

## Notes to the financial statements continued

## 5 Employees (including Directors)

	2002 £'000	2001 £'000
<b>Employees' remuneration and related costs amounted to:</b>		
Wages and salaries	41,228	41,039
Social security costs	3,266	3,264
Pension costs	1,261	1,101
Other related costs	160	472
<b>Total employees' remuneration</b>	<b>45,915</b>	<b>45,876</b>

Included within other related costs is an amount of £nil (2001: £nil) in respect of redundancy related payments and £nil (2001: £263,000) in respect of compensation for loss of office.

	2002 Number	2001 Number
<b>The average number of persons employed by the Group during the period, analysed by category, was:</b>		
Management and administration	230	268
Selling and distribution	2,644	2,559
Manufacturing	1,424	1,472
<b>Total average number of employees</b>	<b>4,298</b>	<b>4,299</b>

The average number of full time persons employed by the Group in the period was 1,903 (2001: 1,951).

## 6 Pension costs

The Thorntons' Pension and Life Assurance Scheme is a defined benefit scheme operated by the Group for the benefit of all eligible UK employees in employment prior to 31 July 2002. New starters, from 1 August 2002 onwards will be eligible to join the Thorntons' Pension Plan, which is a defined contribution fund. The assets of the defined benefit scheme are held in trust funds independent of the Group and administered by trustees.

An actuarial valuation of the defined benefit scheme was performed as at 31 May 1999 and updated to 29 June 2002, using the projected unit method of valuation, by an independent professionally qualified actuary. The actuarial valuation at 29 June 2002 revealed a deficit of £12.8 million (2001: £6.8 million) as the defined benefit scheme's assets amounted to 62% (2001: 76%) of its liabilities. Improvements in benefits costing £nil million were made in the period and total contributions were £1.7 million (2001: £1.6 million) representing 10.8% of pensionable pay. It has been agreed with the trustees that total contributions will increase to 12.4% of pensionable pay for the next five years, to remove the deficit by 6 April 2007.

Additional disclosures required under FRS17 'Retirement Benefits' pre-implementation transitional arrangements are given below with comparatives where applicable.

	2002	2001
<b>Main actuarial assumptions:</b>		
Rate of increase in salaries	3.90%	3.90%
Rate of increase of pensions in payment	2.65%	2.65%
Discount rate	5.85%	6.27%
Inflation assumption	2.65%	2.65%

	2002 Fair value £'000	2002 Expected rate of return	2001 Fair value £'000	2001 Expected rate of return
<b>Fair value of scheme assets and expected rate of return:</b>				
Equities	13,400	7.76%	17,600	7.23%
Bonds	7,800	4.71%	4,400	5.23%
<b>Total fair value of scheme assets</b>	<b>21,200</b>		<b>22,000</b>	

**6 Pension costs (continued)**

The following disclosures are for illustrative purposes, had FRS17 'Retirement Benefits' been incorporated into the financial statements:

	2002 £'000	
<b>Amounts to be included within operating profit:</b>		
Current service cost	988	
Past service costs	—	
<b>Total to be included within operating profit</b>	<b>988</b>	
	2002 £'000	
<b>Amounts to be included as other finance costs:</b>		
Expected return on scheme assets	1,531	
Interest on scheme liabilities	(1,826)	
<b>Total to be included as net finance charge</b>	<b>(295)</b>	
	2002 £'000	
<b>Amounts to be included in the consolidated statement of total recognised gains and losses:</b>		
Difference between actual and expected return on scheme assets	(3,177)	
Experience gains arising on scheme liabilities	70	
Effects of changes in assumptions in present value of scheme liabilities	(2,800)	
<b>Total actuarial gains and losses to be recognised in CSTRGL</b>	<b>(5,907)</b>	
	2002	
<b>History of experience gains and losses:</b>		
Difference between actual and expected return on scheme assets:		
amount (£'000)	(3,177)	
percentage of scheme assets	(15%)	
Experience gains and losses on scheme liabilities:		
amount (£'000)	70	
percentage of present value of scheme liabilities	0%	
Total amounts included in consolidated statement of total recognised gains and losses:		
amount (£'000)	(5,907)	
percentage of present value of scheme liabilities	(17%)	
	2002 £'000	2001 £'000
<b>Reconciliation of scheme assets and liabilities to the balance sheet:</b>		
Fair value of scheme assets	21,200	22,000
Present value of scheme liabilities	(34,007)	(28,800)
<b>Deficit in the scheme</b>	<b>(12,807)</b>	<b>(6,800)</b>
Related deferred tax	3,842	2,040
<b>Net pension liability</b>	<b>(8,965)</b>	<b>(4,760)</b>