



INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

INTERIM FINANCIAL REPORT
FOR THE 1st QUARTER ENDED 31 MARCH 2024

27 MAY 2024

INNATURE BERHAD

(Registration No. 199401034915 (320598-X))

INTERIM FINANCIAL REPORT FOR THE 1ST QUARTER ENDED 31 MARCH 2024

UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	Quarter ended	
		31.3.2024 RM'000	31.3.2023 RM'000
Revenue		31,485	32,425
Operating expenses			
Changes in inventories		(10,138)	(9,926)
Rental expenses		(716)	(965)
Employee related expenses		(8,560)	(9,751)
Distribution expenses		(623)	(590)
Advertising and promotion expenses		(1,043)	(690)
Depreciation and amortisation expenses		(5,021)	(4,510)
Royalty expenses		(337)	(328)
Other operating expenses		(2,120)	(2,286)
Total operating expenses		<u>(28,558)</u>	<u>(29,046)</u>
Profit from operations		2,927	3,379
Other income		243	494
Finance income		367	490
Finance costs		(422)	(301)
Profit before tax ("PBT")	20	<u>3,115</u>	<u>4,062</u>
Tax expenses	21	<u>(754)</u>	<u>(1,059)</u>
Profit after tax ("PAT")		<u>2,361</u>	<u>3,003</u>
Profit attributable to owners of the Company		<u>2,361</u>	<u>3,003</u>
Basic earnings per share attributable to owners of the Company (sen)	22	<u>0.33</u>	<u>0.43</u>
Other selected financial data:			
Gross profit ⁽¹⁾		21,347	22,499
Gross profit margin		67.8%	69.4%
PBT margin		9.9%	12.5%
PAT margin		7.5%	9.3%

⁽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 2023 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 2024

UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Quarter ended	
		31.3.2024	31.3.2023
		RM'000	RM'000
PAT		2,361	3,003
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		292	242
Total comprehensive income for the period		<u>2,653</u>	<u>3,245</u>
Total comprehensive income attributable to owners of the Company		<u>2,653</u>	<u>3,245</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 2023 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 2024

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	31.3.2024 RM'000	31.12.2023 RM'000
Assets			
Plant and equipment		10,064	10,432
Right-of-use assets		26,405	28,308
Intangible assets		51,837	51,927
Deferred tax assets		1,597	1,473
Receivables and deposits		6,872	6,847
Total non-current assets		<u>96,775</u>	<u>98,987</u>
Inventories		36,999	37,879
Receivables, deposits and prepayments		6,158	5,916
Current tax assets		44	81
Other investments	23	8,358	6,642
Cash and cash equivalents		38,445	40,154
Total current assets		<u>90,004</u>	<u>90,672</u>
Total assets		<u>186,779</u>	<u>189,659</u>
Liabilities			
Provision for restoration costs		1,937	1,954
Deferred tax liabilities		-	78
Lease liabilities		15,315	15,195
Total non-current liabilities		<u>17,252</u>	<u>17,227</u>
Provision for restoration costs		272	232
Lease liabilities		12,290	14,260
Contract liabilities		560	552
Payables and accruals		14,185	10,932
Current tax liabilities		1,162	992
Total current liabilities		<u>28,469</u>	<u>26,968</u>
Total liabilities		<u>45,721</u>	<u>44,195</u>
Net assets		<u>141,058</u>	<u>145,464</u>

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UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

	Note	31.3.2024 RM'000	31.12.2023 RM'000
Equity			
Share capital		50,326	50,326
Reserves		90,732	95,138
Total equity		<u>141,058</u>	<u>145,464</u>
Other selected financial data:			
Number of ordinary shares ('000)		705,881	705,881
Net assets per share (sen)		19.98	20.61
Net gearing ratio (times) *		(0.33)	(0.32)

* 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 2023 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 2023	50,326	4,636	1,257	92,459	148,678
Profit for the period	-	-	-	3,003	3,003
Foreign currency translation differences for foreign operation, representing other comprehensive income for the period	-	-	242	-	242
Total comprehensive income for the period	-	-	242	3,003	3,245
Dividend declared	8	-	-	(14,118)	(14,118)
At 31 March 2023	50,326	4,636	1,499	81,344	137,805
At 1 January 2024	50,326	4,636	1,659	88,843	145,464
Profit for the period	-	-	-	2,361	2,361
Foreign currency translation differences for foreign operation, representing other comprehensive income for the period	-	-	292	-	292
Total comprehensive income for the period	-	-	292	2,361	2,653
Dividend declared	8	-	-	(7,059)	(7,059)
At 31 March 2024	50,326	4,636	1,951	84,145	141,058

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 2023 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 2024

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Quarter ended	
		31.3.2024 RM'000	31.3.2023 RM'000
Cash flows from operating activities			
Profit before tax		3,115	4,062
Adjustments for:			
Depreciation and amortisation expenses		5,021	4,510
Unrealised foreign exchange (gain)/loss		(31)	84
Plant and equipment written off		-	10
Gain on disposal of other investment		-	(77)
Gain on disposal of plant and equipment		-	(202)
Finance income		(367)	(490)
Finance costs		422	301
Writedown of inventories		3	18
Operating cashflow before changes in working capital		8,163	8,216
Changes in working capital:			
Inventories		964	(7,744)
Receivables, deposits and prepayments		(155)	(4)
Payables, accruals and contract liabilities		3,494	9,638
Provision for restoration costs		21	(7)
Cash generated from operations		12,487	10,099
Income tax paid		(876)	(2,328)
Net cash generated from operating activities		11,611	7,771
Cash flows from investing activities			
Acquisition of plant and equipment		(786)	(1,028)
Proceed from disposal of plant and equipment		-	235
(Placement)/withdrawal of other investments		(1,679)	12,644
Interest received		293	405
Net cash (used in)/generated from investing activities		(2,172)	12,256

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UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)

	Note	Quarter ended	
		31.3.2024 RM'000	31.3.2023 RM'000
Cash flows from financing activities			
Dividends paid	8	(7,059)	(14,118)
Repayment of hire purchase		-	(27)
Repayment of lease liabilities		(3,823)	(3,407)
Interest paid for lease liabilities		(422)	(301)
Net cash used in financing activities		(11,304)	(17,853)
Net changes in cash and cash equivalents			
Effect of exchange rate fluctuations on cash held		156	258
Cash and cash equivalents at beginning of the period		40,154	42,681
Cash and cash equivalents at end of the period		38,445	45,113
Cash and cash equivalents comprise the following:			
Cash and bank balances		11,525	10,448
Deposits placed with licensed banks		26,920	34,665
		38,445	45,113

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 2023 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 2024

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 2023 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 2023, 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 2023 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

Save as disclosed elsewhere in this Interim Financial Report, 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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INTERIM FINANCIAL REPORT FOR THE 1st QUARTER ENDED 31 MARCH 2024

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 dividends were recognised by the Company:

	RM per share RM	Total amount RM'000	Payment date
Company			
3 months ended 31.3.2024			
In respect of FY2023:			
- Final dividend	0.01	<u>7,059</u>	29.3.2024
3 months ended 31.3.2023			
In respect of FY2022:			
- Final dividend	0.02	<u>14,118</u>	28.3.2023

The Company did not declare any dividend subsequent to 31 March 2024 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.

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10. CONTINGENT LIABILITIES

	31.3.2024	31.12.2023
	RM'000	RM'000
Company		
Corporate guarantees granted to a subsidiary for credit facilities	1,000	1,000
Bank guarantees granted to a subsidiary for tenancy agreements	787	832
	<u>1,787</u>	<u>1,832</u>

11. CAPITAL COMMITMENTS

	31.3.2024	31.12.2023
	RM'000	RM'000
Group		
Plant and equipment		
Approved but not contracted for	<u>14,827</u>	<u>15,151</u>
Leases as a leasee		
Contracted but not commenced	<u>-</u>	<u>4,151</u>

12. MATERIAL RELATED PARTY TRANSACTIONS

	Quarter ended	
	31.3.2024	31.3.2023
	RM'000	RM'000
Group		
Rental of office and retail outlets ⁽¹⁾	<u>156</u>	<u>162</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 2024**14. UTILISATION OF PROCEEDS FROM IPO**

The utilisation of proceeds from IPO as at 31 March 2024 is as follows:

Utilisation of proceeds	Proposed utilisation RM'000	Actual utilisation up to 31.3.2024 RM'000	Transfer RM'000	Balance unutilised RM'000	Estimated	Extended
					timeframe for utilisation from Listing date	timeframe for utilisation from 20.2.2024
(i) Capital expenditure	34,500	(19,673)	-	14,827	Within 48 months	Within 24 months
(ii) Working capital	837	(1,188)	351	-	Within 36 months	
(iii) Business development	5,700	(5,700)	-	-	Within 48 months	
(iv) Listing-related expenses	6,370	(6,019)	(351)	-	Within 3 months	
Total	47,407	(32,580)	-	14,827		

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.

On 2 February 2024, the Company announced that it has extended the timeframe for utilisation of proceeds from IPO allocated for capital expenditure for an additional 24 months from the original timeframe of 48 months, i.e. up to 20 February 2026. The extension of time is necessary because the outbreak of the COVID-19 pandemic has disrupted the Group's plan for the capital expenditure.

15. MATERIAL LITIGATION

There is no material litigation involving the Group subsequent to 31 December 2023 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 retailing of The Body Shop ("TBS") products. Segment information of the Group is presented based on the geographical location of customers, assets and liabilities.

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

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17. PERFORMANCE REVIEW

1Q2024

	1Q2024				1Q2023			
	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	23,912	6,705	868	31,485	24,663	6,839	923	32,425
Segment EBITDA	3,619	70	197	3,886	4,051	136	187	4,374
<i>Reconciliation to reported profit:</i>								
Segment EBITDA	3,619	70	197	3,886	4,051	136	187	4,374
Depreciation	(583)	(409)	(155)	(1,147)	(534)	(351)	(130)	(1,015)
Other income / (expense)	77	(21)	11	67	78	(3)	(3)	72
Finance income	270	73	23	366	215	247	20	482
MFRS 16 effect	(30)	(24)	1	(53)	(21)	(67)	1	(87)
Tax expenses	(821)	94	(9)	(736)	(1,026)	12	(14)	(1,028)
	2,532	(217)	68	2,383	2,763	(26)	61	2,798
Corporate	(22)	-	-	(22)	(227)	-	-	(227)
Core PAT	2,510	(217)	68	2,361	2,536	(26)	61	2,571
Non-core:								
- gain on disposal of assets	-	-	-	-	279	-	-	279
- service charges income	-	-	-	-	153	-	-	153
Reported PAT	2,510	(217)	68	2,361	2,968	(26)	61	3,003

The Group continues to operate in a challenging operating environment for 1Q2024, with cautious consumer sentiment and news on the brand principal. Performance in Malaysia was additionally impacted by Ramadan starting earlier on 11 March this year vs 23 March last year. Overall, Group revenue was 2.9% (3.3% on constant currency) behind 1Q2023, as shown in the table below.

	1Q2024			
	Malaysia	Vietnam	Cambodia	Group
Revenue				
- reported	-3.0%	-2.0%	-6.0%	-2.9%
- constant currency	-3.0%	-3.2%	-11.0%	-3.3%
- same store	-5.9%	-8.3%	-11.0%	-6.6%

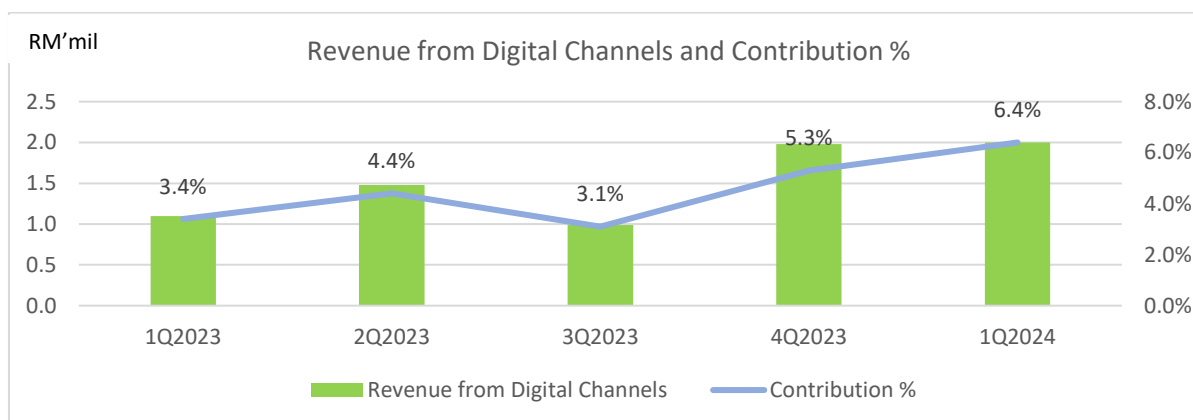
Nevertheless, the Group's investment in strategic marketing initiatives saw the **narrowing of the Year-on-Year ("YoY") gap** for the quarterly revenue in 1Q2024 vs previous quarters.

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On the other hand, the Group's efforts in **accelerating digital channels** have yielded positive results, with these channels now contributing 6.4% to the Group's revenue in 1Q2024 vs 3.4% a year ago.



Despite the headwinds, the Group remained profitable across all its markets at EBITDA level in 1Q2024. Core PAT of the Group was 8.2% behind 1Q2023 on lower revenue, reduced gross profit margin by 1.6% percentage point, and lesser interest income, though this was mitigated by lower operating expenses and higher forex gain.

Quarter-on-quarter, Group revenue for 1Q2024 was 15.2% lower than 4Q2023 due to lesser festivities. Quarterly PAT was correspondingly lesser from RM4.6 million in 4Q2023 to RM2.4 million in 1Q2024. The following table shows the quarterly revenue and PAT of the Group for 1Q2024 and 4Q2023:

	1Q2024 RM'000	4Q2023 RM'000
Revenue	31,485	37,130
PAT	2,361	4,621

The Group continues to monitor the performance of its retail stores closely. In 1Q2024, the Group exited 2 locations in Malaysia. In Vietnam, the Group expanded to Vincom Center Dong Khoi, a premier mall at the heart of Ho Chi Minh City. The following table shows the movement in the Group's retail store network for 1Q2024:

	Retail Store Count			
	Malaysia	Vietnam	Cambodia	Group
Retail stores at 1.1.2024	76	36	3	115
Opening	-	1	-	1
Closure	(2)	-	-	(2)
Retail stores at 31.3.2024	74	37	3	114
Pop-up stores at 31.12.2023	2	4	-	6
Retail + pop-up stores at 31.12.2024	76	41	3	120

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	31.3.2024				31.3.2023			
	Malaysia RM'000	Vietnam RM'000	Cambodia RM'000	Group RM'000	Malaysia RM'000	Vietnam RM'000	Cambodia RM'000	Group RM'000
Total assets	146,756	35,268	4,756	186,780	148,274	34,940	6,445	189,659
Total liabilities	31,999	12,777	946	45,722	30,600	12,549	1,046	44,195
Net assets	114,757	22,491	3,810	141,058	117,674	22,391	5,399	145,464

As at 31 March 2024, the Group's financial position remains in net cash, with cash and other investments of RM46.8 million, and net assets of RM141.1 million.

Total assets of the Group declined 1.5% to RM186.8 million, contributed mainly by the reducing Plant & Equipment and MFRS 16 Right-of-use Assets following depreciation charges.

Total liabilities of the Group increased 3.5% to RM45.7 million, driven primarily by higher Payable & Accruals, but was mitigated by lower MFRS 16 Lease Liabilities.

18. PROSPECTS

We expect the operating environment in 2Q2024 to remain challenging. Nevertheless, we will continue with our marketing efforts to attract more customers, upskill our team and improve productivity of existing stores. We move ahead with confidence in our digital strategy to accelerate contribution from our digital channels. Thus, we expect our Group to remain profitable.

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	
	31.3.2024	31.3.2023
	RM'000	RM'000
Group		
Revenue		
- Retail	31,466	32,403
- Consultancy services	21	22
	31,487	32,425
Gain/(loss) on foreign exchange		
- realised	189	129
- unrealised	31	(84)
	220	45
Depreciation and amortisation		
- plant and equipment	(1,048)	(919)
- intangible assets	(98)	(96)
- MFRS16 right-of-use assets	(3,875)	(3,495)
	(5,021)	(4,510)
Inventories written down	(3)	(18)
Service charges income (post-completion obligation on disposal of a former subsidiary in 2022)	-	153
<u>Finance income</u>		
Interest income		
- bank balances and fixed deposits	367	490
<u>Finance costs</u>		
Interest expenses		
- MFRS16 lease liabilities	(422)	(301)

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	
	31.3.2024	31.3.2023
	RM'000	RM'000
Group		
Tax expenses		
- arising from Malaysia	839	1,057
- arising outside Malaysia	(85)	2
	<u>754</u>	<u>1,059</u>
Effective tax rate (%)	<u>24.2%</u>	<u>26.1%</u>

Effective tax rate (“ETR”) is computed by dividing tax expenses with profit before tax for the financial period. ETR for the current financial period is lower year-on-year, mainly as a result of overprovision of deferred tax in prior year.

22. EARNINGS PER SHARE (“EPS”)

	Quarter ended	
	31.3.2024	31.3.2023
	RM'000	RM'000
Profit attributable to owners of the Company	<u>2,361</u>	<u>3,003</u>
Weighted average number of ordinary shares in issue ('000)	<u>705,881</u>	<u>705,881</u>
Basic EPS (sen)	<u>0.33</u>	<u>0.43</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 2024 and 31 March 2023.

23. OTHER INVESTMENT

	31.3.2024	31.12.2023
	RM'000	RM'000
Group		
Fixed deposits of more than 3 months but less than 12 months	<u>8,358</u>	<u>6,897</u>

24. SUBSEQUENT EVENT

Save as disclosed elsewhere in this Interim Financial Report, there is no material event impacting the Group subsequent to 31 March 2024 and up to the date of this Interim Financial Report.