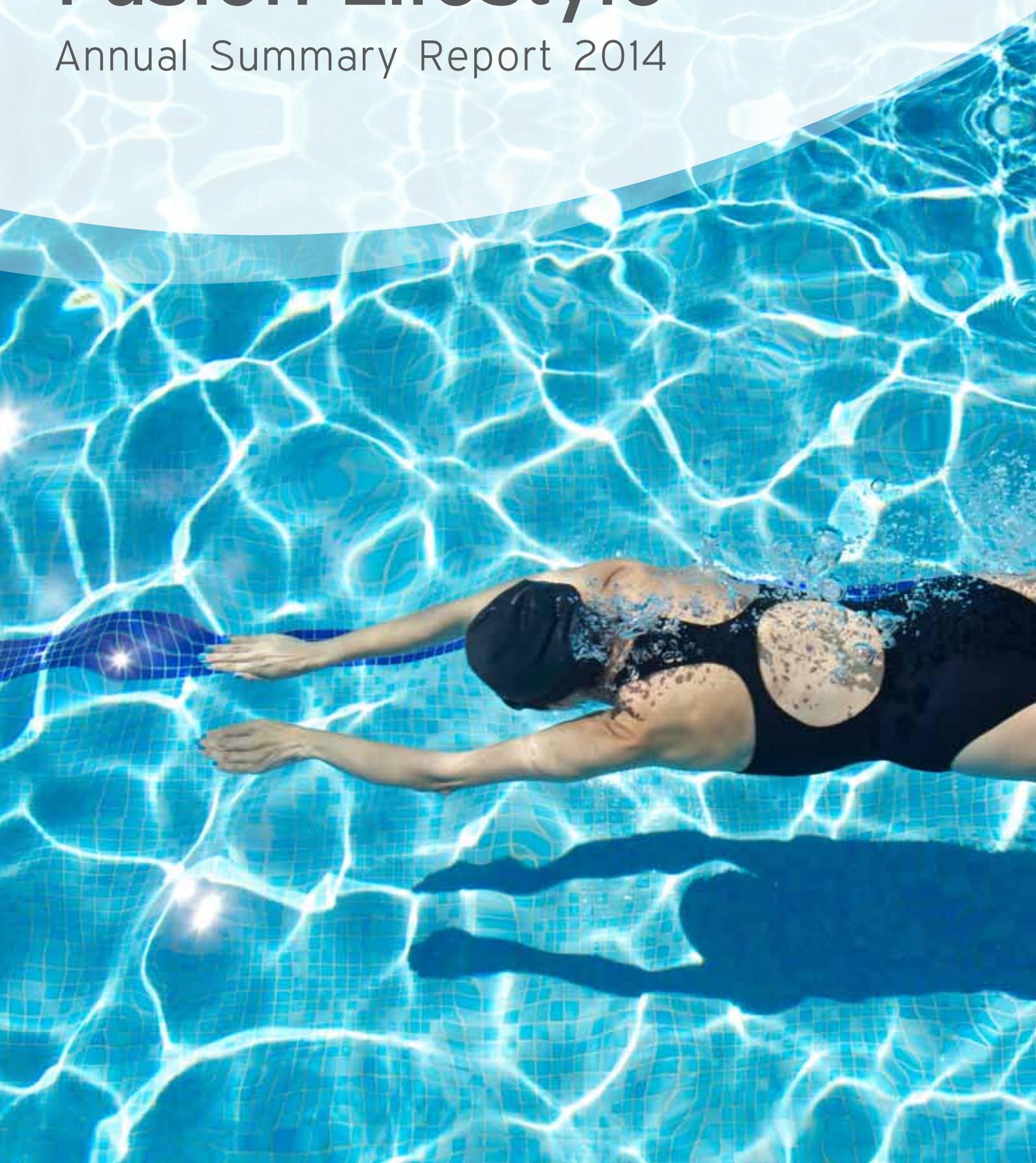


Fusion Lifestyle

Annual Summary Report 2014



Introduction

Fusion has had another year of success and continued growth, increasing turnover by 11% and delivering a surplus in excess of £2.5million.

I am delighted to present this annual report and to reflect on the further positive development of the company.

As ever, like-for-like growth of participation and income in existing facilities is a key driver of success and I am very pleased that we have achieved a 5% increase in like-for-like income and significant increases in all of our participation measures.

We have continued our model of engineering major investments into the refurbishment and redevelopment of our facilities that we manage. This year, Fusion has directly funded £4.7million of capital improvements whilst also designing, building, project managing and operating other investments amounting to over £20million.

Fusion continues to have an ambition for new business and, during 2014, we commenced a new 10-year contract with Bedford Borough Council and entered into a 50-year lease for the redevelopment and long-term management of the New River Stadium in Haringey. In June 2014, Fusion acquired Virgin Active Management Ltd, integrating this new subsidiary into our wider operations in taking over the management of leisure facilities for Rochford District Council. Towards the end of the year, Fusion agreed 50-year leases for five leisure facilities owned by Mendip District Council.

Our sports and community development teams continue to deliver important outcomes and I am particularly proud that Fusion's team's delivering sports development in the London Borough of Hounslow and in the City of London both achieved the 'Excellent' rating in a tough assessment by Sport England's leading national quality scheme, Quest.

Our success does not happen by itself – it is achieved by our staff and I would like to thank them for their efforts. I look forward to working with them to achieve another successful year for Fusion in 2015.

Peter Kay
Chief Executive



MOWSBURY GOLF COURSE, BEDFORD

Mowsbury Golf Course is Fusion's first 18 hole golf course. It also features a newly refurbished floodlit driving range.



NEW RIVER STADIUM

£4m transformation to state of the art sports & fitness facilities on White Hart Lane



londonyouthgames.org

SPORTS DEVELOPMENT WORK

Our sports development teams in Hounslow and the City of London coordinate participation in the London Youth Games



OUTDOOR ACTIVITY CENTRES

Unique outdoor pursuits at Blue Peris Mountain Centre in Snowdonia



OUTDOOR ACTIVITY CENTRES

Water sports at Kempston Outdoor Centre in Bedford



WITHAM LEISURE CENTRE

The brand new Witham Leisure Centre successfully opened in August 2014



NEW ROCHFORD CONTRACT

The Mill Arts and Events Centre is a community-based arts and events venue

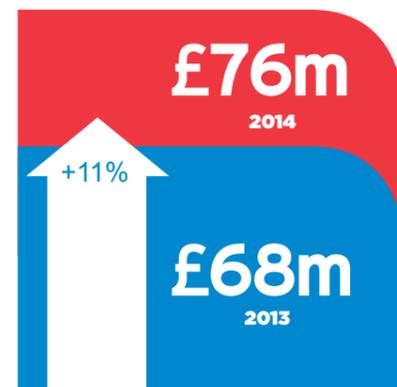
Financial Performance

Fusion has successfully delivered a further year of growth with total turnover increasing by 11% and income received directly from customers increasing by 16%. These increases reflect healthy like-for-like growth at existing sites, the positive impact of investments across 2013 and 2014 and the generation of new business.

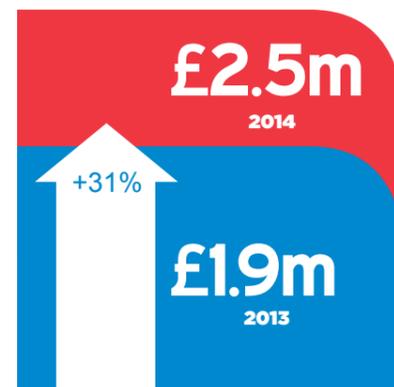
Importantly, the company has maintained operating margins whilst undertaking major restructuring and redevelopment activity in newer contracts.

This has allowed the company to further strengthen its financial position, with cash balances in excess of £6million.

Total Income



Surplus

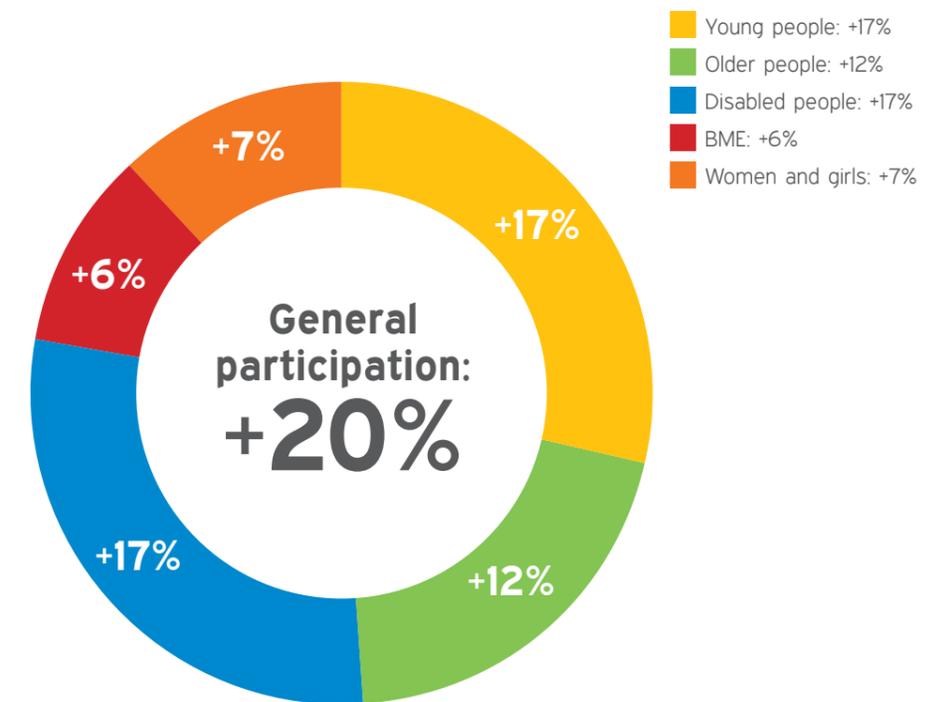


Sports Development and Community Health

Participation

Fusion is committed to the promotion of healthy lifestyles and the encouragement of participation in sport and physical by all sections of the communities in which we work.

Across our portfolio, we have increased general participation levels and participation by members of our target groups.



We have contributed positively to the health of our local communities through a range of schemes and initiatives delivered by Fusion often in association with key partners.

Case Study

Charnwood Health Walks

- in 2014, we delivered over 100 walks with 1,000 attendees;
- we offer three grades of walks, each with differing levels of intensity, so that everyone in the community feels welcome and comfortable participating;
- all of the walks are led by qualified walk leaders and accredited with the Walking4Health scheme;
- the Health walks are supported by the British Heart Foundation, Natural England, the local NHS and Leicestershire and Rutland Sport.



Case Study

Young at Heart, City of London

Young At Heart is a programme targeted at providing people over the age of 50 with opportunities to improve physical and mental health, fitness and wellbeing, through providing 21 hours a week of physical activity, health seminars, wellness events and free quarterly health checks and advice;

- the scheme has evidenced the increase in health benefits associated with physical activity;
- in the last year, 41% of participants had reduced their blood pressure to a normal level and 84% had reduced their BMI;
- key partners include Diabetes UK, British Heart Foundation, City of London Healthwatch, Age UK, Stroke prevention, TLC, City of London Adult Social Care and Walk for Health.



Quest Quality Scheme

Our sports and community development teams are deployed across Fusion's portfolio and play a key role in coordinating our activity. In the London Borough of Hounslow and the City of London, we deliver the entirety of our partners' sports development services and we are particularly pleased that, in 2014, both teams achieved "excellent" accreditation in the Quest Quality Scheme for Sports Development.



People

Apprenticeships

The Fusion Apprenticeship programme is in place to give those who want to pursue a career in leisure that opportunity. Our supernumerary programme began in 2014 and has seen a number of new staff come into the business and develop into knowledgeable, experienced and committed team members, seeing several of them holding Team Leader positions in our centres. The programme has doubled this year and will see 20 new apprentices start a career with Fusion as well as the launch of the 2nd part of the programme which gives further development opportunities to our existing staff.



Leadership and Management Development Programme

The LMDP Level 5 programme is developing our current Operations and Customer Relations Managers for their future roles as General Managers. The programme leads to the award of the Institute of Leadership and Management Level 5 Certificate in Leadership and Management, as well as providing the learner with Fusion's General Manager skills and knowledge.

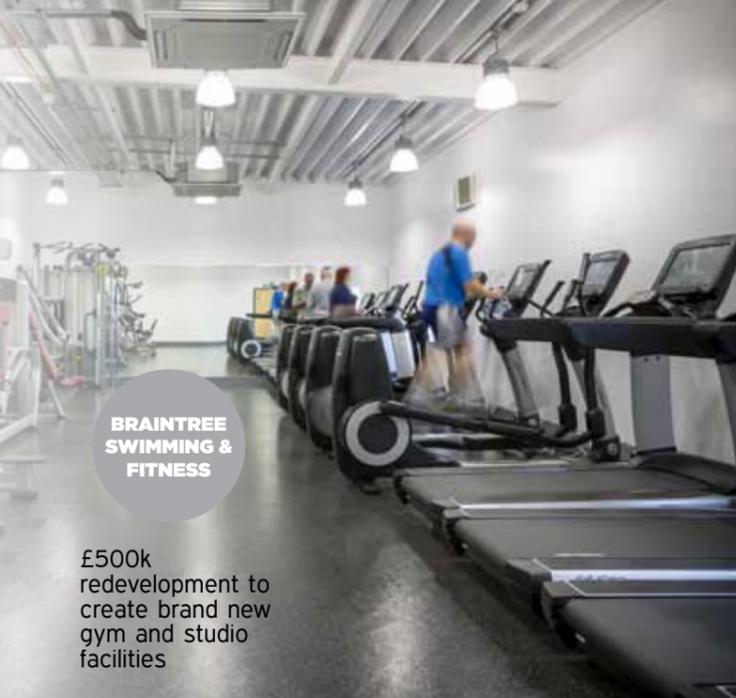




**PARK ROAD
POOLS
& FITNESS**

£8m transformation to modern gym, 3 pools, lido, brand new spa & soft play

Facility Developments



**BRAINTREE
SWIMMING &
FITNESS**

£500k redevelopment to create brand new gym and studio facilities



**TOTTENHAM
GREEN
POOLS &
FITNESS**

£8m redevelopment project delivered a modern gym, 4 new studios, 3 pools, luxurious spa and multi story soft play



**NEW RIVER
SPORT
& FITNESS**

£4m transformation to state of the art indoor and outdoor community sports facility



**HALSTEAD
LEISURE
CENTRE**

£250k redevelopment to create improved gym and studio facilities

Managing our Environmental Impact

Fusion continues to adopt a responsible and proactive approach to the management of energy and environmental impact. Our environmental management system continues to have accreditation under ISO 14001, we have retained our Carbon Gold Saver Standard and we have significantly extended the scope of our regular internal environmental audits.

In 2014, we have undertaken a range of initiatives to deliver improved efficiency.

Case Study

Variable Speed Drives

VSDs work by regulating the speed at which fans and pumps operate

- VSDs were installed in 11 centres in late 2014 and have, so far, delivered a cumulative reduction in electricity consumption of circa 800,000kWh (that's 12%).



Case Study

Biomass Boiler

Biomass is a form of renewable energy that uses woodchip to generate heat

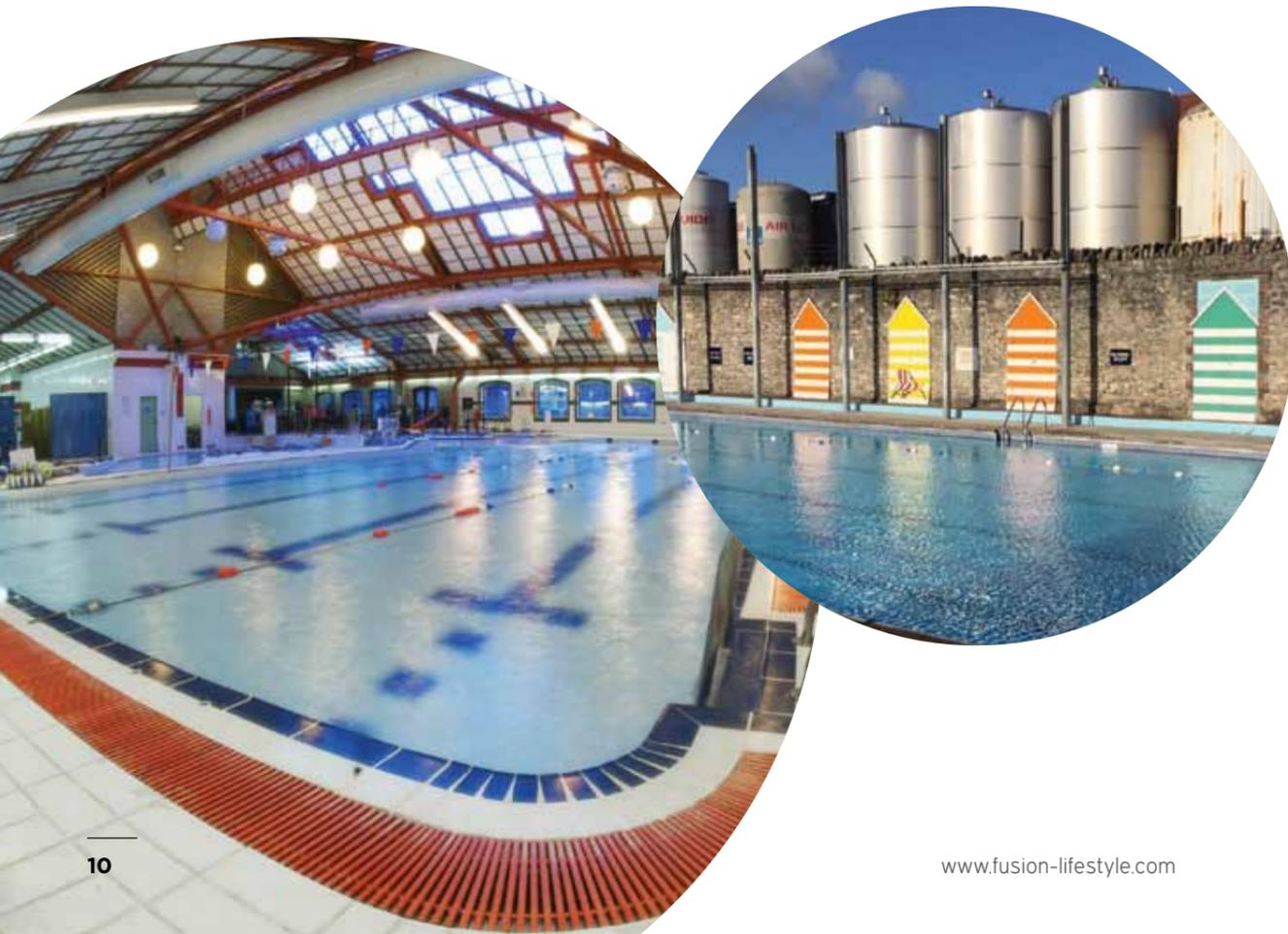
- we have successfully worked in partnership with Oxford City Council to install and operate a biomass boiler in the new Leys Pool and Leisure Centre
- the biomass boiler is anticipated to deliver around 400,000kWh of heat each year, around a third of the total heat demand of the building.



Looking forward to 2015 and beyond

Looking forward to 2015 and beyond, Fusion continues to be a highly ambitious company. We are ambitious to further extend the positive impact of our activities, by delivering ever-improving services to ever-increasing numbers of people. We are determined to ensure that the high quality facilities and services that we offer are inclusive and accessible to all members of the local communities that we serve.

We are keen to explore further opportunities for the development of long-term relationships with local authority and other partners. We believe that our new agreement with Mendip District Council, involving 50-year leases for five leisure facilities, represents a pioneering new approach to community leisure provision.

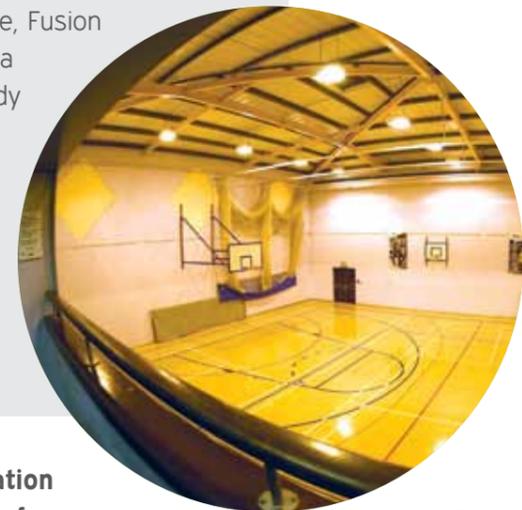


Case Study

Mendip District Council's leisure portfolio comprises 5 facilities (Frome Leisure Centre, Shepton Mallet Outdoor Pool, Strode Swimming Pool, Wells Leisure Centre and Tor Leisure Centre in Glastonbury). Historically, these facilities have required significant annual revenue subsidy and recent condition surveys indicate a significant backlog and lifecycle maintenance requirement over the next few years.

In June 2015, Fusion entered into 50-year full repairing leases for each of the sites. Within the first 3 years of the lease, Fusion will invest circa £3million into the facilities to deliver a series of improvements. By year 5, the annual subsidy will completely disappear and Fusion will pay the Council a small rental for the properties. Fusion's commitment will be to continue to operate the sites as community sports and leisure facilities and, through the application of Fusion's charitable objectives, activities and services will be delivered on an inclusive and accessible basis.

If you would like to know more about the information in this report, please contact Tim Mills, Director of Business Development (tim.mills@fusion-lifestyle.com).



Accreditation



Quest

Fusion achieved for 2014

- Centres with Quest accreditation: 50
- Both of our Sports Development Units achieved 'Excellent' under Quest Sport Development



ISO quality accreditations

- Quality management system ISO 9001
- Occupational health and safety management system BS OHSAS 18001
- Environmental management system ISO 14001



Inclusive Fitness Initiative (IFI)

14 centres are now IFI registered

Our Partners

