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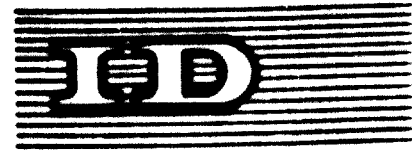
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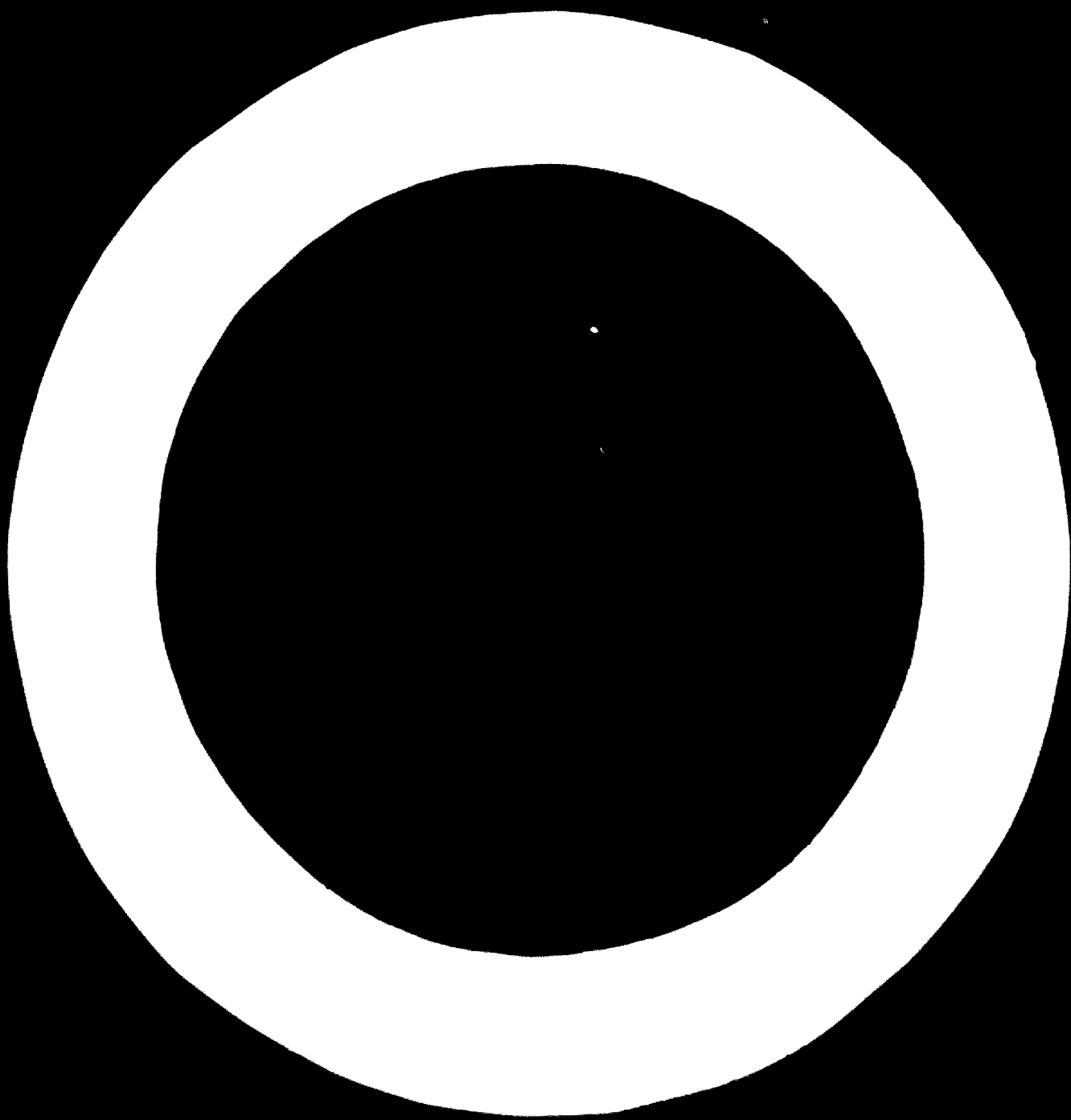
Vienna, 2 - 28 November 1970

THE CYPRUS DEVELOPMENT BANK LIMITED

1/ This material has been prepared as a background paper for the Workshop on the basis of information supplied by the Manager of Economic Department, The Cyprus Development Bank Limited, Mr. John G. Joannides. The aim is to present factual information describing Cyprus's provisions as a basis for discussion of the subjects to be considered by participants. The views and opinions expressed in this paper are based on the author's original paper and do not necessarily reflect the views of the secretariat of UNIDO. This document has been reproduced without formal editing.

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## OUTLINE OF THE CYPRUS DEVELOPMENT BANK LIMITED

### Incorporation - Purpose

The Cyprus Development Bank Limited was incorporated under the name "The Cyprus Development Corporation Limited" in June 1963, with a view to developing, encouraging and stimulating productive enterprises in Cyprus with particular reference to the fields of manufacturing, industrial processing, mining and tourism. These objectives are being fulfilled through the promotion and finance of enterprises in the private sector and the mobilization of capital, managerial and technical skills. Our institution altered its name in March 1970, so that the name may reflect more accurately its activities and in order to avoid confusion with other corporations whose activities have no connection with development banking.

### Share Capital

The Bank has an authorized share capital of £3,000,000 divided into 2,400,000 Class 'A' Shares of £1 each and 600,000 Class 'B' Shares of £1 each. The issued capital consists of £400,000 Class 'A' Shares held by the public (about 900 shareholders) and £600,000 Class 'B' Shares held by the Government of Cyprus.

The establishment of the Cyprus Development Bank was a joint venture of the Government and the private sector. As both the Government and the public are shareholders, it could be called a 'mixed' development Bank. However, if one considers the procedures and policies under which it operates, it could more appropriately be described as a private development bank with Government participation.

The Government holds at present a majority of the issued share capital. However, the Government's shares have no voting rights except in the case of a special resolution proposed at a General Meeting of shareholders. Furthermore, as new shares are being issued, the Government's holding will proportionately diminish.

### Board and Management

The Board is composed of eleven directors, five of which are elected annually by the private shareholders, three appointed by the Government and three directors are elected jointly by the 'private' and 'government' directors to represent the public at large. The Government has, however, the right to appoint three additional directors on the Board. The presence of the Government directors on the Board ensures co-operation and flow of information between the Government and the Bank on

The Government's development programme in general as well as on various specific development projects in which the Bank may be interested to invest.

### Committees of the Board

Loan Committee: To screen and consider all applications received by the Bank for loans, guarantees, equity participation and other matters involving the Bank's assets; to grant or reject loan applications up to a maximum limitation of amount being set by the Board of Directors from time to time; to refer all loans above the maximum authorized for the committee (and other loans such as it may choose) to the Board of Directors along with its review and recommendations; generally, to review the performance of all existing loans and the status and condition of the loans in process; to review the adequacies and effectiveness of policies and procedures relating to loans.

Administration Committee: To act as an executive committee of the Board of Directors on matters of expenditure referred to it, to review, prior to submission to the full Board, the annual budgets and projections prepared and submitted by management, to act as personnel committee as to the professional staff and to act as screening committee regarding recruitment of executive and professional staff members. To take actions for the Board of Directors on interior and emergency matters between scheduled Board meetings.

### Management Structure

The General Manager is the chief executive of the Bank, responsible to the Board of Directors for the conduct of all affairs of the Bank with line authority over all departments and employees of the Bank.

The Bank's business is performed through the following departments: Secretary's/Legal, Operations, Economic. Though each department has specific functions, in the performance of several of these functions, such as evaluation of loan requests, feasibility studies, follow-up of 'projects', consultancy services, etc., all departments co-operate, in which case the department whose primary function is being implemented collectively, co-ordinates and presents the work, bearing overall responsibility for the particular function and/or activity.

### Lending Policy

The Bank makes loans to private enterprises in the productive sectors of the economy generally, with particular reference to the fields of industry and tourism. What this actually means in practice is that the Bank will consider applications for financing of almost any project in the private sector provided this project is commercially viable and contributes towards the economic development of Cyprus. These two primary

pre-requisites of commercial viability and contribution to general economic development mean that the Bank must temper considerations of overall development with those of prudent banking policy. A project which appears extremely attractive developmentally may not necessarily be bankable.

In considering a loan application, the Bank employs banking criteria such as the financial soundness of a project, its rate of return, the security offered, etc. It also considers the developmental aspects of a project such as its effect on the balance of payments, utilization of local resources and multiplier effect on development.

#### Departmental Procedures in making and Supervising Loans

Project, (loan), appraisal and supervision procedures followed by the CDB may be summarized in the following steps:

Applications for loans are submitted on prescribed CDB Forms which, if completed properly, give a general outline of the applicant company's structure, operations and proposed project. Applications are received and registered by the Operations Department.

At this stage, or even before an application is formally submitted, a preliminary interview with the applicant is conducted by the Economic Department. If the request falls within the scope of activities of the Bank, a preliminary technical and economic evaluation is carried out by the Economic Department, with a view to ascertaining whether the project is both developmental and bankable. Depending on the findings the project may be altered and formulated in such a way as to meet the Bank's basic criteria. If the findings are negative, the project application may be withdrawn or alternatively presented to the Loan Committee with recommendations for rejection.

During this process and in all subsequent stages, on the spot surveys and contacts with applicants are conducted.

For developmental and bankable projects, a full investigation is carried out by the Economic Department in order to evaluate the technical, commercial, financial and economic soundness of the proposed investment. A report is submitted to the General Manager's Committee for discussion, and through the General Manager to the Loan Committee and the Board of Directors.

If the loan requested is sanctioned, the applicant is duly notified and the basic conditions of the loan are submitted to him in form of a Commitment Letter prepared and despatched by the Legal Department. The applicant must notify the Bank in writing within a specified period, normally one month, of his acceptance of the loan, subject to the terms and conditions contained in the said Commitment Letter. On acceptance of the Loan, the Bank and the applicant proceed with the formulation and finalization of the conditions of the loan and the signing of the Loan Agreement. These operations are conducted by the Legal Department.

End-use supervision of the Loan/Investment is carried out by the Operations Department and covers both the implementation of the project as well as its operations during the term of the Loan/Investment.

The Operations Department's supervision and control commences as from the signature of the Loan Agreement, when the timely and proper implementation of the various contract clauses is being effected.

The Operations Department formulates the project as approved in terms of individual items, costs, means of financing and other inputs such as technical services, staffing, etc., on a time basis analysis. This programme of work is then finalized and agreed upon with the borrower.

In the case of expansion projects, existing operations are also supervized, and in this case the company's operations and the new project are looked upon and supervized in their entirety.

The routine procedures followed by the Bank are designed to and aim at the efficient and effective implementation of the programme of work as analyzed above, and normally involve financial controls through disbursement of the loan proceeds, technical and engineering controls and on the spot studies and surveys on the progress of work and the company's financial structure and operations.

If any variations from the agreed programme appear to arise so that the project's implementation and/or its subsequent operation is adversely effected, the Operations Department prepares and submits a report to the Loan Committee and the Board of Directors, pin-pointing the variations and/or problems, recommending the indicated corrective course of action.

Projects already in operation are supervized during the term of the loan with two objectives in mind: The first one is to safeguard the Bank's prompt repayment as per the agreed schedule as incorporated in the Loan Agreement. The second one aims at providing expert advice on problems which may be facing the company in its operations, and cannot be dealt with adequately internally by the company.

Quarterly financial statements and progress reports are presented to the Loan Committee and the Board of Directors.



## LOAN REQUEST AND PROJECT APPRAISAL

The Cyprus Development Bank Limited employs a combination of banking and developmental tests and criteria in appraising loan requests/projects.

The fundamental criteria of credit evaluation and business judgment are invariably applied to every loan request as early as possible during the preliminary investigation stage. These criteria can be summarized as follows:

Character: Applicants and borrowers, whether individual or corporate, must possess known and proven high business ethics which are beyond reasonable doubt.

Credit: Applicants shall not be granted a loan if they have failed (without extraordinary justification) to pay previous just indebtedness in a prompt and timely manner. Their handling of previous credits is inquired about and determined by the Bank to the maximum extent possible.

Capacity: Applicants must have demonstrated a known and proven basic ability of a broad general character, sufficient to lead a prudent businessman to believe the applicant could satisfactorily handle any reasonably foreseeable situation which may arise in his (or its) business. The capacity should be available in sufficient depth or numbers of people to cover reasonable contingencies.

Competence: Applicants must demonstrate availability of known and proven specific competence in the business, industry for which a loan is sought. The competence should be available in sufficient depth or numbers of people to cover reasonable contingencies.

Course of Repayment: 'A loan well made is half-repaid'. There must be a readily identifiable source of repayment for every loan. Preferably, the course shall be from apparent income which the business shall generate (reasonable contingencies considered) over term of the loan.

Collateral should be proportionate to the borrowers-applicants assets insofar as it will signify his (its) wholehearted commitment and faith in the project for which the loan is requested, and cover adequately the amount of loan requested.

There is a collateral minimum below which the Bank cannot countenance a loan, even if all other criteria are met. It occurs when the risk potential is predominantly that of the Bank, and the reward and profit potential of the project is wholly that of the borrower. Collateral alone does not justify a loan by the Bank nor does the absence of full collateral necessarily prevent a loan.

In its capacity as a development institution, the Bank evaluates and appraises the economic and technical soundness of a project and or activity to be financed; such an appraisal integrates the results of economic, financial, engineering and other studies and provides for an objective evaluation on the advisability of undertaking the project then under consideration, as well as the terms under which it can be safely financed.

The outline below provides in summary the major aspects which are normally investigated in appraising loan requests for a specific project. This outline is by no means exhaustive and other aspects may have to be examined as they become relevant in the course of the actual investigation.

a. The Applicant Company and its Operations (if applicable)

The investigation will cover inter alia the background of the company, its growth and changes in structure and management over a period of time, its financial and legal aspects, its business standing and worth, organization, market position, production capacity and its relations with subsidiary and/or other companies.

b. Market Analysis

The market investigation aims at determining the sales potential of the products to be manufactured under the proposed project and normally involves an analysis in term of quantities, quality standards, price ranges, competition and distribution. The various findings are summarized, forecasting the sales volume and value for each market showing the percentage of the total market claimed for each product line.

c. Technical Aspects

Under this aspect, the project is analyzed in terms of individual components, such as plant site, buildings, machinery and equipment, production methods and plant capacity, lay-out and installation, services and communications, raw materials and supplies, technical know-how and technical management. The findings of the above investigation are inter-related and the overall technical soundness of the project is evaluated.

d. Financial Aspects

This aspect covers the capital cost requirements of the proposed project, broken down into individual inputs, and showing the suggested means of financing, the working capital requirements in terms of amount and sources for start-up and the first three operative years, pin-pointing any seasonal peaks and the way these are being met; the above are normally summarized in the form of proforma balance sheets and cash-flow statements with the relevant notes and accompanying documents including their interpretation in terms of liquidity and capitalization ratios.

e. Profitability

This aspect calculates the profitability of the project at the projected level of operations for the first three operative years as well as the determination of the production and sales at break-even point. Analytical projected proforma, Profit and Loss Statements, Forecast of Earnings and Receipts and Expenditures Statements are prepared and related to profitability ratios.

The profitability of the project must be sufficiently large not only to meet the company's obligations and cover reasonable contingencies, but also to provide a satisfactory return on capital employed and on owners' equity.

f. Other Aspects

Under this heading, various studies dealing with budgetary control systems and accounting procedures are being conducted in conjunction with the applicant and his consultants, if available, with a view to instituting systems which enable both the company's management and the Bank to be informed of the physical and financial progress of the project and its operations and foresee and anticipate trends and problems. Legal matters pertaining both to the sponsors of the project and the applicant company's structure are reviewed as a matter of course; material contracts, title deeds of ownership, licenses and permits essential to the project are similarly examined and considered.

g. National Economic Benefits

The benefits which will accrue to the economy, in addition to the profit to be earned by the Bank's client are analyzed; these benefits normally cover benefits to the consumer such as lower prices and/or more dependable supply of good, utilization of locally available raw materials, more effective and productive utilization of labour, foreign exchange savings and/or gains, stimulation of other industrial efforts, tax income to the Government, etc.

PROCEDURE FOLLOWED WITH RESPECT TO LOAN AGREEMENTS & LOAN ACCOUNTS

General

1. When a loan has been approved by the Board of Directors or the Loan Committee, such loan is numbered and a credit entry is made in the Memorandum of loans subject to Contract.
2. When, for an approved loan, the Loan Agreement has been duly signed then the Loan Agreements are numbered accordingly and at the same time the following two operations are made, namely:
  - a. the Loan Agreement and the relevant details thereof is entered in the Loan Register, and
  - b. the Memorandum of Loans subject to Contract is debited and the Memorandum of Loan Liabilities credited.  
(The Memorandum of Loans subject to Contract Account will show at any one time the total amount of loans approved but for which no loan agreement has been signed.)
3. The Memorandum of Loan Liabilities is debited with all disbursements made on account of a loan liability and the balance of this account shows the undisbursed amount in respect of loans for which a loan agreement has been signed.
4. If additional loans are approved, signed and made to the same borrower, then the same procedure is followed and the same loan number is used but with the addition of A, B, C, D in front of the number.
5. As soon as a Loan is approved and a commitment letter or a contract is signed, the machine operator opens a loan card on the basis of a special journal voucher issued by the Accountant. The loan card is first debited with the Commitment Fee on the date of acceptance of the Commitment Letter. At the same time, the account Commitment Fee is credited. Subsequent debits on the loan cards are made on the basis of disbursements as indicated below:

The Accountant receives a Disbursement's authorisation for payment duly completed and signed by the responsible manager. On the basis of this Form he issues the necessary cheque and submits both cheque and Form to the Manager, Operations Department. The value date of the debit to the borrower's account will be the date of the issue of the cheque. Cheques are issued in four copies as indicated below:

All cheques are issued in quadruplicate as follows:

- a. The cheque is sent to the supplier;
- b. The first copy is used by the Machine Operator for posting the Cash Book and the Individual Account;
- c. The second copy is filed in the appropriate account's file;
- d. The third copy is placed in the Auditors file.

6. Overdue Loans

When an instalment of principal or interest is overdue, it is transferred from the loan account and entered in the Overdue Loan Account. The same loan number is used but with the addition of (a), (b), (c) at the end of the loan number.

7. Repayment of Loan

For each approved and completed loan, the Accountant keeps a schedule indicating the dates on which repayments of interest and principal are due. For semi-annually or quarterly repaid loans, thirty days before the instalment is due, the Accountant sends a reminder to the borrower. For monthly repaid loans, a reminder is sent ten days before the instalment is due.

8. In case no payment is effected on the due date, the Accountant sends the first notice to the borrower seven days after the due date. If the borrower continues to be delinquent, a second and final notice is sent three weeks after the due date, and the Accountant or the Manager, Operations Department, contacts the borrower either by telephone or in person accordingly. Follow-up on the schedules of repayment is incorporated in the Ticker File Set-up analyzed below:

9. Ticker File Set-Up

The Accountant keeps the Ticker File system designed to provide regular loan repayments. The system is used in conjunction with the repayment of loans procedure as indicated above. Reminders for repayments are printed in such a way so that the typing is done only once on all forms. Immediately after the last reminder is mailed, the typist fills in the next set of reminders and inserts it in the Chronological Ticker File Set-up in order of the date on which the form will be mailed. The Accountant supervises this procedure and makes sure that the forms are mailed to the borrowers on the dates provided.

10. On payment of an instalment, the Accountant sends a credit note to the borrower signed by him and the manager, Operations Department.
11. In addition to the Loan Repayments, the following functions are also incorporated in the Ticker File Set-up:
- a. Renewals of Insurance policies to cover mortgages as per the provisions of Loan Contracts. This procedure is thoroughly supervised by the Manager, Operations Department.
  - b. Follow-up in order to secure Balance Sheets and Profit and Loss Statements from borrowers.
  - c. Follow-up for progress reports to be prepared for each borrower.

12. Calculation of Interest on Loans

The calculation of interest on loans and the subsequent debit of this interest to the respective loan accounts is the responsibility of the Accounts Section. The Accountant uses as a basis for such calculations the provisions of the loan contracts and according to each contract he calculates the interest monthly, quarterly or semi-annually. All interest calculations are made

by one employee and checked by another. Both employees, one of whom must be the Accountant, initial all calculations.

13. During the implementation of a project, only the loan card is used. The interest is calculated at the end of each month and the necessary memorandum recordings are made on the card so that the interest payable is capitalized on the 30th June and 31st December of each year. At the end of the implementation period and on the instructions of the Manager, Operations Department, the Accountant closes the loan incorporating the total outstanding balance, the amount disbursed, the interest during construction and the commitment fee in cases where the borrower has not paid this fee. On the basis of this total balance, the accountant calculates the exact instalments (monthly, quarterly or semi-annually) in accordance with the provisions of the contract. Each instalment incorporates payment of interest and repayment of principal. The calculations of the instalments are made on the basis of recognized interest Tables.
14. When an instalment becomes due and is not paid within 24 hours from its due date, it is immediately transferred to the Overdue Instalment Card of the borrower.
15. All entries in Loan and Overdue Loan Accounts must bear a value date. The value date for all debits in these accounts is the date of the cheque or of the journal voucher. The value date for all credits is the date following the receipt of the borrower's cheque or cash.
16. In calculating the interest, the number of days of each month shall be taken as the case may be but the financial year shall be computed at the fixed divisor of 360 days.
17. Loan Security Card  
When an approved loan has been duly signed, a Loan Security Card should be prepared inserting therein all the 'security' details and other matters required under the loan agreement (mortgages, charges, guarantees, assignment of insurance policies, formation or conversion of customer into limited liability company, etc.). On the implementation of each particular security required, the Loan Security Card should be duly completed and on the full implementation of the security requirements it should then be filed appropriately. The Loan Security Card should have the same loan number relative to the respective Loan Agreement. This Card, while pending will indicate at any one time the Loan Agreement in respect of which the security requirements have not been fully implemented.
18. Monthly Accounts and Statements  
The Accountant shall prepare at the end of each month Monthly Management Accounts which should be ready for circulation by the 10th of the following month. In addition to the Monthly Management Accounts, the following Monthly Statements should be prepared, namely:

- (a) Statement of the Memorandum of Loans subject to Contract;
- (b) Statement of the Memorandum of Loan Liabilities;
- (c) Statement of the Memorandum of Guarantees and other Liabilities for account of customers;
- (d) Statement of Overdue Loans, distinguishing principal and interest, analyzed as follows:
  - i. Overdue Loans not exceeding three months,
  - ii. Overdue Loans exceeding three months.
- (e) Statement of pending Loan Security Cards.

This Agreement is made this the

between

incorporated under the Laws of Cyprus, having its Registered Office at  
 (hereinafter referred to as  
 the "BORROWER" which expression shall include its successors and assigns)  
 of the one part, and THE CYPRUS DEVELOPMENT BANK LIMITED, having its  
 Registered Office in Hadjisavvas Building, Second Floor, Metaxas Square,  
 Nicosia (hereinafter referred to as the "BANK" which expression shall in-  
 clude its successors and assigns) of the other part.

WHEREAS:

1. The BORROWER has applied to the BANK for a Loan amounting to  
 to be utilized for the execution of the Investment Project (hereinafter  
 referred to as the "PROJECT") described in Schedule I hereof.
2. The total cost of the project and the contribution of the parties is shown  
 in Schedule I of the present Agreement.

ARTICLE I.

1. The BANK agrees to lend to the BORROWER on terms and conditions  
 herein set forth an amount of
2. The BANK shall open a Loan Account on its books in the name of  
 the BORROWER and shall credit to such account the amount of the  
 Loan. The BORROWER shall be entitled, subject to the conditions  
 herein set forth and in accordance with the procedures prescribed  
 from time to time by the BANK to withdraw from the Loan Account  
 such amounts as shall be required by it to finance the cost of  
 goods required to be purchased for the PROJECT and financed out  
 of the proceeds of the Loan.
3. When the BORROWER shall desire to withdraw any amount from the  
 Loan Account, the BORROWER shall deliver to the BANK a written  
 application in such form and containing such statements and agree-  
 ments and supported by such documents and other evidence as shall  
 be necessary to prove the genuineness and bona fide of the need or  
 as the BANK shall request.
4. a. Subject to the provision of paragraphs (b) and (c) of this clause,  
 the Loan shall bear interest on all disbursed amounts at the rate of  
 per annum, calculated and payable  
 of each and every year until final  
 repayment.
- b. Every arrear of repayment of capital or payment of interest shall  
 be debited on the due dates to an overdue instalments account and  
 shall be charged with interest at 9% (Nine per centum) per annum,  
 such interest to be capitalized on the 30th June and 31st December  
 of each and every year.
- c. Any amount of interest accruing during the implementation of the  
 PROJECT and until the first repayment as provided in paragraphs 6  
 (a) and (c) of page 2 may at the request of the BORROWER be cap-  
 italized to bear interest at the same rate as the Loan and cal-  
 culated on the 30th June and 31st December of each year or be  
 paid by the BORROWER to the BANK as accrued on each of the afore-  
 mentioned dates.
- d. In calculating the interest the number of days of each month shall  
 be taken as the case may be but the financial year shall be con-



6. (a) Repayment by the BORROWER of the amount of the loan will be made by \_\_\_\_\_ equal \_\_\_\_\_ instalments starting on \_\_\_\_\_ and ending on \_\_\_\_\_ the final payment to be the whole unpaid balance plus the interest accrued, as provided hereinbefore.
- (b) In case the amount advanced under this Agreement is less or more than the amount of the Loan stated above the amount of the instalments shall be reduced or increased proportionately.
- (c) The first repayment as above provided shall be due and payable on the \_\_\_\_\_ and subsequent instalments shall be due thereafter on the last day of each months of each subsequent year until the final repayment of the Loan is effected on \_\_\_\_\_
- (d) The BANK shall, at any time after signing of the present Agreement and whether before or after disbursement of the loan, have the right to demand from the BORROWER the substitution of the above repayment instalments or any of them into bills of exchange, promissory notes and other credit instruments of even amount and same due date, and the BORROWER shall forthwith comply with any request by the BANK to this effect by signing and/or accepting and/or making and/or executing and/or delivering and/or otherwise all and any of the above instruments.
7. The principal, interest and all other charges on the Loan shall be paid to the BANK at its Registered Office before noon on due date by cheque or bank draft drawn on a bank within Cyprus.
8. Unless otherwise agreed between the parties, the BORROWER will not have the right to make withdrawals from the Loan Account after the hereinafter referred to as the closing date.

## ARTICLE II

### Description of the Project - Use of the proceeds of the Loan.

1. Disbursement of the BANK'S loan shall be commenced only at such time as the BANK is wholly satisfied that implementation of the PROJECT has reached the point where further and final expenditure of the Loan proceeds will result in the contemplated PROJECT being complete in all respects.
2. The Loan is being given for implementation of a PROJECT of the BORROWER fully described in Schedule I hereto. If the completion of the PROJECT or its successful operation is hindered or delayed or is threatened with hindrance or delay because the funds available are inadequate to ensure its completion and/or the provision of working capital is not adequate, it shall be the responsibility of the BORROWER to make prompt arrangements in accordance with a financial plan approved by the BANK to provide the necessary funds and when these are required.
3. The BORROWER undertakes to use the proceeds of the Loan wholly and exclusively for the purpose of the PROJECT and further warrants that goods purchased with the proceeds thereof shall be used exclusively for the implementation of the PROJECT.
4. The BANK shall be entitled, other clauses of this Contract notwithstanding to make the granting of any portion of the Loan conditional on the receipt of satisfactory proofs or guarantees that all such sums as called for in the PROJECT have been or will be used for the execution of the PROJECT.

## ARTICLE III

### Particular Covenants.

1. The BORROWER shall complete and implement the PROJECT and operate its undertakings with due diligence and efficiency and in conformity with

2. The BORROWER shall maintain books, accounts and records adequate to identify the goods and services financed out of the proceeds of the Loan to disclose the use thereof in the PROJECT, to record the progress of the PROJECT (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the BORROWER.

3. The BORROWER shall enable authorized representatives of the BANK to inspect the sites, works and construction included in the PROJECT and any other properties or equipment owned or operated by the BORROWER to examine or audit any books, accounts, records, contracts, orders, invoices, studies, reports or the documents relating to expenditures for the PROJECT or to the progress of construction, maintenance and results of operation of the PROJECT or otherwise to the operations and financial condition of the BORROWER.

4. The BORROWER shall furnish to the BANK such information at such time, in such form and in such detail as the BANK shall request, concerning the expenditures of the proceeds of the Loan, the progress of the PROJECT, the goods and services and the operations and financial condition of the BORROWER.

Such information shall include (a) yearly audited balance sheets and statements of profit and loss account of the BORROWER certified by independent, professional accountants satisfactory to the BANK; (b) quarterly financial statements of expenditure on the PROJECT in a form prescribed by the BANK.

5. THE BORROWER shall promptly inform the BANK of any events or conditions which delay the completion of the PROJECT or which are likely to interfere with the accomplishment of the purposes of the Loan or the maintenance of the service thereof or which are likely to have a substantial adverse effect on the BORROWER's profits or business.

6. Except with the previous consent in writing of the BANK, the BORROWER shall not incur guarantee or assume any debt, or issue any loan capital, or create any mortgage or charge or other encumbrance on its properties, provided, however, that the BORROWER can:

- a. Give normal trade guarantees in the ordinary course of business, and
- b. Obtain from its bankers overdraft or other facilities in accordance with the provision of Clause 4 of Article IV hereof.

7. Except with the previous consent in writing of the BANK which will not be unreasonably withheld, the BORROWER will not:

- a. acquire shares or make any loan to, give credit (other than normal trade credit and deposits on call of funds in excess of day to day requirements) to or for any company or person;
- b. sell its undertaking or any of its freehold or leasehold property or part with any other of its assets;
- c. enter into any hire purchase agreement as purchaser;
- d. lease, transfer, let-out, sub-let, alienate or otherwise dispose of any of its properties;
- e. enter into any transaction or series of transactions whereby it may receive less than the full ex-works commercial price of the products of its factory (subject to normal trade discounts);
- f. except as otherwise provided herein, issue any shares in its capital of whatever call or in any manner change its capital structure.

8. Without the previous consent in writing of the BANK, the BORROWER shall not declare any dividend except out of current profits.

9. The BORROWER will during the subsistence of the Loan, keep its buildings, ~~and other effects~~ ~~and other effects~~ ~~present and~~

10. The BORROWER will not pull down or remove any part of its fixtures, machinery and plant except when the same is rendered necessary by reason of any such property being worn out or damaged, in which case the BORROWER shall give sufficient notice in writing to the BANK and, if the BANK so desires, replace such property by other assets of similar nature, within the time limit and subject to such conditions as may be prescribed by the BANK on his behalf.
11. The BORROWER undertakes to employ technicians acceptable to the BANK to operate the PROJECT and from time to time to consult such other technical advisers as designated by the BANK. All reasonable consultation fees, expenses and remunerations of such technical advisers will be borne by the BORROWER.
12. The BORROWER shall at all time maintain its existence and right to carry on operations, shall take all steps necessary to maintain and renew all rights, powers, privileges, concessions and franchises which are necessary or useful in the conduct of its business and shall comply with provisions of all laws, regulations, statutory rules and by-laws, the non compliance of which might endanger its rights, title and interest to its properties or which will amount to a default on its part of any of its corporate, statutory or other obligations.
13. Without prior approval of the BANK in writing, the BORROWER shall not change its Memorandum or Articles of Association and shall not undertake any amalgamation, reconstruction, consolidation or voluntary winding-up.
14. The BORROWER shall not change its Management or permit its Directors to dispose of a substantial part of their shareholding in the BORROWER without the previous written consent of the BANK.
15. The BORROWER shall appoint and keep appointed a registered Accountant acceptable to the BANK as its Auditor.
16. The BANK shall at any time during the existence of the Loan have the right at its absolute discretion to appoint Manager or Managers to run the PROJECT as the BANK sees fit, if in its opinion this is not properly done by the BORROWER, thus endangering the investment of the BANK in the PROJECT.

Such Manager or Managers as will be appointed will have full executive power to run the PROJECT without, if need be, prior consultation with the BORROWER and for a term as long as the BANK may consider necessary, but not further than until full repayment of the BANK's monies as elsewhere mentioned in this Contract.

Such Manager or Managers shall during their term of office with the PROJECT have their salary paid by the BORROWER on terms to be agreed by the BANK in consultation with the BORROWER, and failing such agreement, such Manager or Managers to be paid reasonable salaries, regard being had to the quantum of salaries paid in similar undertakings.

17. No delay in exercising, or omission to exercise, any right or power accruing to the BANK under this Agreement upon any default shall impair any such right or power or be construed to be a waiver thereof or an acquiescence in such default nor shall the action of the BANK in respect of any default or any acquiescence in any default affect or impair any right or power to the BANK in respect of any other subsequent default.

18. The BORROWER will execute all documents and do all acts and things which the BANK may require, to give effect thereto and the BORROWER authorizes the BANK and each of its agents and nominees as Attorney for and in the name of the BORROWER to do whatever the BORROWER may be required to do hereunder.
19. The BORROWER will send to the BANK within 21 days of their date, copies of proceedings, resolutions and orders passed at General Meetings and of all notices issued to shareholders of whatever class.

ARTICLE IV.

Security

1. The Loan is to be secured as follows:

- a. By mortgaging in favour of the BANK the property specified below and belonging to the BORROWER including all buildings, fixed plants and fixtures thereon, both present and future.

Town or  
Village

Title Deed

Sheet - Plan

Plot

Share

2. Except with the prior written consent of the BANK:

No Director's remuneration shall be voted if there are no profits available for the purpose, and if such remuneration is voted out of profits it must not exceed the balance of profit left after charging all the expenses of the Company, including the amount of the instalments of the Loan, interest, commitment charge, depreciation and income tax.

3. The BORROWER undertakes to insure immediately all assets referred to in paragraph 1 of this Article and in Schedule I attached and keep such assets insured during the life of the Loan (until full repayment) against any fire and any other insurable hazard which may be specified by the BANK.

The BORROWER further undertakes to place the insurance in an amount that shall not be less than the full sum of the Loan with a Company or Companies approved by the BANK and shall duly endorse the insurance policy or policies in the name of the BANK.

The BORROWER shall pay all insurance premiums promptly, and shall, on demand, supply the BANK with the insurance policies and/or receipts of payment of the premiums. If the BANK fails to insure the aforesaid property as set out hereinbefore, the BANK will be entitled to do so, debiting the BORROWER with the sum involved which shall be payable by

4. Subject to the prior approval of the BANK in writing, the BORROWER shall be entitled, for the purpose of obtaining cash credit or overdraft facilities from its bankers, to grant as security therefore in favour of such bankers a charge by way of hypothecation of its stocks or raw materials stored, work in progress and stock in trade. The Agreement between the BORROWER and its bankers shall be submitted to the BANK and be subject to its approval.

ARTICLE V.

Special Terms and Conditions

ARTICLE VI.

Representations and Warranties

1. The BORROWER represents and warrants that:
  - a. The BORROWER is a company duly organized and existing under the laws of Cyprus and has full powers to own the properties and to carry on the business which it owns and carries on and proposes to own and carry on for the purpose of the PROJECT.
  - b. The BORROWER has disclosed in writing to the BANK all existing or anticipated commitments and all other matters which could adversely affect the BORROWER in its trading position.
  - c. The BORROWER is the exclusive owner of all the properties and assets to be charged in favour of the BANK and has valid title thereto. Such properties are free from all liens and encumbrances of any kind.
  - d. The BORROWER and its Directors have the necessary powers to enter into this Agreement and nothing herein conflicts with any of the provisions of the Memorandum and Articles of Association of the BORROWER. In the event of there being any such conflict, the BORROWER undertakes with the BANK's written approval to amend its Memorandum and Articles of Association or cause it to be so amended.
  - e. The BORROWER has, by all appropriate and required corporate action, authorized the execution and delivery of this Agreement.
2. The BORROWER has taken all practicable steps to obtain all necessary assurances regarding availability of raw material, transport, power, water and all other facilities necessary in order to implement the Project and put it into productive operation, and the BORROWER further warrants that he has obtained all permits and/or licences and/or authorisations from Governmental and/or other Authority necessary for the implementation of the PROJECT, and that he complied with any laws or regulations in force for the time being, the BANK reserving the right to withhold any disbursements until satisfied that the BORROWER has complied with all the above.
3. Nothing in this Loan Agreement in any way conflicts with any commitments, business or private, already undertaken by the BORROWER, or with any provision contained in the Memorandum and Articles of Association of the BORROWER.

Termination, Suspension, Cancellation, Calling of the Loan by the BANK

1. This Agreement may be determined and/or terminated by the following events:
  - a. A default shall have occurred in the payment of principal, interest, commitment charge or any other charge payable under this Agreement;
  - b. A default shall have occurred on the part of the BORROWER in the performance of all or any of the terms and conditions governing the Loan or any covenant under this Agreement;
  - c. The BORROWER shall have taken or permitted to be taken any action or proceedings whereby any of the property or assets of the BORROWER shall or may be assigned or in any manner transferred or delivered to any receiver, assignee, liquidator or other person, whether appointed by the BORROWER or by a Court of Law, whereby such property shall or may be distributed among the creditors of the BORROWER;
  - d. an order shall have been made or an effective resolution passed for winding up the BORROWER or the BORROWER shall have been merged or amalgamated with another company or corporation or shall have been reconstituted or struck off the Register of Companies as a defunct company;
  - e. any of the guarantors of the Loan shall have become insolvents;
  - f. the BORROWER's immovable properties are attached by any Court, Tribunal or any Government, Municipal or any other authority or, in the opinion of the BANK are likely to be attached by reason of tax arrears or other liabilities;
  - g. an extraordinary situation shall have arisen which shall, in the opinion of the BANK, make it improbable that the BORROWER will be able to perform its obligations under this Agreement;
  - h. it is discovered at any time that the Loan under this Agreement has been obtained by making a false statement or declaration or any misrepresentation which influenced the decision of the BANK in granting the Loan;
  - i. any material defect is discovered in the title of the BORROWER to any of its properties;
  - j. any permission or licence necessary to carry out the PROJECT shall have been revoked or is not obtained;
  - k. if the BANK considers <sup>it</sup> at its absolute discretion, necessary and reasonable.

If any of such events as above mentioned shall have happened, the BANK may, by notice to the BORROWER, declare this Agreement as determined and/or terminated and thereupon the principal of the Loan shall be due and payable immediately and the security constituted by Article IV shall become enforceable and such principal and all other payment under this Agreement shall become due and payable immediately, notwithstanding anything in this Agreement to the contrary, or suspend the right of the BORROWER to make withdrawals from the Loan Account or ask for a deposit in cash to give adequate security for fulfilment of the BORROWER's obligations.
2. The right of the BORROWER to make withdrawals from the Loan Account shall continue to be suspended until the event which gave rise to such suspension shall have ceased to exist or until the BANK shall have notified the BORROWER that the right to make withdrawals has been restored, whichever is the earlier.
3. If the right of the BORROWER to make withdrawals from the Loan Account shall have been suspended for a continuous period of 30 days or, if the BORROWER shall not at the closing date have withdrawn from the Loan Account the full amount of the Loan, the BANK may, by notice to the BORROWER, terminate the right of the BORROWER to make withdrawals from the Loan Account. Upon the giving of such notice, the amount of the Loan not withdrawn shall be cancelled.
4. Notwithstanding any suspension pursuant to paragraph 1 or any cancellation pursuant to paragraph 3 of this Article, all the provisions of this Agree-

ARTICLE VIII.

Prepayment Privilege.

The BORROWER shall have the privilege of prepaying up to an amount of 20% of the outstanding principal balance of the Loan in any one year. BORROWER may prepay an amount of the then principal of the Loan in excess of 20% in any one year upon further payment of the below stated prepayment charges:

- |  |   |
|--|---|
| During the first and second years of the Loan: | 2% of principal amount paid in excess of 20%.     |
| During third year of the Loan                  | : 1.5% of principal amount paid in excess of 20%. |
| During fourth year of the Loan                 | : 1% of principal amount paid in excess of 20%.   |

and no prepayment charge shall be required after the fourth year.

ARTICLE IX.

Special Provisions

The BORROWER agrees that Schedule I attached hereto forms/form an integral part of this Agreement.

ARTICLE X.

Termination

If and when the entire principal of the Loan and all interest and other charges which shall have accrued on the Loan and all other amounts payable by the BORROWER to the BANK hereunder shall have been paid in accordance with the provisions herein contained and all other conditions required to be fulfilled by the parties have been fulfilled, this Agreement and all obligations of the parties thereunder shall forthwith terminate.

ARTICLE XI.

Notices and Requests

Any notice or request required or permitted to be given or made under this Agreement or any agreement between the parties in relation thereto shall be in writing. Such notice or request shall be deemed to have been duly given by one party when it shall be delivered to or sent by mail to the registered office of the other party.

IN WITNESS WHEREOF, the parties hereto acting through their duly authorized representatives have caused this Agreement to be signed in their respective names the day, month and year first above written.

Signed and delivered by:

For and on behalf of the

-----

as per resolution of the Board of Directors dated

in presence of:

Witnesses:

1. -----

2. -----

Signed and delivered by THE CYPRUS DEVELOPMENT BANK LIMITED through its General Manager and its Legal Adviser/Secretary pursuant to a resolution of the Board of Directors dated the 17th October, 1968.

In the presence of:

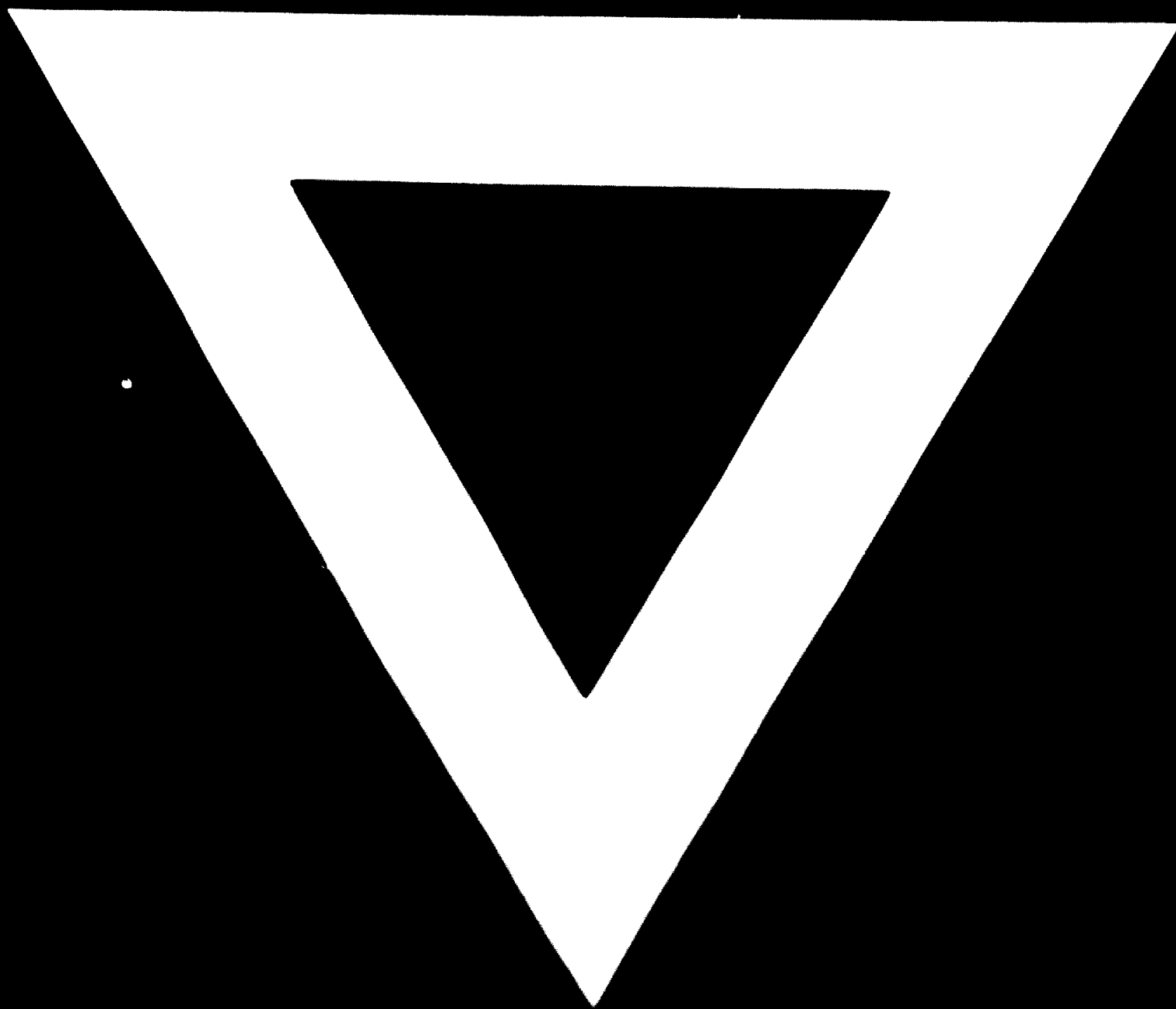
1. -----

2. -----

For and on behalf of  
THE CYPRUS DEVELOPMENT BANK LIMITED.







**7. 10. 71**