

# The Flight and Partners Recovery Fund Limited

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



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 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.



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# Market Update

Whilst overall signs are cautiously optimistic, the upcoming budget has created short-term challenges in some sectors

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

### GDP Growth (Sep to Dec):

0.0% (0.5%)

### Inflation:

3.5% (2.2%)

### Unemployment:

4.75% (4.0%)

### Bank of England Interest Rate:

4.75% (5.00%)

### FTSE (change since last quarter):

-0.8% (0.9%)

The UK economy had a mixed end to 2024, with signs of weakness emerging after a stronger start to the year. GDP growth slowed to 0.0% in Q3 2024, and indicators suggest that this trend continued into Q4. Consumer sentiment declined sharply in anticipation of the new government's first budget, with the GFK consumer confidence index falling from -13 in August to -21 in October. Rcapital continued to see the slow pace in business investment activity driven by the messaging following the budget announced in October. The services sector, which had been driving growth earlier in the year, saw its expansion slow to 0.2% in Q3.

Analyst forecasts for 2025 suggest a measured recovery, characterised by modest growth and moderating inflation. Inflation is expected to stabilise closer to the Bank of England's target range, with projections ranging from 2.2% to 3.0%. The monetary policy landscape indicates potential interest rate cuts, with forecasts suggesting the base rate could decrease to between 3.25% and 4.00% by the end of 2025. This anticipated monetary easing may stimulate some economic activity but is subject to the continued challenges posed by geopolitical uncertainty.

The upcoming increases in living wage and NIC taxes for businesses are also likely to create challenges for some companies that employ large numbers of low paid staff and are likely to restrict growth and investment.

At Rcapital, the new investment pipeline is healthy with several opportunities being reviewed. The sustained effort to explore carve-out opportunities throughout 2024 paid off as we completed the acquisition of engineering subsidiary **GT Emissions Systems** from Knorr-Bremse in January 2025. We were also very pleased to complete the sale of Trac Precision in December 2024, delivering an outstanding return for the Fund over a 2-year investment period.

The medium-term outlook for the portfolio remains healthy:

- **Avonside's** insulation and newbuild PV businesses are performing well and generating consistent profits, while commercial PV should see a strong end to the financial year given its project pipeline;
- **Bromford** has continuing support from key customers who are backing the management team to deliver the turnaround plan;
- **FGP** has achieved a significant increase in turnover driven by operational improvements, price adjustments and a strengthened leadership team;
- **HTSL** continues to exceed budget and has strengthened its management team to support the integration of bolt-on acquisitions. One further bolt-on acquisition is expected to complete imminently;
- **Nasmyth Group** has improved delivery and quality, secured price increases and further work packages from its largest customer, and expects strong, profitable performance in 2025 with high customer demand and cost focus;
- **STI** ended the year positively, having implemented numerous improvements to the operating model throughout 2024, Q4 delivered particularly encouraging profitability and performance. Improving operational output and new contract wins supports increasing confidence in achieving its healthy 2025 EBITDA target.

# Fund Performance – Ordinary Shares

The NAV per Ordinary Share as of 31<sup>st</sup> December 2024 was £1.6337 per share, a decrease of 10.65% from the previous quarter.

## Commentary

Underlying performance in the fund is encouraging, although the NAV has fallen in this particular quarter, the portfolio companies are performing well at their various stages of the turnaround process.

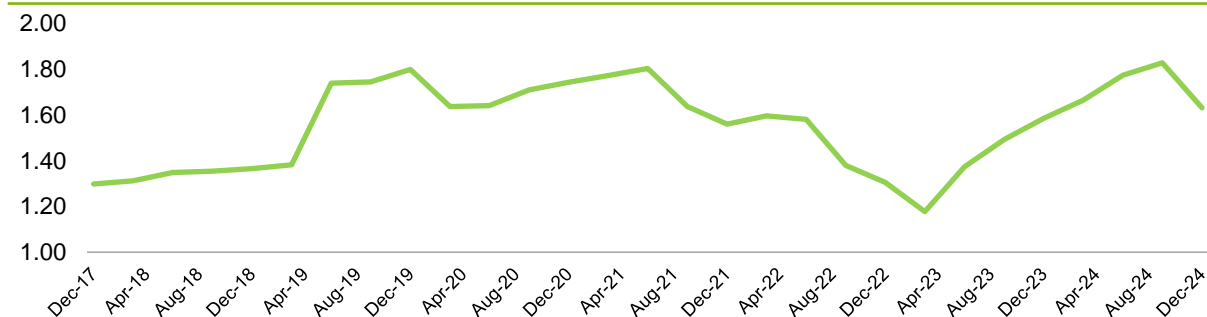
The Trac disposal was an excellent result for the fund providing a return of over 5x money invested. The value of the Fund's equity stakes reduced as Trac is no longer included following the profitable exit and due to a reduction in run-rate EBITDA at Nasmyth. These movements were offset by increasing valuations in HTSL, Avonside and STI. The outlook for the Fund for 2025 is positive given trading performance in the portfolio companies.

The Fund has increased in value by 38.8% since March 2023.

## Quarterly NAV per Ordinary Share (last 7 years)

	Q1		Q2		Q3		Q4		YTD
Year	Price	% Change	Price	% Change	Price	% Change	Price	% Change	
2016	1.2651	25.00%	1.0438	(17.49%)	1.1105	6.39%	1.1160	0.49%	14.39%
2017	1.3108	17.46%	1.3037	(0.54%)	1.2998	(0.30%)	1.2989	(0.06%)	16.55%
2018	1.3129	1.07%	1.3488	2.73%	1.3546	0.43%	1.3653	0.26%	5.03%
2019	1.3653	0.53%	1.7391	27.38%	1.7452	0.35%	1.7999	3.14%	30.54%
2020	1.6368	(9.06%)	1.6411	0.26%	1.7100	4.20%	1.7434	1.95%	(2.65%)
2021	1.8853	8.14%	1.9166	1.66%	1.6365	(14.62%)	1.5595	(4.70%)	(10.54%)
2022	1.5966	2.38%	1.5812	(0.96%)	1.3789	(12.80%)	1.3050	(5.36%)	(16.74%)
2023	1.1774	(9.75%)	1.3743	16.72%	1.4923	8.59%	1.5850	6.21%	21.77%
2024	1.6645	5.02%	1.7739	6.58%	1.8284	3.07%	1.6337	(10.65%)	4.01%

## Quarterly NAV per Ordinary Share (last 7 years)



# NAV Analysis – Ordinary Shares

The net asset value (NAV) attributable to the Ordinary Shares was £5.1m at 31<sup>st</sup> December 2024, a decrease of £0.6m from the previous quarter.

## Commentary

The value of the Fund's equity stakes decreased by £0.2m, because Trac is no longer included in these figures although this was mitigated by an increase in the value of HTSL, Avonside and STI. Loans have reduced due to the repayments from the STI, Charnwood and Trac facilities. There is significant latent value in the investments which is expected to be reflected in the NAV in 2025.

Cash has increased by £0.1m in the period due to movements in working capital balances and the Trac exit.

## Gross & Net Asset Value attributable to Ordinary Shares

NAV Analysis (£m)	Sep-24	Dec-24	Diff.
Cash	1.2	1.3	0.1
Loans	2.1	1.9	-0.2
Equity / Make Good	1.2	1.0	-0.3
Other Assets	1.3	1.2	-0.1
<b>Gross Asset Value</b>	<b>5.9</b>	<b>5.4</b>	<b>-0.5</b>
Other Liabilities	-0.2	-0.3	-0.1
<b>Net Asset Value</b>	<b>5.7</b>	<b>5.1</b>	<b>-0.6</b>
Shares in issue (000s)	3,101	3,101	0
<b>NAV per share (£)</b>	<b>1.8284</b>	<b>1.6337</b>	<b>-0.1947</b>

# FLIGHT







# Portfolio Update

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# Portfolio Summary

Summary of Portfolio Valuations by Share Class

£000s	Avonside	Bromford	FGP	HTSL	Nasmyth	STI
<b>Loan Balance</b>						
Ords	12.5	562.8	843.8	0.0	291.7	223.3
As	137.5	1,087.2	1,406.3	0.0	5,208.3	223.3
Co-Invest	0.0	0.0	2,250.0	0.0	0.0	446.6
<b>Total Flight Loans</b>	<b>150.0</b>	<b>1,650.0</b>	<b>4,500.0</b>	<b>-</b>	<b>5,500.0</b>	<b>893.3</b>
<b>Equity Share per share class</b>						
Ords	1.7%	10.2%	5.6%	5.5%	1.3%	7.5%
As	18.9%	19.8%	9.4%	18.5%	23.8%	7.5%
Co-Invest	0.0%	0.0%	15.0%	0.0%	0.0%	15.0%
<b>Total Flight Equity</b>	<b>20.6%</b>	<b>30.0%</b>	<b>30.0%</b>	<b>24.0%</b>	<b>25.1%</b>	<b>30.0%</b>



# Avonside Energy

Insulation and Solar PV (Photovoltaic) 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

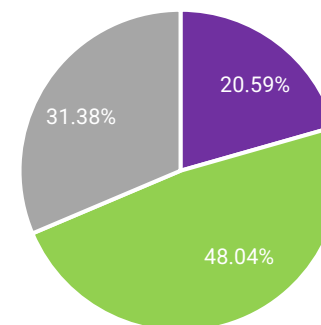
**Summary**

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.

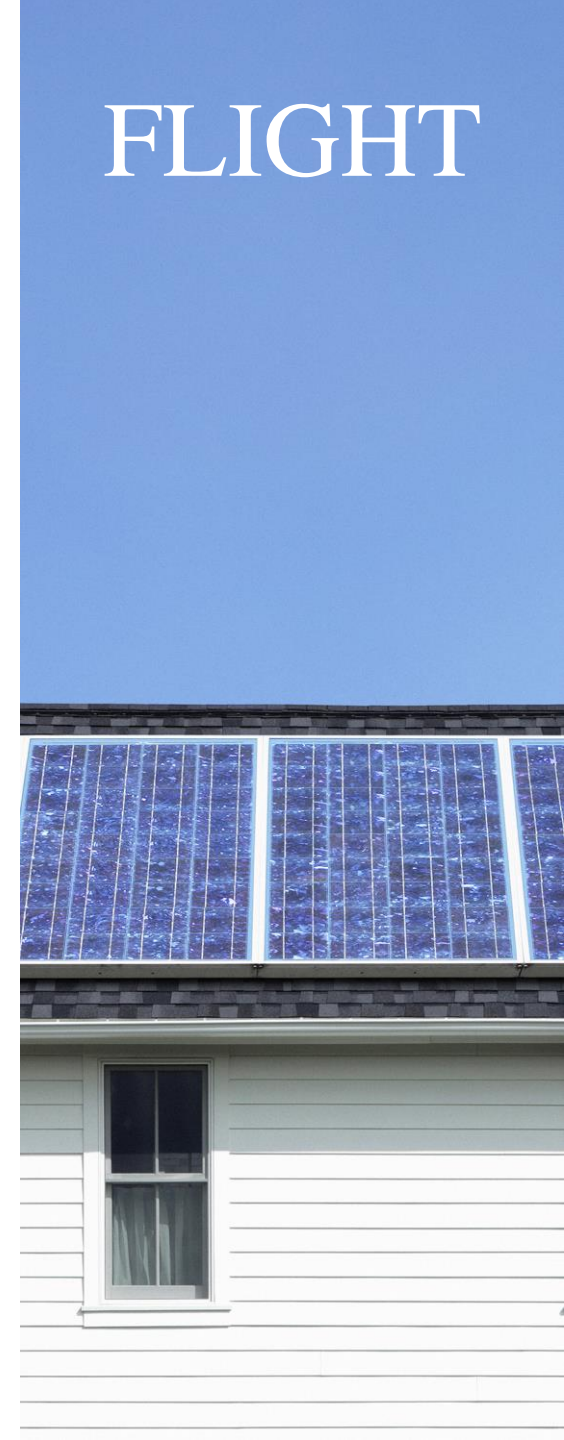
Headquartered in Leicester, Avonside Energy has a strong national presence with operations in the West Midlands, East Midlands, Glasgow, Leeds, Newcastle, Warrington and Stevenage.

Avonside Energy 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.

**Ownership Structure**

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



# 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:

£562,815 Ordinary Shares

£1,087,185 A Shares

## Flight Fund equity stake:

10.2% Ordinary Shares

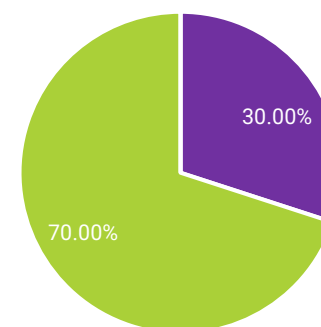
19.8% A Shares

## 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.

## 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

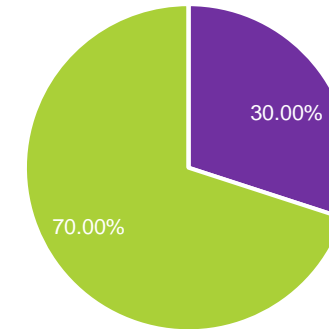
15.0% Co-Invest

## Summary

The FGP 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.

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.

## 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:**  
September 2023

**Flight Fund loan:**  
n/a

**Flight Fund equity stake:**  
5.5% Ordinary Shares  
18.5% A Shares

## Summary

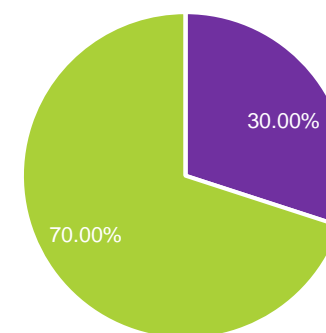
High Technology Sources Limited (HTSL) provide an extensive range of sealed and unsealed radiation industrial sources that are manufactured to the highest standards and comply fully with applicable national and international standards. HTSL have been one of the UK's leading suppliers of radioactive isotopes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

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

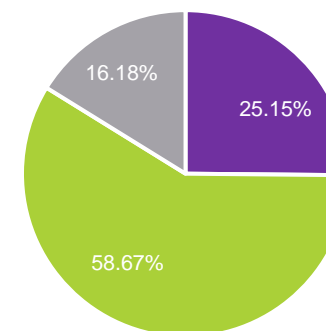
Nasmyth Group is a provider of specialist precision engineering services to the aerospace, defence and related industries.

The business is headquartered in the Midlands with international operations in the US 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

# Surface Technology International



# FLIGHT

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

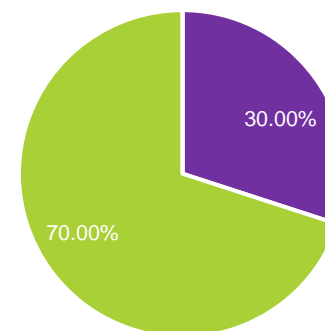
Surface Technology International ("STI") is an electronics manufacturer headquartered in Hampshire. From its two facilities in the UK, STI provides complex printed circuit board assembly and box build services for critical applications across the Defence, Aerospace, Medical and Industrial sectors.

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 Q4 2024, a process was initiated to recruit permanent members of the management team, including a CEO and CCO to help ensure continuity and sustained growth.

## Ownership Structure



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





## Contact and disclaimer

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