

## 10. Acquisition of Subsidiary

On 23 May 2016 the Group acquired 100% of the issued share capital of Tredz Limited and Wheelies Direct Limited for initial cash consideration of £19.2m (excluding transaction costs). The acquired businesses comprise, an online retailer of premium bikes and cycling parts, accessories and clothing, which trades UK-wide under the brand Tredz, and the UK's largest provider of bicycle replacement for insurance companies which trades under the brand Wheelies. The transaction has been accounted for using the acquisition method of accounting.

### Contingent Consideration

In addition to the initial consideration, a liability of £5.5m was recognised at fair value in respect of contingent consideration due to the previous shareholders. The contingent consideration was paid in May 2017 for £5.1m.

The acquisition had the following impact on the Group's assets and liabilities:

	Book value £m	Fair value adjustment £m	Final fair value £m
<b>Tredz and Wheelies net assets at the acquisition date</b>			
Intangible assets and goodwill	0.8	(0.8)	—
Tangible assets	1.3	(0.1)	1.2
Inventories	5.7	(0.1)	5.6
Trade and other receivables	1.8	—	1.8
Cash	1.2	—	1.2
Trade and other payables	(6.1)	—	(6.1)
Borrowings	(0.3)	—	(0.3)
Current tax liabilities	(0.2)	—	(0.2)
Deferred tax liability	(0.2)	—	(0.2)
<b>Total</b>	<b>4.0</b>	<b>(1.0)</b>	<b>3.0</b>

### Goodwill

Goodwill was recognised as a result of the acquisition as follows:

	£m
Total consideration	23.9
Less fair value of identifiable assets	(3.0)
<b>Goodwill and intangible assets</b>	<b>20.9</b>
<b>Intangible Assets:</b>	
Supplier relationships	7.8
Tredz and Wheelies Brand Names	5.6
Computer Software	0.5
Deferred tax liability	(2.5)
<b>Goodwill</b>	<b>9.5</b>

None of the goodwill acquired is expected to be deductible for income tax purposes. The goodwill relates to the assembled workforce of Tredz and Wheelies and future expansion and growth opportunities.