

# The Flight and Partners Recovery Fund Limited

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Adviser's Quarterly Report for the Quarter ending  
31<sup>st</sup> March 2024

**R**capital

**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 (the “Co-Invest Fund”), was incorporated that will co-invest alongside the Flight Fund on pari-passu terms. The Co-invest Fund will be governed by the same parties as the existing Fund to manage any potential conflicts of interest.



# FLIGHT



# Market Update

A slow return to growth for the UK economy is forecast in 2024, driven by the easing of inflationary pressures

## UK Economic Indicators *(figures in brackets are previous quarter)*

**GDP Growth (Jan to mar):**  
0.2% (0.0%)

**Inflation:**  
3.8% (6.3%)

**Unemployment:**  
4.2% (4.3%)

**Bank of England Interest Rate:**  
5.25% (5.25%)

**FTSE (change since last quarter):**  
2.8% (1.6 %)

While challenges remain, macro-economic forecasts suggest that the UK's period of economic stagnation is slowly coming to an end. Households and businesses are still facing a tough outlook in 2024, due in part to the lagged effect of interest rate rises, but slowing inflation and anticipated Bank Rate cuts should help build economic momentum as the year progresses.

Inflation is now expected to end the year lower than previously thought. EY have forecasted that Consumer Price Index (CPI) inflation will fall to the Bank of England's 2% target by May, while averaging 2.4% throughout 2024, suggesting a more positive outlook for real household incomes. The improved outlook for inflation should enable a more significant reduction in the Bank Rate in 2024 with analysts suggesting a cut of 1.0%-1.25% by the end of the year. However high interest rates continue to pile pressure on companies that are carrying large debt burdens because of the Covid pandemic, and 'mainstream' lenders remain tight on credit criteria given the uncertainty in markets. The property and construction markets remain very sluggish because of the impact of high interest rates on housing transactions, and the high street has seen some high-profile business failures.

Rcapital's market remains buoyant. In the first quarter of 2024 Rcapital completed the acquisition of FGP, having initially provided the business with a loan facility in December 2023. The Rcapital team have been progressing through the 100-day plans in both FGP and STI enabling immediate operational improvements and the implementation of effective management reporting.

The portfolio generally had a positive quarter, building on Rcapital's optimistic outlook for 2024:

- **Avonside** has been impacted by the fall in volume of new houses on the insulation side, but is building a strong pipeline in the solar panels business and forecasting good profits for the remainder of 2024;
- **Bromford** is currently working through substantial operational improvements following acquisition and is forecasting a profitable outturn in 2024;
- **FGP** is in the early stages of its 100-day plan period and is still working through some operational challenges, but there are positive signs in terms of customer demand and order book;
- **HTSL** is profitable and cash generative. The two bolt-on acquisitions completed in 2023 are being integrated effectively and the outlook for the business is strong.;
- **Nasmyth Group** is trading profitably with a strong order book and appears to be navigating its previous supply chain issues;
- **Patrick Parsons** continues to feel the prolonged impact of the slowdown in the construction market, but is managing its cost base well to position itself for the market recovery;
- **STI** has created a platform for growth on the back of hard work from the management team and Rcapital to streamline operations and restructure the company's financials;
- **Trac** is trading very positively and growing on the back of some new contract wins and price increases.

# Fund Performance – A Shares

The NAV per A Share as of 31<sup>st</sup> March 2024 is £1.4840 per share, an increase of 2.61% from the previous quarter.

## Commentary

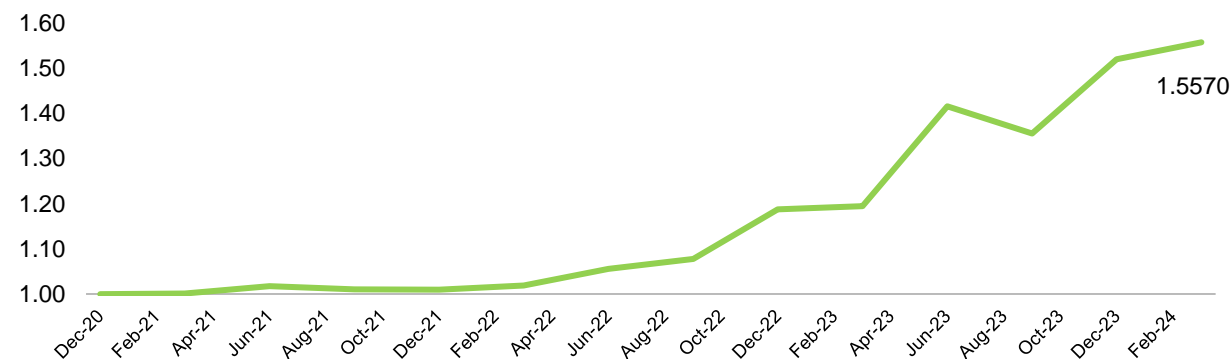
The value of the Fund's equity stakes increased because of the strong performance of Trac and consistent performance across the remainder of the portfolio.

In the last 12 months the Fund has generated a total return of 30.3%, including two dividend payments to shareholders totalling 5.5%. This comfortably exceeds the target return of 10-15% per annum and reflects the value being created in the portfolio.

## 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%							2.61%

## Total Return per A Share since Inception (including Dividends)



# NAV Analysis – A Shares

The net asset value (NAV) attributable to the Ordinary Shares was £22.2m at 31<sup>st</sup> March 2024, an increase of £0.6m from the previous quarter.

## Commentary

The value of the Fund's equity stakes increased by £0.8m because of the strong performance in Trac with consistent performance across the remainder of the portfolio. The loan balance has reduced by £1.5m due to the repayment of the British Corner Shop loan.

As a result of the loan repayments and interest, the cash balance increased by £2.2m. Other Assets & Liabilities relate to working capital assets and liabilities of the Fund and varies from quarter to quarter in line with the annual expenditure cycle.

## Gross & Net Asset Value attributable to Ordinary Shares

NAV Analysis (£m)	Dec-23	Mar-24	Diff
Cash	2.8	5.0	2.2
Loans	11.3	9.8	-1.5
Equity / Make Good	6.8	7.6	0.8
Other Assets	1.0	0.5	-0.4
<b>Gross Asset Value</b>	<b>21.8</b>	<b>23.0</b>	<b>1.2</b>
Other Liabilities	-0.2	-0.8	-0.6
<b>Net Asset Value</b>	<b>21.6</b>	<b>22.2</b>	<b>0.6</b>
Shares in issue (000s)	14947.0	14947.0	0.0
<b>NAV per share (£)</b>	<b>1.4461</b>	<b>1.4840</b>	<b>0.0378</b>










# Portfolio Update

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# Portfolio Summary

## Summary of Portfolio Valuations by Share Class

	Avonside	Bromford	FGP	HTSL	Nasmyth Group	Patrick Parsons	Surface Technology International	Trac Precision Solutions
<b>Loan Balance</b>								
Ords	12.5	614.0 	750.0	0.0	291.7	50.3	250.0	77.9
As	137.5	1,186.0 	1,250.0	0.0	5,208.3	699.8	250.0	922.1
Co-Invest	0.0	0.0 	2,000.0	0.0	0.0	0.0	500.0	0.0
<b>Total Flight Equity</b>	<b>150</b>	<b>1,800</b>	<b>4,000</b>	<b>-</b>	<b>5,500</b>	<b>750</b>	<b>1,000</b>	<b>1,000</b>
<b>Equity Share per share class</b>								
Ords	1.7%	10.2%	5.6%	6.8%	1.3%	5.6%	7.5%	2.1%
As	18.9%	19.8%	9.4%	23.2%	23.8%	9.4%	7.5%	25.2%
Co-Invest	0.0%	0.0%	15.0%	0.0%	0.0%	15.0%	15.0%	0.0%
<b>Total Flight Equity</b>	<b>20.6%</b>	<b>30.0%</b>	<b>30.0%</b>	<b>30.0%</b>	<b>25.1%</b>	<b>30.0%</b>	<b>30.0%</b>	<b>27.3%</b>



# Avonside Energy

Insulation and Solar PV service of choice across the UK



# FLIGHT

**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:**

£12,473 Ordinary Shares

£137,527 A Shares

**Flight Fund equity stake:**

1.7% Ordinary Shares

18.9% A Shares

## Summary

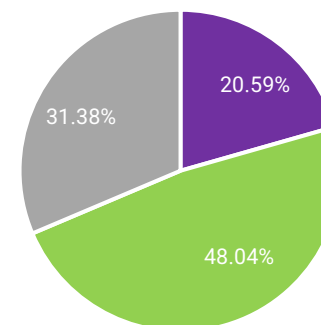
Avonside Energy Limited is the insulation and solar PV service provider of choice for house builders across the UK. Avonside Energy also help businesses save money on energy costs through its commercial-scale solar PV operations.

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

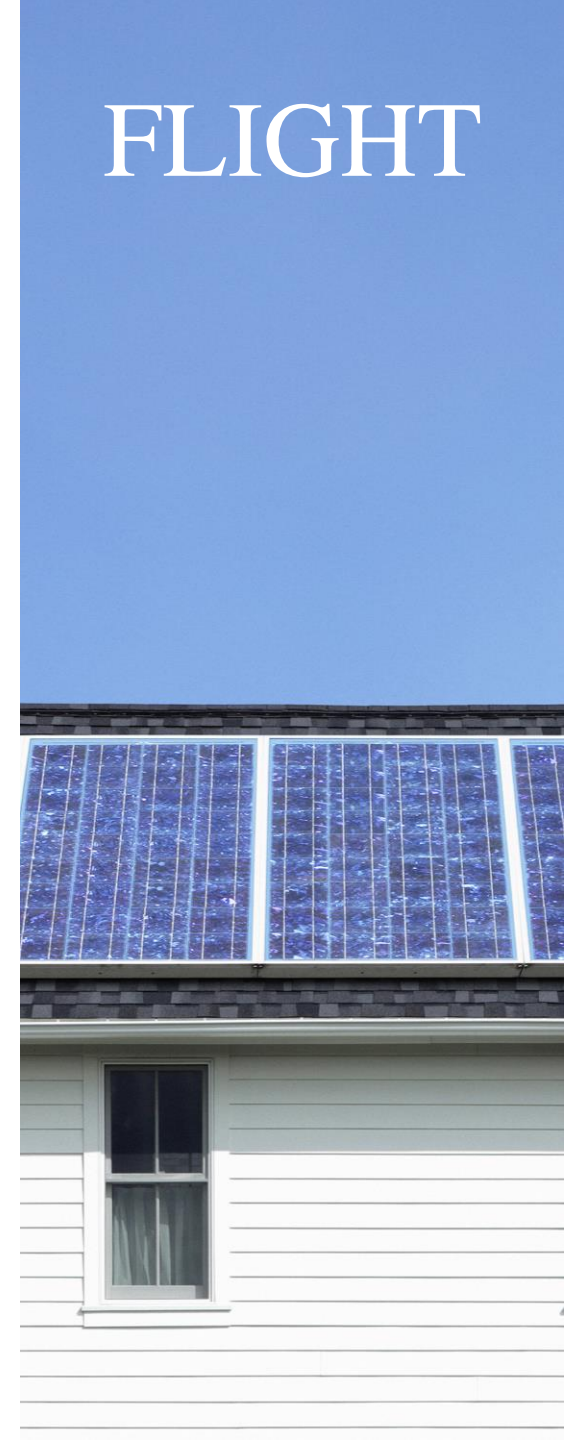
Avonside Energy will generate revenue of over £20 million this year and is profitable and cash generative. It employs over 100 skilled workers and is a key part of the new build supply chain, with major customers including Barratt Homes, Taylor Wimpey, Persimmon Homes, Redrow and Miller Homes.

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.

## Ownership Structure



- Flight Fund Equity Stake
- Rcapital Equity Stake
- Management Equity Stake



# Bromford

Highly engineered components for the Aerospace and Power sectors



# FLIGHT

**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:**

£613,980 Ordinary Shares  
£1,186,020 A Shares

**Flight Fund equity stake:**

10.2% Ordinary Shares  
19.8% A Shares

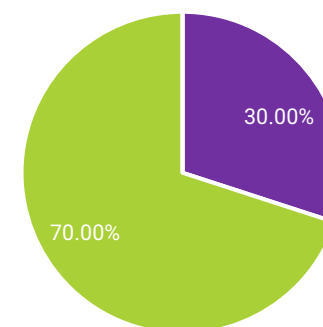
## Summary

Bromford Precision Solutions Limited is the Leicester-based aerospace and power generation division of Bromford Group.

Rcapital has agreed strategic partnerships with key customers of the business to secure 81 jobs at the Group's Leicester site. Rcapital will 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 will be on stabilising the business and returning it to a breakeven position – following which formal financial reporting will be prepared.

## Ownership Structure



- Flight Fund Equity Stake
- Rcapital Equity Stake
- Management Equity Stake

# FGP Systems



# FLIGHT

Precision engineering company offering solutions for the aerospace and other sectors

**Company Name:**

FGP Systems 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

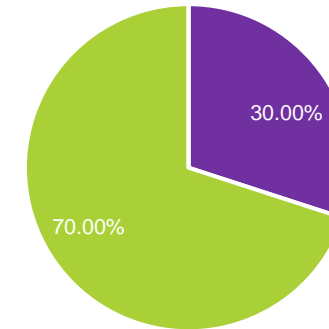
The Group comprises Weymouth based FGP Systems Limited, a precision engineering business which provides very high tolerance machining, turning and fabrication services to blue chip aerospace and defence customers, and FGP Lufton Ltd which is based in Yeovil and manufactures a portfolio of parts for the 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 will remain in place and will be supported by Rcapital to implement an extensive operational and financial performance improvement plan.

Formal financial reporting will commence in Q2 2024.

## Ownership Structure



- Flight Fund Equity Stake
- Rcapital Equity Stake
- Management Equity Stake



# High Technology Sources

Providing radiation industrial sources and specialised logistics support



# FLIGHT

**Company Name:**  
High Technology Sources Limited

**Sector:**  
Industrial Instrumentation

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

**Date of Investment:**  
March 2023

**Flight Fund loan:**  
n/a

**Flight Fund equity stake:**  
6.8% Ordinary Shares  
23.2% A Shares

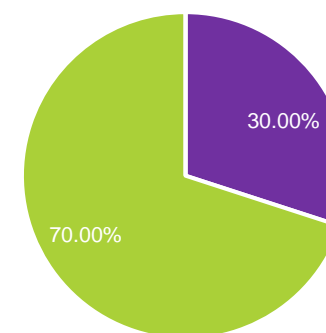
## Summary

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.

In September 2023, HTSL announced the acquisition of the Instrumentation Division of James Fisher Nuclear. The Instrumentation Division calibrates and repairs portable radiation protection instrumentation used to measure levels and duration of radioactive exposure for workers in the UK. Furthermore, in November 2023 HTSL announced the acquisition of Phoenix Dosimetry Limited, one of the UK's leading providers of radiological detection systems, radiotherapy dosimetry, and associated services. These two acquisitions are expected to be highly complementary to HTSL's existing business and creates an exciting platform in the UK nuclear sector.

## Ownership Structure



- Flight Fund Equity Stake
- Rcapital Equity Stake
- Management Equity Stake

# Nasmyth Group

National complex precision engineering solution provider



# FLIGHT

**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

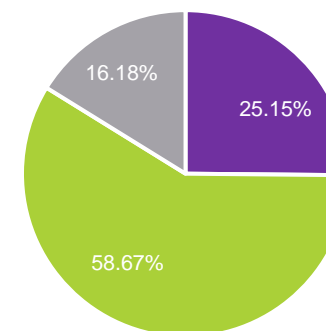
Nasmyth Group is a provider of specialist precision engineering services to the aerospace, defence and related industries.

The business is headquartered in the Midlands with international operations in the US, Philippines and 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.

## Ownership Structure



- Flight Fund Equity Stake
- Rcapital Equity Stake
- Management Equity Stake

# Patrick Parsons



Specialist consultancy engineering group

**Company Name:**

Patrick Parsons

**Website:**

[www.patrickparsons.co.uk](http://www.patrickparsons.co.uk)

**Sector:**

Business Services

**Description:**

Engineering consultancy to the built environment

**Date of Investment:**

March 2021

**Flight Fund loan:**

£50,250 Ordinary Shares

£699,750 A Shares

**Flight Fund equity stake:**

1.5% Ordinary Shares

20.5% A Shares

## Summary

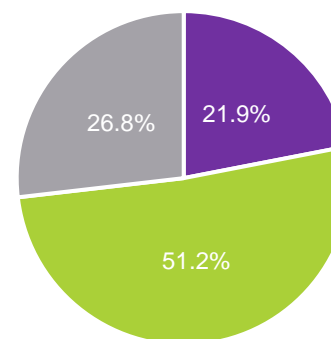
PPCP Limited ("Patrick Parsons") is a full service multi-disciplinary engineering consultancy to the built environment.

The group is headquartered in Birmingham with 3 further UK offices and 100 engineers, generating annual turnover of c.£10million.

The business offers a one-stop solution of engineering disciplines: Civils, Structural and Geo-environmental. The company serves a range of blue-chip clients in the construction, infrastructure and house-building industry, with many under framework contracts.

The Flight Fund provided a £750k loan facility to finance the acquisition of the company and support growth in the business and has taken an equity stake alongside Rcapital.

## Ownership Structure



- Flight Fund Equity Stake
- Rcapital Equity Stake
- Management Equity Stake





# Surface Technology



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:**

£250,000 Ordinary Shares

£250,000 A Shares

£500,000 Co-Invest

**Flight Fund equity stake:**

7.5% Ordinary Shares

7.5% A Shares

15.0% Co-Invest

## Summary

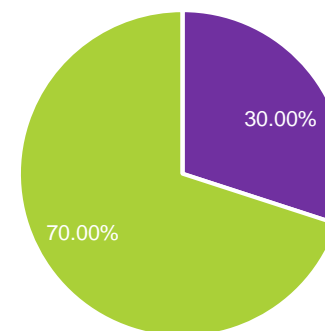
Surface Technology International (“STI”) is an electronics manufacturer, headquartered in Hampshire. From its three facilities (two in the UK, one in the Philippines), STI provides complex printed circuit board assembly and box build services for critical applications across the Defence, Aerospace, Medical 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. Comprehensive financial reporting will begin in the following quarter.

## Ownership Structure



- Flight Fund Equity Stake
- Rcapital Equity Stake
- Management Equity Stake

# Trac Precision Solutions



Supplier of precision engineered parts to the aerospace, defence and power generation sectors

**Company Name:**

Trac Precision Solutions

**Sector:**

Specialist Engineering

**Description:**

Supplier of precision engineered parts to the aerospace, defence and power generation sectors

**Date of Investment:**

November 2022

**Flight Fund loan:**

£77,932 Ordinary Shares

£922,068 A Shares

**Flight Fund equity stake:**

2.1% Ordinary Shares

25.2% A Shares

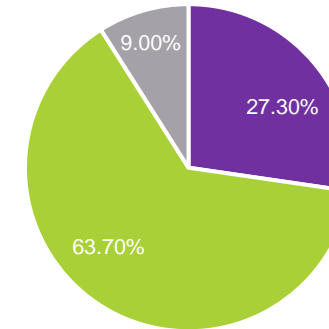
## Summary

Trac designs and manufactures precision engineered parts that maximise engine performance, efficiency and reliability within the aerospace, defence and power generation sectors.

Trac is based in Crewe and employs approximately 50 people. The business has a number of blue-chip clients (e.g. Rolls Royce, GE, Siemens & Safran) who rely on Trac for critical components.

The business was acquired for £1m which was funded by a loan from the Fund. The Fund also received an equity stake of 27.3% in the company.

## Ownership Structure



- Flight Fund Equity Stake
- Rcapital Equity Stake
- Management Equity Stake



# FLIGHT

## Contact and disclaimer

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