31. EMPLOYEE BENEFITS

The Group participates in the Alexander Forbes Retirement Fund. This is an umbrella fund arrangement created for the provision of retirement benefits. The Fund is a defined-contribution plan and is governed by the Pension Funds Act, No 24 of 1956.

The financial position of the Alexander Forbes Retirement Fund (Provident Section): Italtile Limited is currently reviewed on a monthly basis. As at 30 June 2017, the Fund was found to be in a sound financial position.

At 30 June 2017, 1 538 (2016: 1 500) employees of the Group and Franchisees were members of the Fund, to which the Group and Franchisees contributed R33 million (2016: R28 million) and the employees Rnil (2016: Rnil).

The Fund is open to all permanent staff with their participation thereof being a condition of employment. Their dependants are eligible for death benefits accruing from the Fund in the event of the member's death. All permanent full-time employees of franchise stores are required to participate in the Fund.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Group

The Group's principal financial liabilities, other than derivatives, comprise bank loans and trade payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets, such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The main risk arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below. The Group's primary objective of risk management is to reduce the uncertainty over future cash flows.

Company

The Company's principal financial assets, comprise loans given to subsidiary companies and the Foundation Trusts and cash and short-term deposits, which arise directly from its investments.

The main risk arising from the Company's financial instruments are cash flow interest rate risk, liquidity risk, and credit risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

The Company's primary objective of risk management is to reduce the uncertainty over future cash flows.

Fair values

The Company and Group's assessment of fair values in terms of IFRS 13 are reflected in each relevant note. Fair values are all based on Level 3 input, except cash which is Level 2.

Interest rate risk

The Company's and Group's exposure to the risk of changes in market interest rates relates primarily to the finance income generating ability of cash surpluses and preference shares held by the Company. To manage this risk, management constantly reviews cash placements, and contracts in financial expertise to ensure preferential interest rates are obtained for surplus funding.

As part of the process of managing the Group's interest rate risk, interest rate characteristics of new borrowings are positioned according to expected movements in interest rates.