

19 DEFERRED TAX

Deferred tax accounted for in the consolidated balance sheet and the potential amounts of deferred tax are:

	31 December 2006 £m	31 December 2005 £m
Deferred tax liabilities:		
Property, plant and equipment accelerated capital allowances	(569)	(552)
Other temporary differences	(271)	(238)
Dividends of overseas subsidiaries	(57)	(40)
Total deferred tax liabilities	(897)	(830)
Deferred tax assets:		
Provisions	43	42
Tax losses	161	161
Other temporary differences	245	299
Total gross deferred tax assets	449	502
Less: deferred tax assets not recognised	(155)	(151)
Total deferred tax assets	294	351
Net deferred tax liabilities	(603)	(479)

Deferred tax assets will be offset against suitable taxable profits when they arise.

Of the £161 million (2005: £161 million) deferred tax asset in respect of tax losses, £106 million (2005: £102 million) can be carried forward for a period of between 10 and 19 years. The balance can be carried forward indefinitely. No deferred tax asset in relation to the £106 million of losses has been recognised (2005: £nil).

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries, associates and joint ventures was £888 million (2005: £634 million). At 31 December 2006 a deferred tax provision of £57 million (2005: £40 million) has been recognised in respect of temporary differences which are likely to reverse in the near future or where the Group is unable to control the reversal of the timing difference.

Calculation of the potential deferred tax liability for the total aggregate undistributed earnings has not been undertaken as the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. If the temporary differences were to reverse in the future, it is probable that the majority of the potential tax liability would be covered by tax credits in respect of tax paid locally.

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offset) for balance sheet purposes.

	31 December 2006 £m	31 December 2005 £m
Deferred tax liabilities	(696)	(557)
Deferred tax assets	93	78
Net deferred tax liabilities	(603)	(479)

19 DEFERRED TAX continued

Movement in temporary differences during the year:

	1 January 2006 £m	Recognised in income £m	Other balance sheet movements £m	Recognised in equity £m	Acquisition of subsidiaries £m	31 December 2006 £m
Property, plant and equipment	306	(17)	–	–	35	324
Other temporary differences	133	49	(3)	43	–	222
Dividends of overseas subsidiaries, associates and joint ventures	40	17	–	–	–	57
	479	49	(3)	43	35	603

	1 January 2005 £m	Recognised in income £m	Other balance sheet movements £m	Recognised in equity £m	Acquisition/ disposal of subsidiaries £m	31 December 2005 £m
Property, plant and equipment	316	(10)	–	–	–	306
Other temporary differences	100	21	7	(46)	51	133
Dividends of overseas subsidiaries, associates and joint ventures	16	24	–	–	–	40
	432	35	7	(46)	51	479

20 INVENTORIES

	31 December 2006 £m	31 December 2005 £m
Plant spares	26	22
Fuel inventories	55	37
Consumables	60	51
Total inventories	141	110

Inventories with a carrying amount of £116 million (2005: £50 million) are subject to fixed and floating charges of project finance facilities at various power plant subsidiaries. These project finance facilities are non-recourse to International Power plc.

21 TRADE AND OTHER RECEIVABLES

	31 December 2006 £m	31 December 2005 £m
Trade receivables	139	163
Other receivables	157	108
Prepayments and accrued income	103	125
Total amounts falling due within one year	399	396

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. Trade and other receivables are stated net of allowance for irrecoverable amounts.