Company Name:- Equinox (Eclipse 2006-1) plc

Headline:- Ashbourne Portfolio Whole Loan – Update on the Portfolio

Date:- 18 November 2021

EQUINOX (ECLIPSE 2006-1) PLC

a public limited company incorporated in England and Wales with company registration number 5807977

(the "**Issuer**")

NOTICE TO THE HOLDERS OF

£329,000,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2018
ISIN: XS0259279585

£18,500,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2018
ISIN: XS0259280088

£19,500,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2018
ISIN: XS0259280161

£22,500,000 Class D Commercial Mortgage Backed Floating Rate Notes due 2018
ISIN: XS0259280591

£8,000,000 Class E Commercial Mortgage Backed Floating Rate Notes due 2018
ISIN: XS0259280674

£3,840,000 Class F Commercial Mortgage Backed Floating Rate Notes due 2018
ISIN: XS0259280914

(together, the "**Notes**")

The Notes are admitted to the official list of the Irish Stock Exchange plc and to trading on its regulated market.

Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 (market abuse regulation) requires disclosure by or on behalf of the Issuer of any inside information concerning the Issuer. The EU Market Abuse Regulation (596/2014) requires disclosure of inside information relating to the Issuer.

The Special Servicer has made the following information available to the Issuer. The Issuer notes that it has not been involved in the preparation of this information and in accordance with normal practice, the Issuer expresses no opinion in respect of the information contained in this Notice. Furthermore, this Notice is issued without prejudice to any and all of the Issuer's rights under the Transaction Documents relating to the Notes, all of which are expressly reserved.

This Notice is solely directed to the holders of the Notes ("**Noteholders**") and should not be relied upon or used by any other person.

Please note that, in accordance with normal practice, neither the Trustee nor any of its advisors has been consulted or involved in the formulation or negotiation of the matters contemplated by this Notice or has verified the information contained in any part of this Notice.

Further neither the Trustee nor any of its advisors expresses any opinion as to the merits or purpose of the matters contemplated by this Notice or as to the action the Noteholders should take in relation to them.

Neither the Trustee nor any of its advisors makes any representation regarding the accuracy, sufficiency, relevance or otherwise of any information contained in this Notice or otherwise disclosed or to be disclosed to the Noteholders in connection with the matters contemplated by this Notice or that all relevant information has been disclosed to Noteholders in this Notice or otherwise. Neither the Trustee nor any of its advisors accepts any liability in relation to the matters contemplated by this Notice. Accordingly, the Trustee urges Noteholders who are in any doubt as to the impact of the matters contemplated by this Notice to seek their own independent financial and/or legal advice.

Capitalised terms used but not defined in this Notice shall have the meanings given to them in the Prospectus dated 28 June 2006 issued by the Issuer (the "**Prospectus**").

Background

The Special Servicer refers Noteholders to the RIS announcement relating to the Issuer and released on the Irish Stock Exchange website on 12 August 2021 (the "**12 August Announcement**).

In the 12 August Announcement, the Special Servicer affirmed to Noteholders that, among other things, that in addition to the three closed homes presently being marketed for sale, that fifteen trading care homes are currently being marketed for sale.

The Special Servicer refers Noteholders to the RIS announcement relating to the Issuer and released on the Irish Stock Exchange website on 1 October 2021 (the "**1 October Announcement**").

In the 1 October Announcement, the Special Servicer affirmed to Noteholders that, among other things, that completion had occurred for the sale of a trading care home for a gross consideration of £2.5m.

Update on the Strategy for the Portfolio

To date, since the launch of the piecemeal disposal strategy for the portfolio, fifteen properties marketed as trading care homes have now been sold.

Ultimately, it is the intention of the Special Servicer, working with the Asset Manager and the Operator to continue preparing batches of trading homes for future marketing for sale so that eventually the entire portfolio is sold and recoveries made for the Lenders.

Covid-19

An update on the effects the current Coronavirus outbreak is having on the UK-mainland and Northern Ireland operations is included in the respective trading updates set out in Schedule 1 of the notice.

In terms of the effects on the disposal strategy, the lock-down of the care home sector and specifically the Larchwood Care business, has resulted in any non-essential visits being prohibited.

This in turn has meant that no visits by buyers' advisors (e.g. valuers) have been permitted and hence, the anticipated timeframes for progressing the sales were elongated as a consequence.

As the restrictions have eased, this has enabled the Operators to permit more widespread, third-party access to the properties and this easing supports the continued intention to market further care homes for sale in the next 12 months.

UK-mainland portfolio

Closed properties

Currently, there are five closed properties remaining namely:

a) three (Copper Beeches, Heathmount and Silver Birches, situated on the same site) and following the receipt of the "pre-app" response from the planners on the site, a data-room has been established for use in the sale of the properties and a sales agent has been engaged to undertake the marketing for sale of the site.

   Marketing of the three-property site was completed and an offer accepted. Subsequently, the proximity of Japanese knotweed close to the boundary of the site (& the neighbouring property) precluded the buyer from progressing matters and they withdrew their offer.

   Whilst the presence of the knotweed has historically been managed by a specialist contractor, it is now to be aggressively treated and where possible removed, such that it will permit the re-marketing of the site to commence within the next 3 months.

b) two recently closed care homes located in Droitwich and Huddersfield that were deemed uneconomic to continue operating and also have potential "alternative use" opportunities that could provide enhanced recoveries in a future sale process.

   These properties are currently being reviewed for possible residential redevelopment options, in advance of being marketed for sale.

Below is a summary of the number of closed care homes remaining in the Ashbourne portfolio.

Status	Location	No of homes	For sale	%age for sale	Offer Accepted	In the legal process	Contracts Exchanged
Closed	England	5	0	0%	0	0	0

Once the marketing processes have been launched and the sale of the closed properties develop toward a conclusion, the Special Servicer will update noteholders accordingly.

Trading care homes

Following the completion of the various sales, currently there are four care homes that having been marketed for sale, are now in legal documentation.

Below is a summary of the number of trading care homes remaining in the Ashbourne portfolio.

Status	Location	No of homes	For sale	%age for sale	Offer Accepted	In the legal process	Contracts Exchanged
Trading	England	26	6	23%	4	3	1
"	Scotland	6	1	17%	1	1	0
"	NI	7	7	100%	0	0	0
	Total	39	14	36%	5	4	1

The Special Servicer has chosen not to identify such assets so as not to detract from the future trading and marketing for sale of such businesses, however it will update noteholders as the various disposal processes develop.

For those trading homes that are in the course of legal documentation, approval will be required from the relevant regulator for the proposed change of registration to the proposed new owner, with the latter typically taking up to 26 weeks to conclude.

As the sales processes for the remaining trading care homes develop toward a conclusion, the Special Servicer will update noteholders accordingly.

Going forward, the Special Servicer in conjunction with the Asset Manager and the Operator, will continue to select further batches of care homes to be assessed for possible disposal and thereafter placed with a sales agent for marketing.

Northern Ireland portfolio

A sales agent is currently engaged in the marketing for sale of the seven homes.

Initial interest has been constructive and the sales agent has been instructed to arrange visits to the care homes for the primary bidders, so that they may refine and finalise their bids in due course.

As the marketing process develops including with initial offers, the Special Servicer will update noteholders accordingly.

Larchwood portfolio summary

Below is a summary of the number of care homes remaining in the Ashbourne portfolio, their status (e.g. Closed or Trading) and the number of properties currently being marketed for sale.

Status	Location	No of homes	For sale	%age for sale	Offer Accepted	In the legal process	Contracts Exchanged
Closed	England	5	0	0%	0	0	0
Status	Location	No of homes	For sale	%age for sale	Offer Accepted	In the legal process	Contracts Exchanged
Trading	England	26	6	23%	4	3	1
“	Scotland	6	1	17%	1	1	0
“	NI	7	7	100%	0	0	0
	Total	39	14	36%	5	4	1
	Total	44	14	32%	5	4	1

Trading Update

Similar to the 12 August Announcement, the Special Servicer requested of the Asset Manager and the Operators (HealthCare Management Solutions and Care Circle), that updated trading information on the respective businesses be prepared for disclosure to noteholders.

Such data has now been prepared and verified by the Operators and this is outlined in the attached Schedule 1.

Priority of Payments

As reported in the 12 August Announcement, following the restructure & restatement of the Ashbourne Whole Loan in December 2013, a re-ordering of the priority of payments was concluded.

The Special Servicer considers that it is beneficial to Noteholders to re-affirm such priority of payments and to that end (and for ease of understanding), below is a table showing the existing priority of payments waterfall, under the current Material Non-Payment Default of the Ashbourne Portfolio Whole Loan including those items that rank senior to the repayment of the principal amount outstanding of the Priority A Principal Loan.

The following excerpt of the waterfall as set out in the November 2013 Amended and Restatement Facility Agreement provides a description of (and amounts due) to certain creditors and the order in which any amounts received from the Borrower are applied by the Agent or Security Trustee. Payments subject to the waterfall which rank below the categories set out in the excerpt are not expected to be recovered and so are not included.

All the data therein is as at 18 October 2021 and has been reviewed and confirmed by the Agent as correct.

Rank	Description	Amount Outstanding (£)	Cumulative Amount Outstanding (£)
1st	In or towards payment pro-rata of any due & payable Asset Management Fee (provided that no Asset Management Fee Subordination Event has occurred)	Nil	Nil
2nd	In or towards payment pro-rata of any unpaid fees, costs and expenses of the Agent and Security Trustee under the Finance Documents	Nil	Nil
3rd	In or towards payment pro-rata of:		
(A) *	any accrued interest or commission which has accrued due after 21 November 2013 (the "Effective Date") but is unpaid to the Priority A Lenders; and	Nil	Nil
(B)	any periodic payments (not being as a result of termination or closing out) which have accrued due after the Effective Date but are unpaid to the hedging bank in respect of the Priority A Hedging Liabilities	Nil	Nil
4th	In or towards payment pro-rata of:		
(A) *	interest due but unpaid on the Outstanding Priority A Interest Advance	Nil	Nil

(B) *	interest due but unpaid on the Outstanding Priority A Amortisation Advance	Nil	Nil
(C)	interest due but unpaid on the Outstanding Priority A Hedging Advance; and	Nil	Nil
(D)	interest due but unpaid on the Outstanding LPI Hedging Advance	Nil	Nil
5th	In or towards payment pro-rata of:		
(A) *	the Outstanding Priority A Interest Advance	Nil	Nil
(B)	the Outstanding Priority A Hedging Advance; and	Nil	Nil
(C)	the Outstanding LPI Hedging Advance	Nil	Nil
6th	In or towards payment pro-rata of:		
(A) *	the Outstanding Priority A Amortisation Advance	292,337.43	292,337.43
(B) *	the Outstanding Priority A Principal Advance (including for the avoidance of doubt, any unpaid Priority A Amortisation Payments and unpaid Priority A Amortisation Payments deferred pursuant to Clause 5.1.3 of the November 2013 Amended and Restated Facility Agreement; and	107,076,892.04	107,369,229.47
(C)	Any payments due but unpaid to the hedging Bank as a result of the termination or closing out in respect of the Priority A Hedging Liabilities	Nil	107,369,229.47

For good order and ease of understanding, please note the following definitions:

Asset Management Fee – monthly fee due to the Asset Manager

Agent – The Royal Bank of Scotland PLC

Security Trustee – The Royal Bank of Scotland PLC

Priority A Lenders – Equinox (Eclipse 2006-1) PLC and Hercules (Eclipse 2006-4) PLC

Hedging Advance Lender – The Royal Bank of Scotland

LPI Hedging Advance Lender – The Royal Bank of Scotland

*** -** the claims denoted with an asterisk relate to funds that will flow to the Issuer waterfalls

FURTHER UPDATES

The Special Servicer continues to evaluate various options in relation to maximising recoveries under the Priority A Loan. The Special Servicer will continue to update the Issuer as the process develops.

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Date: 18 November 2021

Schedule 1

Larchwood Care Trading Update

Disclaimer

This interim management statement (the "**Update Statement**") has been prepared by Healthcare Management Solutions Limited ("**HCMS**") and Care Circle Management Limited ("**Care Circle**"), managers of the Operators of the Larchwood Care UK-mainland and Larchwood Care Northern Ireland portfolios respectively.

Larchwood Care is the "trading name" of the care home business that comprises the security for the Ashbourne Portfolio Loan.

Further information can be found on the Larchwood Care websites at:

http://www.larchwoodcare.co.uk/ (UK-mainland portfolio); and

http://www.larchwoodni.com/ (Northern Ireland portfolio)

Nothing in this Update Statement constitutes any financial product, investment, tax, accounting or legal advice or promotion in respect of or any inducement, invitation endorsement or offer to invest or deal in any assets, securities or financial instruments in any jurisdiction. Accordingly any person in receipt of this Update Statement should not rely on or use this Update Statement for any purpose, in particular trading any debt or securities issued by any entity.

This Update Statement may include certain projections and forward looking statements. Such projections and forward looking statements reflect various assumptions of Care Circle, HCMS or their advisers concerning future performance and are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Care Circle and HCMS. Accordingly, there can be no assurance that such projections or forward looking statements will be realised. Actual results may vary from anticipated results and such variations may be material.

The statements included in this Update Statement have not been audited or independently verified and are management estimates. No responsibility or liability is or will be accepted by Care Circle, HCMS or any other party, or any of their respective officers, affiliates, advisers, agents and representatives, in relation to the accuracy or completeness of this Update Statement or any other written or oral information made available to any person in receipt of these materials and any such liability is expressly disclaimed.

Neither Care Circle, HCMS, nor any of its respective officers, affiliates, advisers, agents or representatives undertakes any obligation to update any of the information contained in this Update Statement or to correct any inaccuracies herein which may become apparent.

Larchwood (UK Mainland Portfolio)

Unaudited trading statement as at 30 September 2021

Introduction

Note that this trading statement should be read in conjunction with the previous trading updates provided in the Notices to Noteholders dated 14 June 2017, 15 November 2017, 19 February 2018, 30 May 2018, 31 August 2018, 18 December 2018, 1 March 2019, 21 May 2019, 23 August 2019, 15 November 2019, 17 February 2020, 20 May 2020, 17 August 2020, 20 November 2020, 18 February 2021, 11 May 2021, and 12 August 2021.

As detailed previously, eight homes were sold during the 12 months to 30 June 2021 being Chaplin Lodge and Memory House (both 17 July 2020), Willow Brook (22 December 2020), Nether Hall (29 January 2021), Laureate Court (8 February 2021), White Rose (29 March 2021), St Mary's (6 April 2021) and Nayland House (25 June 2021).

In addition, the sales of Sowerby (4 August 2021) and Ty Dinas (9 August 2021) completed in the three months to 30 September 2021.

Furthermore, the closure of three homes (Bryan Wood, Ravenstone and Rose Martha) commenced in August 2021 and had been completed, or predominantly completed, by 30 September 2021.

The results for the thirteen homes detailed above have been excluded from the figures in this update, therefore all results and KPIs are presented on a like for like (LFL) basis.

Therefore, unless otherwise stated, the figures in this update only include the results for the 32 homes ('the Homes') that were trading (and not in the course of closure) as at 30 September 2021.

As and when further homes are sold or closed, the results from these homes will be excluded from the figures in the future updates with adjustments made to the LFL figures as required.

Summary Financial Performance – 3 months to September 2021

The trading results and main KPI's for the three months to September 2021 are summarised as follows:

	LFL Adjusted 3 months to 30-Sep-20 £'m	**LFL Adjusted** 3 months to 30-Jun-21 £'m	**LFL Adjusted** 3 months to 30-Sep-21 £'m	Variance to Like For Like quarter in prior year £'m	Variance to prior quarter £'m
Fee Income	13.83	12.59	12.90	(0.93)	0.31
Staff Costs	(8.04)	(8.52)	(7.80)	0.24	0.72
Operating Costs	(0.69)	(0.63)	(0.66)	0.03	(0.03)
Indirect Costs	(1.48)	(1.53)	(1.55)	(0.07)	(0.02)
EBITDARM	**3.62**	**1.91**	**2.89**	**(0.73)**	**0.98**
KPIs					
Usable Beds	1,508	1,508	1,508	-	-
Average occupancy	1,282	1,173	1,186	(96)	13
Average occupancy (%)	85.0%	77.8%	78.6%	(6.4%)	0.8%
Spot occupancy at period-end	1,288	1,180	1,213	(75)	33
Spot occupancy at period-end (%)	85.4%	78.2%	80.4%	(5.0%)	2.2%
Average weekly fee	795	813	824	29	11
CAPEX	0.84	1.11	0.69	(0.15)	(0.42)
Staff costs as a % of Fee Income	58.1%	67.7%	60.5%	(2.4%)	(7.2%)

Notes:
EBITDARM means earnings before Operator Central Costs, interest costs, tax, depreciation, amortisation, License Fee, the Management Fee, the Incentive Fee (if applicable)

Note that the quarter to September was the last quarter of the financial year in both 2020 and 2021. In both of these quarters, adjustments were processed for year-end accounting purposes, an element of which related to prior quarters.

In the quarter to September 2021, the principal year-end adjustment made was the write back of an accrual for £589,000 made for holiday pay relating to staff at the 32 homes open as at 30 September 2021.

Before accounting for this adjustment, the base EBITDARM from the Homes in the quarter to September 2021 was c.£2.30 million.

Whilst State funding had been accounted for by the Group in respect of Covid-19 financial assistance in all the quarters presented, this funding has been excluded from the figures in the table above. The impact of Covid-19 has meant that meaningful comparisons with prior periods are almost impossible to draw.

The increases in staffing costs associated with managing these unprecedented challenges, the increased costs of supplies, reductions in occupancy and compensatory support payments all add to these difficulties. In addition, an element of the funding received is being used to invest into capital projects that have been initiated in respect of infection control; the recognition of this element of the funding as income would be misleading.

We have therefore taken a simplistic view and excluded Covid-19 Financial Assistance from the results and whilst this does not eradicate the distortion, it is seen as a practical way of allowing some comparisons to be made between quarters. However, we would urge caution in drawing any firm conclusions for the reasons set out above.

Covid-19

Covid-19 continued to have an impact on the Homes during the quarter to 30 September 2021.

The number of clients requiring isolation remained steady throughout the quarter with the majority of those being for new admissions or hospital discharges. The number of positive Covid-19 cases totalled 204 across the quarter to September 2021.

However, there were no deaths from these positive cases and the overall level of deaths at the Homes in the quarter to 30 September 2021 was slightly lower than the comparative period in 2020 (down 18).

The number of staff who had received the double vaccination improved over the period from 71.4% to 89.0%. By the end of the quarter the number of staff that had refused vaccination for non-medical reasons was 66 (125 at the end of the previous quarter) and 24 were medically exempt although we expect this to rise once the arrangements for recording exemptions are announced.

The recent changes to regulation making Covid-19 vaccination mandatory for all care home staff has necessitated that 12 employees were given notice that their employment terminated on the 11 November 2021. This represents 0.8% of the Larchwood workforce.

Restrictions on the numbers of visitors to the Homes and the infection control requirements that they are subject to have not been subject to change in the period and both staff and visitors are managing the process effectively. We have continued to be cautious, particularly in areas where variants of concern have been prevalent, and we have retained measures to reduce footfall in homes wherever possible.

The management of key suppliers and contractors to maintain essential supplies and competitive pricing has been a major focus often requiring daily input from the management team. Maintenance of food and medical supplies (excluding PPE) has been particularly problematic as has securing provision of planned preventative maintenance checks.

Occupancy

On a LFL basis for the 32 homes in the portfolio as at 30 September 2021, occupancy increased by 33 clients in the quarter to September 2021.

Occupancy built throughout the quarter ending at 1,213 clients at 30 September 2021 representing occupancy on useable beds of 80.4%.

The average level of admissions for the quarter on a weekly basis was up c.7.1% on the previous quarter. However, when comparing it to the same quarter in 2019 (2020 having been distorted by the impact of the Covid-19 pandemic), admissions were c.9% lower in the quarter to September 2021 on a LFL basis. This highlights that, whilst there has been an improvement in the level of admissions quarter on quarter, the level achieved was lower than would have been expected in this quarter before the onset of Covid-19.

Post quarter-end, occupancy had increased by 3 clients by 31 October 2021 (excluding the reductions arising from the final closures of Bryan Wood and Ravenstone during October).

We anticipate that occupancy should start to increase once there is further easing of the Covid-19 restrictions and CQC inspectors are able to visit homes on a more regular basis

The Carehome.co.uk score for the group remains strong at 9.4.

Average Weekly Fees

Average weekly fees for the quarter to 30 September 2021 were £824 compared to the previous quarter average of £813, an increase of £11 per week (1.4%).

Fee increases for all service users generally occur on 1 April each year. The status of the increases for 2021 is as follows:

- English LA's – these fee increases will not be formally agreed (or received) for several months following the commencement of the new financial year. To date, 29 out of 48 English Local Authorities (LAs) have communicated their rate increase; these rates apply to c.44% of Larchwood's LA residents. The average increase to date has been c.2.69% against the budget of 3%.

  Note that of the 48 LAs included in the above analysis, a significant number relate to 'out of area' placements and only cover a small number of clients.

  Note that these increases are not reflected in the management accounts until confirmed and thus an element of the impact for the current quarter of these increases will not be recorded in the accounts until the December 2021 quarter.

- Scottish LA's – One rate covers the whole of Scotland and is agreed centrally. In this regard, members of the providers group (Scottish Care) voted to accept an increase in the annual nursing fee of 3.00% and the residential fee of 2.85%.

- Self-funder fee increases this year have averaged 7%, the number of clients paying top-ups has fallen from 97 to 95 over the quarter to 30 September 2021 whilst in the same period there was an increase in the number of self-funders from 333 to 357.

Costs

Overall staff costs decreased c.8.5% quarter on quarter in absolute terms. However, as detailed above, September is the financial year-end for the Group and a material year-end adjustment was made to the accounts which is reflected in the figures disclosed.

Before the inclusion of this year-end adjustment, staff costs decreased by c.£130,000 (1.6%) in absolute terms quarter on quarter.

Agency hours used increased from an average of 2,421 per week in the June 2021 quarter to 3,428 in the September 2021 quarter, an increase of c.42%. This increase was driven by a number of factors including increased staff absence over the summer holiday period and the hardening of the recruitment market.

Operating Costs remained stable quarter on quarter at c.£6 per resident day. PPE is still being provided free of charge by the government as one of the measures to tackle the spread of Covid-19.

Indirect Costs increased c.£20,000 quarter on quarter as decreases in utility and travel costs were offset by increases in water rates, repairs & maintenance and insurance costs.

Compliance

A summary of the compliance grades for the Homes (on a country-by-country basis) is detailed below:

England:

Grade	31-Jul-20	31-Oct-20	9-Feb-21	30-Apr-21	9-Aug-21	31-Oct-21
Outstanding	1	1	1	1	1	1
Good	26	26	25	22	21	19
Requires Improvement	6	6	6	8	7	6
Inadequate	2	2	-	-	-	-
Total	35	35	32	31	29	26
Compliant %	77.1%	77.1%	81.2%	74.2%	75.9%	76.9%
Note: Homes are removed from the above analysis as and when they are closed or sold. As such this table excludes Rose Martha, Ravenstone and Bryan Wood for the final column.						

Scotland:

Average Grade	31-Jul-20	31-Oct-20	9-Feb-21	30-Apr-21	9-Aug-21	31-Oct-21
6	-	-	-	-	-	-
5	1	1	1	1	1	1
4	4	4	4	4	4	4
3	1	1	1	1	1	1
2	-	-	-	-	-	-
1	-	-	-	-	-	-
Note: Homes are inspected across five areas, each being awarded a grade as follows: 1–Unsatisfactory, 2–Weak, 3–Adequate, 4–Good, 5–Very Good, 6–Excellent. The Average Grade is the mean average of the five scores.						

As at 31 October 2021, 20 (76.9%) of the 26 English homes (those regulated by the CQC) were rated ‘Outstanding’ or ‘Good’.

As part of their response to the pandemic, the CQC has significantly curtailed their inspection activity and comprehensive inspections have been rare. As a result of this, no inspection reports have been published since our previous update. Changes in the distribution of ratings is therefore because of closures and sales.

HCMS continues to hold regular planned meetings with the CQC national provider relationship team and these meetings continue to be positive.

In respect of the Scottish homes, no full inspections have occurred since our last update.

Capex

During the quarter to September 2021, total Capex of c.£690,000 was invested into the portfolio. For the twelve months to 30 September 2021, Capex on the 32 homes totalled £3.04 million.

Based upon the average number of usable beds in the year (1,508) this equates to a run-rate of £2,015 Capex per usable bed per annum; this includes an element of catch-up Capex following the low level of Capex investment during the initial months of the Covid-19 pandemic.

As part of the budgeting procedures for the year to September 2022, a full assessment of the Capex needs of the Homes has been carried out and the works identified will be undertaken in the next 12 months.

The Capex detailed above was in addition to the c.£1,200 per usable bed spent on planned and preventative maintenance and general repairs in the year to 30 September 2021.

Closed and Sold Homes

At the start of the quarter to 30 September 2020, the portfolio stood at 45 trading homes.

Since that date, the following homes have closed and/or been sold:

- Chaplin Lodge and Memory House were sold as going concerns in July 2020
- Willow Brook closed in December 2020 following which the home was sold later that month
- Nether Hall was sold as a going concern in January 2021
- Laureate Court was sold as a going concern in February 2021
- White Rose was sold as a going concern in March 2021
- St Mary's was sold as a going concern in April 2021
- Nayland House was sold as a going concern in June 2021
- Sowerby and Ty Dinas were sold as going concerns in August 2021
- The closures of Bryan Wood, Ravenstone and Rose Martha Court were commenced in August 2021
    - The closure of Rose Martha completed in September 2021 and this home was sold in October 2021
    - The closures of Bryan Wood and Ravenstone completed in October 2021

Therefore, as at 30 September 2021, the number of homes that were open and trading normally was 32. Unless stated otherwise, the figures in this update, only cover these 32 homes; they don't include any of the sold or closing homes.

<u>Summary Financial Performance – 12 months to September 2021</u>

The trading results and main KPI's for the twelve months to September 2021 for the 32 homes open in the year to 30 September 2021 (compared to the year to June 2021) are summarised as follows:

	LFL Adjusted 12 months to 30-Jun-21 £'m	**LFL Adjusted** 12 months to 30-Sep-21 £'m	Variance £'m
Fee Income	51.33	50.40	(0.93)
Staff Costs	(33.80)	(33.56)	0.24
Operating Costs	(2.66)	(2.63)	0.03
Indirect Costs	(6.11)	(6.18)	(0.07)
EBITDARM	**8.76**	**8.03**	**(0.73)**
KPIs			
Usable Beds	1,508	1,508	-
Average occupancy	1,234	1,210	(24)
Average occupancy (%)	81.8%	80.2%	(1.6%)
Spot occupancy at period-end	1,180	1,213	33
Spot occupancy at period-end (%)	78.2%	80.4%	2.2%
Average weekly fee	783	791	8
CAPEX	3.19	3.04	(0.15)
Staff costs as a % of Fee Income	65.8%	66.6%	0.8%

As with the table on page one, while State funding has been received by the Group in respect of Covid-19 financial assistance up to 30 September 2021, this funding has been excluded from the figures in the table above.

Five homes in the 32-home portfolio were loss-making in the twelve months to September 2021 before accounting for any Covid-19 financial assistance; across these five facilities, the gross annual EBITDARM loss was c.£0.54 million.

Excluding these loss-making homes, the EBITDARM for the remaining 27 homes was c.£8.57 million (pre Covid-19 funding) for the twelve months to September 2021.

Overall Outlook

We continue to be of the view that occupancy rates will return to pre-pandemic levels but that this is unlikely to be before the end of 2022.

Pressure on recruitment and retention of staff has significantly increased due to the combination of Covid-19 fatigue and wage inflation. We have seen a very small impact on staff turnover of the mandating of vaccinations, however uptake of vaccine boosters (which is not mandated) is slower than we would like.

Recruitment of both permanent and bank staff is very challenging. Providers who can demonstrate flexible and responsive working environments and reward packages should be better placed to capture the dwindling pool of talent available until the market corrects itself. Larchwood Care has reviewed terms and conditions and pay rates in all homes and where it is financially viable, we have made improvements, however central funding will need to flow down through increased fee rates, above the rate of inflation, if this is to be sustained and extended.

The continuation of the Infection Prevention and Control Fund until March 2022 (at the least) and the provision of free PPE should mitigate some of the pressure on indirect costs.

The strategy of the CQC (England) and Care Inspectorate (Scotland) in respect of home inspections is to focus on high-risk services only and not on time specific routine reviews. Whilst there is merit in this from the Regulators perspective at provider level, it will mean that the only inspections that take place are more likely to result in a deterioration in grading (given the service has already been deemed to be high risk) and the opportunity to improve a service sat on a ‘Requires Improvement’ or ‘Good’ rating will be severely limited.

Unaudited trading statement as at 30 September 2021

Introduction

Note that this trading statement should be read in conjunction with the previous trading updates provided in the Notices to Noteholders dated 14 June 2017, 15 November 2017, 19 February 2018, 30 May 2018, 31 August 2018, 18 December 2018, 1 March 2019, 21 May 2019, 23 August 2019, 15 November 2019, 17 February 2020, 20 May 2020, 17 August 2020, 20 November 2020, 18 February 2021, 11 May 2021 and 12 August 2021.

Unless otherwise stated, the figures in this update are presented on a Like For Like ('LFL') basis. Over the period covering the results presented below, seven homes ('the Homes') were in the portfolio which is consistent with our previous updates.

As detailed in previous updates, Greenhaw Lodge was closed at the start of November 2020 in order to undertake some urgent remedial works to the property. The home re-opened on 16 June 2021 under the name Oakleaves Care Centre. This home is referred to as 'Oakleaves' throughout this update.

The results in the table below include the full results for each of the quarters for Oakleaves even though the home didn't trade between the end of October 2020 and the 16 June 2021. The impact of this closure on certain of the KPIs is detailed throughout this update.

The 'Other Income' included in the table below represents the amounts received for loss of income to 30 September 2021 that have been paid by the business interruption insurers in respect of the claim for the closure of Oakleaves.

Summary Financial Performance – 3 months to September 2021

The trading results and main KPIs for the three months to September 2021 are summarised as follows:

	3 mths to 30-Sep-20 £'m	3 mths to 30-Jun-21 £'m	3 mths to 30-Sep-21 £'m	Variance to LFL quarter in prior year £'m	Variance to prior quarter £'m
Fee Income	3.60	3.19	3.67	0.07	0.48
Other Income	-	0.18	0.25	0.25	0.07
Staff Costs	(2.38)	(2.25)	(2.46)	(0.08)	(0.21)
Operating Costs	(0.21)	(0.17)	(0.20)	0.01	(0.03)
Indirect Costs	(0.18)	(0.28)	(0.26)	(0.08)	0.02
EBITDARM	**0.83**	**0.67**	**1.00**	**0.17**	**0.33**
KPIs					
Usable Beds	323	288	323	-	35
Average Occupancy	307	259	287	(20)	28
Average Occupancy %	95.0%	89.9%	88.9%	(6.1%)	(1.0%)
Spot occupancy at quarter-end	307	270	303	(4)	33
Spot occupancy at quarter-end %	95.0%	83.6%	93.8%	(1.2%)	10.2%
Average weekly fee	£892	£948	£972	£80	£24
CAPEX (£'m)	0.08	0.29	0.23	0.15	(0.06)
Staff costs as a % of Fee Income	66.1%	70.5%	67.0%	(0.9%)	3.5%

Notes:
Other Income represents the monies received from insurers in respect of the Business Interruption claim in respect of Oakleaves
EBITDARM means earnings before Operator Central Costs, interest costs, tax, depreciation, amortisation, License Fee, the Management Fee, the Incentive Fee (if applicable)
Spot occupancy at quarter-end % is based on the number of usable beds at the quarter end, not the average number for the quarter

Overall, EBITDARM for the quarter to 30 September 2021 represented an increase of c.£330,000 from the previous quarter principally driven by:

- Increased occupancy and AWF at the six homes excluding Oakleaves
- An improvement of c.£270,000 in the EBITDARM reported from Oakleaves driven by the fact that the home was open for the full quarter and the fact that more monies were received in respect of the Business Interruption claim for the home in the quarter to 30 September 2021 than in the quarter to 30 June 2021

Covid-19 financial assistance of c.£160,000 was received in the quarter, an increase from the figure of c.£100,000 received in the prior quarter. These monies (for both quarters) are included in Fee Income in the above table. No Covid-19 financial assistance monies were received in the quarter to 30 September 2020.

Before accounting for Covid-19 financial assistance, LFL EBITDARM increased by c.£270,000 quarter on quarter.

The increase in usable beds from the quarter to 30 June 2021 is driven by the fact that Oakleaves reopened for the final two weeks of the prior quarter compared to the current quarter when it had been open for the entire quarter (albeit building occupancy during the period).

The quarter-on-quarter decrease in Average Occupancy % between the quarter to June 2021 and the quarter to September 2021, reported in the table above, is somewhat of an anomaly driven by the reopening of Oakleaves. Excluding Oakleaves, the Average Occupancy % for the remaining six homes increased from 91.5% for the quarter to 30 June 2021 to 94.0% for the quarter to 30 September 2021.

Covid-19

With Covid-19 restrictions easing and social contacts increasing into the summer months, there was a noted rise in Covid-19 transmission within the general population throughout the quarter. Coupled with this, the Department of Health progressed the Pathway to Normalised Visiting mid-August to encourage increased contact between residents and their loved ones. Visiting guidelines now permit up to four individuals at each visit, twice per week.

The Homes, while welcoming visitors, have continued to enforce additional control measures including the testing of non-Care Partners at the point of each visit and encouraging remote visiting and care partner arrangements where feasible.

Additionally, increased access by other health professionals has been noted with the normalisation of reviews, medical input and vaccination teams. In the last quarter, outbreaks occurred in a number of Homes including Culmore, Oakleaves, Glebe, Apple Blossom Lodge and Melmount Manor; the majority of these outbreaks have been caused by staff only positive cases whereby two staff testing positive in a 14-day period is classified as an outbreak. Unfortunately, at Melmount Manor and Apple Blossom Lodge, three resident deaths resulted from these outbreaks.

Occupancy

Across the quarter, occupancy increased by 33 clients, ending the quarter at 303 clients. Of this improvement, an increase of 19 clients arose at Oakleaves following its re-opening on 16 June 2021; this home ended the quarter at 31 clients.

The remaining increase of 14 clients arose across the other six homes. It is pleasing to note that, as at 30 September 2021, the occupancy of these six homes (excluding Oakleaves) on a home-by-home basis all stood at 90% or higher.

Occupancy has increased month-on-month during the quarter and returning to pre-pandemic levels. With furlough coming to an end, many families returned to normal work pressures and were therefore no longer able to manage relatives at home.

Post quarter end, occupancy has continued to improve, closing at 308 clients as at the end of the second week of November 2021.

In the quarter, the average ratings for the homes on the CareHome.co.uk website was 9.5.

Average Weekly Fees

The overall average weekly fee for the quarter was £972 which was an increase of £24 (2.5%) on the previous quarter.

Note that the figures for both quarters are inflated by the Covid-19 financial assistance monies which were included in Fee Income in each of the quarters. Before accounting for these monies, average weekly fees for the quarter to 30 September 2021 were £931, an increase of £12 on the figure reported for the previous quarter (also adjusted for Covid-19 funding).

Pre any Covid-19 funding, the average weekly fee for nursing clients was £999 for the quarter (previous quarter £975) whilst for residential clients the average weekly fee was £641 (previous quarter £641).

Fee increases on 1 April 2021 were as follows:

- Nursing rates across all five Trust areas increased by 3.00% (2020: 4.75%)
- Residential rates across all five Trust areas increased by 3.00%. (2020: 5.00%)
- Self-funders increased in line with the Trust increases above depending on the care category; these increases took effect from 1 June 2021.

The proportion of self-funded clients remains the same with approximately 8% of beds across the Group being self-funded.

Costs

Whilst staff costs increased by c.£210,000 (9.3%) on the previous quarter, this was partly driven by the fact that Oakleaves was closed for the majority of the June quarter but was trading for whole of the September quarter. Over half of the quarter-on-quarter variance arose as a result of this.

A further reason for the quarter-on-quarter increase is that the September quarter is a day longer than the June quarter.

Despite the increase in staff costs, they fell, as a percentage of fee income, by 3.5 percentage points quarter-on-quarter.

During the quarter to September 2021, agency costs were c.£140,000, a material increase on the cost incurred in the previous quarter. This increase was driven by the number of staff isolating following the various outbreaks that occurred in the fourth wave of the virus in NI, the normal annual leave requirement over the summer months together with coverage for ongoing staff vacancies.

Recruitment remains challenging, with the shortage of nurses still a major factor. Care assistant recruitment has also been challenging as has been reported across all areas of the UK in the sector.

The pay rates for those employed in Health and Social care has been highlighted recently in the media and unions are pushing for Living Wage rates for staff rather than Minimum Wage rates. This can only be addressed when the larger issues around the Social Care funding model are dealt with.

Operating Costs were c.£7.77 per resident day in the quarter to September 2021 (a 5.8% increase on the quarter to June 2021) due to Covid-19 related increased PPE and cleaning costs.

Overheads were marginally lower than the previous quarter with no material fluctuations across the cost categories.

Compliance and Quality

A total of 3 RQIA inspections occurred in the quarter to 30 September 2021.

A pharmacy inspection took place in Melmount Manor and assessed that the systems and processes in place provided a framework in which medication management and administration was of a good standard. A follow up care inspection occurred in Melmount Manor and, from the previously stated actions, ten were assessed as met and two partially met. It was noted that Melmount Manor was providing safe and effective care in a compassionate manner and the team was being well-led.

The final inspection within the period occurred at Kingsland Care Centre and the focus of the inspection was pharmacy and medication management. The inspection reported that overall medications were administered in line with prescribed instructions. Two previous areas for improvement were assessed as compliant with three new areas for improvement noted. These have since been actioned and addressed and relevant practices have been reviewed accordingly.

Oakleaves Capex

As detailed in our previous update, the remedial works at Oakleaves were completed at the end of May and the home re-opened on 16 June 2021 following the approval of the RQIA and Western Health & Social Care Trust.

The final quantum of the agreed insurance claim was c.£0.4 million and all of the monies due under the claim have now been received. Note that the amount spent on the works covered by the insurance claim are not included in the Capex figure in the table at the start of this update.

Of the Capex spent in the quarter reported, c.£30,000 related to the final tranche of payments for the Oakleaves remedial Capex. All payments have now been made in respect of this work.

In addition to the claim under the property insurance, a claim has been made under the business interruption insurance and further payments of £250,000 were received in the quarter to 30 September 2021. This brings the total received in respect of the claim to £780,000.

No further amounts are expected to be received in respect of this claim.

Other Capex

In the quarter to September 2021, c.£200,000 was spent on 'non Oakleaves' Capex. This includes c.£100,000 on some further replumbing works at Melmount Manor.

Over the past 12 months, c.£1,225 has been spent on average per effective bed across the Homes (excluding the Oakleaves Capex detailed above).

Capex projects have continued post quarter end with new boilers for Melmount Manor and the upgrade of the car park at Kingsland being the two largest projects committed to post quarter end.

Summary Financial Performance – 12 months to September 2021

The trading results and main KPI's for the twelve months to September 2021 for the Homes (compared to the twelve months to June 2021) are summarised as follows:

	12 mths to 30-Jun-21 £'m	12 mths to 30-Sep-21 £'m	Variance £'m
Fee Income	13.01	13.08	0.07
Other Income	0.53	0.78	0.25
Staff Costs	(9.17)	(9.25)	(0.08)
Operating Costs	(0.74)	(0.73)	0.01
Indirect Costs	(0.95)	(1.03)	(0.08)
EBITDARM	**2.68**	**2.85**	**0.17**
KPIs			
Usable Beds	297	297	(0)
Average Occupancy	269	265	(4)
Average Occupancy %	90.6%	89.2%	(1.4%)
Spot occupancy at year-end	270	303	33
Spot occupancy at year-end %	83.6%	93.8%	10.2%
Average weekly fee	£926	£946	£20
CAPEX (£'m)	0.67	0.82	0.15
Staff costs as a % of revenue	70.5%	70.7%	(0.2%)

The EBITDARM generation in the twelve months to September 2021 represents c.21.8% of turnover (an increase of 1.2 percentage points when compared to the twelve months to June 2021). On a home-by-home basis (excluding Oakleaves), EBITDARM generation ranged from 14.1% to 35.3% in the twelve months to September 2021.

Overall Outlook

The current pay rates of Health & Social Care staff continue to be a discussion point. Unions are pushing for recognition of the contribution that care staff have made throughout the pandemic and are expecting large increases in pay rates for their members accordingly.

As it is, the increase in the National Living Wage that will be implemented on 1 April 2022 represents an increase of 6.6%. When this is compared to the Trust fee rate increases of 3% received in 2021, it highlights the increased financial stress that the market is likely to have to endure moving forward.

The increase in National Insurance rates which is to take effect from April 2022, will affect all staff throughout the Homes and particularly those on lower incomes. Everyone will feel the effect of this increase with less money to spend each month.

The shortage of nursing and care staff is also a contributory factor in the current wage inflation and competing with the pay rates on offer from the agencies continues to be a challenge. More staff are looking to reduce their hours to allow their weekly wage to be supplemented via agency work. Agency costs for the Group are likely to increase as a result.

Costs for ongoing maintenance and repairs are also increasing, as the effect of wage inflation is affecting all sectors in the marketplace. Utility costs are continuing to rise as are food costs as certain supply lines are being affected. Higher cleaning costs remain, plus certain contract costs are also rising, such as offensive and clinical waste. Construction costs are also increasing for smaller repairs such as flooring, decorating, and plumbing. Therefore, smaller jobs that are required across the Homes are becoming more expensive.