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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 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 6 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 Old Palace Hotel, Minster Yard, Lincoln LN2 1PU at 9.30 am on 12 November 2013 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 10 November 2013. 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 10 November 2013. 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.

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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 (Executive Deputy Chairman)
G I Cooper (Non-Executive Chairman)
M Davies (Independent Non-Executive Director)
M E Doherty (Independent Non-Executive Director)
S Emeny (Independent Non-Executive Director)
M J Sears (Senior Independent Non-Executive Director)
D A Stead (Finance Director)
N B E Wharton (Chief Executive)

Registered office:

Watermead Business Park
System
Leicestershire
LE7 1AD

4 October 2013

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 Old Palace Hotel, Minster Yard, Lincoln LN2 1PU at 9.30 am on 12 November 2013 and to seek your approval of them. The notice of Annual General Meeting is set out at Part 6 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 17) 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 13 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 29 June 2013 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 20 December 2013 to Shareholders on the register of members of the Company at the close of business on 29 November 2013.

Resolutions 3 to 10: 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.

Biographies of each of these Directors are contained on pages 34 and 35 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.

The Board and the Company's Nominations Committee are mindful that both Geoff Cooper and Marion Sears will have served 9 years on the Board in the 2013/14 financial year. As set out in the Annual Report on page 37, the Board considers that they continue to be independent. Board succession remains an area of focus and the tenure of Directors will be considered as we manage succession over the coming years.

Resolution 11: Approval of remuneration report

Under section 420 of the CA 2006 the Directors must prepare an annual report detailing the remuneration of the Directors and the Company's remuneration policy. Section 439 requires that an ordinary resolution be put to Shareholders each year for their approval of that report. The vote is advisory, however, and the Directors' entitlement to remuneration is not conditional on the Resolution being passed. The remuneration report is on pages 47 to 56 of the Annual Report.

Resolution 12: Appointment of the auditors

Auditors must be appointed at every AGM at which accounts are presented to the shareholders. KPMG Audit Plc has advised that, due to an internal reorganisation, it has decided to wind down its audit business and transfer it to KPMG LLP. Consequently, KPMG Audit Plc has notified the Company that it is not seeking reappointment at the AGM and KPMG LLP has advised its willingness to stand for appointment as the auditors of the Company.

The statement of circumstances required from KPMG Audit Plc under section 519 of the Companies Act 2006 is reproduced in Part 5 of this document.

The Board recommends the appointment of KPMG LLP following recommendation by the Audit Committee which has considered the circumstances of the change of auditors and conducted an evaluation of the auditors' effectiveness, independence and objectivity. The Board has stated on page 43 of the Annual Report that it intends to tender the external audit for 2013/14.

Resolution 13: Remuneration of the auditors

This resolution, which is conditional on the passing of resolution 12, 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 14 to 19 inclusive.

Resolution 14: Authority to allot shares

This Resolution gives the Directors authority to allot unissued share capital with a nominal value of up to £676,113, which, as at 2 October 2013, 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 £2,028,339.

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 2014 unless it is previously renewed, varied or revoked.

The Company held no Ordinary Shares in treasury as at 2 October 2013, 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 15: Authority to issue shares on a non pre-emptive basis

This 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 £101,417, which in turn represents approximately 5 per cent. of the issued Ordinary Shares of the Company as at 2 October 2013, 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. The Directors do not intend to issue more than 7.5 per cent of the issued share capital of the Company for cash on a non pre-emptive basis in any three year period without prior consultation with the Investment Committees of the Association of British Insurers and the National Association of Pension Funds.

Resolution 16: Authority to Make Market Purchases of Ordinary Shares

This Resolution, which is conditional on the passing of Resolution 17, 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 2 October 2013, 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 did not utilise the authority to make market purchases conferred at the 2012 annual general meeting. 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 2 October 2013 was 2,303,240, representing approximately 1.14 per cent. of the issued Ordinary Share capital of the Company as at 2 October 2013. If the authority to buy back shares were utilised in full, the total number of options to subscribe for Ordinary Shares outstanding as at 2 October 2013 would, assuming no further Ordinary Shares are issued, represent approximately 1.16 per cent. of the issued 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. Independent Shareholders will be asked, under Resolution 17, 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 17: The Waiver Resolution

The Waiver Resolution, which will be proposed as an ordinary resolution to be taken by poll, seeks Independent 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 16 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 Independent 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 61,827,347 Ordinary Shares, representing 30.48 per cent. of the issued share capital of the Company. 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 61,982,530 Ordinary Shares representing 31.31 per cent. of the issued share capital of the Company by virtue of such actions. This assumes no shares are acquired by the Company prior to the AGM. The Company may purchase 235,000 shares prior to the AGM to satisfy expected option exercises. To the extent such purchase was made and the options were not exercised, W L Adderley's holding could be 31.35 per cent.

If the Company were to repurchase from persons other than W L Adderley 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 31.25 per cent of the issued share capital of the Company (or 31.35 per cent taking into account the options referred to and potential share purchase 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 and 2012 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, Independent 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 17 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 Leicester Foundation 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 111,237,347 Ordinary Shares representing 54.84 per cent. of the issued share capital of the Company as at 2 October 2013, 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 17 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 (and subsequent vesting and exercise) of Share Options to 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.

Resolution 18: Approval of the rules of the Dunelm Group 2013 Executive Share Option Plan

The Company's existing Company Share Option Scheme was adopted in 2003, and expires, for the purposes of new grants, in October 2013. Accordingly the Company is seeking approval for a replacement share option plan, the Dunelm Group 2013 Executive Share Option Plan ("the 2013 Executive Share Option Plan"). The original option scheme was adopted before the Company floated, and the new 2013 Executive Share Option Plan has been designed to reflect changes in law and best practice since 2003 and the Company's current circumstances.

In order to maintain flexibility, the rules allow all employees and Executive Directors of the Company and other members of the Group to participate. However it is not currently intended that options under the 2013 Executive Share Option Plan would be granted to Executive Directors, and any decision to do so would be discussed with major shareholders and disclosed in the Company's Directors' Remuneration Report. If Executive Directors of the Company were to participate in the 2013 Executive Share Option Plan, the intention would not be for them to participate in both this Plan and the Company's existing Long Term Incentive Plan in the same year.

No individual limit on the size of options will be included for participants who are not Executive Directors of the Company (consistent with the Company's existing share option plans). The Company's current practice under the existing Company Option Scheme is to grant options to employees who are not Executive Directors over shares with a value of between 50% and 75% of salary. If an Executive Director of the Company was to participate, an annual limit would apply such that the option could not be granted over shares with a value in excess of 150% of salary (or 200% in exceptional circumstances).

A summary of the principal terms of the 2013 Executive Share Option Plan is set out in Part 4 of this document.

Resolution 19: Notice period for general meetings

This Resolution relates to the EU Shareholder Rights Directive which increases 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 19, 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 30 June 2012 and 29 June 2013 can be found at <http://dunelm.production.investis.com/investor-relations/reports-and-presentations/2013.aspx> and are incorporated into this document by reference.

The directors are not aware of any significant change in the financial or trading position of the Group since 2 October 2013, being the date on which its last interim management statement was published. The interim management statement can be found at <http://dunelm.production.investis.com/investor-relations/news-and-events/rns-announcements>.

If you require a hard copy of any of the audited consolidated accounts for 2012 or 2013 or the interim management statement, a request should be sent to Dawn Durrant at investorrelations@dunelm-mill.co.uk 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 10 November 2013.

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 10 November 2013.

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 17) 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, 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 30.98 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 30.48 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 Independent Shareholders and the Company 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 Independent 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 faithfully,

Geoff Cooper
Chairman

PART 2

ADDITIONAL INFORMATION

1. Responsibility

- 1.1 The Directors take responsibility for the information contained in this document other than:
- the recommendation and associated opinion attributed to the Independent Directors set out in section 7 of the Chairman's Letter; and
 - 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, LE7 1AD.
- 2.2 As at 2 October 2013 (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 no (nil) Ordinary Shares in treasury. Therefore, the total number of voting rights in the Company on 2 October 2013 was 202,833,931.

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 2 October 2013 (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*	61,827,347	30.48
D Stead	667,181	0.33
G Cooper	181,611	0.09
M Sears	101,313	0.05
N Wharton	39,500	0.02
S Emeny	26,400	0.01
M Davies	4,500	0.01
Under the Long-Term Incentive Plan:		
	Number of options	Earliest Vesting Date
W L Adderley*	62,956	December 2013
	92,227	November 2014
D Stead	52,744	December 2013
	90,070	November 2014
	61,730	November 2015
N Wharton	48,262	December 2013
	139,211	November 2014
	95,401	November 2015
	198,807	December 2015
Under the Dunelm SAYE Scheme		
	Number of options	Earliest Vesting Date
N Wharton	2,493	January 2015
D Stead	2,493	January 2015

*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.

2,123,949 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 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 Leicester Foundation and the Paddocks Trust.

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, as set out in this document, W L Adderley's interest in shares would (assuming no other allotments of Ordinary Shares) increase to 31.31 per cent. of the issued share capital of the Company by virtue of such actions (or 31.35 per cent in certain circumstances, as outlined on page 3).

2.5 As at the close of business on 2 October 2013 (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
W L Adderley ¹	61,827,347	30.5
W Adderley	39,400,000	19.4
J Adderley	8,670,000	4.3
The Leicester Foundation	1,167,250	0.6
The Paddocks Trust	172,750	0.1
Total	111,237,247	54.8

Note: 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:

15 October 2012: W L Adderley transferred 123,949 Ordinary Shares to his wife Nadine Adderley, for nil consideration

18 October 2012: W L Adderley exercised nil cost options over 123,949 Ordinary Shares pursuant to the LTIP

6 November 2012: W L Adderley transferred 2,000,000 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, 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 56.23 per cent. of the issued share capital of the Company (or 56.26 per cent. taking into account the options referred to above in relation to W L Adderley) by virtue of such repurchase.

2.6 Save as disclosed above, 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 2 October 2013 (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 202,833,931 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	19.43
J Adderley	8,670,000	4.27
Kames Capital Limited	8,409,701	4.2

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 2 October 2013 (being the latest practicable date prior to the publication of this document, there were 2,303,240 options outstanding over the Company's Ordinary Shares representing 1.14 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) 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 and 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 111,237,247 Ordinary Shares representing 54.8 per cent. of the issued share capital of the Company as at 2 October 2013, 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 shares in the Company without incurring any further obligation under Rule 9 of the City 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 2 October 2013 (being the latest practicable date prior to the publication of this document) were:

Date	Price per Ordinary Share (p)
2 October 2013	880
1 October 2013	926
2 September 2013	951
1 August 2013	988
1 July 2013	940.5
3 June 2013	890
1 May 2013	852.5
2 April 2013 – ex. dividend	840

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 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 2 October 2013 (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 2 October 2013 (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, 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, 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 5.3.3 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.

6. Directors’ Service Contracts

Information about the Directors’ service contracts is set out on pages 53 to 54 and 60 of the 2013 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/2013.aspx> and a hard copy is available on request from Dawn Durrant at investorrelations@dunelm-mill.co.uk.

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 for the notice period.

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/2013.aspx>.

- (a) this document;
- (b) the articles of association of the Company;
- (c) the audited consolidated accounts of the Company for the financial year ended 29 June 2013;
- (d) the audited consolidated accounts of the Company for the financial year ended 30 June 2012;
- (e) the consent letter from UBS referred to in paragraph 5.1 above; and
- (f) the rules of the Dunelm Group 2013 Executive Share Option Plan.

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 Old Palace Hotel, Minster Yard, Lincoln LN2 1PU at 9.30 am on 12 November 2013, 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 29 June 2013 a copy of which accompanies this document
“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 16 set out in the notice of Annual General Meeting set out in Part 6 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 Leicester Foundation, the Paddocks Trust and W A Capital Limited
“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.com
“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 Company Share Option Scheme”	The Dunelm Group Company Share Option Scheme
“Dunelm Group 2013 Executive Share Option Plan” or the “2013 Executive Share Option Plan”	The executive share option plan, the rules of which are being put forward for approval at the AGM
“Dunelm SAYE Scheme”	the Dunelm Group Savings Related Share Option Plan
“Employee Share Schemes”	the LTIP, the Dunelm SAYE Scheme, the Dunelm Group Company Share Option Scheme and the Dunelm Group 2013 Executive Share Option Plan
“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 W L Adderley and members of the Concert Party
“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
“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
“Resolution” or “Resolutions”	the resolutions set out in the notice of Annual General Meeting at Part 6 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 17 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 NEW DUNELM GROUP 2013 EXECUTIVE SHARE OPTION PLAN

1. Eligibility

Any employee (including an executive director) of the Company or any employee of its subsidiaries (together with the Company, the "Group") will be eligible to participate in the plan at the discretion of the Remuneration Committee. However, the Remuneration Committee does not currently intend to operate the plan for the benefit of Executive Directors of the Company.

2. Form of awards

Awards under the plan will be granted in the form of options to acquire ordinary shares in the Company, with a per share exercise price equal to the market value of a share at the date of grant. It is proposed that HMRC approval be sought for the Option Plan under Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003 in order that "approved options" can be granted under it up to the permitted limit. Approved options offer beneficial tax treatment to the optionholder and the member of the Group employing the optionholder.

3. Performance conditions

The plan will permit the grant of options on the basis that vesting is dependent on the satisfaction of a performance condition, but will not require that performance conditions are attached to options; except that if Executive Directors of the Company participate in the plan, performance conditions must be attached to the options granted to these individuals.

4. Individual limits

Options will not be granted to an Executive Director of the Company under the Option Plan in any financial year over shares with a market value in excess of 150 per cent. of salary. However, the Remuneration Committee may, in its absolute discretion in exceptional circumstances, grant options to Executive Directors over shares with a market value of up to 200 per cent. of salary.

Individual limits do not apply to employees other than Executive Directors. The Company's current practice is to grant options to employees who are not Executive Directors over shares with a value of between 50% and 75% of salary.

5. Grant of options

Options may only be granted within the six week period commencing on the date of approval of the plan by shareholders, the day after announcement of the Company's results for any period, any day on which changes to any relevant legislation are proposed or made, the date on which a person first becomes an employee of the Group or on any day on which the Remuneration Committee determines that exceptional circumstances exist. However, if the Company is restricted from granting options in any of these periods, the grant period will be the six week period following the lifting of the restriction.

6. Terms of options

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

7. Overall limits

The plan is subject to the following overall limits:

- (a) in any ten year period, the number of shares which may be issued under the plan and under any other discretionary share plan adopted by the Company, disregarding an option under the plan or other award if it is subject to a particularly stretching performance condition, may not exceed 5 per cent. of the issued ordinary share capital of the Company from time to time; and
- (b) in any ten year period, the number of 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 these limits until such time as guidelines published by institutional investor representative bodies determine otherwise.

8. Claw back

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

- (a) reduce the number of shares to which an option relates;
- (b) cancel an option; or
- (c) impose further conditions on an option;

in the following circumstances:

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

9. Vesting and exercise

Options that are subject to a performance condition will normally vest at the end of any performance period (or if later on the third anniversary of the grant date) and then only to the extent that any performance condition has been satisfied. Where options are granted without a performance condition, they will usually vest on the third anniversary of the grant date (or on such other date as the Remuneration Committee determines). Options will then normally be exercisable until the tenth anniversary of the grant date on payment of the aggregate exercise price.

The exercise of an 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 option (other than an option granted under the part of the Option Plan approved by HM Revenue & Customs) has been exercised, but the underlying shares have yet to be issued or transferred to the participant, the Remuneration Committee may decide:

- (a) to transfer a number of shares to the participant equal in value to the difference between the aggregate value of the shares over which the option is exercised and the aggregate exercise price of the option that would have been payable for those shares; or
- (b) to pay a participant a cash amount equal in value to the difference between the aggregate value of the shares over which the option is exercised and the aggregate exercise price that would have been payable for those shares.

10. Cessation of employment

If a participant dies, an unvested option 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 any performance condition at that time and, unless the Remuneration Committee determines otherwise, the period of time that has elapsed since the option was granted until the date of death.

If a participant ceases to be employed by the Group by reason of ill-health, injury, disability, retirement, sale of the entity that employs him out of the Group or for any other reason at the Remuneration Committee's discretion (except for gross misconduct), a participant's unvested option will usually continue until the normal vesting date unless the Remuneration Committee determines that the option 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 unvested option vest in these circumstances, taking account of the extent to which any performance condition is satisfied at the end of any performance period or, as appropriate, at the date on which the participant ceases to be employed by the Group. Unless the Remuneration Committee in its discretion determines otherwise, the period of time that has elapsed since the option was granted until the date on which the participant ceases to be employed by the Group will also be taken into account. Where options vest in these circumstances, they will normally be exercisable for six months after vesting.

If a participant ceases employment with the Group in any other circumstances, unless the Remuneration Committee determines otherwise, an option shall lapse on the date on which the participant ceases employment.

11. Corporate events

In the event of a change of control of the Company, options will vest to the extent that any performance condition has been satisfied at the date of change of control, and, unless the Remuneration Committee determines otherwise, taking into account the period of time which has elapsed between the grant date and the relevant event. Alternatively, the Remuneration Committee may permit or, in the case of an internal reorganisation, require options to be exchanged for equivalent options which relate to shares in another company.

If other corporate events occur such as a 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 whether options will vest. Vesting will be subject to the satisfaction of any performance condition and, unless the Remuneration Committee determines otherwise, pro-rating to reflect the period from the grant date to the date of the relevant event.

12. Adjustments

In the event of a variation of the Company's share capital or, other than in the case of an option granted under the part of the plan approved by HM Revenue & Customs, a demerger, delisting, special dividend, rights issue or other similar event, which may, in the Remuneration Committee's opinion, affect the current or future value of shares, the number of shares subject to an option and the exercise price and/or any performance condition attached to options, may be adjusted. HM Revenue & Customs approval will be required for adjustment of an option granted under the part of the plan approved by HM Revenue & Customs.

13. Amendment and termination

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

However, any minor amendment to benefit administration, 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.

HM Revenue & Customs approval will be required for certain amendments to the part of the plan approved by HM Revenue & Customs.

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

14. 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.

15. Option plan rules available for inspection

The rules of the Option 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, <http://dunelm.production.investis.com/investor-relations/reports-and-presentations/2013.aspx> or a hard copy is available from Dawn Durrant at Dunelm (Soft Furnishings) Limited, Watermead Business Park, Syston, Leicester, LE7 1AD (Tel: 01162 644 356).

PART 5

STATEMENT TO DUNELM GROUP PLC (no.4708277) ON CEASING TO HOLD OFFICE AS AUDITORS PURSUANT TO SECTION 519 OF THE COMPANIES ACT 2006



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Private & confidential

The Directors
Dunelm Group plc
Watermead Business Park
Syston
Leicester
LE7 1AD

27 September 2013

Dear Sirs

Statement to Dunelm Group plc (no. 4708277) on ceasing to hold office as auditors pursuant to section 519 of the Companies Act 2006

The circumstances connected with our ceasing to hold office are that our company, KPMG Audit Plc, has instigated an orderly wind down of business. KPMG LLP, an intermediate parent, will be accepting appointment as statutory auditor at the company's AGM on 12 November 2013.

We request that any correspondence in relation to this statement be sent to our registered office 15 Canada Square, London, E14 5GL marked for the attention of the Audit Regulation Department.

Yours faithfully

A handwritten signature in black ink that reads 'KPMG Audit Plc'. The signature is written in a cursive, slightly slanted style.

KPMG Audit Plc

PART 6

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 2013 Annual General Meeting of the Company will be held at The Old Palace Hotel, Minster Yard, Lincoln LN2 1PU at 9.30 am on 12 November 2013 for the purpose of considering and, if thought fit, passing the following resolutions, which, in the case of resolutions 15, 16 and 19 will be proposed as special resolutions and, in the case of the other resolutions, will be proposed as ordinary resolutions. Resolution 17 will be voted on only by the Independent Shareholders of the Company and will be taken by poll. As W L Adderley is interested in the outcome of resolution 17 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 29 June 2013 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 ("Ordinary Shares") of 11.5p per share in respect of the year ended 29 June 2013.
3. 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.
4. 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.
5. That Nick Wharton, 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.
6. 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.
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 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.
9. That Matt Davies, 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 Liz Doherty, who is retiring as a Director of the Company, and being eligible, is offering herself for re-election, be appointed as a Non- Executive Director of the Company.
11. That the Directors' Remuneration Report for the year ended 29 June 2013 be approved.
12. That KPMG LLP be appointed as auditors to the Company.
13. That, subject to the passing of Resolution 12, the Directors be authorised to determine the auditors' remuneration.

Special business

14. 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 £676,113 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 2014 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.

15. That subject to the passing of resolution 14 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 £101,417;
 - (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 2014 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).
16. THAT conditional on resolution 17 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 2 October 2013 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 2014, 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.
17. 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 16 above provided that such approval shall expire at the conclusion of the next annual general meeting of the Company or on 31 December 2014, whichever is earlier.
18. That the rules of the Dunelm Group 2013 Executive Share Option 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.
19. That a general meeting of the Company other than an annual general meeting may be called on not less than 14 days' notice.

Dated: 4 October 2013

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 17, 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 10 November 2013 (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 2 October 2013 (being the latest practicable date prior to the publication of this document) was 202,833,931 ordinary shares, carrying one vote each. The Company holds no (nil) ordinary shares in treasury and is not permitted to exercise voting rights in respect of those shares. Therefore, the total number of voting rights in the Company on 2 October 2013 was 202,833,931.

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-mill.co.uk. 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-mill.co.uk 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

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