

The Flight and Partners Recovery Fund Limited

Adviser's Quarterly Report for the Quarter ending
30th June 2025

Rcapital

FLIGHT

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Introduction

Transforming and growing businesses by seeing potential in complex situations

The Flight and Partners Recovery Fund Limited (the “Fund” or the “Flight Fund”) is a Guernsey-domiciled closed-ended investment company listed on The International Stock Exchange (“TISE”). The Fund aims to achieve attractive risk-adjusted returns over the economic cycle through investment in stressed and distressed small to medium-sized UK businesses that offer strong prospects for recovery through effective restructuring and operational turnaround.

The Fund invests in transactions that are originated, executed and managed by Rcapital Partners LLP (“Rcapital” or the “Investment Adviser”). Rcapital aims to use its financial restructuring and operational turnaround capabilities to improve the performance and value of the acquired businesses.

The Fund’s investments are made in the form of loans that are secured against the underlying assets in the investee company. Loans are provided at a minimum interest rate of 10% or 6% over base rate, whichever is higher. The Fund typically also receives an equity stake in the investee company at zero or nominal cost.

The Fund’s investments are valued in accordance with the International Private Equity and Venture Capital valuation guidelines (“IPEV”). Equity interests in investee companies are reviewed with the Auditors and, where they are deemed to have value, this is included in the net asset value of the Fund.

In January 2021 the Fund issued £14.9m of new redeemable preference A Shares (the “A Share(s)”). At the same time, investors in the existing share class (the “Ordinary Share(s)”) holding 3.1m of shares with an NAV of £5.6m voted to retain their holdings. The combined share classes therefore had a net asset value of £20.5m as at January 2021. The A Shares are now investing in new transactions alongside the continuing investors in the Ordinary Shares, pro-rata to the amount of cash available in each share class.

In September 2023, a Guernsey private capital fund, Flight Co-Investment Fund Limited (the “Co-Invest Fund”), was incorporated and is co-investing alongside the Flight Fund on pari-passu terms. The Co-invest Fund is governed by the same parties as the existing Fund to manage any potential conflicts of interest.



FLIGHT



Market Update

Business sentiment has stabilised whilst investment levels and consumer confidence remain subdued amid lingering political uncertainty

UK Economic Indicators

(figures in brackets are previous quarter)

GDP Growth (Apr to June):

0.7% (0.7%)

Inflation:

3.4% (2.6%)

Unemployment:

4.6% (4.5 %)

Bank of England Interest Rate:

4.25% (4.5%)

FTSE (change since last quarter):

2.1% (5.0%)

The UK economy maintained moderate growth in the second quarter of 2025, following a stronger-than-expected 0.7% expansion in Q1. Preliminary data suggests GDP grew by a similar rate in Q2, supported by resilient consumer spending and stable household income. Early strength in retail and manufacturing helped offset persistent weaknesses in services, where sectors such as leisure, retail, health, and transport continued to struggle with higher input costs and labour shortages.

Business investment showed cautious improvement in Q2, however, global trade tensions remained a key constraint. The 10% US tariff on UK imports - alongside 25% tariffs on steel, aluminium, and automotive products - remained in force throughout the quarter. Although a trade agreement in May provided relief for certain sectors, widespread uncertainty continued to cloud the export outlook and is expected to dampen GDP growth in 2025.

Inflation, which had eased, rose again in Q2 due to rising energy, transport and food costs. The BoE responded with a modest rate cut in May, and elevated inflation has led policymakers to adopt a more cautious stance on further monetary easing. Labour market conditions softened again, with vacancies declining and employment pressures intensifying in low-wage sectors due to higher National Living Wage levels and increased employer NI contributions. The unemployment rate is expected to edge higher through the remainder of 2025.

At Rcapital, the investment team continue to review a wide variety of opportunities and have recently exchanged a deal to acquire **F2 Chemicals** subject to NSIA approval with completion expected in the next two months.

The portfolio continues to demonstrate resilience through macro-economic challenges, with strong demand and order visibility, active operational enhancements and early signs of value creation through strategic initiatives:

- **Avonside** continues to trade profitably - the recent acquisition of Novora Building Services is performing well and is being rapidly integrated, with full synergy benefits anticipated in the next financial year;
- **Bromford** is demonstrating gradual operational progress with strong support from key customers, trading continues to be break-even with profitability forecasted for the remainder of 2025;
- **FGP** challenges remain following the implementation of the US tariff regime, however, the team continue to place a strong focus on operational improvements and the performance of the surface coatings division continues to impress;
- **GT Emissions** following successful price increases, the Company is forecasting healthy EBITDA profit and has secured a long-term agreement with its largest customer to support future revenues;
- **HTSL** is developing a managed service offering which will add an additional competitive edge to the extensive capabilities in the group. Management continue pursue strategic opportunities and strengthen capabilities through targeted recruitment and acquisitions;
- **Nasmyth Group** has had a slower start to the year, but benefits from a strong orderbook and positive market outlook. Operational improvements are underway, backed by a strengthened finance team;
- **STI** has traded well in H1 2025 and remains confident of achieving a strong EBITDA outturn, supported by a strong orderbook, positive market demand, and ongoing operational improvements under new leadership.

Fund Performance – A Shares

The NAV per A Share as of 30th June 2025 was £1.6966 per share, an increase of 7.63% from the previous quarter.

Commentary

The Fund delivered another strong quarter, with NAV growth underpinned by key movements in portfolio valuations. The most significant drivers were the substantial uplift in the equity value of Avonside and the initial assignment of equity value to FGP.

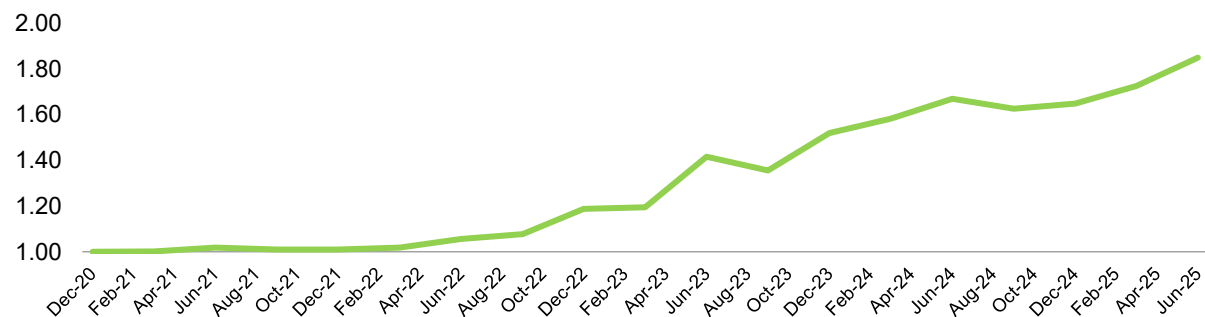
Further gains in HTSL, STI and GT Emissions contributed positively, though these were partially offset by a reduction in the valuation of Nasmyth. This performance reflects Rcapital's continued success in delivering operational improvements across the portfolio and reinforces a positive outlook for the Fund.

Over the past two years, this share class has delivered a compound annual growth rate (CAGR) of 14.2%, plus four dividend payments totalling 10.0%. This exceeds the Fund's target return of 10–15% per annum and demonstrates the consistent value creation being achieved.

Quarterly NAV per A Share since Inception

	Q1		Q2		Q3		Q4		YTD
Year	Price	% Change	Price	% Change	Price	% Change	Price	% Change	
2020	n/a	n/a	n/a	n/a	n/a	n/a	1.0000	0.00%	n/a
2021	1.0009	0.09%	1.0175	1.66%	1.0101	(0.73%)	1.0095	(0.06%)	0.96%
2022	1.0188	0.92%	1.0555	3.60%	1.0594	0.37%	1.1693	10.37%	15.27%
2023	1.1469	(1.92%)	1.3676	19.24%	1.3069	(4.44%)	1.4462	10.66%	23.55%
2024	1.4840	2.61%	1.5705	5.83%	1.5020	(4.36%)	1.5243	1.49%	5.56%
2025	1.5763	3.41%	1.6966	7.63%					11.04%

Total Return per A Share since Inception (including Dividends)



NAV Analysis – A Shares

The net asset value (NAV) attributable to the Ordinary Shares was £25.4m at 30th June 2025, an increase of £1.8m from the previous quarter.

Commentary

NAV increased by £1.8m to £25.4m in the quarter. This was driven primarily by an uplift in the value of the Fund's equity stakes, reflecting strong performances from HTSL, Avonside, and STI. These gains were partially offset by a reduction in the valuation of Nasmyth.

The loan balance decreased slightly by £0.3m, while cash increased by £0.6m due to working capital inflows and the timing of investment activity.

Other Assets and Liabilities, which are influenced by the Fund's expenditure cycle and working capital positions, contributed a £0.2m net positive impact to NAV in the period.

Gross & Net Asset Value attributable to Ordinary Shares

NAV Analysis (£m)	Mar-25	Jun-25	Diff.
Cash	6.2	6.7	0.6
Loans	12.1	11.8	-0.3
Equity / Make Good	5.4	7.0	1.6
Other Assets	0.5	0.2	-0.3
Gross Asset Value	24.1	25.7	1.6
Other Liabilities	-0.5	-0.4	0.2
Net Asset Value	23.6	25.4	1.8
Shares in issue (000s)	14,947	14,947	-
NAV per share (£)	1.5763	1.6966	0.1202



Portfolio Update

Portfolio Summary

Summary of Portfolio Valuations by Share Class

£000s	Avonside	Bromford	FGP	HTSL	Nasmyth	STI	GT Emissions	Range
Loan Balance								
Ords	79.0	537.2	843.8	0.0	291.7	223.3	54.3	550.0
As	871.0	1,037.8	1,406.3	0.0	5,208.3	223.3	445.7	2,603.7
Co-Invest	0.0	0.0	2,250.0	0.0	0.0	446.6	500.0	1,400.0
Total Flight Loans	950.0	1,575.0	4,500.0	0.0	5,500.0	893.3	1,000.0	4,553.7
Equity Share per share class								
Ords	1.5%	10.2%	5.6%	5.5%	1.3%	7.5%	1.6%	4.1%
As	16.9%	19.8%	9.4%	18.5%	23.8%	7.5%	13.4%	15.4%
Co-Invest	0.0%	0.0%	15.0%	0.0%	0.0%	15.0%	15.0%	10.5%
Total Flight Equity	18.4%	30.0%	30.0%	24.0%	25.1%	30.0%	30.0%	30.0%

Avonside Energy



Insulation and Solar PV service of choice across the UK

Company Name:

Avonside Energy

Website:

<https://www.avonsidegroup.co.uk/>

Sector:

Construction Services

Description:

Installation of Insulation and Solar Panels

Date of Investment:

September 2022

Flight Fund loan:

£78,993 Ordinary Shares

£871,007 A Shares

Flight Fund equity stake:

1.7% Ordinary Shares

18.9% A Shares

Summary

Avonside Energy Limited is the insulation and solar PV service provider of choice for house builders across the UK. Avonside Energy also helps businesses save money on energy costs through its commercial-scale solar PV operations.

Headquartered in Leicester, Avonside Energy has a strong national presence with operations in the West Midlands, East Midlands, Glasgow, Leeds, Newcastle, Warrington and Stevenage.

Avonside Energy is forecast to generate revenues in excess of £30 million this financial year and remains profitable and cash generative. It employs over 100 skilled workers and is a key part of the new build supply chain, with major customers including Barratt Homes, Taylor Wimpey, Persimmon Homes, Redrow and Miller Homes.

The Fund provided a loan of £825k to finance the acquisition of the Company and working capital. £675k of this loan has already been repaid due to the healthy financial position of the business. Following the quarter end, the Company drew a further loan of £800k to fund a bolt-on acquisition.

Trading Update

While the broader construction sector remains challenging, Avonside continues to trade steadily, albeit slightly behind budget. The housing market remains softer than anticipated, resulting in variable demand in insulation and newbuild PV - two key revenue streams.

May's results were positively impacted by the first material profit recognition on a significant project. Revenue from this contract will continue to be recognised evenly throughout the year, aligned with contractual milestones.

The acquisition of Novora completed in April 2025 and the business has traded well since. Integration efforts are being accelerated to bring forward synergy realisation, with the full benefit expected in the FY26 budget.

Bromford Precision Solutions



Highly engineered components for the Aerospace and Power sectors

Company Name:

Bromford Precision Solutions

Sector:

Aerospace and Power

Description:

Highly engineered components for the Aerospace and Power sectors

Date of Investment:

August 2023

Flight Fund loan:

£537,233 Ordinary Shares
£1,037,768 A Shares

Flight Fund equity stake:

10.2% Ordinary Shares
19.8% A Shares

Summary

Bromford Precision Solutions Limited is the Leicester-based aerospace and power generation division which was acquired from the Bromford Group.

Rcapital has agreed strategic partnerships with key customers of the business to secure 81 jobs at the Group's Leicester site. Rcapital continue to focus on making operational improvements to deliver a growth plan and ultimately rescue a strong underlying business that has a reputation for high quality engineering, and a well invested facility.

The business is complementary to both Nasmyth and FGP so there may well be synergies to develop within the portfolio. The immediate focus remains on the stabilisation of the business.

Trading Update

Recent performance has remained broadly break-even, with the business expected to return to profitable trading for the remainder of 2025.

The business maintains strong commercial leverage with key customers, supporting pricing and funding levels. The relationships remain positive, with high satisfaction reported from customers' operational teams.

Following the submission of the first year's accounts, suppliers have begun to offer credit terms. While this has not yet materially impacted cashflow, early signs are encouraging.

Fluctuating FX rates remain an operational challenge. Discussions are underway with customers to approve invoicing certain parts in pounds sterling to mitigate this risk.

Bromford's fixed assets are valued at c.£3.0m, offering strong security against the £1.65m Flight loan. The business has started repaying the loan facility down monthly.

FGP Group



Precision engineering company offering solutions for the aerospace and other sectors

Company Name:
FGP Group Limited

Website:
<https://fgpltd.co.uk/>

Sector:
Precision Engineering

Description:
Engineered and manufactured solutions for the aerospace and defence sectors

Date of Investment:
January 2024

Flight Fund loan:
£843,750 Ordinary Shares
£1,406,250 A Shares
£2,250,000 Co-Invest

Flight Fund equity stake:
5.6% Ordinary Shares
9.4% A Shares
15.0% Co-Invest

Summary

The Group comprises Weymouth based FGP Systems Limited, a precision engineering business which provides very high tolerance machining, turning and fabrication services to blue chip aerospace and defence customers, and FGP Lufton Ltd which is based in Yeovil and manufactures a portfolio of parts for the aerospace sector. The Group also includes a successful surface treatments and coatings business, Ramp Surface Coatings.

FGP boasts a number of blue-chip customers, including Honeywell, Collins Aerospace, Martin Baker and Curtis Wright. It also participates in several flagship aerospace programmes including Airbus A350 and A320, Boeing 737 and 787, as well as major defence platforms including the Eurofighter and F35.

The existing management team has largely remained in place and continues to be supported by Rcapital to implement an extensive operational and financial performance improvement plan.

Trading Update

FGP remains focused on operational improvements and commercial development, with a new Commercial Director now securing work across both Weymouth and Lufton sites.

Ongoing challenges within the complex supply chain continue to materially impact revenue, underlying performance, and cash generation.

Commercial negotiations with key customers remain active, with external support engaged. The outcome of these discussions will be critical in shaping the Group's future strategy.

In June 2025, Rcapital supported the implementation of an Invoice Discounting Facility, providing additional cash headroom and enabling c.£1m of extra security to be applied against Flight's loan.

The surface coatings division continues to perform consistently and remains a key contributor.

GT Emissions



Provision of innovative solutions to engine exhaust emissions strategies for applications in the automotive, construction and marine industries.

Company Name:

GT Emission Systems

Website:

<https://www.gtesys.co.uk/>

Sector:

Emission Control

Description:

Design, validation and manufacture of exhaust gas control valves for on and off highway vehicles.

Date of Investment:

January 2025

Flight Fund loan:

£54,295 Ordinary Shares

£445,705 A Shares

£500,000 Co-Invest

Flight Fund equity stake:

1.6% Ordinary Shares

13.4% A Shares

15.0% Co-Invest

Summary

GT Emissions Systems Limited is one of the leading manufacturers and suppliers of engine air valve systems for OEMs for medium / heavy-duty commercial trucks and off-highway vehicles.

With its robust and innovative product portfolio, the Company provides mission-critical engine air components for its customers to comply with increasingly stringent global emission regulations

The Company has a good history of trading with a number of blue-chip customers, including Volvo, JCB, Scania and John Deere.

Although there is known to be an industry wide shift towards battery powered electric vehicles, the associated range of medium / heavy-duty vehicles continues to pose problems for customers. As a result, the Company is expected to have a long runway of trade before technology allows the transition to more sustainable power sources.

Trading Update

The Company has successfully implemented price increases across most of its customer base and is currently reforecasting to reflect these changes. Preliminary forecasts suggest strong EBITDA generation, and the business is currently trading in line with forecasts.

A long-term trading agreement with a key customer has now been signed, unlocking new parts supply and securing revenue visibility into 2027 and beyond.

Progress on discussions relating to the Indian entity has been paused, pending agreement with its largest customer on pricing and long-term demand outlook.

High Technology Sources



Providing radiation industrial sources and specialised logistics support

Company Name:

High Technology Sources Limited

Sector:

Industrial Instrumentation

Description:

Supply of radioactive isotopes to the medical, industrial and NDT sectors

Date of Investment:

September 2023

Flight Fund loan:

n/a

Flight Fund equity stake:

5.5% Ordinary Shares

18.5% A Shares

Summary

High Technology Sources Limited (HTSL) provide an extensive range of sealed and unsealed radiation industrial sources that are manufactured to the highest standards and comply fully with applicable national and international standards. HTSL have been one of the UK's leading suppliers of radioactive isotopes for over 20 years and are the sole supplier in the UK of many of their products.

The isotopes sold by the business are typically inserted into pieces of equipment either for testing or scanning (e.g. medical devices or reviewing welding integrity). The business also provides technical and compliance related services to its customers, and specialist logistics support.

The acquisition of Euroteck in Q4 2024 has enabled the introduction of a greater capability in X-ray machine capability, to now offer Gamma and X-ray capability. In addition to enhancing capabilities, the acquisition has allowed the Group to expand the product range on offer, appealing to a wider market.

Trading Update

Q2 sales were below forecast, primarily due to delayed equipment sales expected to fall later in the financial year. This reflects a timing difference rather than lost revenue, with some sales likely to land in Q4.

The core business continues to trade steadily, while the development of a managed service offering progresses, aimed at enhancing the Group's competitive position.

The Company is actively exploring strategic opportunities and is currently recruiting an RPA (Radiation Protection Advisor) to strengthen internal capabilities.

Management remains alert to opportunities for strategic hires or acquisitions that would support the build-out of a fully managed service model.

Nasmyth Group



National complex precision engineering solution provider

Company Name:

Nasmyth Group Limited

Website:

<https://www.nasmythgroup.com/>

Sector:

Aerospace Engineering

Description:

Manufacturer of precision engineered components for the aerospace industry

Date of Investment:

February 2022

Flight Fund loan:

£291,729 Ordinary Shares

£5,208,271 A Shares

Flight Fund equity stake:

1.3% Ordinary Shares

23.8% A Shares

Summary

Nasmyth Group is a provider of specialist precision engineering services to the aerospace and defence sectors, together with other related industries.

The business is headquartered in the Midlands with international operations in India. The Group achieved sales of over £80m pre-COVID but was negatively impacted by the dramatic drop in demand for passenger air transport during the pandemic. Following a competitive and complex transaction process, Rcapital acquired the business in February 2021, providing the business with £20m in new long term debt facilities from a senior bank and the Flight Fund.

The long-term trends in air travel globally remain strong, and this investment will enable Nasmyth to take full advantage of opportunities within the market as aviation volumes return. Working alongside the existing management team, Rcapital will remain actively involved to support management, driving performance improvement and acting as a catalyst for growth.

Trading Update

Nasmyth continues to engage with its largest customer to secure revised pricing and/or ongoing working capital support.

The recently appointed Finance Director is making strong progress in strengthening the finance function, delivering early operational improvements. While sales have impacted cash generation, the orderbook remains robust and market demand is encouraging.

Despite a slower-than-expected start, the Group has prepared a budget which – assuming pricing amendments are agreed – supports a return to profitability and cash generation in FY26. Rcapital is actively supporting discussions with customers.

In all scenarios, Flight's exposure remains fully collateralised.

Surface Technology International



Manufacturer of Circuit Boards and Specialty Electronics to the Defence Sector

Company Name:

Surface Technology International

Website:

www.sti-limited.com

Sector:

Electronics Manufacturer

Description:

Manufacturer of complex circuit boards and related services to the medical, defence and aerospace sectors

Date of Investment:

October 2023

Flight Fund loan:

£223,316 Ordinary Shares

£223,316 A Shares

£446,632 Co-Invest

Flight Fund equity stake:

7.5% Ordinary Shares

7.5% A Shares

15.0% Co-Invest

Summary

Surface Technology International (“STI”) is an electronics manufacturer headquartered in Hampshire. STI provides complex printed circuit board assembly and box build services for critical applications across the Defence, Aerospace, Medical and Industrial sectors. Rcapital acquired STI in October 2023 from Integrated Micro-electronics, Inc (“IMI”).

IMI sought to divest of STI following a strategic review and Rcapital was selected as the preferred acquiror because of its deep expertise in delivering corporate carve out transactions. An additional factor was the sector expertise developed having made several investments into businesses that serve the Aerospace and Defence sectors.

Rcapital has introduced a sector focussed CRO who is leading a strategic review and subsequent turnaround programme. During Q1 2025, a lengthy process was concluded to recruit permanent members of the management team, including a CEO and CCO. This will help to ensure continuity and sustained growth moving forwards.

Trading Update

STI continues to trade well through H1 2025, with EBITDA only marginally behind budget. The shortfall in revenue is attributed to timing differences, as project delays linked to government reviews and customer supply chain disruptions shift revenue later in the year.

Short-term challenges persist due to frequent changes in customer delivery schedules, creating operational inefficiencies. However, the medium- to long-term outlook remains strong, with continued sector demand and a healthy flow of RFQs. Confidence remains high in achieving the FY25 budget.

A new Site Director has been appointed to drive further operational improvement, while customer delivery performance remains strong and relationships positive. The recently appointed CCO is actively broadening the customer base, promoting integrated solutions across both Hook and Poynton sites.

The business remains focused on delivering healthy EBITDA this year, supported by a solid orderbook.

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