

Company Name:- Equinox (Eclipse 2006-1) plc
Headline:- Ashbourne Portfolio Whole Loan – Update on the Portfolio
Date:- 6 February 2024

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 6 November 2023 (the “**6 November Announcement**”).

In the 6 November Announcement, the Special Servicer affirmed to Noteholders that, among other things, that eleven trading care homes and four 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 7 December 2023 (the “**7 December Announcement**”).

In the 7 December 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 £3,125,000.

The Special Servicer refers Noteholders to the RIS announcement relating to the Issuer and released on the Irish Stock Exchange website on 24 January 2024 (the “**24 January Announcement**”).

In the 24 January 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 £2,875,000.

The Special Servicer refers Noteholders to the RIS announcement relating to the Issuer and released on the Irish Stock Exchange website on 25 January 2024 (the “**25 January Announcement**”).

In the 25 January Announcement, the Special Servicer affirmed to Noteholders that, among other things, that completion had occurred for the sale of a closed care home for a gross consideration of £1,150,000 and that completion had occurred for the sale of three closed care homes for a gross consideration of £2,400,000.

Update on the Strategy for the Portfolio

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

In addition, twenty-one properties marketed as closed care homes have now been sold.

Currently, nine trading care homes are being marketed for sale.

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.

Based on the disposal process to date and the currently prevailing market and investor sentiment, the availability of debt and the regulatory approval timeframes being seen, it is estimated that the portfolio will be exited in full by December 2024.

Covid-19

An update on the effects Coronavirus is having on the UK-mainland operation is included in the respective trading update 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 Operator 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.

Ashbourne portfolio

Trading care homes

Following the completion of the various sales, currently there are eight 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.

<u>Status</u>	<u>Location</u>	<u>No of homes</u>	<u>For sale</u>	<u>%age for sale</u>	<u>Offer Accepted</u>	<u>In the legal process</u>	<u>Contracts Exchanged</u>
Trading	England	13	5	38%	5	5	1
"	Scotland	4	4	100%	3	3	0
	Total	17	9	53%	8	8	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, with prolonged re-registration periods likely to be experienced on the Scotland portfolio.

In light of the progress made to date with the existing marketing processes, the Special Servicer discussed with the Asset Manager, Operator and sales agent, the possibility of commencing the marketing of the remaining eight trading care homes located in England.

Following this review, the remaining eight trading care homes 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 March 2024.

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

Trading Update

Similar to the 6 November Announcement, the Special Servicer requested of the Asset Manager and the manager of the Operator (HealthCare Management Solutions), that updated trading information on the business be prepared for disclosure to noteholders.

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

Priority of Payments

As reported in the 6 November 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 January 2024 and has been reviewed and confirmed by the Agent as correct.

<u>Rank</u>	<u>Description</u>	<u>Amount Outstanding (£)</u>	<u>Cumulative Amount Outstanding (£)</u>
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	Nil	Nil

	Date but are unpaid to the hedging bank in respect of the Priority A Hedging Liabilities		
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	200,720.54	200,720.54
(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	73,519,604.19	73,720,324.73
(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	73,720,324.73

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: 6 February 2024

Schedule 1

Larchwood Care Trading Update

Disclaimer

This interim management statement (the “**Update Statement**”) has been prepared by Healthcare Management Solutions Limited (“**HCMS**”), the manager of the Operator of the Larchwood Care UK-mainland portfolio.

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 website at:

<http://www.larchwoodcare.co.uk/>

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 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 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 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 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 31st December 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 6th November 2023.

In the quarter to 31st December 2023, the following home was sold: Cams Ridge (December 2023).

The results and KPIs for previously sold or closed homes have been excluded from the figures in this update, therefore all results and KPIs are presented on a like for like (LFL) basis for 18 homes, 1 less than the 19 homes in the September update.

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 December 2023

The trading results and main KPI's for the three months to December 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-Dec 22 £'m	3 months to 30-Sep 23 £'m	3 months to 31-Dec-23 £'m	£'m	£'m
Fee Income	9.36	10.70	10.74	1.38	0.04
Staff Costs	(6.21)	(6.15)	(6.72)	(0.51)	(0.57)
Operating Costs	(0.51)	(0.59)	(0.56)	(0.05)	0.03
Indirect Costs	(1.28)	(1.19)	(1.49)	(0.21)	(0.30)
EBITDARM	1.36	2.77	1.97	0.61	(0.80)
KPIs					
Usable Beds	946	946	946	0	0
Average occupancy	756	757	765	9	8
Average occupancy (%)	79.9%	80.0%	80.9%	1.0%	0.9%
Spot occupancy at period-end	741	763	757	16	(6)
Spot occupancy at period-end (%)	78.3%	80.7%	80.0%	1.7%	-0.7%
Average weekly fee	943	1076	1,068	126	(8)
CAPEX	0.27	0.58	0.60	0.33	0.02
Staff costs as a % of Fee Income	66.3%	57.5%	62.6%	3.7%	-5.1%

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'.

EBITDARM decreased by c.£0.8 million (29%) quarter-on-quarter principally as a result of flat Occupancy and Income with increased Costs. EBITDARM improved over the same quarter in 2022 by £0.61 million. The average weekly admission rate fell very slightly (0.24) in this quarter compared to the previous quarter whereas the death rate almost doubled. The deaths have all been reviewed by the quality team. Chest infections were noted to have increased, however all deaths were expected.

Average fee has decreased by £8 (0.7%); average occupancy has increased slightly quarter-on-quarter by 1.1%.

Staffing costs have increased by £570,000 (9%) as have Indirect costs (25% - Mainly Light & Heat) whilst Operating Costs have slightly reduced and thus the impact of these three factors at EBITDARM level is a decrease of £0.8 million.

Infectious Diseases

We have for a considerable period now been operating in a manner that manages Covid in the manner of other infectious diseases. As routine testing for Covid has now ceased, we no longer collect Covid specific data. At the last trading update, we had started to see a rise in respiratory infections and we commented that the “Health Security Agency confirmed that they were expecting the incidence of flu to reach pre-pandemic levels in 2023/24.” The vaccination programme started early and all residents who were eligible were vaccinated. Disappointingly, staff vaccination rates have returned to pre-pandemic levels, despite all staff being offered a free Covid and flu vaccination and our strong encouragement that all our staff should be vaccinated.

Management control of infection will remain 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 18 homes in the portfolio as at 31 December 2023, average occupancy for the quarter increased by 8 clients compared to the quarter to 30 September 2023.

During Q4 2023, there was an 18% decrease in total website visitors compared to Q3 2023. Although a traditionally quieter quarter, we would usually see an increase in website visitors during November which did not occur within the current period. However, we have seen a 12% increase in engagement time per session. This indicates that the website visitors during Q4 2023 had higher intent to enquire. Ensuring we are driving more engaged, higher-intent visitors to the Larchwood website is a key part of our digital advertising strategy. The total number of enquiries during Q4 2023 remained consistent with Q3 2023, despite fewer website visitors. The number of people reached by the homes’ Facebook pages increased by 15% quarter-on-quarter, with a 19% increase in engagements on our posts. These increases have been driven by our improved Facebook training, support and content inspiration for the homes. The Larchwood LinkedIn account delivered further growth during Q4 with an 8% increase in followers’ quarter-on-quarter and the engagements have increased by 30% quarter-on-quarter.

Average Weekly Fees

Average weekly fees for the quarter to 31 December 2023 were £1,068 compared to the previous quarter average of £1,076, a decrease of £8 per week (0.7%).

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) – Annual fee reviews have been formally notified by all relevant LA’s.

The average increase to date has been c.9.46% for nursing rates and c.9.43% for residential rates against the budget of 4.0% and 3.7% respectively.

Scottish LA's – One rate covers the whole of Scotland and has been agreed centrally at 6%.

Self-funder fee increases averaged c.12%. The number of clients paying top-ups has remained at 24 over the quarter to 31 December 2023. In the same period the number of self-funders decreased from 221 clients to 220 clients.

Costs

Overall staff costs increased as a percentage of fee income by c. 5.1% quarter-on-quarter. This was due to an annual calculation of the accrued holiday pay provision reducing staff costs in September. This adjustment was to correct the staff costs charge prior to the year-end audit and was larger than anticipated. Christmas and Boxing Day is paid at double time; this has also pushed staffing costs higher in this quarter.

Agency usage in the quarter averaged c.3,718 hours per week, a decrease of c.3.4% on the previous quarter. This is due to concentrated efforts at increasing employment of both local and overseas staff. Vacancy rates continue to fall steadily, however this varies across the UK with hot spots being most noticeable in the far north of Scotland, Norfolk, Cambridge and Somerset.

Operating Costs decreased by c.5.1% from the previous quarter, falling to c.£8.01 per client day. This was partly driven by the removal of Cams Ridge where such costs were higher.

Indirect Costs increased by c.£300k quarter-on-quarter mainly due to higher Heat & Light costs.

Compliance

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

England:

Grade	08-Aug-21	31-Oct-21	31-Jan-22	31-May-22	24-Jul-22	01-Nov-22	05-Feb-23	23-Apr-23	23-Jul-23	29-Oct-23	28-Jan-24
Outstanding	1	1	1	1	1	1	1	0	0	0	0
Good	21	19	20	20	19	16	16	14	14	14	13
Requires Improvement	7	6	5	3	2	3	3	1	1	1	1
Inadequate	-	-	-	-	-	-	0	0	0	0	0
Total	29	26	26	24	22	20	20	15	15	15	14
Compliant %	75.86%	76.92%	80.77%	87.50%	90.91%	85.00%	85.00%	93.33%	93.33%	93.33%	92.86%
<i>Note: Homes are removed from the above analysis as and when they are closed or sold.</i>											

Scotland:

<i>Average Grade</i>	<i>09-Aug-21</i>	<i>31-Oct-21</i>	<i>31-Jan-22</i>	<i>10-May-22</i>	<i>24-Jul-22</i>	<i>01-Nov-22</i>	<i>05-Feb-23</i>	<i>23-Apr-23</i>	<i>24-Apr-23</i>	<i>29-Oct-23</i>	<i>28-Jan-24</i>
6	-	-	-	-	-	-	-	-	-	-	-
5	1	1	1	1	1	1	1	1	1	1	0
4	4	4	4	3	3	2	1	1	1	1	1
3	1	1	1	1	1	1	2	2	2	2	3
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.

At 28 January 2024, 13 (93%) of the 14 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.

Capex

During the quarter to December 2023, total Capex of c.£599,000 was invested into the Homes. For the twelve months to 31 Dec 2023, Capex on the 18 homes totalled £2.5 million.

Based upon the average number of usable beds (946) in the year to 31 December 2023, this equates to a run-rate of c.£2,658 Capex per usable bed per annum.

As part of the budgeting procedures for the year to September 2024, a full assessment of the Capex needs of the Homes was carried out which indicated a Capex budget for the full year of c.£2.8 million. In the 3 months to December 2023, orders placed against the Budget for 18 homes equated to 26% of the budget.

The Capex detailed above was in addition to the c.£1,705 per usable bed spent on planned and preventative maintenance and general repairs in the year to 31 December 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 (closed June 2018)
- Sowerby House and Ty Dinas were sold as going concerns in August 2021
- Rose Martha Court closure completed in September 2021 and sold in October 2021
- Bryan Wood and Ravenstone closure completed in October 2021
- Alwoodleigh closure completed in May 2022 subsequently sold in February 2023
- 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
- Cams Ridge was sold as a going concern in December 2023

Therefore, as at 31 December 2023, the number of homes that were open and trading normally was 18. Unless stated otherwise, the results and KPIs in this update only cover these 18 homes; they do not include any of the sold or closing homes.

Summary Financial Performance – 12 months to December 2023

The trading results and main KPI's for the twelve months to December 2023 for the 18 homes open in the year to 31 December 2023 (compared to the year to September 2023) are summarised as follows:

	LFL Adjusted	LFL Adjusted	Variance
	12 months to 30 Sep 23 £'m	12 months to 31 Dec 23 £'m	£'m
Fee Income	39.52	40.90	1.38
Staff Costs	(25.04)	(25.55)	(0.51)
Operating Costs	(2.17)	(2.22)	(0.05)
Indirect Costs	(5.44)	(5.64)	(0.20)
EBITDARM	6.87	7.49	0.62
KPIs			
Usable Beds	946	946	0
Average occupancy	749	752	3
Average occupancy (%)	79.2%	79.5%	0.3%
Spot occupancy at period-end	763	757	(6)
Spot occupancy at period-end (%)	80.7%	80.0%	-0.7%
Average weekly fee	1011	1036	25
CAPEX	2.190	2.515	0.33
Staff costs as a % of Fee Income	63.4%	62.5%	0.9%

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 December 2023, this funding has been excluded from the figures in the table above.

One home in the 18-home portfolio was loss-making in the twelve months to December 2023 before accounting for any Covid-19 financial assistance across these facilities.

The EBITDARM for the 18 homes (including COVID support) was c.£7.5 million for the twelve months to December 2023.

Overall Outlook

Across the group occupancy is 33 (3.3%) below pre-pandemic levels. Fifteen of the eighteen homes are now trading above or in line with levels recorded in January 2020. The groups 3.3% reduction is directly attributable to three homes: two of which are in Scotland being Eastwood Court (12) and Muirton (16) and one in England being Diamond House (8). Overall, the occupancy in England has achieved a net increase of 20 (3.6%) since the start of the pandemic and taking into account seasonal fluctuations, we can see no reason why this should not continue. 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. However, we are beginning to see some green shoots of targeted projects to assist the NHS with the well published bed crisis following through into new

care pathways for admissions. Support to aid recruitment in some areas is now more common and generally we are optimistic that we will see an above 5% increase in fee rates.

We expect that pressures on staff recruitment and wage inflation will continue into 2024.

Heat & light costs have stabilised for businesses over this financial year. The concerns on costs to businesses after the withdrawal of Government support in March 2023 have so far been unfounded. The Group did not suffer the price hikes some providers are seeing, although there may be some additional costs where actual usage varies to contract predicted usage. 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. All homes will have had new Electric contracts in place during the last financial year, with Gas contracts due to expire in January 2024. Although increases are expected, the strong financial position of Larchwood should prevent a risk factor being built into the price.

The rate of inflation has decreased in recent months. It is currently at 5.2% compared to 8.9% last quarter. Although this is still high compared to pre-pandemic rates it is still dropping considerably and did reach as high as 14.2% in October 2022. Local Authorities and Integrated Care Boards are overall recognising the need to increase fees. English homes have applied an average of 9.1% fee increases in the last 12 months with Scotland only applying 6%, which applies to all Scottish LA's. However, these fees were only applied several months after inflation increases and the time lag was noticeable in results during the earlier periods of this report. We are supplying cost of care data to various government-based funders which may help to obtain inflation tracked fee increases in 2024.

Regulatory activity in England remains slow and there have been no onsite inspections in the period. CQC will ask for intelligence data and carry out a desk top review for any home that reaches their risk threshold. The Group now has only one service that is rated RI with the remainder being rated as Good. Grades in Scotland are now Adequate or above in all services.