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Blue Buffalo Pet Products, Inc.
Notes to Consolidated Financial Statements (Continued)

approximately \$0.1 million and \$0.2 million in interest and penalties related to its unrecognized tax benefits, respectively. For the year ended December 31, 2014, the Company recorded approximately \$0.3 million of both interest and penalties related to its unrecognized tax benefits.

Components of deferred tax assets and liabilities were as follows:

(dollars in thousands)	December 31, 2013	December 31, 2014
Deferred tax assets:		
Inventories	\$ 1,734	\$ 1,869
Accrued liabilities	448	307
Transaction costs	—	1,085
Stock-based compensation	464	1,024
Capitalized debt	—	301
Deferred compensation	1,219	746
Research and development	172	41
State net operating loss carry forwards	111	2,072
State tax credits	—	325
Other	24	322
Total deferred tax assets	<u>4,172</u>	<u>8,092</u>
Deferred tax liabilities:		
Property, plant, and equipment	(768)	(18,176)
Bond premiums	—	(1,348)
Total deferred tax liabilities	<u>(768)</u>	<u>(19,524)</u>
Net deferred tax (liabilities) assets	<u>\$ 3,404</u>	<u>\$ (11,432)</u>

Our state net operating loss carryforwards (“NOLs”) will begin to expire in 2032. The majority of the NOLs relate to our Heartland operations which we expect to use in the coming year.

Amounts recognized in the accompanying consolidated balance sheets are as follows:

(dollars in thousands)	December 31, 2013	December 31, 2014
Current deferred tax assets	\$ 2,082	\$ 5,696
Non-current deferred tax assets	2,090	2,396
Non-current deferred tax liabilities	(768)	(19,524)
Total net deferred tax assets (liabilities)	<u>\$ 3,404</u>	<u>\$ (11,432)</u>

As of December 31, 2013 and 2014, the Company had not provided for any valuation allowance on its deferred tax assets. In evaluating the Company’s ability to realize its deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. Management also considers the projected reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon this assessment, management believes it is more likely than not that the Company will realize the benefits of these deductible differences.