

**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 and Election Form as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. However such documents should not be distributed, forwarded or transmitted into any jurisdiction in which to do so would constitute a breach of the relevant laws of such jurisdiction. If you sell or have sold or otherwise transferred only part of your holding, you should retain these documents.**

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# **DUNELM GROUP PLC**

(Incorporated in England and Wales – No. 4708277)

## **RETURN OF CAPITAL TO SHAREHOLDERS OF 21.5 PENCE PER ORDINARY SHARE BY WAY OF A BONUS ISSUE OF ONE B SHARE FOR EACH ORDINARY SHARE**

### **NOTICE OF GENERAL MEETING**

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**This document should be read as a whole. Your attention is drawn to the letter from the Chairman of Dunelm Group plc set out in Part 1 of this document which contains the recommendation by the Directors to Shareholders to vote in favour of the Resolution to be proposed at the General Meeting, notice of which is set out in Part 10 of this document. Shareholders should read the whole of this document and not rely just on the summarised information set out in the Chairman's letter.**

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

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

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

Notice of a General Meeting of Dunelm Group plc to be held at The Haycock Hotel, Wansford, near Peterborough, PE8 6JA at 9.00 am on 18 March 2010 is set out at the end of this document. The Form of Proxy for use at the General Meeting accompanies this document and, to be valid, should be completed and returned in accordance with the instructions set out thereon as soon as possible but in any event so as to reach Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6ZX, not later than 9.00 am on 16 March 2010. 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 9.00 am on 16 March 2010. Completion and return of the Form of Proxy or the transmission of a CREST Proxy Instruction will not preclude Shareholders from attending and voting in person at the General Meeting, should they so wish.

**A summary of the actions to be taken by Shareholders is set out on page 6 of this document and in the accompanying notice of the General Meeting.**

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

The attention of non-UK Shareholders is drawn to paragraph 7 of Part 2 of this document.

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

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

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Your attention is drawn to the Definitions in Part 9 which apply throughout this document, the Election Form and the Form of Proxy unless the context requires otherwise

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

<b>General</b>	<b>2010</b>
Latest time and date for receipt of Form of Proxy for General Meeting	9.00 am on 16 March
General Meeting	9.00 am on 18 March
Ordinary Share Record Date for participation in the Return of Capital	6.00 pm on 18 March
B Share Record Date	6.00 pm on 18 March
B Shares delivered into CREST to CREST holders	8.00 am on 19 March
Latest time for receipt of Election Forms from certificated Shareholders and TTE Instructions from CREST holders in relation to the B Share Alternatives	4.30 pm on 25 March
<b>Alternative 1: (Initial Redemption)</b>	
Initial B Share Redemption Date	26 March
Dispatch of cheques or CREST accounts credited (as appropriate) in respect of B Shares redeemed on the Initial Redemption Date	31 March
<b>Alternative 2: (Single B Share Dividend)</b>	
Single B Share Dividend Date	26 March
B Shares in respect of which the Single B Share Dividend is payable will convert into Deferred Shares	26 March
Dispatch of cheques or mandated bank accounts credited (as appropriate) in respect of the Single B Share Dividend	8 April
Automatic redemption of Deferred Shares	24 June
<b>Alternative 3: (Final Redemption)</b>	
Dispatch of the B Share certificates in respect of B Shares to be redeemed on the Final Redemption Date	31 March
Final B Share Redemption Date	24 June
Dispatch of cheques or CREST accounts credited (as appropriate) in respect of B Shares redeemed on the Final Redemption Date	30 June

### Notes:

1. References to times in this document are to London time. All dates and times are subject to change. If any of the above dates and times should change, the revised times and/or dates will be notified to Shareholders by an announcement on a Regulatory Information Service.
2. All events following the General Meeting are conditional upon approval by Shareholders of the Resolution.
3. Share certificates will not be issued for B Shares in respect of which the Initial Redemption (Alternative 1) or the Single B Share Dividend (Alternative 2) is chosen.

# **PART 1**

## **LETTER FROM THE CHAIRMAN**

### **DUNELM GROUP PLC**

**(Incorporated and registered in England and Wales with number 4708277)**

*Directors:*

G I Cooper  
W L Adderley  
S Emeny  
M J Sears  
D A Stead  
N B E Wharton

*Registered office:*

Fosse Way  
Syston  
Leicester  
Leicestershire  
LE7 1NF

25 February 2010

*To Shareholders of the Company*

Dear Shareholder

#### **Proposed Return of Capital to Shareholders of 21.5 pence per Ordinary Share**

### **1. Introduction**

As was announced with our interim results on 25 February 2010 the Board is proposing to return approximately £43.2 million of capital to Shareholders (equivalent to 21.5 pence per Ordinary Share). This is in addition to the ordinary dividend that was also announced at that time. The background to and reasons for the Return of Capital are detailed in paragraph 2 below.

The precise aggregate amount of the Return of Capital will depend on the number of Ordinary Shares in issue at 6.00 pm on 18 March 2010. However, based on the number of Ordinary Shares in issue on 22 February 2010, the Return of Capital would amount to approximately £43.2 million in total.

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

The Return of Capital requires the approval of Shareholders which will be sought at a General Meeting to be held on 18 March 2010. Notice of the General Meeting is set out in Part 10 of this document.

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

Dunelm Group has consistently generated significant positive cash flow and as a result has built up a material cash balance in recent years. In the first half of the current financial year, the Group's average net cash position was £40.1 million, with net cleared funds at the end of the period being £45.9 million. In the absence of the proposed Return of Capital the Board would expect the Group's positive cash position to continue to increase further.

Given the above, the expected cash requirements of the Group going forward and the other funding available to the Group, the Board has decided that Dunelm Group should return approximately £43.2 million to Shareholders. The Board believes that as a result, the Group will have a more appropriate capital structure whilst still being in a position to invest in and grow the Group in line with the current stated strategy, being to: (i) open more superstores; (ii) further develop Dunelm Group's specialist position; (iii) grow Dunelm Direct; and (iv) develop and exploit the Group's infrastructure.

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

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

This method of return has been chosen as it allows Shareholders (save for certain Overseas Shareholders) to be treated equally on a pro rata basis, gives each Shareholder the choice to receive their return of capital in the form of a redemption of their B Shares, a dividend thereon or a combination of both and provides some flexibility as to the timing of any capital that they elect to receive. Whichever alternative is chosen, the Return of Capital will amount to 21.5 pence per Ordinary Share and, based upon the number of Ordinary Shares in issue, total approximately £43.2 million.

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

#### **4.1 B Shares**

Under the Return of Capital, Shareholders will receive:

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

At the closing middle-market price of 381.70 pence per Ordinary Share on 22 February 2010 (being the latest practicable date prior to the publication of this document), the proposed Return of Capital to Shareholders represents approximately 6 per cent. of Dunelm Group's market capitalisation at that date.

The choices available to Shareholders are summarised in paragraph 4.2 below and the main features of the B Shares are set out in Parts 2, 4 and 5 below.

## 4.2 The B Share Alternatives

Under the Return of Capital, Shareholders (other than certain Overseas Shareholders) will have the following alternatives in relation to the B Shares they hold on the B Share Record Date. Shareholders should read Part 6 'United Kingdom Taxation in relation to the Return of Capital' since the three alternatives will each have different UK tax consequences.

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

**Unless you are a US Holder (and subject to paragraph 7 of Part 2 of this document in relation to Overseas Shareholders) you may choose Alternatives 1, 2 or 3 or any combination of these alternatives in respect of your B Shares. US Holders are only entitled to receive Alternative 2.**

**IF YOU WISH TO RECEIVE A CAPITAL PAYMENT FOR YOUR B SHARES, YOU SHOULD ELECT FOR ALTERNATIVES 1 OR 3 (OR A COMBINATION OF THESE ALTERNATIVES).**

### Alternative 1: (Initial Redemption)

If you choose this alternative (or are deemed to have chosen this alternative) in respect of some or all of your B Shares, you will have those B Shares for which you have elected this alternative redeemed by Dunelm Group on the Initial Redemption Date at 21.5 pence per B Share, free of all dealing expenses and commissions.

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

It is also expected that Shareholders who choose this alternative will have their cheques dispatched or CREST accounts credited (as appropriate) on 31 March 2010.

In the event that a Shareholder (other than certain Overseas Shareholders) fails to make a valid election for one or more of the B Share Alternatives, such Shareholder will be deemed (unless the Company determines otherwise) to have elected for the Initial Redemption alternative in respect of his entire holding of B Shares.

### Alternative 2: (Single B Share Dividend)

If you choose this alternative (or are deemed to have chosen this alternative) in respect of some or all of your B Shares, you will receive a single dividend of 21.5 pence per B Share in respect of those B Shares. It is expected that this will become payable on 26 March 2010, following which those B Shares will be automatically converted into Deferred Shares and then redeemed by the Company on 24 June 2010 (or such other date as the Directors may determine). The Deferred Shares will not be listed and will carry extremely limited rights as Shareholders will have already received a cash pay-out in relation to those shares. Further details of the rights and restrictions attaching to the Deferred Shares are set out in Part 5 of this document.

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

It is also expected that Shareholders who choose this alternative will have their cheques dispatched or mandated bank accounts credited (as appropriate) on 8 April 2010.

US Holders are only entitled to receive the Single B Share Dividend Alternative.

### Alternative 3: (Final Redemption)

If you choose this alternative in respect of some or all of your B Shares, those B Shares for which you have chosen this alternative will be held by you until they are redeemed by Dunelm Group on 24 June 2010 at 21.5 pence per B Share, free of all dealing expenses and commissions.

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

It is expected that share certificates and CREST messages in respect of B Shares to be redeemed on the Final Redemption Date will be issued on 31 March 2010. It is expected that Shareholders who choose this alternative will have their cheques dispatched or CREST accounts credited (as appropriate) on 30 June 2010.

**Unless you are a US Holder you may elect to receive any one of, or a combination of, the B Share Alternatives. The redemption alternatives (Alternatives 1 and 3) are not available to US Holders who are only entitled to receive the Single B Share Dividend (Alternative 2).**

Details of how to complete and return your Election Form if you are a certificated Shareholder and details of how to make your election through CREST if you are an uncertificated Shareholder are set out in Part 7 of this document. Properly completed and returned Election Forms and elections made through CREST will not become effective until 4.30 pm on 25 March 2010. If the Resolution is not passed at the General Meeting, the Return of Capital will not proceed and any Election Forms received by Equiniti will lapse and shall have no effect.

**Save for certain Overseas Shareholders, if you do not properly complete and return your Election Form or if you are a CREST holder and you do not send a valid TTE Instruction, unless the Company determines otherwise, you will be deemed to have elected for Alternative 1: (Initial Redemption) in respect of all of your B Shares.**

Further information on each of the B Share Alternatives is set out in Part 2 of this document.

The rights and restrictions attaching to the B Shares and the Deferred Shares are set out in Part 4 and Part 5 respectively of this document.

## 4.3 Key dates

A detailed timetable in respect of the B Share Scheme and the General Meeting is set out on page 3 of this document.

## 5. General Meeting

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

A notice of General Meeting which has been convened for 9.00 am on 18 March 2010 for this purpose is set out at Part 10 of this document. A Form of Proxy to be used in connection with the General Meeting is enclosed with this document.

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

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

### Resolution: Return of Capital

The Resolution (which is set out in the Notice of General Meeting) sets out the formal mechanics and the amendments to the Articles which are required to implement the Return of Capital:

- (a) proposes to increase the authorised share capital of the Company by £43.215 million from £5 million to £48.215 million (an increase of 864 per cent.) by the creation of 201 million B Shares;
- (b) proposes to authorise the Directors to:
  - (i) capitalise a sum not exceeding £43.215 million standing to the credit of the Company's merger reserve to pay up in full the B Shares; and
  - (ii) allot and issue up to 201 million B Shares to Shareholders on the basis of one B Share for each Ordinary Share held on the Ordinary Share Record Date (representing 100.2 per cent. of the total number of issued Ordinary Shares (excluding Ordinary Shares held in treasury) as at 22 February 2010 (being the latest practicable date prior to the publication of this document)). The authority granted to the Directors will expire on the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2010 and 15 months from the date of the passing of this Resolution; and
  - (iii) carry out any other act necessary in relation to the Return of Capital;
- (c) proposes to amend the Articles in order to incorporate the increase to the authorised share capital and the terms of the B Shares (as set out in Part 4 of this document) and the Deferred Shares (as set out in Part 5 of this document); and
- (d) proposes to convert the B Shares and the Deferred Shares into Ordinary Shares.

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

## 7. Further information

Your attention is drawn to the remaining parts of this document which contain further information on Dunelm Group and the Return of Capital.

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

If you are a Shareholder resident in the UK (for tax purposes), a tax liability may arise in respect of the redemption proceeds and/or dividend which you may receive under the Return of Capital depending upon your individual circumstances. A guide to the general tax position of United Kingdom Shareholders as at the date of this document is set out in Part 6 of this document. **You are strongly advised to read Part 6 of this document and to seek professional advice tailored to your specific circumstances.**

## 9. Overseas Shareholders

The attention of those Shareholders who are not resident in the United Kingdom or who are citizens, residents or nationals of other countries is drawn to the information set out in paragraph 7 of Part 2 of this document.

Shareholders should note that the Company has not applied for any tax clearances with respect to the Return of Capital in the UK or in any other jurisdiction.

## 10. Share Option Schemes

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

At this stage the Board does not consider that any adjustments to the terms of the Share Option Schemes are necessary to preserve the value of the options that have been granted under the Share Option Schemes following the Return of Capital. The Board will reconsider this once the Return of Capital has been implemented. Should the Board determine that adjustments are so required, any adjustment proposed by the Board to the Group Share Option Plan and the Group Savings Related Share Option Plan will be subject to the consent of HM Revenue and Customs.

## 11. Interim results

For information purposes, your attention is drawn to the interim results of the Company for the period to 2 January 2010 which were published on 25 February 2010 and which can be found at [www.dunelm-mill.com](http://www.dunelm-mill.com).

## 12. Action to be taken

A Form of Proxy for use at the General Meeting is enclosed. Whether or not you intend to be present at the meeting, you are requested to complete, sign and return the Form of Proxy to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6ZX, as soon as possible **but in any event so as to be received no later than 9.00 am on 16 March 2010.**

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 9.00 am on 16 March 2010.

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

Your attention is drawn to Part 7 of this document which contains instructions on the completion of your Election Form if you hold your shares in certificated form, or if you hold your shares in uncertificated form (that is in CREST), how to make your election through CREST.

### **13. Recommendation**

**The Board considers the Return of Capital and the Resolution to be proposed at the General Meeting to be in the best interests of Shareholders as a whole.**

**Accordingly the Board unanimously recommends that you vote in favour of the Resolution to be proposed at the General Meeting as the Directors intend to do in respect of their own beneficial holdings amounting to 70,730,696 Ordinary Shares in aggregate, representing approximately 35.37 per cent. of the current voting share capital of Dunelm Group.**

Yours faithfully,

**Geoff Cooper**  
Chairman

## **PART 2**

### **DETAILS OF THE RETURN OF CAPITAL**

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

The Return of Capital is conditional on the approval by Shareholders of the Resolution to be proposed at the General Meeting. If this condition is not satisfied by 8.00 am on 19 March 2010 or such later time and/or date as the Directors may determine, the Return of Capital will not take effect and any Election Forms returned to Equiniti will lapse.

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

#### **2. Allotment of B Shares**

It is proposed to capitalise a sum not exceeding £43.215 million standing to the credit of the Company's merger reserve which will be applied in paying up in full up to 201 million B Shares, to be allotted to Shareholders on the basis of one B Share for each Ordinary Share held at the Ordinary Share Record Date. B Shares will not be allocated or issued in respect of the Ordinary Shares held in treasury.

The B Shares will have limited voting rights as more fully set out in Part 4 of this document.

No share certificates will be issued for any B Shares which are to be redeemed by the Company on the Initial Redemption Date (Alternative 1) or in respect of which the Single B Share Dividend is to be paid (Alternative 2). Share certificates will only be issued in respect of such of the B Shares as are to be redeemed by the Company on the Final Redemption Date (Alternative 3).

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

Shareholders (save for certain Overseas Shareholders) may choose Alternatives 1, 2 or 3 or any combination of these alternatives in respect of their B Shares.

#### **3. Dividend**

Shareholders may elect to receive a Single B Share Dividend of 21.5 pence per B Share in respect of all or some of their B Shares (Alternative 2).

It is expected that the Single B Share Dividend will become payable on 26 March 2010.

To receive the Single B Share Dividend in respect of some or all of your B Shares you should follow the instructions in Part 7 of this document.

Following payment of the Single B Share Dividend, those B Shares on which the Single B Share Dividend has been paid will be converted into Deferred Shares, with the Shareholder receiving one Deferred Share for each such B Share. The Deferred Shares will not be listed and will carry extremely limited rights as more fully described in Part 5 of this document.

The Company may repurchase all Deferred Shares then in issue at any time for an aggregate consideration of one penny. It is currently expected that all Deferred Shares will be automatically repurchased by the Company on 24 June 2010 although there can be no guarantee that it will do so. In view of its negligible amount, entitlement to any of the aggregate consideration of one penny will not be sent to individual Shareholders.

**Shareholders should carefully read Part 6 'United Kingdom taxation in relation to the Return of Capital' of this document, including, in particular, paragraphs 2 and 5, before deciding whether to elect for the Single B Share Dividend.**

It is expected that Shareholders receiving the Single B Share Dividend will be sent cheques or have their mandated bank accounts credited (as appropriate) in respect of such Single B Share Dividend on 8 April 2010 (or such other date as the Directors may determine). No share certificates will be issued in respect of the B Shares on which the Single B Share Dividend is paid or in respect of the Deferred Shares.

If you are a US Holder you will only be entitled to receive the Single B Share Dividend alternative.

#### **4. Redemption**

Shareholders (other than certain Overseas Shareholders) may elect to have all or some of their B Shares held on the B Share Record Date redeemed under the Initial Redemption or to hold all or some of their B Shares for redemption until the Final Redemption Date. Elections will not become effective until the end of the Election Period.

Any B Shares redeemed by the Company by way of the Initial Redemption or the Final Redemption will be cancelled and will not be reissued.

##### **4.1 Alternative 1: (Initial Redemption)**

Under the Initial Redemption, Shareholders may elect to have all or some of their B Shares held on the B Share Record Date redeemed by the Company, on the Initial Redemption Date, at 21.5 pence per B Share, free of all dealing expenses and commissions.

To elect for the Initial Redemption in respect of some or all of your B Shares you should follow the instructions in Part 7 of this document.

**Shareholders should read carefully Part 6 'United Kingdom taxation in relation to the Return of Capital' of this document including, in particular, paragraphs 3, 4 and 5, before deciding whether to elect for the Initial Redemption.**

It is expected that Shareholders whose B Shares are redeemed on the Initial Redemption Date will be sent cheques or have their CREST accounts credited with the proceeds, as appropriate, in respect of such redemption on 31 March 2010 (or such other date as the Directors may determine).

#### **4.2 Alternative 3: (Final Redemption)**

Shareholders may elect to retain all or some of their B Shares held on the B Share Record Date until the Final Redemption Date. Certificates for those B Shares in respect of which Shareholders have elected for Final Redemption are expected to be issued on 31 March 2010.

To elect to hold all or some of your B Shares until the Final Redemption Date you should follow the instructions in Part 7 of this document.

**Shareholders should read carefully Part 6 'United Kingdom taxation in relation to the Return of Capital' of this document including, in particular, paragraphs 3, 4 and 5, before deciding whether to elect for the Final Redemption.**

It is expected that Shareholders who have elected for the Final Redemption in respect of all or some of their B Shares will have such B Shares redeemed on the Final Redemption Date. Cheques will be dispatched or CREST accounts credited with the proceeds, as appropriate, in respect of such outstanding B Shares on 30 June 2010 (or such other date as the Directors may determine).

#### **5. Additional terms of the B Share Alternatives**

The following terms will apply to all of the B Share Alternatives:

- 5.1 the Election Form, any TTE Instruction of a Shareholder electing through CREST and all resulting contracts will be governed by, and construed in accordance with, English law. Valid execution by, or on behalf of, a Shareholder of an Election Form, or any TTE Instruction submitted by a Shareholder electing through CREST, constitutes their submission, in relation to all matters arising out of or in connection with such form, to the exclusive jurisdiction of the English courts;
- 5.2 no authority conferred by, or agreed to by, execution of the Election Form or any TTE Instruction submitted by a Shareholder electing through CREST shall be affected by, and all such authority shall survive, the death or incapacity of the Shareholder executing such form. All obligations of such Shareholder shall be binding upon the heirs, executors, personal representatives, successors and assigns of such Shareholder; and
- 5.3 upon valid execution of an Election Form or the giving of a TTE instruction electing to participate in the Initial Redemption and/or the Final Redemption, the Shareholder represents and warrants that such Shareholder does not have its registered office in the United States and/or is not a resident, citizen or national of the United States and/or, in respect of the B Shares to which that election to participate relates, is not a trustee, custodian or nominee holding Ordinary Shares or B Shares on behalf of any such person.

#### **6. Withdrawal rights**

Shareholders should note that any election relating to the B Share Alternatives may be withdrawn by the relevant Shareholder(s) at any time prior to the end of the Election Period. If an election is validly withdrawn, the relevant Shareholder(s) may make a new election during the Election Period, but if a valid election is not made by the end of the Election Period, the relevant Shareholder(s) (other than certain Overseas Shareholders, who may, (at the Directors' discretion) be deemed to have elected for the Single B Share Dividend) will be deemed to have elected for the Initial Redemption in respect of all their B Shares. After the end of the Election Period, all valid elections will be irrevocable. If the Election Period is extended, withdrawal rights will be correspondingly extended.

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

- 6.1 specify the name(s) and address(es) of the person(s) who is/are tendering the election to be withdrawn, the account number (which, for Shareholders who hold their Ordinary Shares in certificated form, appears on the front page of the relevant Election Form) and the exact number of the B Shares to be withdrawn; and
- 6.2 in the case of certificated Shareholders be received by post or (during normal business hours only) by hand at Equiniti, Aspect House, Spencer Road, Lancing, BN99 6DA by 4.30 pm on 25 March 2010; and
- 6.3 in the case of an election originally made by a TTE Instruction, be accompanied by a valid ESA Message given by the person(s) who gave the relevant TTE Instruction and be received by Equiniti two hours before the end of the Election Period (expected to be 4.30 pm on 25 March 2010).

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

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

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

## **7. Non-United Kingdom Shareholders**

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

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

In the event that the Company is advised that it would or might be in breach of legal or regulatory requirements in any jurisdiction, or the Company would or might be required to make filings or take any other action in any jurisdiction as a result of its issuing B Shares to Shareholders who have registered addresses in any overseas jurisdiction or who are citizens, residents or nationals of other countries, it is proposed that the B Shares to which such Shareholders are entitled will be allotted to such Shareholders but may be issued to a nominee with the proceeds of the Return of Capital being remitted to such Shareholders.

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

A resident, citizen or national of the United States is not entitled to participate in the Initial Redemption or the Final Redemption and must therefore not execute an Election Form or give a TTE Instruction to participate in the same. A trustee, custodian or nominee holding B Shares on behalf of a resident, citizen or national of the United States is not entitled to participate in the Initial Redemption or the Final Redemption in respect of such B Shares and must therefore not execute an Election Form or give a TTE Instruction to participate in the same in respect of such B Shares. Without prejudice to the generality of the foregoing, any such Shareholders will only be entitled to receive the Single B Share Dividend.

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

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

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

## **9. General Meeting**

A General Meeting will be held at The Haycock Hotel, Wansford, near Peterborough, PE8 6JA at 9.00 am on 18 March 2010. The notice of General Meeting is set out in Part 10 of this document.

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

Whether or not you intend to be present at the General Meeting, you are requested to complete and sign the Form of Proxy and return it, in accordance with the instructions printed on it, by post or (during normal business hours only) by hand to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6ZX, to arrive as soon as possible and, in any event, no later than 9.00 am on 16 March 2010. You may, if you wish, register the appointment of a proxy electronically by logging on to [www.sharevote.co.uk](http://www.sharevote.co.uk). To use this service, you will need your Voting ID, Task ID and Shareholder Reference Number which are each printed on the accompanying form of proxy. Full details of the procedure are given on the website [www.sharevote.co.uk](http://www.sharevote.co.uk). CREST members may use the CREST electronic proxy appointment service. Completion and return of the Form of Proxy or the transmission of a CREST Proxy Instruction in accordance with these instructions will not prevent you from attending the General Meeting and voting in person should you wish to do so.

## **10. Amendments to the Articles**

A number of amendments to the Articles are required in order to implement the Return of Capital. The proposed amendments setting out the rights and restrictions attaching to the B Shares and the Deferred Shares are set out in Part 4 and Part 5 of this document

## **11. Share Option Schemes**

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

At this stage the Board does not consider that any adjustments to the terms of the Share Option Schemes are necessary to preserve the value of the options that have been granted under the Share Option Schemes following the Return of Capital. The Board will reconsider this once the Return of Capital has been implemented. Should the Board determine that adjustments are so required, any adjustment proposed by the Board to the Group Share Option Plan and the Group Savings Related Share Option Plan will be subject to the consent of HM Revenue and Customs.

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

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

The Company expects to dispatch on 31 March 2010 definitive share certificates in respect of any B Shares held in certificated form which are not to be redeemed under the Initial Redemption, nor are to be converted into Deferred Shares on payment of the Single B Share Dividend.

No share certificates will be issued by the Company in respect of any B Shares on which the Single B Share Dividend is paid or in respect of any B Shares to be purchased pursuant to the Initial Redemption or in respect of any Deferred Shares.

Temporary documents of title will not be issued and, pending dispatch of definitive share certificates, transfers of any B Shares held in certificated form which are not to be redeemed under the Initial Redemption or are not to be converted into Deferred Shares on payment of the Single B Share Dividend will be certified against the register held by Equiniti.

It is expected that cheques in respect of the Single B Share Dividend will be dispatched to relevant Shareholders (being those Shareholders in whose name B Shares, in respect of which the Single B Share Dividend has been elected, are registered on the B Share Record Date) or relevant Shareholders will have their mandated bank accounts credited with the proceeds, as appropriate, on 8 April 2010.

It is expected that cheques in respect of the B Shares purchased under the Initial Redemption will be dispatched to relevant Shareholders (being those Shareholders in whose name B Shares, in respect of which the Initial Redemption has been elected, are registered on the B Share Record Date) or relevant Shareholders will have their CREST accounts credited with the proceeds, as appropriate, on 31 March 2010.

Share certificates, cheques and all other documents and remittances are dispatched at the Shareholder's own risk.

## **PART 3**

### **FREQUENTLY ASKED QUESTIONS WITH ANSWERS**

The following sets out some frequently asked questions and provides brief answers. **Shareholders should read the whole of this document and not just this Part 3.**

**If Shareholders have any further questions**, they may call the Equiniti Shareholder helpline on 0871 384 2825 (+44 121 415 0111 if calling from outside the United Kingdom) between 9.00 am and 5.00 pm (London time) on any Business Day. Calls to this number cost 8 pence per minute (including VAT) from a BT landline. Other telephone providers' costs may vary. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. **Please note that the helpline cannot provide advice on the merits of the Return of Capital nor give any financial, legal or tax advice.**

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

Dunelm Group has consistently generated significant cash flow for its requirements and as a result has built up a material cash balance in recent years. In the first half of the current financial year, the Group's average net cash position was £40.1 million, with net cleared funds at the end of the period being £45.9 million. In the absence of the proposed Return of Capital the Board would expect the Group's positive cash position to continue to increase further. Accordingly, the Board now proposes to return approximately £43.2 million to Shareholders, equivalent to 21.5 pence per Ordinary Share.

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

This method of return has been chosen as it allows Shareholders (save for certain Overseas Shareholders) to be treated equally on a pro rata basis and gives each Shareholder the choice to receive their capital in the form of a redemption of their B Shares, a dividend thereon, or a combination of both. It also provides some flexibility as to the timing of any capital that they elect to receive.

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

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

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

Before it can take place, the Return of Capital needs Shareholder approval at the General Meeting which has been convened for 9.00 am on 18 March 2010. The Resolution will be passed if more than 75 per cent. of the votes are cast in favour. The Directors recommend that you vote in favour of the Resolution putting into effect the proposed Return of Capital. Notice of the General Meeting, which includes the Resolution to be voted on at the General Meeting, is set out in Part 10 of this document. If you are unable to attend the General Meeting a Form of Proxy is enclosed with this document. Shareholders who hold their Ordinary Shares in CREST may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Equiniti so that it is received no later than 9.00 am on 16 March 2010. Completion and return of the Form of Proxy or the transmission of a CREST Proxy Instruction will not preclude Shareholders from attending and voting in person at the General Meeting, should they so wish.

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

Shareholders (other than certain Overseas Shareholders who may, at the Company's discretion, be deemed to have elected to receive the Single B Share Dividend (Alternative 2) in respect of their entitlement) have three choices. Further details of these choices are set out in paragraphs 3 and 4 of Part 2 of this document, entitled 'Details of the Return of Capital'.

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

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

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

Please read Part 7 of this document which sets out full details of how to complete your election form or, if you hold your shares in uncertificated form (that is in CREST), how to make your election through CREST.

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

Save for certain Overseas Shareholders who will at the Company's discretion be deemed to have elected for Alternative 2: (Single B Share Dividend), Shareholders who do not validly complete and return their Election Form or, in the case of Shareholders who hold their Ordinary Shares in CREST, do not send a valid TTE Instruction, by 4.30 pm on 25 March 2010 will, at the Company's discretion, be deemed to have elected for Alternative 1: (Initial Redemption) in respect of all of their entitlement.

#### **9. Will I get a certificate for my B Shares and can I sell them in the market?**

No share certificates will be sent to you in respect of the B Shares under Alternatives 1 and 2. Share certificates will only be sent in respect of B Shares to be redeemed on the Final Redemption Date (under Alternative 3), and it is expected that these will be issued on 31 March 2010.

Whilst the B Shares are transferable, they will not be admitted to listing or trading on any exchange and it is highly unlikely that an active market for them will develop or, if developed, be sustained.

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

If you need a replacement Election Form, you should call the Equiniti Shareholder helpline on 0871 384 2825 (+44 121 415 0111 if calling from outside the United Kingdom) between 9.00 am and 5.00 pm (London time) on any Business Day. Calls to this number cost 8 pence per minute (including VAT) from a BT landline. Other telephone providers' costs may vary. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Return of Capital nor give any financial, legal or tax advice. You will need to take into account the postal time necessary for a replacement Election Form to reach Equiniti by 4.30 pm on 25 March 2010.

#### **11. What if I hold my Ordinary Shares in a PEP or an ISA?**

The B Shares cannot be retained in a PEP or ISA as they will be unlisted and so will not constitute qualifying investments. If you elect for the Final Redemption (Alternative 3) in respect of any of your B Shares and the B Shares are added to a PEP or ISA, under current HM Revenue and Customs practice, your plan manager must, within 30 days of the issue of the B Share, sell the B Shares or transfer them to you to be held outside the PEP or ISA. Cash proceeds from a sale or redemption of such B Shares may, however, be retained in the PEP or ISA. If you hold your Ordinary Shares in a PEP or ISA, you should contact your plan manager who will be able to advise you of their procedure for voting on the Resolution to be tabled at the General Meeting.

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

Based on the closing middle market price of 381.70 pence per Ordinary Share on 22 February 2010 (the latest practicable date prior to posting of this circular), the proposed Return of Capital to Shareholders equates to approximately 6 per cent. of Dunelm Group's market capitalisation at that date (£766m).

Given, inter alia, the size of the Return of Capital relative to Dunelm Group's market capitalisation, the Board does not expect the proposed Return of Capital to have a significant impact on the market price of the Ordinary Shares. Investors should, however, note that the market value of shares can fluctuate as a result of many factors.

Where other listed companies have returned capital using similar mechanisms to this proposed Return of Capital, there has sometimes been a consolidation of their shares at the same time in order that the share price after the return of capital is approximately equal to the share price before the return of capital. The Board has decided that it is not necessary for there to be a share consolidation in this case, given, inter alia, the size of the Return of Capital relative to Dunelm Group's market capitalisation.

## **PART 4**

### **RIGHTS AND RESTRICTIONS ATTACHED TO THE B SHARES**

The following sets out the additional regulations which are proposed under the Resolution of the General Meeting to be inserted into the Articles to set out the rights and restrictions attaching to the B Shares.

#### **Article 4A Rights and restrictions attaching to the B Shares**

(a) Notwithstanding the provisions in these articles which relate to shares, the following articles 4A(b) to 4A(i) comprise all the rights and restrictions relating to the non-cumulative redeemable preference shares of the Company of 21.5 pence nominal value ('B Shares').

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

- (i) Together with a circular to holders dated 25 February 2010 (the 'Circular') holders of Ordinary Shares (other than certain Overseas Shareholders (including US Holders)) were sent an election form or, if they held their Ordinary Shares in CREST, they were notified of their entitlement to submit a transfer to escrow instruction relating to the B Shares (each an 'Election Form') under which they could elect in relation to any B Shares to be issued to them to:
- (A) have some or all of their B Shares redeemed by the Company on 26 March 2010 or such other date as the directors may determine (the 'Initial Redemption Date'); and/or
  - (B) receive the Single B Share Dividend (as defined below); and/or
  - (C) hold some or all of their B Shares to be redeemed subsequently on 24 June 2010 or such other date as the directors may determine (the 'Final Redemption Date').

Elections made by holders on their Election Forms in respect of the B Share Alternatives will not take effect until 4.30 pm on 25 March 2010 or such other time and/or date as the directors may determine.

- (ii) Holders of B Shares (other than certain Overseas Shareholders (including US Holders)) who have not returned a duly completed Election Form by 4.30 pm on 25 March 2010 (or such later time and/or date as the directors may determine) electing (revocably until that time) to accept the Single B Share Dividend or to retain such shares and have their B Shares redeemed by the Company on the Final Redemption Date will, unless determined otherwise by the Company, be deemed instead to have elected to have their B Shares redeemed by the Company on the Initial Redemption Date.
- (iii) The directors may, if they so determine in their absolute discretion, accept an Election Form which is received after the relevant time or which is not correctly completed. The directors may, in addition, if they so determine in their absolute discretion, treat any other document or action as a valid Election Form or as the completion or delivery of a valid Election Form, as the case may be.
- (iv) The directors may make such determinations or arrangements with respect to Election Forms or the ability of certain holders to elect for any of the Initial Redemption, the Single B Share Dividend or the Final Redemption as the directors may judge necessary or expedient to deal with legal or practical problems arising in any overseas jurisdiction or to deal with the requirements of any regulatory body or stock exchange or with any other matter whatsoever.

#### **(c) Income**

- (i) Subject to the CA 2006, a single dividend of 21.5 pence per B Share (the 'Single B Share Dividend') shall be payable (without having to be declared) to those holders of B Shares who have elected to receive the Single B Share Dividend in respect of which they have made such election.
- (ii) Such dividend shall become payable on 26 March 2010 or such later date as the directors may determine. Each B Share in respect of which such dividend becomes payable shall, on such date (or such other date as the directors may determine), be automatically converted, without any further action or consent being required from the Shareholder, into a deferred share of 21.5 pence nominal value with the rights and restrictions described in article 4B (a 'Deferred Share').
- (iii) The holders of the B Shares shall not be entitled to any further right of participation in the profits of the Company other than as described in articles 4A(c)(i) and 4A(c)(ii) above.

#### **(d) Capital**

- (i) Except as provided in article 4A(g) below, on a return of capital on a winding-up (excluding any intra-group reorganisation on a solvent basis) but not otherwise, the holders of the B Shares shall be entitled, in priority to any payment to the holders of Ordinary Shares or Deferred Shares, to 21.5 pence per B Share (which shall be the nominal capital paid up or credited as paid up on the B Shares) held by them.
- (ii) The aggregate entitlement of each holder of B Shares on a winding-up in respect of all of the B Shares held by him shall be rounded up to the nearest whole penny.
- (iii) The holders of the B Shares shall not be entitled to any further right of participation in the profits (save as described in article 4A(c) above) or assets of the Company in excess of that specified in article 4A(d)(i) above. If on such a winding-up the amounts available for payment are insufficient to cover in full the amounts payable on the B Shares, the holders of such shares will share ratably in the distribution of assets (if any) in proportion to the full preferential amounts to which they are entitled.

**(e) Redemption**

Subject to the CA 2006 and to the provisions of these articles, the B Shares will be redeemed in accordance with the following provisions:

- (i) holders of B Shares (other than certain Overseas Shareholders (including US Holders)) who do not complete and return an Election Form, or invalidly complete and return an Election Form, or complete and return an Election Form making a positive election to have some or all of their B Shares redeemed on the Initial Redemption Date, will have those B Shares redeemed (without the Company providing any notice) at 9.00 am on the Initial Redemption Date (unless determined otherwise by the directors);
- (ii) holders of B Shares (other than certain Overseas Shareholders (including US Holders)) who elect that only some of their B Shares will be redeemed on the Final Redemption Date will have such B Shares redeemed (without the Company providing any notice) at 9.00 am on the Final Redemption Date (unless determined otherwise by the directors) with the balance being redeemed (without the Company providing any notice) at 9.00 am on the Initial Redemption Date save for any B Shares in respect of which the holder is entitled to the Single B Share Dividend and subsequent conversion to Deferred Shares as described in article 4A(c)(i) and 4A(c)(ii) above;
- (iii) holders of B Shares (other than certain Overseas Shareholders (including US Holders)) who elect to have all of their B Shares redeemed on the Final Redemption Date will have all of their B Shares redeemed (without the Company providing any notice) at 9.00 am on that date (unless determined otherwise by the directors);
- (iv) unless redeemed earlier all B Shares in issue on the Final Redemption Date will be redeemed (without the Company providing any notice) at 9.00 am on the Final Redemption Date (unless determined otherwise by the directors);
- (v) on each B Share that is redeemed there will be paid to the holder thereof a sum equal to the nominal value of that B Share;
- (vi) all B Shares which are redeemed will immediately and automatically following such redemption be cancelled and will not be reissued;
- (vii) payment in respect of B Shares being redeemed may be made by cheque or by the crediting of accounts in a relevant system (eg CREST) (or otherwise as the directors may determine); and
- (viii) upon or after the Final Redemption Date and in accordance with these articles the directors may subject to and in accordance with the CA 2006 reclassify the authorised B Share capital of the Company existing following such redemption (including authorised B Share capital which has remained unissued) into unclassified shares.

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

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

**(g) Class rights**

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

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

- (i) No share certificates or other documents of title shall be issued in relation to the B Shares in respect of which a Single B Share Dividend is paid or which are redeemed by the Company on the Initial Redemption Date. The B Shares are not renounceable and all transfers of B Shares shall be effected in writing in usual or common form or in any other form which the directors may approve. For the avoidance of doubt B Shares will be redeemed in accordance with article 4A(e) above.
- (ii) No application has been, or will be, made to the UKLA or the London Stock Exchange, respectively, for the B Shares to be admitted to the official list maintained by the UKLA for the purposes of Part VI of the Financial Services and Markets Act 2000 and to trading on the market for listed securities of the London Stock Exchange.
- (iii) The B Shares may be settled through a relevant system (eg CREST).

**(i) Deletion of article 4A when no B Shares in existence**

Article 4A shall remain in force until there are no longer any B Shares in existence whether by way of conversion into Deferred Shares, redemption, cancellation or reclassification, whichever is earlier, notwithstanding any provision in these articles to the contrary. Thereafter article 4A shall be of no effect and shall be deemed to be deleted in its entirety and the separate register for the holders of B Shares shall no longer be required to be maintained by the Company; but the validity of anything done under articles 4A(b) to 4A(h) before that date shall not be affected, shall be conclusive and shall not be open to challenge on any grounds whatsoever.

## **PART 5**

### **RIGHTS AND RESTRICTIONS ATTACHED TO THE DEFERRED SHARES**

The following sets out the amendments which are proposed under the Resolution at the General Meeting to be made to the Articles to set out the rights and restrictions attaching to the Deferred Shares (which will be automatically redeemed on 24 June 2010 unless determined otherwise by the directors).

#### **Article 4B Rights and restrictions attaching to the Deferred Shares**

(a) Notwithstanding the provisions in these articles which relate to shares, the following articles 4B(b) to 4B(h) comprise all the rights and restrictions relating to the redeemable Deferred Shares of the Company of 21.5 pence nominal value (the 'Deferred Shares').

#### **(b) Income**

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

#### **(c) Capital**

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

- (i) firstly, paying to the holders of the B Shares 21.5 pence per B Share held by them; and
- (ii) secondly, paying to the holders of the ordinary shares the nominal capital paid up or credited as paid up on the ordinary shares held by them respectively, together with the sum of £100,000 on each ordinary share.

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

#### **(d) Attendance and voting at General Meetings**

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

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

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

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

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

The Deferred Shares will not be listed on any stock exchange nor shall any share certificates be issued in respect of such shares. The Deferred Shares shall be neither renounceable nor transferable.

#### **(g) Redemption**

- (i) Subject to the provisions of the CA 2006 and to the provisions of these articles, the Company may, at any time, without prior notice, redeem all Deferred Shares then in issue but all such Deferred Shares shall be automatically redeemed on 24 June 2010 (unless determined otherwise by the directors) for a total aggregate price not exceeding one penny for all such Deferred Shares redeemed. This payment may be made over, if the directors so determine, to charity. All Deferred Shares shall, upon redemption, immediately and automatically be cancelled and the Company shall not be entitled to reissue any of them.
- (ii) Upon, or at any time after, the redemption of any Deferred Shares in accordance with these articles the directors may, subject to and in accordance with the CA 2006, reclassify the authorised Deferred Share capital of the Company existing following such redemption into unclassified shares.

#### **(h) Deletion of article 4B when no Deferred Shares in existence**

Article 4B shall remain in force until there are no longer any Deferred Shares in existence, either issued or authorised, notwithstanding any provision in these articles to the contrary. Thereafter article 4B shall be of no effect and shall be deemed to be deleted in its entirety and the separate register for the holders of Deferred Shares shall no longer be required to be maintained by the Company; but the validity of anything done under articles 4B(b) to 4B(g) before that date shall not be affected, shall be conclusive and shall not be open to challenge on any grounds whatsoever.

## PART 6

# UNITED KINGDOM TAXATION IN RELATION TO THE RETURN OF CAPITAL

The comments below are intended as a general guide only, are based on current United Kingdom tax law and HM Revenue and Customs published practice and are not intended to be and should not be construed as legal or taxation advice to any particular Shareholder. The comments below apply only to Shareholders who are resident in the United Kingdom for tax purposes and who hold their Ordinary Shares, and who will hold their B Shares, beneficially as investments, not on trading account and not as part of a PEP or ISA. The tax consequences may be different for any future disposal and may alter between the date of this document and the implementation of the Return of Capital.

**Shareholders who are in any doubt as to their tax position or who are subject to tax in a jurisdiction other than the United Kingdom should consult an appropriate professional adviser without delay.**

### 1. B Share issue

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

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

### 2. Single B Share Dividend

#### Income tax

Under Alternative 2: (Single B Share Dividend), the dividend becomes payable, and so will be taxable, on 26 March 2010 (i.e. in tax year ended 5 April 2010).

A United Kingdom resident individual Shareholder who is liable to income tax at the starting or basic rate will pay no tax on the Single B Share Dividend unless it takes that Shareholder's income into the higher rate tax band.

A United Kingdom resident individual Shareholder who is liable to income tax at the higher rate will be liable to pay tax equal to 25 per cent. of the cash dividend received to the extent that the gross dividend, when treated as the top slice of that Shareholder's income, falls above the threshold for higher rate income tax.

United Kingdom resident taxpayers who are not liable to United Kingdom tax on dividends, including pension funds and charities, will not be liable to pay tax on the Single B Share Dividend.

United Kingdom resident corporate Shareholders will generally not be subject to corporation tax on the Single B Share Dividend insofar as the dividend constitutes an exempt distribution as referred to in Part 9A CTA 2009. Corporate Shareholders should consult their own tax adviser to ascertain which exempt class (if any) applies to them.

Non-United Kingdom resident Shareholders will not generally be able to claim repayment of any tax from HM Revenue and Customs under any double tax treaty in respect of the Single B Share Dividend.

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

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

#### Taxation on chargeable gains

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

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

Redemption of the Deferred Shares will be treated as described in paragraph 3 below and may result in a Shareholder realising a capital loss. A Shareholder wishing to realise a capital loss before the Deferred Shares are redeemed may be able to do so by making a negligible value claim within section 24(2) TCGA. However, it should be noted that the Finance Act 2006 contains provisions (which took effect from 5 December 2005) restricting the use in certain circumstances of capital losses by Shareholders liable to corporation tax. Corporate Shareholders should also note that it is possible that section 30 of TCGA could be regarded as being applicable to such a Shareholder who elects for the Single B Share Dividend. If that provision applies, the consideration would be increased on a just and reasonable basis to reflect the Single B Share Dividend and so it may not be possible to realise a capital loss in respect of the Deferred Shares.

### **3. Redemption of B Shares**

The Company has been advised that the redemption of B Shares by the Company should be treated as a disposal of those shares for United Kingdom tax purposes.

#### **Accordingly:**

- 3.1 Shareholders whose B Shares are redeemed should be treated as having disposed of those shares for CGT purposes. This may, depending on individual circumstances, give rise to a liability to CGT. Any gain or loss will be calculated by reference to the difference between the redemption price and the Shareholder's base cost in the B Shares that are redeemed (see paragraph 1.2 for details of how the base cost of the B Shares will be calculated).
- 3.2 The amount of CGT, if any, payable by an individual Shareholder on the redemption of his or her B Shares will depend on his or her personal tax position. No tax will be payable on any gain realised on a redemption of B Shares if the amount of the chargeable gain realised by the Shareholder, when aggregated with other chargeable gains realised by the Shareholder in the year of assessment in question (and after taking account of exemptions and allowable losses as may be available in each case), does not exceed the applicable Shareholder's annual exemption amount.  
  
Under the Finance Act 2008 individual and trustee CGT payers ceased to be entitled to taper relief (and, for periods up to 5 April 1998, indexation allowance) and are now subject to a single rate of charge to CGT at 18 per cent. (for the 2009/2010 tax year), in relation to disposals of capital assets after 5 April 2008. Accordingly, amounts received by an individual or trustee Shareholder who is resident in the UK or ordinarily resident in the UK for CGT purposes on redemption of his or her B Shares in excess of the base cost allocated to the B Shares and the Shareholder's annual exemption amount will, under the current legislation, be subject to CGT at 18 per cent. (subject to any applicable exemption or relief).
- 3.3 A corporate Shareholder is taxable on all of its chargeable gains, subject to other reliefs and exemptions. Corporate Shareholders are entitled to indexation allowance up to the date the chargeable gain is realised.
- 3.4 Subject to section 4 below, no part of the proceeds received by a Shareholder on the redemption of B Shares should be an income distribution in the Shareholder's hands.

### **4. Chapter 1, Part XVII ICTA 1988 and Chapter 1, Part 13 ITA 2007**

In certain circumstances, HM Revenue and Customs may apply Chapter 1, Part XVII ICTA 1988 or Chapter 1, Part 13 ITA 2007 where they have reason to believe a person obtains a tax advantage as a result of a 'transaction in securities' and where it cannot be shown that the transaction is a bona fide commercial transaction and did not have as one of its main objects, the obtaining of a tax advantage.

Broadly, the categories of Shareholders that might be affected by such provisions are UK individuals liable to UK income tax at the higher rate and trustees paying income tax at the trust rate and dividend trust rate. Were HM Revenue and Customs to apply these provisions to the Return of Capital, the effect could be to tax such Shareholders electing for the Initial Redemption and/or Final Redemption as if they had received a dividend equal to the amount received on redemption of the B Shares.

In the opinion of the Company and its taxation advisers, Chapter 1, Part 13 ITA 2007 or Chapter 1, Part XVII ICTA 1988 ought not to apply to Shareholders in respect of the Return of Capital.

### **5. Stamp duty and stamp duty reserve tax**

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

- 5.1 No stamp duty or stamp duty reserve tax ('SDRT') will be payable on the issue of the B Shares.
- 5.2 An agreement to sell B Shares will normally give rise to liability on the purchaser to SDRT at the rate of 0.5 per cent. of the actual consideration paid. If an instrument of transfer of the B Shares is subsequently produced it will generally be subject to stamp duty at the rate of 0.5 per cent. of the actual consideration paid (rounded up to the nearest £5). When such stamp duty is paid, the SDRT charge will be cancelled and any SDRT already paid will be refunded. Stamp duty and SDRT are generally the liability of the purchaser.
- 5.3 For the avoidance of doubt, a redemption of B Shares under the Initial Redemption or the Final Redemption will not give rise to any liability to stamp duty or SDRT for the Shareholder.
- 5.4 There will be no stamp duty or SDRT charge if the B Shares are converted into Deferred Shares.

## **PART 7 MAKING YOUR ELECTION**

### **1. Completing your Election Form**

If you hold your Ordinary Shares in certificated form your Election Form is enclosed with this document.

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

#### **It is important to note that:**

- if you fail to make a valid election for one or more of the B Share Alternatives, you will, unless otherwise determined by the Company, be deemed to have elected for the Initial Redemption alternative in respect of your entire holding of B Shares. It is expected that, on redemption pursuant to the Initial Redemption, the proceeds will generally be treated as a capital payment for United Kingdom tax purposes; and
- if you are a US Holder you should not return an Election Form and you will only be entitled to receive the Single B Share Dividend alternative.

The following instructions set out what you should do when completing your Election Form. Any decisions you reach should be based on the information contained in this document.

References to Boxes refer to the boxes indicated on the Election Form.

#### **Name(s) of Shareholder(s):**

Box A of the Election Form shows the name of the Shareholder, or names of joint Shareholders. When the Election Form is completed the Shareholder, or all joint Shareholders, need to sign Box 4 of the Election Form where indicated and in the case of Shareholders who are individuals these signatures need to be witnessed (the witness must be over 18 years of age and cannot be the Shareholder or one of the joint Shareholders, although one person could separately witness the signature of each of the joint Shareholders).

#### **Number of shares held:**

Box B shows the number of Ordinary Shares held at close of business on 19 February 2010 (being the latest practicable time prior to the publication of the Election Form). If you do not buy, sell or transfer any Ordinary Shares between 20 February 2010 and 18 March 2010, then this number will also be the number of B Shares which you will hold at the B Share Record Date and in respect of which you may make an election (assuming the expected timetable outlined on page 3 of this document applies).

**Shareholders should note that, as the B Shares will not be listed on any exchange, any sales, purchases or other transfers of B Shares may only be undertaken privately.**

#### **TO CHOOSE ONE B SHARE ALTERNATIVE FOR ALL OF YOUR B SHARES:**

To choose Alternative 1: (Initial Redemption) for ALL of your B Shares you should enter the word 'ALL' in Box 1. Save for certain Overseas Shareholders, Shareholders who do not return the Election Form will automatically receive the Initial Redemption in respect of all their B Shares.

To choose Alternative 2: (Single B Share Dividend) for ALL of your B Shares you should enter the word 'ALL' in Box 2.

To choose Alternative 3: (Final Redemption) for ALL of your B Shares you should enter the word 'ALL' in Box 3.

#### **TO SPLIT YOUR B SHARES BETWEEN MORE THAN ONE B SHARE ALTERNATIVE:**

To split your B Shares between Alternatives 1 and 2 you should enter, in numbers, the number of B Shares you wish to be subject to the Single B Share Dividend in Box 2 and leave Boxes 1 and 3 blank. The balance of your holding will receive Alternative 1 (Initial Redemption).

To split your B Shares between Alternatives 1 and 3 you should enter, in numbers, the number of B Shares in respect of which you wish to elect to receive the Final Redemption in Box 3 and leave Boxes 1 and 2 blank. The balance of your holding will receive Alternative 1 (Initial Redemption).

To split your B Shares between Alternatives 2 and 3 you should enter, in numbers, the number of B Shares you wish to be subject to the Single B Share Dividend in Box 2 and write the word BALANCE in Box 3.

To split your B Shares between Alternatives 1, 2 and 3 you should enter, in numbers, the number of B Shares you wish to be subject to the Single B Share Dividend in Box 2 and the number of B Shares in respect of which you wish to elect to receive the Final Redemption in Box 3. The balance of your holding will receive Alternative 1 (Initial Redemption).

#### **The following instructions set out default positions where Election Forms are incorrectly completed:**

Alternative 1: (Initial Redemption) will be elected for automatically on all B Shares in respect of which you have not elected for any other B Share Alternatives.

If you leave Box 3 blank and enter a number in Box 2 that is greater than your shareholding on 18 March 2010, your election in respect of Alternative 2: (Single B Share Dividend) will be reduced to your actual holding.

If you leave Box 2 blank and enter a number in Box 3 that is greater than your shareholding on 18 March 2010, your election in respect of Alternative 3: (Final Redemption) will be reduced to your actual holding.

If you have chosen to split your election between Alternatives 2 and 3 and the total number of B Shares entered in Boxes 2 and 3 is greater than your shareholding on 18 March 2010 (being the B Share Record Date), your election in respect of Alternative 3: (Final

Redemption) will be fulfilled first, and, if this does not exceed your actual holding, the balance of your holding will receive Alternative 2: (Single B Share Dividend).

If the total number of B Shares entered in Boxes 2 and 3 is less than your shareholding on 18 March 2010 (being the B Share Record Date), the balance of your holding for which you have made no election will receive Alternative 1: (Initial Redemption).

If you choose Alternative 2: (Single B Share Dividend) for your entire holding by entering the word 'ALL' in Box 2, anything entered in Boxes 1 and 3 will be disregarded.

If you choose Alternative 3: (Final Redemption) for your entire holding by entering the word 'ALL' in Box 3, anything entered in Boxes 1 and 2 will be disregarded.

If you place an 'X' in any of the Boxes, this will be accepted as if it were marked with 'ALL'.

If you enter the word 'ALL' in more than one Box: if you have entered 'ALL' in Box 1, anything in Boxes 2 and 3 will be disregarded, but if you have left Box 1 blank and entered 'ALL' in Boxes 2 and 3, you will be deemed to have elected for Alternative 3: Final Redemption and the 'ALL' in Box 2 will be disregarded.

**Notwithstanding the instructions set out above, Dunelm Group reserves the right, in its sole discretion, to accept completed Election Forms received after 4.30 pm on 25 March 2010 by Equiniti and to accept incomplete or incorrectly completed Election Forms. Dunelm Group further reserves the right in its sole discretion to reject any Election Forms if to act on the election would be illegal.**

A guide to the general tax position of Shareholders resident in the United Kingdom for tax purposes as at the date of this document is set out in Part 6 of this document. You are strongly advised to read that part of this document before completing and returning your Election Form.

#### **Final instruction in completing your Election Form:**

Once completed and signed, the Election Form should be returned in the reply-paid envelope provided. No stamps will be needed if posted in the United Kingdom. To be valid, Election Forms must be received by Equiniti by 4.30 pm on 25 March 2010. If you do not use the envelope provided, the Election Form should be returned by hand (during normal business hours) or by post to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.

**If you need assistance in completing the Election Form or have any queries relating to it, you should telephone the Equiniti Shareholder helpline on 0871 384 2825 from within the UK or +44 121 415 0111 if calling from outside the UK between 9.00 am and 5.00 pm (London time) on any Business Day. Calls to this number cost 8 pence per minute (including VAT) from a BT landline. Other telephone providers' costs may vary. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Return of Capital nor give any financial, legal or tax advice.**

Dunelm Group will determine all questions as to the form and validity (including time of receipt) of any Election Form, in its absolute discretion, which determination shall be final and binding. Dunelm Group also reserves the absolute right to waive any defect or irregularity in relation to, or the receipt of, an Election Form completed by or on behalf of any Shareholder, and such determination will be binding on such Shareholder. None of Dunelm Group, Equiniti or any other person will be under any duty to give notification of any defect or irregularity in any Election Form or incur any liability for failure to give any such notification.

## **2. Electing in CREST**

In order to facilitate the B Share Alternative elections, the B Shares will, for the purposes of settlement in CREST only, be designated as 'interim B Shares' under the ISIN GB00B3LNQG64 for the period 19 March 2010 to 25 March 2010. During this period CREST holders will have their accounts credited with 'interim B Shares' to allow them to elect electronically through the CREST system. From 26 March 2010 (or such other date as the Directors may determine), the B Shares will, for the purposes of dealings and settlement in CREST, be designated as 'B Shares' under the ISIN GB00B3P0LD56. Accordingly, on 26 March 2010 those CREST holders who have elected to hold B Shares until the Final Redemption will have their CREST accounts credited with the 'B Shares'.

#### **Electing for Alternative 1 (Initial Redemption)**

Shareholders who hold B Shares in CREST who wish to elect for Alternative 1 (Initial Redemption) should use the following procedure after their CREST accounts have been credited on 19 March 2010 (or such other date as the Directors may determine). The prescribed form of redemption is a TTE Instruction which, on its settlement, will have the effect of crediting a stock account of Equiniti under the participant ID and member account ID specified below, with the number of B Shares to be retained.

The TTE Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (a) the number of interim B Shares to which the election relates;
- (b) the participant ID of the holder of the interim B Shares;
- (c) the member account ID of the holder of the interim B Shares from which interim B Shares are to be debited;
- (d) the participant ID of Equiniti. This is 6RA46;
- (e) the member account ID of Equiniti. This is DENBON01;
- (f) the ISIN of the interim B Shares. This is GB00B3LNQG64;
- (g) the Intended Settlement Date. This must be by 4.30 pm on 25 March 2010;
- (h) the corporate action number. This is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST;
- (i) input with standard delivery instruction priority of 80; and
- (j) contact name and telephone number inserted in the shared note field.

In order for an uncertificated election to be valid, the TTE Instruction must comply with the requirements as to authentication and contents set out above and must settle by 4.30 pm on 25 March 2010.

CREST members and (where applicable) their CREST sponsors should note that the last time at which a TTE Instruction may settle is 4.30 pm on 25 March 2010.

### **Electing for Alternative 2 (Single B Share Dividend)**

Shareholders who hold B Shares in CREST who wish to elect for Alternative 2 (Single B Share Dividend) should use the following procedure after their CREST accounts have been credited on 19 March 2010 (or such other date as the Directors may determine). The prescribed form of election is a TTE Instruction which, on its settlement, will have the effect of crediting a stock account of Equiniti under the participant ID and member account ID specified below, with the number of interim B Shares to be converted into Deferred Shares and then redeemed by the Company on 24 June 2010 (or such other date as the Directors may determine).

The TTE Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details.

- (a) the number of interim B Shares to which the election relates;
- (b) the participant ID of the holder of the interim B Shares;
- (c) the member account ID of the holder of the interim B Shares from which interim B Shares are to be debited;
- (d) the participant ID of Equiniti. This is 6RA46;
- (e) the member account ID of Equiniti. This is DENBON02;
- (f) the ISIN of the interim B Shares. This is GB00B3LNQG64;
- (g) the Intended Settlement Date. This must be by 4.30 pm on 25 March 2010;
- (h) the corporate action number. This is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST;
- (i) input with standard delivery instruction priority of 80; and
- (j) contact name and telephone number inserted in the shared note field.

In order for an uncertificated election to be valid, the TTE Instruction must comply with the requirements as to authentication and contents set out above and must settle by 4.30 pm on 25 March 2010.

CREST members and (where applicable) their CREST sponsors should note that the last time at which a TTE Instruction may settle is 4.30 pm on 25 March 2010.

### **Electing for Alternative 3 (Final Redemption)**

Shareholders who hold B Shares in CREST who wish to elect for Alternative 3 (Final Redemption) should use the following procedure after their CREST accounts have been credited on 19 March 2010 (or such other date as the Directors may determine). The prescribed form of redemption is a TTE Instruction which, on its settlement, will have the effect of crediting a stock account of Equiniti under the participant ID and member account ID specified below, with the number of B Shares to be retained.

The TTE Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (a) the number of interim B Shares to which the election relates;
- (b) the participant ID of the holder of the interim B Shares;
- (c) the member account ID of the holder of the interim B Shares from which interim B Shares are to be debited;
- (d) the participant ID of Equiniti. This is 6RA46;
- (e) the member account ID of Equiniti. This is DENBON03;
- (f) the ISIN of the interim B Shares. This is GB00B3LNQG64;
- (g) the Intended Settlement Date. This must be by 4.30 pm on 25 March 2010;
- (h) the corporate action number. This is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST;
- (i) input with standard delivery instruction priority of 80; and
- (j) contact name and telephone number inserted in the shared note field.

In order for an uncertificated election to be valid, the TTE Instruction must comply with the requirements as to authentication and contents set out above and must settle by 4.30 pm on 25 March 2010.

CREST members and (where applicable) their CREST sponsors should note that the last time at which a TTE Instruction may settle is 4.30 pm on 25 March 2010.

### **To split your interim B Shares between more than one alternative**

If you wish to choose more than one alternative you should complete and submit two separate TTE Instructions in respect of Alternative 2 (Single B Share Dividend) and Alternative 3 (Final Redemption) specifying the number of interim B Shares to which each alternative applies. The balance of your holding of interim B Shares will receive Alternative 1 (Initial Redemption).

## **3. CREST**

If Ordinary Shares held in certificated form to which any election made on the Election Form relates are subsequently dematerialised into CREST before 4.30 pm on 25 March 2010 (or such other time and/or date as the Directors may determine), any instruction given by the submission of an Election Form will be ineffective. Shareholders who subsequently hold their B Shares in CREST will need to submit a valid TTE Instruction in place of the submitted Election Form by 4.30 pm on 25 March 2010 (or such other time and/or date as the Directors may determine).

If Ordinary Shares held in CREST are subsequently rematerialised into certificated form before 4.30 pm on 25 March 2010 (or such other time and/or date as the Directors may determine), holders of such shares who subsequently hold their B Shares in certificated form will

need to submit a valid Election Form bearing details of the new shareholding account by 4.30 pm on 25 March 2010 (or such other time and/or date as the Directors may determine). Election Forms can be obtained by telephoning the Equiniti Shareholder helpline on 0871 384 2825 from within the UK or +44 121 415 0111 if calling from outside the UK between 9.00 am and 5.00 pm (London time) on any Business Day. Calls to this number cost 8 pence per minute (including VAT) from a BT landline. Other telephone providers' costs may vary. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The help line cannot provide advice on the merits of the Return of Capital nor give any financial, legal or tax advice.

#### **4. Overseas Shareholders**

Shareholders who are not resident in the United Kingdom or who are citizens, residents or nationals of other countries should consult their professional advisers to ascertain whether the Return of Capital (including the receipt of the Single B Share Dividend, the Initial Redemption and/or the Final Redemption) will be subject to any restrictions or require compliance with any formalities imposed by the laws or regulations of, or any body or authority located in, the jurisdiction in which they are resident or to which they are subject. In particular, it is the responsibility of any Shareholders not resident in the United Kingdom or a citizen, resident or national of another country wishing to receive the Single B Share Dividend, redeem B Shares or otherwise dispose of any shares in Dunelm Group to satisfy themselves as to full observance of the laws of each relevant jurisdiction in connection with the Return of Capital or redemption or subsequent disposal of any shares in Dunelm Group, including the obtaining of any government, exchange control or other consents which may be required, or the compliance with other necessary formalities needing to be observed and the payment of any issue, transfer or other taxes or duties in such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Neither this document nor any other document issued or to be issued by or on behalf of Dunelm Group in connection with the Return of Capital constitutes an invitation, offer or other action on the part of Dunelm Group in any jurisdiction in which such invitation, offer or other action is unlawful.

In the event that the Directors are advised that it would or might be in breach of legal or regulatory requirements in any jurisdiction, or Dunelm Group would or might be required to make filings or take any other action in any jurisdiction as a result of its issuing B Shares to Shareholders who have registered addresses in any overseas jurisdiction or who are citizens, residents or nationals of other countries, it is proposed that the B Shares to which such Shareholders are entitled will be allotted to such Shareholders but may be issued to a nominee with the proceeds of the Return of Capital being remitted to such Shareholders.

The above provisions of this paragraph 4 and/or any other terms of the Single B Share Dividend or the redemption of the B Shares relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by Dunelm Group in its absolute discretion.

Non-UK Shareholders are recommended to read paragraph 7 of Part 2 of this document where further information is set out.

## PART 8 ADDITIONAL INFORMATION

### 1. The Company

- 1.1 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 Fosse Way, Syston, Leicester, LE7 1NF.
- 1.2 As at 22 February 2010 (being the latest practicable date prior to the publication of this document) the issued share capital of the Company was 200,798,317 Ordinary Shares, carrying one vote each and the Company held 254,898 Ordinary Shares in treasury (representing 0.13 per cent. of the issued Ordinary Shares). The Company is not permitted to exercise voting rights in respect of the Ordinary Shares held in treasury. Therefore, the total number of voting rights in the Company on 22 February 2010 was 200,543,419.

### 2. Directors' and other interests

- 2.1 The names of the Directors are set out on page 4 of this document.
- 2.2 As at the close of business on 22 February 2010 (being the latest practicable date prior to the posting 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:

	<b>Number of Ordinary Shares</b>	<b>% of the issued Ordinary Share capital</b>
W L Adderley	70,000,000	35.00
D Stead	430,085	0.22
G Cooper	181,611	0.09
M Sears	100,000	0.05
S Emeny	19,000	0.01

Under the Long-Term Incentive Plan:

	<b>Number of options</b>	<b>Earliest Vesting Date</b>
W L Adderley	93,809	March 2010
	190,130	September 2010
	259,459	September 2011
	123,949	September 2012
D Stead	61,461	March 2010
	127,792	September 2010
	178,378	September 2011
	85,215	September 2012

Under the Dunelm Group SAYE Scheme:

	<b>Number of options</b>	<b>Earliest Vesting Date</b>
W L Adderley	7,710	January 2012
D Stead	7,710	January 2012

- 2.3 Save as disclosed above and in paragraph 2.4 below, no Director has any interest in the Ordinary Share capital or loan 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.
- 2.4 As at 22 February 2010 (being the latest practicable date prior to the posting of this document) the total number of voting rights attributable to the issued Ordinary Share capital of the Company was 200,543,419 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, 3 per cent. or more of the voting rights attributable to the issued share capital of the Company:

	<b>Number of Ordinary Shares</b>	<b>% of the issued Ordinary Share capital</b>
W Adderley	39,400,000	19.70
J Adderley	8,670,000	4.30

Note: W Adderley is married to J Adderley and they are the parents of W L Adderley, a director of Dunelm Group plc.

- 2.5 As at the close of business on 22 February 2010 (being the latest practicable date prior to the posting of this document, there were 2,503,737 options outstanding over the Company's Ordinary Shares representing 1.25 per cent. of the Ordinary Shares in issue.
- 2.6 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 are adequate to ensure that any control such Shareholders may have over the Company will not be abused.

### **3. General**

The B Shares are not renounceable and will be transferable by an instrument of transfer in usual or common form. The B Shares will be in registered form.

### **4. Documents available for inspection**

Copies of the following documents may be inspected at the offices of HBJ Gateley Wareing LLP at Fleet Place House, 2 Fleet Place, Holborn Viaduct, London, EC4M 7RF during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document up to and including the date of the General Meeting and at the place of the General Meeting for at least 15 minutes before and during the General Meeting:

- (a) the Articles and memorandum of association of the Company;
- (b) the list of proposed amendments to the Articles as a consequence of the Return of Capital; and
- (c) this document.

## PART 9 DEFINITIONS

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

<b>‘Articles’ or ‘Articles of Association’</b>	the articles of association of the Company
<b>‘B Share Alternatives’ or ‘Alternatives’</b>	the alternatives of the Single B Share Dividend (Alternative 2), the Initial Redemption (Alternative 1) or the Final Redemption (Alternative 3)
<b>‘B Share Record Date’</b>	6.00 pm on 18 March 2010 (or such other time and/or date as the Directors may determine)
<b>‘B Share Scheme’</b>	the transaction comprising the B Share Alternatives
<b>‘B Shares’</b>	the unlisted non-cumulative redeemable preference shares of 21.5 pence each in the capital of the Company, the rights and restrictions of which are set out in Part 4 of this document
<b>‘Board’ or ‘Directors’</b>	the board of directors of the Company
<b>‘Business Day’</b>	any date on which banks are generally open in England and Wales for the transaction of normal banking business other than a Saturday, Sunday or public holiday
<b>‘CA 2006’</b>	the Companies Act 2006, as amended
<b>‘Company’ or ‘Dunelm Group’</b>	Dunelm Group plc
<b>‘CREST Manual’</b>	the current version of the CREST Manual which at the date of this document is available on <a href="http://www.euroclear.co.uk/CREST">www.euroclear.co.uk/CREST</a>
<b>‘CREST Regulations’</b>	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended)
<b>‘CREST’</b>	the system for the paperless settlement of trades in securities operated by Euroclear UK & Ireland Limited in accordance with the CREST Regulations
<b>‘CTA’</b>	the Corporation Tax Act 2009
<b>‘Deferred Shares’</b>	the unlisted deferred shares of 21.5 pence each in the capital of the Company (the rights and restrictions of which are set out in Part 5 of this document) created on the automatic conversion of each B Share in respect of which the Single B Share Dividend is paid
<b>‘Disclosure and Transparency Rules’</b>	the disclosure and transparency rules made by the FSA in exercise of its functions as competent authority pursuant to Part VI of FSMA
<b>‘Election Form’</b>	the form enclosed with this document by which Shareholders may choose one of the B Share Alternatives
<b>‘Election Period’</b>	the period from 25 February 2010 until 4.30 pm on 25 March 2010, during which time Shareholders may make elections pursuant to the B Share Alternatives
<b>‘Equiniti’</b>	a trading name of Equiniti Limited
<b>‘Euroclear’</b>	Euroclear UK & Ireland Limited, the operator of CREST
<b>‘Final Redemption Date’</b>	24 June 2010 or such other date as the Directors may determine
<b>‘Final Redemption’</b>	the redemption by the Company of B Shares on the Final Redemption Date
<b>‘Form of Proxy’</b>	the form enclosed with this document for use by Shareholders in connection with the General Meeting
<b>‘FSA’</b>	the Financial Services Authority
<b>‘FSMA’</b>	the Financial Services and Markets Act 2000
<b>‘General Meeting’</b>	the general meeting of the Company to be held at 9.00 am on 18 March 2010, notice of which is set out at the end of this document
<b>‘Group’</b>	the Company and its subsidiary undertakings
<b>‘ICTA’</b>	Income and Corporation Taxes Act 1988
<b>‘Initial Redemption Date’</b>	26 March 2010 or such other date as the Directors may determine
<b>‘Initial Redemption’</b>	the redemption by the Company of B Shares on the Initial Redemption Date

<b>'ISA'</b>	individual savings account
<b>'ITA 2007'</b>	Income Tax Act 2007
<b>'Listing Rules'</b>	the listing rules made by the FSA in exercise of its functions as competent authority pursuant to Part VI of FSMA
<b>'London Stock Exchange'</b>	London Stock Exchange plc or its successor
<b>'Official List'</b>	the official list maintained by the UK Listing Authority for the purposes of Part VI of FSMA
<b>'Ordinary Share Record Date'</b>	6.00 pm on 18 March 2010 (or such other time and/or date as the Directors may determine)
<b>'Ordinary Shares'</b>	ordinary shares of 1 pence each in the capital of the Company
<b>'Overseas Shareholders'</b>	Shareholders resident in, or citizens of, jurisdictions outside the United Kingdom, including without limitation, US Holders
<b>'PEP'</b>	personal equity plan
<b>'recognised investment exchange'</b>	as defined in section 285 FSMA
<b>'Registrars' or 'Equiniti'</b>	the registrars of the Company
<b>'Resolution'</b>	the resolution set out in the notice of General Meeting at Part 12 of this document
<b>'Return of Capital'</b>	the transaction comprising the issue of B Shares and the B Share Alternatives
<b>'Share Option Schemes'</b>	the Company's Long-Term Incentive Plan, Group Share Option Plan and Group Savings Related Share Option Plan
<b>'Shareholder(s)' or 'Ordinary Shareholder(s)'</b>	(a) holder(s) of Ordinary Shares
<b>'Single B Share Dividend Date'</b>	26 March 2010 (or such other date as the Directors may determine)
<b>'Single B Share Dividend'</b>	the dividend of 21.5 pence per B Share
<b>'subsidiary undertaking'</b>	shall, unless otherwise stated, be construed in accordance with the CA 2006 (but for these purposes ignoring paragraph 19(1)(b) of Part 1 of Schedule 6A to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008)
<b>'TCGA'</b>	Taxation of Chargeable Gains Act 1992
<b>'TTE Instruction'</b>	Transfer to Escrow Instruction
<b>'UK Listing Authority' or 'UKLA'</b>	the FSA acting in its capacity as the competent authority for listing under Part VI of FSMA and in the exercise of its functions in respect of admission to the Official List
<b>'United Kingdom' or 'UK'</b>	the United Kingdom of Great Britain and Northern Ireland
<b>'US Holder'</b>	(i) a Shareholder with an address in the US on the Company's register of members; (ii) any person resident in the US who holds Ordinary Shares including directly, or as or through, a nominee, trustee or custodian; and (iii) persons who appear at any time to the Directors to fall within paragraph (ii) of this definition
<b>'US Securities Act'</b>	United States Securities Act of 1933 (as amended)
<b>'US' or 'United States'</b>	the United States of America (including the states of the United States and the District of Columbia), its possession and territories and all areas subject to its jurisdiction

All times referred to are London times unless otherwise stated.

## PART 10 NOTICE OF GENERAL MEETING

DUNELM GROUP (the 'Company')  
(Registered in England No. 4708277)

### NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of the Company will be held at The Haycock Hotel, Wansford near Peterborough, PE8 6JA at 9.00 am on 18 March 2010 for the purpose of considering and, if thought fit, passing the following Special Resolution:

#### Special Resolution:

That:

- (a) the authorised share capital of the Company be and is hereby increased from £5 million to £48.215 million by the creation of 201 million non-cumulative redeemable preference shares of 21.5 pence each (**'B Shares'**) having the rights and subject to the restrictions set out in the Articles of Association proposed to be amended pursuant to paragraph (c) of this resolution;
- (b) the Directors be and are hereby authorised to:
  - (i) capitalise a sum not exceeding £43.215 million standing to the credit of the Company's merger reserve and to appropriate such sum to the members of the Company by applying such sum in paying up in full at par 201 million B Shares; and
  - (ii) pursuant to Section 551 of the Companies Act 2006 to allot and issue such B Shares credited as fully paid up, up to an aggregate nominal amount of £43.215 million to the holders of the ordinary shares of 1 pence each in the Company (the **'Ordinary Shares'**) on the basis of one B Share for each Ordinary Share held and recorded on the register of members of the Company at 6.00 pm on 18 March 2010 (or such other time and/or date as the Directors may determine), provided that the authority hereby conferred shall expire at the conclusion of the Annual General Meeting to be held in 2010 or the date that is 15 months from the date of the passing of this resolution, whichever is the earlier; and
  - (iii) to do all acts and things they may consider necessary or desirable to give effect to this resolution and to satisfy any entitlement to B Shares howsoever arising;
- (c) the Articles of Association of the Company shall be and are hereby amended in the manner set out in the list of amendments produced to the meeting and initialled for the purpose of identification by the Chairman; and
- (d) with effect from 00.01 am on 25 June 2010 (or such other time and/or date as the Directors may determine), the authorised B Shares and Deferred Shares of 21.5 pence each in the capital of the Company shall be and are hereby sub-divided into and re-classified as Ordinary Shares, on the basis that every 2 B Shares and Deferred Shares will convert into 43 Ordinary Shares, in the capital of the Company.

Dated: 25 February 2010  
Registered Office: Fosse Way  
Syston  
Leicester  
LE7 1NF

By order of the Board  
D Stead  
Secretary

#### Notes:

1. 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 6ZX, not less than 48 hours before the time of the General Meeting. Appointment of a proxy does not preclude a Shareholder from attending the General Meeting and voting in person.
2. A member entitled to attend, speak and vote at the General Meeting may appoint one or more proxies (who need not be a member of the Company) to attend and to speak and to vote on his or her behalf whether by show of hands or on a poll. A member can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him. To appoint more than one proxy, please contact the Company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6ZX. 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:
  - 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 6ZX;
  - you may, if you wish, register the appointment of a proxy electronically by logging on to [www.sharevote.co.uk](http://www.sharevote.co.uk). To use this service you will need your Voting ID, Task ID and Shareholder Reference Number printed on the accompanying form of proxy. Full details of the procedure are given on the website [www.sharevote.co.uk](http://www.sharevote.co.uk).; 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 General Meeting.
3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment thereof by using the procedures described in the CREST Manual available at [www.euroclear.com/CREST](http://www.euroclear.com/CREST). 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.

4. In order for a proxy appointment, or instruction, made by means of CREST to be valid, the appropriate CREST message (a **'CREST Proxy Instruction'**) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (**'EUI'**) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the Notice of General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001. 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.
5. 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.
6. Representatives of Shareholders that are corporations will have to produce evidence of their proper appointment when attending the General Meeting. Please contact our Registrar if you need any further guidance on this.
7. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, in order to be able to attend and vote at the General Meeting or any adjourned meeting (and also for the purpose of calculating how many votes a person may cast), a person must have his/her name entered on the register of members of the Company by 6.00 pm on 16 March 2010 (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 General Meeting.
8. The issued share capital of the Company as at 22 February 2010 (being the latest practicable date prior to the publication of this document) was 200,798,317 Ordinary Shares, carrying one vote each. The Company holds 254,898 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 22 February 2010 was 200,543,419.
9. 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.
10. Information, regarding the General Meeting, including the information required by section 311A of the Companies Act 2006, is available from <http://production.investis.com/dnlm>.
11. If you wish to attend the General Meeting in person, please bring the enclosed admission card and present this to our Registrars upon arrival.
12. 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 6ZX. 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.
13. 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 6ZX. 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 6ZX no less than 24 hours before the time of the General Meeting. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then your proxy appointment will remain valid.
14. Pursuant to section 319A of the Companies Act 2006, the Company must cause to be answered at the General Meeting any question relating to the business being dealt with at the General Meeting which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.
15. Shareholders who have general queries about the General Meeting should contact David Stead at [david.stead@dunelm-mill.co.uk](mailto:david.stead@dunelm-mill.co.uk). No other methods of communication will be accepted. You may not use any electronic address provided either:
  - 15.1 in this notice of General Meeting; or
  - 15.2 any related documents (including the Form of Proxy), to communicate with the Company for any purposes other than those expressly stated.