

THIS DOCUMENT IS IMPORTANT AND REQUIRES 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 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.

DUNELM GROUP PLC

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

Notice of Annual General Meeting including Authority to Make Market Purchases of its Ordinary Shares, adoption of new Articles of Association and certain other matters

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 (excluding W L Adderley for the purposes of the Waiver Resolution) to Shareholders to vote in favour of the Resolutions to be proposed at the Annual General Meeting, notice of which is set out in Part 5 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.

UBS Limited is acting as financial adviser to Dunelm in connection with the Waiver Resolution and 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 other professional advice.

Apart from the responsibilities and liabilities, if any, which may be imposed on UBS Limited by 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 or the Waiver 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.

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 and applicable laws and regulations.

Notice of the Annual General Meeting of Dunelm to be held at the offices of MHP Communications, 60 Great Portland Street, London W1W 7RT at 9.30 am on 11 November 2014 is set out at the end of this document. The Form of Proxy for use at the Annual General Meeting accompanies this document and, to be valid, should be completed and returned in accordance with the instructions set out thereon 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 9.30 am on 9 November 2014. 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 9.30 am on 9 November 2014. 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 Annual General Meeting, should they so wish.

CONTENTS

	Page
PART 1 : LETTER FROM THE CHAIRMAN	1
PART 2 : ADDITIONAL INFORMATION	7
PART 3 : DEFINITIONS	12
PART 4 : SUMMARY OF THE RULES OF THE DUNELM GROUP 2014 LONG TERM INCENTIVE PLAN 2014 AND THE DUNELM GROUP 2014 SHARES AVE PLAN	14
PART 5 : NOTICE OF ANNUAL GENERAL MEETING	19

Your attention is drawn to the Definitions in Part 3 which apply throughout this document and the Form of Proxy unless the context requires otherwise.

PART 1

LETTER FROM THE CHAIRMAN

DUNELM GROUP PLC

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

Directors:

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

Registered office:

Watermead Business Park
Syston
Leicester
Leicestershire
LE7 1AD

3 October 2014

To Shareholders of the Company**Dear Shareholder****1. Introduction**

The purpose of this letter is to provide you with an explanation of the Resolutions to be proposed at the Annual General Meeting of the Company which will be held at the offices of MHP Communications, 60 Great Portland Street, London W1W 7RT at 9.30 am on 11 November 2014 and to seek your approval of them. The notice of Annual General Meeting is set out at Part 5 of this document.

The Directors believe that the Resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and Shareholders as a whole and accordingly they recommend that you vote in favour of each of the Resolutions at the Annual General Meeting, save that W L Adderley makes no recommendation with regard to the Waiver Resolution (being Resolution 24) as, in accordance with the provisions of the Takeover Code, W L Adderley is considered to be interested in the outcome of the Waiver Resolution.

All of the Resolutions to be proposed at the Annual General Meeting are explained in further detail below.

2. Ordinary business

The ordinary business of the Annual General Meeting comprises Resolutions 1 to 20 inclusive.

Resolution 1: Report and accounts

The Directors are required to lay the Directors' Report, the audited annual accounts of the Company and the independent Auditor's Report before Shareholders at the Annual General Meeting. Accordingly, Resolution 1 presents the accounts for the year ended 28 June 2014 and, although not a statutory requirement, proposes the accounts for adoption. A copy of the Annual Report accompanies this document.

Resolution 2: Final dividend

Shareholder approval is required for the payment of a final dividend as recommended by the Board. Subject to Shareholder approval this dividend will be paid on 19 December 2014 to Shareholders on the register of members of the Company at the close of business on 28 November 2014.

Resolutions 3 to 16: Re-election of Directors

In accordance with the provisions of the UK Corporate Governance Code, all directors will be retiring and will offer themselves for re-election at the Annual General Meeting.

In accordance with Listing Rule 9.2.2E R (2), there will be an ordinary resolution and a separate resolution of the Independent Shareholders in respect of the appointment of each of the independent directors of the Company. The Board considers that the following Directors are independent for these purposes: Geoff Cooper, Marion Sears, Simon Emeny, Matt Davies, Liz Doherty and Andy Harrison. No Controlling Shareholder or Associate of a Controlling Shareholder will be eligible to vote in respect of these additional resolutions.

At the date of this document Will Adderley and the other members of the Concert Party are the only Controlling Shareholders, and are precluded from voting on these additional resolutions.

Biographies of each of the Directors are contained on pages 30 and 31 of the Annual Report.

The Board believes, following the completion of the annual performance evaluation and appraisal exercise, that the performance of the Directors seeking re-election continues to be effective and that these Directors demonstrate commitment to their roles.

Further information is given below in relation to the independence of each of these Directors:

(a) confirmation is given that none of the Directors named above has any existing or previous relationship, transaction or arrangement with the Company, any of its directors, any Controlling Shareholder or any other Associate of a Controlling Shareholder;

(b) the independence of Non-Executive Directors is considered on appointment and then reviewed annually by the Chairman as part of the evaluation process. There is also an annual Board discussion. The Board takes into account the provisions of the UK Corporate Governance Code, as well as policies and guidelines issued by investor representatives such as the Association of British Insurers and the National Association of Pension Funds; and

(c) the process for the selection of new Directors is described in the report of the Nominations Committee in the Annual Report. Thereafter the Nominations Committee formally puts forward the names of Directors to be proposed for reappointment at the Annual General Meeting.

Resolution 17: Approval of Remuneration Policy

Under Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the "Regulations"), the Directors must prepare a binding Remuneration Policy to be put forward for approval by Shareholders at least every three years. The Shareholder vote will be binding, and if not passed the Remuneration Policy must be amended and put to a further vote at a specially convened general meeting. Once the Remuneration Policy has been approved, no payment may be paid to a Director or past Director unless it is consistent with the approved policy unless Shareholder approval is sought. The exception to this is if the payment is made pursuant to a contractual obligation that was in force at 27 June 2012.

This is the resolution to approve the Company's Remuneration Policy, which is set out on pages 48 to 59 of the Annual Report.

Resolution 18: Directors' Annual Report on Remuneration

Under Schedule 8 of the Regulations, the Directors must prepare an annual report which sets out how the Remuneration Policy has been applied during the financial year being reported on and how it will be applied in the coming year. The Annual Report on Remuneration must also be put to Shareholders for approval at the Annual General Meeting, although this vote is advisory. If this vote is not passed, the Company would consult with Shareholders and will be obliged to put the Remuneration Policy back to Shareholders for approval at the Annual General Meeting of the Company in 2015.

This is the resolution to approve the Company's Annual Report on Remuneration, which is set out on pages 60 to 68 of the Annual Report.

Resolution 19 Appointment of the auditors

The Company's auditors must offer themselves for reappointment at each general meeting at which accounts are presented. During the year, KPMG Audit Plc resigned as the Company's auditors following a competitive tender in which they were unsuccessful. On the advice of the Company's Audit and Risk committee, the Board appointed PricewaterhouseCoopers LLP to fill the vacancy, and the Company proposes that PricewaterhouseCoopers LLP be appointed by Shareholders as auditors of the Company.

Resolution 20: Remuneration of the auditors

This resolution, which is conditional on the passing of Resolution 19, gives authority to the Directors to agree the auditors' remuneration.

3. Special business

The special business to be considered at the Annual General Meeting comprises Resolutions 21 to 28 inclusive.

Resolution 21: Authority to allot Ordinary Shares

This Resolution gives the Directors authority to allot shares with a nominal value of up to £673,013, which, as at 1 October 2014, being the latest practicable date prior to the publication of this document, represented approximately one third of the Company's issued Ordinary Share capital of £2,019,040.

This authority will 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 unless it is previously renewed, varied or revoked.

The Company held 929,939 Ordinary Shares in treasury as at 1 October 2014, being the latest practicable date prior to the publication of this document.

The Directors have no present intention to issue any new Ordinary Shares in the Company other than in respect of the exercise of Share Options by employees under the Employee Share Schemes.

Resolution 22: Authority to issue shares on a non pre-emptive basis

This Resolution (which is a Special Resolution) gives the Directors authority to allot equity securities of the Company (including any Ordinary Shares held which the Company has purchased and elected to hold as treasury shares) for cash other than on a pre-emptive basis as provided by the CA 2006. Other than in connection with a rights or other pre-emptive issue, the authority contained in this Resolution will be limited to issues of Ordinary Shares representing an aggregate nominal value of £100,952, which in turn represents approximately 5 per cent. of the issued Ordinary Shares of the Company as at 1 October 2014, being the latest practicable date prior to the publication of this document.

The Directors have no present intention to issue any unissued Ordinary Shares in the Company other than in respect of the exercise of Share Options by employees under the Employee Share Schemes.

Resolution 23: Authority to make market purchases of Ordinary Shares

This Resolution, (which is a Special Resolution), is conditional on the passing of Resolution 24, and seeks authority for the Company to buy back its own Ordinary Shares in the market as permitted by the CA 2006. The authority, if granted, limits the number of Ordinary Shares that could be purchased to a maximum of 5,000,000 Ordinary Shares, representing approximately 2.5 per cent. of the Company's issued Ordinary Share capital as at 1 October 2014, and sets the minimum and maximum prices that can be paid. The Company may either retain any of its own Ordinary Shares which it has purchased as treasury shares with a possible re-issue at a future date, or cancel them. Since the Company started a buy back programme of its Ordinary Shares in 2007, it has not cancelled any of the Ordinary Shares that it has bought into treasury. The Company intends to hold any Ordinary Shares that it purchases pursuant to the authority conferred by this Resolution as treasury shares for re-issue to employees exercising Share Options under the Employee Share Schemes, because the Board believes that this gives the Company the ability to cost-effectively fulfill Share Option entitlements, and provides the Company with additional flexibility in the management of its capital base. The Company does not intend to re-issue for sale or cancel any Ordinary Shares that it purchases pursuant to the Authority to Make Market Purchases.

During the period from November 2007 to September 2008 the Company bought 1,322,000 Ordinary Shares into treasury, and during the period from March 2008 to October 2010 all of these Ordinary Shares have been transferred out of treasury to those employees of the Company who have exercised Share Options under the terms of the Employee Share Schemes.

During the financial year under review the Company utilised the authority to make market purchases conferred at the 2012 and 2013 annual general meetings as follows:

2012 authority:	781,810	Ordinary Shares
2013 authority:	924,344	Ordinary Shares
Total:	1,706,154	Ordinary Shares

During the period between 30 June 2013 and 1 October 2014 (being the latest practicable date prior to the publication of this document), 776,215 Ordinary Shares have been transferred out of treasury to those employees of the Company who have exercised Share Options under the terms of the Employee Share Schemes.

The Company intends on an annual basis to grant Share Options to executive Directors and senior employees pursuant to the LTIP and to employees pursuant to the Dunelm Group Company Share Option Scheme and the Dunelm SAYE Scheme.

The total number of options over Ordinary Shares outstanding as at 1 October 2014 was 1,622,509, representing approximately 0.80 per cent. of the issued Ordinary Share capital of the Company as at 1 October 2014 (excluding treasury shares). If the authority to buy back shares were utilised in full, the total number of options to subscribe for Ordinary Shares outstanding as at 1 October 2014 would, assuming no further Ordinary Shares are issued, represent approximately 0.82 per cent. of the issued share capital of the Company.

A purchase of Ordinary Shares by the Company pursuant to the Authority to Make Market Purchases could increase the percentage of voting rights held by W L Adderley. In certain circumstances (described below) such an increase could trigger an obligation on W L Adderley to make a mandatory offer for the whole of the issued share capital of the Company pursuant to the Takeover Code. Non-Concert Party Shareholders will be asked, under Resolution 24, to approve the waiver by the Panel of the mandatory offer provisions such that the purchases of Ordinary Shares by the Company pursuant to the Authority to Make Market Purchases will not trigger a requirement for W L Adderley to make a mandatory offer for the entire issued share capital of the Company. Further details of this waiver are set out below.

Resolution 24: The Waiver Resolution

The Waiver Resolution, which will be proposed as an ordinary resolution to be taken by poll, seeks Non-Concert Party Shareholders' approval of a waiver of the obligation that could arise on W L Adderley to make a general offer for the entire issued share capital of the Company as a result of purchases by the Company of Ordinary Shares pursuant to the Authority to Make Market Purchases.

Under Rule 9 of the Takeover Code, when (i) any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which, taken together with shares in which he and persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company subject to the Takeover Code, or (ii) any person who, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of a company, but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of the shares carrying voting rights in which he is interested, then in either case, that person is normally required to make a general offer in cash for all the remaining equity share capital of the company at the highest price paid by him, or any persons acting in concert with him, for shares in the company within the twelve months prior to announcement of the offer.

Under Rule 37 of the Takeover Code, when a company purchases its own voting shares, any resulting increase in the percentage of shares carrying voting rights in which a person or group of persons acting in concert is interested will be treated as an acquisition for the purposes of Rule 9 (although a shareholder who is neither a director nor acting in concert with a director will not normally incur an obligation to make a Rule 9 offer).

The Company has applied to the Panel for a waiver of Rule 9 of the Takeover Code in order to permit the Authority to Make Market Purchases proposed under Resolution 24 to be exercised by the Board (if such authority is approved by Shareholders) without triggering an obligation on the part of W L Adderley to make a general offer to Shareholders. The Panel has agreed, subject to Non-Concert Party Shareholders' approval on a poll, to waive the requirement for W L Adderley to make a general offer to all Shareholders where such an obligation would arise as a result of purchases by the Company of up to 5,000,000 Ordinary Shares.

W L Adderley is currently interested in an aggregate of 61,890,303 Ordinary Shares, representing 30.65 per cent. of the issued share capital of the Company (excluding treasury shares). If the Company were to repurchase from persons other than W L Adderley all the Ordinary Shares for which it is seeking authority, and W L Adderley were to receive and exercise the maximum number of options to which he might be entitled, W L Adderley's interest in shares would (assuming no other allotments of Ordinary Shares) increase to 61,961,779 Ordinary Shares representing 31.46 per cent. of the issued share capital of the Company (excluding treasury shares) by virtue of such actions.

If the Company were to repurchase from persons other than W L Adderley all the Ordinary Shares for which it is seeking authority, W L Adderley's percentage interest in the Ordinary Share Capital of the Company would (assuming no other allotments of Ordinary Shares) increase to 31.43 per cent. of the issued share capital of the Company (excluding treasury shares) (or 31.46 per cent. taking into account the Share Options referred to above) by virtue of such repurchase. Accordingly, an increase in the percentage of the Ordinary Shares carrying voting rights in which W L Adderley is interested, as a result of any exercise by the Company of the Authority to Make Market Purchases, would ordinarily have the effect of triggering Rule 9 of the Takeover Code and result in W L Adderley being under an obligation to make a general offer to all Shareholders.

It should be noted that, as disclosed in an announcement by the Company on 14 December 2009, and referred to in the 2010, 2011, 2012 and 2013 notices of annual general meeting, the Panel has previously consented to W L Adderley receiving Ordinary Shares as a result of the vesting and exercise of options under the Dunelm Group SAYE Scheme and LTIP in the ordinary course. In addition, at the annual general meetings of the Company in 2010 and 2011, Non-Concert Party Shareholders approved the issue to and subsequent exercise by W L Adderley of options under the LTIP with a market value at the date of grant of up to 120 per cent. (2010) and 150 per cent. (2011) of base salary. Therefore the exercise of any Share Options which are held as at the date of this document (as detailed in Part 2 of this document) will not trigger an obligation on the part of W L Adderley to make a general offer to Shareholders.

As W L Adderley is interested in the outcome of Resolution 24 he will be precluded from voting on this Resolution. In addition, since the time of the flotation of the Company, W L Adderley and his parents, Jean and Bill Adderley, have been considered to be acting in concert for the purposes of Rule 9 of the Takeover Code and subsequently Nadine Adderley, The Stonegate Trust and the Paddocks Trust (a private trust relating to the Adderley family) and W A Capital Limited (a private company established by W L Adderley to act as a long term holding company for his beneficial shareholding in the Company) have also become members of the Concert Party. The Concert Party holds and/or is deemed to be interested in 111,300,303 Ordinary Shares representing 55.13 per cent. of the issued share capital of the Company as at 1 October 2014 (excluding treasury shares), being the latest practicable date prior to the publication of this document. Accordingly none of these Shareholders are considered to be independent in relation to Resolution 24 and they are precluded from voting on this Resolution.

Following exercise of the Authority to Make Market Purchases (either in whole or in part) and the proposed grant to, and subsequent vesting and exercise of Share Options by W L Adderley, W L Adderley will continue to be interested in shares which carry more than 30 per cent. but will not hold more than 50 per cent. of the Company's voting share capital, and any further increase in the number of shares in which he is interested (other than a further exercise of the Authority to Make Market Purchases) will be subject to the provisions of Rule 9 of the Takeover Code.

The interests of the Concert Party are set out in paragraph 2.5 of Part 2 of this document. Shareholders should, in particular, note the commentary around any further increases in the aggregate interests in shares in the Company of the Concert Party.

W L Adderley and his intentions

Apart from supporting the Board's process for refreshing its membership over the medium term, W L Adderley is not presently proposing any changes to the Board nor changes to the employment rights of employees of the Company or any re-deployment of the fixed assets of the Company. His intention, following any increase in his shareholding as a result of any repurchase of Ordinary Shares, is that the business of the Company should continue to be run in substantially the same manner as at present. W L Adderley is not intending to purchase any additional Ordinary Shares during the period covered by the Authority to Make Market Purchases.

Pursuant to the Relationship Agreement, each of J Adderley, W Adderley and W L Adderley accepted certain restrictions relating, inter alia, to their relationship with the Dunelm Group and their voting rights for so long as, individually or together, they are entitled to exercise, or to control the exercise of, 30 per cent. or more of the rights to vote at general meetings of the Company or they are able to control the appointment of directors who are able to exercise a majority of votes at board meetings of the Company.

W L Adderley joined the business in 1992. He has worked in and is familiar with all major areas of the business and took over the running of the Group as Chief Executive from his father in 1996. In February 2011 he relinquished the role of Chief Executive to Nick Wharton, and became Executive Deputy Chairman. Following the resignation of Nick Wharton, WL Adderley was re-appointed Chief Executive on 11 September 2014.

The Directors intend to maintain the listing of the Ordinary Shares on the Official List for the foreseeable future.

Resolution 25: Approval of the rules of the Dunelm Group 2014 Long Term Incentive Plan

The Company's existing long term incentive plan was adopted in 2006 and expires, for the purposes of new grants, in 2016. As the Company seeks its first approval for its Directors' Remuneration Policy, it is also seeking approval for a replacement long term incentive plan, the Dunelm Group 2014 Long Term Incentive Plan, which is similar to the existing long term incentive plan but updated to reflect the Company's current circumstances.

A summary of the principal terms of the Dunelm Group 2014 Long Term Incentive Plan is set out in Part 4.

Resolution 25, which is an ordinary resolution, seeks approval for the rules of the Dunelm Group 2014 Long Term Incentive Plan.

Resolution 26: Approval of the rules of the Dunelm Group 2014 Sharesave Plan

The Company's existing savings related share option plan was adopted in 2006 and expires, for the purposes of new grants, in 2016. The Company is seeking approval for a replacement plan, the Dunelm Group 2014 Sharesave Plan, which is similar to the existing plan but updated to current practice and the applicable tax legislation.

A summary of the principal terms of the Dunelm Group 2014 Sharesave Plan is set out in Part 4.

Resolution 26, which is an ordinary resolution, seeks approval for the rules of the Dunelm Group 2014 Sharesave Plan.

Resolution 27: Approval of the New Articles of Association

In May 2014, the Financial Conduct Authority published revisions to the Listing Rules, which are designed to enhance the protection given to minority shareholders where there is a Controlling Shareholder. The Concert Party is a "Controlling Shareholder" for the purposes of the revised Listing Rules.

One of the new requirements is that where an Independent Non-Executive Director is put forward for appointment at a general meeting of the Company, there must be two resolutions: one upon which all shareholders may vote, and a second resolution upon which only shareholders that are independent of the Controlling Shareholder may vote. The new Listing Rules also say that the articles of association of the Company must "allow" the election of independent directors by a resolution of independent shareholders. The New Articles of Association contains a new article 52A to ensure that this is the case.

Other amendments that are being proposed are:

(a) It is proposed that the maximum aggregate annual fees that may be paid to the Directors be increased from £250,000 to £450,000. This is to accommodate the Company's increased board size and fee increases.

(b) The removal of articles inserted in connection with the B / C share scheme in 2012, as these are no longer relevant.

Resolution 27 is a Special Resolution to adopt these new articles of association.

A copy of the proposed New Articles of Association is available on the Company's website www.dunelm.com or from the Company Secretary on request.

Resolution 28: Notice period for general meetings

This Resolution relates to the EU Shareholders Rights Regulations which increase the notice period for general meetings of traded companies to 21 days unless certain conditions are met. One of the conditions is that a shareholder resolution, such as Resolution 28, reducing the notice period to 14 clear days, is passed on an annual basis.

4. Audited Consolidated Accounts and Significant Change

The audited consolidated accounts for the periods to 29 June 2013 and 28 June 2014 can be found at www.dunelm.com, and are incorporated into this document by reference. For the avoidance of doubt, the content of the website is not incorporated into and does not form part of this document.

The Directors are not aware of any significant change in the financial or trading position of the Group since 3 October 2014, being the date on which its last interim management statement was published. The interim management statement can be found at www.dunelm.com.

If you require a hard copy of any of the audited consolidated accounts for 2013 or 2014 or the interim management statement, a request should be sent to Dawn Durrant at investorrelations@dunelm.com or Dunelm (Soft Furnishings) Limited, Watermead Business Park, Syston, Leicester, LE7 1AD (Tel 01162 644356).

5. Action to be taken

A Form of Proxy for use at the Annual 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 and in any event so that it is received not later than 9.30 am on 9 November 2014.

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 not later than 9.30 am on 9 November 2014.

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 Annual General Meeting, should they so wish.

6. Additional information

Your attention is drawn to the Annual Report and to Part 2 of this document which contain certain additional information in respect of the Company, including Directors' interests. Shareholders are advised to read the whole of this document and the Annual Report and not rely solely on the summary information set out in this letter.

7. Recommendations

In the opinion of the Board, each of the Resolutions to be proposed at the Annual General Meeting is in the best interests of the Company and Shareholders as a whole, save that W L Adderley makes no recommendation with regard to the Waiver Resolution (being Resolution 24) as, in accordance with the provisions of the Takeover Code, W L Adderley is considered to be interested in the outcome of the Waiver Resolution.

Accordingly the Board, excluding W L Adderley for the purposes of the Waiver Resolution (on the grounds that he is interested in the outcome of the Waiver Resolution), recommends that Shareholders vote in favour of the Resolutions at the Annual General Meeting, as the Directors intend to do in respect of their own beneficial holdings of Ordinary Shares, which amount to 31.2 per cent. of the issued Ordinary Shares, save that W L Adderley will not vote in respect of his beneficial holdings of Ordinary Shares, which amount to 30.65 per cent. of the issued Ordinary Shares, on the Waiver Resolution, in which he is considered to be interested.

The Independent Directors, who have been so advised by UBS, consider the waiver of the obligation that could arise on W L Adderley to make an offer under Rule 9 of the Takeover Code in relation to the Authority to Make Market Purchases to be in the best interests of the Non-Concert Party Shareholders as a whole. In providing its advice to the Independent Directors, UBS has taken account of the Independent Directors' commercial assessments. Accordingly, the Independent Directors unanimously recommend that Non-Concert Party Shareholders vote in favour of the Waiver Resolution to be proposed at the Annual General Meeting, as the Independent Directors intend to do in respect of their own beneficial holdings of Ordinary Shares, which amount to approximately 0.5 per cent. of the issued Ordinary Shares.

Yours sincerely

Geoff Cooper
Chairman

PART 2

ADDITIONAL INFORMATION

1. Responsibility

- 1.1 The Directors take responsibility for the information contained in this document other than:
- (i) the recommendation and associated opinion attributed to the Independent Directors set out in section 7 of the Chairman's Letter; and
 - (ii) the statement in section 3 of the Chairman's Letter that W L Adderley (save as stated in that section) has no present intention of changing the Board or the employment rights of employees.

To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that this is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

- 1.2 W L Adderley takes responsibility for the statement in section 3 of the Chairman's Letter that states, inter alia, he has no present intention of changing the Board or the employment rights of employees (save as stated in that section). To the best of the knowledge and belief of W L Adderley (who has taken all reasonable care to ensure that this is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.3 The Independent Directors take responsibility for the recommendation and associated opinion attributed to them in section 7 of the Chairman's Letter. To the best of the knowledge and belief of the Independent Directors (who have taken all reasonable care to ensure that this is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

- 2.1 The Company was incorporated and registered in England on 23 March 2003 and with registered number 4708277. The registered office of the Company and the business address of all of the Directors is Watermead Business Park, Syston, Leicester, Leicestershire, LE7 1AD.
- 2.2 As at 1 October 2014 (being the latest practicable date prior to the publication of this document) the issued share capital of the Company was 202,833,931 Ordinary Shares, carrying one vote each and the Company held 929,939 Ordinary Shares in treasury. Therefore, the total number of voting rights in the Company on 1 October 2014 was 201,903,992.

Directors' and other interests

- 2.3 The names of the Directors are set out on page 1 of this document.
- 2.4 As at the close of business on 1 October 2014 (being the latest practicable date prior to the publication of this document) the interests of each Director and persons connected with them (all of which are beneficial unless otherwise stated) in the Ordinary Share capital of the Company as notified to the Company in accordance with Rule 3.1.2R of the Disclosure and Transparency Rules and shares under option were as follows:

	Number of Ordinary Shares	per cent. of the issued Ordinary Share capital
W L Adderley*	61,890,303	30.65
D Stead	695,135	0.34
G Cooper	181,611	0.09
M Sears	101,313	0.05
S Emeny	26,400	0.01
M Davies	4,500	0.01
L Doherty	2,500	0.01
A Harrison	0	0

*50,600,000 Ordinary Shares are registered in the name of W A Capital Limited, a private company established by W L Adderley to act as a long term holding company for his beneficial shareholding in the Company. W L Adderley is the sole director and shareholder of W A Capital Limited.

11,290,303 Ordinary Shares are registered in the name of Nadine Adderley, W L Adderley's wife.

In addition W L Adderley is deemed to hold a legal interest in 1,167,250 Ordinary Shares held by The Stoneygate Trust (formerly known as the Leicester Foundation) and 172,750 Ordinary Shares held by the Paddocks Trust. W L Adderley and Nadine Adderley are the trustees, but not beneficiaries, of The Stoneygate Trust and the Paddocks Trust.

Under the Long-Term Incentive Plan:

	Number of options	Earliest Vesting Date
W L Adderley	71,476	Nov 2014
D Stead	69,804	Nov 2014
	61,730	Nov 2015
	46,087	Oct 2016

Under the Dunelm SAYE Scheme:

	Number of options	Earliest Vesting Date
D Stead	2,493	January 2015

If the Company were to repurchase from persons other than W L Adderley all the Ordinary Shares for which it is seeking the Authority to Make Market Purchases, and W L Adderley were to receive and exercise the maximum number of Share Options to which he might be entitled, as set out in this document, W L Adderley's interest in Ordinary Shares would (assuming no other allotments of Ordinary Shares) increase to 31.46 per cent. of the issued share capital of the Company by virtue of such actions.

2.5 As at the close of business on 1 October 2014 (being the latest practicable date prior to the publication of this document) the interests (all of which are beneficial unless otherwise stated) of each member of the Concert Party in the Ordinary Share capital of the Company as notified to the Company were as follows:

	Number of Ordinary Shares	Per cent. of the issued Ordinary Share capital
WL Adderley ¹	61,890,303	30.7
W Adderley	39,400,000	19.5
J Adderley	8,670,000	4.3
The Stonegate Trust	1,167,250	0.6
The Paddocks Trust	172,750	0.1
Total	111,300,303	55.1

Notes: W L Adderley's interests are set out in detail in paragraph 2.4 above.

During the period of twelve months immediately prior to the publication of this document the members of the Concert Party have dealt in Ordinary Shares as follows:

2 December 2013: W L Adderley transferred 62,956 Ordinary Shares to his wife Nadine Adderley, for nil consideration;

4 December 2013: W L Adderley exercised nil cost options over 62,956 Ordinary Shares pursuant to the LTIP;

15 May 2014: W L Adderley transferred 9,103,398 Ordinary shares to Nadine Adderley, for nil consideration.

If the Company were to repurchase from persons other than members of the Concert Party, Ordinary Shares for which it is seeking Authority to Make Market Purchases, the Concert Party's aggregate percentage interest in the Ordinary Share capital of the Company would (assuming no other allotments of Ordinary Shares) increase to 56.53 per cent. of the issued share capital of the Company (or 56.54 per cent. taking into account the Share Options referred to above in relation to W L Adderley) by virtue of such repurchase.

2.6 Save as disclosed above and in paragraph 2.7 below, no Director has any interest in the Ordinary Share capital of the Company or any of its subsidiaries nor does any person connected with the Directors (within the meaning of section 252 of the CA 2006) have any such interests, whether beneficial or non-beneficial.

2.7 As at 1 October 2014 (being the latest practicable date prior to the publication of this document) the total number of voting rights attributable to the issued Ordinary Share capital of the Company was 201,903,992 and (other than the Directors) the following persons had notified the Company in accordance with Rule 5 of the Disclosure and Transparency Rules that they held, directly or indirectly, three per cent. or more of the voting rights attributable to the issued share capital of the Company:

	Number of Ordinary Shares	per cent. of the issued Ordinary Share capital
W Adderley	39,400,000	19.5
J Adderley	8,670,000	4.3

Note: W Adderley is married to J Adderley and they are the parents of W L Adderley.

2.8 As at the close of business on 1 October 2014 (being the latest practicable date prior to the publication of this document, there were 1,622,509 Share Options outstanding over the Company's Ordinary Shares representing 0.8 per cent. of the Ordinary Shares in issue.

2.9 Save for W L Adderley, W Adderley and J Adderley, the Company is not aware of any person who exercises, or could exercise, directly or indirectly, jointly or severally, control over the Company. The Directors are satisfied that the undertakings given by W L Adderley, W Adderley and J Adderley in the relationship agreement entered into by them with the Company on 2 October 2006 (to which W A Capital Limited and Nadine Adderley have subsequently become a party), as amended on 10 July 2014 are adequate to ensure that any control such Shareholders may have over the Company will not be abused.

3. Concert parties and related parties

Since the time of the flotation of the Company, W L Adderley and his parents, Jean and Bill Adderley, have been considered to be acting in concert for the purposes of Rule 9 of the Takeover Code and subsequently Nadine Adderley, The Stonegate Trust (formerly known as the Leicester Foundation) and the Paddocks Trust and W A Capital Limited have also become members of the Concert Party. The Concert Party holds and/or is deemed to be interested in 111,300,303 Ordinary Shares representing 55.1 per cent. of the issued share capital of the Company as at 1 October 2014, being the latest practicable date prior to the publication of this document, details of which are set out in paragraph 2.5 above.

Shareholders should note that the Concert Party controls in excess of 50 per cent. of the Ordinary Shares in issue in the Company. Accordingly, the Concert Party, for so long as the members of the Concert Party continue to be treated as acting in concert, may be able to increase its aggregate interests in Ordinary Shares in the Company without incurring any further obligation under Rule 9 of the Takeover Code to make a general offer to all shareholders of the Company to acquire their Ordinary Shares provided that individual members of the Concert Party do not increase their percentage interests in Ordinary Shares such that:

- (a) a member has an interest in shares carrying 30 per cent. or more of the voting rights of the Company when previously the percentage was below 30 per cent.; or
- (b) a member's interest that is 30 per cent. or more but less than 50 per cent. of the voting rights of the Company, increases without the consent of the Takeover Panel

Save as set out above the Directors confirm that they are unaware of any agreements, arrangements or understandings between any of the Directors or Shareholders of the Company acting in concert with any of the Directors.

It is not the Directors' intention to sell any of their shareholdings back to the Company pursuant to the Authority to Make Market Purchases. The Directors also believe that there are no related parties from whom Ordinary Shares are proposed to be purchased and in the event that any Shareholders of the Company come within the definition of related party set out in the UKLA Listing Rules, the Directors confirm that there is no prior understanding, arrangement or agreement between the Company and any related party.

4. Middle market quotations

The middle market quotations for the Ordinary Shares of the Company, as derived from the London Stock Exchange Daily Official List, on the first Business Day of each of the six months immediately preceding the date of this document and on 1 October 2014 (being the latest practicable date prior to the publication of this document) were:

Date	Price per Ordinary Share (p)
1 October 2014	820.0
1 September 2014	892.0
1 August 2014	824.0
1 July 2014	841.0
2 June 2014	908.0
1 May 2014	935.0
1 April 2014 - ex. dividend	962.5

5. General

- 5.1 UBS has given and has 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.
- 5.2 Save as set out in this document, no agreement, arrangement or understanding (including any compensation arrangement), exists between W L Adderley or any person acting in concert with him, or the Directors, recent directors, Shareholders or recent shareholders of the Company having any connection with or dependence upon the proposals set out in this document.
- 5.3 Save as disclosed in paragraph 2 of this Part 2 of this document:
- (a) neither W L Adderley nor any person acting in concert with him has any interest in, right to subscribe in respect of or short position in relation to any relevant securities;
 - (b) neither W L Adderley nor any person acting in concert with him has dealt in relevant securities during the period of twelve months ended on 1 October 2014 (being the latest practicable date prior to the publication of this document);
 - (c) there are no relevant securities which W L Adderley or any person acting in concert with him has borrowed or lent (excluding any borrowed relevant securities which have either been on lent or sold);
 - (d) none of:
 - (i) the Directors or any of their close relatives or related trusts;
 - (ii) any associated company of the Company; and/or
 - (iii) any pension fund or employee benefit trust of the Company or of any associated company of the Company, has as at 1 October 2014 (being the latest practicable date prior to the publication of this document) any interest in, right to subscribe in respect of or short position in relation to any relevant securities; and
 - (e) there are no relevant securities which the Company or any person acting in concert with the Directors has borrowed or lent (excluding any borrowed relevant securities which have either been on lent or sold).

In this paragraph 5.3 reference to:

- (1) "relevant securities" means Ordinary Shares and securities carrying conversion or subscription rights into Ordinary Shares;
- (2) "derivatives" include any financial product, whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security;
- (3) "short position" means a short position, whether conditional or absolute and whether in the money or otherwise, and includes any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery;
- (4) "associated company" means in relation to any company, that company's parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies. For these purposes, ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status;
- (5) "connected adviser" means:
 - (i) in relation to the Company, (a) an organisation which is advising the Company in relation to the Waiver Resolution and/or the Authority to Make Market Purchases; and (b) a corporate broker to the Company;
 - (ii) in relation to a person who is acting in concert with W L Adderley or with the Directors, an organisation (if any) which is advising that person either (a) in relation to the Waiver Resolution and / or the Authority to Make Market Purchases; or (b) in relation to the matter which is the reason for that person being a member of the relevant concert party;
 - (iii) in relation to a person who is an associated company of W L Adderley or the Company, an organisation (if any) which is advising that person in relation to the Waiver Resolution and/or , the Authority to Make Market Purchases; and

- (iv) in relation to the Company, (a) an organisation which is advising the Company in relation to the Waiver Resolution and/or the Authority to Make Market Purchases; and (b) a corporate broker to the Company;
- (6) "control" means an interest, or aggregate interests, in shares carrying in aggregate 30 per cent. or more of the voting rights of a company, irrespective of whether such interest or interests give de facto control; and
- (7) "dealing" or "dealt" includes the following:
 - (i) the acquisition or disposal of securities, or the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to securities, or of general control of securities;
 - (ii) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any securities;
 - (iii) subscribing or agreeing to subscribe for securities;
 - (iv) the exercise or conversion, whether in respect of new or existing securities, of any securities carrying conversion or subscription rights;
 - (v) the acquisition of, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to securities;
 - (vi) the entering into, terminating or varying the terms of any agreement to purchase or sell securities; and
 - (vii) any other action resulting, or which may result, in an increase or decrease in the number of securities in which a person is interested or in respect of which he has a short position.

For the purposes of this paragraph 5.3 a person is treated as "interested" in securities if he has long economic exposure, whether absolute or conditional, to changes in the price of those securities (and a person who only has a short position in securities is not treated as interested in those securities). In particular, a person is treated as "interested" in securities if:

- (i) he owns them;
 - (ii) he has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to them or has general control of them;
 - (iii) by virtue of any agreement to purchase, option or derivative, he:
 - (a) has the right or option to acquire them or call for their delivery; or
 - (b) is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or
 - (v) he is party to any derivative:
 - (a) whose value is determined by reference to their price; and
 - (b) which results, or may result, in his having a long position in them.
- 5.4 The Directors are not aware of any agreement or arrangement or understanding by which the beneficial ownership of any Ordinary Shares acquired by the Company pursuant to the Authority to Make Market Purchases will be transferred to any other person. Such Ordinary Shares will, in accordance with the CA 2006, either be held in treasury up to the amounts permitted to be held in treasury by the CA 2006 or be cancelled and the issued share capital of the Company reduced by the nominal amount of those Ordinary Shares so purchased.
- 5.5 There are no arrangements or understandings that are connected to, or dependent on, the acquisition of Ordinary Shares by the Company pursuant to the Authority to Make Market Purchases and/or the passing of Resolution 24.

6. Directors' Service Contracts

Information about the Directors' service contracts is set out on pages 56 and 65 of the 2014 Annual Report and Accounts, which are incorporated into this document by reference. The Accounts can be found at <http://dunelm.production.investis.com/investor-relations/reports-and-presentations/year-2014.aspx> and a hard copy is available on request from Dawn Durrant at investorrelations@dunelm.com.

There are no commission or profit sharing arrangements between the Company and any of the Directors. On termination of any Director's service contract, the maximum amount payable by the Company is the value of salary and benefits for the notice period.

David Stead's salary was increased by 2% on 1 July 2014 from £269,300 to £274,690 per annum in line with the Company-wide pay award for salaried colleagues. Will Adderley waived this increase, but his salary was increased from £265,000 to £560,000 per annum on 11 September 2014 in line with his change of role from Executive Deputy Chairman to Chief Executive. With the exception of these changes, none of the service contracts between the Directors and the Company or any of its subsidiaries have been entered into or amended within the six months prior to the date of this document.

7. Documents available for inspection

Copies of the following documents are available on the Company's website: <http://dunelm.production.investis.com/investor-relations/reports-and-presentations/year-2014.aspx> and a hard copy is available on request from Dawn Durrant at investorrelations@dunelm.com.

- (a) this document;
- (b) the Articles;
- (c) the audited consolidated accounts of the Company for the financial year ended 28 June 2014;
- (d) the consent letter from UBS referred to in paragraph 5.1 above;
- (e) the rules of the Dunelm Group 2014 Long Term Incentive Plan;
- (f) the rules of the Dunelm Group 2014 Sharesave Plan; and
- (g) the New Articles of Association.

Dated 3 October 2014.

PART 3

DEFINITIONS

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

“Annual General Meeting or AGM”	the annual general meeting of the Company to be held at the offices of MHP Communications, 60 Great Portland Street, London W1W 7RT at 9.30 am on 11 November 2014, notice of which is set out at the end of this document
“Annual Report”	the annual report and accounts of the Company for the year ended 28 June 2014 a copy of which accompanies this document
“Articles of Association” or “Articles”	the articles of association of the Company adopted in 2012, that are in force at the date of this document
“Associate”	in relation to a Controlling Shareholder has the meaning set out in the Listing Rules
“Authority to Make Market Purchases”	the authority for the Company to make market purchases of Ordinary Shares to be proposed to Shareholders in the terms of Resolution 23 set out in the notice of Annual General Meeting set out in Part 5 of this document
“Board” or “Directors”	the board of directors of the Company
“Business Day”	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
“CA 2006”	the Companies Act 2006, as amended
“Company” or “Dunelm”	Dunelm Group plc
“Concert Party”	W L Adderley, W Adderley, J Adderley, N Adderley, The Stoneygate Trust (formerly named the Leicester Foundation), the Paddocks Trust and W A Capital Limited
“Controlling Shareholder”	has the meaning set out in the Listing Rules
“CREST”	the system for the paperless settlement of trades in securities operated by Euroclear in accordance with the CREST Regulations
“CREST Manual”	the current version of the CREST Manual which at the date of this document is available on www.euroclear.co.uk/CREST
“Crest Proxy Instruction”	has the meaning in the CREST Manual
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended)
“Disclosure and Transparency Rules”	the disclosure and transparency rules made by the FCA in exercise of its functions as competent authority pursuant to Part VI of FSMA
“Dunelm Group 2014 Long Term Incentive Plan”	the Dunelm Group 2014 Long Term Incentive Plan, the rules of which are to be produced to the Annual General Meeting and initialled by the Chairman of the meeting for the purpose of identification
“Dunelm Group Company Share Option Scheme”	the Dunelm Group Company Share Option Scheme, under the 2003 or 2013 rules as the case may be
“Dunelm Group 2014 Sharesave Plan”	the Dunelm Group 2014 Sharesave Plan, the rules of which are to be produced to the Annual General Meeting and initialled by the Chairman of the meeting for the purpose of identification
“Dunelm SAYE Scheme”	the Dunelm Group Savings Related Share Option Plan 2005, and / or the Dunelm Group 2014 Sharesave Plan as the case may be
“Employee Share Schemes”	the LTIP, the Dunelm SAYE Scheme and the Dunelm Group Company Share Option Scheme
“Equiniti”	a trading name of Equiniti Limited
“Euroclear”	Euroclear UK & Ireland Limited, the operator of CREST
“Form of Proxy”	the form enclosed with this document for use by Shareholders in connection with the Annual General Meeting
“FCA”	the Financial Conduct Authority
“FSMA”	the Financial Services and Markets Act 2000

“Group”	the Company and its subsidiary undertakings
“Independent Directors”	the directors of the Company other than W L Adderley, who are deemed not to be interested in the Waiver Resolution
“Independent Shareholders”	Shareholders other than a Controlling Shareholder and its or their Associates
“Listing Rules”	the listing rules made by the FCA in exercise of its functions as competent authority pursuant to Part VI of FSMA
“London Stock Exchange”	London Stock Exchange plc or its successor
“LTIP”	the Dunelm Group Long-Term Incentive Plan, under the 2006 or the 2014 rules as the case may be
“New Articles of Association”	the new articles of association , to be produced to the Annual General Meeting and initialled by the Chairman of the meeting for the purpose of identification
“Non-Concert Party Shareholders”	Shareholders other than members of the Concert Party
“Official List”	the official list maintained by the UK Listing Authority for the purposes of Part VI of FSMA
“Ordinary Shares”	ordinary shares of 1 pence each in the capital of the Company
“Panel”	the Panel on Takeovers and Mergers
“Registrars” or “Equiniti”	the registrars of the Company
“Relationship Agreement”	the relationship agreement dated 2 October 2006 and entered into between J Adderley (1), W Adderley (2), W L Adderley (3) and the Company (4), to which Nadine Adderley and W A Capital Limited have become a party, as amended on 10 July 2014
“Resolution” or “Resolutions”	the resolutions set out in the notice of Annual General Meeting at Part 5 of this document
“Shareholder(s)” or “Ordinary Shareholder(s)”	(a) holder(s) of Ordinary Shares
“Shareholders’ Rights Regulations”	the Companies (Shareholders’ Rights) Regulations 2009
“Share Options”	options to subscribe for and awards over Ordinary Shares under the Employee Share Schemes
“subsidiary undertaking”	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)
“Takeover Code”	the City Code on Takeovers and Mergers
“UBS”	UBS Limited
“UK Listing Authority” or “UKLA”	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
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“Waiver Resolution”	Resolution 24 in the form set out in the notice of Annual General Meeting at the end of this document approving a waiver of the mandatory offer provisions set out in Rule 9 and Rule 37 of the Takeover Code

All times referred to are London times unless otherwise stated.

PART 4

SUMMARY OF THE RULES OF THE DUNELM GROUP 2014 LONG TERM INCENTIVE PLAN AND THE DUNELM GROUP 2014 SHARES/SAVE PLAN

THE DUNELM GROUP 2014 LONG TERM INCENTIVE PLAN

A summary of the principal terms of the Dunelm Group 2014 Long Term Incentive Plan is set out below.

1. Eligibility

Any employee (including an executive director) of the Company or any of its subsidiaries will be eligible to participate in the plan at the discretion of the Remuneration Committee. In practice, awards are likely to be limited to executive directors and the senior management team.

2. Form of Awards

Awards may be in the form of:

- (a) a conditional right to acquire Ordinary Shares in the Company at no cost to the participant ("Conditional Award");
- (b) an option to acquire Ordinary Shares at no cost to the participant ("Nil-Cost Option");
- (c) an option to acquire Ordinary Shares with an exercise price equal to the nominal value of the Ordinary Shares ("Nominal Value Option"); or
- (d) a right to receive a cash amount which relates to the value of a certain number of notional Ordinary Shares ("Cash Award").

Conditional Awards, Nil-Cost Options, Nominal Value Options and Cash Awards are together referred to as "Awards" and each an "Award". References in this summary to Ordinary Shares include notional Shares to which a Cash award relates.

3. Performance conditions

Awards will be subject to the satisfaction of a performance condition which will determine the proportion (if any) of the Award which will vest following the end of a performance period of at least three years.

Any performance condition may be amended or substituted if one or more events occur which cause the Remuneration Committee to consider that an amended or substituted performance condition would be more appropriate. Any amended or substituted performance condition would not be materially less difficult to satisfy.

4. Individual Limit

Awards will not be granted to a participant over Ordinary Shares with a market value (as determined by the Remuneration Committee) in excess of 150% per cent of salary in respect of any financial year.

5. Grant of Awards

Awards may only be granted within the six week period following, the approval of the Dunelm Group 2014 Long Term Incentive Plan the announcement of the Company's results for any period, the date on which an employee (including an executive director) first becomes employed by the Company or any of its subsidiaries, or on any day on which the Remuneration Committee determines that exceptional circumstances exist. However, if the Company is restricted from granting Awards during any such period, Awards may be granted in the period of six weeks following the relevant restriction being lifted.

6. Terms of Awards

Awards may be granted over newly issued Ordinary Shares, treasury shares or Ordinary Shares purchased in the market. Awards are not transferable (other than on death). No payment will be required for the grant of an Award. Awards will not form part of pensionable earnings.

7. DIVIDENDS

The Remuneration Committee may determine at any time before Ordinary Shares are delivered to satisfy an Award to provide additional cash or Ordinary Shares to participants based on the value of some or all of the dividends paid on vested Ordinary Shares to which his Award relates from the end of the Performance Period until the date of vesting or from the grant date until the date of vesting. In these circumstances, the Remuneration Committee has the discretion to determine the basis on which this additional amount will be calculated, which may assume the reinvestment of the relevant dividends into Ordinary Shares.

8. Overall limits

The following overall limits apply to all Awards:

- (a) in any 10 year period, the number of Ordinary Shares which may be issued under the Dunelm Group 2014 Long Term Incentive Plan and under any other discretionary share plan adopted by the Company may not exceed 5 per cent of the issued Ordinary Share capital of the Company from time to time; and
- (b) in any 10 year period, the number of Ordinary Shares which may be issued under the Dunelm Group 2014 Long Term Incentive Plan and under any other employees' share plan adopted by the Company may not exceed 10 per cent of the issued Ordinary Share capital of the Company from time to time.

Treasury Shares will be treated as newly issued for the purpose of these limits until such time as guidelines published by institutional investor representative bodies determine otherwise.

9. Reduction for Malus and Claw back

The Remuneration Committee may, in its absolute discretion, determine at any time prior to the third anniversary of the vesting of an Award to:

- (a) reduce the number of Shares to which an Award relates;
- (b) cancel an Award;
- (c) impose further conditions on an Award; or
- (d) require the participant to transfer or repay some or all of the cash or Ordinary Shares received in respect of an Award

in the following circumstances:

- (i) a misstatement of the performance to which the Award relates;
- (ii) a miscalculation of the extent to which a performance condition has been met in respect of any other award held by the participant that has already vested; or
- (iii) the participant being guilty of gross misconduct.

The Remuneration Committee may, in its absolute discretion, determine at any time to take the action referred to in paragraphs (a) to (d) above or to require the participant to repay or transfer some or all of the shares or cash received on the vesting or exercise of an award, in the event of the participant committing fraud.

10. Vesting and Exercise

Awards may be granted on the basis that they are subject to a "Holding Period" following the end of the initial performance period, which will start on the later of the date on which the performance condition is assessed and the third anniversary of the grant date and end two years later. All Awards granted to Executive Directors will be subject to a Holding Period.

Awards that are subject to a Holding Period will normally vest at the end of the Holding Period. Any Award that is not subject to a Holding Period will normally vest on the later of the date on which the Remuneration Committee determines the extent to which any such condition has been met and the third anniversary of the grant date (or on such later date as the Remuneration Committee determines when the Award is granted).

Nil-Cost and Nominal Value Options will normally be exercisable from the date of vesting until the tenth anniversary of the grant date.

The vesting of a Conditional Award or the exercise of a Nil-Cost or Nominal Value Option is subject to obtaining any necessary approvals or consents from the United Kingdom Listing Authority, the Company's share dealing policy and any other applicable laws or regulations.

At any time before or after the point at which an Award has vested, or a Nil-Cost or Nominal Value Option has been exercised, but the underlying Ordinary Shares have yet to be issued or transferred to the participant, the Remuneration Committee may decide to pay a participant a cash amount equal to the value of the Ordinary Shares he would otherwise have received.

Any Ordinary Shares or cash that are to be issued, transferred or paid (as appropriate) to a participant in respect of a vested Award or an exercised Nil-Cost or Nominal Value Option will be issued, transferred or paid (as appropriate) within 30 days of the date of vesting or exercise (as appropriate).

11. Cessation of Employment

If a participant dies, any unvested Award he holds will, unless the Remuneration Committee determines otherwise, vest as soon as reasonably practicable after the participant's death to the extent that the Remuneration Committee determines, taking into account the satisfaction of the applicable performance condition. If the cessation occurs before the start of an applicable Holding Period or if the Award is not subject to a Holding Period, if the Remuneration Committee so determines, the period of time that has elapsed since the Award was granted until the date of death will also be taken into account in determining the extent of vesting. Where Awards vest in these circumstances, Nil-Cost and Nominal Value Options will normally be exercisable for 12 months after vesting.

If a participant ceases to be employed by the Group by reason of ill-health, injury, disability, or the transfer of the business or entity that employs him out of the Group or for any other reason at the Remuneration Committee's discretion (except where a participant is summarily dismissed), any unvested Award will usually continue until the normal vesting date unless the Remuneration Committee determines that the Award will vest as soon as reasonably practicable following the date on which the participant ceases to be employed by the Group. The Remuneration Committee will decide the extent to which the Award vests in these circumstances, taking into account the extent to which the performance condition is satisfied (at the normal performance condition assessment date or the date of cessation as appropriate). If the cessation occurs before the start of an applicable Holding Period or if the Award is not subject to a Holding Period, unless the Remuneration Committee determines otherwise, the period of time that has elapsed from the grant date to the date of cessation will also be taken into account in determining the extent of vesting. If an Award vests in these circumstances and takes the form of a Nil-Cost Option or a Nominal Value Option, it will normally be exercisable for six months after vesting.

If a participant ceases employment for one of these “good leaver” reasons whilst holding vested Nil-Cost or Nominal Value Options, he will normally have six months from cessation within which to exercise those Nil-Cost or Nominal Value Options (or 12 months in the event of death).

If a participant ceases employment with the Group in any other circumstances any Award he holds shall lapse on the date on which the participant ceases employment.

12. Corporate Events

In the event of a change of control of the Company, the Remuneration Committee will decide the extent to which unvested Awards will vest taking into account the extent to which the performance condition has been satisfied. In the case of Awards in respect of which an applicable Holding Period has not started or which are not subject to a Holding Period, unless the Remuneration Committee determines otherwise, the period of time which has elapsed between the grant date and the relevant event will also be taken into account when determining the extent of vesting. Nil-Cost and Nominal Value Options will then be exercisable for a period of one month. Alternatively, the Remuneration Committee may permit or, in the case of an internal reorganisation, or if the Board so determines any other event, require Awards to be exchanged for equivalent awards which relate to shares in a different company.

If other corporate events occur such as a winding-up of the Company, demerger, delisting, or other event which, in the opinion of the Remuneration Committee may affect the current or future value of Shares, the Remuneration Committee may determine that Awards will vest taking into account the satisfaction of the relevant performance condition. In the case of Awards in respect of which the performance period has not finished, unless the Remuneration Committee determines otherwise, the period of time which has elapsed between the grant date and the relevant event will also be taken into account when determining the extent of vesting. The Remuneration Committee will determine in these circumstances the length of time during which Awards structured as Nil-Cost and Nominal Value Options can then be exercised.

13. Adjustments

In the event of a variation of the Company's share capital or a demerger, delisting, special dividend, rights issue or other event, which may, in the Remuneration Committee's opinion, affect the current or future value of Ordinary Shares, the number of Shares subject to an Award, the exercise price of any Nominal Value Option and/or any performance condition attached to Awards, may be adjusted.

14. Amendment and Termination

The Remuneration Committee may amend the Dunelm Group Long 2014 Term Incentive Plan at any time, provided that prior approval of the Company's shareholders in a general meeting will be required for amendments to the advantage of eligible employees or participants relating to eligibility, limits, the basis for determining a participant's entitlement to, and the terms of, the Ordinary Shares or cash comprised in an Award and the impact of any variation of capital.

However, any minor amendment to benefit the administration of the plan, to take into account legislative changes, or to obtain or maintain favourable tax treatment, exchange control or regulatory treatment may be made by the Remuneration Committee without shareholder approval.

No amendment may be made to the material disadvantage of participants unless consent is sought from the affected participants and given by a majority of them.

The plan will usually terminate on the tenth anniversary of its approval by shareholders but the rights of existing participants will not be affected by any termination.

15. Legal entitlement

Participation in the Dunelm Group 2014 Long Term Incentive Plan does not form part of the terms of a participant's contract of employment and participants have no rights in respect of plan benefits.

16. Governing Law

The Dunelm Group 2014 Long Term Incentive Plan will be governed in accordance with the laws of England and Wales and the parties submit to the exclusive jurisdiction of the Courts of England and Wales.

17. Documents on display

The rules of the Dunelm Group 2014 Long Term Incentive Plan will be available for inspection from the date on which this Notice of Annual General Meeting is sent until the close of the Annual General Meeting on the Company's website, www.dunelm.com and at the place of the Annual General Meeting for at least 15 minutes before and during the meeting.

THE DUNELM GROUP 2014 SHARESAVE PLAN

A summary of the principal terms of the Dunelm Group 2014 Sharesave Plan is set out below.

1. General

Participating employees will be given the opportunity to save up to £500 per month (or such other amount permitted under the relevant legislation from time to time) in accordance with a savings contract for three or five years (a "Sharesave Contract").

The proceeds of the Sharesave Contract can be used to exercise an option to acquire Ordinary Shares in the Company at an option price set at the date of invitation, which shall not be less than 80% (or such other percentage as may be permitted by the relevant legislation) of the market value of an Ordinary Share at the date of invitation.

The plan is proposed to satisfy the requirements of Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003 such that options granted under it will offer beneficial tax treatment to the participant and the member of the Group employing the participant

2. Eligibility

All employees (including an executive director) of the Company or any of its subsidiaries which participates in the plan, who have been in employment for a minimum period determined by the Directors (not exceeding five years), and any other employees nominated by the Directors may apply for an option on any occasion on which invitations are issued.

3. Issue of invitations

Invitations to apply for options may only be issued within the six week period following approval of the plan by shareholders, the announcement of the Company's results for any period, any day on which changes to legislation affecting employee share schemes are proposed or made or on any day on which the Remuneration Committee determines that exceptional circumstances exist. However, if the Company is restricted from issuing invitations during any such period, invitations may be issued in the period of six weeks following the relevant restriction being lifted.

4. Overall limit

In any 10 year period, the number of Ordinary Shares which may be issued under the plan and under any other employees' share plan adopted by the Company may not exceed 10 per cent of the issued Ordinary Share capital of the Company from time to time. Treasury Shares will be treated as newly issued for the purpose of this limit until such time as guidelines published by institutional investor representative bodies determine otherwise.

5. Exercise of options

Ordinarily, an option may be exercised within six months of maturity of the Sharesave Contract.

6. Cessation of employment

Options may be exercised if a participant leaves employment by reason of death, injury, disability, redundancy, retirement, the transfer of the entity that employs him out of the group or, provided the option has been held for at least three years, any other reason apart from the termination of his employment by his employer.

If a participant ceases employment with the group in any other circumstances, any option he holds shall lapse on the date on which the participant ceases employment.

7. Corporate events

Options may be exercised early in the event of a change of control or winding-up of the Company.

8. Adjustments

In the event of a variation of the Company's share capital, the number of Ordinary Shares subject to an option, and the option price, may be adjusted.

9. Amendment and termination

The Board may amend the plan at any time, provided that prior approval of the Company's shareholders in a general meeting will be required for amendments to the advantage of eligible employees or participants relating to eligibility, limits, the basis for determining a participant's entitlement to, and the terms of, the Ordinary Shares comprised in an option and the impact of any variation of capital.

However, any minor amendment to benefit the administration of the plan, to take into account legislative changes, or to obtain or maintain favourable tax treatment, exchange control or regulatory treatment may be made by the Board without shareholder approval.

No amendment may be made to the material disadvantage of participants unless consent is sought from the affected participants and given by a majority of them.

The plan will usually terminate on the tenth anniversary of its approval by shareholders but the rights of existing participants will not be affected by any termination.

10. Legal entitlement

Participation in the Plan does not form part of the terms of a participant's contract of employment and participants have no rights in respect of plan benefits.

11. Governing Law

The plan will be governed in accordance with the laws of England and Wales and the parties submit to the exclusive jurisdiction of the Courts of England and Wales.

12. Documents on display

The rules of the Dunelm Group 2014 Sharesave Plan will be available for inspection from the date on which this Notice of Annual General Meeting is sent until the close of the Annual General Meeting on the Company's website, www.dunelm.com and at the place of the Annual General Meeting for at least 15 minutes before and during the meeting.

PART 5

NOTICE OF ANNUAL GENERAL MEETING DUNELM GROUP PLC (THE “COMPANY”)

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

NOTICE IS HEREBY GIVEN that the 2014 Annual General Meeting of the Company will be held at the offices of MHP Communications, 60 Great Portland Street, London W1W 7RT at 9.30 am on 11 November 2014 for the purpose of considering and, if thought fit, passing the following resolutions, which, in the case of resolutions 22, 23, 27 and 28 will be proposed as special resolutions and, in the case of the other resolutions, will be proposed as ordinary resolutions.

Resolutions 6, 8 10, 12, 14 and 16 will be voted on only by Independent Shareholders as required by the Listing Rules.

Resolution 24 will be voted on only by the Non-Concert Party Shareholders of the Company and will be taken by poll. As W L Adderley is interested in the outcome of resolution 24 he and all other members of the Concert Party of which he is a member, will be precluded from voting on that resolution.

Ordinary business

1. That the Company's annual accounts for the financial year ended 28 June 2014 together with the Directors' Report and the Auditors' Report on those accounts be received and adopted.
2. To declare a final dividend on the Ordinary Shares of 1p each in the capital of the Company of 15.0 p per share in respect of the year ended 28 June 2014.
3. That Will Adderley, who is retiring as a Director of the Company, and being eligible, is offering himself for re-election, be reappointed as an Executive Director of the Company.
4. That David Stead, who is retiring as a Director of the Company, and being eligible, is offering himself for re-election, be reappointed as an Executive Director of the Company.
5. That Geoff Cooper, who is retiring as a Director of the Company, and being eligible, is offering himself for re-election, be reappointed as a Non-Executive Director of the Company.
6. That Geoff Cooper, who is retiring as a Director of the Company, and being eligible, is offering himself for re-election, be reappointed as a Non-Executive Director of the Company (Independent Shareholder vote).
7. That Marion Sears, who is retiring as a Director of the Company, and being eligible, is offering herself for re-election, be reappointed as a Non-Executive Director of the Company.
8. That Marion Sears, who is retiring as a Director of the Company, and being eligible, is offering herself for re-election, be reappointed as a Non-Executive Director of the Company (Independent Shareholder vote).
9. That Simon Emeny, who is retiring as a Director of the Company, and being eligible, is offering himself for re-election, be reappointed as a Non-Executive Director of the Company.
10. That Simon Emeny, who is retiring as a Director of the Company, and being eligible, is offering himself for re-election, be reappointed as a Non-Executive Director of the Company (Independent Shareholder vote).
11. That Matt Davies, who is retiring as a Director of the Company, and being eligible, is offering himself for re-election, be appointed as a Non-Executive Director of the Company.
12. That Matt Davies, who is retiring as a Director of the Company, and being eligible, is offering himself for re-election, be appointed as a Non-Executive Director of the Company (Independent Shareholder vote).
13. That Liz Doherty, who is retiring as a Director of the Company, and being eligible, is offering herself for re-election, be re-appointed as a Non-Executive Director of the Company.
14. That Liz Doherty, who is retiring as a Director of the Company, and being eligible, is offering herself for re-election, be re-appointed as a Non-Executive Director of the Company (Independent Shareholder vote).
15. That Andy Harrison, who is retiring as a Director of the Company, and being eligible, is offering himself for election, be appointed as a Non-Executive Director of the Company.
16. That Andy Harrison, who is retiring as a Director of the Company, and being eligible, is offering himself for election, be appointed as a Non-Executive Director of the Company (Independent Shareholder vote).
17. That the Directors' Remuneration Policy 2014 be approved.
18. That the Directors' Annual Report on Remuneration for the year ended 28 June 2014 be approved.
19. That PricewaterhouseCoopers LLP be appointed as auditors to the Company.
20. That, subject to the passing of Resolution 19, the Directors be authorised to determine the auditors' remuneration.

Special business

21. That in accordance with section 551 of the Companies Act 2006, the Directors be authorised to allot Ordinary Shares in the Company or grant rights to subscribe for Ordinary Shares or to convert any securities into Ordinary Shares in the Company up to a maximum nominal amount of £673,013 to such persons and on such terms as the Directors may determine provided that this 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 unless previously renewed, varied or revoked although the Directors may exercise this authority after this date in respect of an offer or agreement made while this authority was in force.
22. That subject to the passing of resolution 21 above, and in accordance with section 570 of the Companies Act 2006, the Directors be given power to allot equity securities for cash or by way of a sale of treasury shares pursuant to the previous resolution as if section 561(1) of the Companies Act 2006 does not apply to the allotment provided that:
 - (a) the powers under this resolution shall be limited to the allotment of equity securities:
 - (i) where securities have been offered to holders of Ordinary Shares in proportion (as nearly as may be) to their existing holdings of Ordinary Shares subject to any exclusions or other arrangements that the Directors consider necessary or expedient to deal with fractional entitlements and legal or practical problems under the law of, or the requirements of any recognised regulatory body or stock exchange in any territory; and
 - (ii) otherwise than pursuant to paragraph (a)(i) above, having a nominal amount not exceeding in aggregate £100,952;
 - (b) this 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 although the Directors may exercise this authority after this date in respect of an offer or agreement made while this authority was in force; and
 - (c) all previous unutilised authorities under section 570 of the Companies Act 2006 shall cease to have effect (save to the extent that the same are exercisable pursuant to section 570(4) of the Companies Act 2006 by reason of any offer or agreement made prior to the date of this resolution which would or might require equity securities to be allotted on or after that date).
23. That subject to the passing of and conditional on resolution 24 below, the Company be generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 to make market purchases (within the meaning of section 693 of the Companies Act 2006) of Ordinary Shares provided that:
 - (a) the maximum aggregate number of Ordinary Shares authorised to be purchased is 5,000,000 (being approximately 2.5 per cent. of the issued ordinary share capital at 1 October 2014 being the latest practicable date prior to the date of this notice of Annual General Meeting (excluding treasury shares));
 - (b) the maximum price (not including expenses) which may be paid for each Ordinary Share is an amount equal to the higher of (i) 105 per cent. of the average of the middle market quotations for an Ordinary Share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately before the day on which the purchase is made; and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out (being the price stipulated by Article 5(1) of the Buy-Back and Stabilisation Regulation 2003); and
 - (c) the minimum price (not including expenses) which may be paid for each Ordinary Share is 1p per share.

This authority shall, unless previously varied, revoked or renewed, expire at the conclusion of the next annual general meeting of the Company or, if earlier, on 31 December 2015, except in relation to a purchase of Ordinary Shares the contract for which was concluded before such time and which will or may be executed wholly or partly after such time.
24. That approval is granted for the waiver by the Panel on Takeovers and Mergers of any obligation that could arise, pursuant to Rule 9 of the City Code on Takeovers and Mergers, for W L Adderley to make a general offer for all the ordinary issued share capital of the Company, following any increase in the percentage of shares of the Company carrying voting rights in which W L Adderley is interested resulting from the exercise by the Company of the authority to purchase its own Ordinary Shares granted to the Company pursuant to resolution 23 above provided that such approval shall expire at the conclusion of the next annual general meeting of the Company or on 31 December 2015, whichever is earlier.
25. That the rules of the Dunelm Group 2014 Long Term Incentive Plan in the form produced to the meeting and initialled by the Chairman for the purposes of identification, the principal terms of which are summarised in Part 4 be approved, and the Directors of the Company be authorised to adopt the plan and do all acts and things which they may, in their absolute discretion, consider necessary or expedient to give effect to it.

-
26. That the rules of the Dunelm Group 2014 Sharesave Plan in the form produced to the meeting and initialled by the Chairman for the purposes of identification, the principal terms of which are summarised in Part 4 be approved, and the Directors of the Company be authorised to adopt the plan and do all acts and things which they may, in their absolute discretion, consider necessary or expedient to give effect to it.
 27. That the New Articles of Association be adopted in substitution for, and to the exclusion of, the existing Articles of Association.
 28. That a general meeting of the Company other than an annual general meeting may be called on not less than 14 days' notice.

Dated: 3 October 2014

Registered Office:
Watermead Business Park
Syston
Leicester
Leicestershire
LE7 1AD

By order of the board

D Durrant
Secretary

Notes:

1. Voting on the resolutions will be conducted on a show of hands, save for voting on resolution 24, which will be conducted by way of a poll.
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 before the time of the Annual General Meeting. Appointment of a proxy does not preclude a shareholder from attending the Annual General Meeting and voting in person.
3. A member entitled to attend, speak and vote at the Annual 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 notari ally) 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 before the time of the Annual 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 Annual General Meeting and any adjournment thereof by using the procedures described in the CREST Manual available at 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 Annual 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. 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 give 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 Annual 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, in order to be able to attend and vote at the Annual 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 9 November 2014 (or 6.00 pm on the date 48 hours 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 Annual General Meeting.
10. The issued share capital of the Company as at 1 October 2014 (being the latest practicable date prior to the publication of this document) was 202,833,931 Ordinary Shares. The Company held 929,939 Ordinary Shares in treasury and is not permitted to exercise voting rights in respect of those Ordinary Shares. Therefore, the total number of voting rights in the Company on 1 October 2014 was 201,903,992, each Ordinary Share carrying one vote.
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 Annual 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 notari ally) 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 24 hours before the time of the Annual 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 Annual General Meeting any question relating to the business being dealt with at the Annual 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 Annual 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 Annual 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. Copies of the Executive Directors' service agreements with the Company and the Non-Executive Directors' terms of appointment will be available for inspection during normal business hours on each business day at the registered office of the Company from the date of this notice until the date of the Annual General Meeting and also at the place of the Annual General Meeting for 15 minutes prior to and during the Annual General Meeting.
18. As soon as practicable following the Annual General Meeting, the results of the voting at the Annual General Meeting and the numbers of proxy votes cast for and against and the number of votes actively withheld in respect of each of the resolutions will be announced via a Regulatory Information Service and also be available from <http://production.investis.com/dnlm>.
19. Pursuant to Chapter 5 of Part 16 of the Companies Act 2006 (sections 527 to 531), where requested by either:
 - 19.1 a member or members having a right to vote at the Annual General Meeting and holding at least 5 per cent. of total voting rights of the Company; or
 - 19.2 at least 100 members having a right to vote at the Annual General Meeting and holding, on average, at least £100 of paid up share capital,the Company must publish on its website a statement setting out any matter that such members propose to raise at the Annual General Meeting relating to the audit of the Company's accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the Annual General Meeting.
20. Where the Company is required to publish such a statement on its website:
 - 20.1 it may not require the members making the request to pay any expenses incurred by the Company in complying with the request;
 - 20.2 it must forward the statement of the Company's auditors no later than the time the statement is made available on the Company's website; and
 - 20.3 the statement may be dealt with as part of the business of the Annual General Meeting.
21. A member wishing to request publication of such a statement on the Company's website must send the request to the Company using one of the following methods:
 - 21.1 in hard copy form to Dawn Durrant, Company Secretary, at the Company's registered office;
 - 21.2 by email to dawn.durrant@dunelm.com and be confirmed in writing to the registered office address; or
 - 21.3 by fax to 0116 264 4490 marked for the attention of Dawn Durrant and confirmed in writing to the registered office address.
22. Whichever form of communication is chosen, the request must:
 - 22.1 either set out the statement in full or, if supporting a statement sent by another member, clearly identify the statement which is being supported; and
 - 22.2 be received by the Company at least one week before the Annual General Meeting.

