

**Company Name:-** Hercules (Eclipse 2006-4) plc  
**Headline:-** Ashbourne Portfolio Whole Loan – Update on the Portfolio  
**Date:-** 8 May 2025

**HERCULES (ECLIPSE 2006-4) PLC**

a public limited company incorporated in England and Wales with company registration number  
5895593

(the “Issuer”)

**NOTICE TO THE HOLDERS OF**

**£666,000,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2018  
ISIN (Reg S Notes) XS0276410080**

**£43,950,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2018  
ISIN (Reg S Notes) XS0276410833**

**£25,000,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2018  
ISIN (Reg S Notes) XS0276412375**

**£51,000,000 Class D Commercial Mortgage Backed Floating Rate Notes due 2018  
ISIN (Reg S Notes) XS0276413183**

**£29,000,000 Class E Commercial Mortgage Backed Floating Rate Notes due 2018  
ISIN (Reg S Notes) XS0276413340**

(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 5 December 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 5 February 2025 (the “**5 February Announcement**”).

In the 5 February Announcement, the Special Servicer affirmed to Noteholders that, among other things, that nine trading care homes are currently being marketed for sale.

The Special Servicer refers Noteholders to the RIS announcement relating to the Issuer and released on the Irish Stock Exchange website on 10 February 2025 (the “**10 February Announcement**”).

In the 10 February 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 £5,000,000.

The Special Servicer refers Noteholders to the RIS announcement relating to the Issuer and released on the Irish Stock Exchange website on 16 April 2025 (the “**16 April Announcement**”).

In the 16 April 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 £3,250,000.

## **Update on the Strategy for the Portfolio**

To date, since the launch of the piecemeal disposal strategy for the portfolio, forty-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, the remaining seven trading care homes are being marketed for sale.

Based on the disposal process to date and in particular the events experienced during 2024 and in the year to date, including a slower than anticipated take-up of the homes by interested parties; buyers, funders and their legal counsel being increasingly cautious, methodical and diligent in their legal enquiries; the availability of debt including the extended timeframes experienced with lenders and the regulatory approval timeframes being seen (of not less than 8 months), it is estimated that the portfolio will be exited in full by December 2025.

The process is being prolonged due to extended periods of time being experienced by buyers to secure regulatory approval for the acquisition of a care home. In England, this process is taking up to eight months, while in Scotland, it is taking up to eleven months.

The regulatory authority for England has recognised that some providers have faced difficulties in using the new provider portal. In response, the regulator has implemented changes to the registration process to address these issues and enhance the overall experience for providers.

## **Ashbourne portfolio**

### **Trading care homes**

Following the completion of the various sales, currently there are seven 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 as at 30 April 2025.

<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	5	5	100%	5	5	1
“	Scotland	<u>2</u>	<u>2</u>	<u>100%</u>	<u>2</u>	<u>2</u>	<u>0</u>
	Total	7	7	100%	7	7	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 45 weeks to conclude, with prolonged re-registration periods in particular currently being experienced by buyers 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.

### **Trading Update**

Similar to the 5 February 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 5 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 16 April 2025 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>
<b>1st</b>	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
<b>2nd</b>	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
<b>3rd</b>	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
<b>4<sup>th</sup></b>	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
<b>5<sup>th</sup></b>	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

6 <sup>th</sup>	In or towards payment pro-rata of:		
(A) *	the Outstanding Priority A Amortisation Advance	128,900.08	128,900.08
(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	47,213,316.61	47,342,216.69
(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	47,342,216.69

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 will continue to update the Issuer as the various sales processes develop.

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cc:

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Date: 8 May 2025

## **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 31<sup>st</sup> March 2025

#### 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 31<sup>st</sup> December 2024.

In the quarter to 31st March 2025, 3 homes were sold.

The results and KPIs for 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 8 homes, 3 less than the 11 homes in the December 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 March 2025

The trading results and main KPI's for the three months to March 2025 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 24 £'m	3 months to 31-Dec 24 £'m	3 months to 31-Mar 25 £'m	£'m	£'m
Fee Income	5.32	5.46	5.09	(0.23)	(0.37)
Staff Costs	(3.19)	(3.60)	(3.46)	(0.27)	0.14
Operating Costs	(0.30)	(0.33)	(0.30)	0.00	0.03
Indirect Costs	(0.80)	(0.77)	(0.73)	0.07	0.04
EBITDARM	<b>1.03</b>	<b>0.76</b>	<b>0.60</b>	<b>(0.43)</b>	<b>(0.16)</b>
KPIs					
Usable Beds	442	442	442	0	0
Average occupancy	377	373	363	(14)	(10)
Average occupancy (%)	85.3%	84.4%	82.1%	(3.2%)	(2.3%)
Spot occupancy at period-end	381	366	364	(17)	(2)
Spot occupancy at period-end (%)	86.2%	82.8%	82.4%	(3.8%)	(0.4%)
Average weekly fee	1,085	1,114	1,091	6	(23)
CAPEX	0.29	0.20	0.11	0.18	0.09
Staff costs as a % of Fee Income	60.0%	66.0%	68.0%	(8.0%)	(2.0%)

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.£0.16 million (21.1%) quarter-on-quarter as a result of decreased Occupancy and Income, although this was offset by a reduction in Staff costs. EBITDARM declined over the same quarter in 2024 by £0.43 million.



Average fee has decreased by £23 (2.1%); occupancy has decreased slightly quarter-on-quarter by 2.3%.

Staffing costs have decreased by £140,000 (3.9%) and Indirect costs have decreased by £40,000 (5.2%). Operating Costs have also slightly decreased and thus the impact of these factors at EBITDARM level is a decrease of £160,000

### **Occupancy**

On a LFL basis for the 8 homes in the portfolio as at 31 March 2025, average occupancy for the quarter decreased by 10 clients compared to the quarter to 31 December 2024.

The number of homes operated under Larchwood Care has decreased over the period leading to lower figures across the website and social media.

Total website users across the quarter were 42,966, a decrease of 46% caused by low March numbers, decrease in the number of services and a spike in users in November 2024. Organic searches (clicks from free search engine listings such as Google and Bing) were up slightly to 3,251 – an increase of 21%. Carehome.co.uk accounted for 114 clicks.

The number of users reached by Larchwood Facebook pages was 56,677, down from 297,814 (81%). December 2024 was artificially high with Christmas posts and again the reduction in the number of services had an effect. Facebook engagement was significantly higher at 128,157 up from 24,240 (more than 400%) in Q4 2024 - caused by several posts which performed exceptionally well.

As a note – video views for the quarter were 21,382 – down from 64,401 (66%) the previous quarter – again due to the Christmas effect with a great deal of engaging video content being shared at the end of Q4 2024.

Larchwood LinkedIn page gained 15 new followers with a following of 4,671. The name appeared in more than 125 searches on LinkedIn.

### **Average Weekly Fees**

Average weekly fees for the quarter to 31 March 2025 were £1,091 compared to the previous quarter average of £1,114, a decrease of £23 per week (2.1%).

Fee increases for all clients generally occur on 1 April each year. The status of the increases for 2024 is as follows:

English Local Authorities' (LAs) –Annual fee reviews have been formally notified by 8 of the 9 relevant LA's.

The average increase to date has been c.5.6% against the budget of 7%.

Scottish LA's – One rate covers the whole of Scotland and has been agreed centrally at 7.77% for Nursing and 8.3% for Residential clients.

Self-funder fee increases averaged c.11.25% compared with a budget of 10%. The number of clients paying top-ups has decreased from 7 over the quarter to 4 at March 2025. In the same period the number of self-funders was increased from 74 to 77 clients.

## Costs

Overall staff costs increased as a percentage of fee income by c.2.0% quarter-on-quarter mainly due to the lower fee income in the quarter to March.

Agency usage in the quarter averaged c1,995 hours per week, a reduction of c10% on the previous quarter.

Operating Costs decreased by c.9.9% from the previous quarter, falling to c.£9.15 per client day.

Indirect costs have decreased by £41,000 (5.3%) with lower Light and Heat and Telecommunications costs offset by an increase in Repairs and Advertising and Marketing costs

## Compliance

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

Grade	24-Jul-22	01-Nov-22	05-Feb-23	23-Apr-23	23-Jul-23	29-Oct-23	28-Jan-24	21-Apr-24	21-Jul-24	20-Oct-24	19-Jan-25	27-Apr-25
Outstanding	1	1	1	0	0	0	0	0	0	0	0	0
Good	19	16	16	14	14	14	13	11	11	9	8	4
Requires Improvement	2	3	3	1	1	1	1	1	1	1	1	1
Inadequate	-	-	0	0	0	0	0	0	0	0	0	0
Total	22	20	20	15	15	15	14	12	12	10	9	5
Compliant %	91%	85%	85%	93%	93%	93%	93%	92%	92%	90%	89%	80%
Note: Homes are removed from the above analysis as and when they are closed or sold.												

At 28 April 2025, 4 (80%) of the 5 English homes (those regulated by the CQC) were rated ‘Good’. With 1 home rated as RI that was last inspected by CQC in March 2023.

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

## Scotland:

Average Grade	24-Jul-22	01-Nov-22	05-Feb-23	23-Apr-23	24-Apr-23	29-Oct-23	28-Jan-24	21-Apr-24	21-Jul-24	20-Oct-24	19-Jan-25	00-Jan-00
6	-	-	-	-	-	-	-	-	-	-	-	-
5	1	1	1	1	1	1	-	-	-	-	-	-
4	3	2	1	1	1	1	1	2	2	2	2	1
3	1	1	2	2	2	2	3	2	2	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,												

## Capex

During the quarter to March 2025, total Capex of c£110,000 was invested into the Homes. For the twelve months to 31st March 2025, Capex on the 8 homes totalled £0.8 million.

Based upon the average number of usable beds (442) in the year to 31 March 2025, this equates to a run-rate of c.£1,877 Capex per usable bed per annum.

As part of the budgeting procedures for the year to March 2025, a full assessment of the Capex needs of the Homes was carried out which indicated a Capex budget for 8 homes for the full year of c.£1.0 million. In the 12 months to March 2025 orders placed against the Budget for 8 homes equated to 24% of the budget.

The Capex detailed above was in addition to the c.£1,585 per usable bed spent on planned and preventative maintenance and general repairs in the year to 31 March 2025.

### **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 in December 2023
- Mundy House was sold in January 2024
- Whitby was sold in March 2024
- Appleby and Lily House were sold in July 2024
- Hillcrest Sold November 2024
- Dungate Manor – Sold December 2024
- Eastwood – Sold October 2024
- Diamond House – Sold January 2025
- Cranford and Hollies – Sold February 2025
- Briar House – Sold April 2025

Therefore, as at 31 March 2025, the number of homes that were open and trading normally was 8. Unless stated otherwise, the results and KPIs in this update only cover these 8 homes; they do not include any of the sold or closing homes.

## **Summary Financial Performance – 12 months to March 2025**

The trading results and main KPI's for the twelve months to March 2025 for the 8 homes open in the year to 31 March 2025 (compared to the year to December 2024) are summarised as follows:

	<b>LFL Adjusted</b>	<b>LFL Adjusted</b>	<b>Variance</b>
	12 months to 31 Dec 24 £'m	12 months to 31 Mar 25 £'m	£'m
Fee Income	22.05	21.82	(0.23)
Staff Costs	(13.95)	(14.22)	(0.27)
Operating Costs	(1.26)	(1.26)	0.00
Indirect Costs	(3.06)	(2.99)	0.07
<b>EBITDARM</b>	<b>3.78</b>	<b>3.35</b>	<b>(0.43)</b>
KPIs			
Usable Beds	442	442	0
Average occupancy	373	373	1
Average occupancy (%)	84.4%	84.4%	0
Spot occupancy at period-end	366	364	(2)
Spot occupancy at period-end (%)	82.8%	82.4%	(0.4%)
Average weekly fee	1,132	1,122	(10)
CAPEX	1.01	0.83	(0.18)
Staff costs as a % of Fee Income	63.3%	65.2%	(1.9%)

One home in the 8-home portfolio was loss-making in the twelve months to March 2025.

The EBITDARM for the 8 homes was c.£3.3 million for the twelve months to March 2025.

## **Overall Outlook**

English Local Authorities and Integrated Care Boards remain under significant financial pressure. We were however anticipating an average increase in fees of circa 8% from the authorities when they had all declared their 2024 rates. Two local authorities did not declare any fee increases for 2024, West Berkshire who fund 18 residents (mostly in the Hollies now sold) and Suffolk who fund a further 10 in Alexander Court. The 2024 socially funded average increase is 6.61%.

The 2025/26 increases have been announced for 8 of the 9 relevant English Local Authorities. We anticipated an increase of 7% but have so far received 5.6% increase. Once again, the local authority not to declare an increase is Suffolk. We are in dialogue with Suffolk County Council to address this issue. We continue to see examples of targeted projects to assist the NHS bed crisis following through into new care pathways for admissions. Support to aid recruitment is an area where we have seen some success in fee rates.

We expect that pressures on staff recruitment and wage inflation will continue into the rest of 2025 driven by improving pay rates in the NHS and the increase in Employers national insurance.

Wage inflation is driven by an increase in the National Minimum Wage by 6.7%, more than double inflation, (16-20 Year Olds and Apprentices have an increase of 18%) and National Insurance increases. Employers National Insurance increases from 13.8% to 15.0% whilst the threshold has been reduced from £9,100 to £5,000. These combined increases will impact Larchwood companies by 10% on the current payroll costs. The National Minimum Wage increase is effective from the first payroll in April which for Larchwood covers the period from 29<sup>th</sup> April. The National Insurance increases have already been incurred by Larchwood as it applies to the entire payroll paid after 5<sup>th</sup> April.

Heat & light costs have stabilised for businesses over this financial year. It is hoped that an end to the Russia-Ukraine conflict would result in a further reduction in energy costs moving closer to the 2020 level. There may be some additional costs where actual usage varies to contract predicted usage. We have seen these price variations result in charges for under usage from our supplier. The charge to Larchwood North has been withdrawn but there is still a possibility of a charge for 4 homes in Larchwood South which is being negotiated down by the company's energy broker. New charges based on actual usage may occur later this year. There has been no correspondence from our supplier in 2025. 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 have recently renewed both Gas and Electric contracts with all expiring on 31<sup>st</sup> December 2025.

The rate of inflation decreased in almost every month from February 2023 (13.8%) to June 2024 (2.9%). It has now stabilized and RPI is currently 3.2%. Although this is still above pre- pandemic rates it has levelled out after reaching a high of 14.2% in October 2022. Local Authorities and Integrated Care Boards are mostly (but not all) recognising the need to increase fees. We are supplying cost of care data to various government-based funders which may help to obtain inflation tracked fee increases in 2024. FNC has increased from £235.88 to £254.06 representing a 7.7% increase from the ICB's. Scotland have announced a 7.77% Nursing increase with an 8.3% Residential increase.

Regulatory activity in England remains slow and there have been no onsite inspections in the period. The last inspection of a Larchwood Home was in June 2023. 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 (date of inspection March 2023) with the remainder being rated as Good. Grades in Scotland are now Adequate or above in all services, with the most recent inspection being in January 2025 with a positive outcome.