

The Flight and Partners Recovery Fund Limited

Adviser's Quarterly Report for the Quarter ending
31st December 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.



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Market Update

Q4 2025 saw moderate growth in the UK economy despite continued structural challenges and external pressures

UK Economic Indicators

(figures in brackets are previous quarter)

GDP Growth (Sept to Dec):

0.1% (0.3%)

Inflation:

4.1% (4.1%)

Unemployment:

5.1% (4.8%)

Bank of England Interest

Rate:

3.75% (4.0%)

FTSE (change since last quarter):

6.2% (6.7%)

Q4 2025 saw a continuation of the low-growth environment seen through much of the year: underlying stability, but with limited upward momentum and persistent low consumer and business confidence. Some positive signs were evident in parts of the economy (e.g. technology, defence, financial services), but construction and house building activity weakened further to its lowest levels in many years. The property market remains relatively quiet, with households and investors constrained by affordability pressures, elevated borrowing costs and fiscal changes.

For households, price pressures are materially lower than the peaks of 2024, but inflation is still above the Bank of England's target, and the cost of essential goods continues to shape discretionary spending behaviour. Business investment also remains cautious. Companies continue to focus on cost control and profitability because of high financing costs and a more uncertain demand outlook. Increased labour-related costs added to the pressure, especially in lower-margin sectors where it is difficult to pass cost increases on without weakening demand further. Consumer-focused businesses such as retailers, pubs and restaurants have been particularly hard hit.

Externally, the UK continued to face headwinds from weak export conditions and geo-political uncertainty. Manufacturers and trade-exposed businesses (particularly in automotive) saw limited support from overseas demand, with the environment still affected by global trade frictions and softness in parts of Europe. The Bank of England's Bank Rate was cut to 3.75% in December, signalling a continuation of a careful easing path as inflation trends lower and the labour market softens.

At Rcapital, the investment team continues to assess a broad range of new opportunities while the existing portfolio is generally performing well, combining revenue growth and solid order visibility with operational initiatives that are translating into improved profitability:

- **Avonside** is trading profitably albeit slower than anticipated given the turgid housebuilding market. The integration of the Novora acquisition is largely complete which provides significant upside potential in 2026;
- **Bromford**'s operational turnaround is delivering improved profitability and cash generation, supported by strong customer relationships;
- **F2 Chemicals** is trading reasonably well after a smooth transition to Rcapital ownership and has already fully repaid the Fund's loan from cash resources;
- **FGP** is in a much stronger position after the sale of one of its divisions in the summer, and will soon be largely debt free with improving delivery performance;
- **HTSL** had a slower quarter due to supplier delays and some operational issues, and finished the year behind budget. However, management are well placed to drive operational improvements and growth in 2026;
- **Range** is in the process of being exited and a full recovery of the Fund's debt is expected, with some potential upside;
- **STI** has delivered an excellent year, exceeding its EBITDA target, and is entering 2026 with an encouraging growth outlook.

During the quarter, **GT Emissions** was successfully exited via a management buyout, delivering an excellent return to the Fund over Rcapital's short ownership period. **Nasmyth** was also exited via a trade sale, resulting in full repayment of the Fund's loan facilities. These transactions provided significant liquidity back into the Fund to support further investment activity.

Fund Performance – A Shares

The NAV per A Share as of 31st December 2025 was £1.8016 per share, an increase of 3.41% from the previous quarter.

Commentary

The Fund delivered another solid quarter, with NAV growth underpinned by the exit of GT Emissions and Nasmyth, and the resultant increase in the cash balance. Excluding the exit of GT the equity values across the Fund increased by 10%.

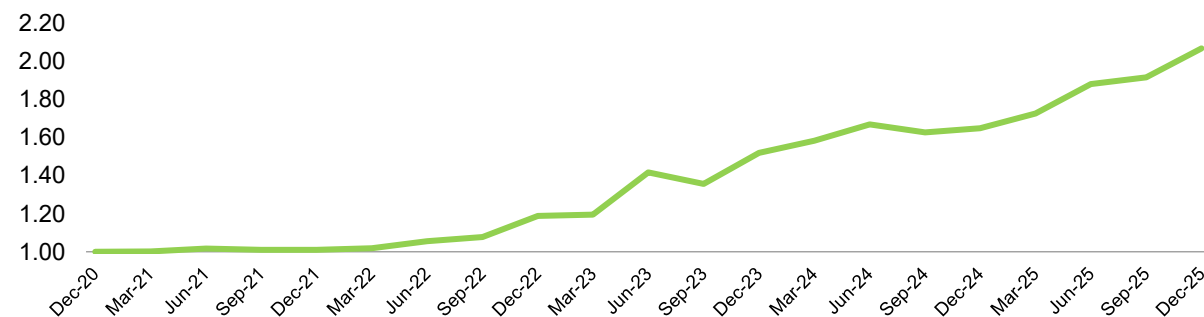
Further gains in STI and the recognition of equity value in F2 contributed positively, though these were partially offset by marginal reductions in the valuations of Avonside, FGP and HTSL. This performance reflects Rcapital's continued driving of operational improvements across the portfolio and reinforces a positive outlook generally for the Fund.

Over the past three years, the Fund's overall value has grown by 54.1% (IRR of 15.5%), plus six dividend payments totalling 15.5p per share. Pleasingly, 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

Year	Q1		Q2		Q3		Q4		YTD
	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%	1.7310	9.81%	1.7421	0.64%	1.8016	3.41%	17.28%

Total Return per A Share since Inception (including Dividends)



NAV Analysis – A Shares

The net asset value (NAV) attributable to the A Shares was £26.9m at 31st December 2025, an increase of £0.9m from the previous quarter.

Commentary

NAV rose by £0.9m to £26.9m during the quarter. This increase was primarily driven by an uplift in the valuation of the Fund's equity holdings, reflecting strong performances from STI and F2 Chemicals. These increases were partially offset by a modest decline in the valuations of Avonside, FGP and HTSL.

The loan balance decreased materially following the exits of Nasmyth and GT Emissions, which resulted in a corresponding increase in the cash balance.

Other Assets and Liabilities reflect the timing of the Fund's expenditure cycle and movements in working capital.

Gross & Net Asset Value attributable to A Shares

NAV Analysis (£m)	Sep-25	Dec-25	Diff.
Cash	7.0	18.5	11.5
Loans	11.9	3.8	-8.1
Equity / Make Good	7.9	7.7	-0.2
Other Assets	0.2	0.0	-0.2
Gross Asset Value	27.1	30.1	3.0
Other Liabilities	-1.0	-3.1	-2.1
Net Asset Value	26.0	26.9	0.9
Shares in issue (000s)	14,947	14,947	-
NAV per share (£)	1.7421	1.8016	0.0595

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Portfolio Update

Portfolio Summary

Summary of Portfolio Valuations by Share Class

£000s	Avonside	Bromford	FGP	F2 Chemicals	HTSL	Range	STI
Loan Balance							
Ords	79.0	486.1	532.0	0.0	0.0	241.1	223.3
As	871.0	938.9	886.7	0.0	0.0	898.8	223.3
Co-Invest	0.0	0.0	1,418.7	0.0	0.0	613.8	446.6
Total Flight Loans	950.0	1,425.0	2,837.3	0.0	0.0	1,753.7	893.3
Equity Share per share class							
Ords	1.7%	10.2%	5.6%	3.7%	5.5%	4.1%	7.0%
As	18.4%	19.8%	9.4%	17.7%	18.5%	15.4%	7.0%
Co-Invest	0.0%	0.0%	15.0%	8.7%	0.0%	10.5%	13.9%
Total Flight Equity	20.0%	30.0%	30.0%	30.0%	24.0%	30.0%	27.9%

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

18.4% A Shares

Summary

Avonside is the insulation and solar PV service provider of choice for house builders across the UK. Avonside helps businesses reduce energy costs through its commercial-scale solar PV operations. Headquartered in Leicester, Avonside has a strong national presence with operations in the West Midlands, East Midlands, Glasgow, Leeds, Newcastle, Warrington and Stevenage.

Avonside is forecast to generate revenues more than £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 an initial 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. An additional £800k has been lent to finance the latest acquisition of a complementary business that completed in April 2025.

Trading Update

Avonside had a challenging quarter due to continued weakness in the housebuilding market and accordingly fell behind budget for the year. Despite this, the business remains comfortably profitable year-to-date, with the insulation division performing well and continuing to gain market share.

The integration of the Novora business has been largely completed, with the final remaining step being the consolidation of back-office and accounting functions.

The Newbuild PV division has the opportunity to secure positions on national frameworks, with tender outcomes expected in Q1 2026. If successful, this would provide a significant opportunity to increase market share in the Newbuild PV segment.

Management remains confident in the underlying fundamentals of the business and expects several meaningful Commercial PV contract wins, which should support a strong performance in 2026.

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:

£486,068 Ordinary Shares

£938,933 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.

Trading Update

Efficiency KPIs have improved materially as the operational turnaround at Bromford continues to deliver results, with trading maintaining a positive trajectory.

The business is now generating underlying profitability and cash flow, having previously relied heavily on customer working capital funding. As a result, cash remains a key focus as Bromford looks to unwind these facilities over time.

Bromford continues to benefit from strong commercial relationships with its customers, which should support the orderly management of customer expectations around the pace at which this funding is unwound.

Bromford continues to reduce the Flight Fund loan at approximately £25k per month. The Flight Fund exposure remains well secured against the underlying asset base of the business.

F2 Chemicals Limited



Specialist in organo-fluorine chemistry

Company Name:

F2 Chemicals Limited

Website:

<https://f2chemicals.com>

Sector:

Chemical Manufacture

Description:

Specialist in organo-fluorine chemistry, manufacturing high purity liquids and gases.

Date of Investment:

September 2025

Flight Fund loan:

n/a

Flight Fund equity stake:

3.7% Ordinary Shares

17.7% A Shares

8.7% Co-Invest

Summary

F2 Chemicals is a UK based company that specialises in organo-fluorine chemistry, manufacturing high purity liquids and gases used in the industrial, medical, electronics and pharmaceutical sectors.

The company has traded for c. 30 years and has a reputation across the industry for high quality products, attaining ISO 9001 certification.

The business operates from two leasehold sites in Preston, Lancashire and employs c.45 full time employees.

With a focus on niche low-volume, high-value applications for a global customer base, the company exports c.85% of products across the EU and US.

Trading Update

The Company has delivered a positive year and is adapting well under Rcapital's ownership following completion of the acquisition in Q3.

It is anticipated that the Company will finish the year with approximately £1m of EBITDA. Following completion of the FY26 budgeting exercise in Q1 2026, modest growth in profitability is expected in 2026 relative to 2025.

The business operates in a highly niche market, and Rcapital has therefore taken a structured approach to deepening its understanding of the operations. To support this and to inform the development of a robust forward-looking commercial strategy, a detailed costing exercise is currently underway. This will enhance Rcapital's understanding of key markets and help identify optimal product mix opportunities going forward.

The business has fully repaid the Fund's loan facilities that were provided to fund the acquisition, and the Company maintains a healthy cash balance.

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:

£531,994 Ordinary Shares

£886,657 A Shares

£1,418,651 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 Ramp Surface Coatings, a successful surface treatments and coatings business.

Following a customer-driven strategic decision, FGP Lufton was sold in October 2025, a transaction that should enable full repayment of the Fund's debt.

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.

Trading Update

The sale of the Lufton division in Q4 2025 has significantly strengthened the business's balance sheet and provided a platform for growth while maintaining continuity for key customers.

RSC remains an important contributor to Group performance. The operational carve-out now enables the division to trade independently, and RSC and FGP Systems will be reported separately in future reports following the legal separation, which is expected to be progressed during Q1 2026.

Delivery performance is improving across the customer base, although there remains room for improvement. Certain operational challenges persist, particularly in the production of certain high-value products. Discussions are ongoing with customers to agree potential updates to the production process and/or drawings, which are typically frozen due to the critical nature of these parts.

Following completion of the restructuring and the final Flight Fund repayments, the business is expected to be substantially debt-free by the end of Q1 2026 and profitable, which is highly encouraging for the Rcapital team.

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 has 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 both 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

HTSL continues to trade profitably, with full-year EBITDA expected to be c.£1.1m. This is behind budget, primarily due to product availability issues and delays in customer sign-off on larger projects, both of which are outside of the Company's control.

While market challenges have persisted, Rcapital continues to work closely with the management team to improve operational efficiency, with the Deeside calibration laboratory a key area of focus. A new Site Director has been appointed to drive performance improvements and early progress is encouraging, with the division converting work-in-progress at an improved rate.

As previously reported, management changes were implemented during the period. The newly appointed Sales Director has made a strong initial impression, and it is anticipated they will support future revenue growth.

Looking ahead, priorities include further integration of recent acquisitions, validating the managed service offering, and strengthening the Company's position in the market.

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:

7.0% Ordinary Shares

7.0% A Shares

13.9% Co-Invest

Summary

Surface Technology International (“STI”) is an electronics manufacturer headquartered in Hampshire, UK. STI provides complex printed circuit board assembly and box build services for critical applications across the Defence, Aerospace, Medical and Industrial sectors.

Previous owner IMI sought to divest of STI following a strategic review and Rcapital was selected as the preferred acquiror because of its expertise in delivering carve-out transactions.

Rcapital introduced a sector focused CRO who led strategic review and subsequent turnaround programme. The CRO has now moved to a non-executive capacity as a permanent management team has been recruited in order to continue to drive growth and development.

Individuals with significant industry experience have been placed in the Commercial Director and Site Director roles, with a permanent CEO taking post in October 2025.

Trading Update

The business ended 2025 strongly and flash results suggest the budgeted EBITDA of £5.1m has been achieved. The appointment of a permanent senior leadership team during the year has enabled management to focus on delivering continued growth in FY26.

While the pipeline continues to build, the management team have identified sufficient business to ensure that the growth outlook for FY26 is positive.

As previously noted, the orderbook remains variable in terms of timing, as ongoing disruption in customer supply chains continues to impact the planning process. This has been acknowledged by customers and, in some cases, accepted as part of maintaining constructive relationships. However, it does require STI to remain reactive and contributes to operational inefficiencies, as production plans frequently need to be adjusted.

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