Company Name:-	Equinox (Eclipse 2006-1) plc
Headline:-	Ashbourne Portfolio Whole Loan – Update on the Portfolio
Date:-	17 August 2022

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 16 May 2022 (the "**16 May Announcement**).

In the 16 May Announcement, the Special Servicer affirmed to Noteholders that, among other things, that nineteen trading care homes and one closed care home 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 19 May 2022 (the "**19 May Announcement**").

In the 19 May 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 £950,000.

The Special Servicer refers Noteholders to the RIS announcement relating to the Issuer and released on the Irish Stock Exchange website on 4 July 2022 (the "**4 July Announcement**").

In the 4 July 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 £1.21m.

Update on the Strategy for the Portfolio

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

In addition, fourteen properties marketed as closed care homes have now been sold.

Currently, sixteen trading care homes and three closed care homes are being marketed for sale.

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 during 2020/21, resulted in any non-essential visits being prohibited.

This in turn meant that no visits by buyers' advisors (e.g. valuers) were 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 seven 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, likely towards the end of the summer period.

b) a closed care home located in Droitwich that was deemed uneconomic to continue operating and has potential "alternative use" opportunities that could provide enhanced recoveries in a future sale process.

   This property is currently being reviewed for possible residential redevelopment options, in advance of being marketed for sale.

c) a closed care home located in Huddersfield that was deemed uneconomic to continue operating and which having been marketed for sale, is currently under offer and in the legal process.

d) a closed care home located in Huddersfield that was deemed uneconomic to continue operating, which is currently being marketed for sale.

e) a closed care home located near Glasgow that was deemed uneconomic to continue operating, which is currently 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	6	2	33%	1	1	0
"	Scotland	1	1	100%	0	0	0
	Total	7	3	43%	1	1	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	22	8	36%	4	4	0
"	Scotland	5	1	20%	1	1	1
"	NI	7	7	100%	0	0	0
	Total	34	16	47%	5	5	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 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

As previously disclosed, following the conclusion of the marketing process, the primary bidders completed visits to the care homes, to enable them to refine and ultimately finalise their bids.

Following receipt of best & final bids, a preferred bidder (which is an existing owner and operator of care homes in the province) was selected to proceed to the second phase of due diligence, toward eventually completing the acquisition of the portfolio.

Whilst the preferred bidder commenced its due diligence, the funder supporting the acquisition withdrew from the transaction, for reasons entirely outside of the control of the preferred bidder, the Special Servicer or the Borrower and unconnected to the portfolio itself.

The sales agent is continuing to pursue the interest previously expressed in the portfolio and other avenues of interest, as we consider that a sale of the entire business, compared to individual home sales, will maximise recoveries to the lenders.

The Northern Ireland portfolio continues to operate at consistently high levels of occupancy and EBITDARM generation, as evidenced by the most recent quarterly trading update herein.

As the renewed marketing process develops, 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	6	2	33%	1	1	0
“	Scotland	1	1	100%	0	0	0
		7	3	43%	1	1	0
Status	Location	No of homes	For sale	%age for sale	Offer Accepted	In the legal process	Contracts Exchanged
Trading	England	22	8	36%	4	4	0
“	Scotland	5	1	20%	1	1	1
“	NI	7	7	100%	0	0	0
	Total	34	16	47%	5	5	1
	Total	41	19	46%	6	6	1

Trading Update

Similar to the 16 May 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 16 May 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 July 2022 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	283,770.99	283,770.99
(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	103,939,188.35	104,222,959.34
(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	104,222,959.34

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.

Special Servicer Contact:

BCMGlobal London Limited
6th Floor, 65 Gresham Street
London EC2V 7NQ
E-mail: rob.hook@bcmglobal.com

By:

Equinox (ECLIPSE 2006-1) plc
1 Bartholomew Lane
London EC2N 2AX
(in its capacity as Issuer)

cc:

BNY Mellon Corporate Trustee Services Limited
One Canada Square
London E14 5AL
(in its capacity as Trustee)

Date: 17 August 2022

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 June 2022

Introduction

Note that this trading statement should be read in conjunction with the previous trading updates provided in the Notices to Noteholders, with the most recent being dated 16 May 2022.

In addition to the seven homes sold as going concerns during the 12 months to 31 December 2021, no closures or sales took place in the quarter to March 2022, however a further three homes closed or were sold in the quarter to June 2022 these being Alwoodleigh (closed May 2022), Swan House (sold May 2022) and Wordsworth House (sold June 2022).

Broomfield closed in July 2022 and Abbey Place was sold in July 2022.

The results and KPIs for the homes detailed above, excluding Broomfield and Abbey Place, 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 29 homes ('the Homes') that were trading, and not in the course of closure, as at 30 June 2022.

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 June 2022

The trading results and main KPI's for the three months to June 2022 are summarised as follows:

	LFL Adjusted	**LFL Adjusted**	**LFL Adjusted**	Variance to Like For Like quarter in prior year	Variance to prior quarter
	3 months to 30-Jun-21 £'m	3 months to 31-Mar-22 £'m	3 months to 30-Jun-22 £'m	£'m	£'m
Fee Income	11.16	11.37	12.66	1.50	1.29
Staff Costs	(7.47)	(8.06)	(8.43)	(0.96)	(0.37)
Operating Costs	(0.57)	(0.61)	(0.65)	(0.08)	(0.04)
Indirect Costs	(1.33)	(1.54)	(1.70)	(0.37)	(0.16)
EBITDARM	**1.80**	**1.16**	**1. 89**	**0.09**	**0.73**
KPIs					
Usable Beds	1,339	1,339	1,339	-	-
Average occupancy	1,055	1,062	1,093	38	31
Average occupancy (%)	78.8%	79.3%	81.5%	2.7%	2.2%
Spot occupancy at period-end	1,061	1,081	1,091	30	10
Spot occupancy at period-end (%)	79.2%	80.7%	81.5%	2.3%	0.8%
Average weekly fee	813	810	890	77	80
CAPEX	0.96	0.52	0.63	(0.33)	0.11
Staff costs as a % of Fee Income	66.9%	70.1%	66.6%	(0.3%)	(3.5%)

Notes:
EBITDARM means earnings before Operator Central Costs, interest costs, tax, depreciation, amortisation, License Fee, the Management Fee, the Incentive Fee (if applicable)
The calculation of Average Weekly Fee throughout this update excludes non Covid-19 'Other Income' which is included in the Fee Income figures included in the table above

EBITDARM increased by c.£0.73 million (62.9%) quarter-on-quarter principally as a result of the sale and closure of homes that produced a negative EBITDARM contribution previously.

It should be noted that whilst average fee has increased by £80 (9.9%) and occupancy has also improved quarter-on-quarter, staffing costs have risen correspondingly by £370,000 (4.6%) in part due to the Covid-19 support for English homes, ceasing from 1 April 2022, combined with increases in both direct and indirect costs and, as a consequence, further benefits have not been seen at EBITDARM level.

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 challenges, the increasing costs of supplies, and reducing compensatory support payments all add to the pressure on margins. In addition, an element of the funding received has been 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.

Note that the main source of Covid-19 financial assistance historically received by the Group, being grants from the Infection Control Fund received by the English homes, ceased from 1 April 2022. As such, limited mitigation will be available moving forward to offset the adverse impacts of Covid-19 on the future trading results.

Covid-19

Covid-19 continued to have an impact on the Homes during the quarter to 30 June 2022.

Despite changes in the way Covid-19 is being managed within the wider population, individual Directors of Public Health (DPH) are tasked with deciding what action should be taken to mitigate the risks of an outbreak in any given care home, an outbreak being defined as two or more persons testing positive within the resident or staff group.

With Covid-19 cases rising significantly during the period, the incidences of outbreaks in the homes has risen. In recognising this, some directors have taken the view that local transmission rates and other risks mean that a home can continue to take admissions, whilst others however have taken a stricter view and closed homes to admissions. This decision is solely at the behest of the DPH.

For the homes in England, a closure period of 14 days from the last positive test was the typical period albeit, on a home-by-home basis, management has risk-assessed the situation and, where appropriate, attempts have been made with the DPH to agree a reduced period of closure.

Despite this, the spot occupancy at 24 July 2022 was 81.7% demonstrating an improving trend and reflecting the sale and closure of poorer performing services.

On average, the number of days that each home was closed to admissions was 5.8 days in April, 2.2 days in May and less than a day in June 2022.

In terms of the impact on the residents, hospital admissions were not required in the main as the high level of vaccination in the client population helped keep serious illness largely at bay and there were no Covid-19 related deaths reported in the quarter.

Community transmission of the Omicron variant significantly impacted the staff team. In June 2022, the Homes had up to 4.5% of staff isolating at any one point in time and the average maximum percentage of staff absent due to mandated isolation was 2.3%.

The number of staff who had received the double vaccination improved from 95.2% at the start of the quarter to 95.4% at 30 June 2022. Excluding those medically exempt, the percentage increased to 96.9%.

Restrictions on the numbers of visitors to the Homes were introduced during the pandemic and at various points these restrictions were adjusted in line with the prevailing rates of transmission and case numbers. During this quarter there have been no restrictions on visiting and the general emphasis has been that unless a home is in an outbreak situation, people should be allowed unfettered access to a care home. This has proved challenging for staff in respect of ensuring strong infection control measures are able to be enforced, however it is accepted that there have been improvements in terms of resident and relative satisfaction following the strains of the previous two years.

Pressure on the supply chain for all our suppliers and contractors continues however the active management of our procurement arrangements has meant we have limited the direct impact of this on our homes. PPE supplies in Scotland are not free of charge as they are in England. All homes in Scotland saw PPE costs remaining high in this quarter.

From 1 April 2022, Covid-19 support ceased in England, although it remained in place until 30 June 2022 in Scotland. We are continuing to pay staff forced to self-isolate in line with our main competitors and will keep this position under monthly review.

Occupancy

On a LFL basis for the 29 homes in the portfolio as at 30 June 2022, average occupancy for the quarter increased by 31 clients compared to the quarter to 31 March 2022.

Significant resource continues to be placed into marketing the services and, in particular the use of social media which is seen as a key element of marketing in the market sector that the Larchwood homes appeals to. As part of this, management has continued with the programme of producing professional videos for the services and publicising significant events at the homes. As a result the traffic to the homes Facebook pages continues to grow. In June the number of people reached increased by 44% compared to May 2022 with posts reaching c.184,000 people, the second highest monthly number in the past 12 months, despite the reduction in the number of services.

The Carehome.co.uk score for the group remains strong at 9.3 however this is lower than previously reported (9.4) and a consequence of fewer, rather than poorer, reviews being received. Management is taking action to encourage homes to seek more reviews which will assist in improving the rating score.

Average Weekly Fees

Average weekly fees for the quarter to 30 June 2022 were £890 compared to the previous quarter average of £810, a significant increase of £80 per week (9.9%). This is reflective of the April increase and of the adjustments made for home sales and closures.

Fee increases for all clients generally occur on 1 April each year. The status of the increases for 2022 is as follows:

- English Local Authorities' (LAs) – these fee increases will not be formally agreed (or received) for several months following the commencement of the new financial year. To date, 13 out of 19 English LAs, where there is a significant LA contract in place, have communicated their rate increase; these rates apply to c.62% of Larchwood's main LA clients.

- The average increase to date has been c.7.5% for nursing rates and c.6.9% for residential rates against the budget of 4.0% and 3.7% respectively.

- 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 5.38% and the residential fee of 5.6%.

- Self-funder fee increases averaged c.12%. The number of clients paying top-ups has decreased from 62 to 49 over the quarter to 30 June 2022, often where top-ups have been consolidated into new fee rates. In the same period the number of self-funders increased from 326 clients to 348 clients.

Costs

Overall staff costs reduced as a percentage of fee income by c.3.5% quarter-on-quarter in absolute terms as a function of the significant fee increases seen between the quarters.

As indicated above, the Group continues to pay staff who are required to isolate for Covid-19 reasons. This policy will remain under review.

Agency usage in the quarter averaged c.5,500 hours per week, an increase of c.3.7% on the previous quarter. We are unlikely to see a significant downturn in agency costs in the next quarter due to the impact of summer annual leave demands and the continued recruitment difficulties.

Management has continued with its programme of staff events along with other initiatives including welcome bonuses, a refer a friend scheme, employee recognition schemes, staff videos for our website and social media platforms, and additional re-branding of marketing products for recruitment shows. There is a nationwide trend towards staff moving to working for agencies rather than taking permanent employment. It is felt that this is not purely driven by rate (in many cases the agency rates paid to the staff are little different from permanent rates being offered), however the flexibility that it offers appears to be a significant factor.

Open days re-commenced in April following the easing of Covid-19 restrictions. Travel allowances, weekend and night enhancements and flexible contracts have all been used where our intelligence indicates that these would have a positive impact.

Operating Costs increased by c.6.6% from the previous quarter, rising to c.£6.88 per client day. This was mainly driven by the inflationary pressures that are being experienced on food and other direct costs.

Indirect Costs increased c.£160,000 quarter-on-quarter. The increase was not related to any specific cost area but reflected general costs increases across the board.

Compliance

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

England:

Grade	30-Apr-21	9-Aug-21	31-Oct-21	31-Jan-22	31-May-22	24-Jul-22
Outstanding	1	1	1	1	1	1
Good	22	21	19	20	20	19
Requires Improvement	8	7	6	5	3	2
Inadequate	-	-	-	-	-	-
Total	31	29	26	26	24	22

Compliant %	74.2%	75.9%	76.9%	80.8%	87.5%	90.9%
Note: Homes are removed from the above analysis as and when they are closed or sold. Alwoodleigh and Swan House has been removed from following the respective closure and sale in May 2022 and Wordsworth House from June 2022.						

Scotland:

Average Grade	30-Apr-21	9-Aug-21	31-Oct-21	31-Jan-22	10-May-22	24-Jul-22
6	-	-	-	-	-	-
5	1	1	1	1	1	1
4	4	4	4	4	3	3
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 24 July 2022, 20 (90.9%) of the 22 English homes (those regulated by the CQC) were rated 'Outstanding' or 'Good'.

No changes in the grades of the English homes have occurred since our last report. It is expected that routine CQC inspections will increase over the coming months; however, the focus of the inspections is likely to be on homes that the CQC deem are more of a concern.

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, two inspections have occurred since our last update, both improving individual ratings however retaining the same overall average rating.

Capex

During the quarter to June 2022, total Capex of c.£630,000 was invested into the Homes. For the twelve months to 30 June 2022, Capex on the 29 homes totalled £2.12 million.

Based upon the average number of usable beds (1,339) in the year to 30 June 2022, this equates to a run-rate of c.£1,583 Capex per usable bed per annum.

As part of the budgeting procedures for the year to September 2022, a full assessment of the Capex needs of the Homes was carried out which indicated a Capex budget for the full year of c.£4.2 million. The run rate of the Capex spend over the last six months has been slower than budgeted due to continuing Covid-19 restrictions at some of the Homes and the shortage of contractors due to the increased demand for them following the pandemic.

The Capex detailed above was in addition to the c.£1,250 per usable bed spent on planned and preventative maintenance and general repairs in the year to 30 June 2022.

Closed and Sold Homes

At the start of the quarter to 31 March 2021, the portfolio stood at 42 trading homes.

Since that date, the following homes have closed (or are in the course of closure) and/or been sold:

- 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 House and Ty Dinas were sold as going concerns in August 2021
- Rose Martha Court closure completed in September 2021 and the home was sold in October 2021
- Bryan Wood and Ravenstone closure completed in October 2021
- Alwoodleigh closure completed in May 2022
- Swan House and Wordsworth House were sold as going concerns in May 2022
- Broomfield closure completed in July 2022
- Abbey Place was sold as a going concern in July 2022

Therefore, as at 30 June 2022, the number of homes that were open and trading normally was 29. Unless stated otherwise, the results and KPIs in this update only cover these 29 homes; they do not include any of the sold or closing homes.

Summary Financial Performance – 12 months to June 2022

The trading results and main KPI's for the twelve months to June 2022 for the 29 homes open in the year to 30 June 2022 (compared to the year to March 2022) are summarised as follows:

	LFL Adjusted	**LFL Adjusted**	
	12 months to 31-Mar-22 £'m	12 months to 30-Jun-22 £'m	Variance £'m
Fee Income	45.89	47.40	1.51
Staff Costs	(29.90)	(31.00)	(1.10)
Operating Costs	(2.37)	(2.45)	(0.08)
Indirect Costs	(5.89)	(6.26)	(0.37)
EBITDARM	**7.73**	**7.68**	**(0.05)**
KPIs			
Usable Beds	1,339	1,339	-
Average occupancy	1,069	1,078	9
Average occupancy (%)	79.9%	80.5%	0.6%
Spot occupancy at period-end	1,081	1,091	10
Spot occupancy at period-end (%)	80.7%	81.5%	0.8%
Average weekly fee	866.1	885.7	19.6
CAPEX	2.60	2.12	(0.48)
Staff costs as a % of Fee Income	65.2%	65.4%	0.2%

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 31 March 2022, this funding has been excluded from the figures in the table above.

Three homes in the 29-home portfolio were loss-making in the twelve months to June 2022 before accounting for any Covid-19 financial assistance; across these three facilities, the gross annual EBITDARM loss was c.£0.37 million.

Excluding these loss-making homes, the EBITDARM for the remaining 26 homes was c.£7.5 million (pre Covid-19 funding) for the twelve months to June 2022.

Overall Outlook

As previously reported, we continue to be of the view that occupancy rates will return to pre-pandemic levels in time but that this is unlikely to be before the end of 2022. Now that Covid-19 funding has ended, we would expect restrictions suffered during lockdown to ease, the speed of which will determine how rapidly occupancy grows.

Pressure on recruitment and retention of staff continues to be a daily pressure on the business. Inflation currently stands at 9.4% with some predictions putting it reaching as high as 15% by 2023. This will only result in further difficulties around recruiting and retaining staff if fee increases do not cover this.

Although a resurgence of Covid-19 has resulted in outbreaks being declared in a number of services throughout the period, these have slowly reduced in number as the local DPH have adopted a more risk-based approach. Self-isolation periods have reduced, and this has improved absence levels however in some areas, the prevalence of agency has increased. We believe that higher pay, flexible working and less accountability and responsibility, are all playing a part in this. We expect that pressures on staff recruitment and wage inflation will continue for the rest of 2022.

There is significant pressure on indirect costs with most cost lines seeing significant inflationary increases.

Heat & light costs have increased by unprecedented amounts in businesses as they are not subject to any price cap. Energy suppliers are increasing business prices by far more than the prices for consumers due to the lack of restrictions and the Russia Ukraine conflict.

The Group is not suffering the price hikes some providers are seeing. Although the contracts are on an individual home basis, the Group were able to secure energy prices under contract prior to the material increases experienced over the last few months. This should protect the homes from any significant increases this financial year.

With regard to fee increases, overall, Local Authorities have implemented increases that are above those seen in prior years although they varied from LA to LA. We are in dialogue with LA commissioners about the impact of the inflationary increases however, while most acknowledge the pressures none have, as yet offered anything tangible by way of support.

The strategy of the CQC (England) and Care Inspectorate (Scotland) in respect of home inspections is to focus on high-risk services only based upon intelligence gathered from a variety of sources and not on time specific routine reviews. No inspections have taken place during the quarter that resulted in rating changes.

Larchwood (Northern Ireland Portfolio)

Unaudited trading statement as at 30 June 2022

Introduction

Note that this trading statement should be read in conjunction with the previous trading updates provided in the Notices to Noteholders, the most recent being dated 16 May 2022.

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 in each of the quarters 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 June 2022

The trading results and main KPIs for the three months to 30th June 2022 are summarised as follows:

	3 mths to 30-Jun-21 £'m	3 mths to 31-Mar-22 £'m	3 mths to 30-Jun-22 £'m	Variance to LFL quarter in prior year £'m	Variance to prior quarter £'m
Fee Income	3.19	3.81	4.16	0.97	0.35
Other Income	0.18	0.04	-	(0.18)	(0.04)
Staff Costs	(2.25)	(2.59)	(2.62)	(0.37)	(0.03)
Operating Costs	(0.17)	(0.20)	(0.21)	(0.04)	(0.01)
Indirect Costs	(0.28)	(0.39)	(0.34)	(0.06)	0.05
EBITDARM	**0.67**	**0.67**	**0.99**	**0.32**	**0.32**
KPIs					
Usable Beds – average for quarter	288	323	323	35	-
Usable Beds – at quarter-end	288	323	323	35	-
Average Occupancy for quarter	259	304	313	54	9
Average Occupancy for quarter %	89.9%	94.1%	96.9%	7%	2.8%
Spot occupancy at quarter-end	270	309	314	44	5
Spot occupancy at quarter-end %	83.6%	95.7%	97.2%	13.6%	1.5%
Average weekly fee	£948	£976	£1,023	£75	£47
CAPEX (£'m)	0.29	0.07	0.05	(0.24)	(0.02)
Staff costs as a % of Fee Income	70.5%	68%	62.9%	(7.6%)	(5.1%)

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
The average weekly fee and staff costs % are stated before accounting for 'Other Income'

Overall, EBITDARM for the quarter to 30 June 2022 represented a considerable increase of c.£320,000 from the previous quarter driven by:

- 2.8% increase in occupancy quarter to quarter
- A £47 per week increase in the level of average weekly fee as a result of the increase in Covid funding coupled with greater occupancy across the Group.
- An increase of £110,000 Covid-19 financial assistance with an Energy Costs Grant.
- An increase of c.£30,000 in staff costs quarter on quarter as a result of 91 days in the quarter to June, an additional working day compared to the previous quarter to March 2022.
- An increase in operating costs of c.£10,000 quarter on quarter as a result of inflationary pressure on provisions, medical supplies and incontinence products.
- A decrease of c.£50,000 in indirect costs as a result of lower utility costs in the milder temperatures.

Covid-19 financial assistance of c.£192,000 was received in the quarter, a considerable increase from the figure of c.£82,000 received in the prior quarter. The increase from last quarter related to the Energy Cost grants received of £111,000. These monies (for both quarters) are included in Fee Income in the above table.

The business interruption insurance claim for Oakleaves Care Centre has completed. No further funds are to be received (previous quarter £43,600). All previous insurance funds received have been fully accounted for in the table above.

Note that Oakleaves was closed for most of the quarter to June 2021 and thus the results presented for that quarter in the table above are not comparable to the results for the quarters to March 2022 and June 2022. The closure of Oakleaves is the reason there is a difference between the number of usable beds for the quarter to 30 June 2021 compared to the number in use for the quarters to 31 March 2022 and 30 June 2022.

Covid-19

Prioritising safety for residents remains the central focus for all Homes. Transmission rates were noted to be significantly lower than the previous quarter in April and May, although in the month of June an increase in infections perhaps due to the good weather, was more evident. This impacted upon some staff teams across the Group. It is worth noting that the effect was much more limited than at other times in previous years.

Visiting restrictions were further eased during this quarter and although some control measures remain in place, visiting has returned close to pre-pandemic arrangements.

PCR Testing has now ceased as a result of the directive received from the Public Health Agency. However, as a provider we are continuing with the safeguard of lateral flow testing of all staff on a daily basis across the Group. Lateral flow testing of both contractors and visitors upon arrival at the Homes is also continuing as well as testing of any symptomatic residents.

Occupancy

Across the quarter, occupancy increased by 5 clients, ending the quarter at 314 clients equivalent to 97.2% of effective beds.

In April, occupancy increased quickly by 2.5% from the end of last quarter. Most Homes in the group were fully occupied early in April and fluctuations occurred thereafter through natural attrition and planned discharges. Occupancy in May and June remained fairly static with an overall increase on the previous quarter of 2.8%.

Post quarter end, occupancy has continued to improve in a positive trajectory with 321 clients (99.3%) across the Homes as of the 8 August 2022. Oakleaves occupancy has improved further this quarter with 41 clients at 97.6%. Demand for beds across the Group remains strong.

The current average rating for the Homes on the CareHome.co.uk website is 9.6 (previous quarter 9.5).

There are now two Homes included within the top 10 listings of Care Homes in all of Northern Ireland. Two further Homes are now included within the top 20 and three remaining Homes are within the top 30 care Homes in Northern Ireland.

Average Weekly Fees

The overall average weekly fee for the quarter was £1,023 which was an increase of £47 (4.8%) on the previous quarter.

As detailed earlier in this update, 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 June 2022 were £976, an increase of £21 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 £1,023 for the quarter (previous quarter £1,019) whilst for residential clients the average weekly fee was £674 (previous quarter £671).

As reported in a prior update, in December 2021, an additional increase was announced, which was effective for the period from 1 November 2021 to 31 March 2022, of 3.2% for nursing care fees and 4.6% for residential care fees.

These additional fees were paid on the proviso that care home operators uplifted their employees' pay to a minimum of £9.50 per hour from 1 November 2021. This, in effect, brought forward the National Living Wage rate uplift which occurred on 1 April 2022.

The Health Trusts announced a further increase effective from 1st April 2022, of 1.8% for Nursing care fees and 1.3% for Residential Care Fees. In summary the 2021/22 tariffs rates will increase by 5% for Nursing fees and 5.9% for Residential fees.

The proportion of self-funded clients remains the same with approximately 7% of beds across the Group being self-funded.

Costs

Staff costs increased by c.£30,000 on the previous quarter, due to an extra working day in the quarter to June 2022, 91 days in total.

Agency costs as a percentage of staff costs, for the quarter reduced by 2.13% upon the previous quarter with monthly agency usage for the quarter to June 2022 averaging at 4.9% of staff costs. During the previous quarter to March 2022, agency costs were c.£182,000 this spend reduced to c.£128,000 in the quarter to June 2022.

Recruitment has been successful in a number of the Homes and we are continuing to make progress in this area. As a result, there has been some additional associated expenditure on uniforms, staff training and staff induction.

Operating Costs were c.£7.43 per resident day in the quarter to June 2022, a 0.5% reduction on the quarter to March 2022 (£7.47).

Overheads were c.£66,000 lower than the previous quarter with the largest decreases being in the spend on utilities of £76,000. Some of these savings were then offset by increased spending on repairs as well as additional expenditure on resident entertainment and resident travel.

Compliance and Quality

Three inspections were undertaken by the RQIA in the quarter to June 2022.

An unannounced inspection by the care team was completed in Kingsland Care Centre in May 2022. Positive feedback was received in many areas of care practices and the Home was praised by residents during the inspection. Three areas for improvement in respect of storage and record keeping were stated.

The Glebe Care Centre had an inspection led by a Pharmacy inspector in June which concluded that the residents were being administered their medicines as prescribed and there were safe management of medicines. Only two areas for improvement were noted.

Dunanney Care Centre had a care inspection in June in which the Home was praised for providing safe, effective and compassionate care and was well led. All previous areas for improvement were assessed as compliant and no new areas for improvement were stated.

It should be noted that RQIA inspection reports continue to include previous quality improvement plans from all inspection units (care, pharmacy, estates and finance) until they are reassessed and met as compliant.

Capex

In the quarter to June 2022, c.£54,000 was spent on Capex.

No major Capex projects were undertaken in the period.

Over the past 12 months, c.£2,040 has been spent on average per effective bed across the Homes (excluding the Capex detailed in previous reports which was spent on the repair and refurbishment of Oakleaves during the last twelve months).

This is in addition to the c.£450 spent per effective bed in the past 12 months on repairs and maintenance to the Homes.

<u>Summary Financial Performance – 12 months to June 2022</u>

The trading results and main KPI's for the twelve months to 30 June 2022 for the Homes (compared to the twelve months to 31 March 2022) are summarised as follows:

	12 mths to 31-Mar-22 £'m	12 mths to 30-Jun-22 £'m	Variance £'m
Fee Income	14.50	15.50	1.0
Other Income	0.47	0.29	(0.18)
Staff Costs	(9.93)	(10.3)	(0.37)
Operating Costs	(0.79)	(0.85)	(0.06)
Indirect Costs	(1.25)	(1.32)	(0.07)
EBITDARM	**3.00**	**3.32**	**0.32**
KPIs			
Usable Beds – average for year	314	323	9
Usable Beds – at year-end	323	323	0

Average Occupancy for year	289	302	13
Average Occupancy for year %	92.0%	93.5%	1.5%
Spot occupancy at year-end	309	314	5
Spot occupancy at year-end %	95.7%	97.2%	1.5%
Average weekly fee	£962	£983	£21
CAPEX (£'m)	0.85	0.62	(0.23)
Staff costs as a % of revenue	68.5%	66.4%	2.1%

The EBITDARM generation in the twelve months to June 2022 represents c.21.4% of turnover (a increase of 0.73 percentage points when compared to the twelve months to March 2022). On a home-by-home basis (including Oakleaves), EBITDARM generation ranged from 10.5% to 35.6% in the twelve months to June 2022.

Overall Outlook

Inflationary pressures on provisions and supplies are continuing which is concerning. Repricing across all elements of the supply chain is continuing currently. Energy pricing is also an area of focus and whilst the additional funding received from the Department of Health towards energy costs was of some assistance, it is not clear whether this is a one-off payment or the first of a series of payments.

Recruitment remains challenging across the group, although recent progress has been made in this regard and efforts are ongoing for further success. Training is a key area of focus across all staff grades to assist with maximising staff retention and staff development.

Changes in the testing programmes away from routine PCR testing to the use of lateral flow testing on a more regular basis and reactionary testing when symptoms are noted has positively impacted upon the staffing within the Homes. This has greatly reduced the need to apportion time to manage and oversee regular large scale testing programmes.

As Covid restrictions are continuing to be relaxed, this seems to have stimulated greater interest in care homes for those families who have been struggling to maintain care at home packages.