Company No. 63611 - U

PELIKAN INTERNATIONAL CORPORATION BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

31 December 2011

PELIKAN INTERNATIONAL CORPORATION BERHAD (63611-U)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Interim report for the financial year ended 31 December 2011
The figures have not been audited.

	Note	Individual Quarter 3 months ended 31.12.2011 RM' 000	Individual Quarter 3 months ended (restated) 31.12.2010 RM' 000	Cumulative Quarter Financial year ended 31.12.2011 RM' 000	Cumulative Quarter Financial year ended (restated) 31.12.2010 RM' 000
Revenue		430,037	487,978	1,923,362	1,786,848
Other operating income		989	3,030	26,476	185,135
Expenses excluding finance cost and tax		(501,165)	(501,832)	(1,986,169)	(1,810,167)
Finance cost		(7,591)	(6,720)	(28,560)	(22,334)
Share of results of associates after tax		2,496	(2,693)	8,739	8,504
(Loss) / profit before taxation		(75,234)	(20,237)	(56,152)	147,986
Taxation	B1	(22,498)	(3,419)	(37,912)	(17,195)
(Loss) / profit for the financial period / year		(97,732)	(23,656)	(94,064)	130,791
Other comprehensive (loss) / income:					
Net gain on revaluation of financial investments available-for-sale		-	(1,941)	-	879
Exchange differences on translation of foreign operations		(30,616)	(6,141)	431	(47,229)
Total other comprehensive (loss) / income		(30,616)	(8,082)	431	(46,350)
Total comprehensive (loss) / income for the financial period / year		(128,348)	(31,738)	(93,633)	84,441
Total (loss) / profit attributable to:					
Owners of the parent		(89,775)	(23,847)	(81,308)	127,808
Minority Interest		(7,957)	191	(12,756)	2,983
		(97,732)	(23,656)	(94,064)	130,791
Total comprehensive (loss) / income attributable to:					
Owners of the parent		(122,056)	(35,911)	(79,477)	81,084
Minority Interest		(6,292)	4,173	(14,156)	3,357
		(128,348)	(31,738)	(93,633)	84,441
		sen	sen	sen	sen
(Loss) / earnings per share attributable to equity holders of the parent (sen)	B11	(17.71)	(4.44)	(16.04)	24.90

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

PELIKAN INTERNATIONAL CORPORATION BERHAD (63611-U)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Interim report as at 31 December 2011
The figures have not been audited.

	Note	31.12.2011 RM'000	(restated) 31.12.2010 RM'000	(restated) 31.12.2009 RM'000
ASSETS				
Non current assets				
Property, plant and equipment		563,157	603,809	359,502
Trademarks		15,014	14,932	19,122
Development costs		23,430	25,532	26,951
Goodwill		110,449	109,511	118,604
Computer software licence		2,268	3,447	2,893
Investment in associates		-	36,854	34,557
Available-for-sale financial assets		2,749	3,006	15,267
Pension Trust Fund		152,048	160,307	167,506
Deferred tax assets		11,768	27,980	31,538
		880,883	985,378	775,940
Current assets				
Inventories		372,036	388,200	306,934
Receivables, deposits & prepayments		406,322	395,019	317,192
Tax recoverable		1,780	5,234	5,287
Pension Trust Fund		19,448	21,335	25,124
Deposits, cash and bank balances		98,431	109,263	62,709
		898,017	919,051	717,246
Total Assets		**1,778,900**	**1,904,429**	**1,493,186**
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital		512,796	512,796	343,169
Share premium		74,964	74,964	59,869
Currency translation		(61,592)	(63,423)	(15,807)
Available-for-sale reserve		-	-	(892)
Retained profits		211,303	302,751	185,087
Treasury shares, at cost		(16,751)	(15,569)	(13,678)
		720,720	811,519	557,748
Minority interest		22,175	36,580	23,094
Total Equity		742,895	848,099	580,842
Non current liabilities				
Payables		5,715	6,303	11,527
Post employment benefit obligations	B4			
- Removable pension liabilities		151,548	158,675	202,458
- others		33,556	48,080	57,894
Borrowings	B2	135,323	193,134	152,921
Deferred tax liabilities		14,308	9,510	7,705
		340,450	415,702	432,505
Current liabilities				
Payables		334,837	383,242	223,892
Post employment benefit obligations	B4			
- Removable pension liabilities		9,582	9,600	11,909
- others		11,213	1,202	1,559
Provisions		189	346	422
Borrowings	B2	323,423	231,539	235,210
Current tax liabilities		16,311	14,699	6,847
		695,555	640,628	479,839
Total Liabilities		1,036,005	1,056,330	912,344
Total Equity and Liabilities		**1,778,900**	**1,904,429**	**1,493,186**
Net assets per share attributable to owners of the parent (RM)		1.41	1.58	1.63

This Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

PELIKAN INTERNATIONAL CORPORATION BERHAD (63611-U)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Interim report for the financial year ended 31 December 2011
The figures have not been audited.

	Note	Share Capital	Share premium (non distributable)	Currency translation (non distributable)	Available-for-sales reserve (non distributable)	Retained profits (distributable)	Treasury shares, at cost (distributable)	Equity attributable to owners of the parent	Minority interest	Total equity
		RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000
Balance at 1 January 2011		512,796	74,964	(63,423)	-	335,009	(15,569)	843,777	36,580	880,357
- Prior year adjustment	A3	-	-	-	-	(32,258)	-	(32,258)	-	(32,258)
As restated		512,796	74,964	(63,423)	-	302,751	(15,569)	811,519	36,580	848,099
Total comprehensive income / (loss) for the financial year		-	-	1,831	-	(81,308)	-	(79,477)	(14,156)	(93,633)
Purchase of own shares		-	-	-	-	-	(1,182)	(1,182)	-	(1,182)
Dividends		-	-	-	-	(10,140)	-	(10,140)	(249)	(10,389)
Balance at 31 December 2011		512,796	74,964	(61,592)	-	211,303	(16,751)	720,720	22,175	742,895
Balance at 1 January 2010		343,169	59,869	(27,902)	-	218,583	(13,678)	580,041	23,095	603,136
- Prior year adjustment	A3	-	-	-	-	(21,270)	-	(21,270)	-	(21,270)
- effects of adopting FRS 139		-	-	12,095	(892)	(12,226)	-	(1,023)	(1)	(1,024)
As restated		343,169	59,869	(15,807)	(892)	185,087	(13,678)	557,748	23,094	580,842
Total comprehensive (loss) / income for the financial year		-	-	(47,616)	892	127,808	-	81,084	3,357	84,441
Acquisition of subsidiaries		-	-	-	-	-	-	-	27,328	27,328
Acquisition of shares in an existing subsidiary		-	-	-	-	-	-	-	(16,427)	(16,427)
Rights Issue, net of share issue costs		169,627	15,095	-	-	-	-	184,722	-	184,722
Purchase of own shares		-	-	-	-	-	(1,891)	(1,891)	-	(1,891)
Dividends		-	-	-	-	(10,144)	-	(10,144)	(772)	(10,916)
Balance at 31 December 2010		512,796	74,964	(63,423)	-	302,751	(15,569)	811,519	36,580	848,099

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

PELIKAN INTERNATIONAL CORPORATION BERHAD (63611-U)
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Interim report for the financial year ended 31 December 2011
The figures have not been audited.

	Financial year ended	
	31.12.2011	**31.12.2010**
	RM' 000	**RM' 000**
Operating activities		
Cash receipts from customers	1,935,561	1,821,092
Cash paid to suppliers and employees	(1,908,419)	(1,764,243)
	27,142	56,849
Interest received	1,308	1,976
Interest paid	(18,807)	(15,845)
Taxation paid	(10,929)	(15,748)
Net cash used in operating activities	(1,286)	27,232
Investing activities		
Acquisition of subsidiaries	-	(186,626)
Purchase of property, plant and equipment	(25,802)	(24,374)
Proceeds from disposal of property, plant and equipment	15,215	3,894
Proceeds from disposal of investments	9,549	16,944
Proceeds from disposal of intangible assets	-	38
Purchase of intangible assets	(725)	(571)
Purchase of investments	-	(2,286)
Development expenses paid	(7,290)	(6,747)
Interest paid	(9,539)	(7,324)
Dividends received	5,093	7,525
Net cash used in investing activities	(13,499)	(199,527)
Financing activities		
Drawdown of bank borrowings	372,590	639,478
Repayments of bank borrowings	(341,314)	(577,782)
Hire purchase and finance lease principal payments	(919)	(1,185)
Rights issue, net of share issue costs	-	184,722
Purchase of own shares	(1,182)	(1,891)
Interest paid	-	(99)
Dividends paid to shareholders	(10,140)	(10,144)
Net cash from financing activities	19,035	233,099
Net increase in cash and cash equivalents during the financial year	4,250	60,804
Currency translation	(7,413)	(15,954)
Cash and cash equivalents at beginning of financial year	95,776	50,926
Cash and cash equivalents at end of financial year	92,613	95,776
Cash and cash equivalents comprise :		
Cash and bank balances	98,431	109,263
Bank overdrafts	(5,818)	(13,487)
	92,613	95,776

This Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010 and the accompanying explanatory notes attached to the interim financial statements.

A. Notes to the Interim Financial Report
For the fourth quarter and financial year ended 31 December 2011

A1. Basis of Preparation

The quarterly interim financial report is unaudited and has been prepared in accordance with FRS 134 "Interim Financial Reporting" and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2010.

A2. Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 December 2010, except for the adoption of the following:

FRSs/Interpretations	**Effective date**
FRS 1, First-time Adoption of Financial Reporting Standards (Revised)	1 July 2010
FRS 3, Business Combinations (Revised)	1 July 2010
FRS 127, Consolidated and Separate Financial Statements (Revised)	1 July 2010
Amendments to FRS 1, Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters and Additional Exemptions for First-time Adopters	1 January 2011
Amendments to FRS 2, Share-based Payment	1 July 2010
Amendments to FRS 2, Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 5, Non-current Assets Held For Sale and Discontinued Operations	1 July 2010
Amendments to FRS 7, Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 132, Financial Instruments: Presentation – Classification of Rights Issues	1 March 2010
Amendments to FRS 138, Intangible Assets	1 July 2010
Improvements to FRSs (2010)	1 January 2011
IC Interpretation 4, Determining whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 12, Service Concession Arrangements	1 July 2010
IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17, Distributions of Non-cash Assets to Owners	1 July 2010
IC Interpretation 18, Transfers of Assets from Customers	1 January 2011
Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives	1 July 2010

A. Notes to the Interim Financial Report
For the fourth quarter and financial year ended 31 December 2011

A2. Accounting Policies (cont'd)

Adoptions of the above standards, amendments and interpretations do not have any material impact on the financial performance, position or presentation of financials of the Group, other than the disclosures under the Amendments to FRS 7 which will affect the 2011 annual financial statements.

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework").

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that within the scope of MFRS 141, Agriculture ("MFRS141") and IC Interpretation 15, Agreements for Construction of Real Estate ("IC15"), including its parent, significant investor and venture.

The Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements, the Group will be required to restate the financial position at 1 January 2012 to amounts reflecting the application of MFRS Framework.

The Group expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2012.

A3. Prior Year Adjustments

The Group has changed the basis of measurement of the Pension Trust Fund to reflect the recovery of its carrying amount.

The adjustments to the carrying amount of the Pension Trust Fund arising from this change in measurement basis have been effected retrospectively resulting in the comparative figures and opening retained profits of the Group being restated.

The effects of the adjustments are summarised as follows:

	RM'000
Statement of Financial Position as at 31 December 2010	
Cumulative decrease in Pension Trust Fund	(32,258)
Cumulative decrease in Retained profits	(32,258)
Statement of Financial Position as at 31 December 2009	
Cumulative decrease in Pension Trust Fund	(21,270)
Cumulative decrease in Retained profits	(21,270)

A. Notes to the Interim Financial Report
For the fourth quarter and financial year ended 31 December 2011

A3. Prior Year Adjustments (cont'd)

The following comparative figures have been restated accordingly:

Statement of Financial Position	As previously stated RM'000	Effect of prior year adjustment RM'000	As restated RM'000
As at 31 December 2010			
Pension Trust Fund	192,565	(32,258)	160,307
Retained profits	335,009	(32,258)	302,751
As at 31 December 2009			
Pension Trust Fund	188,776	(21,270)	167,506
Retained profits	206,357	(21,270)	185,087

Statement of Changes in equity for the financial year ended	As previously stated RM'000	Effect of prior year adjustment RM'000	As restated RM'000
31 December 2010			
Profit for the financial year	141,779	(10,988)	130,791
Balance as at 31 December 2010	880,357	(32,258)	848,099
31 December 2009			
Retained profits	206,357	(21,270)	185,087

A4. Report of the Auditors to the Members

The report of the auditors on the annual financial statements for the financial year ended 31 December 2010 was not subject to any qualification and did not include any adverse comments made under subsection (3) of Section 174 of the Companies Act, 1965.

A5. Seasonality or Cyclicality of Interim Operations

The Group's traditional business dealing with stationery, especially for school and office, was affected by the "back to school" season in Europe which normally records higher sales in mid year. The gift business of Herlitz AG ("Herlitz") generates better results towards the end of the year. Sales of Pelikan Hardcopy Holding AG ("PHH") group and Geha GmbH ("Geha") group dealing with hardcopy related products and printer consumables such as inkjet and toner cartridges, thermal transfer, office media and impact cartridges, are generally not influenced by seasonal fluctuation.

A. Notes to the Interim Financial Report
For the fourth quarter and financial year ended 31 December 2011

A6. Exceptional and/or Extraordinary Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no exceptional and/or extraordinary items affecting assets, liabilities, equity, net income or cash flows for the current quarter ended 31 December 2011.

A7. Material Effect of Changes in Estimates of Amounts Reported in the Prior Interim Periods of the Current Financial Year or Prior Financial Years

There were no material changes in estimates of amounts reported in the current quarter, prior interim periods or prior financial years.

A8. Debt and Equity Securities

The Company repurchased a total of 1,453,800 of its shares from the open market for a total consideration of RM1,181,433 during the financial year ended 31 December 2011. The Company repurchased a total of 1,219,100 of its shares from the open market for a total consideration of RM939,398 during the current quarter. Subsequent to the current quarter, a total of 2,913,400 ordinary shares were repurchased from the open market for a total consideration of RM2,433,791.

The repurchased transactions were financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with Section 67A (as amended) of the Companies Act, 1965.

Other than mentioned above, there were no other issuances, cancellations, repurchases, resales and repayments of debt and equity securities during the current quarter ended 31 December 2011.

A9. Dividends

For the financial year ended 31 December 2010, a final single tier dividend* of 2 sen per ordinary share of RM1 each (2009: 2 sen per share single tier dividend*) amounted to RM10,139,993, which had been approved by the shareholders at the Annual General Meeting held on 20 June 2011, had been paid on 14 September 2011.

No dividends have been paid during the current quarter ended 31 December 2011.

* single tier dividend is non-tax deductible under Section 108 of the Income Tax Act 1967 and is exempt from Income Tax in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the said Act.

A. Notes to the Interim Financial Report
For the fourth quarter and financial year ended 31 December 2011

A10. Segment Information

	Germany RM'000	Switzerland RM'000	Italy RM'000	Rest of Europe RM'000	Americas RM'000	Rest of world RM'000	Elimination RM'000	Group RM'000
12 months ended 31 December 2011								
External revenue	1,185,081	115,137	48,177	319,493	182,652	72,822	-	1,923,362
Intersegment revenue	927,964	156,725	317	81,387	11,946	105,075	(1,283,414)	-
	2,113,045	271,862	48,494	400,880	194,598	177,897	(1,283,414)	1,923,362
Segment result	(14,550)	(5,268)	(552)	(16,478)	28,516	6,392	(39,974)	(41,914)
Unallocated income (net of cost)								5,583
Loss from operations								(36,331)
3 months ended 31 December 2011								
External revenue	268,088	26,268	9,353	71,672	43,858	10,798	-	430,037
Intersegment revenue	232,238	35,440	51	15,046	2,693	21,106	(306,574)	-
	500,326	61,708	9,404	86,718	46,551	31,904	(306,574)	430,047
Segment result	(44,479)	(13,200)	(453)	(6,725)	7,233	1,262	(6,173)	(62,535)
Unallocated expenses (net of cost)								(7,604)
Loss from operations								(70,139)

Germany

Overall, the performance of the German market which represents 61.6% of the Group's revenue has been sluggish especially the last quarter for the financial year which is the weakest of all quarters. The year to date revenue is higher than the previous year's revenue of RM1,057.4 million mainly due to the full year consolidation of Herlitz AG's results. The segment results for the current quarter amounted to a loss of RM44.5 million and for the year to date of RM14.6 million.

Switzerland

The Switzerland segment which represents 6.0% of the total Group revenue showed an increase in revenue of 11.8% as compared to the previous year mainly due to translation effects of the strengthened Swiss Franc into RM. In absolute Swiss Franc terms, the segment suffered a decline of 0.6% in revenue as compared to the previous year. The segment result was mainly affected by the exchange rate impact which resulted in high operating costs.

A. Notes to the Interim Financial Report
For the fourth quarter and financial year ended 31 December 2011

A10. Segment Information (cont'd)

Italy

The Italy segment which represents 2.5% of the total Group revenue showed a decrease in revenue of 12.1% as compared to the previous year mainly due to the overall slowdown in the Italian economy as a whole which result in conservative consumer spending. The segment had undergone certain reorganisation exercise which resulted in lower operating costs during the year.

Rest of Europe

Rest of Europe which comprise all other European countries represents 16.6% of the total Group revenue. Overall the segment has achieved a segment loss of RM16.5 million for the current financial year. The slowdown in the European economy has affected the consumer and business sentiments as a whole.

Americas

Americas which comprise subsidiaries in Mexico, Colombia and Argentina has achieved an increase in revenue of 6.5% as compared to the previous year. Americas segment represents 9.5% of the total Group revenue. The business in Colombia and Argentina has been most encouraging achieving a sales growth of 13.9% and 26.4% respectively.

Rest of the World

Rest of the world which comprise 3.8% of the Group's revenue is mainly made up of countries such as Japan, Middle East and Asia. These markets are relatively stable, profitable and growing albeit its small percentage over the total sales of the Group. The region achieved a segment contribution of RM6.4 million for the financial year.

A11. Valuation of Property, Plant and Equipment

There were no valuations of property, plant and equipment during the current quarter ended 31 December 2011.

A. Notes to the Interim Financial Report
For the fourth quarter and financial year ended 31 December 2011

A12. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter ended 31 December 2011, save for disposal of an associate company Columbia Pelikan Pty Limited.

A13. Events Subsequent to the End of the Reporting Period

There is no event subsequent to the financial year ended 31 December2011.

A14. Contingent Liabilities

(a) In the ordinary course of business, the business of PHH and Geha groups (dealing with manufacturing and distribution of hardcopy related products and printer consumables such as inkjet and toner cartridges, thermal transfer, office media and impact cartridges, hereinafter referred to as the “Hardcopy business”) is involved in several lawsuits. In particular, the Group has several large legal claims brought by Original Equipment Manufacturers (“OEM”) for perceived breach of patents with an assessed potential maximum exposure of EUR17.7 million (RM72.7 million). The Group is of the view that litigation matters are an inherent part of the Hardcopy business. Historically, the Group has been successful in defending most cases and management remains confident that the Group's exposure to these claims can be reduced or can successfully be defended. In the opinion of the management, the lawsuits, claims and proceedings which are pending against the Group will not have a material effect on the Group’s financial statements.

(b) Based on the latest actuaries assumptions as at 31 December 2010, the Company’s wholly owned subsidiary Pelikan Hardcopy Scotland Limited (“PHSL”)’s retirement fund has GBP21.1 million (RM103.6 million) assets to meet pension liabilities of GBP28.6 million (RM140.5 million). An amount of GBP0.9 million (RM4.6 million) has been recognised as a pension liability in the financial statements of PHSL as at 31 December 2011 in accordance with the FRS 119, Employee Benefits.

The Group believes that the operational cash flow of the Group and the assets in the retirement fund of PHSL are sufficient to meet the payouts of the retirement scheme in the foreseeable future.

B. Additional Information Required by the Bursa Malaysia Securities Berhad's Listing Requirements

B1. Taxation

	3 months ended		Financial year ended	
	31/12/11	31/12/10	31/12/11	31/12/10
	RM'000	RM'000	RM'000	RM'000
Taxation charged in respect of current financial period / year				
- income tax	(1,989)	(1,096)	(15,737)	(13,832)
- deferred tax	(20,509)	(2,323)	(22,175)	(3,363)
	(22,498)	(3,419)	(37,912)	(17,195)

The Group's effective tax rate is higher than the statutory income tax rate in Malaysia mainly due to non-availability of group relief where subsidiaries with taxable profits cannot utilise the unutilised losses of other subsidiaries and also because of reversal of deferred tax assets caused by expiry of tax losses carried forward and restructuring measures undertaken by the Group.

B2. Borrowings

Details of the Group's borrowings as at 31 December 2011 are as set out below:

	Short Term		Long Term		Total
	Secured	Unsecured	Secured	Unsecured	
Currency	RM'000	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	45,904	17,335	56	-	63,295
Euro	36,019	16,741	31,835	-	84,595
Swiss Franc	101	-	5,436	-	5,537
US Dollar	95,880	91,211	92,541	-	279,632
Argentine Peso	2,721	-	-	-	2,721
Poland Zloty	21	-	-	-	21
Czech Koruna	87	-	95	-	182
Mexican Peso	2,435	10,671	3,600	-	16,706
Colombian Peso	3,329	3	-	-	3,332
Great Britain Pound	-	236	-	1,723	1,959
Japanese Yen	-	712	-	-	712
Singapore Dollar	17	-	37	-	54
Total	186,514	136,909	133,600	1,723	458,746

B. Additional Information Required by the Bursa Malaysia Securities Berhad's Listing Requirements

B3. Material Litigation

In the ordinary course of business, the business of PHH and Geha groups (dealing with manufacturing and distribution of hardcopy related products and printer consumables such as inkjet and toner cartridges, thermal transfer, office media and impact cartridges, hereinafter referred to as the "Hardcopy business") is involved in several lawsuits. In particular, the Group has several large legal claims brought by Original Equipment Manufacturers ("OEM") for perceived breach of patents with an assessed potential maximum exposure of EUR17.7 million (RM72.7 million). The Group is of the view that litigation matters are an inherent part of the Hardcopy business. Historically, the Group has been successful in defending most cases and management remains confident that the Group's exposure to these claims can be reduced or can successfully be defended. In the opinion of the management, the lawsuits, claims and proceedings which are pending against the Group will not have a material effect on the Group's financial statements.

B4. Post employment benefit obligation

	RM'000
Payable within 12 months	20,795
Payable after 12 months	185,104
	205,899
Removable Pension Liabilities:	
Liabilities assumed by Pension Trust Fund	96,043
Liabilities assumed by the Company	65,087
	161,130
Other pension liabilities of the Group	44,769
	205,899

Pursuant to the acquisitions of Pelikan Holding AG and Pelikan Japan KK by the Company completed in April 2005, part of the pension liabilities of the Group (known as "Removable Pension Liabilities") has been assumed by an external Pension Trust Fund created for this purpose, whilst the Company is assuming the balance of the said Removable Pension Liabilities fixed in Ringgit Malaysia as at the completion date of the acquisitions. If the assets in the Pension Trust Fund are capable of paying the entire Removable Pension Liabilities, the Removable Pension Liabilities assumed by the Company will be relinquished.

B. Additional Information Required by the Bursa Malaysia Securities Berhad's Listing Requirements

B5. Capital commitments

Capital commitments not provided for in the financial statements as at 31 December 2011 were as follows:

	RM'000
Authorised and contracted:	
Property, plant and equipment	342

B6. Review of Performance

The Group's revenue for the current financial quarter was RM430.0 million compared to RM488.0 million for the corresponding quarter last year. The Group incurred a loss before tax of RM75.2 million in the current quarter. The losses incurred include operating effects arising from the lower sales performance for the last quarter being the weakest quarter for the Group post the "back to school" season for its main market in Europe. The sales have declined by RM97.5 million as compared to the previous quarter resulting in a loss of margins to absorb the fixed operating costs. The Group also ceased to recognize the excess of pension trust fund income due to the change in measurement basis of the Pension Trust Fund and this has resulted in a reduction in profits of RM10.1 million.

The integration process between the Pelikan Group and the Herlitz Group's operations is taking longer as anticipated due to the complexities involved in the legal form restructuring. The prolonged effects of the European economy which has affected consumer demand and the business as a whole, has further provided pressure to the business operations in that region which pushed the Group to initiate more aggressive restructuring measures to address the cost structures to adapt to the decline in revenues. These measures include, staff cuts, plant reorganization, streamlining of support functions such as administration, information technology, product development and research and development. Some of these measures are already initiated during the year wherein about 350 positions have been identified to be cut.

In addition, due to the prolonged effects of the European economy which has affected consumer demand and the business as a whole, the Group has initiated more aggressive restructuring measures to address the cost structures to adapt to the decline in revenues. These measures include, staff cuts, plant reorganization, streamlining of support functions such as administration, information technology, product development and research and development.

Arising from such measures, the Group has started to reduce operating complexity of group support functions, effecting structural changes to production units and sales and administration functions.

B. Additional Information Required by the Bursa Malaysia Securities Berhad's Listing Requirements

B7. Variation of results against preceding quarter

In the current quarter, the Group's revenue decreased to RM430.0 million compared to RM527.5 million in the preceding quarter, mainly due to the "back to school" season in the European markets. The loss before tax of RM75.2 million as compared to RM7.1 million loss before tax of preceding quarter was mainly due to the loss of margins from the reduced sales coupled with the effects of the restructuring measures initiated by the Group.

B8. Prospects

The Group anticipates a tough year ahead due to the prolonged economic issues faced by its main market in Europe which represents more than 80% of its entire business. In absence of any market improvement in Europe, restructuring of its operations is key to achieve profitability and cushion any further negative development of the market. Besides this, the Group will continue its efforts in developing its markets outside Europe especially in regions such as Latin America and Asia which has good growth prospects. Going forward, the Group expects to change certain operating structures of the production, sales and distribution units to cater to the volume of business, structural changes to the distribution market and its customers.

Besides this, the Group will step up efforts in product development to introduce more new products to the market over the next few years to capture market shares. Barring any unforeseen circumstances, the Group expects that it's operating cost structure to be much leaner and will be able to support any future sales growth and achieve better net margins.

B. Additional Information Required by the Bursa Malaysia Securities Berhad's Listing Requirements

B9. Dividend

The Board of Directors proposed a final share dividend on the basis of one (1) treasury share for every fifty (50) existing ordinary shares of RM1 each held in the Company, fractions of treasury shares to be disregarded ("Share Dividend") in respect of the financial year ended 31 December 2011.

In addition to the Share Dividend, the Board of Directors also proposed a final cash dividend of one (1.0) sen per share single tier dividend* ("Cash Dividend").

Both the proposed Share Dividend and Cash Dividend are subject to the approval by the shareholders at the forthcoming Annual General Meeting. The dates for the entitlement, payment and crediting of the dividends will be announced later after the shareholders' approval.

* single tier dividend is non-tax deductible under Section 108 of the Income Tax Act 1967 and is exempt from Income Tax in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the said Act.

B10. Variance on Profit Forecast / Shortfall in Profit Guarantee

Not applicable.

B11. Earnings per share

		3 months ended		Financial year ended	
		31/12/11	**31/12/10**	**31/12/11**	**31/12/10**
(Loss) / profit for the financial period / year attributable to equity holders of the parent	(RM'000)	(89,775)	(23,847)	(81,308)	127,808
Weighted average number of ordinary shares in issue	('000)	512,796	512,796	512,796	491,593
Notional bonus shares in rights issue	('000)	-	30,476	-	26,667
Shares repurchased	('000)	(5,946)	(5,582)	(5,749)	(4,935)
		506,850	537,690	507,047	513,325
(Loss) / earnings per share	(sen)	(17.71)	(4.44)	(16.04)	24.90

B. Additional Information Required by the Bursa Malaysia Securities Berhad's Listing Requirements

B12. Additional notes to the Statement of Comprehensive Income

	3 months ended		Financial year ended	
	31/12/11	**31/12/10**	**31/12/11**	**31/12/10**
	RM'000	RM'000	RM'000	RM'000
(Loss) / profit for the period / year is arrived at after charging / (crediting):				
Interest income	(845)	(942)	(1,308)	(1,976)
Interest expense	7,591	6,720	28,560	22,334
Depreciation and amortization	18,645	17,992	67,772	60,459
Provision for and write off of				
- Receivables	1,222	647	2,611	3,193
- Inventories	7,961	4,549	9,301	5,725
(Gain)/ loss on disposal of				
- Property, plant and equipment	1,527	1,395	(1,030)	842
- Investments	(5,736)	(3,119)	(5,736)	(2,427)
Negative goodwill	-	-	-	(157,001)
Impairment of assets	489	8,514	489	8,514
Foreign exchange (gain) / loss	1,840	(1,381)	10,605	(9,618)

B13. Realised and Unrealised Profits/Losses Disclosure

	As at 31/12/11	**As at 31/12/10**
	RM'000	**RM'000**
Total retained profits of the Company and its subsidiaries:		
- Realised profit	221,213	332,683
- Unrealised loss	(8,785)	(689)
	212,428	331,994
Total share of accumulated losses from associates:		
- Realised loss	(585)	(1,774)
- Unrealised profit	49	38
	(536)	(1,736)
Add : Consolidation adjustments	(589)	(27,507)
Total retained profits as per Statement of Financial Position	211,303	302,751