



COBALTAIR LTD (in liquidation)

(the “Company”)

4th annual report of the Company’s liquidator to its creditors and shareholder, covering the period from 19th Dec 2021 to 18th Dec 2022

Nicosia, 22nd March 2023

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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 (19th December 2021) to 18th December 2022.

This progress report should be read in conjunction with our the previous progress reports issued, which can be found at <https://cobalt.aero/>.

Assets	<p>Realisations for the period from 19th December 2021 to 18th December 2022 amounted to €631k. Total realisations to date amount to €5.911k.</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 €135.666k.</p> <p>See section 4 for details.</p>
Legal cases	<ul style="list-style-type: none">• Two claims made by the Company prior to liquidation (against ACG and TradeAir) are ongoing.• The Company has submitted a lawsuit in Greece against Swissport Greece for an amount of €600k. The case is ongoing.• The Company's claim for the Turkish overflight was rejected and we are appealing this decision. The case is ongoing.• The case regarding the Company's operating license cancellation is ongoing at the Administrative Court.• An Administrative Court appeal was filed by the Company against a fine imposed in connection with CO₂ emissions. <p>See section 3 for more details.</p>
Liquidation costs	<p>Total liquidation costs for the period amounted to €212k, of which €74k represent fees paid to the liquidator.</p> <p>See section 2.3 for more details.</p>
Interim dividend	<p>There have been no significant developments with regards to the claims by and against the Company. Therefore, the position of the liquidator with respect to the payment of an interim dividend remains the same as in the previous report.</p> <p>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 made from the collections from debtors and the settlement with Hermes Airport regarding Volume and Passenger Incentives, for the year 2018, with the receipt of €460k.

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.

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	The matter with CAS is ongoing. We are facing delays in the opening of an escrow account due to additional bank requirements, therefore we are examining other possible solutions.
Cash at bank	Balances held in the liquidation bank accounts as at 18 th December 2022 amounted to €3.659k. The final amount of ~€1k concerning guarantee deposits was released and transferred in the liquidator's bank account during February 2023.
Book debts and deposits	After further reconciliations, total receivables amount to €3.448k out of which we have collected €2.826k. The collections for the period under review amounted to €135k. We estimate that a substantial proportion of the remaining debts may not be collected, since they relate to unflown tickets. We will continue to pursue remaining balances owed to the Company.
Airport Incentives	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 on a settlement for the amount of €460k, which was received on 24 th December 2021. The settlement was approved by the Committee of Inspection.

2.3. Costs

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

Legal fees and Legal disbursements	We have paid approx. €52k in legal fees for the period and €49k in legal disbursements, consisting mainly of court fees and other court related expenses.
Professional fees	We have paid approx. €10k 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 approx. €4k 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, in the UK. The case is ongoing.
TradeAir	Commenced prior to our appointment, before Austrian courts. The Court rejected Cobalt's claim, even though our lawyers were confident for a positive outcome. We have filed an appeal against the decision. The case is ongoing.
Swissport Greece	The liquidator is pursuing the return of advance payments made to Swissport Greece (prior to liquidation) in excess of €600k. The case is ongoing.

3.2. Summary of other significant pending claims

Turkish overflight claim	The case at the Administrative Court has been set for Directions on 25 th April 2023.
Cancellation of the Company's operating/commercial license	The case has been set for Directions at the Administrative Court on 3 rd May 2023.

3.3. Claims against the Company

Claim for CO₂ 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 on the 14th of June 2023.

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 €135.659k.

Work to reconcile creditor claims is ongoing.

5. Liquidator's remuneration

Liquidation costs invoiced for the period from 19th December 2021 to 18th December 2022 amounted to €74k. 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 the spare parts of the aircrafts
- ❖ 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 19th December 2021 to 18th December 2022 (along with cumulative comparatives).

Dividend payment

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

As a result, no decision has been made to date for the 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 (19/12/2021 – 18/12/2022)	Cumulative, since appointment (19/12/2018 – 18/12/2022)
Income			
	Sale of Furniture and Equipment	0	108
	Collection of Book Debts / deposits	135	2.826
	Airport Incentives	460	460
	VAT refund (pre-appointment)	0	480
	Unblocking of amounts at Bank*	36*	2.037
	TOTAL	631	5.911
Expenditure			
	Professional fees	10	111
	Ransom payments	0	100
	Liquidator's fees	74	980
	Liquidator's expenses	1	20
	Legal fees – local	24	262
	Legal fees – overseas	28	233
	Legal fees - disbursements	49	85
	IT Costs	4	17
	Storage costs	2	19
	Wages & Salaries	0	131
	PAYE & SIC	1	41
	Bank Charges	0	4
	Rent	0	11
	Utilities and Taxes	0	10
	VAT	20	229
	TOTAL	212	2.252
Amount in hand			3.659

*The amount of €36k, which is the difference to the previous period, concerns foreign exchange differences

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 th December 2018
Demetris Phellas	19 th December 2018
Gregory Diacou	19 th December 2018
Stavros Photiou	19 th December 2018

During the period from 19th December 2021 to 18th December 2022, the Committee held meetings on the following dates:

- 10th February 2022 (via teleconference)
- 14th July 2022 (via physical presence)
- 28th September 2022 (written report circulated)