



# COBALTAIR LTD (in liquidation)

(the “Company”)

3<sup>rd</sup> annual report of the Company’s liquidator to its creditors and shareholder, covering the period from 19<sup>th</sup> Dec 2020 to 18<sup>th</sup> Dec 2021

Nicosia, 9<sup>th</sup> February 2022

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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 Cyprus Companies Law Cap 113 and covers the period from the last report (19 December 2020) to 18 December 2021.

This progress report should be read in conjunction with our two previous progress reports issued (covering the periods 19/12/18-18/12/19 and 19/12/19-18/12/20), which can be found at <https://cobalt.aero/>.

Assets	<p>Realisations for the period from 19<sup>th</sup> December 2020 to 18<sup>th</sup> December 2021 amounted to €589k. Total realisations to date amount to €5.280k.</p> <p>See section 2 and the Receipts and Payments account in Appendix A for details.</p>
Liabilities	<p>Total claims received from creditors, travel agents and individuals (since appointment) amount to €134.651k.</p> <p>See section 4 for details.</p>
Legal cases	<ul style="list-style-type: none"><li>• Two claims made by the Company prior to liquidation (against ACG and TradeAir) are ongoing.</li><li>• The Company has submitted a lawsuit in Greece against Swissport Greece for an amount of €600k.</li><li>• The Company's claim for the Turkish overflight was rejected and we are appealing this decision</li><li>• The case regarding the Company's operating license cancellation is ongoing at the Administrative Court.</li><li>• An Administrative Court appeal was made by the Company against a fine imposed in connection with CO<sub>2</sub> emissions.</li></ul> <p>See section 3 for more details.</p>
Liquidation costs	<p>Total liquidation costs for the period amounted to €335k, of which €131k represent fees paid to the liquidator.</p> <p>See section 2.3 for more details.</p>
Interim dividend	<p>The pandemic has delayed the progress of claims brought by and against the Company. This means that potentially substantial receipts and costs have not materialised yet and there is considerable uncertainty as to the timing when these claims may be resolved. The outcome of these claims by and against the company will have a material effect on dividends to be paid to creditors.</p> <p>For these reasons, and following consultations with our legal advisors and the Committee of Inspection, payment of an interim dividend has been postponed. We will continue to evaluate this situation in light of any significant developments and creditor updates will be issued accordingly.</p>

## 2. Progress to date

### 2.1. Strategy and progress to date

Since our last annual report, the main asset realisations have been from the release of frozen funds at the bank (as a result of settling pending creditor legal claims) and collections from debtors.

Our 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	Since April 2021, the Company does not retain any employees. Certain former employees are assisting us on an ad-hoc basis.
Lessor claims	We have received four claims from aircraft lessors. One claim has been agreed but the remaining claims remain pending as we have requested and are awaiting further supporting documentation from the respective lessors.

### 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	As stated in our first report, the Company reached an agreement with CAS whereby the spare parts will be sold, with the proceeds being held in an escrow account until the finalisation of the lawsuit. The matter is ongoing.
Cash at bank	Balances held in the liquidation bank accounts as at 18 <sup>th</sup> December 2021 amounted to €3.240k. An amount of ~€1k, which concerns a guarantee deposit remains frozen. Despite several reminders the migration department has not responded to us yet. We will continue to pursue the matter.
Book debts and deposits	After further reconciliations, total receivables amount to €3.612k out of which we have collected €2.691k. The collections for the period under review amounted to €387k. We estimate that a substantial proportion of the remaining debtors may not be collected, 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.  We will continue to pursue remaining balances owed to the Company.

### 2.3. Costs

Costs incurred during the current period are set out in the Receipts and Payments account (Appendix A).

Wages and salaries	We have paid approximately €16k (including employer costs), in connection with the employees which were retained up to the end of March 2021.
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Legal fees	We have paid €116k in legal fees for the period.
Professional fees	We have paid €7k in professional fees, relating to IT support, reconciliation and review of creditor claims, and reconciliation and review of debtor balances that can be collected etc.
IT costs	We made payments of €5k 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. We have instructed our legal advisors in the UK to proceed with initiating legal proceedings against ACG.
TradeAir	Commenced prior to our appointment before Austrian courts. The case is ongoing and the next hearing is scheduled to take place on 19 <sup>th</sup> April 2022.
Swissport Greece	The Company made advanced payments to Swissport Greece (prior to liquidation) in excess of €600k which we have claimed back. Swissport has refused to return the funds due so we proceeded with submitting a lawsuit in Greece. The hearing is expected to take place in May 2022.

The Company was entitled to receive Volume and Passenger Incentives for the year 2018 from Hermes Airport. Following negotiations with Hermes Airport management, we were able to agree a settlement for €460k and this amount was received on 24<sup>th</sup> December 2021. The settlement was agreed by the Committee of Inspection.

The GECAS claim has been dropped following further legal advice and discussion with the Committee of Inspection.

### 3.2. Summary of other significant pending claims

Turkish overflight claim	The Company's claim was rejected by the Ministry of Finance. We proceeded with filing an administrative appeal. The case is set for 17 <sup>th</sup> February 2022.
Cancellation of the Company's operating/commercial license	This matter is ongoing and the case has been set for hearing on 27 <sup>th</sup> May 2022.

### 3.3. Claims against the Company

#### *Claim for CO<sub>2</sub> Emissions*

We have submitted an administrative appeal disputing a decision of the Ministry of Agriculture to impose an administrative fine of ~€10.835k. A hearing has been set for the 14<sup>th</sup> March 2022.

## 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), which is the subject of an ongoing Court case.

### 4.2. Preferential creditors

Preferential creditors totalling €7k have been settled.

### 4.3. Unsecured creditors

We have received a total of 481 claims from unsecured creditors, totalling €134.644k.

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

## 5. Liquidator's remuneration

Liquidation costs invoiced for the period from 19<sup>th</sup> December 2020 to 18<sup>th</sup> December 2021 amounted to €131k. 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

Appendix A to this report includes details of the Receipts and Payments of the liquidation for the period from 19<sup>th</sup> December 2020 to 18<sup>th</sup> December 2021 (along with cumulative comparatives).

### *Dividend payment*

As explained earlier in this report, we are experiencing considerable delays in finalising substantial claims by and against the Company, which would have a material effect on the prudence and/or legality of any interim distribution.

As a result, we have postponed payment of an interim dividend.

We will continue to evaluate this situation in light of any significant developments and creditor updates will be issued accordingly.

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

		For the period under review (19/12/2020 – 18/12/2021)	Cumulative, since appointment (19/12/2018 – 18/12/2021)
<b>Income</b>			
	Sale of Furniture and Equipment	3	108
	Collection of Book Debts / deposits	387	2.691
	VAT refund (pre-appointment)	0	480
	Unblocking of amounts at Bank	199	2.001
	<b>TOTAL</b>	<b>589</b>	<b>5.280</b>
<b>Expenditure</b>			
	Professional fees	7	101
	Ransom payments	0	100
	Liquidator's fees	131	906
	Liquidator's expenses	1	19
	Legal fees – local	31	238
	Legal fees – overseas	85	205
	Legal fees - disbursements	27	36
	IT Costs	5	13
	Storage costs	1	17
	Wages & Salaries	12	131
	PAYE & SIC	4	40
	Bank Charges	1	4
	Rent	0	11
	Utilities and Taxes	2	10
	VAT	28	209
	<b>TOTAL</b>	<b>335</b>	<b>2.040</b>
<b>Amount in hand</b>			<b>3.240</b>

## 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 <sup>th</sup> December 2018
Demetris Phellas	19 <sup>th</sup> December 2018
Gregory Diacou	19 <sup>th</sup> December 2018
Stavros Photiou	19 <sup>th</sup> December 2018

During the period from 19<sup>th</sup> December 2020 to 18<sup>th</sup> December 2021, the Committee held meetings on the following dates:

- 18<sup>th</sup> January 2021 (via teleconference)
- 24<sup>th</sup> May 2021 (written report circulated)
- 5<sup>th</sup> August 2021 (written report circulated)
- 7<sup>th</sup> December 2021 (written report circulated)