

32. RETIREMENT BENEFIT INFORMATION

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 2020 and 2019, the Fund was found to be in a sound financial position.

At 30 June 2020, 1 512 (2019: 1 470) employees of the Group and franchisees were members of the Fund, to which the Group and franchisees contributed R28 million (2019: R33 million) and the employees Rnil (2019: 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.

Ceramic Industries

In South Africa, Ceramic contributes to two defined contribution retirement funds for its employees, which are governed by the Pension Funds Act, No 24 of 1956.

The funds are administered by Alexander Forbes and NMP Personal Financial Services.

All permanent employees are required to join one of the funds.

At 30 June 2020, 1 060 (2019: 1 085) employees of Ceramic were members of the funds, to which Ceramic contributed R19 million (2019: R20 million).

In Australia, Ceramic contributes the legislated defined contribution amounts in the various superannuation funds specified by its 60 employees (2019: 85).

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Group

The Group's principal financial liabilities 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 a subsidiary company and trusts detailed in note 6, and cash and short-term deposits, which arise directly from its investments. The main risks 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.

Interest rate risk

The Company 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 finance cost of term funding. 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.