

Company No. 63611 - U

PELIKAN INTERNATIONAL CORPORATION BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

31 March 2013

PELIKAN INTERNATIONAL CORPORATION BERHAD (63611-U)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Interim report for the financial period ended 31 March 2013
The figures have not been audited.

	Note	Individual Quarter 3 months ended		Cumulative Quarter Financial period ended	
		31/3/2013 RM' 000	31/3/2012 RM' 000 Restated	31/3/2013 RM' 000	31/3/2012 RM' 000 Restated
Revenue		328,788	417,523	328,788	417,523
Other operating income		10,101	27,871	10,101	27,871
Expenses excluding finance cost and tax		(341,156)	(431,556)	(341,156)	(431,556)
Finance cost		<u>(5,587)</u>	<u>(5,559)</u>	<u>(5,587)</u>	<u>(5,559)</u>
(Loss)/Profit before taxation		(7,854)	8,279	(7,854)	8,279
Taxation	B1	<u>(4,455)</u>	<u>(2,989)</u>	<u>(4,455)</u>	<u>(2,989)</u>
(Loss)/Profit for the financial period		(12,309)	5,290	(12,309)	5,290
Other comprehensive (loss)/income:					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		(9,494)	617	(9,494)	617
Item that will not be reclassified subsequently to profit or loss:					
Actuarial gains on defined benefit plans		-	368	-	368
		<u>(9,494)</u>	<u>985</u>	<u>(9,494)</u>	<u>985</u>
Total comprehensive (loss)/income for the financial period		<u><u>(21,803)</u></u>	<u><u>6,275</u></u>	<u><u>(21,803)</u></u>	<u><u>6,275</u></u>
Total (loss)/profit attributable to:					
Owners of the parent		(9,230)	5,141	(9,230)	5,141
Non-controlling interests		<u>(3,079)</u>	<u>149</u>	<u>(3,079)</u>	<u>149</u>
		<u><u>(12,309)</u></u>	<u><u>5,290</u></u>	<u><u>(12,309)</u></u>	<u><u>5,290</u></u>
Total comprehensive (loss)/income attributable to:					
Owners of the parent		(18,673)	6,275	(18,673)	6,275
Non-controlling interests		<u>(3,130)</u>	<u>-</u>	<u>(3,130)</u>	<u>-</u>
		<u><u>(21,803)</u></u>	<u><u>6,275</u></u>	<u><u>(21,803)</u></u>	<u><u>6,275</u></u>
(Loss)/Earnings per share attributable to equity holders of the parent	B11	sen (1.81)	sen 1.02	sen (1.81)	sen 1.02

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 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 March 2013
The figures have not been audited.

	Note	31/3/2013 RM'000	31/12/2012 RM'000 Restated	1/1/2012 RM'000 Restated
ASSETS				
Non-current assets				
Property, plant and equipment		462,192	480,912	559,637
Trademarks		14,485	15,004	15,017
Development costs		13,848	15,674	23,430
Goodwill		100,635	96,887	97,038
Computer software licence		1,312	1,238	2,268
Investment in associates		-	-	-
Available-for-sale financial assets		2,930	3,040	2,985
Pension Trust Fund		142,312	145,165	152,048
Deferred tax assets		26,830	26,916	35,333
		<u>764,544</u>	<u>784,836</u>	<u>887,756</u>
Current assets				
Inventories		301,831	291,783	370,272
Receivables, deposits & prepayments		325,167	332,635	406,430
Tax recoverable		5,147	4,580	1,824
Pension Trust Fund		17,345	17,345	19,448
Deposits, cash and bank balances		105,143	160,253	100,808
		<u>754,633</u>	<u>806,596</u>	<u>898,782</u>
TOTAL ASSETS		<u>1,519,177</u>	<u>1,591,432</u>	<u>1,786,538</u>
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital		512,796	512,796	512,796
Share premium		57,521	57,521	74,964
Foreign currency translation reserves		(91,899)	(82,456)	(73,064)
Retained profits		43,045	52,275	161,367
Treasury shares, at cost		(4,485)	(3,855)	(16,751)
		<u>516,978</u>	<u>536,281</u>	<u>659,312</u>
Non-controlling interests		<u>11,181</u>	<u>14,333</u>	<u>22,378</u>
Total equity		<u>528,159</u>	<u>550,614</u>	<u>681,690</u>
Non-current liabilities				
Post employment benefit obligations	B4			
- Removable pension liabilities		140,994	153,683	133,403
- others		103,220	105,841	94,513
Borrowings	B2	124,092	117,205	107,827
Deferred tax liabilities		<u>28,139</u>	<u>28,137</u>	<u>38,006</u>
		<u>396,445</u>	<u>404,866</u>	<u>373,749</u>
Current liabilities				
Payables		261,828	298,146	339,603
Post employment benefit obligations	B4			
- Removable pension liabilities		16,619	9,587	9,582
- others		9,370	10,676	11,213
Derivative liabilities		4,177	4,773	3,280
Provisions		87	90	189
Borrowings	B2	290,387	300,771	350,920
Current tax liabilities		<u>12,105</u>	<u>11,909</u>	<u>16,312</u>
		<u>594,573</u>	<u>635,952</u>	<u>731,099</u>
Total liabilities		<u>991,018</u>	<u>1,040,818</u>	<u>1,104,848</u>
TOTAL EQUITY AND LIABILITIES		<u>1,519,177</u>	<u>1,591,432</u>	<u>1,786,538</u>
Net assets per share attributable to owners of the parent (RM)		1.01	1.05	1.29

This Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 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 period ended 31 March 2013
The figures have not been audited.

	Share Capital	Share premium	Foreign currency translation reserves (non distributable)	Retained profits (distributable)	Treasury shares, at cost (distributable)	Equity attributable to owners of the parent	Non-controlling interests	Total equity
	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000	RM' 000
Balance at 1 January 2013	512,796	57,521	(82,456)	140,100	(3,855)	624,106	14,333	638,439
Effects of MFRS adoption disclosed in Note A2	-	-	-	(87,825)	-	(87,825)	-	(87,825)
As restated	512,796	57,521	(82,456)	52,275	(3,855)	536,281	14,333	550,614
Total comprehensive loss for the financial period	-	-	(9,443)	(9,230)	-	(18,673)	(3,130)	(21,803)
Transactions with owners:								
Purchase of own shares	-	-	-	-	(630)	(630)	-	(630)
Dividends	-	-	-	-	-	-	(22)	(22)
	-	-	-	-	(630)	(630)	(22)	(652)
Balance at 31 March 2013	512,796	57,521	(91,899)	43,045	(4,485)	516,978	11,181	528,159
Balance at 1 January 2012	512,796	74,964	(73,064)	204,188	(16,751)	702,133	22,378	724,511
Effects of MFRS adoption disclosed in Note A2	-	-	-	(42,821)	-	(42,821)	-	(42,821)
As restated	512,796	74,964	(73,064)	161,367	(16,751)	659,312	22,378	681,690
Total comprehensive gain for the financial period	-	-	766	5,509	-	6,275	-	6,275
Transactions with owners:								
Purchase of own shares	-	-	-	-	(3,578)	(3,578)	-	(3,578)
Dividends	-	-	-	-	-	-	(218)	(218)
	-	-	-	-	(3,578)	(3,578)	(218)	(3,796)
Balance at 31 March 2012	512,796	74,964	(72,298)	166,876	(20,329)	662,009	22,160	684,169

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 2012 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 period ended 31 March 2013
The figures have not been audited.

	Financial period ended	
	31/3/2013	31/3/2012
	RM' 000	RM' 000
Cash Flows From Operating Activities		
Cash receipts from customers	316,962	462,509
Cash paid to suppliers and employees	<u>(366,148)</u>	<u>(405,178)</u>
	(49,186)	57,331
Interest received	77	452
Interest paid	(1,257)	(3,482)
Taxation paid	<u>(4,554)</u>	<u>(7,514)</u>
Net cash (used in)/from operating activities	<u>(54,920)</u>	<u>46,787</u>
Cash Flows From Investing Activities		
Interest paid	(3,626)	(2,056)
Purchase of property, plant and equipment	(13,259)	(7,024)
Proceeds from disposal of property, plant and equipment	14,635	590
Purchase of intangible assets	(329)	(101)
Development expenses paid	(285)	(1,432)
Proceeds from disposal of subsidiaries, net of cash balances and bank disposed off	<u>-</u>	<u>75,334</u>
Net cash (used in)/from investing activities	<u>(2,864)</u>	<u>65,311</u>
Cash Flows From Financing Activities		
Repurchase of own shares	(630)	(3,578)
Drawdown of bank borrowings	63,827	149,002
Repayment of bank borrowings	(62,336)	(161,042)
Repayment of hire purchase and lease creditors	<u>(185)</u>	<u>(174)</u>
Net cash from/(used in) financing activities	<u>676</u>	<u>(15,792)</u>
Net (decrease)/increase in cash and cash equivalents during the financial period	(57,108)	96,306
Foreign currency translation	4,026	(6,399)
Cash and cash equivalents at beginning of financial period	<u>133,667</u>	<u>94,990</u>
Cash and cash equivalents at end of financial period	<u><u>80,585</u></u>	<u><u>184,897</u></u>
Cash and cash equivalents comprise :		
Cash and bank balances	83,464	189,162
Bank overdrafts	<u>(2,879)</u>	<u>(4,265)</u>
	<u><u>80,585</u></u>	<u><u>184,897</u></u>

This Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

**A. Notes to the Interim Financial Report
For the first quarter and financial period ended 31 March 2013**

A1. Basis of Preparation

This interim financial report is based on the unaudited financial statements for the quarter ended 31 March 2013 and has been prepared in accordance with applicable disclosure provisions of paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS 134, Interim Financial Reporting in Malaysia. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Group as at end of the financial year ended 31 December 2012.

A2. Significant Accounting Policies

The accounting policies applied by the Group in this interim financial report are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of MFRS 119 Employee Benefits (revised) which was effective as of 1 January 2013.

Employee Benefits

The Group has adopted MFRS 119 Employee Benefits (revised) and applied this standard retrospectively during the current period.

As a result of MFRS 119 Employee Benefits (revised) adoption, actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus. The expected returns on plan assets of defined benefit plans are not recognised in profit or loss and instead, the interest on net defined benefit obligation (net of the plan assets) is recognised in profit or loss, calculated using the discount rate used to measure the net pension obligation or asset.

In addition, the standard also introduced the inclusion of risk sharing elements in the determination of the defined benefit liability and clarifies that an entity should take mandatory employee contributions into account in the valuation of the present value of the defined benefit obligation. These contributions are regarded as a "negative benefit". The net benefit (the total benefit excluding future employee contributions) should therefore be attributed over the service period under the projected unit credit method.

**A. Notes to the Interim Financial Report
For the first quarter and financial period ended 31 March 2013**

A2. Significant Accounting Policies (cont'd)

The impact arising from the change is summarised as follows:

(a) Condensed consolidated statements of financial position

	As previously reported RM'000	Effect of adoption of MFRS 119 RM'000	Restated RM'000
As at 1 January 2012			
Non-current liabilities			
Post employment benefit obligations			
Removable pension liabilities	151,548	(18,145)	133,403
Others	33,547	60,966	94,513
Equity attributable to owners of the parent			
Retained profits	<u>204,188</u>	<u>(42,821)</u>	<u>161,367</u>
As at 31 December 2012			
Non-current liabilities			
Post employment benefit obligations			
Removable pension liabilities	141,171	12,512	153,683
Others	30,528	75,313	105,841
Equity attributable to owners of the parent			
Retained profits	<u>140,100</u>	<u>(87,825)</u>	<u>52,275</u>

(b) Condensed consolidated statement of comprehensive income

	As previously reported RM'000	Effect of adoption of MFRS 119 RM'000	Restated RM'000
Period ended 31 March 2012			
Expenses excluding finance cost and tax	(431,188)	(368)	(431,556)
Profit before taxation	8,647	(368)	8,279
Profit for the financial period	<u>5,658</u>	<u>(368)</u>	<u>5,290</u>

**A. Notes to the Interim Financial Report
For the first quarter and financial period ended 31 March 2013**

A2. Significant Accounting Policies (cont'd)

(b) Condensed consolidated statement of comprehensive income (cont'd)

	As previously reported RM'000	Effect of adoption of MFRS 119 RM'000	Restated RM'000
Period ended 31 March 2012			
Other comprehensive income:			
Actuarial gains on defined benefit plans	-	368	368
	<u> </u>	<u> </u>	<u> </u>
Year ended 31 December 2012			
Expenses excluding finance cost and tax	(1,672,673)	(1,388)	(1,674,061)
Loss before taxation	(49,707)	(1,388)	(51,095)
Loss for the financial year	(66,084)	(1,388)	(67,472)
Actuarial losses on defined benefit plans	-	(43,616)	(43,616)
Total comprehensive loss for the financial year	<u>(76,252)</u>	<u>(45,004)</u>	<u>(121,256)</u>

There was no material impact on the Group's condensed consolidated statement of cash flows.

A3. Report of the Auditors to the Members

The report of the auditors on the annual financial statements for the financial year ended 31 December 2012 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.

A4. Seasonality or Cyclicity 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 business of Herlitz AG ("Herlitz") generates better results towards the second half of the year. Sales of the Group's printer consumable products 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 first quarter and financial period ended 31 March 2013**

A5. 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 March 2013.

A6. Material Effect of Changes in Estimates of Amounts Reported in the Prior Interim Periods of the Current Financial Year or Prior Financial Years

There was no material changes in estimates of amounts reported in the prior interim periods of the current financial year or prior financial years.

A7. Debt and Equity Securities

The Company repurchased a total of 989,100 of its shares from the open market for a total consideration of RM630,557 during the current quarter. Subsequent to the current quarter, a total of 826,900 ordinary shares were repurchased from the open market for a total consideration of RM425,271.

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 March 2013.

A8. Dividends

No dividends have been paid during the current quarter ended 31 March 2013.

A. Notes to the Interim Financial Report
For the first quarter and financial period ended 31 March 2013

A9. 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
31 March 2013								
External revenue	172,539	24,355	8,492	51,395	55,744	16,263	-	328,788
Intersegment revenue	<u>147,233</u>	<u>12,703</u>	<u>41</u>	<u>11,420</u>	<u>2,826</u>	<u>21,642</u>	<u>(195,865)</u>	<u>-</u>
	<u>319,772</u>	<u>37,058</u>	<u>8,533</u>	<u>62,815</u>	<u>58,570</u>	<u>37,905</u>	<u>(195,865)</u>	<u>328,788</u>
Segment result	<u>(81)</u>	<u>(4,909)</u>	<u>(834)</u>	<u>(6,910)</u>	<u>7,839</u>	<u>7,357</u>	<u>(4,729)</u>	<u>(2,267)</u>

Germany

The German segment which represents 52.5% of the Group's revenue in the first quarter showed a decrease in revenue of RM72.7 million (29.6%) as compared to previous year's corresponding quarter. Approximately RM52.0 million of the decrease is due to the disposal of the lever arch files plants and the private label business of Herlitz in March 2012, wherein the related revenues is no longer consolidated in the current quarter. Besides that, the structural changes in the markets and strategic decision undertaken for the presentation, office equipment and hardcopy businesses in previous year also contributed to further reductions in sales of approximately RM16.5 million in the current quarter.

The segment result was lower than the previous year corresponding quarter mainly due to the recognition of the gains on disposals of subsidiaries in the month of March 2012. However, there were lesser impairment of assets and cost savings arising from restructuring exercises undertaken, in particular on staff costs.

Switzerland

The Swiss market generated lower revenue as compared to corresponding quarter due to certain tender business which ended in 2012 and supply of new tender businesses are only expected to commence after the first quarter of 2013.

Italy

The overall economy in the Italian market is still generally weak and is continuing to affect consumer sentiment and spending. As a consequence, certain high priced product assortments were discontinued as consumer demand has decreased on such assortments.

**A. Notes to the Interim Financial Report
For the first quarter and financial period ended 31 March 2013**

A9. Segment Information (cont'd)

Rest of Europe

The contribution in revenue from all other European countries, except Germany, Switzerland and Italy, represents 15.6% of the Group's total revenue. The sales were mainly affected by the disposal of the manufacturing units of the Herlitz Group which was completed in the first quarter of 2012, reduction of sales in coated hardcopy product segment, deterioration of economic situation in France and Spain has resulted in companies coming out with more private label brands with lower prices.

The segment loss of RM6.9 million, as a consequence, was higher than the previous year corresponding quarter.

Americas

The segment revenue from Americas, which represents Mexico, Colombia and Argentina, generated higher sales by 3.7% as compared to the previous year corresponding quarter. This segment has achieved a good revenue growth in particular for office stationery segment business as the brand is becoming increasingly popular in the market.

The region had achieved segment results of RM7.8 million in the current quarter.

Rest of the World

Rest of the world which comprise 4.9% of the Group's revenue consist mainly countries such as Japan, South East Asia and Middle East. This segment generated lower sales as compared to the previous year corresponding quarter due to the decrease in sales in Middle East, particularly in office stationery segment business arising from the trade sanctions, political instability and economic crisis within the Middle Eastern countries.

The sales in other countries increased as compared to the previous year corresponding quarter due to the new product launched, such as the Limited Edition 175th Anniversary pen M101N "Lizard".

The segment result was lower than the previous year corresponding quarter mainly due to the weakening of Euro in the current quarter which resulted in foreign exchange loss.

**A. Notes to the Interim Financial Report
For the first quarter and financial period ended 31 March 2013**

A10. Valuation of Property, Plant and Equipment

There were no valuations of property, plant and equipment during the current quarter ended 31 March 2013.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter ended 31 March 2013.

A12. Events Subsequent to the End of the Reporting Period

There is no event subsequent to the financial period ended 31 March 2013.

A13. 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 EUR17.2 million (RM68.1 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 2012, the Company's wholly owned subsidiary Pelikan Hardcopy Scotland Limited (“PHSL”)’s retirement fund has GBP23.9 million (RM112.4 million) assets to meet pension liabilities of GBP32.6 million (RM153.3 million). An amount of GBP8.6 million (RM40.4 million) has been recognised as a pension liability in the financial statements of PHSL as at 31 March 2013 in accordance with the MFRS 119 Employee Benefits (revised).

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 period ended	
	31/03/13 RM'000	31/03/12 RM'000	31/03/13 RM'000	31/03/12 RM'000
Taxation charged in respect of current financial period				
- income tax	(4,662)	(2,594)	(4,662)	(2,594)
- deferred tax	207	(395)	207	(395)
	<u>(4,455)</u>	<u>(2,989)</u>	<u>(4,455)</u>	<u>(2,989)</u>

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.

B2. Borrowings

Details of the Group's borrowings as at 31 March 2013 are as set out below:

Currency	Short Term		Long Term		Total RM'000
	Secured RM'000	Unsecured RM'000	Secured RM'000	Unsecured RM'000	
Ringgit Malaysia	63,053	18,766	115,019	-	196,838
Euro	34,281	8,766	1,521	-	44,568
Swiss Franc	3,360	-	1,786	-	5,146
US Dollar	62,410	85,728	3,459	-	151,597
Czech Koruna	70	-	122	-	192
Mexican Peso	-	8,485	-	541	9,026
Colombian Peso	-	628	-	-	628
Great Britain Pound	-	169	-	1,627	1,796
Japanese Yen	-	1,316	-	-	1,316
Argentina Peso	3,338	-	-	-	3,338
Singapore Dollar	17	-	17	-	34
Total	<u>166,529</u>	<u>123,858</u>	<u>121,924</u>	<u>2,168</u>	<u>414,479</u>

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 EUR17.2 million (RM68.1 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	25,989
Payable after 12 months	<u>244,214</u>
	<u>270,203</u>
Removable Pension Liabilities:	
Liabilities assumed by Pension Trust Fund	92,526
Liabilities assumed by the Company	65,087
	157,613
Other pension liabilities of the Group	<u>112,590</u>
	<u><u>270,203</u></u>

Pursuant to the acquisitions of Pelikan Holding AG group ("PHAG group") in 2005, part of the defined benefits retirement plans of the PHAG group in Germany (known as "Removable Pension Liabilities") is now funded 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 of PHAG group. 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 March 2013 were as follows:

	RM'000
Authorised and contracted for:	
Property, plant and equipment	<u>2,903</u>
Authorised but not contracted for:	
Property, plant and equipment	<u>32</u>

B6. Review of Performance

The Group's revenue for the current financial quarter was RM328.8 million as compared to RM417.5 million for the corresponding quarter last year, a decline of 21.3%. The decline was mainly attributable to the sales from disposed business in March 2012 which was no longer consolidated in the current quarter. In the previous year's quarter RM56.2 million (13.5%) of the disposed businesses sales were consolidated. In addition, the business and products rationalisations within the Group, particularly in the presentation, office equipments and hardcopy segment business to eliminate low margin product assortments and non profitable distribution channels had also resulted in lower revenue contribution in the current quarter. The Americas region, however achieved a steady increase in revenue in the current quarter by 3.7% as compared to the preceding year's quarter.

As the first quarter is a low season for the stationery business, in particular the Europe market, the Group recorded a loss before tax of RM7.9 million in the current quarter. The effects of foreign exchange was unfavourable in the current quarter wherein the Group had incurred a loss on foreign exchange of RM3.4 million as opposed to a gain on foreign exchange of RM6.1 million in the corresponding quarter last year.

Despite the drop in revenue arising from the strategies of divestments and product rationalisation, the operations fared better in the current quarter as compared to the previous year's corresponding quarter. The Group's overall normalised loss before taxation after adjusting for foreign exchange gains/losses and gains on disposal of investment in subsidiaries have improved in the current quarter as opposed to the corresponding year's quarter:-

	31/03/2013	31/03/2012
	RM'000	RM'000
(Loss)/Profit before taxation	(7,854)	8,279
Add/(Less):		
Foreign exchange effects	3,403	(6,098)
Gains on disposal of investment in subsidiaries	<u>-</u>	<u>(21,151)</u>
Normalised loss before taxation	<u>(4,451)</u>	<u>(18,970)</u>

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

B7. Variation of results against preceding quarter

The Group's revenue for the current financial quarter was RM328.8 million as compared to RM328.1 million for the preceding quarter. Generally, the last quarter and the first quarter are weak quarters for the Group as the major "back to school" season are between the second and third quarters of the year.

The Group recorded a loss before tax of RM7.9 million in the current quarter as compared to RM58.8 million in the preceding quarter. In the previous quarter, the results were mainly affected by additional charges related to the remaining restructurings implemented or approved in the last quarter and the write off of certain assets and inventories as a result of the restructurings. The Group continued to achieve reduction in operating costs mainly arising from its reorganisation exercise implemented in 2012.

B8. Prospects

The Group had undergone various structural reorganisation via divestment of plants and merging of operating units in 2012. In addition, it has also implemented strategies within its product assortments and distribution channels to improve operating margins and reduce operational costs. These actions have overall brought about improvement in the operating results. However, the key market which the Group operates in Europe has still not fully resolved its economic issues and will continue to have an effect on the Group's overall performance. Based on the data from the European Commission, the economy in the European Union is forecast to stabilise in the first half of 2013, and real Gross Domestic Product will turn positive in the second half of this year, and projected to gain traction in 2014.

Hence, sales and market growth in the European Region will continue to be a challenge in 2013. Nevertheless, with the restructurings exercise, the operating structures are now leaner and operating costs base are expected to align to the sales levels. In addition, the Group will continue to take steps to improve sales within Europe and also worldwide by introducing new products, products assortment margin review, new marketing strategies and new distribution channels.

Other regions such as Latin America have continued to grow in 2013 and are now contributing 17.0% of the Group's revenue. The prospects of this region remain strong and the Group will continue to expand the business further into this market.

B9. Dividend

The Board of Directors does not recommend any dividend for the current financial period.

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

B10. Variance on Profit Forecast / Shortfall in Profit Guarantee

Not applicable.

B11. Earnings per share

		3 months ended		Financial period ended	
		31/03/13	31/03/12	31/03/13	31/03/12
			Restated		Restated
(Loss)/profit for the financial period attributable to equity holders of the parent:	(RM'000)	<u>(9,230)</u>	<u>5,141</u>	<u>(9,230)</u>	<u>5,141</u>
Weighted average number of ordinary shares in issue	('000)	512,796	512,796	512,796	512,796
Shares repurchased	('000)	<u>(2,687)</u>	<u>(7,651)</u>	<u>(2,687)</u>	<u>(7,651)</u>
		<u>510,109</u>	<u>505,145</u>	<u>510,109</u>	<u>505,145</u>
(Loss)/earnings per share:	(sen)	<u>(1.81)</u>	<u>1.02</u>	<u>(1.81)</u>	<u>1.02</u>

B12. Additional notes to the Statement of Comprehensive Income

		3 months ended		Financial period ended	
		31/03/13	31/03/12	31/03/13	31/03/12
		RM'000	RM'000	RM'000	RM'000
(Loss)/profit for the period is arrived at after charging / (crediting):					
Interest income		(77)	(452)	(77)	(452)
Interest expense		5,587	5,559	5,587	5,559
Depreciation and amortisation		11,654	13,650	11,654	13,650
Impairment loss on receivables		1,436	443	1,436	443
Inventories write down		169	804	169	804
Gain on disposal of					
- Property, plant and equipment		(5,532)	(173)	(5,532)	(173)
- Investment in subsidiaries		-	(21,151)	-	(21,151)
Foreign exchange loss/(gain)		<u>3,403</u>	<u>(6,098)</u>	<u>3,403</u>	<u>(6,098)</u>

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

B13. Derivative Liabilities

	Contract/ Notional amount EUR'000	Liabilities RM'000
Interest rate swap	<u>10,000</u>	<u>4,177</u>

The Group has entered into interest rate swap contract with a total of EUR10 million resulting in an exchange of floating for fixed interest rates from fiscal year 2012 to hedge exposure to movements in interest rate on a financing transaction. For a period of 5 years, the variable interest rate is exchanged on the basis of the 3-month Euribor interest at 3.15%. The fair value of interest rate swap contracts is determined by reference to market values of similar instruments.

B14. Realised and Unrealised Profits/(Losses) Disclosure

	As at 31/03/13 RM'000	As at 31/12/12 RM'000 Restated
Total retained profits of the Company and its subsidiaries:		
- Realised profit	64,238	65,083
- Unrealised loss	(20,565)	(11,471)
	43,673	53,612
Total share of accumulated losses from associates:		
- Realised profit	(349)	(349)
- Unrealised loss	49	49
	(300)	(300)
Add : Consolidation adjustments	<u>(328)</u>	<u>(1,037)</u>
Total retained profits as per Statement of Financial Position	<u>43,045</u>	<u>52,275</u>