

Consolidated Financial Statements of Fusion Lifestyle Group

For the year ended 31 December 2022

Registered number: 05324416
Charity Registered number: 1107737
(A company limited by guarantee)

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(A company limited by guarantee)

Reference and administrative details of the company, its trustees and advisers

For the year ended 31 December 2022

Nominated Trustees during the year under review

Mr Michael Nelson

Ms Lorraine Zuleta – resigned 31 January 2022

Mr Jonathan Clarke

Ms Harriet Kemp Mr Nicholas E J Wells –
resigned 28 June 2023

Ms Christine Longmire

Mr Ashish Devani – resigned 18 November 2023

Ms Jo-Ann Sadleir – appointed 6 February 2024

Company registration number

05324416

Charity registered number

1107737

Registered office

3 & 4 Blake House Schooner Court, Crossways Business Park, Dartford, DA2 6QQ

Chief executive

Mr A Cawley

Independent auditor

McCabe Ford Williams, Building 1063, Cornforth Drive, Kent Science Park,
Sittingbourne, Kent, ME9 8PX

Bankers

National Westminster Bank, 280 Bishopsgate, London, EC2M 4RB

Solicitors

Winckworth Sherwood, Minerva House, 255 Blackfriars Road, London, SE1 9AX

Trustees' Report incorporating the strategic report

For the year ended 31 December 2022

The Trustees present their annual report together with the audited financial statements of Fusion Lifestyle (the charity) and its subsidiaries for the year ended 31 December 2022, which are also prepared to meet the requirements for a directors' report and accounts for Companies Act purposes.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the charity's governing document, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective January 2019).

The accounting reference date is 29 December 2022, however, as is permitted the accounts have been made up for the period 1 January 2022 to 31 December 2022.

Structure, governance and management

Fusion Lifestyle is a charity and charity limited by guarantee. The governing documents are its Memorandum and Articles of Association which were adopted on 5 January 2005. The group comprises of Fusion Lifestyle, Active Life (wholly owned subsidiary) that provides leisure facilities and community led projects across Kent and Virgin Active Management Limited, which operates a small pension scheme and is a non-trading entity within the Fusion group.

The Members are the guarantors of the charity and each has undertaken to contribute such amount as may be required (but not exceeding £1) to the charity's assets if it should be wound up while he or she is a member or within one year after he or she should cease to be a member, for payment of the charity's debts and liabilities contracted before he or she ceased to be a member and of the costs, charges and expenses of the winding up and for the adjustments of the rights of the contributories amount themselves.

The Trustees are the Trustees of Fusion Lifestyle in accordance with the Charities Act 2011 and they are also directors in accordance with the Companies Act 2006. The Board is made up of voluntary individuals with relevant corporate skills and an interest in our work.

Method of recruitment and appointment

Board members are recruited through open advertisement in our facilities, local press and national press. Selection is conducted by a board committee (supported by the executive team (ET) and independent advisors as appropriate) which evaluates the skills and experience of applicants against relevant criteria using assessments, tests and interviews.

Policies adopted for the induction and training of Trustees

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All board members receive induction and training conducted by the charity secretary, legal advisors, chair and executive team. Training includes briefing on charitable, statutory and fiduciary duties, the role of board members along with business planning and strategy.

Organisational structure and decision making

Day-to-day management of the organisation in pursuit of the Business Plan is delegated to the Chief Executive within agreed parameters and constraints. The Chief Executive reports to the sub-committees and to the Board.

Risk management

The Trustees are responsible for identifying major risks to which the charity is exposed and for reviewing the systems in place to mitigate these risks. Risk assessment is conducted by the Trustees and Chief Executive as part of annual business planning and appropriate action plans and systems of control established. These are kept under review by the Trustees on an ongoing basis and are subject to continuous independent audit and scrutiny.

Objectives and Activities

Policies and objectives

Our Vision

To be the first-choice leisure organisation, delivering excellent standards in healthy active leisure.

What does this mean?

- We continually evaluate the market to ensure we have the best products and programmes.
- We consistently provide standards that meet and exceed customer expectations.
- We offer an outstanding employee engagement proposition.

Our Mission

To provide inclusive and accessible sport and leisure for health, vitality, and wellbeing.

What does this mean?

- We are intent on providing the very highest quality sport and active leisure services that are enjoyed by all members of the community at affordable prices.
- We overcome barriers to ensure we are continually increasing participation.

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Our Values

We hold our three Core Values close to our heart and we look for team members who will live and breathe these.

- We put the customer first
 - We are a customer centric organisation, our aim is to deliver a great customer experience.
- We will make it happen
 - We have a 'can do' attitude, our employees take ownership for innovation and consistently providing great service.
- We only accept the best
 - Fusion employees are the key to our success. We recruit employees who will be intent in providing the best service and quality experience for our customers.

Policies and objectives – continued

The charity's objectives are based on four key pillars that each cover both the short and long term given the financial position of the group.

The 4 key pillars are:

- Engaged, agile and motivated workforce
- Revenue development
- Product development and systems innovation
- Environmental footprint

The four pillars are detailed further within the funds materially in deficit paragraph within the financial review of the report.

The charity's principal objects are:

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- to provide or assist in the provision of facilities and services for recreation and other leisure pursuits in the interest of social welfare across the UK and for the benefit of the public. These facilities extend to those in need of special services and consider their age, infirmity or disability, poverty, social and economic circumstances to ensure full inclusivity
- to promote community participation in healthy recreation
- to advance the education of the public in the benefits of healthy lifestyles
- to advance the arts, culture and/or heritage

Community services are provided from a range of facilities operated both independently and in partnership with educational establishments and local authorities. The facilities are in various locations including Bedfordshire, Buckinghamshire, Bath, City of London, Devon, Essex, Ipswich, Kent, London Borough of Enfield, London Borough of Haringey, London Borough of Lambeth, Leicestershire, Newcastle, Oxford, Somerset and Surrey.

The charity operates a diverse range of over 60 community sport and leisure facilities, including:

- indoor swimming pools
- health and fitness centres
- 6 lidos and outdoor pools
- sports halls and sports facilities
- ice rink
- golf course, driving range, pitch & putt golf course
- outdoor activity venues
- indoor tennis centres
- indoor bowls centres
- athletics stadia
- outdoor football pitches

Financial risk management objectives and policies

The charity uses financial instruments, comprising borrowings, finance leases, cash and various other items such as trade debtors and creditors that arise directly from

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For the year ended 31 December 2022

its operations. The main purpose of these financial instruments is to raise finance for the charity's operations. The main risks arising from the group's financial instruments are interest rate risk and liquidity risk.

Interest rate risk

The charity finances its operations through a mixture of reserves, bank borrowings and finance leases. The charity's exposure to interest rate fluctuations on its bank borrowings is managed using fixed interest rates.

Liquidity risk

The charity seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable commitments and to invest in assets that enhance safety and maximise profitability. The charity policy throughout the year has been to ensure that an appropriate mix of both debt and cash is available, which aligns with the charity's investment strategy. Short term flexibility is achieved through the charity's cash reserves and was significantly supplemented by medium term lending from the Coronavirus Large Business Interruption Loan Scheme (CLBILS) in late 2020.

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Strategic Report

Achievements and performance in 2022

Once again, activity in 2022 was dominated and shaped by the Covid 19 pandemic and the impact felt across the Leisure sector. The effect of the Omicron strain at the start of the year was to significantly reduce normal customer revenues during the first quarter of the year. Despite the impact of the crisis, the organisation has remained resolute and managed to grow trading income by 65% year on year and received the following nominations.

UKActive Awards

- Regional Club/Centre of the year (South) Ivybridge Leisure Centre
- Healthy Communities Award – Sport for Confidence at Witham Leisure Centre
- Diversity & Inclusion Award – Zebra's Swim School in Enfield
- Jan Spaticchia Special Recognition Awards – Anthony Bryan (Southbury Leisure Centre)

To support the operational delivery cost base also grew by 30% year on year to reflect the increase in activity across the portfolio. In addition, significant investment was made available to the four contracts awarded 5-year and 3-year extensions respectively in early 2022. In addition, the organisation received little donation income throughout the year and had to rely on effective working capital management amidst challenging and turbulent macro-economic condition.

Thereafter management focus was on growing income and preserving cash. Income growth in 2022 reflects the partial recovery of the membership and various localised strategic recovery plans. Expenditure reflects the significant cost of maintaining fully operational sites and where necessary, lifecycle costs to maintain aging assets across the estate.

In response to these challenges the group and charity has further implemented comprehensive improvements to its operations. The customer journey has been overhauled with radical changes to booking and admissions systems that place greater emphasis on pre-booking and on-line transactions. Opening hours and activity programmes have been modified and aligned closely with customer demand with agile response built-in to manage fluctuations in that demand.

Customer feedback on the new protocols is positive, both in terms of safety and quality of experience. The changes to operating protocols and the revised demand levels following multiple national lockdowns in 2021 have had significant consequences on the organisations cost base, particularly staffing and energy costs. The resulting consequence has led to significant full year operational losses. These

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unsustainable losses were the catalyst to seek financial support from our Local Authority partners in the form of management fee relief.

In terms of new business, 2022 saw the award of Cleveland Pools – a fully restored national heritage lido in the heart of Bath. The contract operates on a 125-year long term lease and is viewed as a key strategic site with other heritage site opportunities in the pipeline, including Broomhill Lido in Ipswich.

Fusion is the nominated partner to Ipswich Borough Council to work on the restoration of an old derelict site into a new “state of the art” lido for the wider benefit of the local community and tourists with works expected to start in late 2024. The events of 2022 have culminated in the Group making a deficit of £6.9m. This deficit is disappointing but still a significant improvement on prior year trading losses of c.£13m (after excluding government grants and insurance income).

2022 KPIs

During normal operations Management is targeted on:

- like for like growth in total customer payments and subscription income.
- membership database size.
- pay costs as a proportion of generated income.
- NPS scoring and customer satisfaction levels.

Now the business is fully operational and trading under normal conditions, focus has once again returned to ensuring these metrics meet expectation levels. In 2023 and beyond, the focus remains on EBITDA performance and treasury management to ensure key business plan and revised financial covenants are met for the longer-term stability of the organisation. **Public benefit**

In setting our objectives for the year and planning our activities, the Trustees have considered the Charity Commission guidance on public benefit, including the guidance ‘Public Benefit: running a charity (PB2)’. Fusion sets out to have a positive impact on the local communities living around the facilities it manages. Our objective is to deliver high quality sport, health and wellbeing services that are inclusive and accessible to all without stigma or inequity. We overcome barriers to participation, including socio-economic, age, gender, disability, cultural and ethnicity.

Despite the financial difficulties encountered in 2022, Fusion managed to deliver many of its normal communitybased activities. However, overall programme and attendance were massively reduced compared to previous years. Our public benefit is summarised under the headings below:

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In 2022 our Social Value Contribution was estimated to be over £70 million. Social Value displays the value generated through physical activity at the leisure centres in monetary terms, based on research conducted by Sheffield Hallam University.

The four categories that make up social value are:

- Physical and mental health
- Subjective wellbeing
- Individual development
- Social and community development

The more people visit, and especially those disadvantaged by health inequalities, the more the benefits multiply to the wider economy. We should add that figures are based on tracked visits where we have unique data information on individuals accessing facilities so elements of the value we add, especially community-based outreach are not calculated and would be of additional benefit.

Investment

Over the past 20 years Fusion has completed c£200m of investment with our local authority partners and funding bodies such as Sport England & Heritage Lottery Fund. This programme has brought significant and improved amenity to our local communities, adding to the quality and variety of services, and enhancing community wellbeing. We have re-instated 17 disused and dilapidated facilities, bringing to the community new and enlarged swimming pools, health and fitness facilities, children's activity facilities, sports halls, outdoor sports amenities and cafés.

In 2022 Fusion invested over £3m in new gym kit and refreshed studios across the 4 extended contracts. Fusion has similar projects in the pipeline which it plans to progress once the charity starts to generate a significant uptick in trading performance, culminating in sustained month on month profitability and improving cash reserves to meet its short to mid-term obligation and secure new debt finance.

Affordability and Equity of Access

A concessionary pricing structure is in place across the portfolio to enable all disadvantaged and low-income communities' full access to our services.

In 2022 Fusion operated:

- Targeted programmes within deprived areas to encourage participation;

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- Targeted programmes specifically for the inactive;
- Funded programmes of sports coaching with free places for children;
- Free access to leisure centres for looked-after children.

2022 in numbers

- 35,525 participants in all sports community and development related activity □
2,048 referrals received into our health programmes.
- £588,947 Grant Funding

Young People

Targeted activities included:

- Teaching young people to swim
- Delivery of Autism swimming lessons for young people
- Delivery of Street Games programmes for young people
- “Looked After Children” and children in care programmes
- Sport Camps during holidays to help working parents
- Challenge You-Inactive kids programme targeting NCMP referrals
- Discounted swim access for under 16s
- Child weight management programmes
- Sponsorships of young people in the London Youth Games, Mini Marathon, and local sports awards
- Development of new sports clubs and continued support to local clubs, coaches and volunteers
- Delivery of School Competitions including Swimming Galas
- Training, competitions and sustainable pathways in partnerships with national governing bodies
- Outreach events, taster sessions and multi-sport sessions
- Junior Membership and delivery of Junior Gym sessions targeting under 19’s
- “Performance Tennis” in partnership with the LTA providing pathway to regional and national competitions
- Partnership with Youth Services and Youth Offending Teams including concessionary access
- Delivery of crime prevention sessions including knife-related crime aimed at teenagers from deprived areas
- Youth Card project aiming to reduce anti-social behaviour and engaging the inactive
- Youth outreach sessions funded by the Police & Crime Commission scheme to offer activities in areas of high ASB
- Active Girls programmes targeting inactive girls between 12-16 years old
- Delivery of Friday Night Projects across the organisation encouraging young people to stay off the streets and into programmed activity

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Disabled People

In 2022 activities to promote accessibility and awareness included:

- Free swimming lessons for people with disabilities.
- Extensive staff training in disability awareness, deaf awareness and advanced fitness instruction
- Installed new Pool Pods into several pools
- Delivery of swimming lessons for children who have special educational needs
- Free bespoke sessions and open days for families with disabled children enabling joint activities
- Dementia sessions, including walking football, Nordic walking, seated exercise and dance
- Specialised sports sessions including wheelchair basketball, football and tennis, Boccia, trampolining, swimming, and badminton
- “Short Breaks” programme for carers
- Sports Days for visually impaired
- “Active Body Healthy Minds” programme in partnership with the Charity Mind
- Active with Ease Programme for people with long term health conditions
- Challenge ME multi-sport sessions held to offer sport plus coping strategies for people wishing to improve mental wellbeing
- Delivery of Frame Football for young people with cerebral palsy
- Worked in partnership with Sport for Confidence to deliver tailored programmes

Older People

In 2022 activities to promote accessibility and awareness included:

- Specialist 60+ sessions including swim, gym, class and sports activity for an all-in price
- Public Health programmes for exercise referral, cardiac & stroke rehabilitation, falls prevention and health walks
- Dementia Friendly sessions delivered across the organisation
- Minimal impact alternative sports including walking versions of Football, Netball, Hockey, and Cricket
- “Health Hub” in partnership with Age UK running taster sessions
- Older peoples “No Strings” and “Essentials” badminton sessions
- Men’s Health, offering health MOT’s and cancer awareness
- Chair based exercise classes in partnership with community housing organisations
- Escape knee pain sessions and stop smoking advice sessions
- Expansion of the Young at Heart programme
- Mindfulness and Relaxation workshops to promote health and wellbeing

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- My-Zone programme with Heart Smart participants demonstrating opportunity to reduce NHS costs
- Healthy Choices Day promoting food awareness and diabetes prevention
- National Diabetes Prevention Programme
- Mental Health awareness and support programmes
- Delivery of physical activity sessions, targeting residents with Parkinson's, Multiple Sclerosis and Dementia
- Delivery of multi-sports sessions designed for care homes and to give the clients seated exercise including dementia-based sessions
- Cardiac tennis sessions to support people transitioning from cardiac rehab programme to everyday exercise

Women

In 2022 activities to promote accessibility and awareness included:

- Delivery of This Girl Can programmes
- Delivery of Women's Beginner, Intermediate and Advanced Running Groups
- "Back to Netball" and "Walking Netball" sessions in partnership with the national governing body □ Women's Tennis and Women Only Swimming.
- Delivery of swimming and gym sessions for Muslim women
- Specially designed sessions for new mothers such as "Legs Bums, Buggies and Mums"
- Parent & toddler ice skating sessions
- Women's Get Active Programme, delivering exercise classes in community venues
- Women Time providing exercise classes for the victims of domestic violence
- Women's only Squash and Badminton Programmes
- Active Mums Cycling Project

Community and Health Programme

Fusion promotes sport and active leisure participation to the widest possible community and engages with those who do not normally take part in active leisure.

In 2022 our programme included:

- Participation in national fund raising and awareness events including Race for Life
- Organisation and support for fun runs, five-a-side tournaments, health events, school & local council fairs.
- Local volunteers delivering programmes such as walking for health across the organisation

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- Delivery of open days where the local community are invited to use facilities free of charge
- Community placements and work experience for young people
- Active for Life Programme delivering EOR, Cardiac Rehab and Stroke Rehabilitation
- Host Coach and Teacher Education courses
- Workplace Health programmes
- Delivery of the FANS scheme offering Free Access to National Young Sportspeople
- The Wellbeing Café Project in Charnwood providing safe place for people with Mental Health challenges □ Delivery of a range of activities for National Fitness Day across all sites.
- Partnerships with Good Gym, Our Parks & Beat the Street to increase physical activity and wellbeing

Fusion also started the Fusion Sporting Academy which helps athletes to become a success in their chosen discipline. Fusion is keen to support local sports talent to help aspiring individuals become national and international competitors.

Financial review

Principal risks and uncertainties

The principal risks and uncertainties facing the company are:

- Macro-economic conditions (cost of living crisis)
- High energy costs
- Financial covenant defaults
- Health & Safety compliance

In 2022 Fusion has actively responded to the pandemic and its associated disruption and challenges. The business has been restructured in response to reduced participation which is expected to steadily recover over the coming years. The charity has remained resolute and robust in the face of extremely difficult trading conditions.

Operating protocols have been overhauled and remain under constant review by our experienced Health and Safety team to ensure our facilities are safe for the benefit of our staff and customers. The customer journey has been changed radically with greater emphasis on pre-booking and on-line transactions. The charity now has a clearly defined Digital & Business Transformation project that will include new websites and mobile application platforms alongside improved business practises managed within a new ERP system. The project goes live in late 2023 and is expected to take between 18 and 24 months to complete.

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In the short to medium term Fusion is principally concerned with the following:

- **The macro environment** – which has seen significant increases to interest rates that has resulted in a national cost of living crisis
- **Geo-political environment** – following the Russian invasion of Ukraine and the impact on energy prices
- **Continual impact of Brexit on the supply chain** – particularly across the construction sector with lead time extensions and rising prices for raw materials

To the extent that if revenues do not gain significant traction, Fusion can flex its cost base to protect cash generation as it did during the last 2 years.

Fusion can flex wet and dry side programmes at short notice to reduce instructor and space costs. Fusion's key supply contracts contain volume variance mechanisms to reduce contractual payment where there is reduced activity or sites to cover.

Fusion received c.9.2 million visitors in 2022 performing physical activities across 60 sites ranging from ice rink to outdoor lidos in 2022. This environment combined with improved health & safety regimes pose new challenges alongside maintaining exacting standards across the workforce. The charity uses its in-house and external technical experts to:

- keep the charity up to date on regulatory changes and best practice
- design, maintain and review policies and procedures
- design and operate a comprehensive audit programme
- report audit findings and other issues to the Trustees

A significant part of the charity training and induction activity is focused on health & safety and seeks to embed the relevant knowledge and behaviours in each staff member.

Reserves policy

Each year the Trustees review the risks and opportunities facing the charity and those that have crystallised in previous years and set the reserves target accordingly. These targets have been updated to reflect the requirements of the new facility extension (CLBILS) agreement secured with the bank.

The Trustees do not have a reserves policy in place due to the current financial position of the group and charity. The focus is on maintaining cashflow in the short term as detailed later in the report with a view to improving the financial position in the medium to long term whilst meeting the covenants below.

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Gross Leverage: (i) Gross Borrowings to (ii) EBITDA for each 12-month period ending on the last day of a financial quarter, with first testing on the revised date of 30 September 2024.

Cash Flow Available for Debt Service/Debt Service Coverage: (i) CFADS to (ii) Debt Service Liability for each 12-month period ending on the last day of a financial quarter, with first testing on 31 March 2024.

Fixed Charge Cover: (i) EBITDA adding back Rent costs and Management Fees payable to Councils, to (ii) Borrowing Costs plus Rent costs and Management Fees payable to Councils for each 12-month period ending on the last day of a financial quarter, with first testing on 31 March 2024.

On 31 December 2022 net reserves were £10.9m in deficit (2021: £4m) all of which were unrestricted funds meaning the group and held £nil restricted funds (2021: £nil). The pension reserve, which is considered part of unrestricted funds, was £nil (2021: £204k in deficit).

Going concern

The continued recovery from the COVID-19 pandemic along with the impact of the cost of living crisis and the war in Ukraine negatively impacted the group and charity's results in the current financial year. Management has produced forecasts that have been sensitised to reflect plausible downside scenarios and the wider economic conditions, which have been reviewed by the directors. These demonstrate the Group is forecast to generate further losses and reduced cash reserves in the period ending 31 March 2024.

Securing Management Fee support packages with Local Authorities is essential to ensure the Group has sufficient cash reserves to enable the Group to meet both its short and mid-term obligations as they fall due and continue to operate as a going concern.

In addition, the charity has been in extensive renewal negotiations with the bank to re-finance the £13m CLBILS loan which had been due to be repaid in full by November 2023. Discussions with the bank regarding the loan facility have now concluded and an 18-month extension until May 2025 has been agreed. New financial covenants have been placed on the organisation that align to the revised 5-year business and financial projections, prepared by the Executive Team (ET) and shared with the bank, external independent auditors and our Local Authority partners.

On the basis the facility extension agreement has now been awarded, the Trustees are satisfied that the Group has adequate resources to continue to operate for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing these financial statements. The refinancing of the loan and the revised financial covenants do still represent a material uncertainty, along with other events and conditions detailed in accounting policy 1.2, that may cast doubt on the group and

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charitable Charity's ability to continue as a going concern and therefore whether the group and charitable Charity will realise its assets and settle its liabilities in the ordinary course of business at the amounts recorded in the financial statements.

Fund materially in deficit

As shown in the reverse policy, at 31 December 2022 net reserves were £10.9m in deficit. The going concern section above details reasoning for the deficit and actions taken. These actions support the group and Charity's revised business plans and financial projections, in which the business is forecasted to be cash generative, able to service fixed charges with a suitable cover margin and generate a low surplus from the 2025/26 financial year. Although there is still the inherent risk that the wider economy and consumer spending will remain suppressed given a backdrop of high interest rates and inflation, that have significantly impacted consumer spending and contributed to a cost-of-living crisis.

The charity's long term Business Plan comprises of four key pillars:

1. Engaged, Agile and Motivated workforce 2. Revenue Development 3. Product Development and Systems Innovation 4. Environmental Footprint

These four strategic pillars are underpinned by detailed strategic objectives to address short, medium and long-term priorities.

Examples include:

- An enhanced senior leadership team to ensure the effective implementation of the strategy and that teams are supported and developed at every level.
- A cross functional working approach to ensure the delivery of commercial objectives off the back of a collective package of strategic approaches.
- A product and digital transformation programme that will positively impact every aspect of their products and systems and associated staff and customer experience.
- Industry leading initiatives to reduce environmental costs and footprint.

The Charity's objectives will deliver exciting new products and services which are aligned to their vision, mission and values, and will deliver their ambitious plans for the next 5 years.

Management regularly monitors performance of the business plan with the senior leadership teams to further enhance both strategic (long-term) and tactical (short term) decision making. In addition, project steering committee meetings have been

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established to ensure key project milestone events are consistently met or rescheduled to support other critical project workflow streams.

Despite the challenging outlook the Trustees and Management remain confident about the long-term viability of the business and its future development prospects, subject to securing the proposed management fee support packages presented to a select few Local Authority partners.

Related parties and co-operating with other organisations

None of our trustees receives remuneration or other benefit from their work with the charity. Any connection between a trustee or senior manager of the charity must be disclosed to the full board of trustees in the same way as any contractual relationship with a related party. In the current year, no such related party transactions were reported.

Pay policy for senior staff

The pay and remuneration of key management personnel is set with reference to:

- the scale, complexity, and impact of the roles.
- benchmarking against similar sized organisations in the charity's operating sector.

Annual pay reviews take account of the following:

- market comparators
- the cost of living
- the charity's development
- the charity's performance against its objectives

Funding sources

Fusion normally funds its activity from a mix of working capital, cash reserves and external finance for long term investments. In 2022 the charity did not receive any major grants and the business was funded by working capital. This led to a significant reduction in cash reserves as outlined in the consolidated balance sheet (page 24).

Expenditure & key objectives

Most expenditure is incurred directly in the staffing and maintenance of the facilities where our services are delivered. Additionally, Fusion invests in:

- its infrastructure to improve efficiency & customer experience

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- marketing to reach more customers including target groups and increase overall activity levels
- training and development to improve customer experience as well as provide better careers for Fusion employees.

Plans for future

Fusion's overarching strategy is to achieve its new financial covenants through a combination of targeted income growth and tight fiscal control on all expenditure. In addition, the charity must ensure it maintains strong cash reserves as part of its new covenant targets.

To achieve this, the business will follow six key strategies:

- deliver excellent services and facilities
- develop carefully identified new business and partnerships
- develop our people
- achieve stability and growth in our existing operations
- continue to improve efficiencies and effectiveness
- develop our key partnerships

The four pillars will be the group's main focus to achieve its objectives for the foreseeable future as the group continues to work through the challenging environment it finds itself in. The four pillars are detailed further within the funds materially in deficit paragraph within the financial review of the report.

Gender pay gap

Fusion is committed to being an inclusive workplace. The Gender Pay Gap Reporting is just one way of us monitoring and demonstrating inclusivity.

We are pleased the Civil Society recognised Fusion had the highest median gender pay gap from all charities in the UK in favour of women.

This means Women earn £1.39 for every £1 that men earn when comparing median hourly pay. Their median hourly pay is 39% higher than men's.

Promoting the success of the company

Strategy and business objectives are agreed by the board of management annually and set out in the organisation's business plan. The Board meets quarterly to review progress and to make decisions accordingly. Board Papers and discussion as a matter of course have regard to:

- the consequences of any decision in the short, mid and long term

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- the interests of the charity's employees
- the need to foster the charity's business relationships with suppliers, customers and others
- the impact of the charity's operations on the community and the environment
- maintaining the charity's reputation for exacting standards of business conduct □
the need to act fairly between members of the charity

Employee involvement and employment of people with disabilities

All employees have the opportunity for training, career development and promotion in accordance with their skills and ability. The charity keeps all employees informed of matters affecting them by daily site meetings, weekly bulletins and quarterly corporate newsletters and takes account of their views.

The charity recognised its responsibility under the Disability Discrimination Act 1995 and has continued to ensure that disabled employees are given consideration on an equal basis with other candidates in respect of all areas of employment, including recruitment, training, career development and promotion. We endeavour to promote continuing employment and where necessary, arrange appropriate training for employees who have become disabled during their employment.

The charity has implemented a range of detailed policies in relation to all aspects of personnel matters including:

- Equal opportunities policy
- Volunteers' policy
- Health & safety policy

In accordance with the charity's Equal opportunities policy, the charity has long established fair employment practices in the recruitment, selection, retention, and training of disabled staff.

Full details of these policies are available from the charity's offices.

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Engagement with suppliers, customers and others in a business relationship with the charity

Key suppliers are subject to competitive selection and in exceptional cases, long term contracts will be awarded. Monthly meetings review contract delivery and Fusion business performance. With key suppliers there is an elevated level of collaboration on the development of product and service specification to ensure they meet long term business and customer needs.

Relationships with suppliers is critical to maintaining operational standards. Despite the financial pressures Fusion has not requested the write-off of any trade creditor balances and has entered agreed staged payment plans to ensure all debts are eventually honoured in full.

Under normal circumstance the nature of Fusion business activity necessitates significant direct and close interaction between our staff and our customers which is why staff selection and training focuses on customer engagement. These interactions have had to be moderated post-Covid and therefore there is more reliance on digital media and in particular social media posts on relevant local material.

Fusion encourages all forms of customer feedback, previously including “Meet the Manager” events. Most of this feedback is on-line. Fusion has built an application that collates all feedback irrespective of medium which permits daily reporting and management response.

Streamlined energy and carbon reporting

UK Greenhouse gas emissions and energy use data for the period 1 January to 31 December:

	2022	2021
Energy consumption used to calculate emissions (kWh)	97,765,863	78,388,370
Energy consumption break down (kWh):		
Gas	71,624,189	57,335,208
Electricity	25,761,145	20,801,957
transport fuel	380,529	251,205
Scope 1 emissions in metric tonnes CO ₂ e		
gas consumption	12,892	10,502
fugitive Emissions	nil	Nil
Total scope 1	12,892	10,502

Trustees' Report incorporating the strategic report

For the year ended 31 December 2022

Scope 2 emissions in metric tonnes CO2e Purchased electricity	4,982	4,417
Scope 3 emissions in metric tonnes CO2e		
Business travel in employee owned vehicles	94	452
Emissions from transmissions and distribution of electricity	456	-
Total scope 3	550	452

Streamlined energy and carbon reporting

Total gross emissions in metric tonnes CO2e	18,424	15,370
Intensity ratio		
Tonnes CO2e per leisure centre visit	0.0021	0.0035

Quantification and Reporting Methodology

We have followed the HM Government Environmental Reporting Guidelines March 2019. We have also used the GHG Reporting Protocol – Corporate Standard and the 2022 Government GHG Conversion Factors for Company Reporting.

Electricity and gas kWh is measured by using Half-Hourly data where available, with in-house meter reads used as a secondary measure. Electricity emissions include those associated with transmission and distribution.

Business travel emissions are calculated as per greenhouse gas reporting conversion factors 2022.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per leisure centre visit.

Measures taken to improve energy efficiency

Fusion Lifestyle operate an Environmental Management System as part of our Integrated Management System (IMS) and are certified to ISO14001:2015 with annual audits in place to assess compliance against this standard. Furthermore there is an Environmental Strategy in place which covers the period 2012-2024 which sets

Trustees' Report incorporating the strategic report

For the year ended 31 December 2022

out the processes and actions Fusion take to improve environmental and energy management. An Energy Strategy is also being developed in collaboration with an external consultancy. This started in late 2021 and will continue to be developed through into 2023.

We develop centre-specific management plans in the form of our Environmental Implementation Plans (EIP). The EIP incorporates Fusion-wide corporate environmental objectives and targets, supported by centre specific targets. The centre-specific targets reflect and complement the corporate targets, while giving the local centre management the opportunity to customise their environmental plans to fit their own needs, priorities and aims.

We embed energy efficiency behaviours into daily activities through our daily F360 standards checks. Furthermore, the Energy & Environment manager undertakes ongoing monitoring of energy consumption through half-hourly AMR data to identify sites which could reduce their energy consumption. A programme of in-house site energy audits was also developed to monitor compliance with operational standards and to identify measures to improve energy efficiency.

Fusion Lifestyle looks to implement energy efficiency measures where technically and financially feasible. Currently we are looking to install Solar PV on six sites in the South West. Another project was successful with an application to the Salix PSDS Phase 3b funding and Fusion were awarded c.£650k in order to install energy efficiency measures and decarbonisation works as part of a wider redevelopment at one of our leisure centres.

Trustees' responsibilities statement

The Trustees (who are also directors of Fusion Lifestyle for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the incoming resources and application of resources, including the income and expenditure, of the company for that period. In preparing these financial statements, the Trustees are required to:

Trustees' Report incorporating the strategic report

For the year ended 31 December 2022

- select suitable accounting policies and then apply them consistently.
- observe the methods and principles in the Charities SORP
- make judgments and accounting estimates that are reasonable and prudent.
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement as to disclosure of information to auditors

The Trustees confirm that:

- so far as that each Trustee is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that each Trustee has taken all the steps that ought to have been taken as Trustee in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

McCabe Ford Williams were appointed auditors on 21 October 2019 to fill a casual vacancy in accordance with section 485(3) of the Companies Act 2006.

This report, incorporating the Group strategic report, was approved by the Trustees, in their capacity as company directors, on 11 March 2024 and signed on their behalf on 11 March 2024 by:

Mike Nelson

Mr M Nelson
Chairman

Independent Auditor's Report to the Members of Fusion Lifestyle

Opinion

We have audited the financial statements of Fusion Lifestyle (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the Consolidated Statement of Financial Activities, Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent charitable company's affairs as at 31 December 2022 and of its incoming resources and application of resources including the group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1.2 in the financial statements which indicates that the continued recovery from the COVID-19 pandemic which had previously negatively impacted results, along with impact of the cost of living crisis and the war in Ukraine, detrimentally impacted the group and charity's results in the current financial year. As stated in note 1.2 these events or conditions, along with other matters as set forth in note 1.2 indicate that a material uncertainty exists which may cast significant doubt on the Group and parent charitable company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Independent Auditor's Report to the Members of Fusion Lifestyle

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Trustees Report, other than the financial statements and our independent auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report, prepared for the purposes of company law, included in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report included in the Trustees' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the group and parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report included in the Trustees' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Independent Auditor's Report to the Members of Fusion Lifestyle

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 18 the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group and the parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Auditor's responsibilities for the audit of the financial statements - continued

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and our experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Group

Independent Auditor's Report to the Members of Fusion Lifestyle

and parent charitable company, including, but not limited to, the Companies Act 2006 and UK tax legislation;

- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the Group's and parent charitable company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- reviewed management contracts where contract variations had arisen;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in note 2 were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC and the relevant regulator.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the Committee of Management and other management and the inspection of regulatory and legal correspondence, if any. Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report to the Members of Fusion Lifestyle

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

L

Clair Rayner FCA DChA (Senior
Statutory Auditor) for and on behalf of
McCabe Ford Williams Statutory
Auditors and Chartered Accountants
Building 1063
Cornforth Drive
Kent Science Park
SITTINGBOURNE
ME9 8PX

Date: 11 March 2024

Independent Auditor's Report to the Members of Fusion Lifestyle

Consolidated Statement of Financial Activities (incorporating consolidated income and expenditure account)

For the year ended 31 December 2022

		Unrestrict ed	Restrict ed	Total	Total
	Note	funds 2022	funds 2022	funds 2022	funds 2021
		£000	£000	£000	£000
Income:					
Income from charitable activities:					
Community sports services	3	50,734	-	50,734	30,760
Investment income	4	4	-	4	1
Donation income	5	7	35	42	10,661
Other income	6	-	-	-	2,500
Total income		50,745	35	50,780	43,922
Expenditure on:					
Expenditure on charitable activities:					
Operation of community sports services	7	57,952	35	57,987	43,879
Total expenditure		57,952	35	57,987	43,879
Net income and net movement in funds for the year		(7,207)	-	(7,207)	43
Actuarial (losses)/gains on		292	-	292	594

defined benefit pension schemes

	(6,915)	-	(6,915	637
))	
Net movement in funds				
	(6,915	-	(6,915	637
))	
Reconciliation of funds:				
Total funds brought forward				
As previously reported	(4,003)	-	(4,003	(3,87
)	0)
Prior period adjustment	-	-	-	(77
				0)
	(4,00	-	(4,00	(4,640)
	3)		3)	
Total funds carried forward	(1,91	-	(1,91	(4,00
	0 8		0 8	3

All income and expenditure derive from continuing activities.

The consolidated Statement of Financial Activities includes all gains and losses recognised in the year.

The notes on pages 27 to 50 form part of these financial statements.

Fusion Lifestyle (Registered no. 05324416)

(A company limited by guarantee)

Consolidated Balance Sheet

As at 31 December 2022

		2022		2021	
	Note	£000	£000	£000	£000
Fixed assets					
Intangible assets			333		402
	11				
Tangible assets	12		21,114		19,886
			21,447		20,288
Current assets					
Stocks		124		73	
Debtors	14	4,933		2,320	
Cash at bank and in hand		623		6,628	

		5,680	9,021
Creditors: amounts falling due within one year	15	(7,101)	(7,498)
		(1,4)21	1,523
Net current assets/(liabilities)			
Total assets less current liabilities		20,026	21,811
Creditors: amounts falling due after one year	16	(20,990)	(19,386)
Accruals and deferred income	18	(8,854)	(6,224)
Net assets excluding pension liability		(1,91)08	(3,799)
Provisions for liabilities	19	(1,100)	(1,100)
Defined benefit pension scheme liability	28	-	(204)
Net assets including pension liability		(10,918)	(4,003)

Charity Funds

Restricted funds		-	-
Unrestricted funds:			
Unrestricted funds excluding pension liability		(10,918)	(3,799)
Pension reserve		-	(204)
Total unrestricted funds		(10,918)	(4,003)
Total funds of the group	21	(10,918)	(4,003)

The financial statements were approved by the Trustees on 11 March 2024 and signed on their behalf by Mike Nelson.

Mike Nelson

The notes on pages 27 to 50 form part of these financial statements.

Fusion Lifestyle (Registered no. 05324416)

(A company limited by guarantee)

Company Balance Sheet

As at 31 December 2022

2022

2021

Net assets excluding pension liability

Defined benefit pension scheme liability	28	_____ -	-	_____ (204)
--	----	---------	---	-------------

Net assets including pension liability)

_____ (10,130)	-	_____ (3,505)
----------------	---	---------------

The funds of the charity

Restricted funds:

-	-
---	---

Unrestricted funds:

Unrestricted funds excluding pension asset /

-	-
---	---

(liabili

(10,130)	(3,301)
----------	---------

ty)

Pension reserve

-	_____ -	-	_____ (204)
---	---------	---	-------------

Total unrestricted funds

_____ (10,130)	_____ (3,505)
----------------	---------------

Total charity funds

21	_____ (10,130)	_____ (3,505)
	30)	5)

The financial statements were approved by the Trustees on 11 March 2024 and signed on their behalf by Mike Nelson. **Mike Nelson**

The notes on pages 27 to 50 form part of these financial statements.

Fusion Lifestyle

(A company limited by guarantee)

Cash flows from investing activities:

Purchase of intangible fixed assets	(31)	-
Purchase of tangible fixed assets	202	202
	(5,32)	(2,03)
Interest received	51	71
Interest paid	(199)	(2,00)
	(134)	50
Cash flows from operating activities	(96)	(60)
	6)	9)
Net cash provided by operating activities	497	5,68
	22	4

Consolidated Statement of Cash Flows

Cash flows from financing activities:

Repayments of borrowings	(669)	(1,16)
		3)
Repayment of loan and finance lease obligations	(966)	(2,08)
		5)2)
Cash inflows from new finance leases	1,451	-

For the year ended 31 December 2022

Change in cash and cash equivalents in the year

	(6,005)	954
Cash and cash equivalents brought forward	6,328	5,67
Net cash used in investing activities	2	6,62
Net cash provided/(used) by financing activities	(184)	8
Cash and cash equivalents carried forward	23	

Notes to the Financial Statements

For the year ended 31 December 2022

1. Accounting Policies

Fusion Lifestyle is a private company limited by guarantee, registered in England and Wales. The company is also a charity registered in England and Wales. The company number, charity number and registered office can be found on the company information page. The presentation currency is GBP and numbers are rounded to the nearest thousand.

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, unless otherwise stated in the relevant notes(s) to these accounts.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2019) – (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland and the Companies Act 2006.

Fusion Lifestyle meets the definition of a public benefit entity under FRS102.

The Statement of financial activities (SOFA) and Balance sheet consolidate the financial statements of the company and its subsidiary undertakings. The results of the subsidiaries are consolidated on a line by line basis.

No separate SOFA has been presented for the company alone as permitted by section 408 of the

Companies Act 2006.

1.2 Going concern

The continued recovery from the COVID-19 pandemic along with the impact of the cost of living crisis and the war in Ukraine negatively impacted the group and charity's results in the current financial year.

Securing support packages with Local Authorities is essential to ensure the Group has sufficient cash reserves to enable the Group to meet both its short and mid-term obligations as they fall due and continue to operate as a going concern.

Notes to the Financial Statements

For the year ended 31 December 2022

In addition, the charity has been in extensive renewal negotiations with the bank to re-finance the £13m CLBILS loan which had been due to be repaid in full by November 2023. Discussions with the bank regarding the loan facility have now concluded and an 18-month extension until May 2025 has been agreed. New financial covenants have been placed on the organisation that align to the revised 5-year business and financial projections, prepared by the Executive Team (ET) and shared with the bank, external independent auditors and our Local Authority partners.

The Trustees consider it appropriate to prepare the financial statements of the group on the basis that it

is a going concern. However, there are material uncertainties that may impact this assessment as follows:

1.2 Going concern - continued

Current material uncertainties:

- a) Will future trading levels enable the charity to secure adequate finance after the loan extension expires in May 2025.
- b) Will the charities trading performance ensure adherence to the financial covenants within the facility extension agreement.
- c) The potential impact of not securing bonds as required by local authorities (risk is now largely mitigated following recent contract exits).
- d) Difficulty securing finance leases for renewals of equipment which will impact service delivery and therefore trading performance.
- e) The longevity of the forbearance of local authorities who are owed management fees, will this result in more premature contract terminations.

Potential impact:

- a) If future trading levels are not sufficient then the bank is unlikely to refinance the loan at the end of the extension period. This would be catastrophic for Fusion and would result in the Charity being unable to continue trading.
- b) If an event of default occurs and is continuing, the bank may determine immediate repayment of the loan, all interest accrued and all other sums payable by the Borrower under the agreement. The bank may agree to accept regular or increased instalments or payments without affecting any of its rights following an Event of Default.

Notes to the Financial Statements

For the year ended 31 December 2022

- c) Not securing bonds could potentially result in local authorities considering contracts.
- d) Lack of investment in facilities could result in income targets not being met and local authorities not renewing contracts with the group.
- e) Non-payment of contractual sums and/or repayment plans agreed with Councils may result in local authorities seeking early termination of contractual relationships with Fusion. This may also impact contract extensions and renewals.

The Board and Executive Team have implemented and/or plan to implement the following measures arising from the above:

- a) The covenants were based upon the group's 4-year forecasts with an element of headroom so if the group meets its forecasts it will meet the covenants. Both the group and the bank believe forecasts to be reasonable and achievable.
- b) The group is committed to reducing central overheads and flexing site expenditure to provide headroom if modest income growth targets are not met.
- c) ET will actively engage and seek to renegotiate revised performance and pension bonds subject to market conditions, and where necessary seek alternative options.
- d) No agreement has been given regarding the Lombard facilities. Conversations with the bank have taken place about reviewing whether this is possible but will depend on the specific circumstances and requirement. The key will be the group's ability to show it can afford to service any additional debt. Covenant compliance will assist in this but will not be the main factor as each transaction will need to be reviewed based upon the risk profile at that time. However, Lombard is not the only asset finance provider and other providers may take a different view, but the key remains the group's ability to afford any additional debt and

liabilities.

1.2 Going concern - continued

- e) ET have rebuilt strong relationships with Local Authority Officers through greater transparency of the group's financial status and future business and financial plans. Revised Management Fee profiles and payment plans have been verbally agreed and modelled in the financial

Notes to the Financial Statements

For the year ended 31 December 2022

plan. Final contract variations will be secured from Councils outlining the agreed reprofiled payment plans.

Although it is not certain that these efforts will be successful, the Board and the Executive Team have determined that the actions that it has taken should be sufficient to mitigate the uncertainties and has therefore prepared the financial statements on a going concern basis.

There are material uncertainties related to the events and conditions set out above that may cast significant doubt upon the group and charity's ability to continue as a going concern and therefore whether the group will realise its assets and settle its liabilities in the ordinary course of business at the

amounts recorded in the financial statements.

1.3 Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the company and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the trustees for particular purposes. The designated funds are set aside for the defined benefit pension liability detailed in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the Charity for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund, where relevant, is set out in the notes to the financial statements

1.4 Income Recognition

All incoming resources are included in the Statement of financial activities when the Group has entitlement to the funds, receipt is probable and the amount can be measured with sufficient reliability.

Leisure centre income received in advance for courses and memberships is deferred and recognised in the period in which the service is performed. The value of deferred income at 31 December 2022 is reported in note 18.

Notes to the Financial Statements

For the year ended 31 December 2022

Grants and management fees receivable in respect of specified period relating to the general activities of the company are recognised in the Statement of Financial Activities in the period in which they become receivable.

1.5 Government Grants

Government grants are recognised when the performance related conditions imposed upon the receipt of the grant have been met. Where these have not been satisfied, these grants are recognised as liabilities. If grants are not conditional on future performance related conditions, then income is recognised when

the grant proceeds are receivable.

1.6 Resources expended

All expenditure (including staff restructuring costs) is recognised where a present legal or constructive obligation exists at the reporting date as a result of a past event and it is probable (more likely than not) that a transfer of economic benefits, often cash, will be required in settlement and can be measured or estimated reliably.

1.7 Intangible fixed assets and amortisation

Intangible assets represent pre contract costs. Pre contract costs that are directly attributable to a contract are recognised as an intangible fixed asset only where it is virtually certain that the contract will be awarded. Where it is merely a possibility that a contract will be awarded, no intangible asset is recognised and the costs are written off to the Statement of financial activities as incurred. When the contract has been awarded, capitalised pre contract costs are amortised over the life of the contract (between 5 and 25

years).

1.8 Tangible fixed assets and depreciation

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment.

Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated

residual value, over their expected useful lives on the following bases:

Leasehold Improvements - Over remaining term of lease

Motor Vehicles - Over 3 years

Notes to the Financial Statements

For the year ended 31 December 2022

Equipment	- Over 3/5/10 years
Computer Systems	- Over 3 years

Fixed assets are recognised when: a resource is controlled by the charity as a result of a past event or transaction, for example a past gift or purchase; it is probable that the expected future economic benefits associated with the asset will flow to the charity; and the historical cost or fair value of the asset can be measured reliably. The buildings and plant at the centres are leased to the company as part of the overall contractual relationship with the Authority but the Authority maintains ultimate risks and rewards of these assets. Accordingly, the access which the company has to these assets is to enable it to operate the leisure centres and deliver the public service it is contracted to provide. The company does not own these public service assets. These assets are therefore not recognised on the company's Balance Sheet. Impairment reviews are carried out when there is an indication that impairment exists and impairment losses identified are immediately expensed.

1.9 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the statement of financial activities so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

All other leases are regarded as operating leases and the payments made under them are charged to the

Statement of Financial Activities on a straight line basis over the lease term.

1.10 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete

and slow moving stocks.

Notes to the Financial Statements

For the year ended 31 December 2022

1.11 Liabilities

Liabilities are recognised when there is a legal or constructive obligation to pay cash or other assets, and

are carried at the present value of the obligation until the obligation is extinguished.

1.12 Pensions

The company operates both defined benefit and defined contribution pension schemes.

The company has admitted body status and contributes on behalf of its employees to a number of local government pension schemes. In respect of those schemes where the local authority has indemnified the company against changes in the employer contribution rate and any liability which may become payable as a result of the termination or expiry of a contract, the company has no further liability to fund the scheme beyond its contributions paid in the year. The amount charged to the statement of financial activities therefore represents the contribution payable to the scheme during the year.

For those schemes where the company is not fully indemnified, scheme assets are measured at fair values. Scheme liabilities are measured annually on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, after taking account of any contractual indemnity provided by the local authority, is presented separately from other net assets on the balance sheet. The current service cost and costs from settlements and curtailments are charged to the Statement of Financial Activities. Interest on scheme liabilities and the expected return on scheme assets are also included in the Statement of Financial Activities. Actuarial gains and losses are reported as other recognised gains and losses in the Statement of Financial Activities. Refer to note 28 for the reconciliation in the Statement of Financial Activities and the changes impacted under FRS 102.

Contributions to defined contribution schemes are charged to the Statement of Financial Activities as incurred. These include contributions to the stakeholder pension scheme and employees' personal

pension schemes.

1.13 Basis of consolidation

The financial statements consolidate the accounts of Fusion Lifestyle and all of its subsidiary undertakings ('subsidiaries').

Notes to the Financial Statements

For the year ended 31 December 2022

The results of subsidiaries acquired during the period are included from the effective date of acquisition.

The company has taken advantage of the exemption contained within 408 of the Companies Act 2006 not to present its own Income and expenditure account.

The income and expenditure for the period dealt with in the accounts of the company was a deficit of

£6,625K (2021: £710K surplus).

1.14 Investments

Investments in subsidiaries are valued at cost less provision for impairment.

1.15 Taxation

The company is a registered charity and is subject to neither corporation tax nor income tax on its

charitable activities.

1.16 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transactions costs, and are measured subsequently at amortised cost using the

effective interest method, less any impairment.

1.17 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transactions costs, and are measured subsequently at amortised

cost using the effective interest method.

1.18 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three

Notes to the Financial Statements

For the year ended 31 December 2022

months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.19 Accruals and deferred income

Costs are accrued into the accounts to conform with the matching concept and reflect liabilities where a service or goods have been received but no invoice has yet been raised. Memberships can be payments taken in advance but the income recognition is spread over the average length of the membership.

1.20 Provisions

Where a contract is identified as onerous at the balance sheet date and the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, a

provision for the least net cost of exiting the contract is made.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

There are a number of actuarial assumptions used in the quantification of the group's pension commitments which are described in note 28. The onerous contract provision has been calculated on the basis of the least net cost of exiting the contract. The estimate is based on forecasts to contract exit and planned preventative maintenance reports. There are other material judgements and

Notes to the Financial Statements

For the year ended 31 December 2022

estimates applied in the preparation of these accounts, including depreciation, prepayments and accrued income and accruals and deferred income.

3. Income from charitable activities

	Total funds 2022 £000	Total funds 2021 £000
Community sports services	50,734	30,760

4. Investment income

	2022 £000	2021 £000
Deposit account interest	4	1

5. Donation income

	2022 £000	2021 £000
Grant income	35	10,661
Donations	7	-
	<u>42</u>	<u>10,661</u>

In 2022 the Group Life received £7,371 of other donations (unrestricted) (2021: £nil) and £34,648 (2021: £nil) (restricted) of Holiday Activities and Food Programme funding, £nil (2021 - £4.6M) of grant funding as part of the National Leisure Recovery Fund (NLRFF), £nil (2021 - £3.3M) of grant funding from the government's Coronavirus Job Retention Scheme (CJRS) and £nil (2021 - £2.7M) of other grants & donations.

6. Other income

2022 £000	2021 £000
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Notes to the Financial Statements

For the year ended 31 December 2022

Insurance claim - 2,500

In 2022, the Group received £Nil (2021 - £2.5M) of income related to a Covid Business Interruption Claim on its insurance policy.

7. Summary by expenditure type

Staff costs	Support	Direct	Fixed	Total	Total	costs	costs	asset	funds	funds
				£000	£000	£000	disposal	£000	2022	2021
									£000	£000
Community sports service				24,041	31,873	2,038		35	57,987	43,879

All support costs relate to the sole charitable activity of the company, being the provision of leisure facilities.

8. Analysis of support and governance costs

	General	Governance	Total	Total
	support	function	2022	2021
	£000	£000	£000	£000
IT costs	1,620	-	1,620	1,514
Finance costs	1,514	-	1,514	1,030
Marketing materials	848	-	848	690
Administration	4,859	-	4,859	3,288
Other staff related costs	917	-	917	581
Facilities management costs	17,899	-	17,899	9,646
Amortisation	100	-	100	185
Depreciation	4,063	-	4,063	5,009

Notes to the Financial Statements

For the year ended 31 December 2022

Auditor Fees	-	53	53	48
Trustee expenses	-	-	-	-
	<u>3,82</u>	<u>5</u>	<u>31,873</u>	<u>21,991</u>
	1 0	3		

Support costs are allocated to the charitable activities on the basis of headcount or on the estimated service delivered by the support service or other bases if these are more appropriate. The audit fees include £16K in relation to work in the subsidiary companies (2021: £14k).

9. Net incoming/(outgoing) resources

This is stated after charging:

	2022	2021
	£000	£000
Depreciation of tangible fixed assets:		
- owned by the group	4,063	5,009
Auditor's remuneration:		
- Company	37	34
- Subsidiary	16	14
Amortisation of pre-contract costs	78	94
Amortisation of goodwill	23	90

Notes to the Financial Statements

For the year ended 31 December 2022

10. Staff costs

Staff costs were as follows:

	2022	2021
	£000	£000
Wages and salaries	21,913	18,382
Social security costs	1,314	1,080
Other pension costs	<u>649</u>	<u>790</u>
	23,876	20,252
Staff restructuring costs	165	259
	<u>24,041</u>	<u>20,511</u>

The average number of persons employed by the company during the year was as follows:

2022	2021
No.	No.
<u>1,865</u>	<u>1,331</u>

10. Staff costs - continued

Notes to the Financial Statements

For the year ended 31 December 2022

During the current year, the company entered into further settlement agreements with staff, which gave rise to ex-gratia payments totalling £68K (2021: £259K). The board considered that the settlement agreements were in the best interest of the charity.

During the current year, the company entered into further settlement agreements with staff, which gave rise to contractual payments totalling £95K. (2021: £Nil).

During the year no Trustees received any remuneration (2021: £Nil) and no Trustees received any benefits in kind (2021: £Nil). No Trustees (2021: none) were reimbursed expenses in respect of trustee meetings.

The number of higher paid employees was:

	2022	2021
	No.	No.
In the band £60,001 - £70,000	3	5
In the band £70,001 - £80,000	-	4
In the band £80,001 - £90,000	1	2
In the band £90,001 - £100,000	-	1
In the band £120,001 - £130,000	1	2
In the band £140,001 - £150,000	1	1
In the band £170,001 - £180,000	-	1

The number of employees earning in excess of £60,000 (for the year) to whom the retirement benefits are accruing under defined benefit schemes is nil (2021 - nil).

Total contributions to defined contribution schemes for those higher paid employees included above amounted to £30K (2021 - £81K).

The highest paid employee received remuneration of £182K (2021 - £242K).

The key management personnel of the charity comprise the Trustees, the Chief Executive Officer and the Director of Finance & Resources. The total employee benefits for these personnel were £327K (2021 - £675K). The Trustees received no remuneration.

Notes to the Financial Statements

For the year ended 31 December 2022

11. Intangible fixed assets

Group	Pre contract costs £000	Goodwill £000	Total £000
Cost			
At 1 January 2022	1,387	700	2,087
Additions	31	-	31
Disposals	-	-	-
At 31 December 2022	<u>1,418</u>	<u>700</u>	<u>2,118</u>
Amortisation			
At 1 January 2022	1,008	677	1,685
Charge for the year	77	23	100
Disposals	-	-	-
At 31 December 2022	<u>1,085</u>	<u>700</u>	<u>1,785</u>
Carrying amount			
At 31 December 2022	<u>333</u>	<u>-</u>	<u>333</u>
At 31 December 2021	<u>379</u>	<u>23</u>	<u>402</u>
Pre contract costs	Company	£000	Cost
At 1 January 2022	1,387		
Additions	31		
Disposals	-		

Notes to the Financial Statements

For the year ended 31 December 2022

At 31 December 2022	<u>1,418</u>
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Amortisation

At 1 January 2022	1,008
Charge for the year	78
Disposals	<u>-</u>
At 31 December 2022	<u>1,086</u>

Carrying amount

At 31 December 2022	<u>333</u>	At 31 December 2021
<u>379</u>		

Notes to the Financial Statements

For the year ended 31 December 2022

12. Tangible fixed assets

Assets in

At 31 December 2022	<u>31,503</u>	<u>424</u>	<u>2</u>	<u>25,927</u>	<u>3,484</u>	<u>0</u>	<u>61,340</u>
Depreciation							
At 1 January 2022	<u>14,373</u>	<u>-</u>	<u>2</u>	<u>18,780</u>	<u>3,049</u>	<u>4</u>	<u>36,204</u>
Charge for the year	1,910	-	-	1,906	247		4,065
Disposals	(10)	-	-	(31)	-		(41)
	Leasehold course of improvements	of construction	Motor vehicles	Equipment	Computer systems		Total
Group Cost	£000	£000	£000	£000	£000		£000
At 1 January 2022	30,217	185	2	22,314	3,372	0	56,090
Additions	1,296	251	-	3,666	112		5,325
Transfer of assets completed in year	-	-	-	-	-		-
Disposals	<u>(10)</u>	<u>(12)</u>	<u>-</u>	<u>(53)</u>	<u>-</u>		<u>(75)</u>
At 31 December 2022	<u>16,273</u>	<u>-</u>	<u>2</u>	<u>20,655</u>	<u>3,296</u>	<u>6</u>	<u>40,226</u>
Net book value							
At 31 December 2022	<u>15,230</u>	<u>424</u>	<u>-</u>	<u>5,272</u>	<u>188</u>	<u>4</u>	<u>21,114</u>
At 31 December 2021	<u>15,844</u>	<u>185</u>	<u>-</u>	<u>3,534</u>	<u>323</u>		<u>19,886</u>

Notes to the Financial Statements

For the year ended 31 December 2022

6

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

Group	2022 £000	2021 £000
Land and buildings	929	1,032
Furniture, fittings and equipment	<u>2,274</u>	<u>1,315</u>
	<u>3,203</u>	<u>2,347</u>

Depreciation charged for the year amounted to £96K (2021 - £96K) and £758K (2021 - £624K) for leasehold improvements and equipment held under finance leases or hire purchase contracts respectively.

12. Tangible fixed assets – continued

	Leasehold Assets in improvements course of construction		Motor vehicles	Computer Equipment systems	Total
Company	£000	£000	£000	£000	£000
At 31 December 2022	31,363	424	2	25,416	60,609
Cost					
At 1 January 2022	30,077	185	2	21,810	55,446
Depreciation					
Additions	1,296	251	-	3,659	5,318
At 1 January 2022	14,216	54	2	18,553	35,823
Transfer of assets					
Completed the year	1,910	-	-	1,817	3,975
Disposals	(10)	(12)	-	(33)	(45)

Notes to the Financial Statements

For the year ended 31 December 2022

At 31 December 2022	<u>16,116</u>	=	<u>2</u>	<u>20,339</u>	<u>3,300</u>	<u>39,757</u>
Net book value						
At 31 December 2022	<u>15,247</u>	<u>424</u>	=	<u>5,077</u>	<u>184</u>	<u>20,932</u>
At 31 December 2021	<u>15,861</u>	<u>185</u>	=	<u>3,257</u>	<u>320</u>	<u>19,624</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2022	2021
Company	£000	£000
Land and buildings	929	1,032
Furniture, fittings and equipment	<u>2,105</u>	<u>1,078</u>
	<u>3,034</u>	<u>2,110</u>

Depreciation charged for the year amounted to £96K (2021 - £96K) and £690K (2021 - £548K) for leasehold improvements and equipment held under finance leases or hire purchase contracts respectively.

13. Investments in subsidiaries

Company Cost

At 1 January 2022

At 31 December 2022

The investment above relates entirely to the Active Life subsidiary.

Notes to the Financial Statements

For the year ended 31 December 2022

Subsidiaries

Company name	Country	Percentage Shareholding	Description	Turnover 2022
Virgin Active Management Limited Registered number: 02353684	England	100%	Sports and leisure facilities	43
Active Life England number: 04376721	England	100%	Sports and leisure facilities	3,790
			Charity registered	

14. Debtors

Shares in group undertakings
£000

Notes to the Financial Statements

For the year ended 31 December 2022

729

729

Net
Assets
2022
Profit/
(Loss) 2
2022 £00
£000
nil nil

(237) (59)

	<u>Group</u>		<u>Company</u>	
		2022	2021	2021
	£000	£000	£000	£000
Trade debtors	1,375	405	1,347	394
Amounts owed by group undertakings	-	-	79	900
Other debtors	235	122	235	122
Prepayments and accrued income	3,279	1,793	3,248	1,781
VAT recoverable	44	-	44	-
	<u>493</u>	<u>2,320</u>	<u>495</u>	<u>3,197</u>

Notes to the Financial Statements

For the year ended 31 December 2022

15. Creditors: Amounts falling due within one year

	<u>Group</u>		<u>Company</u>	
		2022	2021	2022 2021
	£000	£000	£000	£000
Bank loans	-	-	-	-
Other loans	644	669	644	657
Net obligations under finance leases and hire purchase contracts	725	827	725	780
Trade creditors	5,007	3,007	4,773	2,865
Amounts owed to group undertakings	-	-	-	-
Other taxation and social security	294	386	263	352
Other creditors	431	2,609	414	2,516
	7,101	7,498	6,819	7,170

16. Creditors: Amounts falling due after more than one year

	<u>Group</u>		<u>Company</u>	
		2022	2021	2022 2021
	£000	£000	£000	£000

Notes to the Financial Statements

For the year ended 31 December 2022

Bank loans	13,000	13,000	13,000	13,000
Other loans	5,364	6,007	5,364	6,007
Net obligations under finance leases and hire purchase contracts	965	379	965	379
Other creditors	1,661	-	1,661	-
	<u>20,990</u>	<u>19,386</u>	<u>20,990</u>	<u>19,386</u>

Bank and other loans are repayable as follows:

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Less than 1 year	644	669	644	657
1 to 5 years	13,711	14,165	13,711	14,165
Over 5 years	4,653	4,842	4,653	4,842
Total	<u>19,008</u>	<u>19,676</u>	<u>19,008</u>	<u>19,664</u>

16. Creditors: Amounts falling due after more than one year - continued

In the year ended 31 December 2020 the entity secured a Coronavirus Large Business Interruption Loan (CLBIL) of £13,000,000 repayable over 3 years. Interest is charged at 1.7% over the Bank of England base rate for the first 12 months and 2.2% thereon. The CLBILS loan has been refinanced post year-end and is now extended for repayment to May 2025 with no capital repayments prior to this date. Interest from December 2023 is charged at 3.20% above the Bank of England base rate. As at 31 December 2022 the amounts due in one to five years total £13,000,000 (2021: £13,000,000), included under bank loans. This is secured by fixed and floating charges over all the company's assets.

Included within other loans are amounts owed of £5,523,527 owed to a local authority partner (2021: £5,676,295). The facility is for 24 years. Interest is charged at 4.40% fixed rate.

Notes to the Financial Statements

For the year ended 31 December 2022

Also included within other loans are amounts owed to a Local Authority partner of £484,209 (2021: £988,188). The facility is for 7 years. Interest is charged at 3.90% above the Bank of England base rate. This is secured by fixed charges over all the company's assets.

Finance leases includes one finance lease under a floating rate of interest and its outstanding liability at 31st December 2022 was £225k. All the other finance leases are fixed rate with terms between 3 and 5 years.

Obligations under finance leases and hire purchase contracts, included above, are payable as follows:

			<u>Group</u>	<u>Company</u>
			2022 £000	2021 £000
				2022 £000
Less than 1 year			725	827
1 to 5 years			965	379
Over 5 years			-	-
Total	1,690	1,206	<u>1,690</u>	

17. Secured debts

The following secured debts are included within creditors:

	2022	2021
	£000	£000
Bank loans	13,000	13,000
Other loans	484	988
Rent deposit deed	-	25
	<u>13,484</u>	<u>14,013</u>

Notes to the Financial Statements

For the year ended 31 December 2022

17. Secured debts - continued

Bank loan

The National Westminster Bank PLC Coronavirus Large Business Interruption Loan has leasehold interest in Frome Leisure Centre and all other land listed in the schedule to the instrument. Contains fixed and floating charges covering all the property or undertaking of the company, also containing a negative pledge.

Other loans

The Alliance and General Leasing Limited Mendip District Council loan is secured by fixed charges over all the company's assets, also containing a negative pledge.

Broomhill lido

The Trustees of the National Heritage Memorial Fund have a charge over the freehold property know as Broomhill Lido, in respect of grant monies of up to £3,496,300 to be used for the restoration of the lido, this grant had not been received as at the balance sheet date.

Rent deposit deed

The James Viventi and Giorgio Viventi rent deposit deed is secured to the landlord as security for the performance of its obligations in the lease and in this deed.

18. Accruals and deferred income

				Group		Company	
				2022	2021	2022	2021
				£000	£000	£000	£000
Accruals				8,314	5,911	7,871	5,519
Deferred income	540	313	496	264			
				8,854	6,222	8,367	5,778

Notes to the Financial Statements

For the year ended 31 December 2022

Deferred income was broken down as follows:

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Deferred Income as at 1 January	313	358	264	358
Resources deferred in the year	540	313	496	264
Amounts released from previous periods	(313)	(358)	(264)	(358)
Deferred income as at 31 December	540	313	496	264

18. Accruals and deferred income – continued

The group deferred income figure of £540K (2021: £313K) relates to income received in advanced to be credited to the revenue account in the future as and when appropriate. This figure consists of annual management fees for various contracts released over the term of the contract; memberships paid by customers for use over a period of time; invoiced income where the prepaid event has not yet occurred; member card balances as credit to use at leisure centres for future sales.

19. Provisions for liabilities

Onerous Contracts

	2022	2021
	£000	£000
At 1 January 2022	-	-
Charged to profit and loss	1,100	-
	1,100	

Notes to the Financial Statements

For the year ended 31 December 2022

At 31 December 2022

The charitable company were in discussions at the balance sheet date which will lead to an exit from a Local Authority contract in 2024. The provision is expected to unwind in 2024.

20. Statement of Funds

Group	Brought	Income	Expense	Gains/	Carried
Forward	(Losses)	Forward	£000	£000	£000
					£000
Unrestricted funds					
General Funds - all	(3,799)	50,745	(57,864)	-	(10,918)
Pension reserve (204) -	(88) 292 -				
Restricted funds					
HAF Programme	-	35	(35)	-	-
	(4,003)	50,780	(57,987)	292	(10,918)
Company	Brought	Income	Expense	Gains/	Carried
	Forward	£000	£000	(Losses)	d
	£000			£000	Forward
Unrestricted funds					£000
General Funds - all	(3,301)	46,977	(53,806)	-	(10,130)
	(204)	-	(88)	292	-
Pension reserve					(10,130)
	(3,505)	46,977	(53,894)	292	(10,130)

20. Statement of Funds - continued

The nature and purpose of each restricted fund is as follows:

Notes to the Financial Statements

For the year ended 31 December 2022

Holiday Activities and Food (HAF) Programme funding has been received in order to coordinate and provide free holiday provision, including healthy food and enriching activities.

21. Analysis of net assets between funds

Group

Notes to the Financial Statements

For the year ended 31 December 2022

	Unrestric ted Funds £000	Restric ted Funds £000	2022 Funds £000	2021 Funds £000
Fixed Assets	21,447	-	21,447	20,288
Current Assets	5,680	-	5,680	9,021
Current Liabilities	(7,101)	-	(7,101)	(7,498)

Notes to the Financial Statements

For the year ended 31 December 2022

	(30,944)	-	(30,944)	(25,610)
Long Term Liabilities	(10,918)	-	(10,918)	(4,003)
Pension Asset / (Liability)	-	-	8)	(204)
Total				
	Unrestricted Funds	Restricted Funds	2022 Funds	2021 Funds
	£000	£000	£000	£000
Company	21,994	-	21,994	20,732
	5,152	-	5,152	8,191
Fixed Assets	(6,819)	-	(6,819)	(7,170)
	(30,457)	-	(30,457)	(25,169)
66	-	-	-	(204)
	(10,130)	-	(10,130)	(3,505)

Notes to the Financial Statements

For the year ended 31 December 2022

Current Assets

Current Liabilities

Long Term Liabilities

Pension Asset / (Liability)

Total

22. Reconciliation of net movement in funds to net cash flow from operating activities

	2022	2021
	£000	£000
Net incoming/(outgoing) resources	(6,915)	637
Movements on defined benefit scheme (incl. actuarial adjustments)	(206)	(501)
Interest received	(4)	(1)
Interest paid	966	609
Amortisation of intangible fixed assets	100	185
Depreciation of tangible fixed assets	4,062	5,009
Loss on disposal of assets (tangible & intangible)	35	42
(Increase)/Decrease in stocks	(51)	(73)
(Increase) / Decrease in debtors	(2,613)	837
(Decrease)/Increase in creditors (excl. bank loans, other loans & hire purchase liabilities)	4,023	(1,060)
Movement in provisions	1,100	-

Notes to the Financial Statements

For the year ended 31 December 2022

Net cash used in operating activities	497	5,684
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23. Analysis of cash and cash equivalents

	2022	2021
	£000	£000
Cash in hand	623	6,628
Total	623	6,628

24. Analysis of changes in net debt

	31.12.2021	Cash Flows	Non-Cash Changes	31.12.2022
			New Finance Leases	Other Non-Cash Changes
Cash in hand	6,628	(6,005)	-	-
Debt due within one year (1,496) (1,394) 1,451 - (19,329) one year	127	-	(1,369)	Debt due greater than (19,386)
	<u>(14,254)</u>	<u>(7,272)</u>	<u>1,451</u>	<u>(20,075)</u>

25. Contingent liabilities

At the balance sheet date contingent liabilities existed in respect of guarantee and performance bonds amounting to £745K (2021 - £745K). At the balance sheet date the bonds not secured totalled £445K.

26. Operating lease commitments

Total future minimum lease payments under non-cancellable leases:

2022	2021
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(A company limited by guarantee)

Notes to the Financial Statements

For the year ended 31 December 2022

Expiring:	£000 £000	within 1 year	638 217	between one and five years
	1,150 1,505	in more than 5 years	15,162 13,519	
<hr/>				
Total			16,950	15,241

27. Capital commitments

The company had £nil capital commitments in place as at 31 December 2022 (2021 - £36K).

28. Pension commitments

Fusion Lifestyle is an admitted body in 9 defined benefit local government pension schemes. In 8 of these schemes the local council has fully indemnified the company against funding liabilities arising at any time. For those schemes where Fusion is not indemnified a full actuarial valuation was carried out at 31 March 2019 and updated at 31 December 2022 by a qualified independent actuary.

Tunbridge Wells Borough Council has given a legal undertaking indemnifying the company in respect of pension contributions in so far as and to the extent that these may affect pension benefits accrued before 1 October 2006, the transfer date of the Leisure Services from Tunbridge Wells Borough Council to the company. At 1 October 2006 the pension liability for which Tunbridge Wells Borough Council is responsible amounted to £223K. At 31 December 2022 the deficit had become a surplus of £1,972K meaning the indemnity is not recognised in the financial statements unlike in prior periods where the pension scheme was a liability.

As part of the acquisition of Virgin Active Management Limited, the Group assumed pension liabilities relating to employees of that company of £189K. At 31 December 2022 the scheme was valued with a £425K surplus. This surplus is not recoverable by the scheme employer and therefore a nil asset/liability is recognised in these accounts.

These surpluses may be recoverable by the scheme employer and this may be via future reduced contribution rates, but the scheme employer has not been alerted to any such reductions and the actuary confirms that the asset may have a ceiling which is less than its value. Accordingly, in the absence of a ceiling report a nil value is recognised in the accounts.

Notes to the Financial Statements

For the year ended 31 December 2022

28. Pension commitments - continued

The amounts recognised in the Balance sheet are as follows:

	2022	2021
	£000	£000
Present value of funded obligations	2,801	5,603
Fair value of scheme assets	5,198	5,510
(Deficit) / surplus in schemes	2,397	(93)
Surplus not recognised	(2,397)	(33)
	-	(42)
Indemnity	-	22
Net (liability) / surplus	-	3
	-	(20)
	-	4)

The amounts recognised in the Statement of financial activities are as follows:

	2022	2021
	£000	£000
Service cost	(35)	(35)
Interest on obligation	(7)	(12)
Administration expenses	(46)	(46)
Expected return on scheme assets	-	-
Total	(8)	(93)
	8	

Notes to the Financial Statements

For the year ended 31 December 2022

Actual return on scheme assets	<u>223</u>	<u>297</u>
Movements in the present value of the defined benefit obligation were as follows:		
	2022	2021
	£000	£000
Opening defined benefit obligation	5,603	6,114
Interest cost	103	79
Contributions by scheme participants	4	4
Actuarial gains	(2,851)	(475)
Benefits paid	(101)	(56)
Experience Gain on defined benefit contribution	8	(98)
Current service cost	35	35
Closing defined benefit obligation	<u>2,801</u>	<u>5,603</u>

28. Pension commitments continued

Changes in the fair value of scheme assets were as follows:

	2022	2021
	£000	£000
Opening fair value of scheme assets	5,510	5,255
Expected return on assets	15	13
Contributions by employer	54	63
Contributions by scheme participants	4	4
Admin expenses	(46)	(53)

Notes to the Financial Statements

For the year ended 31 December 2022

Interest costs	81	54
Return on assets	(319)	230
Benefits paid	(101)	(56)

5,198 **5,510**

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2022	2021
	%	%
Equities	55.8%	51.5%
Property	8.4%	8.7%
Government bonds	0.5%	0.5%
Cash and other assets	12.6%	14.1%
Other bonds	22.7%	25.2%
	100.0%	100.0%

Principal actuarial assumptions at the Balance sheet date (expressed as weighted averages):

	2022	2021
	%	%
Discount rate at 31 December	4.79%	1.88%
Expected return on scheme assets at 31 December	4.79%	1.88%
Future salary increases	3.70%	3.65%
Future pension increases	2.83%	3.08%

Notes to the Financial Statements

For the year ended 31 December 2022

Inflation (CPI)	2.76%	2.80%
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28. Pension commitments continued

Assumed life expectations from age 65 are:		2022	2021
		years	years
Retiring today:	Males	21.1	21.9
	Females	23.6	24.1
Retiring in 20 years:	Males	22.4	23.3
	Females	25.1	25.5

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes					
	2022	2021	2020	2019	2018
	£000	£000	£000	£000	£000
Defined benefit obligation	(2,801)	(5,603)	(6,114)	(5,432)	(4,671)
Scheme assets	5,198	5,510	5,255	4,895	4,266
Surplus not recognised in Fusion Lifestyle	(1,972)	-	-	-	-
Virgin Active Management	(425)	(334)	(69)	(162)	(116)
(Deficit) / Surplus	-	(427)	(928)	(698)	(521)
Experience adjustments on scheme liabilities	8	(98)	(437)	-	-
Experience adjustments on scheme assets	-	-	-	-	-

Notes to the Financial Statements

For the year ended 31 December 2022

29. Controlling party

There is no ultimate controlling party. The company is controlled by the Board of Trustees.

30. Post Balance Sheet Events

After the balance sheet date, two local authority contracts will be exited before the contractual end date. This is primarily due to commercial reasons.

After the balance sheet date, Fusion Lifestyle also agreed to settle outstanding payment for services amounting to £352K . This is an adjusting event recognised in the financial statements.