

39TH ANNUAL REPORT 2012

STOVEC
INDUSTRIES LIMITED

STOUEC

COMPANY PROFILE

Core Activities

- Development and Production of Consumables for their use in Textile and Graphic Printing Industry.
- Printing Machines-Supply, Installation and after Sales Support

Core Competencies

- System and Application know-how in Printing for the Textile and Graphic Industries.
- Manufacturing and application know-how in Textile Consumables and Rotary Printing Machines

Technologies

- Metal Coating / Plating
- Electroforming

Products

- Rotary Printing Machines for Textiles
- Rotary Screens and Chemicals for Textile Printing
- Anilox and Screens for Graphic Printing
- Digital Ink
- Sugar Screens

Market/Customers

- Textile Printing and Processor
- Packaging and Label Printers and Converters
- Industrial/Security Printers
- Sugar Mills

Market Position

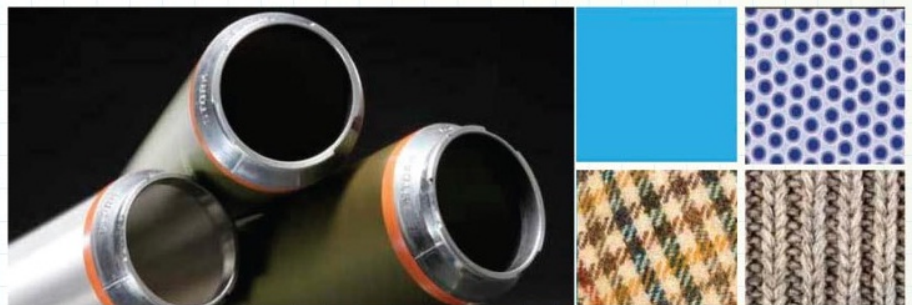
- Technology and Market Leadership in Rotary Screen and Printing Machinery

ISO 9001
BUREAU VERITAS
Certification

Excluding Design



▲ RDVI Gold Rotary Screen Printing Machine



▲ Rotary Screens and Consumables for Textile Printing



▲ Anilox and Screens for Graphic Printing



▲ Sugar Screens



▲ Digital Textile Printing Ink

BOARD OF DIRECTORS

Mr. K. M. Thanawalla	Chairman
Mr. Dirk W. Joustra	
Mr. Aschwin N.R.M. Hollander	
Mr. Joost Smits	
CA. Girish C. Sharedalal	
Mr. Marco Philippus A. Wadia	
Mr. Ashish Kaul	Managing Director (Ceased to be Managing Director and Director w.e.f. 1 st March, 2013)
Mr. Girish Deshpande	Whole-time Director (Appointed as Alternate Director to Mr. Joost Smits and Designated as Whole-time Director w.e.f. 1 st March, 2013)

COMPANY SECRETARY

Ms. Varsha Adhikari

AUDITORS

Price Waterhouse
Chartered Accountants

REGISTRAR & SHARE TRANSFER AGENTS

Link Intime India Pvt. Ltd.
(Formerly Intime Spectrum Registry Ltd.)
Unit No. 303, 3rd Floor, Shoppers Plaza - V,
Opp. Municipal Market, Behind Shoppers Plaza II,
Off. C.G. Road, Ahmedabad – 380 009

BANKERS

The Axis Bank Limited
The Karur Vysya Bank Limited

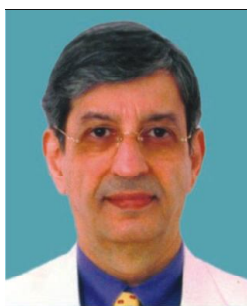
REGISTERED OFFICE AND FACTORY

N.I.D.C., Near Lambha Village,
Post Narol,
Ahmedabad - 382 405,
Gujarat, India.

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LETTER FROM CHAIRMAN



Dear Shareholders,

It gives me immense pleasure to present the 39th Annual Report of your Company for the year ended December 31, 2012.

During the year 2012, Economic activity in India remained somewhat sluggish. Not only was our economy impacted by the global growth slowdown, but also several domestic constraints acted as a drag, especially in the Textile sector. In spite of this, Stovec has had a successful year and achieved significant growth in revenue of nearly 21 % in comparison to the previous year. Moreover, your company has demonstrated an impressive performance in terms of Profit before Tax and achieved growth of approximately 56 % in comparison to the previous year. In general, the Company's performance during the year remained strong and robust.

During the year, your Company received recognition for its in-house Research and Development Centre from the Department of Scientific & Industrial Research, Ministry of Science & Technology, Government of India. This is definitely an impetus for the Research and Development activities that Stovec has been carrying out towards achieving product and process improvement.

The economic forecast for FY 2013-2014 predicts slow growth for the Indian economy in the range of 5 to 5.5 %. Almost five years after the global financial crisis first surfaced, the global economic environment remains fragile, with advanced economies growing slower than expected at the beginning of 2013. The year now looks unlikely to deliver much improvement in the world economy's growth rate, with a weaker outlook for Europe and the United States tempering the cautious optimism.

Though the economic scenario does indicate some concerns for business, we are geared up to withstand the challenges with our state-of-the-art production facilities, a highly skilled and motivated team, cost effective and quality driven processes, and well-recognized market presence with a strong product portfolio; all of which shall be the basis of further growth and continued good performance

On behalf of the Board, I would like to thank the outgoing Managing Director, Ashish Kaul for his remarkable contribution in the success and growth of Stovec and wish him all the best in his future endeavours.

I thank all our stakeholders for partnering in our growth and look forward to your continued support.

With warm regards,

K.M. Thanawalla
Chairman

Date : May 6, 2013
Place : Mumbai

NOTICE

NOTICE is hereby given that the THIRTY NINTH ANNUAL GENERAL MEETING OF THE MEMBERS OF STOVEC INDUSTRIES LIMITED will be held on Tuesday, the 11th day of June, 2013 at 11 a.m. at the registered office of the Company at N.I.D.C., Near Lambha Village, Post: Narol, Ahmedabad – 382 405, Gujarat, India, to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the financial year ended December 31, 2012 and the Balance Sheet as at that date together with the Report of the Board of Directors and the Auditor's thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of CA Girish C. Sharedalal, who retires by rotation and being eligible offer himself for re-appointment.
4. To appoint a Director in place of Mr. Joost Smits, who retires by rotation and being eligible offer himself for re-appointment.
5. To re-appoint auditors to hold office from the conclusion of this meeting till the conclusion of next Annual General Meeting and to authorize Board of Directors to fix their remuneration.

SPECIAL BUSINESS

6. Appointment of Mr. Girish Deshpande as a Whole time Director of the Company

To consider and, if thought fit, to pass with or without modification, the following resolution as an **Ordinary Resolution**

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII of the Companies Act, 1956 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment (s) thereof for the time being in force), the Company hereby approves the appointment of and the remuneration payable to Mr. Girish Deshpande as the Whole time Director of the Company for a period of 1 (one) year with effect from 1st March, 2013; upon the terms and conditions including those relating to remuneration as set out in the explanatory statement annexed in the Notice convening this Annual General Meeting, with liberty to the Board of Directors or a Committee thereof to alter and/or vary the terms and conditions of the said appointment in such manner as may be agreed to between the Board of Directors and Mr. Girish Deshpande and subject to such statutory approvals as may be necessary."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to vary, alter, increase, enhance or widen the scope of remuneration and perquisites, in accordance with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 as amended from time to time."

"RESOLVED FURTHER THAT the said remuneration as contained in the Explanatory Statement annexed in the notice convening Annual General Meeting, shall be payable to Mr. Girish Deshpande, irrespective of, whether the Company has inadequate or no profit in any financial year."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take all such steps as may be necessary and expedient to give effect to this resolution."

7. Change in place of keeping of Registers and Returns

To consider and, if thought fit, to pass with or without modification, the following resolution as an **Special Resolution**

"RESOLVED THAT pursuant to the provisions of Section 163 of the Companies Act, 1956 and other applicable provision, if any, of the Companies Act, 1956, the Company hereby approves, the keeping of the Register and Index of Members, Register and Index of Debenture holders and copies of Annual Returns of the Company prepared under Section 159 of the said act, together with copies of certificates and documents as required to be annexed thereto under section 161 of the said act or any one or more of them, at the office of Registrar and Share Transfer Agent, M/s. Link Intime India Pvt. Ltd. at Unit No. 303, 3rd Floor, Shoppers Plaza V, Opp. Municipal Market, Behind Shoppers Plaza II, Off. C.G. Road, Ahmedabad or such other place as the Registrar and Share Transfer Agent may change from time to time within the city of Ahmedabad."

"RESOLVED FURTHER THAT the Company Secretary of the Company be and is hereby authorized to do all such acts, deeds, matters as deem fit and necessary to give effect to this resolution."

8. Approval of terms of Re-appointment of Mr. Ashish Kaul as the Managing Director of the Company

To consider and, if thought fit, to pass with or without modification, the following resolution as an **Special Resolution**

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 read with Schedule XIII of the Companies Act, 1956 and Ministry of Corporate Affairs (MCA) General Circular No. 46/2011 dated: 14th July, 2011 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment (s) thereof for the time being in force) and in modification of the resolution passed by the Members at the Thirty Sixth Annual General Meeting held on March 30, 2010, approving the re-appointment and terms of remuneration of Mr. Ashish Kaul as Managing Director of the Company, consent of the Members of the Company be and is hereby accorded for term of re-appointment of Mr. Ashish Kaul w.e.f. 1st March, 2010 to 28th February, 2013 and payment of remuneration to Mr. Ashish Kaul during his tenure of office w.e.f 1st January, 2012 to February 28, 2013 as per the details mentioned in the Explanatory Statement annexed in the Notice convening this Annual General Meeting."

"RESOLVED FURTHER THAT all other terms and conditions of re-appointment of Mr. Ashish Kaul as approved earlier by the Members of the Company in the Thirty Sixth Annual General Meeting of the Company shall remain unchanged."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take all such steps as may be necessary and expedient to give effect to this resolution."

Notes:

1. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of Special Business is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
The instrument appointing Proxy as per the format included in the Annual Report should be returned to the Registered Office of the Company not less than **FORTY EIGHT HOURS** before the time for holding the Meeting. Proxies submitted on behalf of limited companies, societies, partnership firms, etc., must be supported by appropriate resolution/authority letter, as applicable, issued by the member organization. Corporate Members intending to send their authorized representatives to attend the meeting are requested to send to the Company, a certified copy of Board Resolution authorizing their representative(s) to attend and vote in their behalf at the Meeting.
3. Pursuant to sections 205A (5) and 205C of the Companies Act, 1956, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of its transfer to the Unpaid Dividend Account of the Company is required to be transferred to Investor Education and Protection Fund established by the Central Government. The Company during the year has transferred a sum of ` 155,091/- being unclaimed dividend amount for the financial year 2004-05 to the Investor Education and Protection Fund of the Central Government. Share holders who have not claimed their dividend for the financial year 2005-06 are requested to claim their unclaimed dividend before August 20, 2013. The Company shall thereafter as mentioned above transfer the unclaimed amount to the Investor Education and Protection Fund and no claim shall lie against the Company for the said amount of unclaimed dividend so transferred.
4. Register of Members and Share Transfer Book shall remain closed from June 5, 2013 to June 11, 2013 (both days inclusive). If the dividend on equity shares, as recommended by the Board of Directors is declared at the Annual General Meeting, payment of such dividend will be paid on or after June 12, 2013 as under
 - i. To all Members in respect of shares held in physical form, after giving effect to valid transfer in respect of transfer request lodged with the Registrar and Transfer Agent on or before the close of business hours on June 4, 2013.

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- ii. To all Beneficial Owners in respect of shares held in electronic form, whose names appear in the statement of beneficial ownership furnished by National Securities Depository Limited and Central Depository Services (India) Limited, as at the close of business hours on June 4, 2013.
 5. Members/Proxies should bring the attendance slip sent herewith duly filled in for attending the Meeting.
 6. **To avoid loss of dividend warrants in transit and undue delay in respect of receipt of dividend warrants, the Company has provided a facility to the Members for remittance of dividend through the National Electronic Clearing System (NECS).** NECS essentially operates on the new and unique bank account number allotted by banks post implementation of Core Banking Solutions (CBS) for centralized processing of inward instructions and efficiency in handling bulk transactions. The NECS facility is available at locations identified by Reserve Bank of India from time to time and covers most of the cities and towns. Members holding shares in physical form and desirous of availing this facility are requested to submit their Bank Particulars in the ECS Mandate form, the format of which is annexed at the end of this Annual Report, to the Company's Registrar and Transfer Agent and Members holding shares in Dematerialized form and wish to avail this facility are requested to submit Bank particulars to their Depository Participant, so that future dividend can be directly credited to their bank account. **Members are requested to avail NECS facility as it is quick and much convenient way of getting dividend directly in your bank account.**
 7. Members holding shares in dematerialized mode are requested to intimate all changes pertaining to their bank details, NECS, mandates, nominations, power of attorney, change of address/name, PAN details, etc. to their Depository Participant. However, Members holding shares in physical mode are required to notify any change pertaining to their bank details, NECS, mandates, nominations, power of attorney, change of address/name, PAN details, etc. to Registrar and Share Transfer Agent i.e. **M/s. Link Intime India Private Limited** (Formerly known as Intime Spectrum Registry Limited), Unit No. 303, 3rd Floor, Shoppers Plaza V, Opp. Municipal Market, Behind Shoppers Plaza II, Off. C.G. Road, Ahmedabad – 380 009.
 8. Pursuant to Clause 49 of the listing agreement, the particulars of Directors seeking appointment/re-appointment at the meeting are annexed.
 9. As per Securities and Exchange Board of India (SEBI) Circular, submission of Permanent Account Number (PAN) is compulsorily required for participating in the securities market, deletion of name of deceased shareholder or transmission/transposition of shares. Members holding shares in dematerialized mode are requested to submit the PAN details to their Depository Participant, whereas Members holding shares in physical form are requested to submit the PAN details to the Company's Registrar and Transfer Agents.
 10. Electronic copy of Annual Report for the financial year 2012 is being sent to all the members whose e-mail address is registered with the Company/Depository Participant(s). Members who have not registered their e-mail address are encouraged to participate in this green initiative by registering their e-mail id for e-communication. Members holding shares in dematerialized form are requested to register/update their e-mail id for e-communication with the Depository Participants, while Members holding shares in physical form are requested to register their e-mail id by sending a request on ahmedabad@linkintime.co.in or secretarial@stovec.com.

Even after registering for e-communication, member(s) are entitled to receive communication(s) including Annual Report in physical form, free of cost, on receipt of written request for the same. Members may also note that the Annual Report for the year 2012 will also be available on the website of the Company viz. www.stovec.com.
 11. All documents referred to in the accompanying notice are open for inspection at the Registered Office of the Company on all working days except Saturdays and Sundays between 11.00 a.m. to 1.00 p.m.
 12. Members who are holding shares in identical order of names in more than one folio are requested to send to the Company the details of such folios together with the share certificates for consolidating their holdings in one folio. The share certificates will be returned to the members after making requisite changes thereon.
 13. Members desirous of obtaining any information concerning accounts and operations of the Company are requested to address their questions in writing to the Company **at least 7 days** before the date of the meeting so that the information required may be made available at the meeting.

14. The Company has connectivity from the CDSL & NSDL and equity shares of the Company may also be held in the electronic form with any Depository Participant (DP) with whom the members/ investors are having their depository account. The ISIN No. for the Equity Shares of the Company is INE755D01015. In case of any query/difficulty in any matter relating thereto the same may be addressed to the Share Transfer Agents.
15. As per the provisions of the Companies Act, 1956, facility for making nominations is now available to INDIVIDUALS holding shares in the Company. The Nomination Form-2B as prescribed is attached herewith.
16. As an austerity measure, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies to the meeting.

Regd. Office:

N.I.D.C. Nr. Lambha Village,
Post: Narol, Ahmedabad – 382 405,
Gujarat, INDIA.

By **Order of the Board of Directors**

Date : May 6, 2013

Place : Mumbai

Varsha Adhikari
Company Secretary

Details of Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting of the company (Pursuant to Clause 49 of the listing agreement with the Stock Exchanges)

Name of Director	CA. Girish C. Shredalal	Mr. Joost Smits	Mr. Girish Deshpande
Date of Birth	05.10.1932	14.12.1970	26.10.1954
Date of Appointment	26.09.1989	30.01.2006	01.03.2013
Expertise in specific functional areas	Audit and Taxation	Business Management	Finance and Accounts
Qualifications	Chartered Accountant	Degree in Business Econometrics, Degree holder Major in Supply Chain Management.	Chartered Accountant
Details of shares held in the company	24	Nil	100
List of companies in which outside directorship held as on 31.12.2012 (excluding Private Companies & Foreign Companies)	FDC Ltd Kotak Mahindra Trustee Co. Ltd.	None	None
Chairman / Member of the * Committees of other companies as on 31.12.2012	FDC Ltd Kotak Mahindra Trustee Co. Ltd.	None	None

* The Committee includes the Audit Committee and the Investor Grievance Committee only.

Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956:

As required by Section 173 (2) of the Companies Act 1956 (the Act), the following Explanatory Statement sets out all material facts relating to the special business mentioned under item no. 6, 7 and 8 of the accompanying Notice dated: May 6, 2013

Item No. 6

The Board of Directors of the Company at their meeting held on February 27, 2013, appointed Mr. Girish Deshpande, Vice President Finance of the Company as an Alternate Director to Mr. Joost Smits, and designated him as a Whole time Director of the Company w.e.f. 1st March, 2013, subject to the approval of Members in the forthcoming Annual General Meeting of the Company.

Mr. Girish Deshpande is a Commerce Graduate and Chartered Accountant and looks after Finance and Accounts functions of Company for last 27 years and has been involved in Business Management and Strategy of the Company.

As required under Section 302 of the Companies Act, 1956 (The Act), an abstract dated: 14th March, 2013, of the terms of appointment of Mr. Girish Deshpande as a Whole time Director together with Memorandum of Interest has been sent to the Members of the Company within stipulated time.

ABSTRACT OF TERMS AND CONDITIONS OF APPOINTMENT AND REMUNERATION OF MR. GIRISH DESHPANDE, WHOLE TIME DIRECTOR OF THE COMPANY:

- i. **Period of Appointment:** 1 (One) year w.e.f. 1st March, 2013.
- ii. **Nature of Duties:** Subject to the superintendence, control and direction of the Board, Mr. Girish Deshpande shall perform duties and functions as would be commensurate with his position as Whole time Director of the Company and as may be delegated to him by the Board from time to time.
- iii. Mr. Girish Deshpande shall be re-designated as Whole time Director and Vice President Finance. Prior to this re-designation he was and continues to be in charge of the Finance Function of the Company for which gross remuneration of ` 30,38,864/- p.a. plus variable pay, is being paid and will continue to be paid with annual increment in the capacity of Vice President – Finance w.e.f. 1st April, 2013. In his capacity of Whole time Director; he shall not be paid any additional remuneration.

He will be entitled to all leave benefits as applicable to the senior executives of the Company, including accumulation and encashment of unavailed leave.

Variable Pay: Gross Bonus up to a maximum of 22.5% p.a. of annual fixed salary (CTC) would be payable based on the performance of the Company.

- iv. Mr. Girish Deshpande will be entitled to reimbursement of all expenses actually incurred by him in the course of legitimate business of the Company.
- v. The office as Whole time Director may be terminated by either party by giving one months' notice in writing unless otherwise a shorter notice period is decided mutually between the Board of Directors and Mr. Girish Deshpande.
- vi. If, at any time, Mr. Girish Deshpande ceases to be the Alternate Director to Mr. Joost Smits, he shall cease to be the Whole time Director of the Company.
- vii. If, at any time Mr. Girish Deshpande, ceases to be in the employment of the Company for any reason whatsoever, he shall cease to be the Alternate Director to Mr. Joost Smits and also as a Whole time Director of the Company.
- viii. Mr. Girish Deshpande's appointment is by virtue of his employment in the Company and his appointment shall be subject to the provisions of Section 283 (1)(I) of the Companies Act, 1956.
- ix. Mr. Joost Smits, retires by rotation and being eligible offer himself for re-appointment in this Annual General Meeting. Mr. Girish Deshpande being Alternate Director to Mr. Joost Smits, shall be re-appointed as soon as Mr. Joost Smits has been re-appointed in the Annual General Meeting.
- x. If, in the event Mr. Joost Smits, visiting India, Mr. Girish Deshpande shall vacate his office as Alternate Director and accordingly as a Whole time Director but immediately upon Mr. Joost Smits, leaving India, Mr. Girish Deshpande shall automatically stand re-appointed as Alternate Director to Mr.

Joost Smits and also as a Whole time Director of the Company upon the same terms and conditions as mentioned above without further acts, deeds or things been done, executed or performed either by the Company or Board of Directors.

Except Mr. Girish Deshpande, Whole time Director and Mr. Joost Smits, for whom Mr. Girish Deshpande is an Alternate Director, none of the other Directors of the Company are, in any way, concerned or interested in the said resolution.

Item No. 7

In the 33rd Annual General Meeting of the Company held on 27th day of July 2007, the Members have approved the shifting of the place of keeping the Register and Returns as prescribed under Section 163 of the Companies Act, 1956 to the Company's Registrar and Share Transfer Agent, M/s. Link Intime India Pvt. Ltd. 211, Sudarshan Complex, Nr. Mithakhali Underbridge, Navrangpura, Ahmedabad – 380 009. The Company's Registrar and Share Transfer Agent has shifted their office to Unit No. 303, 3rd Floor, Shoppers Plaza V, Opp. Municipal Market, Behind Shoppers Plaza II, Off. C.G. Road, Ahmedabad – 380 009. In view of this, approval of Members is sought for keeping the Registers and Returns as mentioned in Section 163 of the Companies Act, 1956 (as amended from time to time) at the new address of Registrar and Share Transfer Agent or such other place as the Registrar and Share Transfer Agent may change from time to time within the city of Ahmedabad."

None of the Directors of the Company are, in any way, concerned or interested in the said resolution.

Item No. 8

In the 36th Annual General Meeting of the Company, the Members have approved the re-appointment and remuneration payable to Managing Director for a period of 3 years w.e.f 1st March, 2010 to 28th February, 2013 vide Ordinary Resolution. Further in the 34th Annual General Meeting of the Company held on 5th June, 2008, the Members have approved vide Special Resolution the increase in overall ceiling limits of remuneration payable to Managing Director not exceeding Rs. 9 Million p.a. on calendar year basis for three years, commencing from 1st January, 2009 to December 31, 2011 and subsequent to which approval of Central Government was also received for payment of said remuneration. The Ministry of Corporate Affairs (MCA) vide its General Circular No. 46/2011 dated: 14th July, 2011 has waived requirement for approval of Central Government for payment of remuneration to a professional managerial person by listed companies and their subsidiaries, having no profits or inadequate profits as per Companies Act, 1956. Mr. Ashish Kaul being a Professional Managing Director, approval of Central Government was not required for payment of remuneration to him after December 31, 2011. However, as per Schedule XIII, approval of the Members by way of Special Resolution is required for terms of re-appointment from March 1, 2010 to February 28, 2013 and payment of remuneration to Managing Director for the period commencing from January 1, 2012 to February 28, 2013 and therefore Members approval by way of Special Resolution is sought for terms of re-appointment and remuneration to Managing Director.

Except Mr. Ashish Kaul, none of the present Directors of the Company are, in any way, concerned or interested in this resolution.

ABSTRACT OF THE TERMS OF APPOINTMENT AND REMUNERATION OF MR. ASHISH KAUL AS MANAGING DIRECTOR OF THE COMPANY: -

Members of the Company have approved the re-appointment and remuneration payable to Managing Director for a period of 3 years w.e.f 1st March, 2010 to 28th February, 2013 vide Ordinary Resolution. The details relating to remuneration are as under:

1. **Salary:** Basic of ` 200,000/- per month. Subsequent to Annual increment in the year 2012, Basic Salary increased to ` 2,50,000/- p.m. w.e.f 1st April, 2012)
2. **House Rent Allowance:** 50% of the basic salary per month.
3. **Supplementary Allowance :** ` 109,715 per month (` 1,21,100/- p.m. w.e.f 1st April, 2012)

In addition the Managing Director shall be entitled to the following benefits:

- a) **Provident Fund and Gratuity** as per the Statutory Provisions.
- b) **Leave Travel Assistance:** Leave Travel Assistance for self and family once a year up to two month's basic salary incurred in accordance with the rules of the Company.