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

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

Date:- 18 May 2023

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 15 February 2023 (the "**15 February Announcement"**).

In the 15 February Announcement, the Special Servicer affirmed to Noteholders that, among other things, that sixteen trading care homes and six closed 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 14 March 2023 (the "**14 March Announcement**").

In the 14 March 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 £2,650,000.

The Special Servicer refers Noteholders to the RIS announcement relating to the Issuer and released on the Irish Stock Exchange website on 22 March 2023 (the "**22 March Announcement**").

In the 22 March Announcement, the Special Servicer affirmed to Noteholders that, among other things, that completion had occurred for the sale of two trading care homes for a gross consideration of £3,190,000.

Update on the Strategy for the Portfolio

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

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

Currently, thirteen trading care homes and six 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.

<u>Covid-19</u>

An update on the effects Coronavirus 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 coming months.

UK-mainland portfolio

Closed properties

Currently, there are six closed properties remaining namely:

a) three (Copper Beeches, Heathmount and Silver Birches, situated on the same site) and which are currently being marketed for sale.

b) a closed care home located in Droitwich that was deemed uneconomic to continue operating and which following the withdrawal of the original buyer, is now under offer to a new party and in the legal process.

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 near Glasgow that was deemed uneconomic to continue operating and which having been marketed for sale, is currently under offer and in the legal process.

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	5	100%	2	2	0
"	Scotland	1	1	100%	1	1	0
	Total	6	6	100%	3	3	0

Once the marketing processes have been concluded 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 two 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	15	6	40%	2	2	0
"	Scotland	4	0	0%	0	0	0
"	NI	7	7	100%	0	0	0
	Total	26	13	50%	2	2	0

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, with prolonged re-registration periods likely to be experienced on the Scotland portfolio.

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.

UK-mainland portfolio

In light of the progress made to date with the existing marketing processes, the Special Servicer discussed with the Asset Manager and the Operator, the possibility of commencing the marketing of a further batch of care homes.

Following this review, two trading care homes located in England and the four trading care homes located in Scotland have been selected for disposal and a sales agent has been engaged to undertake the marketing for sale of the homes, which is likely to commence in Q2 2023.

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

Northern Ireland portfolio

Following on from the previous aborted sale process in 2021 (disclosed in previous updates) and upon review with the Operator, the Special Servicer and Asset Manager engaged a sales agent to market the portfolio for sale and marketing commenced in January 2023.

As part of the marketing process, the sales agent pursued some interest that had previously been expressed in the portfolio. Currently, three Non-Disclosure Agreements have been signed and this marketing process remains on-going.

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.

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	5	100%	2	2	0
“	Scotland	1	1	100%	1	1	0
		6	6	100%	3	3	0
Status	Location	No of homes	For sale	%age for sale	Offer Accepted	In the legal process	Contracts Exchanged
Trading	England	15	6	40%	2	2	0
“	Scotland	4	0	0%	0	0	0
“	NI	7	7	100%	0	0	0
	Total	26	13	50%	2	2	0

	Total	32	19	59%	5	5	0

Trading Update

Similar to the 15 February 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 15 February 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 17 April 2023 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	249,328.48	249,328.48
(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	91,323,643.16	91,572,971.64
(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	91,572,971.64

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 May 2023

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 31 March 2023

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 15th February 2023.

In the quarter to 31 March 2023, the following homes were sold: Highfield (January 2023), Stambridge Meadows (January 2023, Alwoodleigh (February 2023), Badgers Wood (March 2023), Belmont (March 2023) and The Chanters (March 2023).

The results and KPIs for the 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. Alwoodleigh, being a closed home has been excluded from trading updates since its closure in May 2022.

Therefore, unless otherwise stated, the figures in this update only include the results for the 19 homes (‘the Homes’) that were trading, and not in the course of closure, as at 31 March 2023.

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 March 2023

The trading results and main KPI’s for the three months to March 2023 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 31-Mar-22 £’m	**3 months to 31-Dec 22 £’m**	**3 months to 31-Mar-23 £’m**	**£’m**	**£’m**
Fee Income	8.55	9.91	9.58	1.03	(0.33)
Staff Costs	(5.93)	(6.60)	(6.56)	(0.63)	0.04
Operating Costs	(0.45)	(0.54)	(0.53)	(0.08)	0.01
Indirect Costs	(1.10)	(1.35)	(1.60)	(0.50)	(0.25)
EBITDARM	**1.07**	**1.42**	**0.89**	**(0.18)**	**(0.53)**
KPIs					
Usable Beds	946	946	948	2	2
Average occupancy	784	788	763	(21)	(25)
Average occupancy (%)	82.9%	83.3%	80.5%	(2.4%)	(2.8%)
Spot occupancy at period-end	781	773	767	(14)	(6)
Spot occupancy at period-end (%)	82.6%	81.7%	80.9%	(1.7%)	(0.8%)
Average weekly fee	871	957	976	105	19
CAPEX	0.45	0.29	0.67	0.22	0.38
Staff costs as a % of Fee Income	69.4%	66.6%	68.5%	(0.9%)	1.9%

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 decreased by c.£0.53 million (37.32%) quarter-on-quarter principally as a result of reduced Income and increased Indirect Costs.

Average fee has increased by £19 (2.0%) however occupancy has reduced slightly quarter-on-quarter. Staffing costs have reduced by £40,000 (0.6%) as have direct costs and thus the negative impact at EBITDARM level is reduced.

Whilst State funding had been accounted for by the Group in respect of Covid-19 financial assistance in some of 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 pressure on pay, significant shortfalls in the available workforce nationally and 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. Whilst this does not eradicate the distortion, as this financial assistance was to part compensate providers for additional costs and lost revenue caused by Covid-19, 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, there is little impact across the last four quarters, this now being restricted to free PPE supplies and assistance with sick pay in Scotland.

Infectious Diseases

In the first month of the trading period, the number of residents that were nursed in isolation Covid-19 cases remained flat at an average of 9 cases per day. In February and March this increased to an average of 12 per day. These numbers are still relatively low, and no residents were admitted to hospital.

Chest infections have steadily reduced from the high point of 106 in December to 67 in January, 41 in February and 33 in March.

The death rate has declined in this period from an average of 12.8 deaths per week in December 2022 to 9.07 in March 2023.

The provision of free PPE has now ceased and this coincided with guidance from central government reducing the requirement for the mandatory wearing of masks for care home staff. The use of PPE for staff and visitors is now directed on an individual risk assessment of every home.

Home closures continue to be the exception rather than the rule and the length of the closure where it does occur is on average 4.25 days.

Despite considerable efforts by the management team, staff vaccination levels for Covid-19 and Influenza remain lower compared with the same period in the previous two years.

The average percentage of the staff group that were isolating due to Covid-19 or Influenza in December 2022 was 1.2% rising to 1.4% in February and doubling to 2.8% in March 2023, however the impact of this on agency use appeared to be minimal.

In line with our main competitors, we have now reverted to paying SSP for staff who are self-isolating and will continue to keep this position under monthly review.

Management control of infection remains a high priority and the homes continue to perform well as judged by internal and external audit score.

Occupancy

On a LFL basis for the 19 homes in the portfolio as at 31 March 2023, average occupancy for the quarter decreased by 25 clients compared to the quarter to 31 December 2022.

The first quarter of the year traditionally sees an increase in activity of people searching for care after the Christmas period. During Q1 2023, there was a 4% increase in total website visitors compared to Q4 2022. The number of organic website visitors (from unpaid search engine results such as Google) increased by 24% compared to Q4 2022. Organic traffic is our most engaged group of website visitors who spend the longest on the website with no acquisition cost. The number of people reached by the homes' Facebook pages increased by 18% quarter-on-quarter, and the engagement rate increased by 8% quarter-on-quarter. The roll out of new home brochures continues.

Average Weekly Fees

Average weekly fees for the quarter to 31 March 2023 were £976 compared to the previous quarter average of £957, an increase of £19 per week (2.0%). This is reflective 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 2023 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, 14 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.7.27% for nursing rates and c.6.8% 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 reject an increase in the annual nursing fee of 5.38% and the residential fee of 5.6%. A provisional increase of 1.78% for Nursing care and 2.47% for Residential care has been implemented pending further discussion between COSLA/Scotland Excel and Scottish Care.
- Self-funder fee increases averaged c.12%. The number of clients paying top-ups has decreased from 17 to 16 over the quarter to 31 March 2023. In the same period the number of self-funders increased from 238 clients to 239 clients.

Costs

Overall staff costs increased as a percentage of fee income by c. 2.0% quarter-on-quarter

As indicated above, the Group continued to pay staff who are required to isolate for Covid-19 reasons during this period, however this has now ceased.

Agency usage in the quarter averaged c.4,753 hours per week, a decrease of c.3.1% on the previous quarter. As mentioned in the previous quarter's report, agency use has reduced. This is due to concentrated efforts at increasing employment which has been assisted by the Home Office granting the group a sponsorship licence towards the end of 2022. There are still significant vacancies within the Homes and the continued reduction by the recruitment of new staff is challenging with a shortage of available candidates in many areas. Home by home review of pay and terms and conditions continues to be regularly benchmarked against competitors and revised if appropriate. Improvements in staff engagement and wellbeing are beginning to yield positive results with staff turnover continuing to decline albeit slowly.

Operating Costs decreased by c.1.9% from the previous quarter, rising to c.£7.72 per client day. This was mainly driven by the inflationary pressures that are being experienced on food and other direct costs.

Indirect Costs increased by c.£250,000 quarter-on-quarter.

Compliance

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

England:

Grade	31-Jan-22	31-May-22	24-Jul-22	01-Nov-22	05-Feb-23	23-Apr-23
Outstanding	1	1	1	1	1	0
Good	20	20	19	16	16	14
Requires Improvement	5	3	2	3	3	1
Inadequate	-	-	-	-	0	0
Total	26	24	22	20	20	15
Compliant %	80.8%	87.5%	90.9%	85.0%	85.0%	93.3%
Note: Homes are removed from the above analysis as and when they are closed or sold.						

Scotland:

Average Grade	31-Jan-22	10-May-22	24-Jul-22	01-Nov-22	05-Feb-23	23-Apr-23
6	-	-	-	-	-	-
5	1	1	1	1	1	1
4	4	3	3	2	1	1
3	1	1	1	1	2	2
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 23 April 2023, 14 (93%) of the 15 English homes (those regulated by the CQC) were rated ‘Good’.

There have been no changes in the grades of the English homes since our last report.

In respect of the Scottish homes, Eastwood Court was inspected in February 2023. Whilst the grades remained the same as at the previous inspection, the two breaches of regulation were met and removed.

It was anticipated that the Care Inspectorate Scotland would reinspect Cranford in this trading period, however, this remains outstanding. The local commissioning and adult protection teams have visited and have provided positive reports.

Capex

During the quarter to March 2023, total Capex of c.£670,000 was invested into the Homes. For the twelve months to 31 March 2023, Capex on the 24 homes totalled £2.3 million.

Based upon the average number of usable beds (946) in the year to 31 March 2023, this equates to a run-rate of c.£2,431 Capex per usable bed per annum.

As part of the budgeting procedures for the year to September 2023, a full assessment of the Capex needs of the Homes was carried out which indicated a Capex budget for the full year of c.£3.4 million.

The Capex detailed above was in addition to the c.£1,633 per usable bed spent on planned and preventative maintenance and general repairs in the year to 31 March 2023.

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
- Mountwood was sold as a closed home in July 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
- Hope House was sold as a going concern in September 2022
- Great Horkesley Manor was sold as a going concern in October 2022
- Kingsgate was sold as a going concern in October 2022
- Highfield was sold as a going concern in January 2023
- Stambridge Meadows was sold as a going concern in February 2023
- Alwoodleigh was sold as a closed home in February 2023
- Badgers Wood, Belmont and The Chanters were sold as going concerns in March 2023

Therefore, as at 31 March 2023, the number of homes that were open and trading normally was 19. Unless stated otherwise, the results and KPIs in this update only cover these 19 homes; they do not include any of the sold or closing homes.

Summary Financial Performance – 12 months to March 2023

The trading results and main KPI's for the twelve months to March 2023 for the 19 homes open in the year to 31st March 2023 (compared to the year to December 2022) are summarised as follows:

	LFL Adjusted	LFL Adjusted	Variance
	12 months to 31-Dec-22 £'m	12 months to 31-Mar-23 £'m	£'m
Fee Income	37.70	38.73	1.03
Staff Costs	(24.95)	(25.58)	(0.63)
Operating Costs	(1.97)	(2.05)	(0.08)
Indirect Costs	(4.91)	(5.40)	(0.49)
EBITDARM	**5.87**	**5.70**	**(0.17)**
KPIs			
Usable Beds	946	946	0
Average occupancy	779	779	0
Average occupancy (%)	82.3%	82.3%	0.0%
Spot occupancy at period-end	773	767	(6)
Spot occupancy at period-end (%)	81.7%	81.1%	(0.6%)
Average weekly fee	928	953	25
CAPEX	2.07	2.29	0.22
Staff costs as a % of Fee Income	66.18%	66.05%	(0.13%)

As with the table on page one, while some minimal State funding has been recognised by the Group in respect of Covid-19 financial assistance up to 31 March 2023, this funding has been excluded from the figures in the table above.

No homes in the 19-home portfolio were loss-making in the twelve months to March 2023 before accounting for any Covid-19 financial assistance: across these facilities.

The EBITDARM for the 19 homes was c.£5.7 million (pre Covid-19 funding) for the twelve months to March 2023.

Overall Outlook

As previously reported, we continue to be of the view that occupancy rates can return to pre-pandemic levels in time but that this is unlikely to be before the end of 2023. Local Authorities and Integrated Care Boards remain under significant financial pressure and, as with any restructure of a public service, the speed of decision making and appetite to commit to new ways of working, especially with the private sector, has been effectively reduced. Recruitment and retention of staff continues to be a pressure on the business, however green shoots of recovery are now being seen.

Inflation continues to rise negatively with RPI being over 11% in each of the last 12 months, and currently standing at 13.5%. This is impacting the overall cost base of the business and making internal decisions on savings and efficiencies more difficult. However, pressure on margins will continue unless the Fair Cost of Care exercise delivers a significant increase in LA and NHS fee rates. Agency costs remain high and, in our opinion, higher pay, flexible working and less accountability and responsibility on agency workers, makes this type of working very attractive. We expect that pressures on staff recruitment and wage inflation will continue for the rest of 2023.

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

Heat & light costs increased by unprecedented amounts in businesses during 2022. Energy suppliers were increasing business prices by far more than the prices for consumers due to the lack of restrictions and the Russia Ukraine conflict. Recently prices have stabilised and, in some cases, fallen, however, Government support to businesses lasted until March 2023 and this has led to more uncertainty, although it is not anticipated that this will have a material impact on the Homes' costs.

The Group has not suffered the price hikes some providers are seeing. Although the contracts are on an individual home basis, the Group was able to secure energy prices under contract prior to the material increases experienced over the last year months. This should protect many of the homes from any significant increases in gas prices, but electricity prices may increase during 2023 as all such contracts expired in March 2023.

With regards to fee increases, Local Authorities implemented April 2022 increases that are above those seen in prior years although they varied from LA to LA. We are in discussion with LA commissioners about how they can support given the impact of inflationary increases. Of those that have declared their 2023/24 increases, we are seeing some positive movement and higher percentage increases than in previous years. It should, however, be noted that despite this welcome increase, there remain too many commissioners where the base rate is below the fair cost care. The Head of Commissioning and Governance will work proactively with ICB's and LAs on matters of occupancy and fees.

The CQC are focusing their inspection activity on homes where their intelligence indicated that a service is operating a level of increased risk and on those that have been rated RI for a long period of time. As the group has only two homes rated as RI and both are in the process of being sold as part of the disposal strategy, it would seem unlikely that the CQC will be minded to inspect them on the basis of their current rating. The CI in Scotland continue to inspect on a risk basis only.

Larchwood (Northern Ireland Portfolio)

Unaudited trading statement as at 31 March 2023

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 15 February 2023.

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.

The 'Other Income' included in the table below represents the final amount received for loss of income in the quarter that has been paid by the business interruption insurers in respect of the claim for the closure of Oakleaves.

Summary Financial Performance – 3 months to 31 March 2023

The trading results and main KPIs for the three months to 31st March 2023 are summarised as follows:

	3 mths to 31-03-22 £'m	3 mths to 31-12-22 £'m	3 mths to 31-03-23 £'m	Variance to LFL quarter in prior year £'m	Variance to prior quarter £'m
Fee Income	3.81	4.14	4.05	0.24	(0.09)
Other Income	0.04	-	-	(0.04)	-
Staff Costs	(2.59)	(2.70)	(2.76)	(0.17)	(0.06)
Operating Costs	(0.20)	(0.22)	(0.22)	(0.02)	-
Indirect Costs	(0.39)	(0.38)	(0.37)	0.02	0.01
EBITDARM	**0.67**	**0.84**	**0.70**	**0.03**	**(0.14)**
KPIs					
Usable Beds – average for quarter	323	323	323	-	-
Usable Beds – at quarter-end	323	323	323	-	-
Average Occupancy for quarter	304	319	319	15	-
Average Occupancy for quarter %	94.1%	98.8%	98.8%	4.7%	-
Spot occupancy at quarter-end	309	315	318	9	3
Spot occupancy at quarter-end %	95.7%	97.5%	98.5%	2.8%	1%
Average weekly fee	£976	£988	£987	£11	(£1)
CAPEX (£'m)	0.07	0.11	0.11	0.04	-
Staff costs as a % of Fee Income	68.0%	65.2%	68.1%	0.1%	2.9%

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 31 March 2023 represented a decrease of c.£140,000 from the previous quarter driven by:

- A decrease of c £90,000 in Fee Income due to 2 days less in this quarter.
- An increase of c.£60,000 in staff costs as a result of increased agency usage and annual leave entitlements for the end of the holiday year.
- A decrease of c.£10,000 in Indirect Costs as a result of a decrease in marketing costs.

There was no Covid-19 financial assistance received in the quarter.

The business interruption insurance claim for Oakleaves Care Centre has completed. All previous insurance funds received have been fully accounted for in the table above.

Covid-19

In January 2023, following an outbreak of Covid-19 within staff over the Christmas and New Year period, each of the Homes in the portfolio continued to implement all previous control measures for the ongoing safety of residents, visitors and staff. Around this same time however, advice and guidance received from the Department of Health and the PHA stipulated changes to the testing, isolation and management of Covid-19 in individuals. This communication outlined changes to the current processes for both residents and staff which also included the declaring and management of Covid-19 outbreaks in Care Homes throughout Northern Ireland.

Therefore, Covid-19 controls which had become embedded into practice over the previous 2 years and 10 months were to be replaced with dynamic risk assessments and control measures to be carried out by providers. In the absence of a sustained evidence base that the risk had decreased, each of the Homes within the Group maintained a watching brief, while continuing with risk reduction strategies including the wearing of Fluid Resistant Surgical Masks and with testing of all visitors to the Homes on a daily basis.

After careful consideration, the risk assessment was updated at the end of March 2023 and guidance provided to the Homes that control measures in respect of Covid-19 could be stood down. This has since enabled all Homes across the Group to return to pre-pandemic conditions for residents, relatives and staff. Since this updated risk assessment, there has been no sign of any increase in circulating illness in any of the Homes or impact on staffing due to Covid-19.

Occupancy

Across the quarter, average occupancy has remained constant at 319, 98.8%. This has shown an increase of 4.7% increase in average occupancy stats, compared to the same quarter in the previous year. Spot occupancy stats recorded on 31 March 2023, showed 98.5% which is consistent with average occupancy across the Group.

Demand for beds in each of the Larchwood Homes throughout the Province continues to remain very strong. There have been very marginal changes at 0.1% and 0.3% on a month-by-month basis over the quarter. As of 27 April 2023, there remains only 2 vacant beds across the Group which are just awaiting funding approvals.

The current average rating for the Homes on the CareHome.co.uk website is 9.7.

Out of the seven Larchwood NI Homes, five have been announced as top award winners in the most recent 2023 carehome.co.uk awards, which has been such a great accolade for each of the staff teams within the Homes.

Average Weekly Fees

Average weekly fees for the quarter to 31 March 2023 were as follows:

- Nursing £1,051 (Previous Quarter £1,048)
- Residential £671 (Previous Quarter £677)
- Overall £987 (Previous Quarter £988)

The overall average weekly fee for the quarter was £987 which was a decrease of £1 on the previous quarter.

The Department of Health have announced the following Tariff Uplifts for 2023/24 which have taken effect from 1 April 2023:

- Nursing rates across all five Trust areas were increased by 5.38%
- Residential rates across all five Trust areas were increased by 7.47%

The proportion of self-funded clients has reduced by 1%, to 4% of beds across the Group. The majority of fees are now being paid directly by the Health Trusts in line with the terms of regional contract.

Costs

Staff costs increased by c.£60,000 on the previous quarter,

Agency costs for this quarter increased significantly by 8.9% with a total quarterly spend of c£243,000. Additional agency has been required to cover vacant posts, annual leave, long term sick and suspensions. Due to the higher costs of living, a number of nurses resigned from post, attracted by the higher agency pay rates on offer.

Recruitment has been a key area of focus and a number of vacancies have since been filled. Agency usage is expected to reduce significantly by the end of May 2023 to the middle of June when both notice and induction periods of new staff will be completed.

Operating Costs were c.£7.82 per resident day in the quarter to March 2023, a 0.06% increase on the quarter to December 2022. Inflationary pressures on provisions and supplies are a major factor, with prices continuing to rise. As we approach the warmer weather in the next quarter to June 2023, it is expected that utility costs will start to reduce.

Overheads were c.£10,000 less than the previous quarter with a reduction in marketing costs.

Compliance and Quality

One inspection was undertaken by the RQIA in the quarter to March 2023.

This care inspection took place in Culmore Manor. The report provided positive feedback on the delivery of care within the Home and the lived experience of the residents. Areas for Improvement were stated in respect of training, record keeping and the management of risk.

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 March 2023, c.£109,000 was spent on Capex, a marginal decrease of c£2,000 to the spend in the previous quarter.

A full internal redecoration of Dunanney Care Centre was completed, plus the upgrade of electrical distribution boards at Glebe and the replacement of larger kitchen and laundry equipment across the Group. The continual investment and upgrade of the Estate is very evident throughout each of the Homes.

Over the past 12 months, c.£1,238 has been spent on average per effective bed across the Homes, an increase of £75 per effective bed on the previous 12 months. This is in addition to the c.£435 spent per effective bed in the past 12 months on repairs and maintenance to the Homes, an increase of £30 per effective bed on the previous 12 months. These increases are mainly inflationary rises on building supplies, services and parts.

Summary Financial Performance – 12 months to March 2023

The trading results and main KPI's for the twelve months to 31 March 2023 for the Homes (compared to the twelve months to 31 December 2022) are summarised as follows:

	12 mths to 31-Dec-22 £'m	12 mths to 31-Mar-23 £'m	Variance £'m
Fee Income	16.32	16.55	0.23
Other Income	0.10	0.06	(0.04)
Staff Costs	(10.69)	(10.85)	(0.16)
Operating Costs	(0.86)	(0.88)	(0.02)
Indirect Costs	(1.44)	(1.42)	0.02
EBITDARM	**3.43**	**3.46**	**0.03**
KPIs			
Usable Beds – average for year	323	323	-
Usable Beds – at year-end	323	323	-
Average Occupancy for year	304	317	13
Average Occupancy for year %	94.1%	98.1%	4%
Spot occupancy at year-end	315	318	3
Spot occupancy at year-end %	97.5%	98.5%	1%
Average weekly fee	£1,030	£1,002	(£28)
CAPEX (£'m)	0.35	0.39	0.04
Staff costs as a % of revenue	65.5%	65.5%	-

The EBITDARM generation in the twelve months to March 2023 represents c.20.9% of turnover (a decrease of 0.1% when compared to the twelve months to December 2022). On a home-by-home basis, EBITDARM generation ranged from 8.9% to 35% in the twelve months to March 2023.

Overall Outlook

The whole Health and Social Care sector is facing enormous challenges at the moment. This, in addition to the lack of government in Northern Ireland coupled with the expected 10% budget cuts to be announced by the Secretary of State for Northern Ireland, will have a profound effect on services locally.

Inflationary pressures on provisions and supplies are continuing. Food supply costs are rising rapidly at the moment, with new items going up in price month on month. Waste costs for offensive waste has increased by 5.5%, plus general waste and food waste costs have also risen by 5% with effect from April/ May 2023. Incontinence products and cleaning supplies have also increased substantially in price, as well as the additional costs for parts and supply of services to the Group. Energy pricing also remains in constant focus.

Recruitment in the sector continues to be challenging. Nurses are also being attracted by the higher pay rates on offer for agency staff. This is becoming increasingly difficult to compete against as everyone is feeling the pinch by the increased costs of living. Focusing on other factors that are important for new staff, such as training, staff development, ongoing investment into the Homes, ensuring that the culture within the Homes feels right, are areas currently being concentrated upon.

With regard to the calibre of applicants presenting for employment, it has been noted that there is a challenge in ensuring the quality of applicants coming forward. A proportion of staff newly recruited are exiting employment within the first 3 months as Home Managers having reviewed performance, have terminated probation periods early as they recognise the levels of dedication and motivation required for a career in care are lacking. This is an additional cost to recruitment, in terms of additional marketing of vacancies, administration and interview time, induction and training time, plus uniform expenditure.