



INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

INTERIM FINANCIAL REPORT
FOR THE 4TH QUARTER ENDED 31 DECEMBER 2022

23 FEBRUARY 2022

INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

INTERIM FINANCIAL REPORT FOR THE 4TH QUARTER ENDED 31 DECEMBER 2022

UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	Quarter ended		12 months ended	
		31.12.2022	31.12.2021	31.12.2022	31.12.2021
		RM'000	RM'000	RM'000	RM'000
Revenue		40,819	43,697	149,398	131,920
Operating expenses					
Changes in inventories		(13,511)	(16,082)	(50,455)	(46,901)
Rental expenses		(735)	(168)	(4,932)	541
Employee related expenses		(9,377)	(7,859)	(36,330)	(30,406)
Distribution expenses		(618)	(1,077)	(2,529)	(3,432)
Advertising and promotion expenses		(1,001)	(922)	(3,647)	(3,240)
Depreciation and amortisation expenses		(4,296)	(5,537)	(17,820)	(20,245)
Other operating expenses		(3,143)	(1,592)	(6,111)	(7,054)
Total operating expenses		(32,681)	(33,237)	(121,824)	(110,737)
Profit from operations		8,138	10,461	27,574	21,183
Other income/(expenses)		714	247	1,299	27
Finance income		447	248	931	1,221
Finance costs		(324)	(519)	(1,181)	(1,900)
Profit before tax	20	8,975	10,437	28,623	20,531
Tax expenses	21	(2,352)	(2,647)	(7,289)	(5,480)
Profit after tax		6,623	7,790	21,334	15,051
Profit attributable to owners of the Company		6,623	7,790	21,334	15,051
Basic earnings per share attributable to owners of the Company (sen)	22	0.94	1.10	3.02	2.13
Other selected financial data:					
Gross profit ⁽¹⁾		27,308	27,615	98,943	85,019
Gross profit margin		66.9%	63.2%	66.2%	64.4%
Operating profit margin		19.9%	23.9%	18.5%	16.1%
Profit before tax (PBT) margin		22.0%	23.9%	19.2%	15.6%
Profit after tax (PAT) margin		16.2%	17.8%	14.3%	11.4%

⁽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 4TH QUARTER ENDED 31 DECEMBER 2022

UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Quarter ended		12 months ended		
	Note	31.12.2022	31.12.2021	31.12.2022	31.12.2021
		RM'000	RM'000	RM'000	RM'000
Profit after tax		6,623	7,790	21,334	15,051
Other comprehensive income, net of tax					
<u>Item that may be reclassified subsequently to</u>					
<u>profit or loss</u>					
Foreign currency translation differences for foreign operation, representing other comprehensive income for the period		(1,137)	(293)	855	997
Total comprehensive income for the period		<u>5,485</u>	<u>7,497</u>	<u>22,188</u>	<u>16,048</u>
Total comprehensive income attributable to owners of the Company		<u>5,485</u>	<u>7,497</u>	<u>22,188</u>	<u>16,048</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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UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	31.12.2022 RM'000	31.12.2021 RM'000
Assets			
Plant and equipment		8,535	8,952
Right-of-use assets		19,922	19,746
Intangible assets		52,297	52,656
Deferred tax assets		532	808
Receivables and deposits		6,391	6,414
Total non-current assets		<u>87,677</u>	<u>88,576</u>
Inventories		28,115	35,041
Receivables, deposits and prepayments		7,397	6,331
Current tax assets		-	53
Other investments	23	16,246	42,507
Cash and cash equivalents		42,473	11,299
Total current assets		<u>94,231</u>	<u>95,231</u>
Total assets		<u>181,908</u>	<u>183,807</u>
Liabilities			
Provision for restoration costs		1,906	1,838
Payables and accruals		2	-
Loans and borrowings	24	-	27
Lease liabilities		10,410	9,699
Total non-current liabilities		<u>12,318</u>	<u>11,564</u>
Provision for restoration costs		260	437
Loans and borrowings	24	27	159
Lease liabilities		10,370	11,011
Contract liabilities		692	785
Payables and accruals		7,683	13,755
Current tax liabilities		1,878	1,960
Total current liabilities		<u>20,910</u>	<u>28,107</u>
Total liabilities		<u>33,228</u>	<u>39,671</u>
Net assets		<u>148,680</u>	<u>144,136</u>

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UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

	Note	31.12.2022 RM'000	31.12.2021 RM'000
Equity			
Share capital		50,326	50,326
Reserves		98,354	93,810
Total equity		148,680	144,136
Number of ordinary shares ('000)		705,881	705,881
Net current assets / working capital		73,321	67,124
Net assets per share (sen)		21.06	20.42
Net gearing ratio (times) *		(0.39)	(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	
	Share capital RM'000	Business combination reserve RM'000	Translation reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2021	50,326	4,636	(594)	84,308	138,676
Profit for the period	-	-	-	15,051	15,051
Foreign currency translation differences for foreign operation, representing other comprehensive income for the period	-	-	997	-	997
Total comprehensive income for the period	-	-	997	15,051	16,048
Dividend declared	8	-	-	(10,588)	(10,588)
At 31 December 2021 / 1 January 2022	50,326	4,636	403	88,772	144,137
Profit for the period	-	-	-	21,334	21,334
Foreign currency translation differences for foreign operation, representing other comprehensive income for the period	-	-	855	-	855
Total comprehensive income for the period	-	-	855	21,334	22,189
Dividend declared	8	-	-	(17,647)	(17,647)
At 31 December 2022	50,326	4,636	1,258	92,460	148,680

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.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	12 months ended	
Note	31.12.2022	31.12.2021
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	28,623	20,531
Adjustments for:		
Changes in lease payments arising from rent concessions	(11)	(5,349)
Depreciation and amortisation expenses	17,820	20,245
Unrealised foreign exchange loss/(gain)	(53)	(4)
Plant and equipment written off	19	225
Fair value (gain)/loss on other investments	(195)	285
Finance income	(931)	(1,221)
Finance costs	1,181	1,900
Writedown of inventories	195	743
Operating cashflow before changes in working capital	46,648	37,355
Changes in working capital:		
Inventories	6,031	(962)
Receivables, deposits and prepayments	(1,117)	(758)
Payables, accruals and contract liabilities	(6,699)	(844)
Provision for restoration costs	(116)	(84)
Cash generated from operations	44,747	34,707
Income tax paid	(7,043)	(5,179)
Net cash generated from operating activities	37,704	29,528
Cash flows from investing activities		
Acquisition of plant and equipment	(3,904)	(1,388)
Acquisition of intangible assets	-	(289)
Proceed from disposal of plant and equipment	-	2
Net cash inflow from disposal of a subsidiary	9	1,957
Disposal/(placement) of other investments	26,613	(13,046)
Interest received	641	1,221
Net cash generated from/(used in) investing activities	25,308	(13,500)

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UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)

		12 months ended	
	Note	31.12.2022	31.12.2021
		RM'000	RM'000
Cash flows from financing activities			
Dividends paid	8	(17,647)	(17,647)
Repayment of hire purchase		(159)	(153)
Repayment of lease liabilities		(13,534)	(9,333)
Interest paid for lease liabilities		(1,177)	(1,889)
Interest paid for hire purchase		(4)	(11)
Net cash used in financing activities		<u>(32,521)</u>	<u>(29,033)</u>
Net increase/(decrease) in cash and cash equivalents		30,491	(13,005)
Effect of exchange rate fluctuations on cash held		683	337
Cash and cash equivalents at beginning of the period		<u>11,299</u>	<u>23,967</u>
Cash and cash equivalents at end of the period		<u>42,473</u>	<u>11,299</u>
Cash and cash equivalents comprise the following:			
Cash and bank balances		<u>42,473</u>	<u>11,299</u>

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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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

	Quarter ended			
	31.12.2022	30.9.2022	30.6.2022	31.3.2022
	RM'000	RM'000	RM'000	RM'000
Group				
Revenue	40,819	35,268	39,570	33,741
Profit after tax	6,623	4,563	5,617	4,531

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.

For 4Q2022, the Group registered highest quarterly revenue and PAT for the year due to year-end holiday season.

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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.

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	Payment date
Company			
12 months ended 31 December 2022			
In respect of the financial year ended 31 December 2021:			
- Final dividend	0.015	10,588	31 March 2022
In respect of the financial year ending 31 December 2022:			
- Interim dividend	0.01	<u>7,059</u>	30 September 2022
		<u>17,647</u>	
12 months ended 31 December 2021			
In respect of the financial year ended 31 December 2020:			
- Second interim dividend	0.01	7,059	15 June 2021
In respect of the financial year ended 31 December 2021:			
- Interim dividend	0.005	<u>3,529</u>	15 June 2021
		<u>10,588</u>	

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On 23 February 2023, the Company declared a final dividend of 2.0 sen per ordinary share for the financial year ended 31 December 2022 ("FY2022"). Shareholders who are on the Register of Members at the close of business on 20 March 2023 will be entitled for the dividend. The expected dividend payment date is 31 March 2023.

Including the interim dividend of 1.0 sen per ordinary share paid on 30 September 2022, total dividend declared for FY2022 would be 3.0 sen per ordinary share, representing 99.3% of the Group's PAT.

9. CHANGES IN COMPOSITION OF THE GROUP

Disposal of Subsidiary

In June 2022, InNature entered into a share purchase agreement (the "SPA") with Natura Cosmetics Asia Pacific Pte Ltd ("Natura AP") to dispose its entire shareholding in Ola Beleza Sdn Bhd ("Ola Beleza") to Natura AP (the "Disposal") at a cash consideration of RM2,040,121. Ola Beleza is a wholly owned subsidiary of InNature engaging in the business of distribution and commercialisation of certain Natura products in Malaysia. Natura AP is a member of Natura & Co, a multinational cosmetics and personal care corporation carrying the brands of Natura, The Body Shop, Aesop and Avon.

The Disposal was completed on 3 October 2022 upon fulfilment of conditions precedent in the SPA, on which date Ola Beleza ceases to be a subsidiary of InNature. The final cash consideration for the Disposal was RM2,234,465, based on net asset value of Ola Beleza as at 30 September 2022. As part of the post-completion obligations, the Company continues to provide assistance in the transition of Ola Beleza to Natura AP at a fee (see Note 20) for a period of 6 months.

The carrying amount of Ola Beleza's assets and liabilities as at 30 September 2022, and the effects of the Disposal are as follows:

	RM'000
<u>Ola Beleza's assets and liabilities as at 30 September 2022</u>	
Plant and equipment	909
Right-of-use assets	406
Inventories	927
Trade and other receivables	479
Cash and cash equivalents	278
Total assets	<u>2,999</u>
Trade and other payables	320
Lease liabilities	424
Other liabilities	20
Total liabilities	<u>764</u>
Ola Beleza's net asset value	<u>2,235</u>

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	RM'000
<u>Effects of disposal of a subsidiary</u>	
Cash consideration received	2,235
Net assets derecognised	<u>(2,235)</u>
Gain on disposal of a subsidiary	<u>-</u>
Cash consideration received	2,235
Derecognition of Ola Beleza's cash and cash equivalents	<u>(278)</u>
Net cash inflow on disposal of subsidiary	<u>1,957</u>

10. CONTINGENT LIABILITIES

	31.12.2022	31.12.2021
	RM'000	RM'000
Company		
Corporate guarantees granted to a subsidiary for credit facilities	1,000	1,000
Bank guarantees granted to subsidiaries for tenancy agreements	795	546
	<u>1,795</u>	<u>1,546</u>

11. CAPITAL COMMITMENTS

	31.12.2022	31.12.2021
	RM'000	RM'000
Group		
Plant and equipment		
Approved but not contracted for	21,922	26,555
Contracted but not commenced	-	28
	<u>21,922</u>	<u>26,583</u>
Leases as a leasee		
Contracted but not commenced	<u>1,912</u>	<u>2,500</u>

12. MATERIAL RELATED PARTY TRANSACTIONS

	Quarter ended		12 months ended	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Group				
Rental of office and retail outlets ⁽¹⁾	<u>145</u>	<u>125</u>	<u>595</u>	<u>449</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.

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13. STATUS OF CORPORATE PROPOSAL

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

14. UTILISATION OF PROCEEDS FROM IPO

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

Utilisation of proceeds	Proposed utilisation RM'000	Actual utilisation up to 31 December 2022 RM'000	Transfer RM'000	Balance unutilised RM'000	Estimated timeframe for utilisation from the date of Listing
(i) Capital expenditure	34,500	(12,578)	-	21,922	Within 48 months
(ii) Working capital	837	(1,188)	351	-	Within 36 months
(iii) New business	5,700	(3,988)	-	1,712	Within 48 months
(iv) Listing-related expenses	6,370	(6,019)	(351)	-	Within 3 months
Total	47,407	(23,773)	-	23,634	

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 FY2020.

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") 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.

17. PERFORMANCE REVIEW

4Q2022 Review

RM'000	4Q2022				4Q2021			
	Malaysia	Vietnam	Cambodia	Group	Malaysia	Vietnam	Cambodia	Group
Segment Revenue								
The Body Shop	32,181	7,688	950	40,819	34,209	7,816	1,002	43,027
Natura	-	-	-	-	670	-	-	670
	<u>32,181</u>	<u>7,688</u>	<u>950</u>	<u>40,819</u>	<u>34,879</u>	<u>7,816</u>	<u>1,002</u>	<u>43,697</u>
Segment PAT								
The Body Shop	5,858	677	116	6,651	6,916	711	43	7,670
Natura	-	-	-	-	134	-	-	134
	<u>5,858</u>	<u>677</u>	<u>116</u>	<u>6,651</u>	<u>7,050</u>	<u>711</u>	<u>43</u>	<u>7,804</u>
Investment holding				(28)				(14)
PAT				<u>6,623</u>				<u>7,790</u>

Table 17.1 Segment revenue and PAT for 4Q2022

The Group's 4Q2022 performance is measured against a high base, where in 4Q2021 the Group benefitted from the novelty effect of the economy reopening post-lockdown. The Group's operating environment in 4Q2022 was fluid with macro uncertainties and additionally distracted by events such as the Malaysian General Election.

Overall, the Group recorded 6.6% lesser revenue in 4Q2022. Excluding the discontinued Natura business, Group revenue declined 5.1%, with Malaysia, Vietnam and Cambodia each recording lower revenue by 5.9%, 1.6% and 5.2% respectively.

The Group's digital & remote channels continue to make up 16.8% of its revenue in 4Q2022. Components of digital & remote channels include e-commerce (4.2% of Group revenue) and conversational and social commerce (12.7% of Group revenue).

Store count of the Group recorded a net increase of 1 in 4Q2022 to 114 stores as at 31 December 2022, having opened 3 TBS stores in Malaysia, Vietnam and Cambodia, closed 1 TBS store in Vietnam, and disposed 1 Natura store in Malaysia following the exit of the business during the reporting quarter. To continue expanding customer reach, the Group opened 3 pop-up shops in Vietnam in 4Q2022.

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RM'000	4Q2022	As a % of revenue	4Q2021	As a % of revenue	% change 4Q2022 vs 4Q2021
Revenue	40,819	100.0%	43,697	100.0%	-6.6%
GP	27,308	66.9%	27,615	63.2%	-1.1%
Operating expenses	(19,470)	-47.7%	(17,437)	-39.9%	11.7%
Operating profit	7,838	19.2%	10,178	23.3%	-23.0%
MFRS 16	(24)	-0.1%	(235)	-0.5%	-89.6%
Finance & other income (net)	1,161	2.8%	493	1.1%	135.4%
Tax	(2,352)	-5.8%	(2,647)	-6.1%	-11.1%
PAT	6,623	16.2%	7,790	17.8%	-15.0%

Table 17.2 Group P&L for 4Q2022

Table 17.2 shows the Group's financial results for 4Q2022, with the net effect of MFRS 16 accounting adjustments disclosed as a separate row.

Gross profit of the Group registered a lower decline of 1.1% vs that of revenue in 4Q2022, driven by improved GP margin following the price adjustment in 3Q2022, lesser discounting and reduced inventories written down.

Operating profit for the reporting quarter was 23.0% lower on softer top-line, higher operating expenses and absence of one-off buffer from rental rebate, wage subsidy and contribution from Natura. Excluding one-off items, operating profit of the Group would have recorded a lesser decline of 14.4%.

The Group registered higher finance and other income in 4Q2022, having earned additional income of RM270k from provision of shared services to Ola Beleza, recorded higher forex gain by RM86k, and made higher finance income by RM179k.

PAT of the Group was 15.0% lower in 4Q2022 with all operating countries remaining profitable (see Table 17.1). On like-for-like comparison excluding Natura P&L and one-off items such as rental rebate, wage subsidy and income from provision of shared services, Group PAT would have recorded a lesser decline of 1.6% in 4Q2022 on improved margin (15.6% vs 4Q2021's 15.0%).

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FY2022 Review

RM'000	FY2022				FY2021			
	Malaysia	Vietnam	Cambodia	Group	Malaysia	Vietnam	Cambodia	Group
Segment Revenue								
The Body Shop	115,618	28,698	3,642	147,958	100,580	25,652	3,436	129,668
Natura	1,440	-	-	1,440	2,252	-	-	2,252
	<u>117,058</u>	<u>28,698</u>	<u>3,642</u>	<u>149,398</u>	<u>102,832</u>	<u>25,652</u>	<u>3,436</u>	<u>131,920</u>
Segment PAT								
The Body Shop	20,459	924	427	21,810	15,033	1,222	275	16,530
Natura	27	-	-	27	(1,386)	-	-	(1,386)
	<u>20,486</u>	<u>924</u>	<u>427</u>	<u>21,837</u>	<u>13,647</u>	<u>1,222</u>	<u>275</u>	<u>15,144</u>
Investment holding				(503)				(93)
PAT				<u>21,334</u>				<u>15,051</u>

Table 17.3 Segment revenue and PAT for FY2022

Revenue of the Group rebounded 13.2% in FY2022 amid economy reopening and reduced Covid-19 restrictions. Excluding Natura, Group revenue grew 14.1%, with Malaysia, Vietnam and Cambodia each recording higher revenue by 15.0%, 11.9% and 6.0% respectively.

Digital & remote channels continue to contribute 15.6% to the Group revenue in FY2022. Components of digital & remote channels include e-commerce (FY2022: 4.5% of Group revenue) and conversational and social commerce (FY2022: 10.5% of Group revenue).

The Group continues to optimise its retail store network, with a net reduction of 4 in FY2022 to 114 stores as at 31 December 2022 (see Table 17.5 below). During the financial year, the Group opened 3 pop-up stores in Vietnam and relocated 5 stores, including its first Workshop concept store at Sunway Pyramid, Malaysia.

	Retail Store Count			
	Malaysia	Vietnam	Cambodia	Group
At 1 January 2022	77	39	2	118
New	2	2	1	5
Reopen	1	-	-	1
Closure	(6)	(3)	-	(9)
Disposal of Natura	(1)	-	-	(1)
At 31 December 2022	<u>73</u>	<u>38</u>	<u>3</u>	<u>114</u>
Pop-up stores at 31 December 2022	-	3	-	3
Retail + pop-up stores at 31 December 2022	<u>73</u>	<u>41</u>	<u>3</u>	<u>117</u>

Table 17.4 FY2022 store count

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RM'000	As a %		As a %		% change
	FY2022	of revenue	FY2021	of revenue	FY2022 vs FY2021
Revenue	149,398	100.0%	131,920	100.0%	13.2%
GP	98,943	66.2%	85,019	64.4%	16.4%
Operating expenses	(72,647)	-48.6%	(65,595)	-49.7%	10.8%
Operating profit	26,296	17.6%	19,424	14.7%	35.4%
MFRS 16	100	0.1%	(130)	-0.1%	-176.8%
Finance & other income (net)	2,227	1.5%	1,237	0.9%	80.0%
Tax	(7,289)	-4.9%	(5,480)	-4.2%	33.0%
PAT	21,334	14.3%	15,051	11.4%	41.7%

Table 17.5 Group P&L for FY2022

The Group recorded 16.4% higher gross profit and 35.4% higher operating profit in FY2022 following the rebound in revenue amid economy reopening.

GP margin of the Group improved 1.8 percentage point to 66.2%, mainly driven by the price adjustment in 3Q2022, lesser discounting and reduced inventories written down.

PAT of the Group grew 41.7% in FY2022, augmented by better GP and operating profit margins, additional income of RM270k from provision of shared services to Ola Beleza, and higher forex gain by RM500k. Excluding Natura P&L and one-off items such as rental rebate, wage subsidy and income from provision of shared services, Group PAT would have leaped 125.7% in FY2022.

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Balance Sheet Review

RM'000	31.12.2022				31.12.2021			
	Malaysia	Vietnam	Cambodia	Group	Malaysia	Vietnam	Cambodia	Group
Segment assets								
The Body Shop	134,932	33,588	5,860	174,380	119,691	33,327	5,135	158,153
Natura		-	-	-	3,689	-	-	3,689
	<u>134,932</u>	<u>33,588</u>	<u>5,860</u>	<u>174,380</u>	<u>123,380</u>	<u>33,327</u>	<u>5,135</u>	<u>161,842</u>
Investment holding				7,528				21,965
Total assets				<u>181,908</u>				<u>183,807</u>
Segment liabilities								
The Body Shop	21,798	10,377	894	33,070	26,348	11,219	707	38,274
Natura		-	-	-	1,300	-	-	1,300
	<u>21,798</u>	<u>10,377</u>	<u>894</u>	<u>33,070</u>	<u>27,648</u>	<u>11,219</u>	<u>707</u>	<u>39,574</u>
Investment holding				159				97
Total liabilities				<u>33,228</u>				<u>39,671</u>
Net assets				<u>148,680</u>				<u>144,136</u>

Table 17.6 Group balance sheet as at 31 December 2022

As at 31 December 2022, the Group's financial position remains in net cash, with cash and fixed income funds of RM58.7 million and higher net assets of RM148.7 million. Total assets of the Group reduced marginally by 1.0%, whereas total liabilities reduced 11.4% primarily on lesser payables.

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Cash Flow Review

RM'000	31.12.2022	31.12.2021	% change
Cash generated from operations	44,747	34,707	28.9%
Income tax paid	(7,043)	(5,179)	36.0%
Net cash generated from operating activities	37,704	29,528	27.7%
Capex	(3,904)	(1,677)	132.8%
Movement in fixed income funds and fixed deposits	26,613	(13,046)	304.0%
Interest received	641	1,221	-47.5%
Net cash inflow from disposal of Natura	1,957	-	
Proceed from disposal of fixed asset	-	2	
Net cash generated from/(used in) investing activities	25,308	(13,500)	287.5%
Dividends paid	(17,647)	(17,647)	0.0%
MFRS 16 leases	(14,711)	(11,222)	31.1%
Repayment of hire purchase	(159)	(153)	3.7%
Interest paid for hire purchase	(4)	(11)	-62.7%
Net cash used in financing activities	(32,521)	(29,033)	12.0%
Net changes in cash and cash equivalents	30,491	(13,005)	334.5%
Forex	683	337	
At 1 January	11,299	23,967	
At 31 December	42,473	11,299	275.9%

Table 17.7 Group cashflow for FY2022

The Group finances its operations through operating cashflow. In F2022, the Group generated higher net operating cashflow of RM37.7 million in line with the rebound in revenue and operating profit.

The Group recorded net cash generated from investing activities mainly on the withdrawal of RM26.6 million placement in fixed income funds and fixed deposits above 3 months, as well as RM1.9 million net cash inflow from disposal of Natura. The Group paid higher capital expenditures of RM3.9 million during the financial year in line with the full resumption of retail operation.

In FY2022, the Group made 12.0% higher financing-related payment, driven primarily by higher lease payment to landlords following the phasing out of Covid-19 rental rebates.

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18. PROSPECTS

The next financial quarter ending 31 March 2023 is expected to be seasonally quieter quarter-on-quarter.

We are cautiously optimistic on the business outlook in FY2023. Cautious for the lingering macro headwinds but optimistic because the beauty market is growing. We believe the demand for The Body Shop products is strong with the rise of the conscious consumer. The Group will continue to work on improving productivity and operational efficiency, while expanding our physical retail network strategically and gaining digital market share. Our inclusion in the FTSE4Good Bursa Malaysia ("F4BM") and FTSE4Good Bursa Malaysia Syariah ("F4BMS") indexes has been maintained with the re-affirmation of our 4-star rating in December 2022. We begin FY2023 in the best possible conditions, with an agile and committed team, a clean inventory and a brilliant product pipeline. Our Group is well placed to continue making progress in an uncertain operating environment. We remain ready to take on any opportunity that presents itself.

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.

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20. PROFIT BEFORE TAX

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

	Quarter ended		12 months ended	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Group				
Revenue				
- Retailing	40,800	43,686	149,341	131,873
- Consultancy fees	19	11	57	47
	40,819	43,697	149,398	131,920
Gain/(loss) on foreign exchange				
- realised	452	395	772	184
- unrealised	(36)	(202)	53	4
	416	193	825	188
Rental expenses				
- before MFRS 16 adjustments	(4,606)	(4,394)	(19,652)	(16,030)
- less: minimum lease payments (MFRS 16)	3,871	4,226	14,720	16,571
	(736)	(168)	(4,932)	541
Depreciation and amortisation				
- plant and equipment	(632)	(1,499)	(3,994)	(5,112)
- intangible assets	(93)	(94)	(384)	(321)
- right-of-use assets (MFRS 16 adjustments)	(3,572)	(3,944)	(13,443)	(14,812)
	(4,296)	(5,537)	(17,821)	(20,245)
Royalty expense	(407)	(440)	(1,398)	(1,302)
Inventories written down	(31)	(256)	(195)	(743)
Income from provision of shared services to a former subsidiary (Note 9)	270	-	270	-
Contribution from a trade supplier	-	750	2,250	1,250
Finance income comprises interest income from				
- bank balances and fixed deposits	397	85	800	449
- fixed income funds	50	163	131	772
	447	248	931	1,221
Finance costs comprise interest expenses on				
- hire purchase	(0)	(2)	(4)	(11)
- lease liabilities (MFRS 16 adjustments)	(323)	(517)	(1,177)	(1,889)
	(324)	(519)	(1,181)	(1,900)

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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21. TAX EXPENSES

	Quarter ended		12 months ended	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Group				
Tax expenses				
- arising from Malaysia	2,043	2,437	6,910	5,245
- arising outside Malaysia	308	210	379	235
	<u>2,351</u>	<u>2,647</u>	<u>7,289</u>	<u>5,480</u>
Effective tax rate (%)	<u>26.2%</u>	<u>25.4%</u>	<u>25.5%</u>	<u>26.7%</u>

Effective tax rate ("ETR") is computed by dividing tax expenses with profit before tax for the financial period. The Group's ETR is generally higher than Malaysia's statutory tax rate as a result of non-deductible expenses.

22. EARNINGS PER SHARE ("EPS")

	Quarter ended		12 months ended	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the Company	<u>6,623</u>	<u>7,790</u>	<u>21,334</u>	<u>15,051</u>
Weighted average number of ordinary shares in issue	<u>705,881</u>	<u>705,881</u>	<u>705,881</u>	<u>705,881</u>
Basic EPS (sen)	<u>0.94</u>	<u>1.10</u>	<u>3.02</u>	<u>2.13</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 December 2022 and 31 December 2021.

23. OTHER INVESTMENT

	31.12.2022	31.12.2021
	RM'000	RM'000
Group		
Fixed deposits of more than 3 months but less than 12 months	9,349	4,961
Fixed income funds	6,897	37,546
	<u>16,246</u>	<u>42,507</u>

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24. LOANS AND BORROWINGS

	31.12.2022	31.12.2021
	RM'000	RM'000
Group		
Non-current		
RM denominated hire purchase (unsecured)	-	27
Current		
RM denominated hire purchase (unsecured)	27	159
	<u>27</u>	<u>186</u>

25. SUBSEQUENT EVENT

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