

Charity registration number SC053005 (Scotland)

Company registration number SC772698

THE KILCHOAN MELFORT TRUST
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

THE KILCHOAN MELFORT TRUST

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	Jon Strickland Martin Gardner Helmut Huber
Charity number (Scotland)	SC053005
Company number	SC772698
Principal address	Kilmelford Oban United Kingdom PA34 4XD
Registered office	5 Atholl Crescent Edinburgh EH3 8EJ
Auditor	Whitelaw Wells 9 Ainslie Place Edinburgh United Kingdom EH3 6AT

THE KILCHOAN MELFORT TRUST

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THE KILCHOAN MELFORT TRUST

TRUSTEES REPORT (INCLUDING DIRECTORS' REPORT) FOR THE YEAR ENDED 31 DECEMBER 2025

The Trustees present their annual report and financial statements for the period ended 31 December 2025.

The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the financial statements and comply with the Trust's Memorandum and Articles of Association, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)" (effective 1 January 2019 and the requirements of the Companies Act 2006.

Background

Kilchoan is a small, isolated property of around 1,500 acres (600 hectares) located on the Degnish peninsula on the west coast of Scotland. Its special characteristic is that, within a contained area you can find a unique combination of land, water and sea with great biodiversity.

Our Purpose

We are a conservation initiative that aims to restore biodiversity and set ecosystems onto a recovery path through nature-led land management practices, promotion of natural processes, carbon sequestration and maximised ecosystem health.

Vision, Mission, Values

Our vision is to conserve the dynamic and diverse habitats of the estate. With a community-based bottom-up approach, we focus on the educational aspect and collaboration with a variety of partners and stakeholders to achieve our goals.

Our mission is to become an internationally recognised and as a centre for spiritual creativity, rewilding and habitat enhancement, and as a place to foster all aspects of education.

We seek to embody the values of sustainability and community through our conservation projects; terrestrial and marine restoration, monitoring the impacts of our actions, carbon sequestration and maximisation of ecosystem health.

Objectives

1. The Advancement of Spirituality

- The Kilchoan Initiative seeks to encourage and enable those desiring to explore questions of faith and spirituality and has built the St Comghan's chapel as an ecumenical centre and anchor for spiritual retreats.
- Ecumenical religious services.
- Connectivity with the natural world.

2. The Advancement of Education

- Sponsorship and support of PhD, MSc & BSc students.

3. Rewilding, Conservation and Environmental

- The estate currently leads a range of environmental projects including community engagement where we partner with local people and organisations across a range of projects.

Our focus during the current financial period has been around rewilding, conservation and environmental work through Ecological Restoration.

The Kilchoan Estate is a small part of a much larger movement aiming to allow nature, space and time to recover and natural processes to re-start after the intensity of human activity that so much of the planet has been subjected to. The estate is not alone with this goal, it is part of a nationwide movement creating a matrix of wildland which act as corridors and connected spaces. With careful consideration, observation and through collaboration with multiple organisations, the actions of the Kilchoan team will manage and enrich this beautiful part of Scotland. We will showcase an exemplary effort in ecological restoration for the benefit of all animals, plants, fungi and of course mankind.

THE KILCHOAN MELFORT TRUST

TRUSTEES REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

Grant making Policy

The Group invites applications for funding which are then reviewed against specific criteria as set by the Trustees in accordance with the groups grant giving policy. The trustees consider applications for grants through out the year.

Community Engagement

A highly valued objective for The Kilchoan Melfort Trust is to enrich and be part of the creation of well-connected and cooperative communities. We seek to have a positive and meaningful contribution to the local area. We work hard to establish ties with the local community through a range of active and passive actions.

Our members of staff enrich rural communities by supporting local business, schools and services in the area. We support local charities and community events through attendance and participation as well as through donations.

We are assisted by members of the local community on projects; the oyster monitoring being a great example, a fiercely dedicated team of residents can be found on the shores of Loch Melfort at least once every four months checking up on the release sites, collecting data and forming relationships that otherwise may not have been forged. We are eternally grateful to the enthusiastic and committed group of local volunteers who donate time monitoring and caring for the oysters released around the Loch. They are a testament to the level of commitment, care, and interest that they feel for the area in which they live. Kilniver primary school have assisted release 6,500 oysters on one of the release sites, an event we will repeat every year to engage the next generation in the conservation and preservation of their world.

Achievements and performance

Achievements

1. Ecological Restoration

- **INTERNATIONAL CONIFER CONSERVATION PROGRAMME (ICCP) PLANTING.** The ICCP plants are a vital part of the garden's conservation efforts. We have received an additional 108 plants from the Royal Botanical Gardens Edinburgh (RBGE) in 2025, which we planted out over several months and accessioned in our botanical database.
- **WOODLAND RESTORATION.** The terrestrial restoration of Kilchoan's temperate rainforest areas is of the highest priority. Therefore 450 oaks, which have been propagated by seed in-house in our raised beds and polytunnel, have been planted in the Atlantic rainforest area to compensate for previous severe weather and storm damage. To manage the damage by deer, Trico (deer spray repellent) was applied to each stem. To allow for future restocking and terrestrial restoration, more acorns have been planted in our raised beds. Furthermore, a species rich hedge including hawthorn, blackthorn, oak and field maple has been planted behind the playground to provide a natural boundary to the adjacent coastline.
- **NEW WOODLAND CREATION.** As part of Kilchoan Melfort Trust's continuous new woodland creation goal, a total of 500 rowan/mountain ash trees have been planted in March 2025 along the roadside at Degnish. Furthermore, 50 hazel trees have been planted within the old grazing pasture to encourage lichen growth. To ensure maximum success against deer browsing, Trico deer repellent spray was applied. For the Lochside new woodland creation area, planted in 2024 consisting of 16.93ha of native upland birch and 54.11ha of native broadleaf, the first instalment (£18,996 of a five-year grant (2025–2029) as part of a Scottish Forestry grant scheme was released in August 2025. The funding also included a grant for woodland establishment covering costs for deer fencing, native broadleaf planting and vole guards
- **WOODLAND AFTERCARE.** Throughout the year, it was one of the restoration team's main priorities to provide woodland aftercare for the newly established woodland creation areas. This involved the removal of exotic timber such as Sitka spruce, which continuously self-propagates from the neighbouring commercial plantation. This is of vital importance as Sitka spruce (*Picea sitchensis*) can spread into sensitive habitats, reducing biodiversity and harming native ecosystems.

Damaged fences due to windblown trees have been cleared and repaired. Estate-wide monitoring of deer fencing is necessary due to the severe effects of deer browsing, as the deer pressure on grazing land and our new woodland creation areas is high.

THE KILCHOAN MELFORT TRUST

TRUSTEES REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

- **DEER MANAGEMENT.** The estate has a deer management plan that was written in 2023 by Max Haddock, a research student specialising in this field. It looks at deer numbers and their impact and provides recommendations for management up to 2028. Currently, we aim to reduce the red deer population by two deer a month, depending on the season and to remove any resident Roe deer from areas not controlled by deer fencing. We have also obtained special authorisation from NatureScot to assist with this process by means of night shooting in specific areas.

All deer are processed on site, with the meat made available for human consumption.

- **COMPLETION OF 10,000 TREE PLANTING PROJECT.** As part of the 10,000-tree project, 5000 trees have been planted to restock the plantation above the farmhouse. Additional areas were created at the bottom loch & roadside above the Chilean arboretum and the hazel woodland where high-priority fungi and lichen species are present. Furthermore, we have created a species-rich hedge behind the playground area to provide a natural boundary to the adjacent coastline.

They are also creating a network of connections for biodiversity, acting as wildlife corridors, habitat and a food source for a range of species throughout the year.

- **MANAGEMENT OF INVASIVE SPECIES.** Throughout the year the removal of invasive plant species, such as Rhododendron (*Rhododendron ponticum*) and Japanese knotweed (*Reynoutria japonica*) is managed. This is of great importance for preserving natural habitats and allowing natural regeneration and habitat restoration. For this purpose, three team members have completed a spraying course for PA1/PA6 'Safe use of handheld pesticide applicators'. This will allow efficient knotweed management in the future. Although native plants have become invasive, their spread needs to be carefully managed.

- **RDEN EDINBURGH (Royal Botanic Garden Edinburgh).**

The estate collaborated with the Scottish Plant Recovery Project, through the RBGE, funded by the Nature Restoration Fund. These plantings are part of a much larger, science-led recovery project that aims to increase the number, distribution and resilience of ten native species. The estate selected three key species, wych elm (*Ulmus glabra*), crab apple (*Malus sylvestris*) and a rare British fern, *Woodsia ilvensis*, to complement our habitat restoration aims. In September 2025, we were able to transplant 250 plants in one of our mosaic hillside habitats. This translocation will provide us with more information on this rare and native fern as the RBGE is trialling plantings at different aspects, humidity levels and habitat types across the country. For this reason, the translocation site has been equipped with three data loggers, which will record humidity and temperature to allow evaluating differences between the research areas and long-term plant recovery success.

- **WALLED GARDEN.** The garden aims to adopt regenerative practices across all areas, especially in the walled garden and food production. This practice aligns with the estate's restoration objectives and introduces ideas that support biodiversity, sustainability and the benefits of healthy soil. A wormery was set up to compost household food waste. This sustainable practice minimises rubbish going into the bins, and the product is reused as compost. Several Bokashi bins were also set up in the houses to deal with cooked food waste that cannot go into the wormery. The estate sourced vegetable seeds for 2026 through organic sources, and although the production is not organically approved, the aim is to improve practices towards this goal year by year.
- **SEAWALL PLANTING PROJECT.** After the seawall was installed, it was necessary to develop a design that conceals the structure. The decision was to install metal edging on one side, allowing the build-up of soil that provides substrate for growing plants and separating the CEDEC path running the whole length of the bed. The soil was enriched with sharp sand to help drainage, and holes were drilled in the seawall coping. The planting scheme was based on a similar idea, to create a resilient scheme with colour and biodiversity in mind.

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TRUSTEES REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

- **Ecological Surveys**

- **GENERAL FIELD SURVEY.** A field survey conducted across the estate later in the season recorded the presence of two waxcap fungi species, both characteristic of grazed grassland habitats. Given the rarity of many waxcap species and their dependence on well-maintained short-grass ecosystems, this finding is of ecological significance. The survey area also supported a diverse assemblage of bird species. Notable sightings included numerous meadow pipits (*Anthus pratensis*), stonechats (*Saxicola rubicola*), and goldfinches (*Carduelis carduelis*), with additional observations of ravens (*Corvus corax*), wrens (*Troglodytes troglodytes*), several chaffinches (*Fringilla coelebs*), and a solitary buzzard (*Buteo buteo*).
- **BUTTERFLIES.** Butterflies were out in good numbers across the estate this season, with 16 species recorded during the warmer months. Some species will hibernate over the winter in outbuildings and tree hollows, while others, as their populations die off, will have their caterpillars hibernate over winter to emerge as next year's adults.
- **MARSH FRITILLARY.** A meeting with Anthony McCluskey from the Butterfly Conservation Trust was held to help establish transects for monitoring marsh fritillary populations across the estate. During this meeting, discussions focused on the best land management methods to support the species' success. Three locations were visited, each presenting unique management challenges. Although few webs were observed, the area shows strong potential to become a future stronghold given the favourable conditions and plentiful food supply.
- **MOTHS.** Moth trapping took place from the end of March, marking the beginning of an extensive monitoring season across the estate. A total of 17 moth species were recorded from the moth trap located in the lower arboretum

2. Marine

- **KILCHOAN NATIVE OYSTER RESTORATION PROJECT.** Since 2024, Kilchoan upscaled its capacity to cultivate native oysters from 28,000 to 114,000 oysters annually. This increase is crucial due to the needed spat (oyster larvae) supply to fully stock our ten proposed release sites. Until now, with 50,500 oysters released onto the seabed, Kilchoan has only completed 5% of its goal to release 1,000,000 oysters onto the seabed. In 2025, Kilchoan received and grew 20,000 native oysters on the Integrated multi-tropic aquaculture (IMTA) farm. Using the relatively new OysterGro equipment is a learning curve. Storm Amy at the beginning of October brought 75kts gusting winds from the southwest, fortunately, the OysterGro equipment performed well. The monitoring is a critical aspect, providing valuable data and insights that contribute to a better understanding of project success and inform adaptive management strategies. Between our oyster monitoring data and the deployed spat collectors, it was noted that there is an increase in wild juvenile oysters at the release sites.
- **INTEGRATED MULTI-TROPIC AQUACULTURE (IMTA).** In 2025, in collaboration with OCS the 2024 farm design got refined and updated. One of the most significant improvements was the creation of a *removable setline*, a feature that simplifies routine farm checks and maintenance but also enables easier scaling up of the system. This improvement now forms part of OCS's updated open-source farm manual, which is publicly available through GitHub. Throughout the year, Kilchoan also hosted two separate visits from private and government-led seaweed cultivation initiatives.
- **FLAPPER SKATE PROJECT.** As part of the flapper skate monitoring project, Chris Rickard from Shark and Skate Scotland travelled down to conduct exploratory dives in Loch Melfort looking for more flapper skate purses. More purses were found on an extension of Campbell Rock. In addition, two acoustic receivers were replaced and deployed at Campbell Rock and near the IMTA farm. In October of 2025 the final paper discussing our results and approach has been submitted to 'Aquatic Conservation: Marine and Freshwater Ecosystems'. Paper title: "Monitoring a Flapper Skate (*Dipturus intermedius*) egg-laying site in Loch Melfort, Scotland, by a Community Science Group". The paper will be publicly available mid-2026.

THE KILCHOAN MELFORT TRUST

TRUSTEES REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

3. Sustainable Farming

- **HIGHLAND CATTLE.** Kilchoan's fold of Highlanders are in excellent condition. The cattle have calved two bull calves, and four heifer calves this spring. During the summer months Kilchoan Melfort Trust invested in ten virtual fencing collars (Nofence collars) to improve conservation grazing. Cattle collar training was completed. Veterinary checks and the sheds have had their annual deep clean in preparation for the cows coming back in for the winter months. This process helps maintain animal health, welfare and hygiene preventing potential harmful bacteria or parasites from growth, reducing the risk of diseases such as mastitis or respiratory infections.
- **VALAIS BLACKNOSE SHEEP.** Kilchoan's small flock of Valais Blacknose sheep had yet another great year at the estate. The flock is cared for by Lorna Mitchell our stockperson, whose knowledge, dedication and friendly manner make her a favourite with guests. She is happy to share insights about the animals adding a personal and educational dimension to the experience. Lorna has also taken our three ewes (female sheep) to the pet section of the Lorne Show and our ram to the Dalmally Show.
- **NATIVE BLACK BEE COLONIES.** Both native black bee (*Apis mellifera mellifera*) hives continued to perform exceptionally well throughout the season, successfully settling into their new locations and showing strong colony health. If honey stores continue to accumulate at the current rate, it is anticipated that the colonies will require minimal supplemental feeding during winter. Routine maintenance and health checks were completed, including varroa mite assessments, installation of mouse guards, and additional insulation to improve overwintering conditions. These interventions aim to ensure the long-term resilience and survival of the colonies.

4. Education and outreach

- **UNIVERSITY OF GLASGOW.** As part of the developing Native Oyster Restoration Habitat Suitability Model in collaboration with Glasgow University, KMT has begun installing 'Mini Buoy' sensors at oyster release sites. These sensors record water movement across the seabed over the tidal cycles. The data will help build a clearer understanding of current speeds and long-term changes in underwater flow patterns; this provides valuable insights into habitat conditions that may influence oyster survival and settlement. Additional visits from University of Glasgow students Rowen MacLean (BSc) and Jonny Magnay (MSc) provided opportunities for targeted research into epifaunal communities associated with native oyster beds and the settlement patterns of oyster spat in Loch Melfort.
- **SCOTTISH ASSOCIATION OF MARINE SCIENCES (SAMS).** KMT and OCS were invited by SAMS to present to the INSPIRE Restorative Aquaculture (RA) Course, a programme aimed at supporting individuals interested in developing sustainable and regenerative aquaculture enterprises. During the course, the team delivered a presentation showcasing ongoing projects and practical experiences in restoration-focused aquaculture. This engagement not only highlighted our work within the sector but also strengthened collaboration and knowledge exchange with other aquaculture experts committed to restorative aquaculture.
- **EDINBURGH NAPIER UNIVERSITY.** The Kilchoan Melfort Trust strengthened its academic partnership with Edinburgh Napier University (ENU) through funding Emily McKelvie's PhD, focusing on innovative mammal monitoring methods. This marks the first PhD studentship jointly match-funded by KMT and ENU. As part of the Memorandum of Understanding between KMT and ENU, a strategic meeting was held between KMT and Professor Karen Diele and other ENU staff to outline collaborative objectives for 2026. This process resulted in the development of a proposed project matrix, ranking initiatives by priority and aligning them with ENU's academic expertise. High-priority projects will be made available for student involvement across BSc, MSc, and MRes programmes, reinforcing the Trust's commitment to supporting applied research and skills development. Six projects got selected and picked up by students for implementation in 2026.

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TRUSTEES REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

- **UNIVERSITY OF STIRLING.** Kilchoan Melfort Trust welcomed representatives from the University of Stirling's Faculty of Social Sciences, hosting four lecturers and one research scientist for an exploratory visit. Discussions focused on the potential for future collaboration, particularly within the social sciences, a field that remains underdeveloped within KMT's current research portfolio. The visit marked an important step toward expanding the Trust's interdisciplinary engagement and integrating social science perspectives into ongoing and future projects.
- **OTHER RESEARCH** Includes rainforest & biodiversity guided tours, Mid Argyll show, Artist in Residence, Seawilding, Naturescot Marine Team, Glorious Gardens of Argyll, Argyll Wildlife and local crofters and farmers.
- **EVENTS AND WORKSHOPS** Includes MA Generative Design, Argyll Hope Spot Art Residency, Maine Aquaculture Innovation Centre Visit, Scotland's Garden Scheme Open Weekends and other Garden events, Osaka World Expo.

5. Spirituality

- **ST COMGHAN'S CHAPEL.** The Chapel continues to serve as a vital resource for the spiritual development of the trust, offering a quiet space for reflection, prayer, and community. In April 2025, the Chapel also became the venue for a baptism service, held in partnership with the Oban Baptist congregation. A regular ecumenical prayer service is now held in St Comghan's Chapel, providing a welcoming and inclusive opportunity for worship and reflection for residents, staff, members of local congregations, and visitors to the area.
- **LAND AND FAITH CONFERENCE.** The conference was attended by KMT's spiritual development manager, Robin Stephen, and provided a valuable opportunity for theological reflection and practical discussion. Held at Southhill Park in Bedfordshire, the conference brought together a select group of Christian landowners and land managers who share a commitment to faith-informed stewardship of land.
- **GREENWOOD RETREAT, KILCHOAN, ARDNAMURCHAN.** Greenwood Retreat is a Christian spiritual retreat centre located near the village of Kilchoan on the Ardnamurchan Peninsula and is led by Howard and Charlotte Espie. The retreat is deeply connected to the spiritual heritage associated with St Comghan's, and it shares a strong affinity with KMT's vision of developing an authentic Celtic-style centre for spiritual growth, reflection, and renewal.
- **A ROCHA UK.** A Rocha UK is part of the wider international A Rocha family, a global network of Christian conservation organisations working in more than 20 countries across six continents. From 2 to 5 June, four members of the A Rocha UK team visited the site for a four-day residential visit. On the final day of their visit, the A Rocha team shared their reflections and presented a series of ideas and recommendations. A key proposal was the creation of a pilgrimage route across the estate, designed to bring together the natural beauty of the landscape with the trust's educational and spiritual aims.
- **FLAME INTERNATIONAL TRAINING.** Flame International is a UK-based Christian charity committed to equipping individuals and organisations to bring healing, hope, and reconciliation to people, communities, and nations impacted by war, terror, and oppression. As part of this growing partnership, KMT is funding a short-term mission team to Ukraine in 2026, demonstrating a tangible commitment to supporting communities affected by conflict.
- **J49 LTD.** J49 was founded in 2018 in response to the growing and pressing need for affordable housing in London, and it became a Registered Provider of social housing in 2021. J49's interest in KMT has emerged through the Land and Faith initiative, which brings together Christian landowners, land managers, and developers to share knowledge, expertise, insights, and resources.
- **FAITH IN THE FOREST.** Faith in the Forest is a new initiative developed to engage men of all ages by encouraging spiritual growth through a deeper connection with God's creation. The programme aims to provide an accessible and informal space where participants can explore faith, build relationships, and reflect on life while spending time in the natural environment.

THE KILCHOAN MELFORT TRUST

TRUSTEES REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

Performance for the Year

Overview of financial performance of the Group

During the year ended 31 December 2025 the Group secured £2,820k of income. Expenditure on charitable activities was £8,584k which included a charge for depreciation and amortisation of £6,690k and generated a net expenditure movement in funds of £5,764k.

Principle Funding Sources

Income received during the period included:

- Donations and grants £2,029k
- Rental income £756k
- Other income £35k

Donations and grants comprise of donations of £2,000k from The Drake Foundation Trust and grants received of £29k.

Reserves policy

The Trustees have a policy to maintain free reserves equivalent to three months of essential running costs of the Group estimated at £644k. Cash reserves at the year end was £326k. As at the year end the group was due an amount of £1,500k for rent for the two year period ended 31 December 2025. This amount was paid on 16 January 2026.

Taking into account this amount, equivalent free cash (excluding cash equivalents) would equal £1,182k.

Project Plans for the Coming Year

Conservation and Restoration

- Continue conservation tree planting
- Continue the development of the Woodland Restoration Loch Plantation which is estimated to be a 4 year project. This area qualifies to be validated for the woodland carbon code (WCC), a standard for verifying carbon removal from woodlands, providing high-integrity carbon credits whilst helping companies meet climate goals, all while delivering crucial benefits like biodiversity, flood control, cleaner air/water and improved wellbeing ensuring credible, quality projects for climate action
- Launch various other projects in line with the charitable objectives including an integrated, multi-trophic aquaculture project, native bee increase project, mink eradication project, Insect monitoring and surveying and habitat survey and mapping
- Continue public engagement initiatives, deer management, academic research and oyster restoration.

Gardens

- Cabin landscaping project
- Walled Garden redesign
- Re-design of Garden map Restoration Project in late 2025

Fundraising practices

The charitable activities will primarily be funded going forward by The Drake Foundation Trust. Three months prior to the year end the Trust will prepare both operational and capital expenditure budgets for the following year and submit to the Trustees of The Drake Foundation Trust for approval to secure funding.

THE KILCHOAN MELFORT TRUST

TRUSTEES REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

Risk Management

The Trustees review risks regularly. Operational risks are mitigated by the use of Kilchoan Management Ltd to undertake all operational and capital projects. In turn, Kilchoan Management Ltd have risk assessment and mitigation policies in place and employ external risk management consultants to assist with the task of assessing risk and managing processes and procedures.

Factors likely to affect future financial performance

- Inability to secure funding
- Staff retention due to the relatively remote location and availability of accommodation
- Recruitment and retention of suitable Trustees

Risk Mitigation

- Consideration of endowment fund to secure long-term funding
- Regular review of staff benefits and conditions of employment to ensure we attract high calibre and suitably qualified staff

Structure, governance and management

The Kilchoan Melfort Trust is a charitable company and is registered in Scotland as a company limited by guarantee (company number SC772698) and a charity (charity number SC053005).

Directors and Trustees

The Kilchoan Melfort Trust has a Board made up of its Non-Executive Directors of the Company, who are the Trustees of the Charity.

Trustees are appointed by the existing Board through a formal selection process. A decision is based on experience and knowledge of the charitable activities. The Trust is required to appoint one Trustee only.

Trustees will enter an induction period, usually visiting the Estates and meeting with the Executive Management Team and staff to understand the charitable activities and objectives and have access to historic Board Minutes.

Trustees obtain guidance and training through both professional advisers and professional reading.

The role of the Board is to lead the organisation toward the desired performance and ensure that it occurs. The Board's specific contributions are unique to its non-executive directorship role and necessary for proper governance and management.

The Board meets quarterly and more often if required and are provided with relevant papers in advance of meetings including meeting agenda, a summary of achievements since the last meeting, ongoing activities and projects and goals and objectives for the upcoming period.

THE KILCHOAN MELFORT TRUST

TRUSTEES REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

The Executive Management Team is in attendance at Board meetings and included the following key staff members during the year:

- Marnik van Cauter;
- Laura Dawson;
- Robin Stephen;
- Zolst Fodor;
- Melissa Oatts.

The cumulative gross salaries of the key staff members were £237,384. All key management staff are contractually entitled to an annual salary review. The salary review looks at equivalent marketplace salaries for each role within the Trust and assesses where Trust staff are against the marketplace average and whether any adjustments to salaries for specific roles are warranted. Where particular roles may be difficult to recruit for due to locality or required skillset, this may also be a factor influencing increases to salaries.

The directors of the charitable company (the Trust) are its Trustees for the purpose of charity law and through this report are collectively referred to as the Trustees.

Jon Strickland
Martin Gardner
Helmut Huber

Statement of Trustees responsibilities

The Trustees, who are also the directors of The Kilchoan Melfort Trust for the purpose of company law, are responsible for preparing the Trustees Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Trust and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that year.

In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in operation.

The Trustees are responsible for keeping sufficient accounting records that disclose with reasonable accuracy at any time the financial position of the Trust and enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 and the provisions of the trust deed. They are also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the charity and financial information included on the group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement as to disclosure of information to auditors

So far as the Trustees are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the charitable company's auditors are unaware, and each Trustee has taken all the steps he ought to have taken as a Trustee in order to make himself aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

THE KILCHOAN MELFORT TRUST

TRUSTEES REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED) *FOR THE YEAR ENDED 31 DECEMBER 2025*

Auditor

In accordance with the company's articles, a resolution proposing that Whitelaw Wells be reappointed as auditor of the company will be put at a General Meeting.

The Trustees report was approved by the Board of Trustees.

JH Strickland

Jon Strickland

Trustee

18 September 2026

THE KILCHOAN MELFORT TRUST

INDEPENDENT AUDITOR'S REPORT

TO THE TRUSTEES OF THE KILCHOAN MELFORT TRUST

Qualified Opinion on financial statements.

We have audited the financial statements of The Kilchoan Melfort Trust (the 'group' and the 'parent charitable company') which comprise the Consolidated Statement of Financial Activities; the Charity of Statement of Financial Activities; the Consolidated Balance Sheet; the Charity Balance Sheet; the Consolidated Statement of Cash Flows; the Charity Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements:

- give a true and fair view of the state of the group and the company's affairs as at 31 December 2025 and of its surplus for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion

Included within consolidated tangible fixed assets are assets relating freehold land and buildings, capital improvements, garden and environmental and conservation assets with a carrying value of £13,680,526. In March 2024 these assets were professionally valued as part of a wider estate valuation at £8,640,000. This indicates a permanent diminution in value resulting in the carrying value of the group tangible fixed assets being overstated by £5,040,526.

The charity's investment in a subsidiary undertaking is carried on the charity's balance sheet at £23,993,668, however, the balance sheet net asset value of the subsidiary undertaking is materially lower at £11,518,552, before the permanent diminution in value of £5,040,526 noted above. This indicates the carrying value of the investment asset being overstated by £17,515,642 on the charity's balance sheet.

Trade creditors and fixed assets as at 31 December 2024 were understated in a subsidiary undertaking by £95,000 due to a retention liability not being recognised by the company.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs UK) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' (who are also directors of the company for the purposes of company law) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

THE KILCHOAN MELFORT TRUST

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE TRUSTEES OF THE KILCHOAN MELFORT TRUST

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report, prepared for the purposes of company law and included in the report of the trustees, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report, included with the report of the trustees, has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report, included within Trustees' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006, Charities and Trustees Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- Adequate and proper accounting records have not been kept; or
- The financial statements are not in agreement with the accounting records; or
- Certain disclosures of Trustees' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the directors' responsibilities statement set out on page 9, the Trustees are responsible for the preparation of the financial statements which give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

THE KILCHOAN MELFORT TRUST

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE TRUSTEES OF THE KILCHOAN MELFORT TRUST

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations under the Act.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error.

From enquiries of those charged with governance, it was determined that the risk of material misstatement from fraud was low with little scope for fraud to occur. Our audit testing is designed to detect material misstatements from fraud where there is not high level collusion.

Our audit testing was designed to detect material misstatements from other irregularities that result from error where there is not high level concealment of the error. In this regard the following audit work was undertaken: applicable laws and regulations were reviewed and discussed with management; senior management meeting minutes were reviewed; internal controls were reviewed; and journals were reviewed. From this audit testing it was determined that the risk of material misstatement in this regard was low.

We carried out income testing which was designed to identify any irregularities as a result of simple mistakes or human error. From this audit testing it was determined that the risk of material misstatement in this regard was low.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the charitable company's Trustees, as a body, in accordance with section 44 (1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the charitable company's Trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Kevin Cattanach

Kevin Cattanach (Senior Statutory Auditor)

For and on behalf of Whitelaw Wells, Statutory Auditor

Chartered Accountants

9 Ainslie Place
Edinburgh
EH3 6AT

18 September 2026

THE KILCHOAN MELFORT TRUST

STATEMENT OF FINANCIAL ACTIVITIES (CONSOLIDATED) INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	Unrestricted funds 2025 £	Unrestricted funds 2024 £
Income and endowments from:			
Donations and legacies	3	2,028,533	31,451,913
Charitable activities	4	28,240	39,666
Investments	5	761,230	844,121
Other income	6	1,522	20,135
Total income		<u>2,819,525</u>	<u>32,355,835</u>
Expenditure on:			
Charitable activities	7	8,583,683	8,280,448
Total expenditure		<u>8,583,683</u>	<u>8,280,448</u>
Net (expenditure)/income and movement in funds		(5,764,158)	24,075,387
Reconciliation of funds:			
Fund balances at 1 January 2025		<u>24,075,387</u>	<u>-</u>
Fund balances at 31 December 2025		<u><u>18,311,229</u></u>	<u><u>24,075,387</u></u>

The statement of financial activities includes all gains and losses recognised in the year. All income and expenditure derive from continuing activities.

THE KILCHOAN MELFORT TRUST

STATEMENT OF FINANCIAL ACTIVITIES (CHARITY ONLY) INCLUDING INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	Unrestricted funds 2025 £	Unrestricted funds 2024 £
<u>Income and endowments from:</u>			
Donations and legacies	3	2,000,000	31,339,954
Investments	5	200,995	278,980
Other income	6	-	2,532
Total income		<u>2,200,995</u>	<u>31,621,466</u>
<u>Expenditure on:</u>			
Charitable activities	7	(1,605,797)	(1,524,468)
Total expenditure		<u>(1,605,797)</u>	<u>(1,524,468)</u>
Net income and movement in funds		595,198	30,096,998
Fund balances at 1 January 2025		<u>30,096,998</u>	
Fund balances at 31 December 2025		<u><u>30,692,196</u></u>	<u><u>30,096,998</u></u>

The statement of financial activities includes all gains and losses recognised in the period. All income and expenditure derive from continuing activities.

THE KILCHOAN MELFORT TRUST

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2025

	Notes	2025 £	£	2024 £	£
Fixed assets					
Tangible assets	12		16,749,661		22,808,712
Current assets					
Stocks	14	39,482		41,284	
Debtors	15	1,551,405		818,982	
Cash at bank and in hand		326,556		736,473	
		1,917,443		1,596,739	
Creditors: amounts falling due within one year	16	(355,875)		(330,064)	
Net current assets			1,561,568		1,266,675
Total assets less current liabilities			18,311,229		24,075,387
The funds of the Trust					
Unrestricted funds			18,311,229		24,075,387
			18,311,229		24,075,387

The notes on pages 20 to 35 form part of these financial statements.

The financial statements were approved by the Trustees on 18 September 2026

JH Strickland

Jon Strickland

Trustee

18 September 2026

Company registration number SC772698 (Scotland)

THE KILCHOAN MELFORT TRUST

CHARITY BALANCE SHEET

AS AT 31 DECEMBER 2025

	Notes	2025 £	£	2024 £	£
Fixed assets					
Tangible assets	12	4,200,000		4,200,000	
Investments	13	23,993,668		23,993,668	
		28,193,668		28,193,668	
Current assets					
Debtors	15	2,583,316		1,360,532	
Cash at bank and in hand		2,482		576,488	
		2,585,798		1,937,020	
Creditors: amounts falling due within one year	16	(87,270)		(33,690)	
Net current assets		2,498,528		1,903,330	
Total assets less current liabilities		30,692,196		30,096,998	
General		30,692,196		30,096,998	
		30,692,196		30,096,998	

The notes on pages 20 to 35 form part of these financial statements.

The financial statements were approved by the Trustees on 18 September 2026

JH Strickland

Jon Strickland

Trustee

18 September 2026

Company registration number SC772698

THE KILCHOAN MELFORT TRUST

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025 £	£	2024 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	21		(539,947)		959,607
Investing activities					
Fixed asset additions		(631,200)		(1,067,256)	
Investment income received		761,230		844,122	
Net cash generated from/(used in) investing activities			130,030		(223,134)
Net cash generated from financing activities			-		-
Net (decrease)/increase in cash and cash equivalents			(409,917)		736,473
Cash and cash equivalents at beginning of period			736,473		-
Cash and cash equivalents at end of period			326,556		736,473

THE KILCHOAN MELFORT TRUST

CHARITY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025 £	£	2024 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	21		(775,001)		297,508
Investing activities					
Investment income received		200,995		278,980	
Net cash generated from investing activities			200,995		278,980
Net cash used in financing activities			-		-
Net (decrease)/increase in cash and cash equivalents			(574,006)		576,488
Cash and cash equivalents at beginning of period			576,488		
Cash and cash equivalents at end of period			2,482		576,488

THE KILCHOAN MELFORT TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

1 Accounting policies

Charity information

The Kilchoan Melfort Trust is a charitable company and is registered in Scotland as a company limited by guarantee (company number SC772698) and a charity (charity number SC053005). It was incorporated on 14 June 2023 and prepared dormant accounts in its first period to 12 December 2023. Following its registration as a charity on 13 December 2023, the Trustees extended its accounting period end to 31 December for its first period of activity.

1.1 Reporting period

The prior accounting period was extended to 31 December 2024 to align with the rest of the group. As the prior period is for a period of more than 12 months, the comparative figures may not be comparable.

1.2 Accounting convention

The financial statements have been prepared in accordance with the Memorandum and Articles of Association, the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006, FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Charities SORP "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)". This is a Public Benefit Entity as defined by FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the Trust. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The Trust has availed itself of S396 of the Companies Act 2006, as permitted in paragraph 4(i) of schedule S1 2008 No409, and adapted the Companies Act formats to reflect the special nature of the charity's activities.

The consolidated Financial Statements include the results of the Trust and its subsidiaries Kilchoan Management Limited (SC516407) and Kilchoan Hydro Limited (SC622551) on a line by line basis.

1.3 Going concern

At the time of approving the financial statements, the Trustees have a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future. Thus the Trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Charitable funds

Unrestricted funds are available for use at the discretion of the Trustees in furtherance of their charitable objectives.

1.5 Income

Income is recognised when the Trust is legally entitled to it after any performance conditions have been met, the amounts can be measured reliably, and it is probable that income will be received.

Cash donations are recognised on receipt. Other donations are recognised once the Trust has been notified of the donation, unless performance conditions require deferral of the amount. Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

Assets donated to the Trust are recognised as income and measured at their fair value.

Investment income is made up of rent receivable.

THE KILCHOAN MELFORT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

1 Accounting policies

(Continued)

1.6 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement, and the amount of the obligation can be measured reliably.

Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges are allocated on the portion of the asset's use.

1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	Nil
Capital improvements	Over the remaining life of the lease
Plant and equipment	Nil to 25% reducing balance
Fixtures and fittings	Nil to 25% reducing balance
Motor vehicles	33% reducing balance
Hydro Scheme	1% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the statement of financial activities.

1.8 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the Trust. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.9 Impairment of fixed assets

At each reporting end date, the Trust reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

THE KILCHOAN MELFORT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

1 Accounting policies

(Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in income/ (expenditure for the year, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. Items held for distribution at no or nominal consideration are measured the lower of replacement cost and cost.

1.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.12 Financial instruments

The Trust has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Trust's balance sheet when the Trust becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

THE KILCHOAN MELFORT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Trust's contractual obligations expire or are discharged or cancelled.

1.13 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Trust is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

1.15 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

2 Critical accounting estimates and judgements

In the application of the Trust's accounting policies, the Trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The Trustees have noted that the charity and group's land and buildings are subject to significant estimate but that the use of underlying assumptions used in these estimates significantly reduces the risk of material misstatement.

THE KILCHOAN MELFORT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

3 Income from donations and legacies

Group	Unrestricted funds 2025 £	Unrestricted funds 2024 £
Donations and gifts	2,000,000	31,339,954
Grants	28,533	5,462
Other	-	106,497
	<u>2,028,533</u>	<u>31,451,913</u>

Charity	Unrestricted funds 2025 £	Unrestricted funds 2024 £
Donations and gifts	2,000,000	31,339,954
	<u>2,000,000</u>	<u>31,339,954</u>

Included within donations and gifts are Gift of land by Nicolas Ibanez Scott £nil (2024 - £4,200,000), Deed of gift in cash from Drake Aurora Fund £nil (2024- £3,146,286) and Gift of KML £nil (2024 - £23,993,668). The Drake Foundation Trust, which donated cash of £2,000,000 (£nil - 2024).

4 Income from charitable activities

Group only	Unrestricted funds 2025 £	Unrestricted funds 2024 £
Sale of electricity	7,803	10,117
Feed-in Tariff payment	14,816	16,560
Livestock - beef	4,000	7,989
Sale of kelp	1,480	5,000
Wool	141	-
	<u>28,240</u>	<u>39,666</u>

THE KILCHOAN MELFORT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

5 Income from investments

	Unrestricted funds Group 2025 £	Unrestricted funds Charity 2025 £	Unrestricted funds Group 2024 £	Unrestricted funds Charity 2024 £
Rental income	756,240	200,000	762,690	200,000
Interest receivable	4,990	995	81,431	78,980
	<u>761,230</u>	<u>200,995</u>	<u>844,121</u>	<u>278,980</u>

6 Other income

Group	Unrestricted funds Group 2025 £	Unrestricted funds Charity 2025 £	Unrestricted funds Group 2024 £	Unrestricted funds Charity 2024 £
Other income	1,522	-	20,135	2,532
	<u>1,522</u>	<u>-</u>	<u>20,135</u>	<u>2,532</u>

THE KILCHOAN MELFORT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

7 Expenditure on charitable activities

Group	2025 £	2024 £
Staff costs	788,510	656,880
Depreciation and amortisation	6,690,249	6,301,176
Loss on sale of assets	-	257,533
Equipment repairs	64,952	182,844
Accountancy fees	124,351	110,041
Audit fees	31,400	25,480
Bank Charges	1,541	1,582
Legal and Professional	25,993	114,817
Power, Light and Heat	53,730	75,902
Veterinary fees	7,139	3,138
Transportation	22,925	1,298
Other direct costs	20,511	7,008
Staff training	28,178	19,039
Agricultural consultancy fees	115,992	96,000
Commission payable	-	1,034
Rent	395	6,715
Rates	15,035	18,230
Other charitable expenditure	492,668	387,964
Grants payable	100,114	13,767
	<u>8,583,683</u>	<u>8,280,448</u>
Unrestricted funds	<u>8,583,683</u>	<u>8,280,448</u>
Charity	2025 £	2024 £
Charitable activities costs	1,349,753	1,240,137
Charity administration service charges	202,464	186,021
Accountancy fees	40,980	19,290
Audit fees	12,600	12,000
Bank Charges	-	47
Legal and Professional	-	66,973
	<u>1,605,797</u>	<u>1,524,468</u>
Analysis by fund		
Unrestricted funds	<u>1,605,797</u>	<u>1,524,468</u>

Further analysis of the charitable activities is not provided as the Trustees believe the Charity only has one main activity.

THE KILCHOAN MELFORT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

8 Grants payable

The group undertakes some of its charitable activities through grant making and awarded grants to several charities and institutions in furtherance of its charitable activities during the year.

	2025	2024
	£	£
Educational	41,096	-
Rewilding, conservation and environmental	30,179	-
Spirituality	23,850	-
Community engagement	4,989	13,767
	<u>100,114</u>	<u>13,767</u>

9 Operating (Loss)/Profit

	2025
	£
Operating (loss)/profit for the year is stated after charging:	
Fees payable to the trust's auditor for the audit of the trust's financial statements	31,400
Depreciation and amortisation of owned tangible fixed assets	<u>6,690,249</u>

10 Trustees

An amount of £115,993 (2024- £96,000) was paid to The Cladich Fold of Highland Cattle for agricultural consultancy fees. Jon Strickland is a partner in this business and also a trustee.

During the period £2,812 (2024: £Nil) was paid two trustees (2024 no trustees) for travel and subsistence costs incurred on behalf of the group.

None of the Trustees (or any persons connected with them) received any benefits from the trust during the period.

11 Employees

The average monthly number of employees during the year was:

2025	2024
Number	Number
<u>21</u>	<u>17</u>

THE KILCHOAN MELFORT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

11	Employees	(Continued)	
	Employment costs	2025 £	2024 £
	Wages and salaries	698,278	587,255
	Settlement	8,000	-
	Social security costs	60,478	53,266
	Pension costs	21,754	16,359
		<u>788,510</u>	<u>656,880</u>

Included in salaries and wages is a settlement sum on departure of former staff which have all been paid subject to legally binding settlement agreements. The charity has obtained legal advice advising against disclosing further information to avoid breaching confidentiality clauses within the agreements.

The Executive Management Team is in attendance at Board meetings and includes the following key staff members:

- Marnik van Cauter
- Laura Dawson
- Robin Stephen
- Melissa Oatts
- Luke Senior
- Zolst Fodor

There were no employees whose annual remuneration was more than £60,000, as noted in note 10 agricultural consultancy fees of £115,993 (2024 - £96,000) were paid in the year to a partnership of which one trustee is a partner.

THE KILCHOAN MELFORT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

12 Tangible fixed assets

Group	Freehold land and buildings £	Capital improvements £	Plant and equipment £	Fixtures and fittings £	Vehicles & Hydro Scheme Boats £	Total £
Cost						
At 1 January 2025	4,200,000	18,093,009	3,614,582	2,634,912	1,125,461	31,244,559
Additions	-	772,794	-	22,753	35,495	831,042
Grants received	-	-	(199,842)	-	-	(199,842)
At 31 December 2025	4,200,000	18,865,803	3,414,740	2,657,665	1,160,956	31,875,759
Depreciation and impairment						
At 1 January 2025	-	5,798,165	1,052,863	661,751	864,078	8,435,849
Depreciation charged in the year	-	6,168,913	243,976	162,635	98,959	6,690,249
At 31 December 2025	-	11,967,078	1,296,839	824,386	963,037	15,126,098
Carrying amount						
At 31 December 2025	4,200,000	6,898,725	2,117,901	1,833,279	197,919	16,749,661
At 31 December 2024	4,200,000	12,294,844	2,561,719	1,973,161	261,385	22,808,712

Included in plant and machinery is a net book value of £628,154 (2024 - £819,769) in relation to artifacts such as paintings, sculptures and other valuable assets.

THE KILCHOAN MELFORT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

12 Tangible fixed assets

(Continued)

Charity	Freehold land and buildings	Capital improvements	Plant and equipment	Fixtures and fittings	Vehicles & Hydro Scheme Boats	Total
	£	£	£	£	£	£
Cost						
At 1 January 2025	4,200,000	-	-	-	-	4,200,000
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 31 December 2025	4,200,000	-	-	-	-	4,200,000
Depreciation and impairment						
At 1 January 2025	-	-	-	-	-	-
Depreciation charged in the year	-	-	-	-	-	-
Other changes	-	-	-	-	-	-
At 31 December 2025	-	-	-	-	-	-
Carrying amount						
At 31 December 2025	4,200,000	-	-	-	-	4,200,000
At 31 December 2024	4,200,000	-	-	-	-	4,200,000

THE KILCHOAN MELFORT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

13 Fixed asset investments

Charity Only	Investment in subsidiaries £
Cost or valuation	
At 1 January 2025 & 31 December 2025	23,993,668
Carrying amount	
At 31 December 2025	23,993,668
At 31 December 2024	23,993,668

14 Stocks	Group 2025 £	Charity 2025 £	Group 2024 £	Charity 2024 £
Raw materials and consumables	39,482	-	41,284	-

15 Debtors	Group 2025 £	Charity 2025 £	Group 2024 £	Charity 2024 £
Amounts falling due within one year:				
VAT recoverable	2,911	-	-	-
Amounts due from subsidiary undertakings	-	2,183,316	-	1,360,532
Other debtors	41,835	-	66,982	-
Prepayments and accrued income	1,506,659	400,000	752,000	-
	1,551,405	2,583,316	818,982	1,360,532

16 Creditors: amounts falling due within one year	Group 2025 £	Charity 2025 £	Group 2024 £	Charity 2024 £
Other taxation and social security	15,042	-	13,902	-
Trade creditors	90,450	11,130	244,147	-
Accruals and deferred income	250,383	76,140	72,015	33,690
	355,875	87,270	330,064	33,690

THE KILCHOAN MELFORT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

17 Operating lease commitments

At the reporting end date the charity had outstanding commitments for future amounts receivable under operating leases:

	2025 £	2024 £
Land and Buildings	750,000	1,500,000

The operating lease represents a lease of £750,000 per annum to third parties for the period of three years with one year remaining at the balance sheet date. The lease was paid in full post year end.

18 Related party transactions

During the year an amount of £136,666 was paid to The Cladich Fold of Highland Cattle for agricultural consultancy fees, travel and other expenses, of which Jon Strickland, a trustee is a Partner.

In 2024 Nicolas Ibanez Scott gifted the Trust the land at Kilchoan worth £4,200,000. No gifts were made in 2025. Additionally he was charged rent of £750,000 (2024- £750,000) by Kilchoan Management Limited under a lease of use of certain properties and gardens at the estate and at the year end he owed the company £1,539,549 (2024 £785,661)

The Drake Foundation Trust, which donated cash of £2,000,000.

In 2024 Drake Aurora Fund gifted the Trust 100% of the share capital in Kilchoan Management Limited worth £23,993,668 and donated cash of £3,146,286.

During the year the Trust charged rent of £200,000 (2024 £200,000) to its subsidiary Kilchoan Management Limited.

During the year Kilchoan Management Limited recharged charitable costs of £1,349,753 (2024 £1,240,137) and service charge fees of £202,463 (2024 £186,021) to the Trust.

At the year end £2,183,317 (2024 £1,360,532) was due from Kilchoan Management Limited

During the year £1,500 (2024 nil) was paid to Argyllshire Gathering Trust Limited, a company which Jon Strickland is a Director, to sponsor an event.

19 Ultimate controlling party

No one individual had control of the Trust during the year.

THE KILCHOAN MELFORT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

20 Subsidiaries

Details of the Trust's subsidiaries at 31 December 2025 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Kilchoan Management Limited	Scotland	Management of Kilchoan Estate and farm.	Ordinary	100.00	
Kilchoan Hydro Limited	Scotland	Operation of a hydro scheme	Ordinary		100.00

Name of undertaking	Profit/(Loss)	Capital and Reserves
	£	£
Kilchoan Management Limited	(6,352,405)	11,518,552
Kilchoan Hydro Limited	94,147	94,148

THE KILCHOAN MELFORT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

21	Cash (absorbed by)/generated from operations Group	2025 £	2024 £
	Surplus for the period	(5,764,158)	24,075,387
	Adjustments for:		
	Investment income recognised in statement of financial activities	(761,230)	(844,121)
	(Gain)/loss on disposal of tangible fixed assets	-	257,533
	Depreciation and impairment of tangible fixed assets	6,690,249	6,301,176
	Donated assets		(28,193,668)
	Other income on consolidation	-	(106,497)
		-	
	Movements in working capital:		
	Decrease/(increase) in stocks	1,802	(41,284)
	(Increase) in debtors	(732,420)	(818,983)
	Increase in creditors	25,810	330,064
	Cash (absorbed by)/generated from operations	(539,947)	959,607
21	Cash (absorbed by)/generated from operations Charity	2025 £	2024 £
	Profit for the period	595,198	30,096,998
	Adjustments for:		
	Investment income	(200,995)	(278,980)
	Donated assets	-	(28,193,668)
	Movements in working capital:		
	(Increase) in debtors	(1,222,784)	(1,360,532)
	Increase in creditors	53,579	33,690
	Cash (absorbed by)/generated from operations	(775,001)	297,508

THE KILCHOAN MELFORT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) *FOR THE YEAR ENDED 31 DECEMBER 2025*

22 Analysis of changes in net funds

The Trust had no material debt during the year.