United States
Securities and Exchange Commission
Washington, D.C. 20549

Form 8-K/A
(Amendment No. 1)
Current Report

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 1, 2021

CLARUS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	001-34767	58-1972600
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification Number)

2084 East 3900 South, Salt Lake City, Utah	84124
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (801) 278-5552

N/A
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

☐ Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Title of each class	**Trading Symbol**	**Name of each exchange on which registered**
Common Stock, par value $.0001 per share	CLAR	NASDAQ Global Select Market

Forward-Looking Statements

Please note that in this Current Report on Form 8-K (the "Report") Clarus Corporation (which may be referred to as the "Company," "Clarus," "we," "our" or "us") may use words such as "appears," "anticipates," "believes," "plans," "expects," "intends," "future" and similar expressions which constitute forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are made based on our expectations and beliefs concerning future events impacting the Company and therefore involve a number of risks and uncertainties. We caution that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements.

Potential risks and uncertainties that could cause the actual results of operations or financial condition of the Company to differ materially from those expressed or implied by forward-looking statements in this release include, but are not limited to, the overall level of consumer demand on our products; general economic conditions and other factors affecting consumer confidence, preferences, and behavior; disruption and volatility in the global currency, capital and credit markets; the financial strength of the Company's customers; the Company's ability to implement its business strategy; the ability of the Company to execute and integrate acquisitions; changes in governmental regulation, legislation or public opinion relating to the manufacture and sale of bullets and ammunition by our Sierra segment, and the possession and use of firearms and ammunition by our customers; the Company's exposure to product liability or product warranty claims and other loss contingencies; disruptions and other impacts to the Company's business, as a result of the COVID-19 global pandemic and government actions and restrictive measures implemented in response; stability of the Company's manufacturing facilities and suppliers, as well as consumer demand for our products, in light of disease epidemics and health-related concerns such as the COVID-19 global pandemic; the impact that global climate change trends may have on the Company and its suppliers and customers; the Company's ability to protect patents, trademarks and other intellectual property rights; any breaches of, or interruptions in, our information systems; the ability of our information technology systems or information security systems to operate effectively, including as a result of security breaches, viruses, hackers, malware, natural disasters, vendor business interruptions or other causes; our ability to properly maintain, protect, repair or upgrade our information technology systems or information security systems, or problems with our transitioning to upgraded or replacement systems; the impact of adverse publicity about the Company and/or its brands, including without limitation, through social media or in connection with brand damaging events and/or public perception; fluctuations in the price, availability and quality of raw materials and contracted products as well as foreign currency fluctuations; our ability to utilize our net operating loss carryforwards; changes in tax laws and liabilities, tariffs, legal, regulatory, political and economic risks; the Company's ability to maintain a quarterly dividend; and any material differences in the actual financial results of the Rhino-Rack acquisition as compared with expectations, including the impact of the acquisition on the Company's future earnings per share. More information on potential factors that could affect the Company's financial results is included from time to time in the Company's public reports filed with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K. All forward-looking statements included in this Report are based upon information available to the Company as of the date of the Report, and speak only as the date hereof. We assume no obligation to update any forward-looking statements to reflect events or circumstances after the date of this Report.

This Amendment No. 1 on Form 8-K/A is being filed to amend the Current Report on Form 8-K (the "Initial 8-K") filed with the Securities and Exchange Commission on July 8, 2021, by the Company to include the financial information referred to in Item 9.01(a) and (b) below relating to the Company's acquisition on July 1, 2021 of Rhino-Rack Holdings Pty Ltd. Pursuant to the instructions to Item 9.01 of Form 8-K, the Company hereby amends Item 9.01 of the Initial 8-K to include previously omitted financial information.

Item 9.01. Financial Statements and Exhibits

(a) Financial Statements of the Business Acquired. The financial statements required by this item are hereby included in Exhibit 99.1 and 99.2 attached hereto.

(b) Pro Forma Financial Information. The pro forma financial information required by this item is hereby included in Exhibit 99.3 attached hereto.

(d) Exhibits.

Exhibit	Description
2.1	Share Sale and Purchase Agreement dated as of May 30, 2021, by and among Oscar Aluminium Pty Ltd, Clarus Corporation, Cropley Nominees Pty Ltd, Richard Cropley, Hugh Cropley and Oliver Cropley (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on June 4, 2021, and is incorporated herein by reference)
10.1	Amendment No. 3 dated as of July 1, 2021, to that certain Credit Agreement, dated May 3, 2019, as amended by Amendment No. 1 dated May 28, 2019, and Amendment No. 2 dated November 12, 2020, by and among Clarus Corporation, Black Diamond Retail, Inc., Black Diamond Retail – Alaska, LLC, Sierra Bullets, L.L.C., SKINourishment, LLC, Black Diamond Retail – Colorado, LLC, Black Diamond Retail – Montana, LLC, Barnes Bullets – Mona, LLC, and Black Diamond Retail – Wyoming, LLC, as borrowers, the other loan parties party thereto, JPMorgan Chase Bank, N.A., as administrative agent, U.S. Bank National Association, as syndication agent, Regions Bank and Bank of America, N.A., as co-documentation agents, JPMorgan Chase Bank, N.A., as sole bookrunner and sole lead arranger, and the other lenders from time to time party thereto (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed by the Company with the Securities and Exchange Commission on July 8, 2021, and is incorporated herein by reference).
23.1	Consent of BDO Audit Pty Ltd, Independent Auditors.
99.1	Audited combined financial statements of Rhino-Rack Holdings Pty Ltd, as of and for the year ended June 30, 2020, and the related notes to the financial statements, together with the related Independent Auditor's Report.
99.2	Unaudited combined financial statements of Rhino-Rack Holdings Pty Ltd, as of March 31, 2021 and for the nine months ended March 31, 2021, and the related notes thereto.
99.3	Unaudited pro forma condensed combined financial information of Clarus Corporation as of June 30, 2021 and for the fiscal year ended December 31, 2020 and the six months ended June 30, 2021 and notes thereto.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Company has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: September 16, 2021

CLARUS CORPORATION

By: /s/ Aaron J. Kuehne
Name: Aaron J. Kuehne
Title: Executive Vice President and Chief Financial Officer

Exhibit 23.1

Consent of Independent Auditor

Clarus Corporation
Salt Lake City, Utah

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-254105), Form S-4 (No. 333-254107) and Form S-8 (No. 333-218754) of Clarus Corporation of our report dated September 9, 2021, relating to the combined financial statements of Rhino-Rack Holdings Pty Ltd and its subsidiaries and affiliate for the year ended June 30, 2020, which report appears in the Amendment No. 1 to the Current Report on Form 8-K of Clarus Corporation filed with the Securities and Exchange Commission on September 16, 2021.

/s/ BDO Audit Pty Ltd

Sydney, Australia
September 16, 2021

Exhibit 99.1

RHINO-RACK HOLDINGS PTY LTD

Financial report for the
financial year ended 30 June 2020

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Independent Auditor's Report

Board of Directors
Rhino-Rack Holdings Pty Ltd
Eastern Creek, NSW, Australia 2766

We have audited the accompanying combined financial statements of Rhino-Rack Holdings Pty Ltd and its subsidiaries and affiliate (the "Company"), which comprise the combined statement of financial position as of June 30, 2020, and the related combined statement of profit or loss and comprehensive income, changes in equity, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (collectively "IFRS"); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified audit opinion

The combined financial statements of the Company do not include the full comparative financial information as of and for the year ended June 30, 2019 required under IFRS (IAS1.38).

Opinion

In our opinion, except for the effects of the matter described above, the accompanying combined financial statements referred to above present fairly, in all material respects, the combined financial position of Rhino-Rack Holdings Pty Ltd and its subsidiaries and affiliate as of June 30, 2020, and the combined financial performance and their combined cash flows for the year then ended, in accordance with IFRS.

/s/ BDO Audit Pty Ltd

Sydney, Australia
September 9, 2021

RHINO-RACK HOLDINGS PTY LTD
Combined statement of profit or loss and other comprehensive income
for the year ended 30 June 2020
(In Australian dollars)
(In thousands, except per share amounts)

	Notes	2020
Domestic Sales		$ 53,430
International Sales		25,767
Total Sales		79,197
Cost of sales		(44,733)
Gross profit		34,464
Operating expenses		
Depreciation and amortisation expense	5	1,428
Distribution expenses		4,824
Employee benefit expense	5	13,225
Marketing		1,720
Credit loss expense	5	51
Computer expenses		2,410
Professional services fees		1,247
Occupancy costs		958
Travel expenses		661
Motor vehicles expenses		338
Legal expenses		404
Other operating expenses		1,463
Total operating expenses		28,729
Operating profit		5,735
Other income	4	2,241
Other expenses	5	(1,139)
Profit before tax		6,837
Income tax expense	6	(1,245)
Profit for the year		5,592
Other comprehensive income		
Foreign currency translation adjustment		39
Total comprehensive income for the year		$ 5,631

The accompanying notes form part of these combined financial statements.

RHINO-RACK HOLDINGS PTY LTD
Combined statement of financial position at 30 June 2020
(In Australian dollars)
(In thousands, except per share amounts)

	Notes	2020
Assets		
Current assets		
Cash and cash equivalents	2(c)	$ 6,616
Restricted cash	2(c)	1,049
Trade and other receivables	7	13,915
Inventories	8	14,874
Other assets		317
Total current assets		36,771
Non-current assets		
Property, plant, and equipment	9	3,772
Intangibles, net	10	692

Deferred tax assets	11	1,863
Right of use asset	15	12,940
Total non-current assets		19,267
Total assets		56,038
Liabilities		
Current liabilities		
Trade and other payables	12	8,589
Borrowings	13	1,406
Provisions	14	1,287
Lease liability	15	2,140
Total current liabilities		13,422
Non-current liabilities		
Borrowings	13	3,000
Provisions	14	990
Lease liability	15	12,588
Total non-current liabilities		16,578
Total liabilities		30,000
Equity		
Issued capital		1
Retained earnings		25,643
Reserves		394
Total equity	16	26,038
Total liabilities and equity		$ 56,038

The accompanying notes form part of these combined financial statements.

Rhino-Rack Holdings PTY LTD
Combined statement of changes in equity for the year ended 30 June 2020
(In Australian dollars)
(In thousands, except per share amounts)

	Issued capital	Retained earnings	Reserves	Total
Balance at 1 July 2019	$ 1	$ 21,077	$ 355	$ 21,433
Profit for the year	-	5,592	-	5,592
Other comprehensive income	-	-	39	39
Total comprehensive income	1	26,669	394	27,064
Transactions with owners in their capacity as owners:				
Payment of dividends	-	(1,026)	-	(1,026)
Balance at 30 June 2020	$ 1	$ 25,643	$ 394	$ 26,038

The accompanying notes form part of these combined financial statements.

RHINO-RACK HOLDINGS PTY LTD
Combined Statement of Cash flows for the year ended 30 June 2020
(In Australian dollars)
(In thousands, except per share amounts)

	Notes	2020
Cash flows from operating activities		
Net income	5	$ 5,592
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation on property and equipment	9	993

(In Australian dollars)
(In thousands, except per share amounts)

Amortization of intangible assets	10	101
Depreciation of right of use assets	15	1,618
Gain on disposition of assets	9	(87)
Deferred income tax benefit	11	(989)
Changes in operating assets and liabilities:		
Accounts receivable	7	560
Inventories	8	1,800
Other assets		123
Accounts payable and accrued liabilities	12	(2,309)
Provisions	14	505
Income Tax Receivable/Payable	6	980
Net cash provided by operating activities		8,887
Cash flows from investing activities		
Proceeds from disposal of plant and equipment	9	182
Payments for property, plant and equipment	9	(1,782)
Payments for intangibles	10	(344)
Net cash used in investing activities		(1,944)
Cash flows from financing activities		
Repayment of borrowings	13	(1,547)
Repayment of lease liabilities	15	(1,740)
Net cash used in financing activities		(3,287)
Effect of foreign currency translation		76
Net increase in cash, cash equivalents and restricted cash		3,732
Cash, cash equivalents and restricted cash at the beginning of the year		3,933
Cash, cash equivalents and restricted cash at the end of the year		$ 7,665

Supplementary disclosure of non-cash financing activity:

During fiscal year 2020, the Group declared a dividend to its sole shareholder in the amount of $1,029 which was offset against a related party receivable from the sole shareholder.

The accompanying notes form part of these combined financial statements.

1. General Information

Rhino-Rack Holdings PTY LTD is a proprietary company, limited by shares, incorporated and operating in Australia. Rhino-Rack Holdings PTY LTD and its wholly owned subsidiaries as well as a common controlled entity (the "Group") operate in Australia, United States and New Zealand. The Group's principal activity is the supply of a range of roof racks and roof rack accessories.

Impact of COVID-19

The global outbreak of COVID-19 was declared a pandemic by the World Health Organization in March 2020, with governments world-wide implementing safety measures restricting travel and requiring citizen lockdowns and self-confinements for quarantining purposes. This has negatively affected the global economy, disrupted global supply chains, and resulted in significant transport restrictions and disruption of financial markets.

The pandemic has negatively impacted our sales and profitability during the twelve months ended 30 June 2020. The duration of the pandemic and the magnitude of future impacts cannot be precisely estimated at this time, as they are affected by a number of factors (some of which are outside management's control).

We have mitigated some of the risk to our operating results by taking significant actions to improve our current operating results and liquidity position. We will continue to adjust mitigation measures as needed related to health and safety. Those measures have and might continue to include temporarily suspending manufacturing, modifying workspaces, continuing social distancing policies, implementing new personal protective equipment or health screening policies at our facilities, or such other industry best practices needed to continue maintain a healthy and safe environment for our employees amidst the pandemic.

Future adverse impacts to the Group, certain of its suppliers, dealers or customers may also affect the Group's future cash flows, liquidity, and valuation of certain assets and therefore may increase the likelihood of a write-off, or reserve associated with such assets including property and equipment, inventories, accounts receivable, and other assets.

2. Significant accounting policies

Basis of combination

The combined financial statements include the accounts of Rhino-Rack Holdings PTY LTD and its wholly owned subsidiaries as well as a common controlled entity. All intercompany balances and transactions have been eliminated in the combined financial statements.

The entities included in the combined financial statements of Rhino-Rack Holdings PTY LTD (parent/holding company) include its wholly owned subsidiaries:

- Rhino-Rack Australia Pty Limited
- Rhino-Rack USA, LLC
- Roof Rack City Pty Limited (dormant since 2018)

and

- Rhino-Rack New Zealand Ltd (entity under common control)

Adoption of IFRS

Except for the exclusion of the 2019 comparative information, the Group has applied International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") effective for the period ended 30 June 2020 presented in these combined financial statements, as if these standards had always been in effect.

Basis of preparation

The combined financial statements have been prepared on the basis of historical cost. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted.

The preparation of combined financial statements requires the use of certain critical accounting estimates. It also requires management of the Group to exercise judgment in the process of applying the Group's accounting policies. These combined financial statements include accounting estimates for certain assets, liabilities and other transactions.

Accounting policy adopted for government grants

The Group applies International Accounting Standard ("IAS") 20 when determining if government support meets the definition of government grants.

Government grants are transfers of resources to an entity by a government entity in return for compliance with certain conditions. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity.

Grants related to income are government grants other than those related to assets. In accordance with IAS 20 government grants are recognised in profit or loss as 'other income' when the required conditions are met, and the grant becomes receivable.

The following significant accounting policies have been adopted in the preparation and presentation of these combined financial statements:

a) Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

<u>Sale of goods</u>

The Group sells roof racks and car roof accessories to the domestic and international market in which it operates. Salesrelated warranties associated with the goods cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with *IAS 37 Provisions, Contingent Liabilities and Contingent Assets.*

Revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customer's specific location. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The only performance obligation of the Group is from the sale of the products and accordingly, revenue will be recognised for this performance obligation at the point in time when control over the corresponding goods is transferred to the customer.

A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

All revenue is stated net of the amount of goods and services tax (GST).

b) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the combined statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Tax consolidation

Rhino-Rack Holdings Pty Ltd and its wholly owned subsidiaries, Rhino-Rack Australia Pty Limited and Roof Rack City Pty Limited, are part of a tax-consolidated group under Australian taxation law. Rhino-Rack Holdings Pty Ltd is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by Rhino-Rack Holdings Pty Ltd (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Group and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

c) Cash and cash equivalents and restricted cash

Cash and cash equivalents include cash on hand and bank balances. A small portion of cash is held in a good faith deposit by the bank in order to facilitate lease agreements. This amount is included as restricted cash.

d) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at amortised cost.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

• the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets at amortised cost includes trade receivables.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognises lifetime expected credit losses (ECL) for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the entity's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the entity measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The entity derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the entity recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the entity continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

Financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

Derecognition

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

e) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to inventory on hand on a weighted average cost basis. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

f) Property, plant and equipment

Plant, equipment and leasehold improvements are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item.

The carrying amount of plant and equipment is reviewed annually by the director to ensure it is not in excess of the recoverable amount. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining recoverable amounts.

Depreciation is recognised so as to write off the cost of plant and equipment less their residual values over their useful lives using the diminishing value method. Leasehold improvements and assets under finance leases are depreciated over the period of the lease or estimated useful life using the diminishing value method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The following estimated useful lives are used in the calculation of depreciation:

Property, plant and equipment	
Plant and equipment	10 years
Leasehold improvements	10 years
Furniture and fittings	10 years
Office equipment	5 years
Motor vehicles	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

g) Intangible Assets

Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

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Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

h) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

The recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

i) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered when it is probable that settlement will be required, and they are capable of being measured reliably. Payroll related costs have also been accrued in respect of these entitlements.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plan are expenses when employees have rendered service entitling them to the contributions.

j) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

k) Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

• Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
• Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
• The amount expected to be payable by the lessee under residual value guarantees;
• The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
• Payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

• The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
• The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
• A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies IFRS 16 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss. Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contract that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

l) Foreign currencies

The combined financial statements of the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the combined financial statements, the results and financial position of the Group are expressed in Australian dollars (‘$’), which is the functional currency of the Group and the presentation currency for the combined financial statements.

In preparing the combined financial statements, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

Translation of combined financial statements of subsidiaries and common controlled entity in foreign currency

The combined statement of profit or loss and other comprehensive income of foreign subsidiaries are translated into Australian dollar at the average exchange rate prevailing during the year. The combined statement of financial position is translated at the exchange rate at the closing date. Differences arising in the translation of combined financial statements of foreign subsidiaries are recorded in other comprehensive income (loss) as foreign currency translation reserve. Items that are recognized directly in equity are translated using the historical rates. The functional currency of the foreign subsidiaries is most commonly the local currency.

m) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense; or
ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

3. Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and interpretations issued by the International Financial Reporting Standards Foundation (the IFRS) that are relevant to its operations and effective for the current annual reporting period.

Standards and Interpretations in issue not yet effective

At the date of authorisation of the combined financial statements, the Standards and Interpretations that were issued but not yet effective are listed below:

In January 2020, the IASB issued the final amendments in Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which affect the presentation of liabilities in the statement of financial position. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the “right” to defer settlement by at least twelve months and make explicit that only rights in place “at the end of the reporting period” should affect the classification of a liability; clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The changes in Classification of Liabilities as Current or Non-Current – Deferral of Effective Date (Amendments to IAS 1) defer the effective date of the January 2020 Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) to annual reporting periods beginning on or after January 1, 2023. Earlier application of the January 2020 amendments is permitted. Management is currently assessing the impacts of the amended standard.

In May 2020, the IASB issued amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"). The amendments clarify that for purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for contracts for which an entity has not yet fulfilled all its obligations on or after January 1, 2022. Earlier application is permitted. Management is currently assessing the impacts of the amended standard.

An acquirer should apply the definition of liability in IAS 37, rather than the definition in the Conceptual Framework, to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy in the scope of IFRIC 21, Levies ("IFRIC 21"). The acquire should apply the criteria in IFRIC 21 to determine whether the obligation event that gives rise to a liability to pay the levy has occurred by the acquisition date. In addition, the amendments clarify that the acquirer should not recognise a contingent asset at the acquisition date. The amendments to IFRS 3 are effective for business combinations occurring in the reporting periods starting on or after January 1, 2022. Earlier application is permitted. Management is currently assessing the impacts of the amended standard.

In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use, which made amendments to IAS 16. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The amendments are affective for annual periods beginning on or after January 1, 2022. Early application is permitted. Management is currently assessing the impacts of the amended standard.

In May 2020, the IASB issued Annual Improvements to IFRS standards 2018-2020 which contain an amendment to IFRS 9. The amendment clarifies which fees an entity includes when it applies the "10 per cent" test in paragraph B3.3.6 of IFRS 9 in assessing whether to recognise a financial liability. An entity includes only fees pair or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is effective for annual reporting periods beginning on or after January 1, 2022. Management is currently assessing the impacts of the amended standard.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

The following are the critical judgements (apart from those involving estimations, which are dealt with below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the combined financial statements:

Inventories

The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell which approximates fair value less cost to sell. The key assumptions require the use of management judgement and are reviewed annually. These key assumptions are the variables affecting the estimated costs to sell and the expected selling price. Any reassessment of cost to sell or selling price in a particular year will affect the cost of goods sold.

Key sources of estimation uncertainty

Make Good

Management judgement is applied in determining the value of the make good costs, based on the future amount of property, plant and equipment that will need to be dismantled and removed and the rate of deterioration of the premises.

Provision for impairment of trade and other receivables

The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.

Aged inventory

The Group carries significant inventories of stock-on-hand. The Group has determined that the recoverable amount exceeds carrying value.

Lease incremental borrowing rate

Lease payments are discounted using the lessee's incremental borrowing rate at the date of lease inception (or adoption of IFRS 16) if the interest rate implicit in the lease is not readily determinable. The determine the incremental borrowing rate, the Group: a) where possible, uses recent third party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received; b) uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing; and c) makes adjustments specific to the lease, e.g. term, country, currency and security.

Deferred Tax Asset

Deferred tax assets are recognized for deductible temporary differences as management considers that it is likely that future taxable profits will be available to utilize those temporary differences.

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4. Other income

		2020
Other income	$	793
Foreign currency exchange gain		121
Gain on sale of non-current assets		88
Government grants (JobKeeper subsidy)		1,239
	$	2,241

5. Profit for the year

Profit for the year has been arrived at after (crediting)/charging the following items of income and expense:

		2020
Depreciation and amortisation expense*	$	2,730
Credit losses expense		51
Finance costs:		
Interest on leases		885
Interest on loans		254
	$	1,139
Employee benefits expense:		
Salaries and wages		10,176
Superannuation		2,118
Other payroll expenses		931
	$	13,225

*$2,730 is the total depreciation and amortisation expense, of which $1,302 is classified as part of cost of sales in the accompanying combined statement of profit or loss and other comprehensive income

6. Income tax expense

		2020
Tax expense comprises:		
Current income tax	$	1,193
Deferred income tax		52
Income tax expense	$	1,245

7. Trade and other receivables

		2020
Current		
Trade receivables	$	12,425
Credit losses		(196)
		12,229
Prepayments and other receivables		1,686
	$	13,915

8. Inventories

		2020
Finished goods	$	13,744
Work in progress		3
Goods in transit		2,497
		16,244
Provision for stock obsolescence		(1,370)
	$	14,874

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9. Property, plant and equipment

	Leasehold Improvements	Equipment and Tools	Computer Equipment	Vehicles	Furniture and Fixtures	2020 Total
Cost, 1 July 2019	$ 108	$ 4,298	$ 584	$ 370	$ 453	$ 5,813
Additions	7	607	879	224	65	1,782
Disposals	(3)	(32)	(15)	(160)	(21)	(231)
Cost, 30 June 2020	$ 112	$ 4,873	$ 1,448	$ 434	$ 497	$ 7,364
Accumulated Depreciation, 1 July 2019	$ (12)	$ (2,333)	$ (201)	$ (69)	$ (121)	$ (2,736)
Current year depreciation	(11)	(439)	(255)	(236)	(52)	(993)
Disposals	2	28	-	97	10	137
Accumulated Depreciation, 30 June 2020	$ (21)	$ (2,744)	$ (456)	$ (208)	$ (163)	$ (3,592)
Net Book Value 30 June 2020	$ 91	$ 2,129	$ 992	$ 226	$ 334	$ 3,772

10. Intangibles

	2020
Intangible assets at cost	$ 1,047
Less: accumulated amortisation	(355)
Total intangibles	$ 692

11. Deferred taxes

	2020
Deferred tax assets comprise:	
Temporary differences	$ 1,863

12. Trade and other payables

	2020
Current	
Trade payables	$ 5,039
Accruals and other payables	2,312
Tax payable	839
Goods and services tax	399
Total trade and other payables	$ 8,589

13. Borrowings

	2020
Current	
Commercial Bill Facilities - St George Bank (i)	$ 786
Loan from private party (ii)	620
	$ 1,406
Non-current	
Commercial Bill Facilities - St George Bank (i)	$ 3,000
	$ 3,000

(i) Finance facilities with St George Bank comprise a Bank Business Bill Loan Facility of $4,200, a Multi-Option Facility of $3,000, a Commercial Overdraft Facility of $500, a Master-Asset Finance Facility of $1,600 and other Guarantee and Credit Card Facilities of $450. The amount used at balance date is $3,786. The facilities are secured by registered mortgages over the assets of the Group. Finance facilities are subject to certain restrictions, quarterly payments and bank covenants tested quarterly. At 30 June 2020, the interest rate on the St. George finance facilities was 1.68%.

(i) The Business Bill Loan Facilities have a three-year term expiring June 2022. Other facilities are subject to a one-year term to be reviewed annually. For the financial year ended 30 June 2020, there were no breaches of covenant conditions.

(ii) The Group has an unsecured loan from a private party. The loan has a term of 12 months and accrues interest at a rate of 6.5% per annum.

14. Provisions

(In Australian dollars)
(In thousands, except per share amounts)

		2020
Current		
Provision for warranty	$	241
Provision for annual leave		875
Provision for make good		171
	$	1,287
Non-current		
Provision for long service leave	$	516
Provision for make good		474
	$	990

15. Leases

Right-of-use assets movement

		Property		Plant & Equipment		Motor Vehicles		Total
Opening cost at 1 July 2019	$	11,548	$	760	$	691	$	12,999
Additions		-		216		101		317
Effect of modification to lease terms		1,731		106		-		1,837
Closing cost at 30 June 2020	$	13,279	$	1,082	$	792	$	15,153
Opening accumulated depreciation at 1 July 2019	$	-	$	35	$	226	$	261
Addition		-		18		28		46
Depreciation		1,381		84		153		1,618
Effect of modification to lease terms		192		96		-		288
Closing accumulated depreciation at 30 June 2020	$	1,573	$	233	$	407	$	2,213
Net book value	$	11,706	$	849	$	385	$	12,940

Lease liability movement

		Property		Plant & Equipment		Motor Vehicles		Total
Lease Liability at 1 July 2019	$	12,480	$	833	$	393	$	13,706
Additions		-		88		106		194
Effect of modification to lease terms		1,667		16		-		1,683
Interest expense		845		26		14		885
Lease payments		(1,445)		(156)		(139)		(1,740)
Lease Liability at 30 June 2020	$	13,547	$	807	$	374	$	14,728

Lease liabilities

		2020
Current	$	2,140
Non-current		12,588

Amounts recognised in profit or loss

		2020
Depreciation expense on right-of-use assets	$	1,618
Interest expense on lease liabilities		885

16. Equity

Equity in each significant group of combined entities at 30 June 2020 is summarised as follows:

		2020
Rhino-Rack Holdings Pty Ltd and subsidiaries	$	24,514
Rhino-Rack New Zealand Ltd		1,524
	$	26,038

17. Related Party Balances and Transactions

In 2019, the Group had a $1,026 note receivable due from a related party (Group's sole shareholder). In 2020, the Group declared a dividend for the same amount which was offset against the note receivable.

In 2020, the Group has a $991 note receivable due from a related party (Group's sole shareholder) which is included in "Trade and other receivables' in the accompanying statement of financial position.

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18. Contingent liabilities

During 2019 financial year, a legal claim was made against the Group relating to a dispute with a party who alleged that the Group had infringed patents and was seeking damages of approximately $1,400. The dispute has been settled with no financial implications to the Group in March 2021.

19. Financial instruments

The following details the fair values of non-derivative financial instruments for which it is practicable to estimate the value.

Cash and Cash Equivalents

The carrying amounts approximate fair value because of the short maturity of these instruments.

Trade and Other Receivables, Trade and Other Payables

The carrying amounts approximate fair value because of the short maturity of these instruments.

Borrowings

The aggregate fair value of the Group's borrowings, which are based on rates currently available to the Group, approximates the carrying amount.

Financial Instruments – Fair Values and Risk Management

Accounting Classifications and Fair Values

The Group does not hold any financial instruments that are measured at fair value as of 30 June 2020. Financial assets and financial liabilities that are not measured at fair value are disclosed below. The carrying amount of the financial instruments that are short term in nature is a reasonable approximation of fair value.

	Carrying Amount		
30 June 2020	Financial assets at amortized cost	Financial liabilities at amortized cost	Total
Trade and other receivables	$ 13,915	$ -	$ 13,915
Cash and cash equivalents	6,616	-	6,616
Restricted Cash	1,049		1,049
	$ 21,580	$ -	$ 21,580
Borrowings	$ -	$ 4,406	$ 4,406
Lease liabilities	-	14,728	14,728
Trade and other payables	-	8,589	8,589
	$ -	$ 27,723	$ 27,723

Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including price risk, interest rate risk, and foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Market Risk

Foreign exchange and foreign operations risk – The Group, through its subsidiaries, trades with domestic and international customers and the subsidiaries also conduct intercompany transactions. The Group is therefore exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the New Zealand Dollar. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities from transactions with customers and related parties in foreign operations.

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Price risk - As the Group has no financial assets or securities that are subject to market price fluctuations, the Group's net income and operating cash flows are not exposed to price risk.

Interest rate risk – The Group has fixed interest-bearing borrowings, and the Group's income and operating cash flows are exposed to changes in market interest rates.

Foreign Exchange Risk - The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Australian Dollar, New Zealand Dollar and US Dollar. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. The individual operating companies are required to manage their foreign exchange risk against their functional currency.

Credit Risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

Non-derivative financial instruments, which potentially subject the Group to concentrations of credit risk, consist primarily of cash and cash equivalents and trade receivables. The Group places its cash and cash equivalents with high credit quality financial institutions. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Group's customer base and their dispersion across many different industries and geographic areas. Credit limits, credit evaluation and account monitoring procedures are utilized to minimize the risk of loss from performance of trade receivables.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its obligations as and when they fall due without incurring unacceptable losses. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

Management monitors rolling forecasts of the Group's liquidity reserve, comprises undrawn borrowing facility and cash and cash equivalents on the basis of expected cash flow. This is generally carried out at local level in the operating companies of the Group in accordance with practice and limits set by the Group.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date (representing undiscounted contractual cash flows).

30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Borrowings	$ 1,406	$ 600	$ 2,400	$ 4,406
Lease liabilities	2,243	2,286	11,025	15,554
Trade and other payables	8,589	-	-	8,589
Total	$ 12,238	$ 2,886	$ 13,425	$28,549

20. Key Management Compensation

	2020
Total compensation paid to key management personnel	$ 675

21. Subsequent events

The Group evaluated subsequent events through 09 September 2021, the date the combined financial statements were available to be issued.

On 31 August 2020, the Group established a new subsidiary, Cropley Pastures Pty Limited ("Cropley Pastures").

On 30 May 2021, Oscar Aluminium Pty Ltd (the "Buyer"), an indirect wholly-owned Australian subsidiary of Clarus Corporation ("Clarus"), entered into a Share Sale and Purchase Agreement (the "Purchase Agreement") to acquire the Group (excluding Cropley Pastures). On 1 July 2021, the transactions contemplated by the Purchase Agreement were consummated.

Pursuant to the terms of the Purchase Agreement, by and among the Buyer, Clarus, and the Group, the Buyer acquired the Group (excluding Cropley Pastures) for an aggregate purchase price of approximately $273,000, subject to post-closing adjustment. The purchase price consideration was comprised of approximately $194,000 cash and 2,315,121 shares of the Clarus' common stock. The shares of the Clarus' common stock issued to the Seller are subject to a lock-up agreement restricting sales for 180 days from the closing of the transaction.

On 30 June 2021, the Company divested Cropley Pastures as part of the Purchase Agreement. At 31 March 2021, Cropley Pastures held property, plant, and equipment balance of $3,797.

On 6 July 2021, the Group paid down the remaining amount of borrowings with St. George Bank and extinguish all debt within that facility.

Exhibit 99.2

RHINO-RACK HOLDINGS PTY LTD

Interim Financial Information as of and for the nine months ended 31 March 2021

CONTENTS

RHINO-RACK HOLDINGS PTY LTD
Condensed combined statement of profit or loss and other comprehensive income for the nine months ended 31 March 2021 (Unaudited)
(In Australian dollars)
(In thousands, except per share amounts)

	Notes	Nine months ended 31 March 2021
Domestic Sales		$ 71,949
International Sales		25,163
Total Sales		97,112
Cost of sales		(53,253)
Gross profit		43,859
Operating expenses		
Depreciation and amortisation expense	5	1,082
Distribution expenses		5,732
Employee benefit expense	5	12,179
Marketing		1,724
Credit loss expense	5	65
Computer expenses		1,463
Professional services fees		813
Occupancy costs		447
Travel expenses		120
Motor vehicles expenses		237
Legal expenses		487
Other operating expenses		984
Total operating expenses		25,333
Operating profit		18,526
Other income	4	1,485
Other expenses		(1,805)
Profit before tax		18,206
Income tax expense	6	(5,278)
Profit for the period		12,928
Other comprehensive income		
Foreign currency translation adjustment		(405)
Total comprehensive income for the period		$ 12,523

The accompanying notes form part of these combined financial statements.

RHINO-RACK HOLDINGS PTY LTD
Condensed combined statement of financial position as of 31 March 2021 (Unaudited)
(In Australian dollars)
(In thousands, except per share amounts)

	Notes	31 March 2021
Assets		
Current assets		
Cash and cash equivalents	2(c)	$ 13,973
Restricted cash	2(c)	1,070
Trade and other receivables	7	20,856
Inventories	8	19,968
Other assets		851
Total current assets		56,718
Non-current assets		
Property, plant, and equipment	9	8,357
Intangibles, net	10	811
Deferred tax assets		1,863
Right of use asset	15	12,656
Total non-current assets		23,687
Total assets		80,405
Liabilities		
Current liabilities		
Trade and other payables	11	22,410
Borrowings	12	800
Provisions	13	1,286
Lease liability	14	1,688
Total current liabilities		26,184
Non-current liabilities		
Borrowings	12	2,550
Provisions	13	1,090
Lease liability	14	12,980
Total non-current liabilities		16,620
Total liabilities		42,804
Equity		
Issued capital		1
Retained earnings		37,604
Reserves		(4)
Total equity	15	37,601
Total liabilities and equity		$ 80,405

The accompanying notes form part of these combined financial statements.

Rhino-Rack Holdings PTY LTD
Condensed combined statement of changes in equity for the nine months ended 31 March 2021 (Unaudited)
(In Australian dollars)
(In thousands, except per share amounts)

	Issued capital	Retained earnings	Reserves	Total
Balance at 1 July 2020	$ 1	$ 25,668	$ 401	$ 26,070
Profit for the period	-	12,928	-	12,928

Other comprehensive loss	-	-	(405)	(405)
Total comprehensive income	1	38,596	(4)	38,593
Transactions with owners in their capacity as owners:				
Payment of dividends	-	(992)	-	(992)
Balance at 31 March 2021	$ 1	$ 37,604	$ (4)	$ 37,601

The accompanying notes form part of these combined financial statements.

RHINO-RACK HOLDINGS PTY LTD
Condensed combined statement of cash flows for the nine months ended 31 March 2021 (Unaudited)
(In Australian dollars)
(In thousands, except per share amounts)

	Notes	Nine months ended 31 March 2021
Cash flows from operating activities		
Net income	5	$ 12,928
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation on property and equipment	9	734
Amortization of intangible assets	10	100
Depreciation of right of use assets	14	1,254
Gain on disposition of assets	9	(68)
Deferred income tax benefit		(4)
Changes in operating assets and liabilities:		
Accounts receivable	7	(8,305)
Inventories	8	(5,655)
Other assets		(574)
Accounts payable and accrued liabilities	11	11,740
Provisions	13	106
Income Tax Receivable/Payable	6	2,813
Net cash provided by operating activities		15,069
Cash flows from investing activities		
Proceeds from disposal of plant and equipment	9	172
Payments for property, plant and equipment	9	(5,398)
Payments for intangibles	10	(219)
Net cash used in investing activities		(5,445)
Cash flows from financing activities		
Repayment of borrowings	12	(1,000)
Repayment of lease liabilities	14	(974)
Net cash used in financing activities		(1,974)
Effect of foreign currency translation		(272)
Net increase in cash, cash equivalents and restricted cash		7,378
Cash, cash equivalents and restricted cash at the beginning of the period		7,665
Cash, cash equivalents and restricted cash at the end of the period		$ 15,043

Supplementary disclosure of non-cash activity:

During the period ended 31 March 2021, the Group declared a dividend to its sole shareholder in the amount of $992 which was offset against a related party receivable from the sole shareholder.

The accompanying notes form part of these combined financial statements.

1. General Information

Rhino-Rack Holdings PTY LTD is a proprietary company, limited by shares, incorporated and operating in Australia. Rhino-Rack Holdings PTY LTD and its wholly owned subsidiaries as well as a common controlled entity (the "Group") operate in Australia, United States and New Zealand. The Group's principal activity is the supply of a range of roof racks and roof rack accessories.

Impact of COVID-19

The global outbreak of COVID-19 was declared a pandemic by the World Health Organization in March 2020, with governments world-wide implementing safety measures restricting travel and requiring citizen lockdowns and self-confinements for quarantining purposes. This has negatively affected the global economy, disrupted global supply chains, and resulted in significant transport restrictions and disruption of financial markets.

The pandemic has not adversely impacted our sales and profitability during the nine months ended 31 March 2021. The duration of the pandemic and the magnitude of future impacts cannot be precisely estimated at this time, as they are affected by a number of factors (some of which are outside management's control).

We have mitigated some of the risk to our operating results by taking significant actions to improve our current operating results and liquidity position. We will continue to adjust mitigation measures as needed related to health and safety. Those measures have and might continue to include temporarily suspending manufacturing, modifying workspaces, continuing social distancing policies, implementing new personal protective equipment or health screening policies at our facilities, or such other industry best practices needed to continue maintain a healthy and safe environment for our employees amidst the pandemic.

Future adverse impacts to the Group, certain of its suppliers, dealers or customers may also affect the Group's future cash flows, liquidity, and valuation of certain assets and therefore may increase the likelihood of a write-off, or reserve associated with such assets including property and equipment, inventories, accounts receivable, and other assets.

2. Significant accounting policies

Basis of combination

The combined financial statements include the accounts of Rhino-Rack Holdings PTY LTD and its wholly owned subsidiaries as well as a common controlled entity. All intercompany balances and transactions have been eliminated in the combined financial statements.

The entities included in the combined financial statements of Rhino-Rack Holdings PTY LTD (parent/holding company) include its wholly owned subsidiaries:

- Rhino-Rack Australia Pty Limited
- Rhino-Rack USA, LLC
- Roof Rack City Pty Limited (dormant since 2018)
- Cropley Pastures Pty Limited (created in August 2020)

and

- Rhino-Rack New Zealand Ltd (entity under common control)

Basis of preparation

These interim combined financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 30 June 2020 financial statements.

Accounting policy adopted for government grants

The Group applies International Accounting Standard ("IAS") 20 when determining if government support meets the definition of government grants.

Government grants are transfers of resources to an entity by a government entity in return for compliance with certain conditions. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity.

Grants related to income are government grants other than those related to assets. In accordance with IAS 20 government grants are recognised in profit or loss as 'other income' when the required conditions are met, and the grant becomes receivable.

The following significant accounting policies have been adopted in the preparation and presentation of these combined financial statements:

a) Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Sale of goods

The Group sells roof racks and car roof accessories to the domestic and international market in which it operates. Sales-related warranties associated with the goods cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with *IAS 37 Provisions, Contingent Liabilities and Contingent Assets.*

Revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customer's specific location. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The only performance obligation of the Group is from the sale of the products and accordingly, revenue will be recognised for this performance obligation at the point in time when control over the corresponding goods is transferred to the customer.

A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

All revenue is stated net of the amount of goods and services tax (GST).

b) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the combined statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Tax consolidation

Rhino-Rack Holdings Pty Ltd and its wholly owned subsidiaries, Rhino-Rack Australia Pty Limited, Cropley Pastures Pty Limited and Roof Rack City Pty Limited, are part of a tax-consolidated group under Australian taxation law. Rhino-Rack Holdings Pty Ltd is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by Rhino-Rack Holdings Pty Ltd (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Group and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

c) Cash and cash equivalents and restricted cash

Cash and cash equivalents include cash on hand and bank balances. A small portion of cash is held in a good faith deposit by the bank in order to facilitate lease agreements. This amount is included as restricted cash.

d) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

RHINO-RACK HOLDINGS PTY LTD
Notes to the Condensed Combined Financial Statements (Unaudited)
(In Australian dollars)
(In thousands, except per share amounts)

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at amortised cost.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

• the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets at amortised cost includes trade receivables.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognises lifetime expected credit losses (ECL) for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the

future by default date determined based on historical trend, the entity's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

RHINO-RACK HOLDINGS PTY LTD
Notes to the Condensed Combined Financial Statements (Unaudited)
(In Australian dollars)
(In thousands, except per share amounts)

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the entity measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The entity derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the entity recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the entity continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

Financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

Derecognition

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

e) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to inventory on hand on a weighted average cost basis. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

f) Property, plant and equipment

Plant, equipment and leasehold improvements are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item.

The carrying amount of plant and equipment is reviewed annually by the director to ensure it is not in excess of the recoverable amount. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining recoverable amounts.

Depreciation is recognised so as to write off the cost of plant and equipment less their residual values over their useful lives using the diminishing value method. Leasehold improvements and assets under finance leases are depreciated over the period of the lease or estimated useful life using the diminishing value method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The following estimated useful lives are used in the calculation of depreciation:

Property, plant and equipment	
Plant and equipment	10 years
Leasehold improvements	10 years
Furniture and fittings	10 years
Office equipment	5 years
Motor vehicles	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

g) Intangible assets

Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

h) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual

asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

The recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

i) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered when it is probable that settlement will be required, and they are capable of being measured reliably. Payroll related costs have also been accrued in respect of these entitlements.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

<u>Defined contribution plans</u>

Contributions to defined contribution superannuation plan are expenses when employees have rendered service entitling them to the contributions.

j) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

k) Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

• Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
• Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
• The amount expected to be payable by the lessee under residual value guarantees;
• The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
• Payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

• The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
• The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
• A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that

the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies IFRS 16 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss. Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contract that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

l) Foreign currencies

The combined financial statements of the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the combined financial statements, the results and financial position of the Group are expressed in Australian dollars (‘$’), which is the functional currency of the Group and the presentation currency for the combined financial statements.

In preparing the combined financial statements, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

Translation of combined financial statements of subsidiaries and common controlled entity in foreign currency

The combined statement of profit or loss and other comprehensive income of foreign subsidiaries are translated into Australian dollar at the average exchange rate prevailing during the year. The combined statement of financial position is translated at the exchange rate at the closing date. Differences arising in the translation of combined financial statements of foreign subsidiaries are recorded in other comprehensive income (loss) as foreign currency translation reserve. Items that are recognized directly in equity are translated using the historical rates. The functional currency of the foreign subsidiaries is most commonly the local currency.

m) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense; or
ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

3. Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and interpretations issued by the International Financial Reporting Standards Foundation (the IFRS) that are relevant to its operations and effective for the current annual reporting period.

Standards and Interpretations in issue not yet effective

At the date of authorisation of the combined financial statements, the Standards and Interpretations that were issued but not yet effective are listed below:

In January 2020, the IASB issued the final amendments in Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which affect the presentation of liabilities in the statement of financial position. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability; clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The changes in Classification of Liabilities as Current or Non-Current – Deferral of Effective Date (Amendments to IAS 1) defer the effective date of the January 2020 Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) to annual reporting periods beginning on or after January 1, 2023. Earlier application of the January 2020 amendments is permitted. Management is currently assessing the impacts of the amended standard.

In May 2020, the IASB issued amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"). The amendments clarify that for purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for contracts for which an entity has not yet fulfilled all its obligations on or after January 1, 2022. Earlier application is permitted. Management is currently assessing the impacts of the amended standard.

An acquirer should apply the definition of liability in IAS 37, rather than the definition in the Conceptual Framework, to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy in the scope of IFRIC 21, Levies ("IFRIC 21"). The acquire should apply the criteria in IFRIC 21 to determine whether the obligation event that gives rise to a liability to pay the levy has occurred by the acquisition date. In addition, the amendments clarify that the acquirer should not recognise a contingent asset at the acquisition date. The amendments to IFRS 3 are effective for business combinations occurring in the reporting periods starting on or after January 1, 2022. Earlier application is permitted. Management is currently assessing the impacts of the amended standard.

In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use, which made amendments to IAS 16. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The amendments are affective for annual periods beginning on or after January 1, 2022. Early application is permitted. Management is currently assessing the impacts of the amended standard.

In May 2020, the IASB issued Annual Improvements to IFRS standards 2018-2020 which contain an amendment to IFRS 9. The amendment clarifies which fees an entity includes when it applies the "10 per cent" test in paragraph B3.3.6 of IFRS 9 in assessing whether to recognise a financial liability. An entity includes only fees pair or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is effective for annual reporting periods beginning on or after January 1, 2022. Management is currently assessing the impacts of the amended standard.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

The following are the critical judgements (apart from those involving estimations, which are dealt with below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the combined financial statements:

Inventories

The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell which approximates fair value less cost to sell. The key assumptions require the use of management judgement and are reviewed annually. These key assumptions are the variables affecting the estimated costs to sell and the expected selling price. Any reassessment of cost to sell or selling price in a particular year will affect the cost of goods sold.

Key sources of estimation uncertainty

(In Australian dollars)
(In thousands, except per share amounts)

Make Good

Management judgement is applied in determining the value of the make good costs, based on the future amount of property, plant and equipment that will need to be dismantled and removed and the rate of deterioration of the premises.

Provision for impairment of trade and other receivables

The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.

Aged inventory

The Group carries significant inventories of stock-on-hand. The Group has determined that the recoverable amount exceeds carrying value.

Lease incremental borrowing rate

Lease payments are discounted using the lessee's incremental borrowing rate at the date of lease inception (or adoption of IFRS 16) if the interest rate implicit in the lease is not readily determinable. They determine the incremental borrowing rate, the Group: a) where possible, uses recent third party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received; b) uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing; and c) makes adjustments specific to the lease, e.g. term, country, currency and security.

Deferred Tax Asset

Deferred tax assets are recognized for deductible temporary differences as management considers that it is likely that future taxable profits will be available to utilize those temporary differences.

4. Other income

		2021
Other income	$	61
Gain on sale of non-current assets		68
Government grants (JobKeeper subsidy)		1,356
	$	1,485

5. Profit for the period

Profit for the period has been arrived at after (crediting)/charging the following items of income and expense:

		2021
Depreciation and amortisation expense*	$	2,088
Credit losses expense		65
Finance costs:		
Interest on leases		609
Interest on loans		114
Employee benefits expense:		
Salaries and wages		9,745
Superannuation		1,502
Other payroll expenses		932
	$	12,179

*$2,088 is the total depreciation and amortisation expense, of which $1,006 is classified as part of cost of sales in the accompanying combined statement of profit or loss and other comprehensive income

6. Income tax expense

		2021
Tax expense comprises:		
Current income tax	$	5,278
Deferred income tax		-
Income tax expense	$	5,278

7. Trade and other receivables

		2021
Current		
Trade receivables	$	19,697

(In Australian dollars)
(In thousands, except per share amounts)

Expected credit losses		(243)
		19,454
Prepayments and other receivables		1,402
	$	20,856

8. Inventories

		2021
Finished goods	$	14,718
Work in progress		130
Goods in transit		6,136
		20,984
Provision for stock obsolescence		(1,016)
	$	19,968

9. Property, plant and equipment

		2021
Cost, 1 July 2020	$	7,387
Additions		5,398
Disposals		(267)
Currency translation adjustment		(68)
Cost, 31 March 2021	$	12,450
Accumulated Depreciation, 1 July 2020	$	(3,542)
Current period depreciation		(734)
Disposals		161
Currency translation adjustment		22
Accumulated Depreciation, 31 March 2021		(4,093)
Net Book Value 31 March 2021	$	8,357

10. Intangibles

		2021
Intangible assets at cost	$	1,266
Less: accumulated amortisation		(455)
Total intangibles	$	811

11. Trade and other payables

		2021
Current		
Trade payables	$	14,403
Accruals and other payables		3,981
Tax payable		3,637
Goods and services tax		389
	$	22,410

12. Borrowings

(In Australian dollars)
(In thousands, except per share amounts)

		2021
Current		
Commercial Bill Facilities - St George Bank (i)	$	600
Loan from private party (ii)		200
	$	800
Non-current		
Commercial Bill Facilities - St George Bank (i)	$	2,550
	$	2,550

(i) Finance facilities with St George Bank comprise a Bank Business Bill Loan Facility of $4,200, a Multi-Option Facility of $3,000, a Commercial Overdraft Facility of $500, a Master-Asset Finance Facility of $1,600 and other Guarantee and Credit Card Facilities of $450. The amount used at balance date is $3,150. The facilities are secured by registered mortgages over the assets of the Group. Finance facilities are subject to certain restrictions, quarterly payments and bank covenants tested quarterly. At 31 March 2021, the interest rate on the St. George finance facilities was 1.6%.

The Business Bill Loan Facilities have a three-year term expiring June 2022. Other facilities are subject to a one-year term to be reviewed annually. For the nine months ended 31 March 2021, there were no breaches of covenant conditions.

(ii) The Group has an unsecured loan from a private party. The loan has a term of 12 months and accrues interest at a rate of 6.5% per annum.

13. Provisions

		2021
Current		
Provision for warranty	$	234
Provision for annual leave		881
Other provisions		171
		1,286
Non-current		
Provision for long service leave		616
Provision for make good		474
	$	1,090

14. Leases

Right-of-use assets movement

		Total
Opening cost at 1 July 2020	$	15,153
Additions		538
Effect of modification to lease terms		386
Currency translation adjustment		42
Closing cost at 31 March 2021	$	16,119
Opening accumulated depreciation at 1 July 2020	$	2,213
Depreciation		1,254
Effect of modification to lease terms		-
Currency translation adjustment		(4)
Closing accumulated depreciation at 31 March 2021	$	3,463
Net book value	$	12,656

Lease liabilities

		2021
Current	$	1,688
Non-current		12,980

Amounts recognised in profit or loss

		2021
Depreciation expense on right-of-use assets	$	1,254
Interest expense on lease liabilities		609

15. Equity

Equity in each significant group of combined entities at 31 March 2021 is summarised as follows:

2021

(In Australian dollars)
(In thousands, except per share amounts)

Rhino-Rack Holdings Pty Ltd and subsidiaries	$	35,856
Rhino-Rack New Zealand Ltd		1,745
Total Equity	$	37,601

16. Contingent liabilities

During 2019 financial year, a legal claim was made against the Group relating to a dispute with a party who alleged that the Group had infringed patents and was seeking damages of approximately $1,400. The dispute has been settled with no financial implications to the Group in March 2021.

17. Related Party Balances and Transactions

In 2020, the Group had a $992 note receivable due from a related party (Group's sole shareholder). In January 2021, the Group declared a dividend for the same amount which was offset against the note receivable.

During the period ended 31 March 2021, the Group has a $1,108 note receivable due from a related party (Group's sole shareholder) which is included in "Trade and other receivables' in the accompanying statement of financial position.

18. Subsequent events

The Group evaluated subsequent events through 09 September 2021, the date the combined financial statements were available to be issued.

On 30 May 2021, Oscar Aluminium Pty Ltd (the "Buyer"), an indirect wholly-owned Australian subsidiary of Clarus Corporation ("Clarus"), entered into a Share Sale and Purchase Agreement (the "Purchase Agreement") to acquire the Group (excluding Cropley Pastures Pty Limited). On 1 July 2021, the transactions contemplated by the Purchase Agreement were consummated.

Pursuant to the terms of the Purchase Agreement, by and among the Buyer, Clarus, and the Group, the Buyer acquired the Group (excluding Cropley Pastures Pty Limited) for an aggregate purchase price of approximately $273,000, subject to post-closing adjustment. The purchase price consideration was comprised of approximately $194,000 cash and 2,315,121 shares of the Clarus' common stock. The shares of the Clarus' common stock issued to the Seller are subject to a lock-up agreement restricting sales for 180 days from the closing of the transaction.

On 30 June 2021, the Group divested Cropley Pastures Pty Limited as part of the Purchase Agreement. At 31 March 2021, Cropley Pastures Pty Limited held property, plant, and equipment balance of $3,797.

On 6 July 2021, the Group paid down the remaining amount of borrowings with St. George Bank and extinguish all debt within that facility.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The unaudited pro forma condensed combined financial information for the period indicated below shows the effect of Clarus Corporation's ("Clarus," the "Company," "we," or "our"), through Oscar Aluminium Pty Ltd ("Oscar"), an indirect wholly-owned Australian subsidiary of the Company, acquisition (the "Acquisition") on July 1, 2021, of Rhino-Rack Holdings Pty Ltd ("Rhino-Rack") pursuant to a share sale and purchase agreement dated May 30, 2021 (the "Purchase Agreement"). For a description of the Acquisition, please see Note 1 of the unaudited pro forma condensed combined financial information.

In connection with, among other things, partially funding the Acquisition (the "Acquisition Financing"), on July 1, 2021, the Company and certain of its direct and indirect subsidiaries entered into Amendment No. 3 (the "Amendment No. 3") to that certain Credit Agreement, dated May 3, 2019, as amended by Amendment No. 1 dated May 28, 2019 and Amendment No. 2 dated November 12, 2020, with JPMorgan Chase Bank, N.A., as administrative agent, and the lenders from time to time party thereto (collectively, the "Credit Agreement"). For a description of the Credit Agreement please see Note 4 of the unaudited pro forma condensed combined financial information. The unaudited pro forma condensed combined financial information also shows the effect of the Acquisition Financing. The Transaction Accounting Adjustments (as defined below) consist of those necessary to account for both the Acquisition and the Acquisition Financing.

The unaudited pro forma condensed combined balance sheet as of June 30, 2021 combines the historical unaudited condensed balance sheets of Clarus and Rhino-Rack as of such date and include adjustments that depict the accounting for the Acquisition and Acquisition Financing required by United States generally accepted accounting principles, or US GAAP standards (the "Pro Forma Balance Sheet Transaction Accounting Adjustments"). The unaudited pro forma condensed combined statements of operations for the six months ended June 30, 2021 and for the year ended December 31, 2020 combine the historical statements of income of Clarus and Rhino-Rack for the same periods and include adjustments that depict the effects of the Pro Forma Balance Sheet Transaction Accounting Adjustments assuming those adjustments were made as of January 1, 2020 (the "Pro Forma Statements Of Operations Transaction Accounting Adjustments"). We refer to Pro Forma Balance Sheet Transaction Accounting Adjustments and Pro Forma Statements Of Operations Transaction Accounting Adjustments collectively as the "Transaction Accounting Adjustments."

The unaudited pro forma condensed combined financial information is presented for informational purposes only and it is not necessarily indicative of the financial position and results of operations that would have been achieved had the Acquisition and Acquisition Financing been completed as of the dates indicated and is not necessarily indicative of our future financial position or results of operations.

The unaudited pro forma condensed combined financial information should be read in conjunction with the historical consolidated financial statements of Clarus and combined financial statements of Rhino-Rack. The historical audited consolidated financial statements of Clarus are included in its previously filed with the Securities and Exchange Commission ("SEC") Annual Report on Form 10-K for the fiscal year ended December 31, 2020, and Quarterly Report on Form 10-Q for the six months ended June 30, 2021. The historical audited combined financial statements of Rhino-Rack as of and for the fiscal years ended June 30, 2020 and the related notes to the financial statements, are included in this amended Form 8-K filing as Exhibit 99.1. The historical unaudited combined financial statements of Rhino-Rack as of March 31, 2021 and for the nine months ended March 31, 2021, and the related notes thereto, are included in this amended Form 8-K filing as Exhibit 99.2.

The Acquisition has been accounted for using the acquisition method of accounting and, accordingly, the total estimated purchase consideration (the "Purchase Price") of the Acquisition was allocated to the tangible assets and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values. The excess of the purchase price over the assets acquired and liabilities assumed was recorded as goodwill. The unaudited pro forma condensed combined financial information was prepared in accordance with the regulations of the SEC, and is not necessarily indicative of the financial position or results of operations that would have occurred if the Acquisition and Acquisition Financing had been completed on the dates indicated, nor is it indicative of the future operating results of Clarus and Rhino-Rack. Assumptions and estimates underlying the Transaction Accounting Adjustments are described in the accompanying notes, which should be read in connection with the unaudited pro forma condensed combined financial information. The accounting for the Acquisition is dependent upon the completion of certain valuations and other studies that have not yet been finalized. Accordingly, the Purchase Price and associated allocation are preliminary. Due to the fact that the unaudited pro forma condensed combined financial information has been prepared based upon preliminary information, the final amounts recorded for the Acquisition may differ materially from the information presented. These estimates are subject to change pending the finalization of the valuation and other studies.

CLARUS CORPORATION
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Clarus	Rhino-Rack	Transaction Accounting Adjustments		Pro Forma Combined Clarus and Rhino-Rack
Sales					
Domestic sales	$ 132,226	$ 17,053	$ -		$ 149,279
International sales	91,781	53,083	-		144,864
Total sales	224,007	70,136	-		294,143
Cost of goods sold	146,212	38,504	3,860	**C**	193,233
			346	**G**	
			4,235	**A**	
			76	**A**	
Gross profit	77,795	31,632	(8,517)		100,910
Operating expenses					
Selling, general and administrative	71,428	21,605	9,467	**A**	99,112
			(3,860)	**C**	
			431	**G**	
			41	**A**	
Transaction costs	2,433	-	10,151	**A**	12,584
Total operating expenses	73,861	21,605	16,230		111,696
Operating income (loss)	3,934	10,027	(24,747)		(10,786)
Other (expense) income					

Interest expense, net	(1,261)	(910)	(3,864)	B	(5,258)
			777	G	
Other, net	912	1,842	-		2,754
Total other (expense) income, net	(349)	932	(3,087)		(2,504)
Income (loss) before income tax	3,585	10,959	(27,834)		(13,290)
Income tax (benefit) expense	(1,960)	2,848	(7,812)	D	(6,924)
Net income (loss)	$ 5,545	$ 8,111	$ (20,022)		$ (6,366)
Income (loss) per share:					
Basic	$ 0.18				$ (0.20)
Diluted	0.18				(0.20)
Weighted average shares outstanding:					
Basic	30,175		2,315		32,490
Diluted	31,225		2,315		32,490

See notes to unaudited pro forma condensed combined financial information

CLARUS CORPORATION
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2021
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Clarus	Rhino-Rack	Transaction Accounting Adjustments		Pro Forma Combined Clarus and Rhino-Rack
Sales					
Domestic sales	$ 99,449	$ 11,876	$ -		$ 111,325
International sales	49,191	38,655	-		87,846
Total sales	148,640	50,531	-		199,171
Cost of goods sold	93,569	26,950	2,688	C	123,374
			136	G	
			31	A	
Gross profit	55,071	23,581	(2,855)		75,797
Operating expenses					
Selling, general and administrative	41,589	13,704	4,615	A	57,405
			(2,688)	C	
			169	G	
			16	A	
Transaction costs	1,125	2,622	-		3,747
Total operating expenses	42,714	16,326	2,112		61,152
Operating income (loss)	12,357	7,255	(4,967)		14,645
Other (expense) income					
Interest expense, net	(450)	(327)	(1,914)	B	(2,386)
			305	G	
Other, net	(4,601)	(714)	-		(5,315)
Total other expense, net	(5,051)	(1,041)	(1,609)		(7,701)
Income (loss) before income tax	7,306	6,214	(6,576)		6,944
Income tax (benefit) expense	(211)	2,370	(1,859)	D	300
Net income (loss)	$ 7,517	$ 3,844	$ (4,717)		$ 6,644
Income per share:					
Basic	$ 0.24				$ 0.20
Diluted	0.23				0.19
Weighted average shares outstanding:					
Basic	31,325		2,315		33,640
Diluted	32,970		2,315		35,285

See notes to unaudited pro forma condensed combined financial information

CLARUS CORPORATION
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF JUNE 30, 2021
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Clarus	Rhino-Rack	Transaction Accounting Adjustments		Pro Forma Combined Clarus and Rhino-Rack
Assets					
Current assets					
Cash and cash equivalents	$ 6,782	$ 7,513	14,465	A	$ 26,508
			(2,252)	B	
Accounts receivable	51,235	10,769	-		62,004
Inventories	82,656	22,811	4,235	A	109,702
Prepaid and other current assets	13,123	644	-		13,767
Income tax receivable	254	-	-		254
Total current assets	154,050	41,737	16,448		212,235
Property and equipment, net	27,495	4,136	484	A	32,115
Other intangible assets, net	16,963	666	50,834	A	68,463
Indefinite lived intangible assets	47,415	-	72,800	A	120,215
Goodwill	26,715	-	85,693	A	112,408
Deferred income taxes	11,342	1,399	-		12,741
Other long-term assets	10,229	8,546	583	B	22,047
			2,689	A	
Total assets	$ 294,209	$ 56,484	$ 229,531		$ 580,224
Liabilities and Stockholders' Equity					
Current liabilities					
Accounts payable and accrued liabilities	$ 42,167	$ 18,762	7,650	A	$ 68,767
			188	A	
Income tax payable	1,201	3,213	-		4,414
Current portion of long-term debt	5,010	607	1,800	B	7,417
Total current liabilities	48,378	22,582	9,638		80,598
Long-term debt	22,112	2,107	152,615	B	176,834
Deferred income taxes	1,215	-	37,290	A	38,505
Other long-term liabilities	7,324	10,033	3,564	A	24,321
			899	A	
			2,501	A	
Total liabilities	79,029	34,722	206,507		320,258
Stockholders' Equity					
Preferred stock, $.0001 par value; 5,000 shares authorized; none issued	-	-	-		-
Common stock, $.0001 par value; 100,000 shares authorized; 35,496 issued and 31,485 outstanding	4	1	(1)	F	4
Additional paid in capital	518,981	-	55,334	E	574,315
Accumulated deficit	(280,148)	21,726	(21,726)	F	(290,696)
			(10,548)	A	
Treasury stock, at cost	(24,440)	-	-		(24,440)
Accumulated other comprehensive income	783	35	(35)	F	783
Total stockholders' equity	215,180	21,762	23,024		259,966
Total liabilities and stockholders' equity	$ 294,209	$ 56,484	$ 229,531		$ 580,224

See notes to unaudited pro forma condensed combined financial information

Clarus Corporation
Notes to Unaudited Pro Forma Condensed Combined Financial Information
(In thousands, except per share amounts)

1 Description of Acquisition

On July 1, 2021, Clarus, through Oscar, acquired Rhino-Rack, a leading manufacturer of highly-engineered automotive roof racks, trays, mounting systems, luggage boxes, carriers, and accessories, pursuant to the terms of Purchase Agreement by and among Oscar, the Company, Cropley Nominees Pty Ltd (the "Seller"), Richard Cropley, Hugh Cropley and Oliver Cropley. All United States dollar amounts contained herein are based on the exchange rates in effect for Australian dollars ($AUD) and the market value of the Company's common stock at the time of closing of the Acquisition.

Under the terms of the Purchase Agreement, the Buyer acquired Rhino-Rack for an aggregate Purchase Price of approximately $AUD 266,542 (approximately $200,120), subject to a post-closing adjustment. The Purchase Price was comprised of approximately $AUD 188,096 (approximately $141,222) cash, 2,315,121 shares of the Company's common stock, and additional consideration described below. The shares of the Company's common stock issued to the Seller are subject to a lock-up agreement restricting sales for 180 days from the closing of the Acquisition. Because the shares of the Company's common stock issued to the Seller are subject to a lock-up agreement, a discount of $1.80 (7.0%) was applied against the $25.70 closing stock price to yield a fair value of $23.90 per share. The 7.0% discount was calculated using the Finerty model with a 180-day term and a volatility of 43.0%. The June 30, 2021 closing stock price was used due to the Acquisition occurring at the start of business July 1, 2021. The Purchase Agreement also provides for the payment to the Seller of up to an additional consideration of approximately $AUD 10,000 (approximately $7,508) if certain future net sales thresholds are met (the "Contingent Consideration"). Using a series of call options, the Company estimated the fair value of the Contingent Consideration to be approximately $AUD 4,747 (approximately $3,564).

(In thousands, except per share amounts)

2 **Basis of Presentation**

Rhino-Rack historical financial information is prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and presented in Australian dollars. The Transaction Accounting Adjustments include the effect of the conversion of Rhino-Rack's historical financial information into US GAAP. The Rhino-Rack amounts presented in the face of the unaudited pro forma condensed combined statements of operations and balance sheet were translated to U.S. dollars using monthly average rates ranging from AUD|USD 0.6233 to AUD|USD 0.7761 for the periods presented and a spot rate of AUD|USD 0.7508 as of June 30, 2021, respectively.

The historical balance sheets of Clarus and Rhino-Rack were used to create the unaudited pro forma condensed combined balance sheet as of June 30, 2021 – the last day of Clarus' second fiscal quarter. Clarus and Rhino-Rack have different fiscal year ends with Clarus following a calendar year-end ending on December 31 and Rhino-Rack following a fiscal year ending on June 30. Accordingly, the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2020 has been prepared by combining the Company's audited historical condensed consolidated statement of income for the year ended December 31, 2020, with the unaudited historical combined statement of income of Rhino-Rack for the twelve months ended December 31, 2020. The historical condensed combined statement of income of Rhino-Rack for the twelve months ended December 31, 2020 was calculated by taking the audited combined statement of income for the twelve months ended June 30, 2020 and removing the results of operations for the six months ended December 31, 2019 interim period and adding the results of operations for the six months ended December 31, 2020 interim period. The interim unaudited pro forma condensed combined statement of operations for the six months ended June 30, 2021, has been prepared by combining Clarus' unaudited historical condensed consolidated statement of income for the six months ended June 30, 2021, with the unaudited historical combined statement of income of Rhino-Rack for the six months ended June 30, 2021. The unaudited historical condensed combined statement of income of Rhino-Rack for the six months ended December 31, 2020, was calculated by taking the unaudited combined statement of income for the nine months ended March 31, 2021 and removing the results of operations for the six months ended December 31, 2020 interim period and adding the results of operations for the three months ended June 30, 2021 interim period.

3 **Estimated Purchase Price and Resulting Adjustment to Goodwill**

The computation of the preliminary estimated Purchase Price was calculated using our best estimate of purchase price and a preliminary post-closing adjustment. The cash paid was translated using the June 30, 2021 AUD|USD spot rate of 0.7508 and the June 30, 2021 closing stock price of $25.70 was used due to the Acquisition occurring at the start of business July 1, 2021. Because the shares of the Company's common stock issued to the Seller are subject to a lock-up agreement, a discount of $1.80 (7.0%) was applied against the $25.70 closing stock price to yield a fair value of $23.90 per share. Below is a reconciliation to the estimated purchase price and how the estimated purchase price is allocated to the assets acquired and liabilities assumed which have been estimated at their fair values. The excess of the estimated purchase price above the assets acquired and liabilities assumed is recorded as goodwill.

	Number of Shares	Rhino-Rack Estimated Fair Value
Cash Paid	-	$ 141,222
Issuance of Shares of Clarus	2,315	55,334
Contingent Consideration	-	3,564
Cash Paid (Total Purchase Consideration)	2,315	$ 200,120
Assets Acquired and Liabilities Assumed		
Assets		
Cash and cash equivalents		$ 7,513
Accounts receivable, net		10,769
Inventories		27,046
Prepaid and other current assets		644
Property and equipment		4,620
Amortizable definite lived intangible assets		51,500
Identifiable indefinite lived intangible assets		72,800
Goodwill		85,693
Deferred income taxes		1,399
Other long-term assets		11,235
Total Assets		273,219
Liabilities		
Accounts payable and accrued liabilities		18,950
Income tax payable		3,213
Current portion of long-term debt		607
Long-term debt		2,107
Deferred income taxes		37,290
Other long-term liabilities		10,932
Total Liabilities		73,099
Net Assets Acquired		$ 200,120

(In thousands, except per share amounts)

For purposes of preparing the unaudited pro forma condensed combined financial information, the assets acquired and liabilities assumed in the Acquisition have been measured at their estimated fair values as of July 1, 2021. A final determination of the fair values of the assets acquired and liabilities assumed in the Acquisition will be made after the final valuation and other studies have been finalized. Accordingly, the fair value of the assets and liabilities included in the table above are preliminary and subject to change and the change may be material.

4 Credit Agreement (Acquisition Financing)

In connection with, among other things, partially funding the Acquisition, on July 1, 2021, the Company and certain of its direct and indirect subsidiaries (each, a "Loan Party" and, collectively, the "Loan Parties") entered into the Credit Agreement.

The Credit Agreement, as amended by Amendment No. 3, increased the aggregate amount of the term loan facility thereunder to $125,000 and increased the maximum amount of the revolving loan facility thereunder to $100,000. The term loan facility was fully drawn at the closing of Amendment No. 3 on July 1, 2021 in connection with the Acquisition. The Credit Agreement continues to permit the Loan Parties, subject to certain requirements, to arrange with lenders for an aggregate of up to $50,000 of additional revolving and/or term loan commitments (both of which are currently uncommitted), for potential aggregate revolving and term loan commitments under the Credit Agreement of up to $275,000.

Amendment No. 3 provides for additional subsidiaries of the Company to guarantee and provide collateral for the loans under the Credit Agreement, including certain of its newly formed or newly acquired Australian subsidiaries in connection with the Acquisition. Amendment No. 3 also removed the previously agreed upon ability of the Company to issue debt securities that may be convertible into equity interests of the Company in an aggregate principal amount of up to $125,000 and also increased the maximum consolidated total leverage ratio permitted under the Credit Agreement to 4.25:1.00. Amendment No. 3 did not change the maturity date which remains May 3, 2024.

The Credit Agreement contains restrictions on the Company's ability to pay dividends or make distributions or other restricted payments if certain conditions in the Credit Agreement are not fulfilled. The Credit Agreement also includes other customary affirmative and negative covenants, including financial covenants relating to the Company's consolidated total leverage ratio and fixed charge coverage ratio.

5 Transaction Accounting Adjustments

The Transaction Accounting Adjustments included in the unaudited pro forma financial information are as follows:

A To record the estimated Purchase Price and related estimated purchase price allocation to the assets acquired and liabilities assumed which have been estimated at their fair values. The Transaction Accounting Adjustments included in the unaudited pro forma financial information as a result of the Purchase Price allocation are as follows:

Cash and cash equivalents – As noted above in Note 1, under the terms of the Purchase Agreement, the Company acquired Rhino-Rack for an aggregate Purchase Price of approximately $AUD 266,542 (approximately $200,120), subject to a post-closing adjustment. The Purchase Price includes cash of approximately $AUD 188,096 (approximately $141,222). The Company funded the cash portion of the Purchase Price by drawing $48,000 and $109,000 on its revolving line of credit and term loan facility, respectively, under the Credit Agreement. The adjustment reflects the Company's remaining cash after funding the Purchase Price less debt issuance costs and non-recurring fees of $1,312.

Inventories – Inventories, reflect an increase of $4,235 to record Rhino-Rack inventory at its estimated fair value. Inventory fair value is recorded at expected sales price less cost to sell plus a reasonable profit margin for selling efforts. As Clarus sells the acquired inventory, its cost of sales will reflect the increased valuation of Rhino-Rack inventory, which will temporarily reduce Clarus' gross margin through the end of fiscal year 2021. This adjustment to costs of goods sold is considered in the Transaction Accounting Adjustments in the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2020.

Property and equipment, net – Property and equipment, net, reflect an increase of $484 to record Rhino-Rack property and equipment at its estimated fair value. The impact of the depreciation related to the fair value of depreciable assets for the year ended December 31, 2020 and the six months ended June 30, 2021 of $117 and $47, respectively, is reflected as an adjustment to the unaudited pro forma condensed combined statements of operations.

	Estimated Useful Life in Years
Buildings and Improvements	1-14
Furniture and fixtures	2-8
Computer hardware and software	1-5
Machinery and equipment	1-12

Other intangible assets, net – The estimated allocated fair values for amortizable intangible assets acquired, consisting of customer relationships and developed technologies for Rhino-Rack is approximately $51,500. The following table summarizes the estimated fair value of Rhino-Rack's amortizable intangible assets and their estimated useful lives. An accelerated method of amortization was used for customer relationships and developed technology. The impact of the amortization related to the fair value of amortizable intangible assets for the year ended December 31, 2020 and the six months ended June 30, 2021 of $9,548 and $4,669, respectively, is reflected as an adjustment to the unaudited pro forma condensed combined statements of operations less the historical amortization recorded at Rhino-Rack during these periods.

	Estimated Fair Value	Estimated Useful Life in Years	Annual 2020 Amortization Expense	Six months ended June 30, 2021 Amortization Expense
Customer relationships	$ 36,500	11.5	$ 6,472	$ 3,181
Developed technology	15,000	10	3,076	1,488
	$ 51,500		$ 9,548	$ 4,669

(In thousands, except per share amounts)

Less Rhino-Rack's historical amortization		(81)		(54)
	$	9,467	$	4,615

Future amortization expense for other intangible assets as of July 1, 2021 for the remainder of 2021 and five years thereafter is as follows:

2021	4,879
2022	9,337
2023	8,460
2024	7,567
2025	6,210
2026	4,985

Indefinite lived intangible assets – In connection with the Acquisition, the Company acquired certain trademarks which provide Rhino-Rack with the exclusive and perpetual rights to manufacture and sell their respective products using the trademarks. The estimated allocated fair value pertaining to trademarks is $72,800. Trademarks will not be amortized, but reviewed annually or more frequently if events or changes in circumstances exist that may indicate impairment.

Goodwill – The excess of the Purchase Price over the assets acquired and liabilities assumed results in an adjustment to goodwill of $85,693. Goodwill is not amortized, but rather is tested at the reporting unit level at least annually for impairment or more frequently if triggering events or changes in circumstances indicate impairment.

Other long-term assets – Other long-term assets, reflect an increase of $2,689 to record Rhino-Rack right of use assets at their present value of remaining lease payments. There are corresponding adjustments to accounts payable and accrued liabilities and other long-term liabilities for $188 and $899, respectively.

Accounts payable and accrued liabilities – Estimated costs in the amount of $10,151 consist primarily of investment bank fees, legal fees, post combination compensation and other professional fees. $7,650 are included in accounts payable and accrued liabilities and the remaining $2,501 are included in other-long term liabilities. These transaction and other non-recurring costs are being expensed as incurred. The reduction of accumulated deficit reflects estimated transaction costs. These costs are not expected to affect the Company's income statement beyond twelve months after the acquisition date.

Deferred income taxes – Represents the deferred tax liabilities associated with the intangible assets acquired, which have been tax affected at the Australian statutory tax rate of 30%.

Other long-term liabilities – As noted above in Note 1, under the terms of the Purchase Agreement the Company committed up to an additional $AUD 10,000 or approximately $7,508 of Contingent Consideration upon Rhino-Rack's achievement of certain future net sales thresholds. The estimated fair value of this Contingent Consideration is $3,564, which was estimated using a series of call options.

B As noted above in Notes 1 and 4, under the terms of the Purchase Agreement, the Company acquired Rhino-Rack for an aggregate Purchase Price of approximately $AUD 266,542 (approximately $200,120), subject to post-closing adjustment. The Purchase Price was comprised of approximately $AUD 188,096 (approximately $141,222) in cash. The Company funded the cash portion of the Purchase Price by drawing $48,000 and $109,000 on its revolving line of credit and term loan facility, respectively.

The effect of the amounts drawn down on the revolving line of credit to pay for the acquisition and the associated origination fees incurred as part of obtaining the amended credit facility presented in the unaudited pro forma condensed combined statement of operations is an increase to interest expense of $3,997 and $1,936 for the year ended December 31, 2020 and the six months ended June 30, 2021, respectively. The current interest rate used to determine the transaction accounting adjustment is 2.375%. The effect on net loss of a 1/8% variance in interest rates would be $193 and $93 for the year ended December 31, 2020 and the six months ended June 30, 2021, respectively.

Total debt issuance costs were $917, of which $583 were related to the revolving line of credit and is included in other long-term assets and $333 were related to the term loan facility and is included in long-term debt. The Company is required to repay the term loan through quarterly payments which increased by $2,250 due to the amendment of the Credit Facility and is included in the Transaction Accounting Adjustments. The remaining amount drawn down on the revolving line of credit and term loan facility totaled $154,750 and is included in long-term debt.

As of the date of acquisition, Rhino-Rack had a note payable outstanding totaling $2,252, of which $450 was included in current portion of long-term debt and $1,802 was included in long-term debt. These amounts were settled by drawing on the Credit Agreement and have been eliminated from the pro forma condensed combined balance sheet. The impact of the related interest expense of $133 and $22 for the year ended December 31, 2020 and the six months ended June 30, 2021, respectively, is reflected as an adjustment to the unaudited pro forma condensed combined statements of operations.

C Clarus has historically recorded shipping and handling costs in cost of goods sold while Rhino-Rack has historically recorded similar costs in selling, general and administrative. This represents the effect of reclassifying Rhino-Rack's historical shipping and handling costs to conform to Clarus' presentation.

D For purposes of the unaudited pro forma condensed combined statements of operations, the United States federal statutory tax rate of 21% and blended state tax rate of 3.9%, (3.1% net of federal tax benefit) for an overall blended rate of 24.1%, and the Australian statutory tax rate of 30% have been used for all periods presented for the applicable jurisdictions. Income taxes reflect an adjustment to income tax benefit of $4,728 and $3,155 for the year ended December 31, 2020 and the six months ended June 30, 2021, respectively.

E As noted above in Note 1, under the terms of the Purchase Agreement, the Company acquired Rhino-Rack for an aggregate Purchase Price of approximately $AUD 266,542 (approximately $200,120), subject to post-closing adjustment. The Purchase Price included 2,315,121 shares of the Company's common stock with an estimated value of $55,334 and is included in the unaudited pro forma condensed combined balance sheet as of June 30, 2021. The shares of the Company's common stock issued to the Seller are subject to a lock-up agreement restricting sales for 180 days from the closing of the Acquisition. Because the shares of the Company's common stock issued to the Seller are subject to a lock-up agreement, a discount of $1.80 (7.0%) was applied against the $25.70 closing stock price to yield a fair value of $23.90 per share. The closing stock price as of June 30, 2021 of $25.70 was used due to the Acquisition occurring at the start of business July 1, 2021.

F In connection with the consummation of the Acquisition, the historical shareholders' equity as of June 30, 2021 for Rhino-Rack is eliminated in the unaudited pro forma condensed combined balance sheet as of June 30, 2021.

G Rhino-Rack historical financial information is prepared in accordance with IFRS as issued by the IASB and presented in Australian dollars. In order to adjust the historical information into US GAAP related to Accounting Standard Codification Topic 842, *Leases*, lease expenses were reclassified from interest expense, net to cost of goods sold and selling, general and administrative in the unaudited pro forma condensed combined statements of operations totaling $777 and $305 for the twelve months ended December 31, 2020 and six months ended June 30, 2021, respectively.