

Notes to the consolidated financial statements
continued

17. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

In millions of EUR	Assets		Liabilities		Net	
	2006	2005	2006	2005	2006	2005
Property, plant & equipment	21	21	(387)	(381)	(366)	(360)
Intangible assets	79	27	(41)	(42)	38	(15)
Investments	9	16	(2)	(2)	7	14
Inventories	12	4	(2)	5	10	9
Loans and borrowings	(3)	3	–	–	(3)	3
Employee benefits	134	144	1	(5)	135	139
Provisions	73	56	5	4	78	60
Other items	72	65	(58)	(41)	14	24
Tax losses carry-forwards	13	19	(2)	–	11	19
Tax assets/(liabilities)	410	355	(486)	(462)	(76)	(107)
Set-off of tax	(15)	(69)	15	69	–	–
Net tax assets/(liabilities)	395	286	(471)	(393)	(76)	(107)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

In millions of EUR	2006	2005
Tax losses	77	140

The tax losses expire in different years. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which Heineken can utilise the benefits therefrom.

Tax losses

Heineken has for an amount of €119 million (2005: €190 million), losses carry forward as per 31 December 2006 which expire in the following years:

In millions of EUR	2006	2005
2006	–	8
2007	23	42
2008	24	42
2009	13	15
2010	7	10
2011	3	–
After 2011 respectively 2010 but not unlimited	36	33
Unlimited	13	40
	119	190
Recognised as deferred tax assets	(42)	(50)
Unrecognised	77	140

Movement in temporary differences during the year

In millions of EUR	Balance 1 January 2005	Changes in consolidation	Effect of movements in foreign exchange	Recognised in income	Recognised in equity	Balance 31 December 2005
Property, plant & equipment	(341)	(18)	(16)	15	–	(360)
Intangible assets	(18)	6	–	(3)	–	(15)
Investments	5	–	–	4	5	14
Inventories	11	–	1	(3)	–	9
Loans and borrowings	1	–	–	–	2	3
Employee benefits	157	1	–	(19)	–	139
Provisions	51	–	2	7	–	60
Other items	(3)	1	(2)	17	11	24
Tax losses carry-forwards	22	–	2	(6)	1	19
	(115)	(10)	(13)	12	19	(107)

In millions of EUR	Balance 1 January 2006	Changes in consolidation	Effect of movements in foreign exchange	Recognised in income	Recognised in equity	Balance 31 December 2006
Property, plant & equipment	(360)	(3)	9	(13)	1	(366)
Intangible assets	(15)	6	–	47	–	38
Investments	14	–	–	(6)	(1)	7
Inventories	9	–	(1)	2	–	10
Loans and borrowings	3	(6)	–	–	–	(3)
Employee benefits	139	–	(1)	(3)	–	135
Provisions	60	–	–	19	(1)	78
Other items	24	(7)	1	9	(13)	14
Tax losses carry-forwards	19	–	(1)	(7)	–	11
	(107)	(10)	7	48	(14)	(76)

18. Inventories

In millions of EUR	2006	2005
Raw materials	131	147
Work in progress	86	83
Finished products	226	191
Goods for resale	162	172
Non-returnable packaging	85	83
Other inventories	203	207
	893	883

In millions of EUR	2006	2005
Inventories measured at fair value less costs to sell	97	68

In 2006 the write-down of inventories to net realisable value amounted to €8 million (2005: €12 million). The write-downs are included in expenses for raw materials, consumables and services.