



INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

INTERIM FINANCIAL REPORT
FOR THE 1st QUARTER ENDED 31 MARCH 2022

26 MAY 2022

INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

INTERIM FINANCIAL REPORT FOR THE 1st QUARTER ENDED 31 MARCH 2022

UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Quarter ended	
	Note	31.3.2022	31.3.2021
		RM'000	RM'000
Revenue		33,741	38,001
Operating expenses			
Changes in inventories		(11,261)	(12,457)
Rental expenses		(1,231)	(500)
Employee related expenses		(8,404)	(8,404)
Distribution expenses		(638)	(702)
Advertising and promotion expenses		(634)	(947)
Depreciation and amortisation expenses		(4,517)	(4,935)
Other operating expenses		(1,096)	(2,403)
Total operating expenses		<u>(27,781)</u>	<u>(30,348)</u>
Profit from operations		5,960	7,653
Other income/(expenses)		199	(429)
Finance income		146	258
Finance costs		(281)	(399)
Profit before tax	20	<u>6,024</u>	<u>7,083</u>
Tax expenses	21	(1,493)	(1,986)
Profit for the period		<u>4,531</u>	<u>5,097</u>
Profit attributable to owners of the Company		<u>4,531</u>	<u>5,097</u>
Earnings per share attributable to owners of the Company (sen)			
- basic	22	<u>0.64</u>	<u>0.72</u>
Other selected financial data:			
Gross profit ⁽¹⁾		22,480	25,544
Gross profit margin		66.6%	67.2%
Operating profit margin		17.7%	20.1%
PBT margin		17.9%	18.6%
PAT margin		13.4%	13.4%

⁽¹⁾ computed based on revenue less changes in inventories (cost of goods sold).

The unaudited consolidated statements of profit or loss should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached in this interim financial report.

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INTERIM FINANCIAL REPORT FOR THE 1st QUARTER ENDED 31 MARCH 2022

UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Quarter ended	
	Note 31.3.2022	31.3.2021
	RM'000	RM'000
Profit for the period	4,531	5,097
Other comprehensive income, net of tax		
<u>Item that may be reclassified subsequently to profit or loss</u>		
Foreign currency translation differences for foreign operation, representing other comprehensive income for the period	306	808
Total comprehensive income for the period	<u>4,837</u>	<u>5,905</u>
Total comprehensive income attributable to owners of the Company	<u>4,837</u>	<u>5,905</u>

The unaudited consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached in this interim financial report.

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INTERIM FINANCIAL REPORT FOR THE 1ST QUARTER ENDED 31 MARCH 2022

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	31.3.2022 RM'000	31.12.2021 RM'000
Assets			
Plant and equipment		8,120	8,952
Right-of-use assets		16,609	19,746
Intangible assets		52,953	52,656
Deferred tax assets		773	808
Receivables and deposits		5,907	6,414
Total non-current assets		<u>84,362</u>	<u>88,576</u>
Inventories		32,056	35,041
Receivables, deposits and prepayments		7,205	6,331
Current tax assets		51	53
Other investments	23	32,669	42,507
Cash and cash equivalents		17,956	11,299
Total current assets		<u>89,937</u>	<u>95,231</u>
Total assets		<u>174,299</u>	<u>183,807</u>
Liabilities			
Provision for restoration costs		1,822	1,838
Loans and borrowings	24	-	27
Lease liabilities		7,620	9,699
Total non-current liabilities		<u>9,442</u>	<u>11,564</u>
Provision for restoration costs		460	437
Loans and borrowings	24	147	159
Lease liabilities		9,879	11,011
Contract liabilities		739	785
Payables and accruals		12,880	13,755
Current tax liabilities		2,367	1,960
Total current liabilities		<u>26,472</u>	<u>28,107</u>
Total liabilities		<u>35,914</u>	<u>39,671</u>
Net assets		<u>138,385</u>	<u>144,136</u>

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UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

	Note	31.3.2022 RM'000	31.12.2021 RM'000
Equity			
Share capital		50,326	50,326
Reserves		88,059	93,810
Total equity		<u>138,385</u>	<u>144,136</u>
Other selected financial data:			
Net current assets / working capital		63,465	67,124
Net assets per share (sen)		19.60	20.42
Net gearing ratio (times) *		(0.36)	(0.37)

* computed based on net borrowings (total bank borrowings less cash and cash equivalents and other investments) divided by total equity. Negative net gearing ratio denotes a net cash position.

The unaudited consolidated statements of financial position should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached in this interim financial report.

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UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Note	← Non-distributable →			Distributable	Total equity RM'000
	Share capital RM'000	Business combination reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	
At 1 January 2021	50,326	4,636	(594)	84,308	138,676
Profit for the period	-	-	-	5,097	5,097
Foreign currency translation differences for foreign operation, representing other comprehensive income for the period	-	-	808	-	808
Total comprehensive income for the period	-	-	808	5,097	5,905
At 31 March 2021	50,326	4,636	214	89,405	144,581
At 1 January 2022	50,326	4,636	403	88,771	144,136
Profit for the period	-	-	-	4,531	4,531
Foreign currency translation differences for foreign operation, representing other comprehensive income for the period	-	-	306	-	306
Total comprehensive income for the period	-	-	306	4,531	4,837
Dividend declared, representing total transaction with owners	8	-	-	(10,588)	(10,588)
At 31 March 2022	50,326	4,636	709	82,714	138,385

The unaudited consolidated statements of changes in equity should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached in this interim financial report.

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UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	3 months ended	
		31.3.2022 RM'000	31.3.2021 RM'000
Cash flows from operating activities			
Profit before tax		6,024	7,083
Adjustments for:			
Changes in lease payments arising from rent concessions		(101)	(551)
Depreciation and amortisation expenses		4,517	4,935
Unrealised foreign exchange (gain)/loss		(148)	31
Plant and equipment written off		1	-
Fair value (gain)/loss on other investments		(54)	294
Finance income		(146)	(258)
Finance costs		281	399
Writedown of inventories		152	41
Operating profit before changes in working capital		<u>10,527</u>	<u>11,974</u>
Changes in working capital:			
Inventories		2,943	9,713
Receivables, deposits and prepayments		(293)	402
Payables, accruals and contract liabilities		(825)	(6,077)
Provision for restoration costs		2	18
Cash generated from operations		<u>12,353</u>	<u>16,030</u>
Income tax paid		<u>(1,046)</u>	<u>(2,452)</u>
Net cash generated from operating activities		<u>11,307</u>	<u>13,578</u>
Cash flows from investing activities			
Acquisition of plant and equipment		(360)	(412)
Acquisition of intangible assets		(382)	(104)
Disposal/(placement) of other investments		9,920	(14,803)
Interest received		115	258
Net cash generated from/(used in) investing activities		<u>9,293</u>	<u>(15,061)</u>

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UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)

	Note	3 months ended	
		31.3.2022 RM'000	31.3.2021 RM'000
Cash flows from financing activities			
Dividends paid	8	(10,588)	(7,059)
Repayment of hire purchase		(39)	(38)
Repayment of lease liabilities		(3,199)	(3,364)
Interest paid for lease liabilities		(279)	(396)
Interest paid for loans and borrowings		(2)	(3)
Net cash used in financing activities		(14,107)	(10,860)
Net increase/(decrease) in cash and cash equivalents			
Effect of exchange rate fluctuations on cash held		164	306
Cash and cash equivalents at beginning of the period		11,299	23,967
Cash and cash equivalents at end of the period		17,956	11,930
Cash and cash equivalents comprise the following:			
Cash and bank balances		12,988	10,998
Deposits placed with licensed banks		4,968	932
		17,956	11,930

The unaudited consolidated statements of cash flows should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached in this interim financial report.

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INTERIM FINANCIAL REPORT FOR THE 1st QUARTER ENDED 31 MARCH 2022

1. BASIS OF PREPARATION

The interim financial statements (“Interim Financial Report”) of InNature Berhad (“InNature” or the “Company”) and its subsidiaries (collectively, the “Group”) is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134: *Interim Financial Reporting* issued by Malaysian Accounting Standards Board (“MASB”), International Financial Reporting Standards (“IFRS”) 134: *Interim Financial Reporting* issued by International Accounting Standards Board (“IASB”), and Paragraph 9.22 of Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”).

The Interim Financial Report should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes in this Interim Financial Report.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in the Interim Financial Report are the same as those applied by the Group in its audited consolidated financial statements for the year ended 31 December 2021, except for the adoption of the new and amended MFRS and Issues Committee (“IC”) Interpretations which are relevant to the Group during the current financial period. The adoption of the new and amended MFRS and IC Interpretations did not have a material effect on the financial performance or position of the Group.

3. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors’ report of the Group’s consolidated financial statements for the financial year ended 31 December 2021 was not subject to any qualification.

4. SEASONAL AND CYCLICAL FACTORS

Being in the retail industry, the Group’s operations are subject to peaks and troughs in revenue generation throughout the year. Generally, the Group records higher sales during major festive and school holiday seasons in the respective country of which the Group operates.

5. UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial period.

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6. CHANGES IN ESTIMATES

There were no major changes in estimates that have had material effect on the results of current financial period.

7. DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current financial period.

8. DIVIDENDS

The following dividend was recognised by the Company:

	RM per share RM	Total amount RM'000	Date of payment
Company			
3 months ended 31 March 2022			
In respect of the financial year ending 31 December 2021:			
- Final single-tier dividend	0.015	<u>10,588</u>	31 March 2022

The Company did not declare any dividend in the comparative financial period ended 31 March 2021. The Company also did not declare any dividend subsequent to 31 March 2022 and up to the date of this Interim Financial Report.

9. CHANGES IN COMPOSITION OF THE GROUP

There was no change to the composition of the Group during the current financial period.

10. CONTINGENT LIABILITIES

	31.3.2022 RM'000	31.12.2021 RM'000
Company		
Corporate guarantees granted to a subsidiary for credit facilities	1,000	1,000
Bank guarantees granted to subsidiaries for tenancy agreements	950	546
	<u>1,950</u>	<u>1,546</u>

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11. CAPITAL COMMITMENTS

	31.3.2022	31.12.2021
	RM'000	RM'000
Group		
Plant and equipment		
Approved but not contracted for	25,721	26,555
Contracted but not commenced	-	28
	<u>25,721</u>	<u>26,583</u>
Leases as a leasee		
Contracted but not commenced	<u>1,887</u>	<u>2,500</u>

12. MATERIAL RELATED PARTY TRANSACTIONS

	Quarter ended	
	31.3.2022	31.3.2021
	RM'000	RM'000
Group		
<i>Entities in which certain Directors of the Company have interests</i>		
Rental of office and retail outlets ⁽¹⁾	<u>143</u>	<u>130</u>

⁽¹⁾ The Group rented office and several retail outlets in Malaysia from an entity in which certain Directors of the Company have interests. The transaction was entered into in the normal course of business under normal trade terms.

13. STATUS OF CORPORATE PROPOSAL

There is no corporate proposal announced but not completed as at the date of this Interim Financial Report.

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INTERIM FINANCIAL REPORT FOR THE 1ST QUARTER ENDED 31 MARCH 2022**14. UTILISATION OF PROCEEDS FROM IPO**

The utilisation of proceeds from IPO as at 31 March 2022 is as follows:

Utilisation of proceeds	Proposed utilisation RM'000	Actual utilisation up to 31 March 2022 RM'000	Transfer RM'000	Balance unutilised RM'000	Estimated
					timeframe for utilisation from the date of Listing
(i) Capital expenditure	34,500	(8,779)		25,721	Within 48 months
(ii) Working capital	837	(1,188)	351	-	Within 36 months
(iii) New business development	5,700	(2,834)		2,866	Within 48 months
(iv) Listing-related expenses	6,370	(6,019)	(351)	-	Within 3 months
Total	47,407	(18,820)	-	28,587	

The utilisation of proceeds should be read in conjunction with the IPO Prospectus dated 29 January 2020, and the Company's announcement on 18 February 2020. The unutilised balance of RM351,000 allocated for listing-related expenses were transferred to working capital in 2020.

15. MATERIAL LITIGATION

There is no material litigation involving the Group subsequent to 31 December 2021 and up to the date of this Interim Financial Report.

16. SEGMENT INFORMATION

The Group does not have reportable segments as the principal activities of entities within the Group are essentially relate to the marketing of The Body Shop ("TBS") and Natura products. Segment information of the Group is presented on the basis of geographical segments, based on the geographical location of customers, assets and liabilities.

Please refer to Note 17 on the Group's segment financial results and segment financial position.

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17. PERFORMANCE REVIEW

Quarter-on-Quarter Review

	Quarter ended	
	31.3.2022	31.12.2021
	RM'000	RM'000
Group		
Revenue	33,741	43,697
Profit after tax	4,531	6,540

Compared with the preceding quarter ended 31 December 2021 (“4Q2021”), the Group recorded lesser revenue and PAT by 22.8% and 30.7% respectively in 1Q2022. The lower quarterly result was largely as a result of 4Q2021’s high base effect following year-end holiday season.

Year-on-Year Review

1Q2022 vs 1Q2021

	1Q2022				1Q2021			
	Malaysia RM'000	Vietnam RM'000	Cambodia RM'000	Group RM'000	Malaysia RM'000	Vietnam RM'000	Cambodia RM'000	Group RM'000
Revenue from external customers								
The Body Shop	25,641	6,881	838	33,360	28,155	8,395	915	37,465
Natura	381	-	-	381	536	-	-	536
	26,022	6,881	838	33,741	28,691	8,395	915	38,001
Segment PAT								
The Body Shop	4,387	133	81	4,601	4,881	933	127	5,941
Natura	55	-	-	55	(646)	-	-	(646)
	4,442	133	81	4,656	4,235	933	127	5,295
Investment holding				(125)				(198)
PAT				4,531				5,097

The Group's operating environment in 1Q2022 was impacted by the rising Omicron cases and the compulsory quarantine of close contacts. Overall, Group revenue declined 11.2%, with Malaysia, Vietnam and Cambodia each recording lesser revenue by 9.3%, 18.0% and 8.4% respectively. Nevertheless, the Group remains profitable across all its operating countries in 1Q2022 with PAT margin preserved at 1Q2021 level.

On a like-for-like comparison, Malaysia’s quarterly PAT sans Covid-19 related support from the government, landlords and brand principal has in fact improved by 8.6% despite the revenue decline. The higher PAT was mainly as a result of our prudent cost management measures taken over the pandemic years, including closure of underperforming stores.

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The year-on-year comparison for the quarterly performance of both Vietnam and Cambodia was not like-for-like, as the Covid-19 situation in both countries were much milder during the comparative 1Q2021.

Our remote selling channels comprising e-commerce, conversational commerce and social selling continue to contribute a significant portion to the Group revenue despite almost all of our stores being in full operation during the reporting quarter. Remote selling channels made up 17.0% (1Q2021: 22.3%) of the Group revenue in 1Q2022.

Healthy Balance Sheet and Cash Flow

	31.3.2022				31.12.2021			
	Malaysia RM'000	Vietnam RM'000	Cambodia RM'000	Group RM'000	Malaysia RM'000	Vietnam RM'000	Cambodia RM'000	Group RM'000
Segment assets								
The Body Shop	120,640	33,497	5,234	159,372	119,691	33,327	5,135	158,153
Natura	3,549	-	-	3,549	3,689	-	-	3,689
	<u>124,189</u>	<u>33,497</u>	<u>5,234</u>	<u>162,921</u>	<u>123,380</u>	<u>33,327</u>	<u>5,135</u>	<u>161,842</u>
Investment holding				11,378				21,965
Total assets				<u>174,299</u>				<u>183,807</u>
Segment liabilities								
The Body Shop	22,906	11,001	689	34,596	26,348	11,219	707	38,274
Natura	1,130	-	-	1,130	1,300	-	-	1,300
	<u>24,036</u>	<u>11,001</u>	<u>689</u>	<u>35,726</u>	<u>27,648</u>	<u>11,219</u>	<u>707</u>	<u>39,574</u>
Investment holding				188				97
Total liabilities				<u>35,914</u>				<u>39,671</u>
Net assets				<u>138,385</u>				<u>144,136</u>

The Group's financial position remains solid with net assets of RM138.4 million as at 31 March 2022. The Group generated net operating cashflow of RM11.3 million in 1Q2022, and continues to be in net cash position with total cash and other investments of RM50.6 million as at 31 March 2022.

18. PROSPECTS

Post-1Q2022, our performance so far shows strong rebound on the back of further easing in Covid-19 restrictions and subsiding confirmed cases. We continue to invest in store development with the opening of the new Activist Makers Workshop store, our most sustainable concept store in Malaysia, and our 40th physical location in Vietnam, and we are in active negotiations with landlords on potential locations in all our markets. Our new ERP system has gone live and is being rolled out in phases to our stores, and we are confident that this investment will enhance our omnichannel offerings.

Overall, we believe that as long as the economy remains open, our performance will improve year-on-year for 2Q2022 and for the financial year ending 31 December 2022.

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19. PROFIT FORECAST / PROFIT GUARANTEE

The Group did not issue any profit forecast or profit guarantee in any form of public documentation and/or announcement.

20. PROFIT BEFORE TAX

Profit before tax is arrived at after crediting/(charging) the following income/(expenses):

	Quarter ended	
	31.3.2022	31.3.2021
	RM'000	RM'000
Group		
Revenue		
- Retailing	33,729	37,980
- Consultancy fees	12	21
	33,741	38,001
Gain/(loss) on foreign exchange		
- realised	(3)	(104)
- unrealised	148	(31)
	145	(135)
Rental expenses		
- before MFRS 16 adjustments	(4,811)	(4,811)
- less: minimum lease payments (MFRS 16 adjustments)	3,580	4,311
	(1,231)	(500)
Depreciation and amortisation		
- plant and equipment	(1,201)	(1,261)
- intangible assets	(95)	(76)
- right-of-use assets (MFRS 16 adjustments)	(3,221)	(3,598)
	(4,517)	(4,935)
Royalty expense	(337)	(380)
Inventories written down	(152)	(41)
Finance income comprises interest income from		
- bank balances and fixed deposits	122	115
- fixed income funds	24	143
	146	258
Finance costs comprise interest expenses on		
- hire purchase	(2)	(3)
- lease liabilities (MFRS 16 adjustments)	(279)	(396)
	(281)	(399)

Save as disclosed above and elsewhere in this Interim Financial Report, the other disclosure items pursuant to Paragraph 16, Part A of Appendix 9B of the Listing Requirements are not applicable.

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20. TAX EXPENSES

	Quarter ended	
	31.3.2022	31.3.2021
	RM'000	RM'000
Group		
Tax expenses		
- arising from Malaysia	1,473	1,266
- arising outside Malaysia	20	720
	<u>1,493</u>	<u>1,986</u>
Effective tax rate (%)	<u>24.8%</u>	<u>28.0%</u>

Effective tax rate ("ETR") is computed by dividing tax expenses with profit before tax for the financial period. ETR is generally higher than Malaysia's statutory tax rate as a result of non-deductible expenses and losses from new business of which deferred tax benefit has yet to be recognised. ETR was lower year-on-year in 1Q2022 following the improvement in Natura Malaysia's results.

21. EARNINGS PER SHARE ("EPS")

	Quarter ended	
	31.3.2022	31.3.2021
	RM'000	RM'000
Profit attributable to owners of the Company	<u>4,531</u>	<u>5,097</u>
Weighted average number of ordinary shares in issue ('000)	<u>705,881</u>	<u>705,881</u>
Basic EPS (sen)	<u>0.64</u>	<u>0.72</u>

Diluted earnings per ordinary share is not presented as the Group has no shares or other instruments with potential dilutive effects as at 31 March 2022 and 31 March 2021.

22. OTHER INVESTMENT

	31.3.2022	31.12.2021
	RM'000	RM'000
Group		
Fixed deposits of more than 3 months but less than 12 months	48	4,961
Fixed income funds	32,621	37,546
	<u>32,669</u>	<u>42,507</u>

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23. LOANS AND BORROWINGS

	31.3.2022	31.12.2021
	RM'000	RM'000
Group		
Non-current		
RM denominated hire purchase (unsecured)	-	27
Current		
RM denominated hire purchase (unsecured)	147	159
	<u>147</u>	<u>186</u>

24. SUBSEQUENT EVENT

There is no material event impacting the Group subsequent to 31 March 2022 and up to the date of this Interim Financial Report.