Notes to the consolidated financial statements

For the year ended 31 December 2012

5. Income taxes continued

A reconciliation of income taxes determined using the combined German income tax rate of 28.4% (2011: 28.4%), is as follows:

	2012 US$000	2011 US$000
Expected income tax expense	**(24,439)**	(17,429)
Tax rate differential	**(568)**	(21)
Non-deductible portion of share based payments	**(1,782)**	(1,668)
Tax benefit from share based payments	**3,434**	2,964
Tax free income (non-deductible expenses)	**(291)**	(1,035)
Recognised deferred tax assets relating to a reversal of a previous write-down of deferred tax assets and first time recognition of deferred tax assets relating to prior years	**2,132**	14,607
Benefit from previously unrecognised deferred tax assets that is used to reduce current tax expense	**1,631**	1,295
Additional losses for which no deferred tax asset is recognised	**(2,543)**	(3,362)
Adjustments recognised for tax of prior periods	**(388)**	144
Differences arising from differences between functional currency and tax currency	**(773)**	462
Other	**(25)**	(27)
Actual income tax expense	**(23,612)**	(4,070)

Deferred income tax assets and liabilities are summarised as follows:

	At 31 December 2012 US$000	At 31 December 2011 US$000
Temporary differences relating to intangible assets	**(5,111)**	(3,432)
Other temporary differences	**2,178**	(3,075)
Deferred taxes in relation to tax credits	**–**	1,105
Net operating loss carryforwards	**6,167**	20,453
Total net deferred tax assets	**3,234**	15,051
Impaired deferred tax assets[1)]	**–**	(1,105)
Recognised net deferred tax assets	**3,234**	13,946

[1] Impaired in FY 2005. In 2012 an impairment of US$nil (2011: US$2,079,000) was reversed