

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000, as amended, if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all your shares in Dunelm Group plc (the **Company**), please send this document, together with the accompanying Form of Proxy, as soon as possible, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. If you have sold or otherwise transferred only part of your holding, you should retain these documents.

DUNELM GROUP PLC

(Incorporated in England and Wales with registered no. 04708277)

Proposed Related Party Transaction and Notice of General Meeting

Sponsor
UBS Investment Bank

This document should be read as a whole. Your attention is drawn to the letter from the Chairman which is set out on pages 4 to 6 of this document and the recommendation in respect of the Resolution to be proposed at the General Meeting referred to below.

Notice of a general meeting of Dunelm Group plc to be held at 9.30 a.m. on 7 March 2017 at Dunelm Store Support Centre, Watermead Business Park, Syston, Leicester, Leicestershire, LE7 1AD is set out on page 19 of this document. Details of the action you are recommended to take are set out on page 5 of this document. Whether or not you plan to attend the General Meeting, please complete the enclosed Form of Proxy and return it in accordance with the instructions printed on it as soon as possible, but in any event so as to be received by the Company's registrars, Equiniti, at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, by no later than 9.30 a.m. on 5 March 2017 (or, in the case of any adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). Alternatively, if you hold Ordinary Shares in uncertificated form, you may also appoint a proxy by completing and transmitting a CREST proxy instruction in accordance with the procedures set out in the CREST Manual, ensuring that it is received by Equiniti by no later than 9.30 a.m. on 5 March 2017 (or in the case of any adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). The completion and return of a Form of Proxy or using the CREST electronic proxy appointment service will not prevent you from attending, speaking and voting at the General Meeting, or at any adjournment of such meeting, in person should you wish to do so.

This document should be read in conjunction with the accompanying Form of Proxy and the definitions set out in this document. The whole of this document should be read and, in particular, your attention is drawn to the letter from the Chairman.

No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representation must not be relied on as having been so authorised. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in it is correct as at any subsequent time.

UBS Limited (**UBS**), which is authorised by the Prudential Regulation Authority (the **PRA**) and regulated by the Financial Conduct Authority (the **FCA**) and the PRA in the United Kingdom, is acting solely for the Company in relation to the matters set out in this document (the **Transaction**) and nobody else and will not be responsible to anyone other than the Company for providing the protections afforded to clients of UBS nor for providing advice in relation to the Transaction or any other matter referred to in this document. Apart from the responsibilities and liabilities, if any, which may be imposed upon UBS by the Financial Services and Markets Act 2000, as amended (**FSMA**), or the regulatory regime established thereunder, UBS does not accept any responsibility whatsoever or make any representation or warranty, express or implied, concerning the contents of this document, including its accuracy, completeness or verification, or concerning any other statement made or purported to be made by it, or on its behalf, in connection with the Company or the Transaction and nothing in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or future. UBS accordingly disclaims, to the fullest extent permitted by law, all and any responsibility and liability whether arising in tort, contract or otherwise (save as referred to in this document) which it might otherwise have in respect of this document or any such statement.

CONTENTS

	PAGE
EXPECTED TIMETABLE OF PRINCIPAL EVENTS	2
DIRECTORS, COMPANY SECRETARY AND ADVISERS	3
PART I LETTER FROM THE CHAIRMAN	4
PART II BUSINESS OF THE GENERAL MEETING	7
PART III ADDITIONAL INFORMATION	10
PART IV DEFINITIONS	17
PART V NOTICE OF GENERAL MEETING	19

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	Time and Date
Publication of this document	9 February 2017
Latest time for receipt of individual Forms of Proxy for General Meeting	9.30 a.m. 5 March 2017
Voting record date	6.30 p.m. 5 March 2017
General Meeting	9.30 a.m. 7 March 2017

Future times and dates are indicative only and are subject to change by the Company. If the expected timetable of events changes from the above, the Company will release an announcement to this effect.

References to time in this document are to London time.

DIRECTORS, COMPANY SECRETARY AND ADVISERS

Directors	Andrew Harrison (Non-Executive Chairman of the Board)
	William L. Adderley (Executive Deputy Chairman of the Board)
	John Browett (Chief Executive, Director)
	Keith Down (Chief Financial Officer, Director)
	Simon Emeny (Senior Non-Executive Independent Director)
	Marion Sears (Non-Executive Director)
	Liz Doherty (Non-Executive Independent Director)
	William Reeve (Non-Executive Independent Director)
	Peter Ruis (Non-Executive Independent Director)

Company Secretary	Dawn Durrant
--------------------------	--------------

Sponsor	UBS Limited 5 Broadgate London EC2M 2QS
----------------	--

Lawyers	Allen & Overy LLP One Bishops Square London E1 6AD
----------------	---

Registrars	Equiniti Aspect House Spencer Road Lancing West Sussex BN99 6DA
-------------------	--

PART I — LETTER FROM THE CHAIRMAN

(Incorporated in England and Wales, with registered no. 04708277)

Directors:

William L. Adderley
John Browett
Liz Doherty
Keith Down
Simon Emeny
Andrew Harrison
William Reeve
Peter Ruis
Marion Sears

Dunelm Group plc

Registered Office:

Watermead Business Park
Syston
Leicestershire
LE7 1AD

9 February 2017

Dear Shareholder,

Notice of General Meeting and Proposed Related Party Transaction

1. Introduction

The Board has become aware of a technical issue in respect of the payment of the final dividend of 16 pence per Ordinary Share paid on 27 November 2015 (the **Relevant Distribution**).

The Act provides that a public company may pay a dividend out of its distributable profits as shown in the last accounts circulated to members or, if interim accounts are used, those that have been filed at Companies House. The requirement for the relevant accounts to have been filed applies even if the Company in question has sufficient distributable profits at the relevant time.

The Company at all times had sufficient profits and other distributable reserves to pay the Relevant Distribution (as is evident from the Financial Statements for the 30 weeks ended 30 January 2016 that were filed with the Registrar of Companies on 26 February 2016), but such distributable reserves were not shown by the 2015 Accounts at the times that the Relevant Distribution was declared or paid. On 3 September 2015, before the Relevant Distribution was declared and paid, the profits of the Company available for distribution as included in the 2015 Accounts were increased by a payment of a dividend of £95 million from a wholly-owned subsidiary of the Company, Dunelm (Soft Furnishings) Limited. The Company's distributable profits reserves were, as a consequence, increased to £95.7 million, being an amount sufficient to cover the Relevant Distribution of £32.4 million. Receipt of such intra-group dividend by the Company was included in the 2015 Accounts in a post balance sheet event note, shown as Note 15 to the 2015 Accounts.

The 2015 Accounts were approved by the Board and signed on 10 September 2015 and sent to shareholders on 16 October 2015. It was the Board's understanding at the time of the Relevant Distribution that the 2015 Accounts (including Note 15) were sufficient to fulfil the procedural requirements of the Act. However, the Board has since taken further professional legal advice and has concluded that the 2015 Accounts did not constitute "relevant accounts" within the meaning in the Act and interim accounts demonstrating the distributable reserves of £95.7 million as required by the Act should have been filed prior to the Relevant Distribution being made. The Board has therefore concluded that the Relevant Distribution was made otherwise than in accordance with the Act and that it would be prudent to proceed on the basis outlined in this document.

The purpose of this document is to convene a General Meeting to propose the Resolution, which will, if passed, give the Board authority to enter the deeds of release described in Part II of this document and put all potentially affected parties so far as possible in the position in which they were always intended to be had the Relevant Distribution been made in accordance with the procedural requirements of the Act.

The Company has been advised that, as a consequence of the Relevant Distribution having been made otherwise than in accordance with the Act, it may have claims against past and present shareholders who were recipients of the Relevant Distribution and against persons who were directors of the Company at the time of payment of the Relevant Distribution. It is therefore proposed that the Company enter into the Shareholders' Deed of Release and the Directors' Deed of Release. The consequence of the entry into these deeds by the Company is that the Company will be unable to make any claims against:

- (a) past and present shareholders of the Company who were recipients of the Relevant Distribution; or
- (b) the Directors and Former Director,

in each case in respect of the payment of the Relevant Distribution otherwise than in accordance with the Act.

The entry by the Company into the Directors' Deed of Release constitutes a related party transaction (as defined in the Listing Rules). The entry by the Company into the Shareholders' Deed of Release also constitutes a related party transaction (as defined in the Listing Rules) as each of Bill Adderley and William L. Adderley (the **Substantial Shareholders**) fall within the definition of "substantial shareholder" in the Listing Rules and are therefore related parties for the purposes of the Listing Rules. Therefore, the Resolution will seek the specific approval of the Company's shareholders for the entry into each of the Directors' Deed of Release and the Shareholders' Deed of Release as related party transactions, in accordance with the requirements of the Listing Rules.

Further details and an explanation of the business of the General Meeting and the related party transactions are set out in Part II of this document.

2. Notice of General Meeting

A notice of General Meeting of the Company which will be held at Dunelm Store Support Centre, Watermead Business Park, Syston, Leicester, Leicestershire, LE7 1AD at 9.30 a.m. on 7 March 2017 can be found in Part V of this document.

You are advised to read the whole of this document, including the Notice, and not to rely solely on the information contained in this letter.

3. Proxy voting

Whether or not you will be attending the General Meeting, I would urge you to complete, sign and return the accompanying Form of Proxy to the Company's registrars, Equiniti at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA as soon as possible and, in any event, so as to arrive by no later than 9.30 a.m. on 5 March 2017. Further details are given in the notes to the Notice set out on pages 19 to 22 of this document. Completion and return of the Form of Proxy will not preclude shareholders from attending and voting in person at the General Meeting, should they so wish. The attention of corporate shareholders wishing to appoint more than one corporate representative is drawn to note 14 to the Notice set out on page 21 of this document.

This letter is also being sent to those who have been nominated to receive information rights under section 146 of the Act who do not themselves have a right to appoint a proxy or proxies. The attention of such nominated persons is drawn to note 15 to the Notice set out on page 22 of this document.

4. Recommendation

Given the interests of the Board in the Resolution, and as required by the Listing Rules:

- (a) the Board has not considered whether the Resolution is in the best interests of the Company. Accordingly, the Board cannot recommend that shareholders vote in favour of the Resolution, but recommends that shareholders vote on it. However, the Board has been advised by UBS, in its capacity as the Company's Sponsor, that (i) the waiver of claims against the Directors and Former Director pursuant to the Resolution and (ii) the entry into each of the Directors' Deed of Release and the Shareholders' Deed of Release, are fair and reasonable so far as the shareholders of the Company are concerned; and

(b) each of Bill Adderley, Jean Adderley, The Stoneygate Trust, the Paddocks Discretionary Trust (together with The Stoneygate Trust, the **Trusts**), the Directors and the Former Director and their associates are precluded from voting on the Resolution. Therefore, Bill Adderley, Jean Adderley, the Trusts, the Directors and the Former Director have undertaken to abstain, and to take all reasonable steps to ensure that their associates abstain, from voting on the Resolution. As at 8 February 2017 (being the latest practicable date before the publication of this document), Bill Adderley held 39,400,000, Jean Adderley held 8,670,000, The Stoneygate Trust held 967,250, the Paddocks Discretionary Trust held 172,750, the Directors held 54,474,849 and the Former Director held 754,043 Ordinary Shares respectively. As at 8 February 2017 (being the latest practicable date before the publication of this document), Bill Adderley, Jean Adderley, the Trusts, the Directors and the Former Director were recorded in the Company's register of members as holding a total of 104,438,892 Ordinary Shares in the capital of the Company representing approximately 51.8 per cent. of the Company's existing ordinary share capital.

In accordance with current best practice and to ensure voting accurately reflects the views of shareholders, it will be proposed at the General Meeting that voting on the Resolution will be conducted by poll vote rather than by a show of hands and the relevant procedures will be explained at the meeting.

The Board has taken steps to ensure that, in future, the issues referred to in this document do not arise in relation to the payment of dividends. We are grateful for shareholders' understanding in respect of the issues set out in this document.

On behalf of the Board, thank you for your continued support of the Company.

Yours sincerely



Andrew Harrison
Chairman

PART II — BUSINESS OF THE GENERAL MEETING

1. The Relevant Distribution

The Board has become aware of a technical issue in respect of the Company's procedures for the payment of the final dividend in respect of the 53 weeks ending 4 July 2015. This issue, which is described in Part I of this document, resulted in the Relevant Distribution being made otherwise than in accordance with the Act.

This issue only affected the Relevant Distribution and did not affect any other distributions made by the Company in the relevant financial year.

2. The consequences of the Relevant Distribution having been made otherwise than in accordance with the Act

The Company has been advised that, as a consequence of the Relevant Distribution having been made otherwise than in accordance with the Act, it may have claims against past and present shareholders who were recipients of the Relevant Distribution and against persons who are now, or were at the time of payment of the Relevant Distribution, directors of the Company.

The Board notes, however, that the Company has no intention of bringing any such claims.

The Company has been independently advised by Allen & Overy LLP.

3. Shareholder Resolution

In order to remedy the potential consequences of the Relevant Distribution having been made otherwise than in accordance with the Act and to put all potentially affected parties so far as possible in the position in which they were always intended to be had the Relevant Distribution been made in accordance with the requirements of the Act, the Company is proposing the Resolution, the full text of which is set out in the Notice in Part V of this document.

If passed, the effect of the Resolution, which will be proposed as a special resolution, will be to:

- authorise the appropriation of the distributable profits of the Company to the payment of the Relevant Distribution, having a value of £32.4 million;
- waive any and all claims which the Company has or may have in respect of the payment of the Relevant Distribution against its shareholders who appeared on the register of shareholders on the relevant record date for the Relevant Distribution (or the personal representatives and their successors in title of the estate of any deceased shareholders), such waiver to be effected by way of the entry by the Company into the Shareholders' Deed of Release; and
- waive any and all claims which the Company may have against its Directors and Former Director and the personal representatives (and their successors in title) of the estate of any deceased Directors and Former Director, such waiver to be effected by way of the entry by the Company into the Directors' Deed of Release.

The approach that the Company is proposing by way of the Resolution is consistent with the approach taken by other companies incorporated in the United Kingdom whose shares are admitted to the UKLA Official List and to trading on the Main Market of the London Stock Exchange and that have also made distributions otherwise than in accordance with the Act, having failed to comply with the procedural requirements to file relevant accounts specifically prepared for the purposes of the payment of a dividend or other distribution.

4. The authorisation of the appropriation of the Company's distributable profits and the Shareholders' Deed of Release

The approach that the Company is proposing involves the authorisation of the appropriation of the distributable profits of the Company to the payment of the Relevant Distribution. As a matter of common law, it is necessary for the appropriation of distributable profits to be approved by shareholders.

The Company has been advised that it is also preferable for shareholders to approve the Company's entry into the Shareholders' Deed of Release, since the release of those past and present shareholders who appeared on the register of members on the record date for the Relevant Distribution (or their personal representatives (and their successors in title) if they are deceased) from any and all claims which the Company has or may have in respect of the payment of the Relevant Distribution will, insofar as those persons remain shareholders of the Company, comprise a benefit to shareholders tantamount to a distribution.

The proposed authorisation of the appropriation of the Company's distributable profits to the payment of the Relevant Distribution and the entry by the Company into the Shareholders' Deed of Release will not, however, have any effect on the Company's financial position. This is because the aggregate amount of the Relevant Distribution is equal to and offset by the release of each Recipient Shareholder from the liability to repay the amount already paid, and the Company will not be required to make any further payments to shareholders in respect of the Relevant Distribution.

In addition, the entry by the Company into the Shareholders' Deed of Release and consequential waiver of any rights of the Company to make claims against the shareholders (or the personal representatives and their successors in title (as appropriate) of a shareholder's estate if he or she is deceased) in respect of the Relevant Distribution, constitutes a related party transaction (as defined in the Listing Rules) as each of the Substantial Shareholders are related parties for the purposes of the Listing Rules. As a result, the Resolution must be approved by the Company's shareholders who are not interested related parties. Accordingly, each of the Substantial Shareholders is precluded from voting on the Resolution and the Substantial Shareholders have undertaken to abstain, and to take all reasonable steps to ensure that their associates abstain, from voting on the Resolution.

In addition, the Company has not recorded or disclosed the potential right to make claims against Recipient Shareholders as an asset or a contingent asset in its financial statements. Under the Company's IFRS accounting policies, it could only record such a right as an asset when an inflow of economic benefits in favour of the Company as a result of such claim or claims being brought was virtually certain. The value of any economic benefit which the Company may derive from bringing claims against the Recipient Shareholders is uncertain (and, in any case, incapable of reliable estimation) on the basis that it may be possible for the Recipient Shareholders to establish defences to any such claims and there can be no certainty as to the amounts which could be recovered by the Company.

In addition, under IFRS, a contingent asset is required to be disclosed only when an inflow of economic benefits in favour of the Company is probable. The Board has concluded that any inflow of economic benefits as a result of such claims is less than probable.

Accordingly, the Company's entry into the Shareholders' Deed of Release will not result in any decrease in the Company's net assets or the level of its distributable reserves.

5. The Directors' Deed of Release

Under the Company's articles of association, it is necessary for shareholders to approve the Company's waiver of any rights of the Company to make claims against the Directors, the Former Director and the personal representatives (and their successors in title) of any deceased Directors or Former Director in respect of the Relevant Distribution, since the Board would itself have a potential conflict of interest in approving such a waiver. This is because the members of the Board are named as beneficiaries of the waiver.

In addition, the entry by the Company into the Directors' Deed of Release and consequential waiver of any rights of the Company to make claims against the Directors, the Former Director and the personal representatives (and their successors in title) of any deceased Directors or Former Director in respect of the Relevant Distribution, constitutes a related party transaction (as defined in the Listing Rules) as each of the Directors is a related party for the purposes of the Listing Rules. As a result, the Resolution must be approved by the Company's shareholders who are not interested related parties. Accordingly, each of the Directors and Former Director and their associates are precluded from voting on the Resolution and the Directors and Former Director have undertaken to abstain, and to take all reasonable steps to ensure that their associates abstain, from voting on the Resolution.

The entry by the Company into the Directors' Deed of Release will not have any effect on the Company's financial position because, as with the position in relation to the Relevant Distribution and potential claims against past and present shareholders, the Company has not recorded or disclosed its right potentially to make claims against Directors and Former Director in respect of the Relevant Distribution as an asset or contingent asset of the Company.

Again, under the Company's IFRS accounting policies, it could only record such a right as an asset when an inflow of economic benefits in favour of the Company as a result of such claim or claims being brought was virtually certain. The value of any economic benefit which the Company may derive from bringing claims against Directors and Former Director is uncertain (and, in any case, incapable of reliable estimation) on the basis that past and present directors would be entitled to seek the court's relief against such claims and there can be no certainty as to the amounts (if any) which could be recovered by the Company.

In addition, under IFRS, a contingent asset is required to be disclosed only when an inflow of economic benefits in favour of the Company is probable. The Board has concluded that any inflow of economic benefits as a result of such claims is less than probable.

Therefore, the Company's entry into the Directors' Deed of Release does not involve the disposition of any recognised asset or contingent asset by the Company in favour of past or present directors.

As explained above, the entry by the Company into the Directors' Deed of Release constitutes a related party transaction (as defined in the Listing Rules). Therefore, the Resolution will also seek the specific approval of the Company's shareholders of the entry into the Directors' Deed of Release as a related party transaction, in accordance with the requirements of the Listing Rules.

6. The tax position of UK shareholders

The Company has drawn the attention of HM Revenue & Customs (**HMRC**) to the circumstances surrounding the payment of the Relevant Distribution and to the steps that are now proposed to address the position. HMRC has confirmed that the tax position of UK resident shareholders generally is not expected to be affected by any irregularity in the Relevant Distribution. Therefore, based on HMRC's current understanding, the passing of the Resolution is not expected to affect the UK tax position of such persons.

Any UK resident shareholder who has any doubt about his, her or its tax position should consult an independent professional adviser.

7. The tax position of non-UK shareholders

The Company has not sought and does not intend to seek confirmation from any tax authority outside the UK similar to the confirmation obtained from HMRC referred to in paragraph 6 above.

If any non-UK resident shareholder has any doubts about his or her tax position, he or she should consult an independent professional adviser.

8. Other information

The share capital of the Company as at 8 February 2017 (being the latest practicable date before the publication of this document) comprises 202,833,931 Ordinary Shares, of which 1,151,969 are shares in treasury.

For information, as at 8 February 2017 (being the latest practicable date before the publication of this document), options to subscribe for shares in respect of a maximum 2,845,522 Ordinary Shares in the Company were outstanding which, if exercised, would represent approximately 1.41 per cent. of the Company's issued ordinary share capital at the relevant date.

Copies of the final forms of the Shareholders' Deed of Release and the Directors' Deed of Release are contained at the end of this document and available on the Company's website (<http://dunelm.production.investis.com/investor-relations/reports-and-presentations/2017.aspx>) and in hard copy during normal business hours on any weekday (except for Saturdays, Sundays and public holidays) at the registered office of the Company up to the time of the General Meeting. Copies will also be available at the place of the General Meeting until the conclusion of the General Meeting.

PART III — ADDITIONAL INFORMATION

1. The Company

The Company was incorporated and registered in England and Wales on 23 March 2003 with registered number 04708277 as a private company limited by shares under the name Tooley Limited.

On 2 April 2003, the Company changed its name to Dunelm Group Limited. On 3 October 2006, the Company was re-registered as a public company limited by shares under the name of Dunelm Group plc.

The Company's registered office is Watermead Business Park, Syston, Leicester LE7 1AD (tel. +44(0)116 264 4400).

The principal legislation under which the Company operates is the laws of England and Wales.

2. Directors' and Former Director's interests

The interests of the Directors and Former Director who are related parties in the Ordinary Shares as at 8 February 2017 (being the latest practicable date before the date of this document) are as follows:

2.1. Directors' and Former Director's shareholdings:

Name	Number of Ordinary Shares ⁽¹⁾	Percentage of voting rights ⁽²⁾
Directors		
William L. Adderley	54,161,779	26.86%
Marion Sears	101,313	0.05%
Andy Harrison	108,133	0.05%
Simon Emeny	28,555	0.01%
John Browett	45,959	0.02%
Keith Down	21,610	0.01%
Liz Doherty	2,500	0.00%
William Reeve	5,000	0.00%
Peter Ruis	Nil	–
Former Director		
David Stead	754,043	0.37%

(1) Beneficial holdings, including shares held by connected persons. William L. Adderley is also deemed to hold a legal interest in 967,250 Ordinary Shares held by The Stoneygate Trust and 172,750 Ordinary Shares held by the Paddocks Discretionary Trust, by virtue of the fact that he is a trustee of those trusts.

(2) On the basis that the total number of voting rights as at 8 February 2017 (being the latest practicable date before the publication of this document) is 201,681,962.

2.2 Directors' and Former Director's interests under the LTIP⁽¹⁾:

Name	Date of award	Market price at award date ⁽²⁾	Vesting Date ⁽³⁾	Maximum Number of Ordinary Shares under award	Exercise price
John Browett	7 December 2015	£1,085,150	7 December 2018	110,000	Nil
	19 October 2016	£849,750	19 October 2019	110,000	Nil
Keith Down	7 December 2015	£591,900	7 December 2018	60,000	Nil
	19 October 2016	£463,500	19 October 2019	60,000	Nil
David Stead	7 October 2013	£158,015	7 October 2018	40,976	Nil
	9 October 2014	£220,602	9 October 2019	27,035	Nil
	15 October 2015	£61,927	15 October 2020	7,350	Nil

(1) LTIP awards are made annually (which can take the form of a conditional award, nil-cost option or nominal value option), with vesting subject to performance over three financial years. The maximum annual award is 110,000 shares for the Chief Executive Officer and 60,000 shares for the Chief Financial Officer, subject in either case to such adjustment as the Committee determines to take account of any variation in the Company's share capital. For John Browett and Keith Down, at threshold performance, 10% of the award will vest. At maximum performance, 100% of the award will vest. Straight-line vesting between the threshold and maximum levels applies for performance between threshold and maximum points. The terms of the LTIP require the Executive Directors to retain two-thirds of all shares vesting (after sale of shares to meet tax and national insurance obligations) for the duration of employment, and 50% of these for two years thereafter. For David Stead, at threshold performance, 25% of the award will vest, at maximum performance, 100% of the award will vest, with straight-line vesting between the threshold and maximum points.

(2) The market price at award date is the closing price of Dunelm Group plc shares on the trading date that precedes the date of grant.

(3) The vesting date shown in this column is the third anniversary of the award date for LTIP awards to John Browett and Keith Down, and the fifth anniversary of the award date for awards made to David Stead.

2.3 Directors' interests under the Company's Sharesave scheme:

Name	Date from which exercisable	Number of Ordinary Shares under award	Exercise price
John Browett	1 January 2019	2,385	754.5 pence
			per Ordinary Share
Keith Down	1 January 2020	2,910	618.5 pence
			per Ordinary Share

Note: Options under the Company's Sharesave scheme are not subject to performance conditions as they are made under a UK HMRC tax approved scheme.

2.4 Keith Down's interest under the Joining Award:

Name	Date of award	Market price at award date ⁽⁴⁾	Vesting Date ⁽⁵⁾	Maximum Number of Ordinary Shares under award	Exercise price
Keith Down	7 December 2015	£261,304	15 September 2017	26,488	Nil

(4) The market price at award date is the closing price of Dunelm Group plc shares on the trading date that precedes the date of grant (986.5p per share).

(5) The vesting date is in accordance with the Share Award Agreement approved by shareholders in November 2015. There are no performance conditions attached to this award, which was made in part compensation for deferred shares foregone when Keith Down joined the Company.

3. Service agreements

3.1 General terms:

The annual salaries of the Executive Directors for the 52 weeks ended 2 July 2016 are set out in the table below. The salaries are reviewed each year.

Name	Position	Effective date of service agreement	Annual salary ⁽¹⁾
William L. Adderley	Executive Deputy Chairman of the Board	28 September 2006	£1
John Browett	Chief Executive, Director	26 June 2015	£500,000
Keith Down	Chief Financial Officer, Director	9 July 2015	£350,000
David Stead	Former Director, resigned 31 December 2015	15 September 2003	£280,185

(1) The annual salaries paid to Keith Down and David Stead were pro-rated to their service. The amount in the table above is the full annual salary. From 1 July 2016, John Browett and Keith Down's base salary was increased by 2%, in line with the Company-wide award. Will Adderley's base salary is held at £1 per annum.

The annual fees paid to the Non-Executive Directors for the 52 weeks ended 2 July 2016 are set out in the table below.

Name	Position	Annual fees ⁽²⁾
Liz Doherty	Non-Executive Independent Director	£54,000
Simon Emeny	Senior Non-Executive Independent Director	£59,000
Andrew Harrison	Non-Executive Chairman of the Board	£198,000
William Reeve	Non-Executive Independent Director	£48,000
Peter Ruis	Non-Executive Independent Director	£39,000
Marion Sears	Non-Executive Director	£53,000

(2) The base fees for the 52 week period to 2 July 2016 were: Chairman: £200,000; Non-executive Director: £48,000; SID and Committee Chair fee: £6,000. The Chairman and committee chairs changed during the year and this is reflected in the fees set out above. In addition Peter Ruis's fee is pro-rated from his date of appointment, which was 10 September 2015. From 1 July 2016, the fees for the Chairman and the other Non-Executive Directors were increased by 2% in line with the Company-wide award.

The Executive Directors are expected to devote the whole of their time, attention and abilities to the performance of their duties during their agreed working hours and in return the Executive Directors will receive the following benefits under the terms of their service agreements:

- entitlement to a performance-related annual bonus at the discretion of the Remuneration Committee;
- entitlement to participate in certain of the Company's incentive share plans when offered and subject to the discretion of the Remuneration Committee and the rules of the schemes;
- the option to join the Company's pension arrangements;
- entitlement to a company car or car allowance;
- entitlement for the Executive Director and his immediate family to participate in a private health insurance scheme;
- entitlement to permanent health cover;
- entitlement to life assurance;
- entitlement to a 15% discount on purchases of Dunelm goods;
- 25 working days holiday per 12 months at times convenient to the Company (in addition to statutory holidays);
- reimbursement of travel and other reasonable expenses incurred in the proper performance of duties; and
- entitlement to additional benefits, such as relocation expenses, housing allowance and school fees in certain circumstances and if considered reasonable and appropriate by the Remuneration Committee.

3.2 Termination provisions:

Executive Directors

Each of the Executive Directors has a rolling service contract.

The notice period for termination for William L. Adderley is 12 months from either party, and for John Browett and Keith Down is six months from either party. Any payment of salary on termination is contractually restricted to a maximum of the value of salary plus benefits for the notice period. If termination were to occur with immediate effect, a payment in lieu of notice may be made. The Remuneration Committee may apply mitigation in respect of any termination payment.

The Company may terminate an Executive Director's employment immediately by notice in certain circumstances, including where the Executive Director is unable to perform his duties by reason of ill-health, accident or otherwise for at least 120 working days in aggregate in any period of 12 consecutive months, fails or neglects efficiently and diligently to discharge his duties or is guilty of any serious or (after warning) repeated breach of his obligations under his service agreement, is guilty of conduct which brings the Company or the Dunelm Group into disrepute, becomes bankrupt or makes any arrangement or composition with his creditors, is disqualified from being a director of any company by reason of an order made by any competent court, resigns as a director without the prior consent of the Chairman, or is guilty of any breach or non-observance of any applicable code of conduct, rule or regulation.

The Executive Directors' service agreements also contain post-termination restrictions including covenants not to do the following in relation to the Company or a company in the Dunelm Group with whom the Executive Director was actively involved during the period of six months ending on the termination date (a **Relevant Company**): (i) be concerned in any business carried on in any part of the country in which the Executive Director was actively involved in the business of a Relevant Company which is competitive or likely to be competitive with any Relevant Company which the Executive Director was actively involved during the period of six months ending on the termination date (or in the case of William L. Adderley, during the period of twelve months ending on the termination date); (ii) canvass or solicit business or custom for goods of a similar type to those being manufactured or dealt in by any Relevant Company from any person who during this period was a client or customer of a Relevant Company or deal with any such person; (iii) not to directly or indirectly induce or attempt to induce any supplier of any Relevant Company to cease to supply, vary terms of supply or otherwise interfere with the supplier relationship; and (iv) not to directly or indirectly induce or attempt to induce any managerial employee with whom the Executive Director had material dealings in the course of his employment during the period of six months ending on the termination date (or in the case of William L. Adderley, during the period of twelve months ending on the termination date) to leave employment. The restrictions at (i) and (ii) apply for a period of six months after the termination date. The restrictions at (iii) and (iv) apply for a period of 12 months after the termination date.

The Executive Director has no right to a bonus if the appointment is terminated for any reason or if the Executive Director is under notice of termination at or before the date when a bonus might otherwise have been payable. The Remuneration Committee has discretion to make a payment in respect of annual bonus, provided that it is prorated to service.

If appointment is terminated, options granted under the LTIP will normally lapse, but may be exercised within six months of termination of employment due to injury, disability, retirement or redundancy or within twelve months of termination of employment due to death.

The Remuneration Committee has discretion to allow exercise of an unvested LTIP award in other good leaver situations, taking into account prorating of the award to the date of termination and the extent to which performance criteria have been met.

Non-Executive Directors

The Non-Executive Directors do not have service agreements, although they each have letters of appointment reflecting their responsibilities and commitments.

The term of each letter of appointment is for an initial period of three years with a provision for termination by giving one month's notice from either party, or three months' notice from either party in the case of Andrew Harrison (Chairman and Non-Executive Director). Non-Executive Directors receive a 15% discount on purchases of Dunelm goods and reimbursement of travel and other reasonable expenses but do not participate in any other benefits or share options.

Each letter of appointment renews at first for up to two additional three year terms, and then annually thereafter.

A letter of appointment will terminate without compensation if the Non-Executive Director is not re-elected at an Annual General Meeting of the Company.

3.3 Incentive arrangements on termination of employment:

The following sets out the treatment of outstanding elements of remuneration that would normally apply to directors upon termination of their employment.

Executive Directors

The Company has reserved the right to make a payment in lieu of notice on termination of an Executive Director's contract equal to his base salary and contractual benefits (excluding any payment in respect of holiday and any bonus or commission payments).

The Executive Director must take reasonable steps to obtain alternative employment or engagement. If any such employment or engagement is obtained during the period for which the payment in lieu is made, any further monthly installments of the payment in lieu will be reduced on a pro rata basis. If the Executive Director fails to take reasonable steps to obtain alternative employment, the Company reserves the right to terminate all further installments of the payment in lieu.

The payment in lieu is conditional on (i) the Executive Director informing the Company immediately if he receives or has a right to receive remuneration from any source in respect of his employment or the provision of his services during the period for which the payment in lieu is made; and (ii) the Executive Director providing the Company with such information as it may reasonably request in relation to the steps taken by him to mitigate his loss.

Non-Executive Directors

On termination, the Non-Executive Directors are only entitled to such fees and expenses as have accrued at the date of termination.

Save as set out in this document, the Former Director is not party to any agreement with the Company.

4. Major shareholders

In so far as is known to the Company, as at 8 February 2017 (being the latest practicable date before the publication of this document), the following persons were interested, directly or indirectly, in three per cent. or more of the voting rights attaching to the Ordinary Shares:

Name	Number of Ordinary Shares at date of notification	Percentage of voting rights(1)
Bill Adderley	39,400,000	19.54%
Jean Adderley	8,670,000	4.30%
William L. Adderley	54,161,779	26.86%
Royal London Asset Management Limited	6,190,630	3.07%

(1) On the basis that the total number of voting rights as at 8 February 2017 (being the latest practicable date before the publication of this document) is 201,681,962.

5. Related party transactions

Save as set out below and elsewhere in this document, the Company has not entered into any related party transactions with any of the Directors or the Former Director or the Substantial Shareholders.

The Company announced on 13 April 2016 that it had been advised that William L. Adderley sold eight million Ordinary Shares representing approximately 4 per cent. of the issued share capital of the Company. The Ordinary Shares were placed at a price of 915 pence per Ordinary Share. The Ordinary Shares sold were as follows: William L. Adderley: 71,476 shares; WA Capital Limited: 7,728,524 shares; and The Stoneygate Trust: 200,000 shares. WA Capital Limited is a company controlled by William L. and Nadine Adderley. The Stoneygate Trust is a charity of which William L. and Nadine Adderley are trustees. The Ordinary Shares were sold to institutional investors in a placing managed by UBS, acting as bookrunner, and Stifel Nicolaus Europe Limited, acting as co-lead manager. The Company purchased 750,000 Ordinary Shares for transfer into treasury with the intention of re-issuing them to satisfy employee share based award obligations that arise in the future.

6. Material contracts

The sub-paragraphs below set out all of the contracts (not being contracts entered into in the ordinary course of business) that have been entered into by members of the Dunelm Group: (a) within the two years immediately preceding the date of this document which are, or may be, material to the Dunelm Group; or (b) at any time containing obligations or entitlements which are, or may be, material to the Dunelm Group as at the date of this document:

-
- 6.1** On 28 November 2016, Worldstores Limited, Achica Limited, Worldstores Kiddicare Limited (all in administration) (the **Sellers**), the administrators of the Sellers (the **Administrators**) and Globe Online Limited, a member of the Dunelm Group (**Globe**) (together with the Sellers and the Administrators, the **Parties**) entered into an agreement for the sale and purchase of the business and certain of the assets of the Sellers.

Further information regarding the terms of such agreement is set out below:

General

- The consideration paid for the business and certain of the assets of the Sellers was £8,440,000.
- The businesses were acquired by Globe with a view to Globe carrying on each of the businesses as a going concern.
- Worldstores Limited agreed to change the names of Achica Limited and Worldstores Kiddicare Limited (certain rights in respect of which Globe now owns) after completion of the acquisition to a name which does not include or is not similar to “Worldstores”, “Achica” or “Kiddicare”.

Employees

- Globe indemnified the Sellers and Administrators in respect of:
 - any claims made and losses suffered on or after completion including in respect of transferring employees or their representatives arising as a result of certain regulations and statutory provisions or Globe not taking steps to adopt Tier 2 visas of any sponsored transferring employees or not completing any applicable right to work checks; and
 - any claims made against or losses suffered by the Sellers or the Administrators on or after completion by or in respect of consultants or agency workers due to either the decision of Globe not to engage the consultants or agency workers following completion or any decision of Globe to engage alternative consultants or agency workers to provide the same or similar services following completion.
- Globe agreed to transfer £340,000 into escrow within 15 days of completion of the acquisition, pending PAYE advice, for use as regards potential tax liabilities in respect of Pay As You Earn on the November payroll for transferring employees.

Further indemnities provided by Globe

- Globe agreed to keep the Sellers and the Administrators indemnified against any claims or losses relating to the businesses, assets or premises suffered as a result of Globe’s act or omission from or after midnight on the day prior to completion of the acquisition. This includes any claim or loss suffered as a result of Globe’s failure to apply for and obtain all necessary third party consents.
- Globe indemnified, and agreed to keep fully and effectively indemnified, the Sellers and Administrators against all claims and losses that sustained or incurred as a result of any breach of data protection provisions or Globe’s act, error or omission.
- Following completion, Globe took possession of items not wholly owned by the Sellers, but Globe was not to have ownership of these items until it had obtained consent from the owners of the items and shown evidence of this to the Administrators. Globe indemnified the Sellers and the Administrators for any claim or loss arising as a result of Globe’s possession or use of these items.
- Globe is entitled to take possession of any item supplied to the Sellers by a third party for use in the businesses on terms rendering the items subject to retention of title claims, sale or return claims by the items suppliers or owners. Globe can only sell these items if they are free of any retention of title claim, sale or return claim by the item’s supplier or owner. Globe indemnified the Sellers and Administrators against all costs, claims, demands, liabilities, losses and expenses of whatever kind incurred or suffered in respect of or in connection with Globe’s breach of such terms.
- Globe was granted a licence entitling it to occupy relevant premises leased by the Sellers without exclusive possession. Globe indemnified the Sellers and Administrators in respect of claims and losses incurred in connection with this licence.

6.2 On 10 February 2015, the Company and Dunelm (Soft Furnishings) Limited (the **Original Borrowers**) entered into a revolving credit facility agreement for a revolving credit facility of £150 million (the **Revolving Credit Facility**) and made between the Original Borrowers as borrowers, The Company, Dunelm (Soft Furnishings) Limited and Dunelm Estates Limited (the **Original Guarantors**) as guarantors, Barclays Bank PLC as agent and Barclays Bank PLC, HSBC Bank PLC and Lloyds Bank PLC as arrangers (the **Lenders**) (the **Revolving Credit Facility Agreement**). The Revolving Credit Facility is made available for a term of five years from the date of the Revolving Credit Facility Agreement. The Revolving Credit Facility is to be used (a) for the purpose of refinancing the Company's existing debt (if any), and (b) thereafter for general corporate purposes (including without limitation the funding of acquisitions, share buybacks, special dividends or other distributions).

The Revolving Credit Facility Agreement contains customary representations, undertakings, events of default and prepayment events for a facility of this nature. It also provides the Lenders with cancellation rights in the event of a change of control of the Company. Financial covenants regarding leverage and fixed charge cover ratios apply and are tested semi-annually. Interest is payable on the last day of each interest period in respect of the amounts then drawn under the Revolving Credit Facility and is calculated as the aggregate of the applicable margin and LIBOR (as defined therein) or, in the case of a loan in euro, EURIBOR (as defined therein). The margin is linked to the fixed charge cover ratio (the ratio of consolidated EBITDA (as defined therein) to consolidated total net interest payable) tested at the end of each semi-annual period. Commitment fees are chargeable in respect of undrawn commitments and the fee is based on a percentage of the applicable margin.

There are no other material contracts to which the Company or any member of the Dunelm Group is a party which contain information that shareholders of the Company would reasonably require to make a properly informed assessment of how to vote.

7. Significant change

There has been no significant change in the financial or trading position of the Dunelm Group since 31 December 2016, being the date to which the results for the 26 weeks to 31 December 2016, being the last interim financial information for the Dunelm Group, were prepared.

8. Consent

UBS has given and has not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they are given.

9. Documents on display

In addition to this document, copies of the following documents will be available for inspection at the Company's registered office at Watermead Business Park, Syston, Leicester LE7 1AD during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) from the date of this document up to and including the date of the General Meeting:

- (a) the Company's articles of association;
- (b) the Shareholders' Deed of Release;
- (c) the Directors' Deed of Release; and
- (d) the written consent referred to in paragraph 8 of this Part III.

PART IV — DEFINITIONS

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

2015 Accounts means the Company's Parent Company Financial Statements for the 53 weeks ended 4 July 2015;

Act means the Companies Act 2006;

Board or **Directors** means the board of directors of the Company;

Company means Dunelm Group plc;

CREST means the paperless settlement procedure operated by Euroclear enabling system securities to be evidenced otherwise than by certificates and transferred otherwise than by written instrument;

CREST Manual means the rules governing the operation of CREST as published by Euroclear;

Directors' Deed of Release means a deed of release by which the Company waives any rights to make claims against the Former Director and Directors in respect of the Relevant Distribution, substantially in the form set out in Part V of this document;

Dunelm Group means Dunelm Group plc and each of its subsidiaries and subsidiary undertakings;

Executive Directors means the executive directors of the Company, being William L. Adderley, John Browett and Keith Down;

FCA Handbook means the FCA's Handbook of Rules and Guidance;

Financial Conduct Authority or **FCA** means the Financial Conduct Authority of the United Kingdom;

Form of Proxy means the form of proxy enclosed with this document for use by shareholders in connection with the General Meeting;

Former Director means David Stead, being a director of the Company at the time of payment of the Relevant Distribution but who ceased to be a director of the Company on 31 December 2015;

FSMA means the Financial Services and Markets Act 2000, as amended;

General Meeting means the general meeting of the Company, to be held at Dunelm Store Support Centre, Watermead Business Park, Syston, Leicester, Leicestershire, LE7 1AD at 9:30 a.m. on 7 March 2017, or any adjournment thereof, notice of which is set out in Part V of this document;

HMRC means Her Majesty's Revenue & Customs;

IFRS means the International Financial Reporting Standards promulgated by the International Accounting Standards Board (which includes standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards issued under previous constitutions), together with its pronouncements thereon from time to time, as adopted by the European Union;

Listing Rules means the listing rules made by the FCA under Part VI of FSMA (as set out in the FCA Handbook), as amended;

LTIP means, as relevant, the Dunelm Group 2006 Long Term Incentive Plan and the Dunelm Group 2014 Long Term Incentive Plan adopted on 11 November 2014, each as amended;

Non-Executive Directors means the non-executive directors of the Company, being Marion Sears, Simon Emeny, Liz Doherty, Andy Harrison, William Reeve and Peter Ruis;

Notice means the Notice of General Meeting set out in Part V of this document;

Ordinary Shares means ordinary shares of 1 pence each in the capital of the Company;

Recipient Shareholder means a shareholder of the Company who has received the Relevant Distribution;

Relevant Distribution means the final dividend of 16 pence per Ordinary Share paid on 27 November 2015;

Resolution means the resolution to be proposed at the General Meeting, the full text of which is set out in the notice of General Meeting set out in Part V of this document;

Shareholders' Deed of Release means a deed of release in favour of all shareholders who appeared on the register of members on the record date for the Relevant Distribution from any and all claims which the Company has or may have in respect of the payment of the Relevant Distribution, substantially in the form set out in Part V of this document;

Sponsor means UBS Investment Bank, being approved under section 88 of the Financial Services and Markets Act 2000, as a sponsor;

Substantial Shareholders has the meaning given to it in paragraph 1 of Part I of this document;

UBS or **UBS Investment Bank** means UBS Limited; and

UKLA Official List means the list of securities admitted to listing and maintained by the Financial Conduct Authority in accordance with Part 6 of the Financial Services and Markets Act 2000.

PART V – NOTICE OF GENERAL MEETING

DUNELM GROUP PLC

Notice is given that a general meeting of Dunelm Group plc (the **Company**) will be held at Dunelm Store Support Centre, Watermead Business Park, Syston, Leicester, Leicestershire, LE7 1AD on 7 March 2017 at 9.30 a.m. to consider and, if thought fit, pass the following resolution as a special resolution (requiring a 75 per cent. majority). Voting on this resolution will be by way of poll.

SPECIAL BUSINESS

1. THAT:

- 1.1 the appropriation of distributable profits of the Company (as shown in the Annual Report and Accounts of the Company made up to 2 July 2016 and adopted by its shareholders on 22 November 2016) to the payment of the final dividend of 16 pence per Ordinary Share paid on 27 November 2015 (the **Relevant Distribution**) be and is authorised, by reference to the same record date as the original accounting entry for the Relevant Distribution;
- 1.2 any and all claims which the Company has or may have arising out of or in connection with the payment of the Relevant Distribution against its shareholders who appeared on the register of shareholders on the relevant record date for the Relevant Distribution (or the personal representatives and their successors in title (as appropriate) of a shareholder's estate if he or she is deceased) be waived and released, and a deed of release in favour of such shareholders (or the personal representatives and their successors in title (as appropriate) of a shareholder's estate if he or she is deceased) be entered into by the Company in the form produced to the General Meeting and initialled by the Chairman for the purposes of identification and any Director in the presence of a witness, any two Directors or any Director and the Company Secretary be authorised to execute the same as a deed poll for and on behalf of the Company; and
- 1.3 any and all claims which the Company has or may have against each of its Directors and Former Director or the personal representatives and their successors in title (as appropriate) of his or her estate if such Director or Former Director is deceased, arising out of or in connection with the approval, declaration or payment of the Relevant Distribution be waived and released and that a deed of release in favour of each of such Directors and Former Director (or the personal representatives and their successors in title of his or her estate if such Director or Former Director is deceased), be entered into by the Company in the form produced to the General Meeting and initialled by the Chairman for purposes of identification and any Director in the presence of a witness, any two Directors or any Director and the Company Secretary be authorised to execute the same as a deed poll for and on behalf of the Company.

BY ORDER OF THE BOARD

Dawn Durrant
COMPANY SECRETARY
9 February 2017

Registered Office: Watermead Business Park, Syston, Leicester LE7 1AD
Registered in England and Wales. No: 04708277

NOTES:

1. Members are entitled to appoint a proxy/proxies to exercise all or any of the rights to attend, speak and vote on their behalf at the General Meeting. A proxy need not also be a shareholder of the Company and may vote on any other business which may properly come before the General Meeting. If you appoint more than one proxy, each proxy must be appointed to exercise the rights attached to a different share or shares held by you. A person who appoints as their proxy someone other than the Chairman is responsible for ensuring that the proxy attends the General Meeting and is aware of the voting intention of the member. If no voting instruction is given, the proxy has discretion on whether and how to vote. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted, the senior holder being the first named of the joint holders to appear in the Company's share register.
2. To be valid, the form of proxy must be completed and lodged with Equiniti not later than 9.30 a.m. on 5 March 2017 (or 48 hours before any adjourned meeting). 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. A proxy should be submitted by post on the enclosed form of proxy which is pre-paid. Return of a completed proxy form, internet proxy or any CREST proxy instruction (as described below) will not prevent a member attending the General Meeting and voting in person if he/she wishes to do so. Further details relating to proxies are set out in the notes on the enclosed form of proxy.
3. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic appointment service may do so for the General Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual (available via www.euroclear.com). CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
4. In order for a proxy appointment, or instruction, made by means of CREST to be valid, the appropriate CREST message (CREST proxy instruction) must be properly authenticated in accordance with Euroclear UK and Ireland's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instructions 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 shall be taken as 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. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
5. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK and Ireland 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 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/her CREST sponsor or voting service provider(s) take(s)) such action as is necessary to ensure that a message is transmitted by means of the CREST system by a particular time. In this connection, CREST members and, where applicable, CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
6. The "vote withheld" option is to enable shareholders to abstain on any particular resolution. This is not a vote in law and will not be counted in the votes "for" or "against" any resolution.
7. The Company may treat as invalid a CREST proxy instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

8. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions. Any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact the Company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

9. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA. In the case of a shareholder which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any authority under which the revocation notice is executed or a copy of the authority certified notari ally) must be included with the revocation notice.

The revocation notice must be received by Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA no less than 48 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.

10. The Company specifies that in order to have the right to attend and vote at the General Meeting (and in accordance with the Company's articles of association and pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001) and also for the purpose of determining how many votes a person entitled to attend and vote may cast, a person must be entered on the register of members of the Company at 6.30 p.m. on 5 March 2017 or, in the event of any adjournment, at 6.30 p.m. on the date which is two days before the day of the adjourned General Meeting. Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the General Meeting.

11. All of the Ordinary Shares carry one vote each and there are 1,151,169 Ordinary Shares held in treasury. On a vote by a show of hands every member who is present has one vote and every proxy present who has been duly appointed by a member entitled to vote has one vote. On a poll vote every member who is present in person or by proxy has one vote for every Ordinary Share they hold.

12. Members wishing to attend the General Meeting in person should sign their attendance card and hand it in on arrival. The registration desk will open at 9.00 a.m.

13. Any member attending the General Meeting has the right to ask questions. The Company must cause to be answered any such questions relating to the business being dealt with at the General Meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the General Meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or good order of the General Meeting that the question be answered.

14. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share. It is no longer necessary to nominate a designated corporate representative.

-
15. The right to appoint proxies does not apply to persons nominated to receive information rights under section 146 of the Companies Act 2006. Persons nominated to receive information rights under that section who have been sent a copy of this Notice are informed that they may have a right under an agreement with the registered member by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for the purposes of this General Meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member on the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.
 16. The total issued share capital of the Company as at 8 February 2017 (being the last practicable day before the publication of this Notice) was 202,833,931 Ordinary Shares carrying one vote each. On 8 February 2017 the Company held 1,151,969 Ordinary Shares in treasury and is not permitted to exercise voting rights in respect of those Ordinary Shares. Therefore, the total number of voting rights in the Company on 8 February 2017 was 201,681,962.
 17. As required by section 311A of the Companies Act 2006, copies of the final forms of the Shareholders' Deed of Release and the Directors' Deed of Release are available on the Company's website (<http://dunelm.production.investis.com/investor-relations/reports-and-presentations/2017.aspx>) or in hard copy during normal business hours on any weekday (except for Saturdays, Sundays and public holidays) at the registered office of the Company up to the time of the General Meeting. Copies will also be available at the place of the General Meeting until the conclusion of the General Meeting.
 18. The Chairman will propose that voting on the resolution at the General Meeting will be conducted by poll vote rather than by a show of hands, ensuring that every vote is recognised and giving a more accurate reflection of the views of members. The relevant procedures will be explained at the General Meeting.
 19. The contents of this Notice, details of the total number of shares in respect of which members are entitled to exercise voting rights at the General Meeting, the total voting rights that members are entitled to exercise at the General Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website (<http://dunelm.production.investis.com/investor-relations/reports-and-presentations/2017.aspx>).
 20. Shareholders are advised that unless otherwise specified, the telephone numbers, website and email addresses set out in this Notice or proxy forms are not to be used for the purpose of serving information or documents on the Company, including the service of documents or information relating to proceedings at the Company's General Meeting.
 21. Pursuant to Chapter 5 of Part 16 of the Companies Act 2006 (sections 527 to 531), where requested by either:
 - (i) a member or members having a right to vote at the General Meeting and holding at least 5 per cent. of total voting rights of the Company; or
 - (ii) at least 100 members having a right to vote at the General Meeting and holding, on average, at least £100 of paid up share capital;

the Company must publish on its website a statement setting out any matter that such members propose to raise at the General Meeting relating to the audit of the Company's accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the General Meeting.

-
22. Where the Company is required to publish such a statement on its website:
- (i) it may not require the members making the request to pay any expenses incurred by the Company in complying with the request;
 - (ii) it must forward the statement of the Company's auditors no later than the time the statement is made available on the Company's website; and
 - (iii) the statement may be dealt with as part of the business of the General Meeting.
23. A member wishing to request publication of such a statement on the Company's website must send the request to the Company either in hard copy marked for the attention of Dawn Durrant, Company Secretary, at the Company's registered office or by email to dawn.durrant@dunelm.com and be confirmed in writing to the registered office address.
24. Whichever form of communication is chosen, the request must (i) either set out the statement in full or, if supporting a statement sent by another member, clearly identify the statement which is being supported; and (ii) be received by the Company at least one week before the General Meeting.
25. The results of the General Meeting will be posted on the Company's website (<http://dunelm.production.investis.com/investor-relations/reports-and-presentations/2017.aspx>) after the General Meeting.
26. 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 lodgement of an electronic proxy form, that is found to contain any virus will not be accepted.

FORM OF SHAREHOLDERS' DEED OF RELEASE

DEED POLL

THIS DEED POLL is made on 7 March 2017

BY DUNELM GROUP PLC (registered number 04708277) whose registered office is at Watermead Business Park, Syston, Leicester LE7 1AD (the **Company**) in favour of the Recipient Shareholders (as defined below).

WHEREAS:

- (a) As explained in the Notice of General Meeting addressed to the shareholders of the Company dated 9 February 2017 that is appended to this deed poll (the **GM Notice**), the board of directors of the Company has become aware of a technical issue in respect of the Company's procedures for the payment of the final dividend of 16 pence per ordinary share of the Company paid on 27 November 2015 (the **Relevant Distribution**).
- (b) The Company has been advised that, as a consequence of the Relevant Distribution having been made otherwise than in accordance with the Companies Act 2006, it may have claims against past and present shareholders who were recipients of the Relevant Distribution (or their personal representatives (and their successors in title) if they are deceased) (the **Recipient Shareholders**).
- (c) Pursuant to the Resolution set out in the GM Notice and duly passed by the Company's shareholders in a general meeting on 7 March 2017, the Company proposes to waive and release any and all claims which it has or may have in respect of the Relevant Distribution against the Recipient Shareholders and wishes to enter into this deed poll in favour of the Recipient Shareholders in order to effect the same.

THIS DEED POLL WITNESSES as follows:

1. RELEASE

The Company unconditionally and irrevocably waives and releases each of the Recipient Shareholders from any and all liability that any such Recipient Shareholder has or may have to the Company and all claims and demands the Company has or may have against each of them in connection with receipt by them of all or part of the Relevant Distribution.

2. GOVERNING LAW

This deed poll is governed by English law. Any non-contractual obligations arising out of or in connection with this deed poll shall be governed by English law.

IN WITNESS of which this deed poll has been executed and has been delivered on the date which appears first on page 1.

EXECUTED as a deed poll by

DUNELM GROUP PLC

acting by
a director

Director

and acting by
a director /
the Company Secretary

Director /
Company Secretary

FORM OF DIRECTORS' DEED OF RELEASE

DEED POLL

THIS DEED POLL is made on 7 March 2017

BY DUNELM GROUP PLC (registered number 04708277) whose registered office is at Watermead Business Park, Syston, Leicester LE7 1AD (the **Company**) in favour of each of the current and a former director of the Company, whose names are set out in the schedule to this deed (the **Directors**) (or the personal representatives and their successors in title (as appropriate) of his or her estate if such Director is deceased).

WHEREAS:

- (a) As explained in the Notice of General Meeting addressed to the shareholders of the Company dated 9 February 2017 that is appended to this deed poll (the **GM Notice**), the board of directors of the Company has become aware of a technical issue in respect of the Company's procedures for the payment of the final dividend of 16 pence per ordinary share of the Company paid on 27 November 2015 (the **Relevant Distribution**).
- (b) The Company has been advised that, as a consequence of the Relevant Distribution having been made otherwise than in accordance with the Companies Act 2006, it may have claims against each of the Directors (or the personal representatives and their successors in title (as appropriate) of his or her estate if such Director is deceased).
- (c) Pursuant to the Resolution set out in the GM Notice and duly passed by the Company's shareholders in a general meeting on 7 March 2017, the Company proposes to waive and release any and all claims which it has or may have in respect of the Relevant Distribution against each of the Directors (or the personal representatives and their successors in title (as appropriate) of his or her estate if such Director is deceased) and wishes to enter into this deed poll in favour of the Directors and the personal representatives and their successors in title of the estate of any deceased Directors in order to effect the same.

THIS DEED POLL WITNESSES as follows:

1. RELEASE

The Company unconditionally and irrevocably waives and releases each of the Directors or the personal representatives and their successors in title (as appropriate) of his or her estate if such Director is deceased from any and all liability that any of them has or may have to the Company and all claims and demands the Company has or may have against each of them, including, without limitation, any derivative action from or on behalf of shareholders of the Company, in connection with the making of all or part of the Relevant Distribution.

2. GOVERNING LAW

This deed poll is governed by English law. Any non-contractual obligations arising out of or in connection with this deed poll shall be governed by English law.

IN WITNESS of which this deed poll has been executed and has been delivered on the date which appears first on page 1.

EXECUTED as a deed poll by

DUNELM GROUP PLC

acting by
a director

Director

and acting by
a director /
the Company Secretary

Director /
Company Secretary

SCHEDULE 1

Current Directors

William L. Adderley

John Browett

Liz Doherty

Keith Down

Simon Emeny

Andrew Harrison

William Reeve

Peter Ruis

Marion Sears

Former Director

David Stead

