



COBALTAIR LTD (in liquidation)

(the “Company”)

Second annual report of the Company’s liquidator to its creditors and shareholder, covering the period from 19th Dec 2019 to 18th Dec 2020

Nicosia, 19th February 2021

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Liquidator

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1. Executive Summary

This progress report is prepared and presented pursuant to article 282(1) of Companies Law Cap 113 and covers the period from the last report (19 December 2019) to 18 December 2020.

This progress report should be read in conjunction with our previous progress report issued (covering the period from our appointment on 19 December 2018 to 18 December 2019), which can be found at <https://cobalt.aero/>.

Assets	Realisations for the period from 19 th December 2019 to 18 th December 2020 amount to €534k, as detailed in Section 2 and broken down in the Receipts and Payments account in Appendix A. Total realisations to date amount to €4.691k.
Liabilities	During the period under review, we have received additional claims amounting to €1.409k. Total claims received (since appointment) from creditors, travel agents and individuals amount to €134.547k. Preferential creditors have been paid in full.
Legal cases	Significant progress has been made in relation to legal cases brought against Cobalt. All 11 interim orders brought by creditors have been cancelled and 13 of the main cases have been settled or withdrawn, while 5 are still pending. No payments have been made to creditors in connection with claims settled. See further analysis in section 3.3. Of the claims brought by the Company, we have made an out-of-court settlement of the Everjets claim. Other claims remain pending and progress has been hampered by the pandemic. See further analysis in section 3.1.
Liquidation costs	Total costs for the period amount to €533k, of which €239k represent fees of the liquidator. Details of costs incurred are presented in section 2.3.
Interim dividend	The pandemic has delayed the progress of claims brought by Cobalt. This means that potentially substantial receipts have not materialised yet and there is considerable uncertainty as to the timing when these claims may be resolved. For this reason, the decision for the payment of an interim dividend has been postponed. We are currently planning to re-consider this matter before the end of quarter 2 of 2021, i.e. by 30 June 2021, at which time we will be post an update on the Cobaltair website.

2. Progress to date

2.1. Strategy and progress to date

Since our last progress report, the main asset realisations have been from the release of frozen funds at the bank (as a result of lifting of freezing orders) and collections from debtors.

Our current focus continues to be realising the Company's remaining assets, including collecting outstanding book debts, defending and pursuing legal claims, and progressing the Company's tax affairs.

Other points of interest:

Employees	One former employee is assisting with the reconciliation and collection of debtors and creditors. A further 4 former employees are assisting us on an ad-hoc basis.
Lessor claims	One Lessor claim has been agreed. We are awaiting further clarifications/information from the remaining 3 Lessors in order to finalise reconciliation of their claims.
Card transaction processor	We have concluded our review of the reserve held by the Company's card transaction processor and confirmed the funds used to cover claims from passengers. The remaining reserve of ~US\$30k was returned to the Company in July 2020.

2.2. Asset realisations

Realisations during the period are set out in the Receipts and Payments schedule in Appendix A. Main points arising:

Spare Parts	Marketing efforts for the sale of the spare parts are ongoing. However, the pandemic has negatively affected the demand for aircraft spare parts, which will inevitably impact the value we achieve.
Cash at bank	The 11 interim orders obtained by creditors have now been lifted. Since our last report, an amount of €224k was released and transferred to the liquidation bank account. As at 18 December 2020, €145k remained frozen out of which €143k was released and transferred to the liquidation's bank account in January 2021. The remaining amount concerns a guarantee deposit and we are in communication with the relevant authorities for its release. Balances held in the liquidation bank accounts as at 18 th December 2020 amounted to €2.987k.
Book debts and deposits	After further reconciliations, total receivables amount to €3.870k out of which we have collected €2.304k. The collections for the period under review amounted to €310k. A substantial proportion of the remaining debtors are not collectable, since they relate to unflown tickets. The pandemic has also affected the collectability of the remaining debtors due to the significant impact it has had on the airline and travel industry. There are a small number of accounts which are yet to be reconciled. We continue to pursue remaining balances owed to the Company.

2.3. Costs

Payments made in the period are set out in the Receipts and Payments account (Appendix A).

Wages and salaries	We have paid approximately €43k (including employer costs) in connection with the employees retained.
Legal fees	We have paid approximately €149k in legal fees for the period.
Professional fees	We have paid approximately €22k in professional fees, relating to IT support, reconciliation and review of creditor claims etc.
IT costs	During the period under review, we made payments of €3k to IT suppliers for the ongoing service of the Company's IT infrastructure.

3. Significant legal cases

3.1. Claims by the Company

The status of claims made by the Company are as follows:

ACG/Wells Fargo	Commenced prior to our appointment. Our lawyers are finalising the particulars of claims and legal proceedings will be commenced.
Everjets	Commenced prior to our appointment. Following legal advice received, which was approved by the Committee of Inspection, this claim was settled with each side dropping their respective claims.
TradeAir	Commenced prior to our appointment. The case in the Austrian Court has been delayed due to COVID-19. We expect the next hearing to be in the fall of 2021.
Swissport Greece	The Company has a receivable from Swissport Greece for an amount in excess of €600k. Attempts at reaching an out-of-court settlement have failed. We have therefore instructed our lawyers to submit a lawsuit in Greece.

In connection with the claim against GECAS, an approach made by the liquidator for an out-of-court settlement was rejected by the other side. The Company is currently considering whether to proceed with a legal action against GECAS.

3.2. Summary of other significant pending claims

Turkish overflight claim	Despite several reminders, no response has been received to date in respect of the claim we submitted to the Ministry of Finance in October 2019.
Cancellation of the Company's operating/commercial license	This matter is ongoing. On 29 th January 2021, the Administrative Court issued a decision in our favour for the submission of additional evidence. The case is set for directions on 1 st March 2021.

3.3. Claims against the Company

As discussed in section 2.2 above, all 11 interim orders obtained by creditors (freezing orders) over funds held in the Company's bank accounts, have now been lifted. Claims from these creditors have been reconciled, the agreed amount has been recognised in the liquidation and they will be paid at the same time and at the same rate of dividend as all other unsecured creditors.

Claim for CO₂ Emissions

On 15 October 2020, the Ministry of Agriculture, Rural Development and Environment rejected our arguments set out in the hierarchical appeal. As a result, we have submitted an administrative appeal against their decision.

4. Creditor claims

4.1. Secured creditors

The Company has no secured creditors, with reservation as to the alleged right of lien raised by CAS Cyprus Aerotechnical Services Ltd over a stock of spares (see section 2.2 of the first annual report). That case is ongoing.

4.2. Preferential creditors

Preferential creditors totalling €7k have been settled.

4.3. Unsecured creditors

We have received a total of 480 claims from unsecured creditors, totalling €134.540k.

One of the lessor claims has been agreed. Work to reconcile remaining creditor claims is ongoing.

5. Liquidator's remuneration

Liquidation costs invoiced for the period from 19th December 2019 to 18th December 2020 amounted to €239k. Our fees are approved by the Committee of Inspection.

During the period, we have incurred disbursements of €1k.

6. Future strategy

We will continue to manage the affairs and the property of the Company in order to achieve the best outcome for the creditors. This includes the following tasks:

- ❖ Realise remaining assets, primarily spare parts
- ❖ Continue to chase debtors for collections and, where necessary, take legal measures to collect outstanding book debts
- ❖ Pursue and (where deemed appropriate) defend legal claims
- ❖ Review remaining unreconciled claims from creditors
- ❖ Comply with ongoing tax and VAT requirements
- ❖ Comply with ongoing statutory and reporting obligations
- ❖ Where possible (and without prejudicing the outcome of the liquidation), pay interim dividend to creditors

Appendix A to this report includes details of the Receipts and Payments of the liquidation for the period from 19th December 2019 to 18th December 2020 (along with cumulative comparatives).

Dividend payment

As explained earlier in this report, we are experiencing considerable delays in finalising claims by and against the Company. This causes material uncertainty as to the expected outcome of the liquidation and, as a result, we have postponed payment of an interim dividend.

We will monitor the situation closely and we plan to re-consider the decision before 30th June 2021, at which time we will post an update on the Company's website.

It is important to stress that, in deciding the amount of any interim dividend to be paid, sufficient funds will have to be set aside to ensure the integrity of the liquidation process.

Appendix A – Receipts and Payments account (€000s)

		For the period under review (19/12/19 - 18/12/20)	Cumulative, from appointment (19/12/18 - 19/12/20)
Income			
	Sale of Furniture and Equipment	0	105
	Collection of Book Debts / deposits	310	2.304
	VAT Refund (pre-appointment)	0	480
	Unblocking of amounts at Bank	224	1.802
	TOTAL	534	4.691
Expenditure			
	Professional fees	22	94
	Ransom payments	0	99
	Liquidator's fees	239	775
	Liquidator's expenses	1	18
	Legal fees	149	327
	Legal fees - disbursements	3	9
	IT Costs	3	8
	Storage costs	8	16
	Wages & Salaries	32	119
	PAYE & SIC	11	36
	Bank Charges	1	3
	Rent	0	11
	Utilities and Taxes	4	8
	VAT	60	181
	TOTAL	533	1.704
Amount in hand			2.987

Appendix B – Committee of Inspection

The Committee of Inspection consists of the following members:

<i>Name</i>	<i>Appointment date</i>
Patrick Thomas Carroll	19 December 2018
Demetris Phellas	19 December 2018
Gregory Diacou	19 December 2018
Stavros Photiou	19 December 2018

During the period from 19 December 2019 to 18 December 2020, the Committee held meetings on the following dates:

- 13 January 2020
- 28 April 2020
- 20 July 2020 (written report circulated)
- 5 November 2020 (written report circulated)
- 18 January 2021 (via teleconference)

