

Notes to the accounts continued

19 Deferred taxation

Temporary differences between the carrying value of assets and liabilities in the balance sheet and their relevant value for tax purposes result in the following deferred tax assets and liabilities:

	Total £'000	Accelerated capital allowances £'000	Short-term compensated absences £'000	Share-based remuneration £'000	Provision for impairment of trade receivables £'000	Excess book basis over tax basis of intangible assets £'000	Derivative financial instruments £'000	Other temporary differences £'000
At 1 August 2007	2,157	537	441	279	30	(55)	(21)	946
Credit/(charge) to income	(571)	(10)	53	9	10	(93)	210	(750)
Exchange differences	12	7	–	–	1	(3)	–	7
Taken to equity:								
Share option schemes	(162)	–	–	(162)	–	–	–	–
At 31 July 2008	1,436	534	494	126	41	(151)	189	203
Credit/(charge) to income	104	90	(183)	(63)	7	83	(17)	187
Exchange difference	106	46	62	–	7	(19)	–	10
Taken to equity:								
Share option schemes	7	–	–	7	–	–	–	–
At 31 July 2009	1,653	670	373	70	55	(87)	172	400

After netting off balances, the following are the deferred tax assets and liabilities recognised in the consolidated balance sheet:

	2009 £'000	2008 £'000
Net deferred tax balance		
Deferred tax assets	1,695	1,468
Deferred tax liabilities	(42)	(32)
Net deferred tax asset	1,653	1,436

Deferred tax has been calculated using the anticipated rates that will apply when the assets and liabilities are expected to reverse based on tax rates enacted or substantively enacted by the balance sheet date. The recoverability of deferred tax assets is supported by the expected level of future profits in the countries concerned.

20 Financial instruments

Financial risk management, policies and strategies

The Group's principal financial instruments comprise bank loans, finance leases, cash and short-term deposits and derivative financial instruments. The main purpose of these financial instruments is to provide finance for the Group's operations.

The Group has various other financial assets and liabilities such as trade receivables and payables, which arise directly from operations.

The Group enters into derivative transactions, primarily cap-and-collar interest rate and forward foreign exchange contracts. The purpose of such contracts is to protect the profits and surplus funds arising in principal markets from currency fluctuations and to manage the interest rate risks on the Group's sources of finance. At 31 July 2009 a total of \$2,400,000 and €1,875,000 was protected by the derivative foreign exchange transactions entered into by the Group.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign exchange risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.