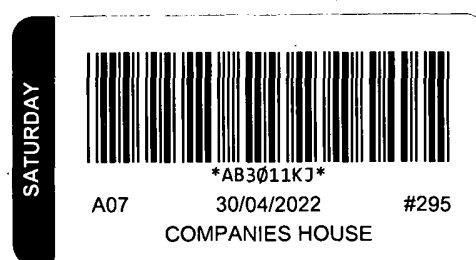


Financial Statements

Fusion Lifestyle

For the year ended 31 December 2021



Registered number: 05324416
Charity Registered number: 1107737

Fusion Lifestyle

(A company limited by guarantee)

Contents

	Page
Reference and administrative details of the company, its trustees and advisers	1
Trustees' report incorporating the strategic report	2 – 15
Independent auditor's report	16 – 19
Consolidated statement of financial activities (incorporating consolidated income and expenditure account)	20
Consolidated balance sheet	21
Company balance sheet	22
Consolidated cash flow statement	23
Notes to the financial statements	24 - 46

Fusion Lifestyle

(A company limited by guarantee)

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

For the year ended 31 December 2021

Nominated Trustees during the year under review

Mr Michael Nelson		
Ms Lorraine Zuleta	Resigned 31 st January 2022	
Mr Jonathan Clarke	Appointed 24 th June 2021	
Ms Harriet Kemp	Appointed 24 th June 2021	
Mr Nicholas E J Wells		
Ms Christine Longmire		
Ms Uzema Ahmed	Appointed 26 th July 2021	Resigned 12 th December 2021
Mr Ashish Devani	Appointed 24 th June 2021	

Company registration number

05324416

Charity registered number

1107737

Registered office

Minerva House, 5 Montague Close, London, SE1 9BB

Chief executive

Mr P Kay (resigned 12 November 2021)
Mr A Cawley (appointed 12 November 2021)

Independent auditor

McCabe Ford Williams, Bank Chambers, 1 Central Avenue, Sittingbourne, ME10 4AE

Bankers

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

Solicitors

Winckworth Sherwood, Minerva House, 5 Montague Close, London, SE1 9BB

Fusion Lifestyle

(A company limited by guarantee)

Trustees' Report incorporating the strategic report

For the year ended 31 December 2021

The trustees present their annual report together with the audited financial statements of Fusion Lifestyle (the company) and its subsidiaries for the year ended 31 December 2021, 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).

Structure, governance and management

Structure of the charity

Fusion Lifestyle is a charity and company limited by guarantee. The governing documents are its Memorandum and Articles of Association which were adopted on 5 January 2005.

The Members are the guarantors of the company and each has undertaken to contribute such amount as may be required (but not exceeding £1) to the company'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 company'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 carried out by a board committee (supported by executive management 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

All board members receive induction and training carried out by the company secretary, legal advisors, chair, and executive management. Training includes briefing on charitable, statutory, and fiduciary duties; the role of board members; and business planning and strategy.

Organisational structure and decision making

Strategy and business objectives are agreed by the board of management annually and set out in the organisation's business plan. The Board meets b-monthly to review progress and to make decisions accordingly. There are several sub-committees, including the Audit Committee, the Health and Safety Committee and the Executive Committee, which meet regularly and as required to keep under scrutiny issues of financial performance, staffing matters, health and safety and significant projects. Board Papers and discussion as a matter of course have regard to:

- the likely consequences of any decision in the long term
- the interests of the company's employees
- the need to foster the company's business relationships with suppliers, customers and others
- the impact of the company's operations on the community and the environment

Fusion Lifestyle

(A company limited by guarantee)

Trustees' Report incorporating the strategic report

For the year ended 31 December 2021

- maintaining the company's reputation for high standards of business conduct
- the need to act fairly as between members of the company

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 company is exposed and for reviewing the systems in place to mitigate these risks. Risk assessment is carried out 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

The company's principal objects are:

- 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 U.K. 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, Devon, Essex, Kent, Leicestershire, Mendip, Newcastle, Oxford, Surrey and 5 London boroughs.

The company 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 and putt golf course
- outdoor activity venues
- indoor tennis centres
- indoor bowls centres
- athletics stadia
- outdoor football pitches

Fusion Lifestyle

(A company limited by guarantee)

Trustees' Report incorporating the strategic report

For the year ended 31 December 2021

Financial risk management objectives and policies

The company uses financial instruments, comprising borrowings, finance leases, cash, and various other items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. The main risks arising from the group's financial instruments are interest rate risk and liquidity risk.

Interest rate risk

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

Liquidity risk

The company 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 company policy throughout the year has been to ensure that an appropriate mix of both debt is available, which aligns with the company's investment strategy. Short term flexibility is achieved through the company's cash reserves and was significantly supplemented by medium term lending from the Coronavirus Large Business Interruption Loan Scheme (CLBILS) in late 2020.

Fusion Lifestyle

(A company limited by guarantee)

Trustees' Report incorporating the strategic report

For the year ended 31 December 2021

Achievements and performance in 2021

Once again, activity in 2021 was dominated and shaped by the Covid 19 pandemic and the impact felt across the Leisure sector. The effect of the national lockdowns was to significantly reduce normal customer revenues during the first four months of the year. Despite the impact of the crisis, the organisation has remained well-funded throughout the year, aided by funds secured from the National Leisure Recovery Fund (NLRF) and other Business Recovery Grants that yielded over £10.5m in grant income. In addition, the business received a £2.5m Business Interruption payment from insurers to further support working capital during periods of inactivity at the start of the year. This cash helped re-mobilise and open facilities between April and July as well as provide working capital to manage the day-to-day operations once facilities re-opened.

Thereafter, management focus was on maintaining strong EBITDA and preserving cash, with an initial moratorium on capital expenditure until sufficient trading income levels returned. Income growth in 2021 reflects the partial recovery of the membership and various localised strategic recovery plans. Expenditure reflects the significant restructuring and efficiency improvements carried out across all areas of the business, notably workforce, management, and overhead costs. In addition, contract variations were agreed with all council partners such that contractual management fee payments from Fusion would be waived or rescheduled throughout 2021. These are expected to resume in 2022 once the business is back on a stable footing and generating consistent monthly revenue streams and sustained profitability.

When the Company was permitted to reopen in April 2021, Fusion, like all operators, faced 2 major challenges:

- new operating restrictions which significantly reduced capacity and types of services that could be offered
- consumer fears about the risk of infection.

In response to these challenges the company has further implemented comprehensive improvements to its operations. The customer journey has been overhauled with radical changes to booking and admissions systems which 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 fluctuations in that demand. The physical journey through sites has been modified to ensure safe distancing and cleaning and hygiene regimes have been totally overhauled.

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 have had significant consequences for our staffing requirements. The resulting restructure project across our sites has led to a +50% reduction in staffing and HQ costs compared to pre-crisis.

In terms of new business, 2021 has seen minimal changes to the portfolio and has been a year of consolidation. The New River Contract returned to London Borough of Haringey while all other contracts remain in place.

The events of 2021 have culminated in the Group making an accounting profit of £43k – a very decent return given the financial setbacks caused by the pandemic in 2020.

Fusion Lifestyle

(A company limited by guarantee)

Trustees' Report incorporating the strategic report

For the year ended 31 December 2021

2022 Outlook:

Fusion has secured 4 new contract extensions in Tunbridge Wells (5 years), Charnwood (5 Years), Braintree (5 years), and Rochford (3 years) which, alongside the company's portfolio of long-term contracts and leases provide a stable base and a springboard for further recovery, business growth and investment.

However, the company continues to face uncertainty and challenges in 2022. The rising cost of living coupled with significant increases in wholesale energy costs will prove challenging as we rebuild our membership and grow income streams to meet rising costs. Management has produced forecasts that have been sensitised to reflect plausible downside scenarios as a result of Covid-19 and the wider economic conditions, which have been reviewed by the directors. These demonstrate the Group is forecast to generate profits and cash in the year ending 31 December 2022 and beyond and that the Group has sufficient cash reserves to enable the Group to meet its obligations as they fall due for a period of at least 12 months from the date of signing these financial statements.

In addition, the company will open renewal negotiations with the bank to re-finance the £13m CLBILS loan, which is due to be repaid in full by November 2023. Discussions with the bank regarding the loan facility have already begun and it is expected that the existing facility will be negotiated and secured before 31 December 2022. On the assumption that these negotiations are successful, the directors are satisfied that the Group has adequate resources and financing facilities 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 does represent a material uncertainty that may cast doubt on the group and charitable company's ability to continue as a going concern and therefore whether the group and charitable company will realise its assets and settle its liabilities in the ordinary course of business at the amounts recorded in the financial statements.

As such, the directors 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 above actions support the company's business plans and financial projections, in which the business is cash generative, able to service fixed charges with a suitable cover margin and generate a profit in 2022. Although there is possibility that the wider economy and consumer spending will remain suppressed throughout 2022 given the current geo-political backdrop, spending on health and wellbeing has fared well in previous downturns and Fusion has seen no evidence that the long-term trends on participation in fitness and physical activities will be adversely affected by the pandemic. The challenge to all operators is to supply this demand in a way that makes sense economically and reassures consumers that they are safe. Fusion has already made good progress on these fronts in 2021 and will continue to adapt its offer to meet consumer and public health needs. Despite the challenging outlook the Trustees and Management remain confident about the long-term viability of the business and its future development prospects.

2021 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 2022, the focus remains on EBITDA performance and treasury management month by month and to ensure key business plan objectives are delivered to ensure the longer-term stability of the company.

Fusion Lifestyle

(A company limited by guarantee)

Trustees' Report incorporating the strategic report

For the year ended 31 December 2021

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. In particular, we overcome barriers to participation, including socio-economic, age, gender, disability, cultural and ethnicity.

Despite the disruptions from Covid-19, Fusion managed to deliver many of its normal community-based activities. However, overall programme and attendance were massively reduced compared to previous years. Our public benefit is summarised under the headings below:

Investment

Over the past 19 years we have completed over £184m 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 16 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 2019 Fusion completed its next phase of facility investments with the £9M redevelopment of its Devon sites and the £7M refurbishment of the Newcastle City Baths (which reopened to the public after a 6-year closure). Fusion has similar projects in the pipeline which it plans to progress once we start to see a significant uptick in trading performance, culminating in strong cash reserves and sustained profitability month on month.

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 2021 Fusion operated:

- Targeted programmes within deprived areas to encourage participation;
- 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.

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.

Fusion Lifestyle

(A company limited by guarantee)

Trustees' Report incorporating the strategic report

For the year ended 31 December 2021

- 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.

Disabled People

In 2021 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 2021 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.

Fusion Lifestyle

(A company limited by guarantee)

Trustees' Report incorporating the strategic report

For the year ended 31 December 2021

- Low 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.
- 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 2021 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 2021 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 fares.
- Local volunteers delivering programmes such as walking for health across the organisation.
- 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.

Fusion Lifestyle

(A company limited by guarantee)

Trustees' Report incorporating the strategic report

For the year ended 31 December 2021

- 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
- Delivered 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.

Financial review

Principal risks and uncertainties

The principal risks and uncertainties facing the company are:

- Coronavirus pandemic
- Brexit and macro-economic conditions
- Health & Safety compliance.

In 2020 and 2021 Fusion has actively responded to the pandemic and its associated disruption. The business has been restructured and refunded in response to reduced participation which is expected to steadily recover over the coming year. The company has been through 3 national lockdowns plus other minimal lockdown restrictions and has acquired the skill and experience to deal with these situations rapidly and to protect the company's financial position. Operating protocols have been overhauled and remain under constant review by our experienced Health and Safety team to ensure our facilities are Covid-19 secure 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. Cleaning regimes have been totally overhauled and sanitation stations added throughout all facilities.

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

- Continual impact of Brexit on the supply chain – particularly across the construction sector with lead time extensions and rising prices for raw materials.
- The macro environment – which has seen significant increases to inflation rates (CPI and RPI %) over the last few months and the resultant spike to the “Cost of Living”
- Geo-political environment – following the Russian invasion of Ukraine and the impact on energy prices.

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 national shutdowns in 2020 and early 2021.

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 normally has over 15 million visitors performing physical activities across 60 sites ranging from ice rink to outdoor lido. This environment combined with an increasingly exacting health & safety regime post-Covid pose new challenges to the company, while maintaining consistently high standards across over 1,500 staff. The company uses its in-house and external technical experts to:

- keep the company 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 company training and induction activity is focused on health & safety and seeks to embed the relevant knowledge and behaviours in each staff member. The company's entire health & safety effort is

Fusion Lifestyle

(A company limited by guarantee)

Trustees' Report incorporating the strategic report

For the year ended 31 December 2021

monitored by a dedicated Board sub-committee.

Reserves policy

Each year the Trustees review the risks and opportunities facing the company 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 finance facility put in place in 2020 (CLBILS).

The new targets require the following:

- Cash holding not to fall below £3.5m, rising to £4m from September 2022 (following the removal of the cash sweep covenant)
- EBITDA to be at least 1.1 x fixed charges in the 12 months to March 2022
- Net Debt to be no more than 4.25 x EBITDA in the 12 months to March 2022.

On 31 December 2021 net reserves were £4.0m in deficit. The recovery plan discussed later in this report is designed to eliminate this deficit over the next 2 to 3 years.

Financial management policies

The company's business plan and associated financial budget is prepared by management and approved by the Board of Trustees. The risk register and reserves policy are updated as part of this process and are incorporated into the business targets. Performance against the plan is reported to and reviewed by the Board and its committees on a regular basis. Budgetary control is supported by documented internal control procedures which are reviewed annually. These procedures include the sign off process for investment expenditure.

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 2021 the company accessed over £10.6m of grant funding through the government's Job Retention Scheme and the NLRP, plus a further £2.5m business interruption pay-out from Insurers.

Fusion Lifestyle

(A company limited by guarantee)

Trustees' Report incorporating the strategic report

For the year ended 31 December 2021

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.
- marketing to reach more customers including target groups and increase overall activity levels; and
- 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 secure its long-term future by establishing sustainable community services delivered from state of the art facilities, enabling the organisation to survive and flourish independently.

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.

Employee involvement and employment of the disabled

All employees have the opportunity for training, career development and promotion in accordance with their skills and ability. The company 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 company 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 company 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 company's Equal opportunities policy, the company 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 company's offices.

Fusion Lifestyle

(A company limited by guarantee)

Trustees' Report incorporating the strategic report

For the year ended 31 December 2021

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

Key suppliers are subject to competitive selection and in some cases, this will be for contracts of up to 5 years. Monthly meetings review contract delivery and Fusion business performance. With key suppliers there is much 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 operations during the disruption of the Covid pandemic. Despite the financial pressures Fusion has not requested the write-off of any trade creditor balances and where forbearance arrangements were agreed in the early part of the crisis those suppliers have now been paid 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:

	2021	2020
Energy consumption used to calculate emissions (kWh)	78,388,370	69,794,667
Energy consumption break down (kWh):		
gas	57,335,208	51,508,579
electricity	20,801,957	17,920,847
transport fuel	251,205	365,242
Scope 1 emissions in metric tonnes CO ₂ e		
gas consumption	10,502	9,470
fugitive Emissions	Nil	nil
Total scope 1	10,502	9,470
Scope 2 emissions in metric tonnes CO ₂ e Purchased electricity	4,417	4,178
Scope 3 emissions in metric tonnes CO ₂ e Business travel in employee owned vehicles	452	725
Total gross emissions in metric tonnes CO ₂ e	15,370	14,372
Intensity ratio		
Tonnes CO ₂ e per leisure centre visit	0.0035	0.0030

Fusion Lifestyle

(A company limited by guarantee)

Trustees' Report incorporating the strategic report

For the year ended 31 December 2021

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 2021 UK 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 Government GHG Conversion Factors for Company Reporting 2021.

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

Measures taken in 2021 have primarily focussed on the need to minimise energy consumption so far as possible during periods of prolonged closure.

Our sites remained closed during the national lockdown at the start of 2021, so we continued the practices learnt during 2020 to ensure that energy consumption was tightly controlled.

All sites were shutdown to a specific process, following a shutdown checklist to ensure that all non-essential plant and equipment is switched off and that there is no unnecessary energy consumption. Each building was also inspected on a weekly basis. This ensures that they are maintained in safe manner, but also serves to highlight any unexpected energy consumption.

As our business re-opened we focussed on ensuring we were doing the basics of energy efficiency – a 'Back to Basics' campaign was launched to recommunicate our required operational standards for how we operate our buildings as efficiently as possible, avoiding unnecessary and uncontrolled 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.

An Energy Strategy is also being developed in collaboration with an external consultancy. This is a 6 month programme that began in late 2021 and will continue into 2022.

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:

Fusion Lifestyle

(A company limited by guarantee)

Trustees' Report incorporating the strategic report

For the year ended 31 December 2021

- 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 25 April 2022 and signed on their behalf on 25 April 2022 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 Limited (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 December 2021 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 2021 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 in the financial statements which indicates that the effects of the COVID-19 pandemic has had a detrimental impact on the financial position of the Group and parent charitable company. As stated in note 1 these events or conditions, along with other matters as set forth in note 1 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.

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 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.

Independent Auditor's Report to the Members of Fusion Lifestyle

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

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on pages 14 and 15, 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 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.

Independent Auditor's Report to the Members of Fusion Lifestyle

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: 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 company, including, but not limited to, the Companies Act 2006, 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 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 3 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.

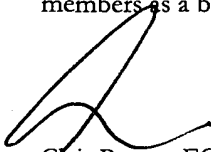
There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors 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.



Clair Rayner FCA DChA (Senior Statutory Auditor)
for and on behalf of McCabe Ford Williams
Statutory Auditors and Chartered Accountants
Bank Chambers
1 Central Avenue
SITTINGBOURNE
ME10 4AE

Date: 25/4/2022.

Fusion Lifestyle**(A company limited by guarantee)**

Consolidated Statement of Financial Activities

(incorporating consolidated income and expenditure account)

For the year ended 31 December 2021

		Unrestricted	Restricted	Total	(As Restated) Total
	Note	funds 2021 £000	funds 2021 £000	funds 2021 £000	funds 2020 £000
Income:					
Income from charitable activities:					
Community sports services	3	30,760	-	30,760	35,442
Investment income	4	1	-	1	2
Donation income	5	2,743	7,918	10,661	13,251
Other income	6	2,500	-	2,500	-
Total income		36,004	7,918	43,922	48,695
Expenditure on:					
Expenditure on charitable activities:					
Operation of community sports services	7	35,961	7,918	43,879	67,647
Total expenditure		35,961	7,918	43,879	67,647
Net income and net movement in funds for the year		43	-	43	(18,952)
Actuarial (losses)/gains on defined benefit pension schemes		594	-	594	(141)
Net movement in funds		637	-	637	(19,093)
Reconciliation of funds:					
Total funds brought forward					
As previously reported		(3,870)	-	(3,870)	14,453
Prior period adjustment	18	(770)	-	(770)	-
		(4,640)	-	(4,640)	14,453
Total funds carried forward		(4,003)	-	(4,003)	(4,640)

All income and expenditure derive from continuing activities. All activities relate to unrestricted funds.

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

The notes on pages 24 to 46 form part of these financial statements.

Fusion Lifestyle (Registered no. 05324416)

(A company limited by guarantee)

Consolidated Balance Sheet

As at 31 December 2021

		2021		(As restated)	
	Note	£000	£000	2020	£000
Fixed assets					
Intangible assets	11		402		588
Tangible assets	12		<u>19,886</u>		<u>22,899</u>
			20,288		23,487
Current assets					
Stocks		73		-	
Debtors	14	2,320		3,157	
Cash at bank and in hand		<u>6,628</u>		<u>5,674</u>	
		9,021		8,831	
Creditors: amounts falling due within one year	15	<u>(7,498)</u>		<u>(6,257)</u>	
Net current assets/(liabilities)			<u>1,523</u>		<u>2,574</u>
Total assets less current liabilities			21,811		26,061
Creditors: amounts falling due after one year	16		(19,386)		(20,895)
Accruals and deferred income	17		<u>(6,224)</u>		<u>(9,101)</u>
Net assets excluding pension liability			(3,799)		(3,935)
Defined benefit pension scheme liability	27		(204)		(705)
Net assets including pension liability			<u>(4,003)</u>		<u>(4,640)</u>
Charity Funds					
Restricted funds			-		-
Unrestricted funds:					
Unrestricted funds excluding pension liability		(3,799)		(3,935)	
Pension reserve		<u>(204)</u>		<u>(705)</u>	
Total unrestricted funds			<u>(4,003)</u>		<u>(4,640)</u>
Total funds of the group	19		<u>(4,003)</u>		<u>(4,640)</u>

The financial statements were approved by the Trustees on 25/4/22 and signed on their behalf by Mike Nelson.

Mike Nelson

The notes on pages 24 to 46 form part of these financial statements.

Fusion Lifestyle (Registered no. 05324416)

(A company limited by guarantee)

Company Balance Sheet

As at 31 December 2021

		2021	(As restated)
	Note	£000	2020
		£000	£000
Fixed assets			
Intangible assets	11	379	475
Tangible assets	12	19,624	22,495
Investments	13	<u>729</u>	<u>729</u>
		20,732	23,699
Current assets			
Stocks		71	-
Debtors	14	3,197	3,531
Cash at bank and in hand		<u>5,038</u>	<u>5,027</u>
		8,306	8,558
Creditors: amounts falling due within one year	15	<u>(7,170)</u>	<u>(6,040)</u>
Net assets/(liabilities)		<u>1,136</u>	<u>2,518</u>
Total assets less current liabilities		21,868	26,217
Creditors: amounts falling due after one year	16	(19,386)	(20,835)
Accruals and deferred income	17	<u>(5,783)</u>	<u>(8,892)</u>
Net assets excluding pension liability		(3,301)	(3,510)
Defined benefit pension scheme liability	27	<u>(204)</u>	<u>(705)</u>
Net assets including pension liability		<u>(3,505)</u>	<u>(4,215)</u>
The funds of the charity			
Restricted funds:		-	-
Unrestricted funds:		-	-
Unrestricted funds excluding pension liability		(3,301)	(3,510)
Pension reserve		<u>(204)</u>	<u>(705)</u>
Total unrestricted funds		<u>(3,505)</u>	<u>(4,215)</u>
Total charity funds	19	<u>(3,505)</u>	<u>(4,215)</u>

The financial statements were approved by the Trustees on 25/4/22 and signed on their behalf by Mike Nelson.

Mike Nelson

The notes on pages 24 to 46 form part of these financial statements.

Fusion Lifestyle**(A company limited by guarantee)****Consolidated Statement of Cash Flows****For the year ended 31 December 2021**

	Note	2021 £000	2020 £000
Cash flows from operating activities			
Net cash provided by operating activities	20	<u>5,684</u>	<u>(1,466)</u>
Cash flows from investing activities:			
Cash acquired with Active Life		-	-
Purchase of intangible fixed assets		-	(6)
Purchase of tangible fixed assets		(2,037)	(4,865)
Proceeds from sale of fixed assets		-	3,022
Interest received		1	2
Cash inflows from new finance lease obligations		-	-
Interest paid		<u>(609)</u>	<u>(1,215)</u>
Net cash used in investing activities		<u>(2,645)</u>	<u>(3,062)</u>
Cash flows from financing activities:			
Repayments of borrowings		(1,163)	(3,992)
Repayment of finance lease obligations		(922)	(434)
Cash inflows from new loans		-	13,311
Net cash provided/(used) by financing activities		<u>(2,085)</u>	<u>8,885</u>
Change in cash and cash equivalents in the year		<u>954</u>	<u>4,357</u>
Cash and cash equivalents brought forward		<u>5,674</u>	<u>1,317</u>
Cash and cash equivalents carried forward		<u>6,628</u>	<u>5,674</u>

Fusion Lifestyle

(A company limited by guarantee)

Notes to the Financial Statements

For the year ended 31 December 2021

1. Accounting Policies

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

Following the Coronavirus pandemic there are material uncertainties related to the events and conditions set out below 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. These uncertainties are inherent in the pandemic itself and as the group and charitable company continue to recover from the impact of the pandemic are mainly associated with the groups success in securing refinancing of its £13m CLBILs loan which is due for repayment in full in November 2023.

Fusion has undertaken a huge amount of activity to mitigate the disruption that has already taken place as well as what it believes may happen in the future. This activity has been successful to date in averting what could have been a fatal financial disaster.

The company now has extensive experience of operating a Covid-secure environment. It also has extensive experience of shutting down operations quickly, at minimal cost and then maintaining them in a safe closed state at a minimal cost.

In the face of reduced revenue and a slow recovery, the company has been restructured to substantially reduce its cost base; implemented improved and efficient operating protocols; and developed new on-line revenue streams and customer engagement systems.

All the above support financial projections in which the business is cash generative, able to service fixed charges with a suitable safety margin and returns to an accounting surplus. For this reason, the Board continue to adopt the going concern basis for preparing these financial statements. The refinancing of the loan does represent a material uncertainty however discussions with the bank regarding the loan facility have already begun and it's expected that a facility will be negotiated in time for the expiration of the loan in November 2023.

Notes to the Financial Statements

For the year ended 31 December 2021

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 2021 is reported in note 17.

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.

During the year the Charity received the following grants:

National Leisure Recovery Fund (NLRF) payments to support the reopening of leisure centres to the public as government restrictions were lifted during the year.

Coronavirus Job Retention Scheme (CJRS) to cover a portion of employees' wages who were furloughed due to the coronavirus pandemic.

Government Business Grants relating to the retail, hospitality and leisure industries awarded during the lockdown periods.

Notes to the Financial Statements

For the year ended 31 December 2021

1.6 Resources expended

All expenditure 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
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.

Fusion Lifestyle

(A company limited by guarantee)

Notes to the Financial Statements

For the year ended 31 December 2021

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.

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 25 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').

The results of subsidiaries acquired during the year 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 year dealt with in the accounts of the company was a surplus of £710K (2020: £18,499K loss).

Fusion Lifestyle

(A company limited by guarantee)

Notes to the Financial Statements

For the year ended 31 December 2021

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 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.

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 27. With the exception of the pension commitments there are no material judgements or estimates applied in the preparation of these accounts.

3. Income from charitable activities

	Total funds 2021 £000	Total funds 2020 £000
Community sports services	30,760	35,442

4. Investment income

	2021 £000	2020 £000
Deposit account interest	1	2

Fusion Lifestyle

(A company limited by guarantee)

Notes to the Financial Statements

For the year ended 31 December 2021

5. Donation income

	2021 £000	2020 £000
Grant income	10,661	13,251

In 2021 the Group received £4.6M (2020 - £Nil) of grant funding as part of the National Leisure Recovery Fund (NLRF), £3.3M (2020 - £13.2M) of grant funding from the government's Job Retention Scheme (JRS) and £2.7M (2020 - £Nil) of other grants & donations.

6. Other income

	2021 £000	2020 £000
Insurance claim	2,500	-

In 2021, the Group received £2.5M (2020 - £Nil) of income related to a Covid Business Interruption Claim on its insurance policy.

7. Summary by expenditure type

	Staff costs £000	Support costs £000	Direct costs £000	Fixed asset disposal £000	Total funds 2021 £000	(Restated) Total funds 2020 £000
Community sports service	20,511	21,991	1,335	42	43,879	67,647

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

Fusion Lifestyle**(A company limited by guarantee)****Notes to the Financial Statements****For the year ended 31 December 2021****8. Analysis of support and governance costs**

	General support £000	Governance function £000	Total 2021 £000	Total 2020 £000
IT costs	1,514	-	1,514	1,318
Finance costs	1,030	-	1,030	1,664
Marketing materials	690	-	690	637
Administration	3,288	-	3,288	7,190
Other staff related costs	581	-	581	442
Facilities management costs	9,646	-	9,646	10,845
Amortisation	185	-	185	195
Depreciation	5,009	-	5,009	6,667
Auditor Fees	-	48	48	36
Trustee expenses	-	-	-	1
	<u>21,943</u>	<u>48</u>	<u>21,991</u>	<u>28,995</u>

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 £14K in relation to work in the subsidiary companies.

9. Net incoming/(outgoing) resources

This is stated after charging:

	2021 £000	2020 £000
Divestment Costs	-	6,272
COVID secure implementation costs	-	410
Staff restructuring costs	-	1,860
Depreciation of tangible fixed assets:		
- owned by the group	5,009	6,667
Auditor's remuneration:		
- Company	34	30
- Subsidiary	14	6
Amortisation of pre-contract costs	94	105
Amortisation of goodwill	<u>90</u>	90

Fusion Lifestyle

(A company limited by guarantee)

Notes to the Financial Statements

For the year ended 31 December 2021

10. Staff costs

Staff costs were as follows:

	2021	(Restated) 2020
	£000	£000
Wages and salaries	18,641	27,450
Social security costs	1,080	1,437
Other pension costs	790	911
	<u>20,511</u>	<u>29,798</u>
Staff restructuring costs	=	1,860
	<u>20,511</u>	<u>31,658</u>

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

2021	2020
No.	No.
<u>1,331</u>	<u>2,500</u>

In the prior year, the Group incurred staff restructuring costs of £1,860K. This total included ex-gratia payments of £46K and redundancy of £898K.

During the current year, the company entered into further settlement agreements with a staff, which gave rise to ex-gratia payments totalling £259K.

During the year no Trustees received any remuneration (2020 - £Nil) and no Trustees received any benefits in kind (2020 - £Nil). No trustees (2020: two trustees) were reimbursed expenses in respect of trustee meetings amounting to £Nil (2020 - £56).

The number of higher paid employees was:

	2021	2020
	No.	No.
In the band £60,001 - £70,000	5	4
In the band £70,001 - £80,000	4	3
In the band £80,001 - £90,000	2	1
In the band £90,001 - £100,000	1	-
In the band £100,001 - £110,000	-	2
In the band £120,001 - £130,000	2	-
In the band £140,001 - £150,000	1	-
In the band £170,001 - £180,000	1	-
In the band £190,001 - £200,000	-	1

Fusion Lifestyle

(A company limited by guarantee)

Notes to the Financial Statements

For the year ended 31 December 2021

10. Staff costs - continued

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 (2020 - nil).

Total contributions to defined contribution schemes for those higher paid employees included above amounted to £81K (2020 - £82K).

The highest paid employee received remuneration of £242K (2020 - £258K).

The key management personnel of the charity comprise the Trustees, the Chief Executive Officer, the Commercial & Operations Director, and the Director of Finance & Resources. The total employee benefits for these personnel were £675K (2020 - £562K). The Trustees received no remuneration.

11. Intangible fixed assets

Group	Pre contract costs £000	Goodwill £000	Total £000
Cost			
At 1 January 2021	1,390	700	2,090
Additions	-	-	-
Disposals	(3)	-	(3)
At 31 December 2021	<u>1,387</u>	<u>700</u>	<u>2,087</u>
Amortisation			
At 1 January 2021	916	586	1,502
Charge for the year	94	91	185
Disposals	(2)	-	(2)
At 31 December 2021	<u>1,008</u>	<u>677</u>	<u>1,685</u>
Carrying amount			
At 31 December 2021	<u>379</u>	<u>23</u>	<u>402</u>
At 31 December 2020	<u>474</u>	<u>114</u>	<u>588</u>

Fusion Lifestyle

(A company limited by guarantee)

Notes to the Financial Statements

For the year ended 31 December 2021

11. Intangible fixed assets continued

Company	Pre contract costs £000
Cost	
At 1 January 2021	1,391
Additions	-
Disposals	(4)
At 31 December 2021	<u>1,387</u>
Amortisation	
At 1 January 2021	916
Charge for the year	94
Disposals	(2)
At 31 December 2021	<u>1,008</u>
Carrying amount	
At 31 December 2021	<u>379</u>
At 31 December 2020	<u>475</u>

12. Tangible fixed assets

Group	Leasehold improvements £000	Assets in course of construction £000	Motor vehicles £000	Equipment £000	Computer systems £000	Total £000
Cost						
At 1 January 2021	29,072	185	2	22,322	3,277	54,858
Additions	1,337	-	-	605	95	2,037
Transfer of assets completed in year	-	-	-	-	-	-
Disposals	(192)	-	-	(613)	-	(805)
At 31 December 2021	30,217	<u>185</u>	<u>2</u>	<u>22,314</u>	<u>3,372</u>	<u>56,090</u>
Depreciation						
At 1 January 2021	12,365	-	2	16,876	2,716	31,959
Charge for the year	2,197	-	-	2,479	333	5,009
Disposals	(189)	-	-	(575)	-	(764)
At 31 December 2021	<u>14,373</u>	<u>-</u>	<u>2</u>	<u>18,780</u>	<u>3,049</u>	<u>36,204</u>
Net book value						
At 31 December 2021	<u>15,844</u>	<u>185</u>	=	<u>3,534</u>	<u>323</u>	<u>19,886</u>
At 31 December 2020	<u>16,707</u>	<u>185</u>	=	<u>5,446</u>	<u>561</u>	<u>22,899</u>

Fusion Lifestyle

(A company limited by guarantee)

Notes to the Financial Statements

For the year ended 31 December 2021

12. Tangible fixed assets - continued

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

Group	2021 £000	2020 £000
Land and buildings	1,032	1,128
Furniture, fittings and equipment	<u>1,315</u>	<u>1,940</u>
	<u>2,347</u>	<u>3,068</u>

Depreciation charged for the year amounted to £96K (2020 - £98K) and £624K (2020 - £851K) for leasehold improvements and equipment held under finance leases or hire purchase contracts respectively.

Company	Leasehold improvements £000	Assets in course of construction £000	Motor vehicles £000	Equipment £000	Computer systems £000	Total £000
Cost						
At 1 January 2021	28,932	185	2	21,822	3,277	54,218
Additions	1,337	-	-	601	95	2,033
Transfer of assets completed in year	-	-	-	-	-	-
Disposals	(192)	-	-	(613)	-	(805)
At 31 December 2021	<u>30,077</u>	<u>185</u>	<u>2</u>	<u>21,810</u>	<u>3,372</u>	<u>55,446</u>
Depreciation						
At 1 January 2021	12,236	-	2	16,766	2,719	31,723
Charge for the year	2,169	-	-	2,362	333	4,864
Disposals	(189)	-	-	(575)	-	(764)
At 31 December 2021	<u>14,216</u>	<u>-</u>	<u>2</u>	<u>18,553</u>	<u>3,052</u>	<u>35,823</u>
Net book value						
At 31 December 2021	<u>15,861</u>	<u>185</u>	<u>=</u>	<u>3,257</u>	<u>320</u>	<u>19,624</u>
At 31 December 2020	<u>16,696</u>	<u>185</u>	<u>=</u>	<u>5,056</u>	<u>558</u>	<u>22,495</u>

Fusion Lifestyle**(A company limited by guarantee)****Notes to the Financial Statements****For the year ended 31 December 2021****12. Tangible fixed assets - continued**

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

	2021	2020
Company	£000	£000
Land and buildings	1,032	1,128
Furniture, fittings and equipment	<u>1,078</u>	<u>1,625</u>
	<u>2,110</u>	<u>2,753</u>

Depreciation charged for the year amounted to £96K (2020 - £98K) and £548K (2020 - 807K) for leasehold improvements and equipment held under finance leases or hire purchase contracts respectively.

13. Investments in subsidiaries

	Shares in group undertakings £000
Company	
Cost	
At 1 January 2021	729
At 31 December 2021	729

The investment above relates entirely to the Active Life subsidiary.

Subsidiaries

Company name	Country	Percentage Shareholding	Description	Profit/ (Loss) 2021 £000	Net Assets 2021 £000
Virgin Active Management Limited Registered number: 02353684	England	100%	Sports and leisure facilities	nil	nil
Active Life Registered number: 04376721	England	100%	Sports and leisure facilities	18	177

Fusion Lifestyle

(A company limited by guarantee)

Notes to the Financial Statements

For the year ended 31 December 2021

14. Debtors

	<u>Group</u>		<u>Company</u>	
	2021	2020	2021	2020
	£000	£000	£000	£000
Trade debtors	405	965	394	965
Amounts owed by group undertakings	-	-	900	373
Other debtors	122	408	122	408
Prepayments and accrued income	1,793	1,784	1,781	1,784
	<u>2,320</u>	<u>3,157</u>	<u>3,197</u>	<u>3,530</u>

15. Creditors:

Amounts falling due within one year

	<u>Group</u>		<u>Company</u>	
	2021	2020	2021	2020
	£000	£000	£000	£000
Other loans	669	1,065	657	1,015
Net obligations under finance leases and hire purchase contracts	827	1,007	780	952
Trade creditors	3,007	2,640	2,865	2,640
Amounts owed to group undertakings	-	-	-	-
Other taxation and social security	386	1,487	352	1,378
Other creditors	2,609	58	2,516	55
	<u>7,498</u>	<u>6,257</u>	<u>7,170</u>	<u>6,040</u>

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

	<u>Group</u>		<u>Company</u>	
	2021	2020	2021	2020
	£000	£000	£000	£000
Other loans	19,007	19,774	19,007	19,761
Net obligations under finance leases and hire purchase contracts	379	1,121	379	1,074
	<u>19,386</u>	<u>20,895</u>	<u>19,386</u>	<u>20,835</u>

Fusion Lifestyle

(A company limited by guarantee)

Notes to the Financial Statements

For the year ended 31 December 2021

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

Other loans are repayable as follows:

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Less than 1 year	669	1,065	657	1,015
2 to 5 years	14,165	14,750	14,165	14,737
Over 5 years	4,842	5,024	4,842	5,024
Total	19,676	20,839	19,664	20,776

Other loans includes the CBILS (Coronavirus Business Interruption Loan Scheme) funding of £13M which is secured by fixed and floating charges over all the company's assets. The rest of the loan is secured by charges over the company's leasehold interest in certain properties to which the financing has been applied for development purposes.

The CBILS loan is repayable in full November 2023 there are no repayment prior to this date. The other loans are repayable in full on a monthly or quarterly basis with maturity dates ranging between 2021 and 2043.

All of the loans are fixed rate interest. One of the finance leases is floating rate and its outstanding liability at 31st December 2021 was £477K. All the other finance leases are fixed rate with 3 year terms.

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

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£000	£000
Less than 1 year	827	1,007	780	952
2 to 5 years	379	1,121	379	1,074
Over 5 years	-	-	-	-
Total	1,206	2,128	1,159	2,026

Fusion Lifestyle

(A company limited by guarantee)

Notes to the Financial Statements

For the year ended 31 December 2021

17. Accruals and deferred income

	Group		Company	
	(As restated)		(As restated)	
	2021	2020	2021	2020
	£000	£000	£000	£000
Accruals	5,911	8,743	5,519	8,534
Deferred income	313	358	264	358
	6,224	9,101	5,783	8,892

18. Prior Year Adjustment

The accounts prepared for the year ended 31 December 2020 were identified to have not recognised the cost of unutilised annual leave. The comparatives have subsequently been adjusted. The impact of this adjustment on the Group and the Company are as follows:

Group	As previously stated	Prior period adjustment for annual leave accrual	As restated
	£000	£000	£000
Profit and loss account 2020			
Income	48,695	-	48,695
Expenditure			
Staff costs	(30,888)	(770)	(31,658)
Other categories	(35,989)	-	(35,989)
Actuarial losses	(141)	-	(141)
Net movement in funds	(18,323)	(770)	(19,093)
Total funds bought forward	14,453	-	14,453
Total funds carried forward	(3,870)	(770)	(4,640)
Balance sheet as at 31 December 2020			
Unrestricted funds			
General funds – all	(3,165)	(770)	(3,935)
Pension reserve	(705)	-	(705)
Total unrestricted funds	(3,870)	(770)	(4,640)

Fusion Lifestyle

(A company limited by guarantee)

Notes to the Financial Statements

For the year ended 31 December 2021

18. Prior Year Adjustment - continued

The impact of this adjustment is that that both staff costs and the accruals balance from prior year have increased by £770K for the Group. The revised deficit for the group for year ended 31 December 2020 was £19,093K.

Company	As previously stated £000	Prior period adjustment for annual leave accrual £000	As restated £000
Profit and loss account 2020			
Income	45,287	-	45,287
Expenditure			
Staff costs	(28,171)	(559)	(28,730)
Other categories	(34,915)	-	(34,915)
Actuarial losses	(141)	-	(141)
Net movement in funds	(17,940)	(559)	(18,499)
Total funds bought forward	14,284	-	14,284
Total funds carried forward	(3,656)	(559)	(4,215)

Balance sheet as at 31 December 2020

Unrestricted funds			
General funds – all	(2,951)	(559)	(3,510)
Pension reserve	(705)	-	(705)
Total unrestricted funds	(3,656)	(559)	(4,215)

The impact of this adjustment is that that both staff costs and the accruals balance from prior year have increased by £559K for the company. The revised deficit for the Company for year ended 31 December 2020 was £18,499K.

Fusion Lifestyle**(A company limited by guarantee)****Notes to the Financial Statements****For the year ended 31 December 2021****19. Statement of Funds**

Group	(As restated)	Income	Expense	Gains/ (Losses)	Carried Forward
	Brought Forward				
	£000	£000	£000	£000	£000
Unrestricted funds					
General Funds - all	(3,935)	36,004	(35,868)	-	(3,799)
Pension reserve	(705)	-	(93)	594	(204)
Restricted funds					
National Leisure Recovery Fund	-	4,612	(4,612)	-	-
Coronavirus Job Retention Scheme	-	3,306	(3,306)	-	-
	(4,640)	43,922	(43,879)	594	(4,003)

Company	(As restated)	Income	Expense	Gains/ (Losses)	Carried Forward
	Brought Forward				
	£000	£000	£000	£000	£000
Unrestricted funds					
General Funds - all	(3,510)	33,576	(33,367)	-	(3,301)
Pension reserve	(705)	-	(93)	594	(204)
Restricted funds					
National Leisure Recovery Fund	-	4,236	(4,236)	-	-
Coronavirus Job Retention Scheme	-	2,506	(2,506)	-	-
	(4,215)	40,318	(40,202)	594	(3,505)

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

Coronavirus Job Retention Scheme (CJRS)

Government grant income used to cover a portion of the employees' wages who were furloughed due to the coronavirus pandemic.

National Leisure Recovery Fund

UK Government fund to support leisure centre operators reopen following the enforced closures in response to the coronavirus pandemic. The fund is restricted for use towards the costs of running the respective charity's leisure centres where claims were made, including utilities, staff (who have not been furloughed), essential asset maintenance and security costs.

Fusion Lifestyle**(A company limited by guarantee)****Notes to the Financial Statements****For the year ended 31 December 2021****20. Analysis of net assets between funds****Group**

	Unrestricted Funds	Restricted Funds	2021 Funds	2020 Funds
	£000	£000	£000	£000
Fixed Assets	20,288	-	20,288	23,487
Current Assets	9,021	-	9,021	8,831
Current Liabilities	(13,722)	-	(13,722)	(15,358)
Long Term Liabilities	(19,386)	-	(19,386)	(20,895)
Pension Liability	(204)	-	(204)	(705)
Total	(4,003)	-	(4,003)	(4,640)

Company

	Unrestricted Funds	Restricted Funds	2021 Funds	2020 Funds
	£000	£000	£000	£000
Fixed Assets	20,732	-	20,732	23,699
Current Assets	8,191	-	8,191	8,558
Current Liabilities	(12,838)	-	(12,838)	(14,932)
Long Term Liabilities	(19,386)	-	(19,386)	(20,835)
Pension Liability	(204)	-	(204)	(705)
Total	(3,505)	-	(3,505)	(4,215)

Fusion Lifestyle

(A company limited by guarantee)

Notes to the Financial Statements

For the year ended 31 December 2021

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

	2021 £000	(As restated) 2020 £000
Net incoming/(outgoing) resources	637	(19,093)
Movements on defined benefit scheme (incl. actuarial adjustments)	(501)	230
Interest received	(1)	(2)
Interest paid	609	1,215
Amortisation of intangible fixed assets	185	195
Depreciation of tangible fixed assets	5,009	6,667
Loss on disposal of assets (tangible & intangible)	42	5,557
(Increase)/Decrease in stocks	(73)	184
Decrease in debtors	837	383
Decrease/(Increase) in creditors (excl. other loans & hire purchase liabilities)	(1,060)	3,198
Net cash used in operating activities	5,684	(1,466)

22. Analysis of cash and cash equivalents

	2021 £000	2020 £000
Cash in hand	6,628	5,674
Total	6,628	5,674

23. Analysis of changes in net debt

	31.12.2020	Cash Flows	New Finance Leases	Non-Cash Changes Other Non-Cash Changes	31.12.2021
Cash in hand	5,674	954	-	-	6,628
Debt due within one year	(2,072)	576	-	-	(1,496)
Debt due greater than one year	(20,895)	1,509	-	-	(19,386)
	<u>(17,293)</u>	<u>3,039</u>	<u>-</u>	<u>-</u>	<u>(14,254)</u>

Fusion Lifestyle

(A company limited by guarantee)

Notes to the Financial Statements

For the year ended 31 December 2021

24. Contingent liabilities

At the balance sheet date contingent liabilities existed in respect of guarantee and performance bonds amounting to £745k (2020 - £3,040K). The company has taken out insurance cover in respect of these amounts.

25. Operating lease commitments

Total future minimum lease payments under non-cancellable leases:

	2021	2020
	£000	£000
Expiring:		
within 1 year	217	192
between one and five years	1,505	804
in more than 5 years	13,519	13,342
Total	15,241	14,338

26. Capital commitments

The company was committed to the purchase of two new boilers worth £36K as at 31 December 2021 (2020 - £nil).

27. 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 2021 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 2021 the deficit had increased to £427K, which was £204K in excess of the £223K indemnity. The financial statements therefore show a pension liability of £204K.

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 2021 the scheme was valued with a £334K surplus. This surplus is not recoverable by the scheme employer and therefore a nil asset/liability is recognised in these accounts.

Fusion Lifestyle

(A company limited by guarantee)

Notes to the Financial Statements

For the year ended 31 December 2021

27. Pension commitments - continued

The amounts recognised in the Balance sheet are as follows:

	2021 £000	2020 £000
Present value of funded obligations	5,603	6,114
Fair value of scheme assets	5,510	5,255
Deficit in schemes	(93)	(859)
Surplus not recognised in Virgin Active Management	(334)	(69)
	(427)	(928)
Indemnity	223	223
Net liability	(204)	(705)

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

	2021 £000	2020 £000
Service cost	(35)	(33)
Interest on obligation	(12)	(14)
Administration expenses	(46)	(42)
Expected return on scheme assets	-	-
Total	(93)	(89)

Actual return on scheme assets	<u>297</u>	<u>461</u>
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Movements in the present value of the defined benefit obligation were as follows:

	2021 £000	2020 £000
Opening defined benefit obligation	6,114	5,431
Interest cost	79	113
Contributions by scheme participants	4	5
Actuarial losses	(475)	1,132
Benefits paid	(56)	(163)
Experience Gain on defined benefit contribution	(98)	(437)
Current service cost	35	33
Closing defined benefit obligation	<u>(5,603)</u>	<u>6,114</u>

Fusion Lifestyle**(A company limited by guarantee)****Notes to the Financial Statements****For the year ended 31 December 2021****27. Pension commitments continued**

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

	2021 £000	2020 £000
Opening fair value of scheme assets	5,255	4,895
Expected return on assets	13	19
Contributions by employer	63	90
Contributions by scheme participants	4	5
Admin expenses	(53)	(49)
Interest costs	54	80
Return on assets	230	362
Benefits paid	(56)	(163)
Other actuarial gains / (losses)	-	16
	<u>5,510</u>	<u>5,255</u>

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

	2021 %	2020 %
Equities	51.5%	60.1%
Property	8.7%	8.1%
Government bonds	0.5%	0.5%
Cash and other assets	14.1%	10.4%
Other bonds	25.2%	20.9%
	100.0%	100.0%

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

	2021 %	2020 %
Discount rate at 31 December	1.88%	1.33%
Expected return on scheme assets at 31 December	1.88%	1.33%
Future salary increases	3.65%	3.25%
Future pension increases	3.08%	2.73%
Inflation (CPI)	2.80%	2.35%

Fusion Lifestyle

(A company limited by guarantee)

Notes to the Financial Statements

For the year ended 31 December 2021

27. Pension commitments continued

Assumed life expectations from age 65 are:		2021 years	2020 years
Retiring today:	Males	21.9	21.9
	Females	24.1	24.0
Retiring in 20 years:	Males	23.3	23.3
	Females	25.5	25.5

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

Defined benefit pension schemes

	2021 £000	2020 £000	2019 £000	2018 £000	2017 £000
Defined benefit obligation	5,603	(6,114)	(5,432)	(4,671)	(5,269)
Scheme assets	5,510	5,255	4,895	4,266	4,395
Surplus not recognised in Virgin Active Management	(334)	(69)	(162)	(116)	(78)
Deficit	(427)	(928)	(698)	(521)	(952)
Experience adjustments on scheme liabilities	(98)	(437)	-	-	(688)
Experience adjustments on scheme assets	-	-	-	-	-

28. Controlling party

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