

19 DEFERRED TAX

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

	31 December 2005 £m	31 December 2004 £m
Deferred tax liabilities:		
Property, plant and equipment accelerated capital allowances	(552)	(439)
Other temporary differences	(238)	(104)
Dividends of overseas subsidiaries	(40)	(16)
Total deferred tax liabilities	(830)	(559)
Deferred tax assets:		
Provisions	42	8
Tax losses	161	166
Other temporary differences	299	77
Total gross deferred tax assets	502	251
Less: deferred tax assets not recognised	(151)	(127)
Total deferred tax assets	351	124
Net deferred tax liabilities	(479)	(435)

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

Of the £161 million (2004: £166 million) deferred tax asset in respect of tax losses, £102 million (2004: £109 million) can be carried forward for a period of between 11 and 19 years. The balance can be carried forward indefinitely. No deferred tax asset in relation to these losses has been recognised.

No additional valuation allowance (2004: £10 million) has been made in the year.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries, associates and joint ventures was £634 million (2004: £713 million). Calculation of the potential deferred tax liability 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 2005 £m	31 December 2004 £m
Deferred tax liabilities	(557)	(514)
Deferred tax assets	78	79
	(479)	(435)

	31 December 2004 £m	On adoption of IAS 32 and IAS 39 £m	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
Movement in temporary differences during the year								
Property, plant and equipment	316	–	316	(10)	–	–	–	306
Dividends of overseas subsidiaries, associates and joint ventures	16	–	16	24	–	–	–	40
Other temporary differences	103	(3)	100	21	7	(46)	51	133
	435	(3)	432	35	7	(46)	51	479

	1 January 2004 £m	Recognised in income £m	Other balance sheet movements £m	Recognised in equity £m	Acquisition of subsidiaries £m	31 December 2004 £m
Movement in temporary differences during the year						
Property, plant and equipment	194	9	8	–	105	316
Dividends of overseas subsidiaries, associates and joint ventures	16	–	–	–	–	16
Other temporary differences	21	–	(1)	(1)	84	103
	231	9	7	(1)	189	435

20 INVENTORIES

	31 December 2005 £m	31 December 2004 £m
Plant spares	22	17
Fuel inventories	37	40
Consumables	51	34
Total inventories	110	91

Inventories with a carrying amount of £50 million (2004: £40 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 2005 £m	31 December 2004 £m
Trade and other receivables net of allowance for irrecoverable amounts		
Trade receivables	163	106
Other receivables	108	69
Prepayments and accrued income	125	52
Total amounts falling due within one year	396	227

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

22 DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2005	
	Assets £m	Liabilities £m
Interest rate swaps	1	26
Energy derivatives	267	661
	268	687
Current	268	496
Non-current	–	191
	268	687

The Group utilises foreign currency exchange contracts to manage its foreign exchange rate exposures. As at 31 December 2005, the total notional value of these contracts was £6 million and the mark to market was £nil.

The Group utilises interest rate swaps to manage its interest rate exposures by swapping an element of its borrowings from floating rates to fixed rates. As at 31 December 2005, the total notional value of interest rate swaps was £1,416 million.