareholders, be received by post or (during normal business hours only) by hand at Equiniti, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA by 1.00 pm on 9 March 2015; and
- 5.3 in the case of an election originally made by a TTE Instruction, be accompanied by a valid ESA Message given by the person(s) who gave the relevant TTE Instruction, and be received by Equiniti no later than 1.00 pm on 9 March 2015.

Written notice means notice in writing bearing the original signature(s) of the relevant electing Shareholder(s). Notification by email or facsimile or other electronic transmissions or copies will not be sufficient to constitute written notice.

Withdrawals may not be rescinded after the last time for withdrawals and any re-elections in respect of Ordinary Shares that are received by Equiniti after the end of the Election Period will be deemed invalid for the purposes of the Share Alternatives.

The Company will determine all questions as to the form and validity (including time of receipt) of any notice of withdrawal, in its absolute discretion, which determination shall be final and binding. The Company also reserves the absolute right to waive any defect or irregularity in the withdrawal of an election in respect of Ordinary Shares by any Shareholder, and such determination will be binding on such Shareholder. None of the Company, Equiniti, UBS or any other person will be under any duty to give notification of any defect or irregularity in any notice of withdrawal or incur any liability for failure to give any such notification or for any other reason with regard to withdrawals and re-elections.

## **6. Overseas Shareholders**

Shareholders who are not resident in the United Kingdom or who are citizens, residents or nationals of other countries should consult their professional advisers to ascertain whether the Return of Capital will be subject to any restrictions or require compliance with any formalities imposed by the laws or regulations of, or any body or authority located in, the jurisdiction in which they are resident or to which they are subject. In particular, it is the responsibility of any Shareholder not resident in the United Kingdom or a citizen, resident or national of another country wishing to elect for any of the Share Alternatives or otherwise dispose of any shares in the Company to satisfy himself as to full observance of the laws of each relevant jurisdiction in connection with the Return of Capital, including the obtaining of any government, exchange control or other consents which may be required, or the compliance with other necessary formalities needing to be observed and the payment of any issue, transfer or other taxes or duties in such jurisdiction.

The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Neither this document nor any other document issued or to be issued by or on behalf of the Company in connection with the Return of Capital constitutes an invitation, offer or other action on the part of the Company in any jurisdiction in which such invitation, offer or other action is unlawful.

Each Shareholder by whom, or on whose behalf, an Election Form is executed or TTE Instruction is given, irrevocably represents, warrants, undertakes and agrees to and with the Company and UBS that such Shareholder has observed the laws of all relevant territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due from such Shareholder in any territory in connection with any election for either of the Share Alternatives (or any transaction in any territory in connection with any election for either of the Share Alternatives (or any transaction resulting therefrom) and such Shareholder has not taken or omitted to take any action which may result in the Company, UBS or any other person acting in breach of the legal or regulatory requirements of any territory in connection with the B/C Share Scheme or such Shareholder's election for either of the Share Alternatives or any transaction resulting therefrom.

If the Company is advised that it would or might be in breach of legal or regulatory requirements in any jurisdiction, or that the Company would or might be required to make filings or take any other action in any jurisdiction as a result of an election made pursuant to an Election Form or TTE Instruction by a Shareholder, or the purchase of C Shares or Deferred Shares from a Shareholder who has a registered address in any overseas jurisdiction or who is a citizen, resident or a national of a country outside the UK or a trustee, custodian or nominee holding B Shares and/or C Shares on behalf of such persons, such Shareholder shall be deemed to have elected to receive the Income Option in respect of the relevant Ordinary Shares (unless the Company otherwise determines in its absolute discretion).

Overseas Shareholders resident or with a registered address in a Restricted Territory are not entitled to participate in the Capital Option and will be deemed to have elected for the Income Option in respect of all of their entitlement.

The above provisions of this paragraph relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company in its absolute discretion.

#### **7. Securities law considerations in the United States**

None of the B Shares, C Shares or the Deferred Shares has been or will be registered under the US Securities Act or the state securities laws of the United States and none of them may be offered or sold in the United States unless registered under the US Securities Act and the relevant state securities laws, or pursuant to an exemption from, or in a transaction that is not subject to, the registration requirements of the US Securities Act or such laws.

None of the B Shares, the C Shares or the Deferred Shares or this document has been approved, disapproved or otherwise recommended by any US federal or state securities commission or other regulatory authority or any non-US securities commission or regulatory authority nor have any such authorities confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

#### **8. General Meeting**

A General Meeting will be held at the Dunelm Store Support Centre, Watermead Business Park, Syston, Leicestershire LE7 1AD at 10.00 am on 2 March 2015. The notice of General Meeting is set out in Part 12 of this document.

You will find enclosed with this document a Form of Proxy for use in respect of the General Meeting.

**Whether or not you intend to be present at the General Meeting, you are requested to complete and sign the Form of Proxy and return it, in accordance with the instructions printed on it, by post or (during normal business hours only) by hand to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, to arrive as soon as possible and, in any event, no later than 10.00 am on 26 February 2015. CREST members may use the CREST electronic proxy appointment service. Completion and return of the Form of Proxy or the transmission of a CREST Proxy Instruction in accordance with these instructions will not prevent you from attending the General Meeting and voting in person should you wish to do so.**

A summary of the Resolution to be proposed at the General Meeting is set out in the Chairman's Letter in Part 1 of this document.

#### **9. Share Option Schemes**

Holders of options under the Share Option Schemes are not the beneficial owners of Ordinary Shares and so will not be entitled to participate in the Return of Capital.

In previous returns of capital, no adjustments have been made to options. However, in view of the size of the Return of Capital, on this occasion it is intended that appropriate adjustments will be made to options outstanding under the Share Option Schemes in order to maintain the holders' economic position following the completion of the Return of Capital. Details of the adjustments will be sent to holders of options under the Share Option Schemes in due course.

#### **10. Dealings and dispatch of documents**

The Return of Capital will be made by reference to holdings of Ordinary Shares on the register of members as at the Ordinary Share Record Date.

No share certificates will be issued by the Company in respect of any B Shares, C Shares or Deferred Shares.

It is expected that cheques in respect of the B Share Dividend will be dispatched to relevant Shareholders or relevant Shareholders will have their mandated bank accounts credited with the proceeds, as appropriate, on the Payment Date.

It is expected that cheques in respect of the C Shares purchased under the Capital Option will be dispatched to relevant Shareholders or relevant Shareholders will have their CREST accounts credited with the proceeds, as appropriate, on the Payment Date.

Cheques and all other documents and remittances are dispatched at the Shareholders' own risk.

## PART 4

### FREQUENTLY ASKED QUESTIONS WITH ANSWERS

The following sets out some frequently asked questions and provides brief answers. **Shareholders should read the whole of this document and not just this Part 4.**

**If Shareholders have any further questions**, they may call the Equiniti Shareholder helpline on 0871 384 2919 (+44 121 415 0263 if calling from outside the United Kingdom) between 8.30 am and 5.30 pm (London time) on any Business Day. Calls to this number cost 8 pence per minute (excluding VAT) plus network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. **Please note that the helpline cannot provide advice on the merits of the Return of Capital nor give any financial, legal or tax advice.**

#### 1. Why are you returning capital to Shareholders?

Dunelm has consistently generated significant positive cashflow and as a result has built up a material cash balance in recent years. In the financial year ended 28 June 2014, the Group's average net cash position was £48.3 million, with net cleared funds at the end of the period being £46.8 million. During the half year ended 27 December 2014, daily average cleared funds across the half year amounted to £49.4 million, with net cleared funds at the end of the half year of £61.4 million. In the absence of the proposed Return of Capital, the Board would expect the Group's cash positive position to continue to increase further. Accordingly, the Board now proposes to return approximately £142 million to Shareholders, equivalent to 70 pence per Ordinary Share.

The Board has also reviewed its policy on capital structure and dividends. The original policy was established at the time of the flotation of the Company and in the Board's opinion no longer reflects the scale of the business and its consistent track record of cash generation over many years. Accordingly, the Board has determined that, henceforward, the Group will operate with a modest amount of leverage such that net debt, measured as daily average liquid funds over the most recent six month period, should fall within the range of 0.25 to 0.75 times last 12 months EBITDA. Furthermore, the Board intends that ordinary dividend cover should in future be between 2.0 and 2.5 times on a full year basis. The Board currently anticipates holding cover towards the middle of this range.

In order to fund the intended ongoing debt, the Group has entered into an arrangement with a syndicate of three major banks for the provision of a £150 million revolving credit facility, expiring on 9 February 2020.

Reflecting these policies the Company will pay an interim dividend of 5.5 pence per share (a 10 per cent. increase year on year) on 10 April 2015 to Shareholders on the register at 13 March 2015, and the Board proposes, subject to Shareholder approval, to make a Return of Capital to Shareholders on the terms set out in this document.

#### 2. Why are you doing it this way?

This method of return has been chosen as it gives Shareholders (save for certain Overseas Shareholders) the choice to receive their share of the Return of Capital as income or capital, or a combination of both, and also treats shareholders equally on a pro rata basis.

#### 3. Why have you chosen this complicated structure?

The structure is similar in many respects to that used by a number of other listed companies to return capital to shareholders and similar in many respects to that used by the Company in the previous returns of capital in 2010 and 2012. This structure is intended to provide all Shareholders (other than certain Overseas Shareholders) with an opportunity to participate in receiving the capital and to allow them so far as is possible to choose the Share Alternative which best suits their own circumstances, including their own tax position.

#### 4. Do I need to vote at the General Meeting?

Before it can take place, the Return of Capital needs Shareholder approval at the General Meeting which is being convened for 10.00 am on 2 March 2015. The Resolution to be proposed at the General Meeting will be passed if 75 per cent. or more of votes cast are in favour. The Directors recommend that you vote in

favour of the Resolution set out in the notice of General Meeting set out in Part 12 of this Circular. If you are unable to attend the General Meeting a Form of Proxy is enclosed with this document. Shareholders who hold their Ordinary Shares in CREST may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Equiniti so that it is received no later than 10.00 am on 26 February 2015. Completion and return of the Form of Proxy or the transmission of a CREST Proxy Instruction will not preclude Shareholders from attending and voting in person at the General Meeting, should they so wish.

**5. What choices do I have?**

Shareholders (other than certain Overseas Shareholders who shall be deemed to have elected to receive the Income Option in respect of their entitlement) have two choices. Further details of these choices are set out in Part 3 of this document, entitled “Details of the Return of Capital”.

**6. How do I decide which Share Alternative to elect for?**

The most appropriate Share Alternative for you depends on your own individual tax and other circumstances. If you are in any doubt as to which Share Alternative to elect for, you should seek your own professional advice without delay.

**7. How do I make an election for a Share Alternative?**

Please read Part 9 of this document which sets out full details of how to complete your Election Form or, if you hold your shares in uncertificated form (that is in CREST), how to make your election through CREST.

**8. What if I do not make my election in time or do nothing?**

Shareholders who do not validly complete and return their Election Form or, in the case of Shareholders who hold their Ordinary Shares in CREST, do not send a valid TTE Instruction, by 4.30 pm on 9 March 2015 (or such later time and date which the Directors may determine) will be deemed to have elected for the Income Option in respect of all of their entitlement.

**9. Will I get a certificate for my B Shares or C Shares?**

No share certificates will be sent to you in respect of the B Shares or C Shares under the Income Option or the Capital Option.

**10. What should I do if I need a replacement Election Form?**

If you need a replacement Election Form, you should call the Equiniti Shareholder helpline on 0871 384 2919 (+44 121 415 0263 if calling from outside the United Kingdom) between 8.30 am and 5.30 pm (London time) on any Business Day. Calls to this number cost 8 pence per minute (excluding VAT) plus network extras. Other telephone providers' costs may vary. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Return of Capital nor give any financial, legal or tax advice. You will need to take into account the postal time necessary for a replacement Election Form to reach Equiniti by 4.30 pm on 9 March 2015.

**11. What if I hold my Ordinary Shares in an ISA (including a PEP which was in existence on 5 April 2008 and was reclassified as a stocks and shares ISA following such date)?**

The B Shares and C Shares cannot be retained in an ISA as they do not constitute qualifying investments. If you elect for the Capital Option and the C Shares issued are added to an ISA, under current HM Revenue & Customs practice, your plan manager must, within 30 days of the issue of the C Shares, sell the C Shares or transfer them to you to be held outside the ISA. Cash proceeds from a sale or redemption of such C Shares may, however, be retained in the ISA. If you hold your Ordinary Shares in an ISA, you should contact your plan manager who will be able to advise you of their procedure for voting on the Resolution to be proposed at the General Meeting.

**12. What will be the impact of the Return of Capital on the price of my Ordinary Shares?**

Based on the closing middle market price of 929.5 pence per Ordinary Share on 11 February 2015 (the latest practicable date prior to posting of this Circular), the proposed Return of Capital to Shareholders equates to 7.55 per cent. of Dunelm's market capitalisation at that date (£1,881.6 million).

Where other listed companies have returned capital using similar mechanisms in this proposed Return of Capital, there has sometimes been a consolidation of their shares at the same time in order that the share price after the Return of Capital is approximately equal to the share price before the return of capital. The Board does not expect the proposed Return of Capital to have a significant impact on the market price of the Ordinary Shares over the medium term (and unlike holders of options under the Share Option Schemes, Shareholders will participate in the Return of Capital). Investors should, however, note that the market value of shares can fluctuate as a result of many factors.

## PART 5

### RIGHTS AND RESTRICTIONS ATTACHED TO THE B SHARES

The following sets out the amendments which are proposed to be made to the Articles under the Resolution to be proposed at the General Meeting and summarises the rights and restrictions to which the B Shares are subject.

#### Article 5A Rights and restrictions attaching to the B Shares

##### *(a) General*

Notwithstanding the provisions of these articles which relate to shares, the following articles 5A(b) to 5A(i) comprise all the rights and restrictions relating to the B non-cumulative non-redeemable preference shares of the Company of 0.001 pence nominal value (**B Shares**).

##### *(b) Election Form*

- (i) Together with a circular to shareholders dated 12 February 2015 (the **Circular**), holders of Ordinary Shares (as defined in the Circular) were sent an election form or, if held through CREST (as defined in the Circular), they were invited to submit a TTE Instruction (as defined in the Circular) (each, an **Election Form**) which, amongst other things, could result in the issue to them of B Shares in respect of which the B Share Dividend (as defined in article 5A(c)(i), below) would be paid.
- (ii) Elections in respect of the Share Alternatives (as defined in the Circular) will not take effect until 4.30pm on 9 March 2015 or such other time and/or date as the Directors may determine.
- (iii) The Directors may, if they so determine in their absolute discretion, accept an Election Form which is received after the relevant time or which is not correctly completed. The Directors may, in addition, if they so determine in their absolute discretion, treat any other document or action as a valid Election Form or as the completion or delivery of a valid Election Form, as the case may be.

##### *(c) Income*

- (i) Subject to the provisions of the CA 2006 and these articles, out of the profits of the Company available for distribution, a single dividend of 70 pence per B Share (the **B Share Dividend**) shall automatically become payable (without the need for such dividend to be declared by the Company, the board or any other person and notwithstanding any provision to the contrary in these articles (including articles 104 and 105)) at the Effective Date (as defined in the Circular) to holders of B Shares:
  - (A) in respect of which a valid election to receive the B Share Dividend has been made, or is deemed to have been made, in accordance with the terms described in the Circular and (where applicable) the Election Form; and
  - (B) who are registered on the Company's relevant register as holding such B Shares (that is, B Shares within (a) above) at the Effective Date.
- (ii) The Company's liability to pay the B Share Dividend to such holder of B Shares shall be discharged by the Company by a payment to such holder within 28 days of the Effective Date of an amount equal to the B Share Dividend.
- (iii) Each B Share in respect of which the B Share Dividend becomes payable shall immediately thereupon (but without prejudice to the accrued right to receive such dividend) be reclassified as a deferred share of 0.001 pence in the capital of the Company having the rights and being subject to the restrictions described in article 5C (a **Deferred Share**).
- (iv) For the avoidance of doubt, the provisions of article 110 (Unclaimed Dividends) shall apply in respect of any and all B Share Dividends payable on or in respect of any B Shares which remain unclaimed.
- (v) In the absence of fraud or wilful default, neither the Company nor any of its directors, officers or employees shall have any liability to any person for any loss or damage arising as a result of the determination of the Effective Date in accordance with article 5A(b)(i) above or the timing of the Purchase Offer (as defined in the Circular).



**(d) Capital**

- (i) On a return of capital on winding-up (excluding any intra-group reorganisation on a solvent basis), the holders of each B Share shall be entitled, in priority to any payment to the holders of every other class of share in the capital of the Company (except the C Shares (as defined in article 5B)) but pari passu with any payment to the holders of C Shares, to the aggregate amount of 70 pence per B Share held by them.
- (ii) On a winding-up, the holders of the B Shares shall not be entitled to any further right of participation in the profits or assets of the Company in excess of that specified in article 5A(d)(i) above. In the event that there is a winding-up to which article 5A(d)(i) applies and the amounts available for payment are insufficient to pay the amounts due on all the B Shares in full, the holders of the B Shares shall be entitled to their pro-rata proportion of the amounts to which they would otherwise be entitled.
- (iii) The aggregate entitlement of each holder of B Shares on a winding-up in respect of all the B Shares held by him shall be rounded down to the nearest whole penny.
- (iv) The holders of the B Shares shall not be entitled to any further right of participation in the profits or assets of the Company in their capacity as holders of B Shares.

**(e) Redemption**

The B Shares shall not be capable of redemption in any circumstances.

**(f) Attendance and voting at general meetings**

- (i) The holders of the B Shares shall not be entitled, in their capacity as holders of such B Shares, to receive notice of any general meeting of the Company nor to attend, speak or vote at any such general meeting unless the business of the meeting includes the consideration of a resolution for the winding-up of the Company (excluding any intra-group reorganisation on a solvent basis), in which case the holders of the B Shares shall have the right to attend the general meeting and shall be entitled to speak and vote only on any such resolution.
- (ii) Whenever the holders of the B Shares are entitled to vote at a general meeting of the Company, on a show of hands, every holder thereof who (being an individual) is present in person or (being a corporation) by a duly authorised representative, not being himself a member, shall have one vote, and on a poll every such holder shall have one vote for every B Share which he holds.

**(g) Class rights**

- (i) The Company may from time to time create, allot and issue further shares, whether ranking pari passu with or in priority or subsequent to the B Shares. The creation, allotment or issue of any such further shares (whether or not ranking in any respect in priority to the B Shares) shall be treated as being in accordance with the rights attaching to the B Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the B Shares.
- (ii) A reduction by the Company of the capital paid up or credited as paid up on the B Shares and the cancellation of such shares shall be treated as being in accordance with the rights attaching to the B Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the B Shares.
- (iii) Without prejudice to the generality of the foregoing, the Company is authorised to reduce (or purchase shares in) its capital of any class or classes and such redemption (or purchase) shall not involve a variation of any rights attaching to the B Shares for any purpose or require the consent of the holders of the B Shares.

**(h) Form, transferability, certificates and listing**

- (i) In accordance with article 15, no share certificates or other documents of title shall be issued in relation to the B Shares. The B Shares are not renounceable.
- (ii) No application to the UKLA or to London Stock Exchange plc for the B Shares to be admitted to the official list maintained by the UKLA for the purposes of part 6 of the Financial Services and Markets



Act 2000 and to trading on the market for listed securities of London Stock Exchange plc, respectively, has been, or will be, made.

(iii) The B Shares are not transferable otherwise than with the written consent of the directors.

*(i) Deletion of article 5A when there are no B Shares in existence*

Article 5A shall remain in force until there are no longer any B Shares in existence, notwithstanding any provision in these articles to the contrary. Thereafter article 5A shall be, and shall be deemed to be, of no effect (save to the extent that the provisions of article 5A are referred to in other articles) and shall be deleted and replaced with the wording “Article 5A has been deleted”, and the separate register for the holders of the B Shares shall no longer be required to be maintained by the Company; but the validity of anything done under article 5A before that date, and accrued rights in respect of the payment of dividends arising before that date, shall not otherwise be affected and any actions taken under article 5A before that date shall be conclusive and not open to challenge on any grounds whatsoever.

## PART 6

### RIGHTS AND RESTRICTIONS ATTACHED TO THE C SHARES

The following sets out the amendments which are proposed to be made to the Articles under the Resolution to be proposed at the General Meeting and summarises the rights and restrictions to which the C Shares are subject.

#### Article 5B Rights and restrictions attaching to the C Shares

##### *(a) General*

Notwithstanding the provisions in these articles which relate to shares, the following articles 5B(b) to 5B(i) comprise all the rights and restrictions relating to the C non-cumulative non-redeemable preference shares of the Company of 0.001 pence nominal value (**C Shares**).

##### *(b) Election Form*

- (i) Together with the Circular, holders of Ordinary Shares (as defined in the Circular) were invited to submit an Election Form (as defined in the Circular) which, amongst other things, could result in the issue to them of C Shares in respect of which the Purchase Offer (as defined in the Circular) would be made.
- (ii) Elections in respect of the Share Alternatives (as defined in the Circular) will not take effect until 4.30pm on 9 March 2015 or such other time and/or date as the Directors may determine.
- (iii) The Directors may, if they so determine in their absolute discretion, accept an Election Form which is received after the relevant time or which is not correctly completed. The Directors may, in addition, if they so determine in their absolute discretion, treat any other document or action as a valid Election Form or as the completion or delivery of a valid Election Form, as the case may be.

##### *(c) Income*

- (i) The holders of the C Shares shall not be entitled to any right of participation in the profits of the Company, other than as set out in sub-paragraphs (ii) to (vi) below.
- (ii) Subject to the provisions of the CA 2006 and these articles a single dividend of 70 pence per C Share (the **Default Dividend**) shall, if declared by the board (and notwithstanding any provision to the contrary in these articles (including articles 104 and 105)), become payable on the Effective Date (as defined in the Circular) (or such date as the directors may in their absolute discretion determine) to holders of any C Shares:
  - (a) in respect of which a valid election to participate in the Purchase Offer has been made, or is deemed to have been made, but where such purchase has not been completed (save for payment) by 6.00 pm on the second Business Day after the Effective Date; and
  - (b) who are registered on the Company's relevant register as holding such C Shares (that is, C Shares within (a) above) at such time.
- (iii) The Company's liability to pay the Default Dividend to such holder of C Shares shall be discharged by the Company by a payment to such holder within 28 days of such date of an amount equal to the Default Dividend.
- (iv) Each C Share in respect of which the Default Dividend becomes payable shall immediately thereupon (but without prejudice to the accrued rights to receive such dividend) be reclassified as a Deferred Share (as defined in article 5C).
- (v) For the avoidance of doubt, the provisions of article 110 (Unclaimed Dividends) shall apply in respect of any and all Default Dividends payable on or in respect of any C Shares which remain unclaimed.
- (vi) In the absence of fraud or wilful default, neither the Company nor any of its directors, officers or employees shall have any liability to any person for any loss or damage arising as a result of the choice of the Effective Date in connection with article 5B(c)(ii) above or the timing of the Purchase Offer.

**(d) Capital**

- (i) On a return of capital on a winding-up (excluding any intra-group reorganisation on a solvent basis) but not otherwise, the holders of the C Shares shall be entitled, in priority to any payment to the holders of ordinary shares or Deferred Shares, to 70 pence per C Share held by them.
- (ii) The aggregate entitlement of each holder of C Shares on a winding-up in respect of all of the C Shares held by him shall be rounded down to the nearest whole penny.
- (iii) The holders of the C Shares shall not be entitled to any further right of participation in the profits or assets of the Company in excess of that specified in article 5B(d)(i) above. If on such a winding-up the amounts available for payment are insufficient to cover in full the amounts payable on the C Shares, the holders of such shares will share rateably in the distribution of assets (if any) in proportion to the full preferential amounts to which they are entitled.

**(e) Redemption**

The C Shares shall not be capable of redemption in any circumstances.

**(f) Attendance and voting at general meetings**

- (i) The holders of the C Shares shall not be entitled, in their capacity as holders of such shares, to receive notice of any general meeting of the Company nor to attend, speak or vote at any such general meeting unless the business of the meeting includes the consideration of a resolution for the winding-up (excluding any intra-group reorganisation on a solvent basis) of the Company, in which case the holders of the C Shares shall have the right to attend the general meeting and shall be entitled to speak and vote only on any such resolution.
- (ii) Whenever the holders of the C Shares are entitled to vote at a general meeting of the Company, on a show of hands, every holder thereof who (being an individual) is present in person or (being a corporation) by a duly authorised representative, not being himself a member, shall have one vote, and on a poll, every such holder shall have one vote for every C Share which he holds.

**(g) Class Rights**

- (i) The Company may from time to time create, allot and issue further shares, whether ranking *pari passu* with, or in priority to, the C Shares. The creation, allotment or issue of any such further shares (whether or not ranking in any respect in priority to the C Shares) shall be treated as being in accordance with the rights attaching to the C Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of C Shares.
- (ii) A reduction by the Company of the capital paid up or credited as paid up on the C Shares and the cancellation of such shares shall be treated as being in accordance with the rights attaching to the C Shares and shall not involve a variation of such rights for any purpose. The Company is authorised to reduce or purchase shares in its capital at any time (subject to the confirmation of the Court in accordance with the CA 2006) and without obtaining the consent of the holders of the C Shares including by payment to the holders of the C Shares the preferential amounts to which they are entitled as set out above.

**(h) Form, transferability and listing**

- (i) In accordance with article 15, no share certificates or other documents of title shall be issued in relation to the C Shares which are to be purchased by UBS Limited (UBS) on the Effective Date. The C Shares are not renounceable.
- (ii) No application has been, or will be, made to the UKLA or to London Stock Exchange plc, respectively, for the C Shares to be admitted to the official list maintained by the UKLA for the purposes of Part VI of the Financial Services and Markets Act 2000 and to trading on the market for listed securities of London Stock Exchange plc.

- (iii) Subject to such of the provisions of these articles as may be applicable, no transfer of C Shares will be registered:
- (a) after 5.00 pm on the second Business Day prior to the Effective Date unless (a) such transfer is to or from UBS in accordance with the terms of the Purchase Offer or is made by UBS; or
  - (b) determined to the contrary by the board (acting in its absolute discretion); and
  - (b) unless and until the transferee of any C Shares in respect of which a valid election to participate in the Purchase Offer has been made has irrevocably appointed the Company, or any officer or employee of the Company for the time being, or UBS or any director of UBS for the time being, as attorney for and/or agent of the transferee (and provided evidence satisfactory to the Company and UBS of such appointment) with authority on such transferee's behalf and in his or their name (subject to registration), to exercise all rights, powers and privileges attached to such C Shares or otherwise capable (subject to registration) of being exercised by that transferee in respect of such C Shares in order to give effect to his or their election and to do all acts and things and to execute all such deeds, transfers and other documents as such attorney and/or agent shall consider necessary to give effect to that transferee's election.

*(i) Deletion of article 5B when there are no C Shares in existence*

Article 5B shall remain in force until there are no longer any C Shares in existence whether by way of cancellation or reclassification, whichever is earlier, notwithstanding any provision in these articles to the contrary. Thereafter article 5B shall be deemed to be of no effect and shall be deleted in its entirety and the separate register for the holders of C Shares shall no longer be required to be maintained by the Company; but the validity of anything done under articles 5B(a) to 5B(i) before that date shall not otherwise be affected and any actions taken under articles 5B(a) to 5B(i) before that date shall be conclusive and shall not be open to challenge on any grounds whatsoever.

## PART 7

### RIGHTS AND RESTRICTIONS ATTACHED TO THE DEFERRED SHARES

The following sets out the amendments which are proposed to be made to the Articles under the Resolution to be proposed at the General Meeting and summarises the rights of the Deferred Shares and the restrictions to which they are subject.

#### **Article 5C Rights and restrictions attaching to the Deferred Shares**

##### *(a) General*

Notwithstanding the provisions in these articles which relate to shares, the following articles 5C(b) to 5C(i) comprise all the rights and restrictions relating to the deferred shares of the Company of 0.001 pence nominal value (the **Deferred Shares**).

##### *(b) Income*

The Deferred Shares shall confer no right to participate in the profits of the Company.

##### *(c) Capital*

On a return of capital on a winding-up (excluding any intra-group re-organisation on a solvent basis) but not otherwise, there shall be paid to the holders of the Deferred Shares the nominal capital paid up or credited as paid up on such Deferred Shares after:

- (i) first, paying to the holders of the B Shares (as defined in article 5A) 70 pence per B Share held by them together;
- (ii) secondly, paying to the holders of the C Shares (as defined in article 5B) 70 pence per C Share held by them together; and
- (iii) thirdly, paying to the holders of the ordinary shares the nominal capital paid up or credited as paid up on the ordinary shares held by them respectively, together with the sum of £100,000,000 on each ordinary share.

The holders of the Deferred Shares shall not be entitled to any further right of participation in the assets of the Company.

##### *(d) Attendance and voting at general meetings*

The holders of the Deferred Shares shall not be entitled, in their capacity as holders of such shares, to receive notice of any general meeting of the Company nor to attend, speak or vote at any such meeting.

##### *(e) Class rights*

The Company may from time to time create, allot and issue further shares, whether ranking *pari passu* with, or in priority to, the Deferred Shares. The creation, allotment or issue of any such further shares (whether or not ranking in any respect in priority to the Deferred Shares) shall be treated as being in accordance with the rights attaching to the Deferred Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the Deferred Shares.

The purchase of any shares of any class or the reduction by the Company of the capital paid up or credited as paid up on the Deferred Shares and the cancellation of such shares shall be in accordance with the rights attaching to the Deferred Shares and shall not involve a variation of such rights for any purpose. The Company is authorised to purchase any of its outstanding shares of any class and to reduce its capital at any time (subject to the confirmation of the Court in accordance with the CA 2006) and without obtaining the consent of the holders of the Deferred Shares.

##### *(f) Form and transferability*

- (i) In accordance with article 15, no share certificates or other documents of title shall be issued in relation to the Deferred Shares.
- (ii) No application to the UKLA or to London Stock Exchange plc for the Deferred Shares to be admitted to the official list maintained by the UKLA for the purposes of part 6 of the Financial

Services and Markets Act 2000 and to trading on the market for listed securities of London Stock Exchange plc, respectively, has been, or will be, made.

- (iii) The Deferred Shares shall not be transferable except in accordance with article 5C(g) below or with the written consent of the directors.

***(g) Transfer and purchase***

The Company may at any time (and from time to time) (subject to the provisions of the CA 2006) without obtaining the sanction of the holder or holders of the Deferred Shares:

- (i) appoint any person to execute on behalf of any holder of Deferred Shares a transfer of all of the Deferred Shares or any part thereof (and/or an agreement to sell and transfer the same) to the Company or such person as the directors may determine (whether or not an officer of the Company) in any case for not more than the aggregate amount of one penny for all the Deferred Shares then being transferred; and
- (ii) cancel all or any of the Deferred Shares purchased or acquired by the Company in accordance with the CA 2006.

***(h) Redemption***

The Deferred Shares shall not be capable of redemption in any circumstances.

***(i) Deletion of article 5C when there are no Deferred Shares in existence***

Article 5C shall remain in force until there are no longer any Deferred Shares in existence, notwithstanding any provision in these articles to the contrary. Thereafter articles 5C(a) to 5C(i) shall be, and shall be deemed to be, of no effect and shall be deleted and the separate register for the holders of Deferred Shares shall no longer be required to be maintained by the Company; but the validity of anything done under articles 5C(a) to 5C(i) before that date shall be conclusive and shall not be open to challenge on any grounds whatsoever.

## PART 8

### UNITED KINGDOM TAXATION IN RELATION TO THE RETURN OF CAPITAL

The comments below are intended as a general guide only, are based on current United Kingdom tax law and HM Revenue & Customs' published practice and are not intended to be and should not be construed as legal or taxation advice to any particular Shareholder. The comments summarise only certain limited aspects of the United Kingdom taxation treatment of Shareholders and are intended to apply only to Shareholders who are resident and, in the case of individuals, domiciled in the United Kingdom for tax purposes and who hold their Ordinary Shares, and who will hold their B Shares and/or C Shares, beneficially as investments, not on trading account and not as part of an ISA or SIPP. They may not apply to certain Shareholders, such as dealers in securities, insurance companies and collective investment schemes, Shareholders who are exempt from taxation and Shareholders who have (or are deemed to have) acquired their Ordinary Shares by virtue of an office or employment.

This section is not intended to be, and should not be construed to be, legal or taxation advice to any particular Shareholder. Shareholders who are in any doubt as to their tax position or who are subject to tax in a jurisdiction other than the United Kingdom should consult an appropriate professional adviser without delay.

#### 1. Issue of B Shares and C Shares

For the purposes of United Kingdom taxation of capital gains and corporation tax on chargeable gains ("CGT"):

- 1.1 the issue of the B Shares and/or C Shares will be a reorganisation of Dunelm's share capital. Accordingly, Shareholders will not be treated as having made a disposal of all or part of their Ordinary Shares. Instead, both the Ordinary Shares together with the new holding of B Shares and/or C Shares will be treated as the same asset as the Ordinary Shares before the bonus issue, and as having been acquired at the same time as the Ordinary Shares; and
- 1.2 as a result of the bonus issue, the Shareholders' base cost in relation to the Ordinary Shares will be apportioned between the Ordinary Shares and B and/or C Shares by reference to the respective values of these shares on the first day of trading after the bonus issue. The apportionment ratio between the Ordinary Shares and the B and/or C Shares will be published on Dunelm's website at the earliest practicable time following the B/C Share bonus issue.

It is expected that the issue of the B Shares and the C Shares should not give rise to any liability to United Kingdom income tax (or corporation tax on income) in a Shareholder's hands.

#### 2. B Share Dividend

##### *Income tax*

Under Alternative 1: Income Option, the B Share Dividend becomes payable, and so will be taxable, on 10 March 2015. The tax treatment will be the same as that of any other dividend paid by Dunelm, which is summarised below.

When Dunelm pays a dividend to a Shareholder who is an individual resident (for tax purposes) in the United Kingdom, the Shareholder will generally be entitled to a tax credit equal to one-ninth of the dividend received. The dividend received plus the related tax credit (the "**gross dividend**") will be part of the Shareholder's total income for United Kingdom income tax purposes and will, generally, be regarded as the top slice of that income. However, in calculating the Shareholder's liability to income tax in respect of the gross dividend, the tax credit (which equates to 10 per cent. of the gross dividend) is set off against the tax chargeable on the gross dividend.

A United Kingdom resident individual Shareholder who is liable to income tax at the starting or basic rate will be subject to tax on the gross dividend at the rate of 10 per cent. The tax credit will, in consequence, satisfy in full the Shareholder's liability to income tax on the gross dividend, unless it takes that Shareholder's income into the higher rate tax band.

A United Kingdom resident individual Shareholder who is liable to income tax at the higher rate will be subject to tax on the gross dividend at the rate of 32.5 per cent. This means that the tax credit will satisfy only part of the Shareholder's liability to income tax on the gross dividend, so the Shareholder will be liable



to pay tax equal to 25 per cent. of the cash dividend received, to the extent that the gross dividend, when treated as the top slice of that Shareholder's income, falls within the band for higher rate income tax.

A United Kingdom resident individual Shareholder who is liable to income tax at the additional rate will be subject to tax on the gross dividend at the rate of 37.5 per cent. This means that the tax credit will satisfy only part of the Shareholder's liability to income tax on the gross dividend, so the Shareholder will be liable to pay tax equal to 30.56 per cent. of the cash dividend received to the extent that the gross dividend, when treated as the top slice of that Shareholder's income, falls above the threshold for the additional rate of income tax.

#### *No payment of tax credit*

United Kingdom resident taxpayers who are not liable to United Kingdom tax on dividends, including pension funds and charities, will not be liable to pay tax on the B Share Dividend and will not be entitled to claim payment of the tax credit in respect of those dividends.

#### *Corporation tax*

Shareholders within the charge to United Kingdom corporation tax that are "small companies" (for the purposes of United Kingdom taxation of dividends) will not be subject to tax on the B Share Dividend provided certain conditions are met (including an anti-avoidance provision).

Other Shareholders within the charge to United Kingdom corporation tax will generally not be subject to corporation tax on the B Share Dividend insofar as the dividend falls within an exempt class and certain conditions are met. Corporate Shareholders should consult their own tax adviser to ascertain which exempt class (if any) applies to them and that the other conditions for exemption are met.

If the conditions for exemption are not met or cease to be satisfied, or such a Shareholder elects an otherwise exempt dividend to be taxable, the Shareholder will be subject to UK corporation tax on the B Share Dividend at the rate of corporation tax applicable to that Shareholder (currently 21 per cent. for companies paying the full rate of corporation tax, to be reduced to 20 per cent. from 1 April 2015).

#### *Non-residents*

Non-United Kingdom resident Shareholders may be able to claim a 10 per cent. tax credit in relation to the B Share Dividend depending on the terms of any double tax treaty. However, non-United Kingdom resident Shareholders will generally not be able to claim a repayment of any part of that tax credit from HM Revenue & Customs.

A Shareholder resident outside the United Kingdom may be subject to taxation on dividend income under local law.

**Shareholders who are not resident in the United Kingdom (for tax purposes) should consult their own tax adviser concerning their tax liabilities on dividends received from the Company.**

#### *Taxation on chargeable gains*

For CGT purposes, the B Share Dividend (and the consequent conversion of the B Shares into Deferred Shares) will not be treated as giving rise to a disposal or part disposal of the B Shares.

Shareholders who receive the B Share Dividend should note that a proportion of the base cost, for CGT purposes, of their Ordinary Shares will be attributed to the B Shares (see paragraph 1.2 above for details of how the base cost of the B Shares will be calculated) and this amount will continue to be attributed to those B Shares following their conversion into Deferred Shares (notwithstanding that the Deferred Shares have limited rights and value). Correspondingly, only a proportion of the base cost of the original holding of Ordinary Shares will be available on a subsequent disposal of Ordinary Shares.

Acquisition of the Deferred Shares by UBS pursuant to the compulsory purchase provisions in the Articles will be treated as described in paragraph 3 below and may result in a Shareholder realising a capital loss. However, Shareholders liable to corporation tax should note that it is possible that section 31 of the TCGA could be regarded as applying to such a Shareholder on a disposal of the Deferred Shares. If that provision applies, the consideration received on the acquisition of the Deferred Shares by UBS would be treated for the purpose of corporation tax on chargeable gains as increased by such amount as is just and reasonable having regard to the payment of the B Share Dividend. In addition, Shareholders that are liable to

corporation tax and hold 10 per cent. or more (or in, aggregate with connected persons, hold 10 per cent. or more) of the B Shares should note that it is possible that section 176 as applied by section 177 of the TCGA could apply to reduce any loss on a disposal of the Deferred Shares.

A Shareholder wishing to realise a capital loss before the Deferred Shares are acquired by UBS may be able to do so by making a negligible value claim within section 24(2) of the TCGA. Please note that such a claim may not be possible for Shareholders liable to corporation tax for the reasons as set out above.

### **3. Disposal of C Shares**

Shareholders whose C Shares are purchased by UBS pursuant to the Purchase Offer should be treated as having disposed of those shares for CGT purposes. This may, depending on individual circumstances, give rise to a liability to CGT. Any gain or loss will be calculated by reference to the difference between the purchase price and the Shareholder's base cost in the C Shares that are purchased by UBS (see paragraph 1.2 for details of how the base cost of the C Shares will be calculated).

The amount of CGT, if any, payable by an individual Shareholder on the purchase by UBS of his or her C Shares will depend on his or her personal tax position. No tax will be payable on any gain realised on a purchase by UBS of the C Shares if the amount of the chargeable gain realised by the Shareholder, when aggregated with other chargeable gains realised by the Shareholder in the year of assessment in question (and after taking account of exemptions and allowable losses as may be available in each case), does not exceed the applicable Shareholder's annual exempt amount.

A United Kingdom resident individual Shareholder who is liable to tax at the basic rate will be liable to CGT at a rate of 18 per cent. on any gain in excess of their annual exempt amount to the extent that the gain is within the basic rate tax band (when the gain is counted after the taxpayer's income, other than dividends).

A United Kingdom resident individual Shareholder who is liable to income tax at the higher rate or additional rate, trustees and personal representatives of someone who has died will be liable to pay CGT at a rate of 28 per cent. on any gain in excess of their annual exempt amount.

A corporate Shareholder is normally taxable on all of its chargeable gains, subject to any applicable reliefs or exemptions. Corporate Shareholders are entitled to indexation allowance up to the date the chargeable gain is realised.

Subject to section 4 below, no part of the proceeds received by a Shareholder on the purchase of the C Shares by UBS should be an income distribution in the Shareholder's hands.

In the event that the C Shares are not purchased under the Purchase Offer and the Default Dividend becomes payable, the tax treatment of the Default Dividend will be the same as that of any other dividend payable by Dunelm. Accordingly, the tax treatment of the Default Dividend will be the same as outlined in paragraph 2 above.

### **4. Part 15 CTA, Chapter 1, Part 13 ITA 2007**

HM Revenue & Customs may apply Part 15 of the CTA (for companies) and Chapter 1, Part 13 of the ITA 2007 (for individuals) (the "**Transactions in Securities Rules**") in certain circumstances to counteract a tax advantage arising as a result of a "transaction in securities" and where it cannot be shown that the transaction is a bona fide commercial transaction or did not have as one of its main objects, the obtaining of a tax advantage. If these rules were applicable to the proposed Return of Capital, HM Revenue & Customs could seek to counteract a tax advantage it considered had been obtained by a Shareholder electing to receive an income return under the Income Option or a capital return under the Capital Option.

#### ***Income tax payers***

The Transactions in Securities Rules only apply to income tax payers in relation to transactions involving companies which are "close companies" (as defined in Chapter 2, Part 10, Corporation Tax Act 2010). Given Dunelm's shareholder base, Dunelm should not be treated as a "close company" and the Transactions in Securities Rules should therefore not apply. No application has been made to HM Revenue & Customs seeking clearance that the Transaction in Securities Rules will not apply.

### *Corporation tax payers*

Dunelm and its advisers do not expect that the Transaction in Securities Rules will be applied in relation to the proposed Return of Cash to corporate Shareholders, and no application for clearance has been made to HM Revenue & Customs in this regard. Any corporate Shareholder which is in doubt as to its tax position in light of its own particular circumstances should take appropriate professional advice.

Any Shareholder who is in doubt as to his tax position in light of his own particular circumstances should take appropriate professional advice.

### **5. Stamp Duty and Stamp Duty Reserve Tax**

Except in relation to depositary receipt arrangements or clearance services to which special rules apply:

- 5.1 no stamp duty or stamp duty reserve tax (“**SDRT**”) will be payable on the issue of the B Shares and C Shares;
- 5.2 an agreement to sell C Shares will normally give rise to liability on the purchaser to SDRT at the rate of 0.5 per cent. of the actual consideration paid. If an instrument of transfer of the C Shares is subsequently produced it will generally be subject to stamp duty at the rate of 0.5 per cent. of the actual consideration paid (rounded up to the nearest £5). When such stamp duty is paid, the SDRT charge will be cancelled and any SDRT already paid will be refunded. Stamp duty and SDRT are generally the liability of the purchaser;
- 5.3 a liability for stamp duty or SDRT will arise on the purchase by UBS of the C Shares pursuant to the Purchase Offer. This will be a liability of UBS although it has been agreed as part of the Option Agreement that this liability will be recharged from UBS to the Company. Stamp duty will also be payable by the Company on the purchase by the Company of the C Shares from UBS pursuant to the Option Agreement;
- 5.4 no stamp duty or SDRT will be payable on, or as a result of, the conversion of the B Shares or C Shares to Deferred Shares;
- 5.5 no liability for stamp duty or SDRT will arise on the purchase by UBS of the Deferred Shares pursuant to the Purchase Offer because of the minimal amount of consideration to be paid for the acquisition of the Deferred Shares (ie one penny in aggregate for all of the Deferred Shares); and
- 5.6 for the avoidance of doubt, the sale of the C Shares and/or Deferred Shares by UBS under the Purchase Offer will not give rise to any liability to stamp duty or SDRT for the selling Shareholder. Any such liability would fall on the purchaser of the shares, not the selling Shareholder.

## PART 9

### MAKING AN ELECTION

To make an election for the Share Alternatives, Shareholders who hold their Ordinary Shares in certificated form must complete the Election Form sent to them with this document. Shareholders who hold their Ordinary Shares in CREST will not be sent an Election Form and instead should make their election by means of a TTE Instruction.

Shareholders wishing to receive the Income Option in respect of ALL of their Ordinary Shares held at the Ordinary Share Record Date should NOT complete or return the Election Form or make an election through CREST. B Shares will be issued automatically in respect of all of the Ordinary Shares held at the Ordinary Share Record Date in relation to which a Shareholder has not elected (or is deemed not to have elected) for the Capital Option.

The following instructions describe what Shareholders should do when completing an Election Form. Shareholders need to make their own decision regarding any election(s) they make under the B/C Share Scheme and are recommended to consult their own independent professional adviser.

References to “Boxes” are to the boxes on the Election Form.

#### **Number of Ordinary Shares held**

Box A shows the number of Ordinary Shares registered in the name(s) of the Shareholder(s) at close of business on 10 February 2015 and is for information purposes only. If Shareholders do not sell or transfer any Ordinary Shares registered in their name(s) or purchase additional Ordinary Shares between that date and the Ordinary Share Record Date (expected to be 6.00 pm on 2 March 2015), then this number will also be the same as their entitlement in respect of which they may make an election. If Shareholders sell or transfer any Ordinary Shares registered in their name(s) and/or purchase additional Ordinary Shares, they should ensure that their election corresponds to the number of Ordinary Shares that will be registered in their name(s) at the Ordinary Share Record Date.

#### **How Shareholders may elect for one Share Alternative in respect of all of their Ordinary Shares held at the Ordinary Share Record Date**

To elect for the Income Option in respect of ALL of their Ordinary Shares held at the Ordinary Share Record Date, Shareholders should take no further action. Shareholders who do not complete or return the Election Form will automatically receive only B Shares in respect of all of their Ordinary Shares held at the Ordinary Share Record Date.

To elect for the Capital Option in respect of ALL of their Ordinary Shares held at the Ordinary Share Record Date, Shareholders should mark an “X” where indicated in Box 2a.

#### **How Shareholders may split their entitlement to B Shares and C Shares between more than one Share Alternative**

To split their election between more than one Share Alternative, Shareholders should enter (in figures) the number (if any) of their Ordinary Shares held at the Ordinary Share Record Date they wish to elect for the Capital Option in Box 2b. The Income Option will apply automatically to all Ordinary Shares in respect of which a Shareholder has not elected for the Capital Option.

#### **Where Election Forms are incorrectly completed**

If you enter a number or numbers in Box 2b which exceeds your holding of Ordinary Shares at the Ordinary Share Record Date, or if you mark an “X” in Box 2a and a value in Box 2b, you will be deemed to have elected for the Capital Option in respect of your total entitlement.

#### **Dematerialisation of Ordinary Shares following an election**

If the Ordinary Shares to which any election made on the Election Form relates are currently held in certificated form and are “dematerialised” into uncertificated form (ie held in CREST) after the relevant Election Form has been submitted but before the Election Deadline, such election will become invalid. Shareholders who subsequently hold such Ordinary Shares in uncertificated form in CREST will need to give a valid TTE Instruction in place of the submitted Election Form by the Election Deadline.

### **Signing the Election Form**

The Election Form shows the name of the Shareholder, or the names of joint Shareholders, of Ordinary Shares by reference to which an election can be made in respect of the corresponding Ordinary Shares held at the Ordinary Share Record Date. The Shareholder, or all joint Shareholders, must sign the Election Form (in Box 3). The signatures of Shareholders who are individuals need to be witnessed. The witness must be over 18 years of age and cannot be the Shareholder, or one of the joint Shareholders, or otherwise have any financial interest in the relevant shares or in the proceeds resulting from the execution of the Election Form. However, one person may separately witness the signatures of all joint Shareholders. If the Election Form is signed under a power of attorney, the original power of attorney should be sent to Equiniti with the Election Form.

### **Final instructions on completing an Election Form**

Shareholders returning an Election Form must sign where applicable in Box 3.

All Shareholders named on an Election Form must sign the Election Form. Once completed, signed and witnessed, this Election Form should be returned in the reply-paid envelope provided. No stamps will be needed if posted in the United Kingdom. To be valid, Election Forms must be returned so as to be received by Equiniti by the Election Deadline (expected to be 4.30 pm on 9 March 2015). If Shareholders do not use the envelope provided, postage will be payable and the Election Form should be sent to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

### **Shareholders should not return their ordinary share certificates with their Election Form**

Shareholders who need assistance in completing the Election Form or have any queries relating to it should telephone the Shareholder helpline on 0871 384 2919 (+44 121 415 0263 if calling from outside the United Kingdom) between 8.30 am and 5.30 pm Monday to Friday (except UK public holidays). Calls to 0871 384 2919 are charged at 8 pence per minute plus network extras (excluding VAT). Other service providers' costs may vary. Calls to +44 121 415 0263 from outside the UK are chargeable at applicable international rates.

Please note that the shareholder helpline will not give advice on the merits of the B/C Share Scheme or the Share Alternatives or provide financial, investment or taxation advice.

### **Elections in CREST**

Shareholders holding their Ordinary Shares in CREST will not be sent an Election Form with this document. Their election will be by means of a TTE Instruction.

In order to facilitate elections under the Return of Capital, Shareholders who hold their Ordinary Shares in uncertificated form will, for the purposes of allowing an election in CREST only, be credited with one interim CREST entitlement under the ISIN GB00BVG30R61 for each Ordinary Share held in uncertificated form at the Ordinary Share Record Date. These interim CREST entitlements will be enabled in CREST for the period from 8.00 am on 3 March 2015 until 4.30 pm on 9 March 2015 (being the deadline for the return of the Election Form) when the security will expire. During this period, those CREST holders will have their accounts credited with the interim CREST entitlement security to allow them to elect electronically through the CREST system.

The interim CREST entitlements will neither be admitted to the Official List nor to trading on the London Stock Exchange's main market for list securities nor will they be admitted to trading on any other recognised investment exchange. Share certificates will not be issued in respect of the interim CREST entitlement.

Such Shareholders should take (or procure to be taken) the action set out below to transfer by means of a TTE Instruction the number of interim CREST entitlements held at the Ordinary Share Record Date (expected to be 6.00 pm on 2 March 2015) in respect of which they are making an election to an escrow balance, specifying Equiniti in its capacity as a CREST receiving agent (under participant ID 5RA96) as the escrow agent, as soon as possible and in any event so that the transfer to escrow settles not later than 4.30 pm on 9 March 2015. If Shareholders sell or transfer any Ordinary Shares registered in their name(s) before the Ordinary Share Record Date or purchase additional Ordinary Shares, they should take care to ensure that their election is in respect of the number of Ordinary Shares that will be registered in their name(s) at the Ordinary Share Record Date.



If Shareholders are CREST personal members, they should refer to their CREST sponsor before taking any action. CREST sponsors will be able to confirm details of Shareholders' participant ID and the member account ID under which their Ordinary Shares are held. In addition, only CREST sponsors will be able to give the TTE Instruction to Euroclear by which Shareholders are making their election.

To make an election, Shareholders should give (or, if they are a CREST personal member, procure that their CREST sponsor gives) a TTE Instruction, which must be properly authenticated in accordance with Euroclear's specifications and which must contain, in addition to the other information that is required for the TTE Instruction to settle in CREST, the following details:

- the number(s) of interim CREST entitlements to be transferred to the escrow account;
- the member account ID;
- the participant ID;
- the corporate action ISIN, which is GB00BVG30R61;
- the corporate action number of the B/C Share Scheme. This is allocated by Euroclear and can be found by viewing the relevant corporation action details in CREST;
- the intended settlement date for the transfer to escrow, which should be as soon as possible and in any event not later than 4.30 pm on 9 March 2015;
- the standard delivery instruction priority of 80; and
- the name and contact number inserted in the share note field.

In order for an uncertificated election to be valid, the TTE Instruction must comply with the requirements as to authentication and contents set out above and must settle by 4.30 pm on 9 March 2015.

#### **Electing for the Income Option**

Shareholders who hold their Ordinary Shares in CREST and who wish to elect for the Income Option in respect of all their Ordinary Shares need take no action. Shareholders who do not give a TTE Instruction will automatically receive the C Share Dividend in respect of all their B/C Share Entitlement.

#### **Electing for the Capital Option**

Shareholders who hold their Ordinary Shares in CREST and who wish to elect for the Capital Option in respect of some or all of their B/C Share Entitlement, should give (or, if they are a CREST personal member, procure that their CREST sponsor gives) a TTE Instruction with the following information, in addition to the information listed above:

- the participant ID of Equiniti, which is 5RA96; and
- the member account ID of Equiniti, which for these purposes is DUNROC02.

#### **Overseas Shareholders and Shareholders with a registered address in a Restricted Territory**

Overseas Shareholders should note that, by making a valid election for the Capital Option, such Shareholders will be deemed to represent, warrant, undertake and/or agree (as applicable) in the terms set out in paragraph 6 of Part 3. Furthermore, Shareholders resident, or with a registered address, in a Restricted Territory will only be eligible to receive the B Share Dividend under the Income Option, and as a result do not need to take any action.

#### **Validity of elections**

Shareholders who do not make a valid election will be deemed to have elected for the Income Option in respect of ALL of their Ordinary Shares.

#### **The default position where a Shareholder makes an election which in total is less than their holding of Ordinary Shares at the Ordinary Share Record Date**

If Shareholders send a TTE Instruction which details, or TTE Instructions which together detail, a number of interim CREST entitlements to be transferred to the escrow account which in total is less than their



holding of Ordinary Shares at the Ordinary Share Record Date, they will be deemed to have elected for the Income Option in respect of the balance of their holding.

**Methods of election—General**

The Directors shall have absolute discretion to determine all questions as to the form and validity (including time and place of receipt) of any Election Form or TTE Instruction (save that, in the case of an election to participate in the Purchase Offer, such determination shall be made jointly by the Directors and UBS, which determination shall be final and binding). The Directors (jointly with UBS in the case of an election to participate in the Purchase Offer) also reserve the absolute right to waive any defect or irregularity in relation to, or in relation to the receipt of, any Election Form completed by or on behalf of any Shareholder, and such determination shall be binding on such Shareholder(s). Neither the Directors nor UBS shall be liable to Shareholders for any loss arising from the determination of questions as to the form and validity (including time and place of receipt) of any Election Form or TTE Instruction, unless attributable to their own wilful default, fraud or negligence and neither the Directors nor UBS shall be under any duty to give notifications of any defect or irregularity in any Election Form or incur any liability for failure to give notification of any defect or irregularity in any Election Form or incur any liability for failure to give any such notice.

Once the Election Period has ended, any election made is irrevocable. If the Election Period is extended, the period for exercising withdrawal rights will also be extended (these rights are described more fully in paragraph 5 of Part 3 of this Circular). No authority conferred or agreed by the signing of an Election Form will be affected by, and all such authority will survive, the death or incapacity of the Shareholder executing such form or giving such instruction. All obligations of such Shareholder will be binding upon the heirs, personal representatives, successors and assigns of such Shareholder.

Shareholders should note that all aggregate entitlements to the B Share Dividend under the Income Option and to consideration for the sale of C Shares under the Capital Option will be rounded down to the nearest penny.

**PART 10**  
**FURTHER INFORMATION**

**1. General**

- 1.1 The B Shares and the C Shares are not renounceable. The B Shares are not transferable. The C Shares and the Deferred Shares are transferable by an instrument of transfer in usual or common form. No share certificates will be issued for the B Shares, C Shares or Deferred Shares.
- 1.2 UBS has given and not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in this document in the form and context in which they appear.

**2. Agreements relating to the Purchase Offer**

- 2.1 On 11 February 2015 the Company entered into the Option Agreement with UBS, pursuant to which, conditionally upon the Purchase Offer Deed becoming unconditional in all respects and not being terminated in accordance with its terms and to UBS being registered as the holder of the C Shares purchased by UBS (acting as principal and not as agent, nominee or trustee) pursuant to the Purchase Offer: (i) the Company has granted a put option to UBS which, on exercise, will oblige the Company to purchase from UBS the C Shares purchased by UBS pursuant to the Purchase Offer Deed at a price of 70 pence per C Share plus an amount equal to any stamp duty and/or stamp duty reserve tax paid by UBS as a result of its purchase of such C Shares; and (ii) UBS has granted the Company a call option which, on exercise, will oblige UBS to sell to the Company the C Shares purchased by UBS pursuant to the Purchase Offer Deed, at a price of 70 pence per C Share. The Company will reimburse to UBS any stamp duty and/or stamp duty reserve tax paid by UBS as a result of its purchase of such C Shares.

Under the Option Agreement, UBS has undertaken to purchase, on such date(s) as may be specified by the Company and for an aggregate consideration of one penny, all of the Deferred Shares then in issue into which B Shares have been automatically reclassified as a result of the B Share Dividend and/or the C Shares have been automatically reclassified as a result of the Default Dividend becoming payable. UBS has also undertaken to sell such Deferred Shares to the Company, as soon as reasonably practicable thereafter, for an aggregate consideration of one penny.

- 2.2 On 11 February 2015, the Company entered into the Purchase Offer Deed with UBS. Under the Purchase Offer Deed, UBS has agreed that it will, as principal (and not as agent, nominee or trustee), make an off-market offer to purchase those C Shares (if any) which are issued under the Capital Option and in respect of which Shareholders, by electing for the Capital Option, are deemed to have elected to accept the Purchase Offer.

The Purchase Offer will be made in the manner and on the terms set out in this Circular, the Election Form and the Purchase Offer Deed. The obligation of UBS to make the Purchase Offer is conditional upon the satisfaction, or waiver by UBS, of a number of conditions, including: (i) the passing of the Resolution to be proposed at the General Meeting without amendment; (ii) the execution by the Company of the Option Agreement; (iii) the execution by the Company, UBS and the Escrow Agent of, and their compliance with the terms of, the Escrow Agreement, including the payment by the Company into the escrow account of an amount to be agreed between UBS and the Company; (iv) the allotment and issue of the B Shares and/or C Shares in accordance with this Circular; (v) the Company having sufficient distributable reserves to purchase, pursuant to the Option Agreement, the C Shares elected to the Purchase Offer, and pay the B Share Dividend in accordance with this Circular; and (vi) (subject to the approval of the Option Agreement by Shareholders) there otherwise being nothing that would make such purchase or payment unlawful.

The Purchase Offer Deed is also conditional upon UBS not having exercised its right to terminate the Purchase Offer Deed before making the Purchase Offer. Such termination right is exercisable upon the occurrence of certain events, including: (i) failure by the Company to comply with its obligations under the Purchase Offer Deed or this Circular; (ii) breach by the Company of the representations, warranties and/or undertakings given to UBS under the Option Agreement and/or the Purchase Offer Deed; (iii) termination by the Company of the Option Agreement; (iv) the occurrence of a material adverse change (in the bona fide opinion of UBS) in the business or financial position or prospects of the Company or the Group; and (v) certain force majeure events.

Pursuant to the Purchase Offer Deed, the Company will pay a fee of £100,000 plus value added tax to UBS for its services.

### **3. Documents available for Inspection**

Copies of the following documents may be inspected at the offices of the Company at the Dunelm Store Support Centre, Watermead Business Park, Syston, Leicestershire, LE7 1AD and at the offices of Allen & Overy LLP at One Bishops Square, London E1 6AD during usual business hours on any weekday (Saturdays, Sundays and UK public holidays excepted) from the date of this document up to and including the date of the General Meeting:

- (a) the Articles and the proposed new Articles;
- (b) the Option Agreement;
- (c) this document; and
- (d) the consent letter from UBS referred to in paragraph 1.2 above.

A copy of this document is also available on the Company's website, [www.dunelm.com](http://www.dunelm.com).

Dated 12 February 2015

## PART 11

### DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

<b>“Articles” or “Articles of Association”</b> . . . . .	the articles of association of the Company
<b>“B Share Dividend”</b> . . . . .	the dividend of 70 pence per B Share
<b>“B Shares”</b> . . . . .	the B non-cumulative non-redeemable preference shares of 0.001 pence each in the capital of the Company, the rights and restrictions of which are set out in Part 5 of this document
<b>“B/C Share Entitlement”</b> . . . . .	the entitlement of Shareholders to receive one B Share or one C Share for each Ordinary Share held on the Ordinary Share Record Date and, where the context requires, the aggregate entitlement of a Shareholder to receive B Shares and/or C Shares
<b>“B/C Share Scheme”</b> . . . . .	the transaction comprising the return of 70 pence per Ordinary Share by way of the Share Alternatives
<b>“Board” or “Directors”</b> . . . . .	the board of directors of the Company
<b>“Business Day”</b> . . . . .	any date on which banks are generally open in England and Wales for the transaction of normal banking business other than a Saturday, Sunday or public holiday
<b>“C Shares”</b> . . . . .	the C non-cumulative non-redeemable preference shares of 0.001 pence each in the capital of the Company, the rights and restrictions of which are set out in Part 6 of this document
<b>“CA 2006”</b> . . . . .	the Companies Act 2006, as amended
<b>“Capital Option”</b> . . . . .	the allotment of C Shares proposed to be acquired by UBS on the Effective Date
<b>“certificated” or “in certificated form”</b> . . . . .	a share or other security not held in CREST
<b>“CGT”</b> . . . . .	the United Kingdom taxation of capital gains and corporation tax on chargeable gains
<b>“Chairman”</b> . . . . .	chairman of the Board
<b>“Chairman’s Letter”</b> . . . . .	the letter from the Chairman set out in Part 1 of this document
<b>“Circular”</b> . . . . .	this document
<b>“Company” or “Dunelm”</b> . . . . .	Dunelm Group plc
<b>“CREST”</b> . . . . .	the system for the paperless settlement of trades in securities operated by Euroclear UK & Ireland Limited in accordance with the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended)
<b>“CREST Manual”</b> . . . . .	the current version of the CREST Manual which at the date of this document is available on <a href="https://my.euroclear.com/euilegal.html">https://my.euroclear.com/euilegal.html</a>

<b>“CREST Proxy Instruction”</b> . . . . .	properly authenticated CREST message appointing and instructing a proxy to attend and vote in the place of the Shareholder at the General Meeting and containing the information required to be contained therein by the CREST Manual
<b>“CTA”</b> . . . . .	the Corporation Tax Act 2010
<b>“Default Dividend”</b> . . . . .	the dividend of 70 pence per C Share to be declared on the Effective Date if such C Shares have not been purchased by UBS pursuant to the Purchase Offer and sent to holders of the C Shares on the Payment Date in the circumstances described in paragraph 3 of Part 3 of this document
<b>“Deferred Shares”</b> . . . . .	the unlisted deferred shares of 0.001 pence each in the capital of the Company (the rights and restrictions of which are set out in Part 7 of this document) created on the automatic conversion of each B Share in respect of which the B Share Dividend is paid and each C Share in respect of which the Default Dividend is paid
<b>“Disclosure and Transparency Rules”</b> . . . . .	the disclosure and transparency rules made by the FCA in exercise of its functions as competent authority pursuant to Part VI of FSMA
<b>“Dunelm Group SAYE Plan”</b> . . . . .	the “Dunelm Group Savings Related Share Option Plan 2006” and the “Dunelm Group 2014 Sharesave Plan,” as the case may be
<b>“EBITDA”</b> . . . . .	earnings before interest, taxation, depreciation and amortisation
<b>“Effective Date”</b> . . . . .	the date to be determined by the Directors in their absolute discretion on which, in the case of the Income Option, the B Share Dividend is declared and in the case of the Capital Option, the C Shares issued will be purchased by UBS under the Purchase Offer, or failing such purchase by UBS, the Default Dividend will be payable
<b>“Election Deadline”</b> . . . . .	4.30 pm on 9 March 2015
<b>“Election Form”</b> . . . . .	the form enclosed with this document by which Shareholders may choose one of the Share Alternatives
<b>“Election Period”</b> . . . . .	the period from the date of this document until 4.30 pm on 9 March 2015, during which time Shareholders may make elections pursuant to the Share Alternatives
<b>“Equiniti”</b> . . . . .	a trading name of Equiniti Limited
<b>“ESA Message”</b> . . . . .	a message through CREST to Equiniti in its capacity as escrow agent requesting a withdrawal of interim CREST entitlements from the escrow balance
<b>“Escrow Agent”</b> . . . . .	Equiniti Limited

<b>“Escrow Agreement”</b> . . . . .	an agreement dated 11 February 2015 between the Company the Escrow Agent and UBS relating to the payment of funds into a deposit account, entered into pursuant to the Purchase Offer Deed together with the deposit account instruction letter entered into between the Company, the Escrow Agent and UBS pursuant thereto
<b>“Euroclear”</b> . . . . .	Euroclear UK & Ireland Limited, the operator of CREST
<b>“Executive Share Option Plan”</b> . . . . .	the “Dunelm Group Approved Share Option Plan 2003,” the “Dunelm Group Executive Share Option Plan 2003” and the “Dunelm Group 2013 Executive Share Option Plan,” as the case may be
<b>“FCA”</b> . . . . .	the Financial Conduct Authority
<b>“Form of Proxy”</b> . . . . .	the form enclosed with this document for use by Shareholders in connection with the General Meeting
<b>“FSMA”</b> . . . . .	the Financial Services and Markets Act 2000
<b>“General Meeting”</b> . . . . .	the general meeting of the Company to be held at 10.00 am on 2 March 2015, notice of which is set out in Part 12 of this document
<b>“Group”</b> . . . . .	the Company and its subsidiary undertakings
<b>“Income Option”</b> . . . . .	the allotment of B Shares in respect of which the B Share Dividend will become payable
<b>“ISA”</b> . . . . .	individual savings account
<b>“ITA 2007”</b> . . . . .	Income Tax Act 2007
<b>“Listing Rules”</b> . . . . .	the listing rules made by the FCA in exercise of its functions as competent authority pursuant to Part VI of FSMA
<b>“London Stock Exchange”</b> . . . . .	London Stock Exchange plc or its successor
<b>“LTIP”</b> . . . . .	the Dunelm Group Long Term Incentive Plan 2006 or the Dunelm Group 2014 Long Term Incentive Plan, as the case may be
<b>“Official List”</b> . . . . .	the official list maintained by the UK Listing Authority for the purposes of Part VI of FSMA
<b>“Option Agreement”</b> . . . . .	the agreement dated 11 February 2015 between the Company and UBS requiring the Company to purchase and UBS to sell, in each case as an off-market purchase, the C Shares and Deferred Shares purchased by UBS (as principal and not as agent, trustee or nominee) under the Purchase Offer, details of which are set out in paragraph 2 of Part 10 of this document
<b>“Ordinary Share Record Date”</b> . . . . .	the date for determining participation in the B/C Share Scheme, which is expected to be 6.00 pm on 2 March 2015 (or such other time and/or date as the Directors may determine)
<b>“Ordinary Shares”</b> . . . . .	ordinary shares of 1 pence each in the capital of the Company
<b>“Overseas Shareholders”</b> . . . . .	Shareholders resident in, or citizens of, jurisdictions outside the United Kingdom, including without limitation, US Holders



<b>“Payment Date”</b> .....	the date to be determined by the Directors in their absolute discretion (being in any event a date within 14 days of the Effective Date) on which funds are expected to be sent to Shareholders under the Income Option and/or the Capital Option
<b>“PEP”</b> .....	personal equity plan
<b>“Purchase Offer Deed”</b> .....	the deed dated 11 February 2015 between UBS and the Company in respect of the Purchase Offer, details of which are set out in paragraph 2 of Part 10 of this document
<b>“Purchase Offer”</b> .....	the offer expected to be made by UBS (acting as principal and not as agent, trustee or nominee), to purchase C Shares issued under the Capital Option, the terms of which are set out in paragraph 2 of Part 10 of this document
<b>“recognised investment exchange”</b> .....	as defined in section 285 FSMA
<b>“Registrars” or “Equiniti”</b> .....	the registrars of the Company
<b>“Regulatory Information Service”</b> .....	any of the services set out in Schedule 12 to the Listing Rules
<b>“Resolution”</b> .....	the resolution set out in the notice of General Meeting
<b>“Restricted Territory”</b> .....	any of the United States, Canada, Australia, New Zealand, Japan and the Republic of South Africa
<b>“Return of Capital”</b> .....	the transaction comprising the B/C Share Scheme
<b>“SDRT”</b> .....	United Kingdom stamp duty or stamp duty reserve tax
<b>“Share Alternatives”</b> .....	the Income Option and the Capital Option
<b>“Share Option Schemes”</b> .....	the LTIP, Executive Share Option Plan and Dunelm Group SAYE Plan
<b>“Shareholder(s)”</b> .....	(a) holder(s) of Ordinary Shares
<b>“SIPP”</b> .....	self-invested personal pension
<b>“subsidiary undertaking”</b> .....	shall, unless otherwise stated, be construed in accordance with the CA 2006 (but for these purposes ignoring paragraph 19(1)(b) of Part 1 of Schedule 6A to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008)
<b>“Takeover Code”</b> .....	the City Code on Takeovers and Mergers in force from time to time
<b>“TCGA”</b> .....	Taxation of Chargeable Gains Act 1992
<b>“Transactions in Securities Rules”</b> .....	Part 15 of the CTA (for companies) and Chapter 1, Part 13 of the ITA 2007 (for individuals)
<b>“TTE Instruction”</b> .....	a transfer to escrow instruction (as described in the CREST Manual)
<b>“UBS”</b> .....	UBS Limited
<b>“UK Listing Authority” or “UKLA”</b> .....	the FCA acting in its capacity as the competent authority for listing under Part VI of FSMA and in the exercise of its functions in respect of admission to the Official List

<b>“United Kingdom” or “UK”</b> .....	the United Kingdom of Great Britain and Northern Ireland
<b>“US Holder”</b> .....	(i) a Shareholder with an address in the US on the Company’s register of members; (ii) any person resident in the US who holds Ordinary Shares including directly, or as or through, a nominee, trustee or custodian; and (iii) persons who appear at any time to the Directors to fall within paragraph (ii) of this definition
<b>“US Securities Act”</b> .....	United States Securities Act of 1933 (as amended)
<b>“US” or “United States”</b> .....	the United States of America (including the states of the United States and the District of Columbia), its possessions and territories and all areas subject to its jurisdiction

**PART 12**  
**NOTICE OF GENERAL MEETING**  
**DUNELM GROUP PLC (“the Company”)**  
**(Registered in England No. 4708277)**

**NOTICE IS HEREBY GIVEN** that a General Meeting of the Company will be held at the Dunelm Store Support Centre, Watermead Business Park, Syston, Leicestershire, LE7 1AD at 10.00 am on 2 March 2015 for the purpose of considering and, if thought fit, passing the following resolution, which will be proposed as a special resolution.

1. That:

1.1 the Directors be and are hereby authorised to:

1.1.1 capitalise a sum not exceeding £2028.34 standing to the credit of the Company’s share premium account and to appropriate such sum to the members of the Company by applying such sum in paying up in full at par up to the maximum number of B non-cumulative non-redeemable preference shares of 0.001 pence each in the capital of the Company (“**B Shares**”) and C non-cumulative non-redeemable preference shares of 0.001 pence each in the capital of the Company (“**C Shares**”) in each case having the rights and being subject to the restrictions set out in the articles of association of the Company as proposed to be adopted pursuant to paragraph 1.3 of this resolution as may be allotted pursuant to the authority given by sub-paragraph 1.1.2 below; and

1.1.2 pursuant to section 551 of the Companies Act 2006 to allot and issue such B Shares and C Shares credited as fully paid up, up to an aggregate nominal amount of £2028.34 to the holders of the ordinary shares of 1 pence each in the Company (the “**Ordinary Shares**”) on the basis of one B Share or one C Share for each Ordinary Share held and recorded on the register of members of the Company at 6.00 pm on 2 March 2015 (or such other time and/or date as the Directors may determine), in accordance with (i) the terms of the circular to Shareholders dated 12 February 2015 (“**Circular**”), (ii) the directors’ determination (as described in the Circular) as to the number of B Shares and C Shares to be allotted and issued, and (iii) subject to the terms set out in the Circular and the directors’ determination, valid elections made (or deemed to be made) by the holders of Ordinary Shares pursuant to the terms of the Circular as to whether to receive B Shares and/or C Shares, provided that the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution, or, if earlier on 31 December 2015; and

1.1.3 to do all acts and things they may consider necessary or desirable to transfer the Deferred Shares (if any) arising on reclassification of the B Shares and/or C Shares in accordance with the new Articles of Association adopted pursuant to resolution 1.3 below and to give effect to this resolution and to satisfy any entitlement to B Shares and/or C Shares howsoever arising;

1.2 the terms of the contract dated 11 February 2015 between UBS Limited (“**UBS**”) and the Company (a copy of which is produced to the meeting and initialled for the purposes of identification by the Chairman) under which (i) UBS will be entitled to require the Company to purchase C Shares from UBS, (ii) the Company will be entitled to require UBS to sell C Shares to the Company and (iii) on such date(s) as may be specified by the Company, UBS undertakes to sell all the Deferred Shares of which it is then the registered holder into which B Shares and/or C Shares have, under the terms of the new Articles of Association, been automatically reclassified (the “**Option Agreement**”), be and are hereby approved and authorised for the purposes of section 694 of the Companies Act 2006 and otherwise, but so that such approval and authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution, or, if earlier, on 31 December 2015; and

- 1.3 new Articles of Association produced to the General Meeting and initialled by the Chairman of the General Meeting for the purpose of identification be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

Dated: 12 February 2015  
Registered Office: Dunelm Store Support Centre  
Watermead Business Park  
Syston  
Leicester  
Leicestershire  
LE7 1AD

By order of the board  
D Durrant  
Secretary

Notes:

1. Voting on the resolution will be conducted on a show of hands unless a poll is demanded.
2. A form of proxy is enclosed for use by shareholders and, if appropriate, must be deposited with the Company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, not less than 48 hours, excluding non-business days, before the time of the General Meeting. Appointment of a proxy does not preclude a shareholder from attending the General Meeting and voting in person.
3. A member entitled to attend, speak and vote at the General Meeting may appoint one or more proxies (who need not be a member of the Company) to attend and to speak and to vote on his or her behalf whether by show of hands or on a poll. A member can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him. To appoint more than one proxy, please contact the Company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. In order to be valid an appointment of proxy (together with any authority under which it is executed or a copy of the authority certified notarially) must be returned by one of the following methods: or
  - in hard copy form by post, by courier or by hand (during normal business hours) to the Company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA; or
  - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below,and in each case must be received by the Company not less than 48 hours, excluding non-business days, before the time of the General Meeting.
4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment thereof by using the procedures described in the CREST Manual available at [www.euroclear.com](http://www.euroclear.com). 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.
5. In order for a proxy appointment, or instruction, made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("**EUI**") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message regardless of whether it relates to the appointment of a proxy or to 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(s) for receipt of proxy appointments specified in the notice of General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001 (SI 2001/3755). CREST members

and where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is therefore 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(s), to procure that his or her 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 system and timings.

6. The “vote withheld” option is to enable shareholders to abstain on any particular resolution. This is not a vote in law and will not be counted in the votes “for” or “against” any resolution.
7. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communication from the Company in accordance with section 146 of the Companies Act 2006 (“**nominated persons**”). Nominated persons may have a right under an agreement with the registered shareholder who holds shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to given instructions to the person holding the shares as to the exercise of voting rights.
8. Representatives of Shareholders that are corporations will have to produce evidence of their proper appointment when attending the General Meeting. Please contact our Registrar if you need any further guidance on this.
9. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (SI 2001/3755), in order to be able to attend and vote at the General Meeting or any adjourned meeting (and also for the purpose of calculating how many votes a person may cast), a person must have his/her name entered on the register of members of the Company by 6.00 pm on 26 February 2015 (or 6.00 pm on the date two business days before any adjourned meeting). Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend, speak or vote at the General Meeting.
10. The issued share capital of the Company as at 11 February 2015 (being the latest practicable date prior to the publication of this document) was 202,833,931 ordinary shares, carrying one vote each. The Company holds 401,846 ordinary shares in treasury, which will not participate in the Return of Capital. Therefore, the total number of voting rights in the Company on 11 February 2015 was 202,432,085.
11. Please note that the Company takes all reasonable precautions to ensure no viruses are present in any electronic communication it sends out but the Company cannot accept responsibility for loss or damage arising from the opening or use of any email or attachments from the Company and recommends that the members subject all messages to virus checking procedures prior to use. Any electronic communication received by the Company, including the lodgment of an electronic proxy form, that is found to contain any virus will not be accepted.
12. Information regarding the General Meeting, including the information required by section 311A of the Companies Act 2006, is available from <http://production.investis.com/dnlm>.
13. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions. Any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact the Company’s registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
14. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. In the case of a shareholder which is a company, the revocation notice must be executed under its common seal or signed on its behalf by

an officer of the company or an attorney for the company. Any authority under which the revocation notice is executed (or a copy of the authority certified notarially) must be included with the revocation notice.

The revocation notice must be received by Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA no less than 48 hours, excluding non-business days, before the time of the General Meeting.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then your proxy appointment will remain valid.

15. Pursuant to section 319A of the Companies Act 2006, the Company must cause to be answered at the General Meeting any question relating to the business being dealt with at the General Meeting which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.
16. Shareholders who have general queries about the General Meeting should contact Dawn Durrant at dawn.durrant@dunelm.com. No other methods of communication will be accepted. You may not use any other electronic address provided either:
  - 16.1 in this notice of General Meeting; or
  - 16.2 any related documents (including the form of proxy),to communicate with the Company for any purposes other than those expressly stated.
17. As soon as practicable following the General Meeting, the results of the voting at the General Meeting and the numbers of proxy votes cast for and against and the number of votes actively withheld in respect of the resolution will be announced via a Regulatory Information Service and also be available from <http://dunelm.production.investis.com>.

A copy of the Option Agreement and new Articles of Association will be available for inspection by members at the Company's registered office and at the offices of Allen & Overy LLP at One Bishops Square, London, E1 6AD for not less than 15 days ending with the date of the General Meeting and at the General Meeting itself.



