
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 independent financial advice from an independent professional adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom, or if not, from another appropriately authorised independent financial adviser.

If you have sold or transferred all your ordinary shares in Thorntons PLC, please forward this document, together with the enclosed form of proxy, as soon as practicable to the purchaser or transferee, or to the stockbroker, bank or other person through whom the sale or transfer was effected, for delivery to the purchaser or transferee.



Thorntons PLC

Notice of Annual General Meeting
23 October 2008

Notice of the Annual General Meeting of Thorntons PLC to be held at The Assembly Rooms, Market Place, Derby, DE1 3AH on Thursday 23 October 2008 at 11.30 am is set out in this document. The enclosed form of proxy for use at the meeting should be completed and returned in accordance with the instructions stated on it to Capita Registrars at PO Box 25, Beckenham, Kent, BR3 4BR, as soon as possible but in any event so as to be received no later than 11.30am on 21 October 2008. Completion and return of a form of proxy will not preclude a Shareholder from attending the meeting and voting in person.

20 September 2008

Dear Shareholder,

Thorntons PLC Annual General Meeting

The Annual General Meeting ("AGM") of the Company will be held at The Assembly Rooms, Market Place, Derby, DE1 3AH on 23 October 2008 at 11.30 am.

I am pleased to send you the Notice of this year's AGM. This year there are eleven resolutions to be considered and voted on by shareholders. Resolutions 1 to 6 relate to 'ordinary business' and resolutions 7 to 11 to 'special business' and I set out below a brief explanation of the resolutions.

Resolutions 1 to 7 and 10 are ordinary resolutions and will be passed if more than 50% of the votes cast are in favour of the resolutions. Resolutions 8, 9, and 11 are special resolutions which will be passed if more than 75% of the votes cast are in favour.

Ordinary business

RESOLUTION 1: REPORT AND ACCOUNTS

The Directors of the Company are required to present to the meeting and have adopted the Report of the Directors and financial statements for the period ended 28 June 2008 and the independent auditors' report on the financial statements.

RESOLUTION 2: REMUNERATION REPORT

The Directors are required to present to the meeting the Directors' remuneration report for its approval. This vote is advisory in its nature only but will be taken into account when considering future development of remuneration policy.

RESOLUTION 3: DECLARATION OF FINAL DIVIDEND

An interim dividend of 1.95p per ordinary share authorised by the Directors was paid on 25 April 2008. The Directors recommend that a final dividend of 4.85p per ordinary share be declared in respect of the period ended 28 June 2008 in respect of shareholders on the register of the Company on 31 October 2008. Approval at the meeting will permit this dividend to be paid on 28 November 2008.

RESOLUTIONS 4 AND 5: RE-APPOINTMENT OF DIRECTORS

Under the Company's articles of association, and in accordance with the provisions of the Combined Code, Directors are subject to re-appointment at least every three years. The Directors retiring this year by rotation are Barry Bloomer and Paul Wilkinson and resolutions 4 and 5 propose their re-appointment.

RESOLUTION 6: RE-APPOINTMENT OF AUDITORS

The Company must appoint auditors to hold office until the end of the next meeting at which the financial statements are presented. This resolution proposes the re-appointment of PricewaterhouseCoopers LLP and authorises the Audit Committee to determine their remuneration.

Special business

RESOLUTION 7: ALLOTMENT OF SHARES

Shareholders' approval is required for the allotment of shares. Approval may either be given for particular allotments or by a general authority. The Directors were given a general authority at the AGM in 2007 but this will expire at the conclusion of this year's meeting. Resolution 7 therefore gives the Directors further general authority for a period expiring on 31 December 2009, or at the next AGM if earlier, in respect of ordinary shares up to a maximum nominal value of £1,665,176 representing the authorised unissued share capital.

RESOLUTION 8: AUTHORITY FOR THE DIRECTORS TO ALLOT SHARES FOR CASH

The statutory position unless disapplied is that if the Directors wish to raise money by issuing shares for cash, they must in general first offer those shares to existing shareholders in proportion to their shareholdings in the Company. A shareholder's entitlement to be offered such shares is known as a pre-emption right. Resolution 8 renews the existing authority expiring at the conclusion of this year's meeting to reduce, to a limited extent, shareholders' statutory pre-emption rights in respect of cash issues.

Resolution 8(a) allows the Company the flexibility to undertake rights issues, open offers or other offers without following statutory procedures where shares are offered pro-rata to shareholders with certain limited exceptions as outlined in the resolution.

Resolution 8(b) is intended to allow shares pursuant to any share option scheme for employees approved by the members in general meeting subject at all times to the maximum limits set out in the scheme rules.

The purpose of resolution 8(c) is to give the Directors flexibility to take advantage of business opportunities as they arise, without the need to incur the cost and delay of a general meeting and allows the issue of shares for cash to persons other than existing shareholders up to a maximum nominal value of £341,741. This amount represents approximately 5% of the Company's issued share capital and is set to protect existing shareholders' interests in accordance with published guidelines.

The above resolutions are intended to be valid for a period expiring on 31 December 2009 or at the next AGM, if earlier.

Special business continued**RESOLUTION 9: PURCHASE OF OWN SHARES**

This is a special resolution which, if passed, would renew the existing authority expiring at the conclusion of the AGM which allows the Company to purchase its own issued share capital at a price of not less than 10p per share and not more than 5% above the average of the middle market quotations of the Company's shares as shown in the Daily Official List of the London Stock Exchange for the five business days before the purchase is made. The authority would be to purchase a maximum of 10% of the Company's present issued share capital and would expire on 31 December 2009 or at the conclusion of the next AGM, whichever is the earlier.

The Directors have no present intention to make any such market purchases but consider it is desirable for them to be given the flexibility to do so by shareholders. The authority will only be exercised if to do so would result in an increase in earnings per share and is in the best interests of shareholders generally. The Directors have not decided at this stage whether any ordinary shares acquired pursuant to the authority sought in Resolution 9 would be cancelled or held in treasury.

The Company currently has approximately 5.5m ordinary shares of 10p each under option pursuant to its SAYE and Executive share option schemes, representing 8% of the Company's existing issued ordinary share capital. These options would represent 9% of the Company's issued ordinary share capital if the authority sought in Resolution 9 were exercised in full.

RESOLUTION 10 : ADOPTION OF NEW ALL- EMPLOYEE SAYE SHARE SCHEME

The Company's existing all-employee Share Save Scheme was implemented 20 years ago. At an AGM held on 5 November 1997, the scheme was extended for a further ten years, a period that ended on 7 April 2008, after which it has no longer been possible to grant options under this scheme.

The Company considers it is important that the Company should continue to encourage wider employee share ownership. As a result, the Company proposes to introduce a new Save As You Earn scheme to be known as the Thorntons PLC 2008 Savings-Related Share Option Plan (the "Sharesave Scheme"). The Sharesave Scheme will be drafted to meet the current HM Revenue & Customs requirements enabling as many eligible employees as possible the opportunity to acquire shares in the Company in a tax efficient manner.

Further details of the proposed Sharesave Scheme are contained in Appendix 1 to this letter and the proposed rules of the Sharesave Scheme are available for inspection at the Company's Registered Office and at the offices of Deloitte & Touche LLP at 2 New Street Square, London, EC4A 3BZ from the date of this letter to the conclusion of the Annual General Meeting and at the place of the meeting itself for at least fifteen minutes prior to and during the meeting.

RESOLUTION 11: ADOPTION OF REVISED ARTICLES OF ASSOCIATION

We are also asking shareholders to approve a number of amendments to our articles of association primarily to reflect the provisions of the Companies Act 2006. An explanation of the main changes between the proposed and the current articles of association is set out in Appendix 2 on page 10 of this document. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 have not been noted in the Appendix. The new articles showing all the changes to the current articles are available for inspection at the Company's Registered Office and at the offices of Deloitte & Touche LLP at 2 New Street Square, London, EC4A 3BZ from the date of this letter to the conclusion of the Annual General Meeting and at the place of the meeting itself for at least fifteen minutes prior to and during the meeting.

Action to be taken

Shareholders are invited to complete and sign the enclosed form of proxy in accordance with the instructions thereon and return it to the Company's registrars as soon as possible and, in any event, so as to be received by 11.30 am on 21 October 2008. The return of a completed form of proxy will not prevent you from attending the AGM and voting in person if you so wish and are able to do so.

Recommendation

The Board considers that all the resolutions to be proposed at the AGM are in the best interests of the Company and its shareholders as a whole and unanimously recommends that shareholders vote in favour of all the resolutions, as the Directors intend to do so themselves in respect of their own beneficial shareholdings.

Finally, if you would like to comment on any issue arising from the Annual Report or these resolutions please do not hesitate to contact me.



John von Spreckelsen
Chairman
20 September 2008

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting ("AGM") of the Company will be held at The Assembly Rooms, Market Place, Derby, DE1 3AH on 23 October 2008 at 11.30 am to consider the following business:

Ordinary business

- RESOLUTION 1: To receive and adopt the Company's accounts for the year ended 28 June 2008 together with the Reports of the Directors and auditors thereon.
- RESOLUTION 2: To approve the Directors' Remuneration Report for the year ended 28 June 2008.
- RESOLUTION 3: To declare a final dividend of 4.85p per ordinary share in respect of the year ended 28 June 2008.
- RESOLUTION 4: To re-appoint as a Director B Bloomer.
- RESOLUTION 5: To re-appoint as a Director P N Wilkinson.
- RESOLUTION 6: To re-appoint PricewaterhouseCoopers LLP auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the Audit Committee to determine their remuneration.

Special business

To consider and, if thought fit, pass the following Resolutions 7 – 11, of which Resolutions 7 and 10 will be proposed as ordinary resolutions and Resolutions 8, 9 and 11 will be proposed as special resolutions.

- Resolution 7: THAT the Directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal value of £1,665,176 provided that this authority shall expire on the earlier of 31 December 2009 and the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.
- Resolution 8: THAT, subject to the passing of Resolution 7, the Directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (as defined in Section 94 of that Act) pursuant to the authority conferred by Resolution 7 as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment provided that this power shall be limited to:
- a) the allotment of equity securities in connection with a rights issue, open offer or other offer of securities in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate to, as near as maybe, the respective numbers of ordinary shares held by them but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal and practical problems under the laws of any territory, or other requirements of any regulatory body or stock exchange;
 - b) the allotment of equity securities pursuant to the terms of any share scheme for employees of the Company;
 - c) the allotment of equity securities (otherwise than pursuant to sub-paragraphs (a) and (b) above), up to an aggregate nominal value not exceeding £341,741, being approximately 5% of the nominal amount of the ordinary shares in issue at the close of business on 9 September 2008; and
 - d) the authority hereby conferred shall expire on the earlier of 31 December 2009 and the conclusion of the next Annual General Meeting of the Company after the passing of this resolution save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.
- RESOLUTION 9: THAT the Company is hereby generally and unconditionally authorised for the purpose of Section 166 of the Companies Act 1985 to make market purchases, as defined in Section 163 of the said Act, of ordinary shares in the capital of the Company provided that:
- a) the maximum number of ordinary shares of 10p each in the capital of the Company which may be purchased is 6,834,823 being approximately 10% of the Company's issued ordinary share capital as at 9 September 2008;
 - b) the minimum price which may be paid for each share is 10p;
 - c) the maximum price which may be paid for each share is an amount equal to 105% of the average middle market quotations for a share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the relevant share is purchased; and
 - d) the authority hereby conferred shall expire on the earlier of 31 December 2009 and the conclusion of the next Annual General Meeting of the Company (except in relation to the purchase of shares the contracts for which were concluded before such date and which are executed wholly or partly after such date) unless such authority is renewed prior to such time.

Special business continued

RESOLUTION 10: THAT:

- a) the rules of the Thorntons PLC 2008 Savings-Related Share Option Plan (the "Sharesave Scheme"), the principal features of which are summarised in Appendix 1 to the Chairman's letter contained in the Notice of Annual General Meeting dated 20 September 2008 and a copy of which is produced to the meeting and initialled by the Chairman for the purposes of identification be and are hereby approved and the Directors of the Company be and are hereby authorised to do all such acts and things as they may consider necessary or expedient to carry the Sharesave Scheme into effect including making any changes to the rules of the Sharesave Scheme as may be necessary or desirable to obtain the approval of HM Revenue & Customs to the same; and
- b) the Directors of the Company be and are hereby authorised to do all such acts and things as they may consider necessary or desirable to extend the Sharesave Scheme to employees of the Company and/or its subsidiaries who are located outside the United Kingdom, with such modifications as may be necessary or desirable in order to take account of local tax, exchange control or securities laws as they consider appropriate.

RESOLUTION 11: THAT:

the articles of association produced to the meeting and initialled by the Chairman for the purpose of identification be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association.

By order of the Board

Mark R. Henson
Company Secretary
20 September 2008

Thorntons PLC
Thornton Park
Somercotes
Derbyshire DE55 4XJ

Notice of Annual General Meeting continued

Notes

1. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 6.00 pm on 21 October 2008 or if this meeting is adjourned, at 6.00 pm on the two days prior to the adjourned meeting, shall be entitled to attend or vote at the above meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 6.00 pm on 21 October 2008 shall be disregarded in determining the rights of any person to attend and vote at the meeting.
 2. Any member entitled to attend and vote at this meeting may appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at this meeting. A proxy need not be a member of the Company but must attend the meeting to represent you. The completion and return of a form of proxy will not prevent a member from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will be automatically terminated. You should have received a proxy form with this document. You can only appoint a proxy using the procedures set out in the notes to the proxy form. Details of how to appoint the Chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
 3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you should contact the Company's registrars, Capita Registrars at PO Box 25, Beckenham, Kent, BR3 4BR.
 4. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold your vote. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
 5. Forms of proxy, to be valid, must be completed and signed and must reach the offices of the Company's registrars, Capita Registrars, Registration Services, PO Box 25, Beckenham, Kent, BR3 4BR not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
 6. 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. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
 7. To change your proxy instructions simply submit a new proxy appointment using the method 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. 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.
 8. 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 the Company's registrars, Capita Registrars at PO Box 25, Beckenham, Kent, BR3 4BR. In the case of a member 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 power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by the Company's registrars, Capita Registrars at PO Box 25, Beckenham, Kent, BR3 4BR no later than 48 hours before the time fixed for holding the meeting. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.
 9. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that:
 - (i) if a corporate member has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all the other corporate representatives for that member at the meeting, then, on a poll, those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and
 - (ii) if more than one corporate representative for the same corporate member attends the meeting but the corporate member has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.
- Corporate members are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter to appoint the Chairman as a corporate representative as described in (i) above.
10. Copies of the Executive Directors' service contracts, Non-Executive Directors' letters of engagement, the rules of the proposed Sharesave Scheme and the amended articles of association of the Company will be available for inspection at the registered office of the Company and the rules of the Sharesave Scheme and the amended articles of association at the offices of Deloitte & Touche LLP, 2 New Street Square, London EC4A 3BZ during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) from the date of the Notice until the date of the meeting, and at the place of the meeting from 10.30 am until its conclusion.

Notes continued

11. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. 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.
12. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID) by the latest time(s) for receipt of proxy appointments specified in note 5 above. 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.
13. CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo 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 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.
14. 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.
15. If you are a person who has been nominated under Section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") you may have a right under an agreement between you and the member of the Company who has nominated you (a "Relevant Member") to have information rights to be appointed or to have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights. Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes to queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.
16. You may not use any electronic address provided either in this Notice of AGM or any related documents (including the proxy form), to communicate with the Company for any purposes other than those expressly stated.
17. As at 9 September 2008, the Company's issued share capital comprised 68,348,234 ordinary shares of 10p each. Each ordinary share carries the right to vote at a general meeting of the Company, and, therefore, the total number of voting rights in the Company as at 9 September 2008 is 68,348,234.

Appendix 1

DETAILS OF THE PROPOSED THORNTONS PLC 2008 SAVINGS-RELATED SHARE OPTION PLAN (THE "SHARESAVE SCHEME")

The principal features of the Sharesave Scheme are outlined below:

General

The Sharesave Scheme is intended to be capable of approval by the HM Revenue & Customs in accordance with Schedule 3 of the Income Tax (Earnings & Pensions) Act 2003.

Administration

The Sharesave Scheme shall be administered by the Remuneration Committee or a duly authorised committee of the Board.

Eligibility

All full time executive directors and full or part-time employees of the Company and participating companies within the Group with at least five years continuous service with the Group must be entitled to participate. The Board may also permit executive directors and employees with a shorter period of service to participate in the Sharesave Scheme.

It is intended that invitations to apply for options under the Sharesave Scheme will be made to all eligible executive directors and employees who have been employed by the Group for a minimum period of twelve months on the date that invitations under the Sharesave Scheme are made. Thereafter, the Board will determine the basis upon which any future invitations to apply for options will be made.

The Savings Contract

To participate in the Sharesave Scheme, an eligible employee must enter into a Save-As-You-Earn contract (the "Savings Contract") with an appropriate savings carrier approved by the Company, agreeing to make monthly contributions of between £5 and £250 for a specified period of three, five or seven years. The Board has discretion to determine the duration of the Savings Contracts that will be available in respect of any invitation to apply for options.

A bonus is payable after the expiration of the savings period. Currently, the Savings Contract for UK employees, the bonus payable after three years is equal to 2.4 times the monthly contributions, with a bonus of 7 times the monthly contributions for a five year contract. A maximum bonus of 12.7 times the monthly contributions for a seven year contract is available to participants not electing to exercise their options after five years, but continuing to save for a further two years.

Applications to participate in the Sharesave Scheme may be scaled down by the Board in accordance with procedures laid down in the draft rules of the Sharesave Scheme, if applications exceed the number of shares available for the grant of options. Such scaling down may include:

- (a) treating elections for seven year savings plans as elections for five year savings plans;
- (b) the exclusion of bonuses; or
- (c) reducing monthly contributions above a certain level pro rata.

Option price

Options granted to acquire shares under the Sharesave Scheme will have an option price determined by the Board, which will be not less than the higher of:

- (a) 80% of the middle market quotation for such shares as derived from the Official List for the dealing day (or, if so determined by the Board the average of such quotations for the three dealing days) immediately preceding the date on which invitations to apply for options are issued to employees; and
- (b) where shares are to be subscribed, their nominal value.

Grant of options

The number of shares over which options may be granted must, as nearly as possible, be equal to, but not in excess of, that number of shares which may be purchased out of the repayment proceeds (including, where the Board so allow, any bonus) of the relevant Savings Contract at the option price.

Options may be granted within six weeks following the date on which the Sharesave Scheme is adopted by the Company. Thereafter, options may normally only be granted within six weeks following the announcement by the Company of its results for any period, or following a change in the legislation relating to SAYE schemes or where there are circumstances considered by the Committee to be exceptional.

No options may be granted later than ten years after the approval of the Sharesave Scheme by shareholders. Options may be granted over newly issued shares, treasury shares and shares purchased in the market in conjunction with an employee benefit trust established by the Company.

No payment will be required for the grant of an option. Options will not be taken into account in determining a participant's pension rights under a final salary pension scheme, or the employer's contributions to a defined contributions scheme. Options are not transferable (other than on death in which case they may be exercised by a participant's personal representatives).

Limits on the issue of shares

In any ten year period not more than ten per cent of the issued ordinary share capital of the Company from time to time may be issued or issuable pursuant to rights acquired under the Sharesave Scheme and any other employees' share scheme adopted by the Company.

For the purposes of this limit, options or other rights to acquire shares which lapse or have been released do not count. However, shares subscribed by the trustees of an employee benefit trust to satisfy rights granted under any employees' share scheme adopted by the Company and shares transferred from treasury do count towards this limit.

Exercise of options

Options will only normally be exercisable for a period of six months commencing on the third, fifth or seventh anniversary (as the case may be) of the starting date of the related Savings Contract and, if not exercised by the end of that period, the option will lapse.

Termination of employment

Earlier exercise may be permitted in specified circumstances, including:

- (a) termination of employment as a result of death, injury, disability, redundancy, retirement or the sale of the subsidiary or business for which the participant works;
- (b) except in the case of summary dismissal for misconduct; if an employee ceases employment for any reason provided that such cessation of office or employment is more than three years after the date of grant; or
- (c) in the event of a takeover or liquidation of the Company.

Takeover of the Company

In the event of a takeover, reconstruction or winding up of the Company, options may be exercised within six months of the change of control. Alternatively, options may be exchanged for new equivalent options where appropriate.

Rights attaching to shares

All shares allotted or transferred under the Sharesave Scheme will rank *pari passu* with all other ordinary shares of the Company for the time being in issue (save as regards any rights attaching to such shares by reference to a record date prior to the date of allotment or transfer) and the Company will apply for any new shares issued under the Sharesave Scheme to be admitted to the Official List of the London Stock Exchange.

Variation of capital

In the event of any rights or capitalisation issue, subdivision, consolidation, reduction or other variation of share capital, the Board may make (subject to receiving prior approval of HM Revenue & Customs) such adjustments as they consider appropriate to the number of shares subject to options and/or the price payable on the exercise of options.

Alterations to the Sharesave Scheme

The Company reserves the right up to the forthcoming AGM to make such amendments and additions to the Sharesave Scheme as it considers appropriate or which may be necessary to obtain approval from HM Revenue & Customs, provided they do not conflict in any material respect with this summary of the Rules.

Thereafter, the Board may alter the provisions of the Sharesave Scheme in any respect (subject to the approval of HM Revenue & Customs) provided that the prior approval of shareholders in general meeting is obtained for alterations or additions to the advantage of participants to provisions relating to eligibility, limits on participation and the number of new shares available under the Sharesave Scheme, terms of exercise and adjustment of options.

The requirement to obtain the prior approval of shareholders will not, however, apply in relation to any alteration or addition which is minor in nature and made to benefit the administration of the Sharesave Scheme, to comply with the provisions of any existing or proposed legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for the Company, any of its subsidiaries or for participants.

Overseas employees

The Board may grant options to overseas employees on different terms so as to take account of relevant overseas tax, securities or exchange control laws provided that the options are not overall more favourable than the terms of options granted to other employees.

Appendix 2

EXPLANATORY NOTES OF PRINCIPAL CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION

Companies Act 2006

Provisions in the current articles are to be amended to update them and to bring them into line with the Companies Act 2006. The main changes are detailed below.

Convening general meetings

The provisions in the current articles dealing with the length of notice required to convene general meetings are being amended to conform with new provisions in the Companies Act 2006. In particular a general meeting (other than an annual general meeting) to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

Form of general meetings

The current articles refer to both annual general meetings and extraordinary general meetings. Under the Companies Act 2006 the concept of extraordinary general meetings is not being retained and any meeting of the Company which is not an annual general meeting will be a general meeting. As such, the references in the new articles have been updated.

Form of resolution

The current articles contain provisions that refer to extraordinary resolutions. Those provisions are being amended to refer to special resolutions, as the concept of extraordinary resolutions has not been retained under the Companies Act 2006. Special resolutions require the same number of votes, being 75%, to be passed by a company as extraordinary resolutions and so no changes have been made to the number of votes needed to pass any given resolution, merely the terminology has been updated.

Votes of members

The new articles reflect the provisions of the Companies Act 2006:

- a) to enable proxies to vote on a show of hands as well as on poll, whereas under the current articles proxies are only entitled to vote on a poll;
- b) to provide that the appointment or termination of a proxy should be received not less than 48 hours before the meeting or, in the case of a poll taken more than 48 hours after the meeting, not less than 24 hours before the time for the taking of the poll, with non-working days being permitted to be excluded for this purpose; and
- c) to enable that on a show of hands each shareholder whether present in person or represented by one or more proxies has, in total, one vote.

Chairman's casting vote

The Companies Act 2006 has had effect so that a resolution of the members of the Company cannot be passed by the use of a Chairman's casting vote. The new articles have therefore been updated to reflect that the Chairman has no casting vote in these circumstances.

Age of Directors on appointment

The current articles contain a provision requiring a director's age to be disclosed if he has attained the age of 70 years or more in the notice convening a meeting at which the director is proposed to be elected or re-elected. Such provision could now fall foul of the Employment Equality (Age) Regulations 2006 and so has been removed from the new articles.

Directors' conflicts of interest

The Companies Act 2006 sets out directors' general duties which largely codify the existing law. Under the Companies Act 2006, from 1 October 2008, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The proposed amendments give the Directors authority to approve such situations and include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. Only directors who have no interest in the matter being considered will be able to take the relevant decision. In taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the articles of association of the Company be amended to contain certain provisions relating to confidential information, attendance at Board meetings and availability of Board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict of interest has previously been authorised by the Directors.

Notice of Board meetings

Under the current articles, it is not necessary to give notice of a meeting to any director absent from the United Kingdom unless he gives an alternative address for notice of the meeting. This provision has been removed, as modern communications mean that there may be no particular obstacle to giving notice to a director who is abroad, and it has been replaced with a more general provision allowing the director to provide an alternative address if he so wishes for notice to be served whilst he is absent from the United Kingdom.

Board meetings via telephone

In order to further bring the new articles up to date with modern forms of communication they have been amended to allow for directors to hold and participate in Board meetings via conference telephone.

Electronic and web communications

Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The new articles have been updated to give the Company authority to communicate with members in electronic form and, in addition, they also allow the Company to take advantage of the new provisions relating to website communications.

However, before the Company can start to communicate electronically with a member, it must receive specific agreement to such communication from that individual member.

In addition, before the Company is able to communicate with a member via its website, the relevant member will be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

The Company has not yet decided whether to utilise the provisions of the Companies Act 2006 in relation to website communication but seeks the flexibility to do so. In any event shareholders will retain the right to continue to receive communications in hard copy format should they so wish.

Directors' indemnities

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company's activities as trustee of the scheme. The new articles have been amended to include such an indemnity in case it is needed in future.

Registration of share transfers

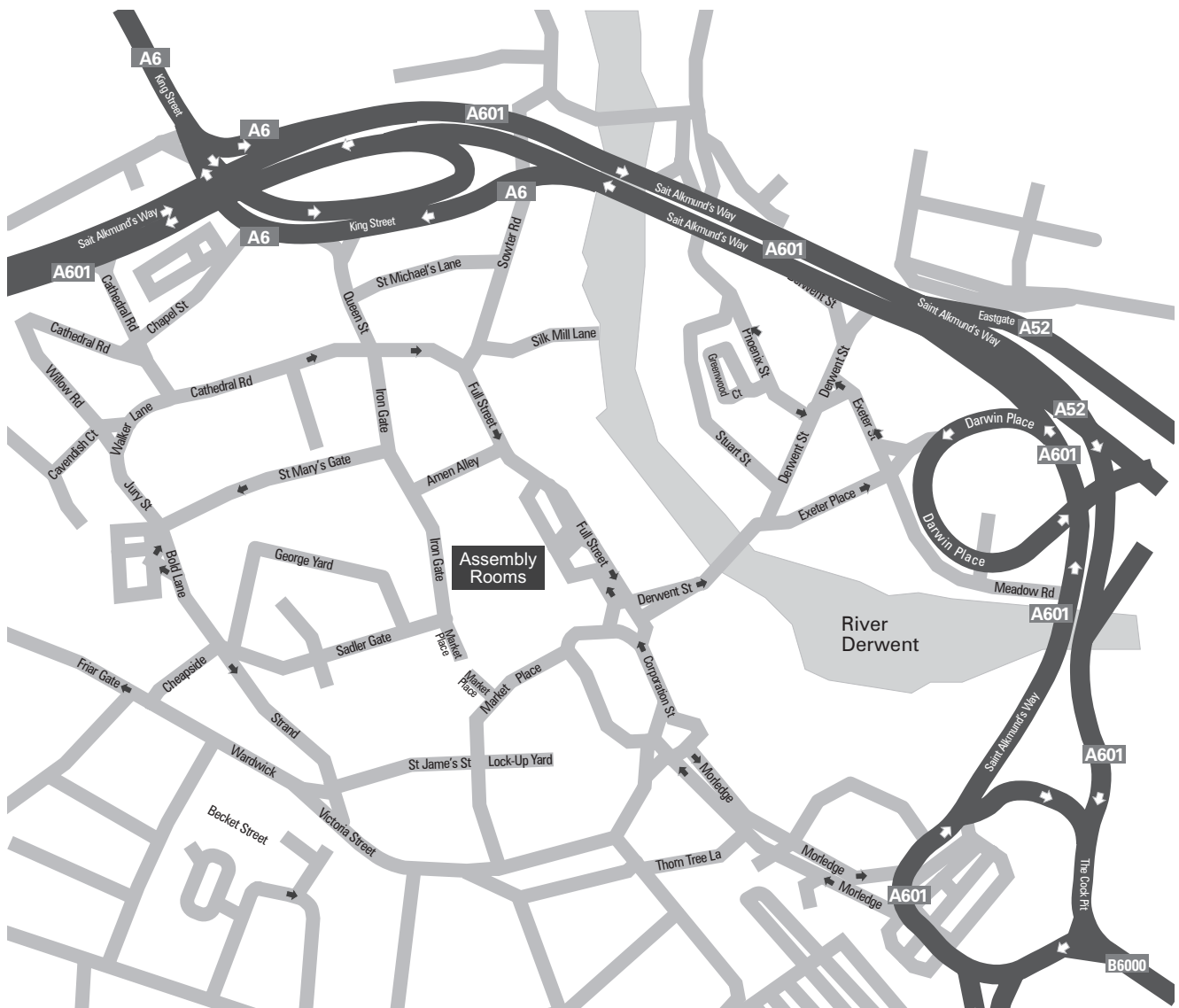
Under the current articles the Board can refuse to register a share transfer on a share that is not fully paid without giving any reason for doing so. Following implementation of the Companies Act 2006 reasons for such a refusal must be given and the new articles include provisions to this effect.

General

Generally the opportunity has been taken to bring clearer language into the new articles in a number of respects, to clarify any ambiguities and to update any statutory references due to the enactment of new legislation.

Location of Annual General Meeting

The Assembly Rooms, Market Place, Derby, DE1 3AH



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