



RAINBOW FOUNDATIONS LIMITED

FIFTEENTH ANNUAL REPORT

2008-2009

BOARD OF DIRECTORS

Mr. A.C. JAIN
Managing Director

Mr. G.R. JAIN
Joint Managing Director

Mr. MUKESH KUMAR M. MEHTA
Director

Mr. P.M. MOTHIRAM
Director

Mr. SAMPAT RAJ SINGHVI
Director

AUDITORS:

JAIN BAFNA AND CO
Chartered Accountants
Chennai – 600 006.

BANKERS :

THE CATHOLIC SYRIAN BANK LTD
Industrial Finance Branch, Chennai – 600 002.

KOTAK MAHINDRA BANK LTD
T.Nagar Branch, Chennai – 600 017.

DENA BANK
T.Nagar Branch, Chennai – 600 017.

NAME OF STOCK EXCHANGE WHERE THE COMPANY'S SHARES HAS BEEN LISTED :

Madras Stock Exchange Ltd., Chennai
Bombay Stock Exchange Ltd., Mumbai

DEMAT ISIN - INE230F01014

REGISTERED OFFICE :

New No.4, Thanikachalam Road, T.Nagar,
Chennai - 600 017.

REGISTRAR & TRANSFER AGENTS

M/s Cameo Corporate Services Limited
"Subramaniam Building"
No.1, Club House Road, Chennai – 600 002
Telephone: 044 - 28460390 (6 lines)
Fax : 044 - 28460129

FIFTEENTH ANNUAL REPORT 2008-2009

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RAINBOW FOUNDATIONS LIMITED

Notice is hereby given that the 15th Annual General Meeting of the Shareholders of RAINBOW FOUNDATIONS LIMITED will be held on Wednesday, the 30th day of September 2009 at 9.30 A.M at the registered office of the Company at New No.4, Thanikachalam Road, T.Nagar, Chennai – 600 017 to transact the following business:

ORDINARY BUSINESS:

- (1) To receive, consider and adopt the Audited Balance Sheet as at 31st March 2009 and the Profit & Loss Account for the year ended on that date, along with the Directors' Report and Auditors' Report thereon.
- (2) To appoint a Director in the place of Mr. Mukesh Kumar M Mehta who retires by rotation and being eligible offers himself for re-appointment.
- (3) To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration

"RESOLVED THAT M/s. Jain Bafna and Co, Chartered Accountants be and hereby appointed as Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting, on such remuneration as may be fixed in this behalf by the Board of Directors of the Company."

SPECIAL BUSINESS:

- (4) To consider and, if thought fit to pass, with or without modification(s), the following as an **Ordinary resolution**:

"RESOLVED that pursuant to sections 198,269,309,310 read with schedule XIII and all other applicable provisions of the companies Act, 1956 (including any amendment to or enactment thereof) and also subject to the approval of statutory authorities, if any, as may be required and subject to such alterations and modifications, if any that may be effected be the above authorities in that behalf and which the board of Director is hereby authorised to accept, consent of the company be and is hereby accorded for the reappointment of Mr. A.C. JAIN as Managing Director of the Company, for a further period of five years with effect from 7th June 2009 and for payment of revised remuneration on the terms and conditions as set out below and that the Board of Directors be authorised to alter and vary the terms and conditions of the said appointment including increasing and/or decreasing the remuneration hereunder:

Salary Rs.75,000/- p.m.

Perquisites

1. One Company maintained Car with driver for use for Company's business and personal purpose.
2. Provision of telephone at home and mobile and personal long distance calls shall be billed to the Managing Director.
3. Fees/expenses of clubs used for business purpose excluding admission and life membership fee not exceeding Rs.1,00,000/- p.a.
4. Entertainment expenses up to Rs.50,000/- p.a

5. Medical Reimbursement: Expenses incurred for the Managing Director and the family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.
6. Leave Travel Allowance For the Managing Director and his family subject to a maximum limit of one month salary and this includes travel to abroad also.
7. Personal Accident Insurance: Premium not to exceed Rs.10,000 per annum.

RESOLVED FURTHER that where in any financial year during the currency of the term of office, the company has no profits or its profits are inadequate it may pay to Mr. A.C. Jain, Managing Director, remuneration by way of salary and perquisites as specified above subject to the approval of Central Government or in the alternative within the limits laid down in Section II Part II of Schedule XIII of the Companies Act, 1956 as in force from time to time.

Place : Chennai

Date : 4th September 2009

By order of the Board

G.R. Jain

Joint Managing Director

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy. A Proxy need not be a Member of the company. Proxies, in order to be effective, must be received by the Company at its Registered Office not less than 48 hours before the meeting.
2. Members are requested to notify any change in their address to the Company's Registered Office at New No.4, Thanikachalam Road, T.Nagar, Chennai - 600 017.
3. The Register of Members and the Share Transfer Books of the company shall remain closed from the 25th September 2009 to 30th September 2009 (both days inclusive)
4. Members / Proxies may kindly bring the Attendance Slip duly filled in for attending the meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 4

The Board of Directors of the Company has re-appointed Mr. A.C. Jain, as Managing Director with effect from 7th June 2009 for a further period of five years, on the terms and conditions as set out therein, which are the same as indicated in the resolution marked as Item No. 4 of the Notice. The appointment of Mr. A.C. Jain as Managing Director is subject to the approval of the shareholders at the Annual General Meeting. Appropriate Ordinary Resolution in this regard is placed before the Annual General Meeting for the members' approval.

Mr. A.C. Jain is an Intermediate and has immense experience in Real Estate and Finance Business.

The Board is of the view that Mr. A.C. Jain's knowledge and experience will be immense benefit and value to the Company, and, therefore, recommends his appointment to the shareholders.

Your directors recommend the resolution for acceptance. None of the Directors, except the appointee himself, is interested in this resolution.

Place : Chennai

Date : 4th September 2009

By order of the Board

G.R. Jain

Joint Managing Director

RAINBOW FOUNDATIONS LIMITED

DIRECTOR'S REPORT

Your Directors are pleased to present the 15th Annual Report covering the operating and financial performance of your Company for the year ended 31st March 2009.

FINANCIAL RESULTS:

The financial results of the Company for the year ended March 31, 2009 are presented below:

	(Rupees in Lakhs)	
	Year Ended 31.03.2009	Year Ended 31.03.2008
Net Sales	817.98	496.31
Other Income	20.15	16.83
Gross Profit before Interest & Depreciation	189.14	137.60
Interest	76.77	60.11
Depreciation	4.70	6.86
Profit before tax	60.03	50.96
Provision for Taxation	20.22	9.36
Net Profit (After tax)	39.81	41.60

DIVIDEND

The real estate business is known to be of highly capital intensive and long gestation period. We believe that there are tremendous growth opportunities and your Company would like to capitalize on these by continuing to invest, which we believe will further enhance the shareholder's value. Hence your directors regret their inability to recommend any dividend on Equity shares.

OVERALL REVIEW

Company business has also been affected by the slowdown in the economy especially in the construction and real estate sector. However company was able to increase the turnover by 80%. Company is trying its best to revive the situation and come to the expected lines of operations. The company continues to focus on commercial activities. The year closed with revenue of Rs.39.81 lakhs on a turnover of Rs.817.98 lakhs.

DIRECTORS

The Company was in receipt of written representations from the Directors of the Company that they were not disqualified pursuant to sec 274 (1) (g) of the Companies Act 1956.

Mr. A.C. Jain has been re-appointed for a further period of five years w.e.f 7th June 2009. Considering his experience in the field of real estate and construction, members are requested to confirm the re-appointment of Mr. A.C. Jain as Managing Director of the Company.

Mr. Mukesh Kumar M Mehta, Director retires by rotation and, being eligible, offers himself for reappointment. Members are requested to re-appoint the retiring Director.

A brief resume, expertise, shareholding in your Company and details of other directorships of Mr. A.C. Jain and Mr. Mukesh Kumar M Mehta are given in the Corporate Governance report.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, the Directors to the best of their knowledge and belief confirm that:

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures

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- b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period
- c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) they have prepared the annual accounts on a going concern basis.

FIXED DEPOSIT

Your Company has not accepted or invited any fixed deposit from the public and is therefore not required to furnish information in respect of outstanding deposits under the Non-Banking Non-Financial Companies (Reserve Bank) Directions, 1996 and Companies (Acceptance of Deposits) Rules, 1975.

AUDITORS & AUDITORS REPORT

M/s. Jain Bafna and Co., Chartered Accountants Chennai, retire and are eligible for re-appointment as auditors. The Company has received a certificate from the Auditors to the effect that their reappointment, if made, would be in accordance with the limits specified under Section 224(1 B) of the Companies Act, 1956. The Board recommends their re-appointment.

The Board has duly examined the Auditors Report to accounts and the clarifications, wherever necessary, have been included in the notes to accounts. Further no qualifications reported in the Auditors Report. The Company has adopted adequate checks and internal controls as a part of internal audit system as a part of business. Each of the project, its developmental activities and expenditure are under the direct supervision of Managing or Joint Managing Director(s) of the Company. The statutory auditors are in practice to verify all the records and transactions of the Company.

The Notes to the Accounts referred to in the Auditors Report are self- explanatory and, therefore, do not call for any further explanation.

INFORMATION AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956:

The Company does not carry on any manufacturing activity and accordingly the provision to furnish information as per Section 217 (1)(e) of the Companies Act, 1956 relating to Conservation of Energy, Research and Development and Technology Absorption is not applicable. During the year there were no foreign Exchange earnings or outgo for the Company.

LISTING:

Your company has received the approval from Delisting from Ahmedabad Stock Exchange vide later dated 06/08/2009. The equity shares of the Company continue to remain listed with the Bombay Stock Exchange Limited (BSE) and the Madras Stock Exchange Ltd, Chennai. The listing fees payable to both the exchanges for the financial year have been paid.

MANAGEMENT DISCUSSION AND ANALYSIS:

The management discussion and analysis of financial condition including the result operations of the company for the year under review as required under clause 49 of the listing agreement with the stock exchange, is given as a separate statement in the Annual Report.

CORPORATE GOVERNANCE:

Corporate Governance Report Pursuant to clause 49 of the Listing Agreements with the Stock Exchanges, a detailed report on Corporate Governance is included in the Annual Report. A Certificate from the Practising Company Secretary regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Agreement is also attached to this report.

PERSONNEL:

Particulars of Employees pursuant to Section 217(2A) of the Companies Act, 1956 are not applicable since none of the employees of the Company is in receipt of remuneration in excess of the limits specified therein during the year under review.

ACKNOWLEDGEMENTS:

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ACKNOWLEDGEMENTS:

Your Directors wish to express their gratitude for the continuous assistance and support received from the investors, clients, bankers, regulatory and government authorities, during the year. Your Directors also wish to place on record their appreciation for the contributions made by employees at various levels, to the growth and success of the Company.

By order of the Board

Place : Chennai
Date : 4th September 2009

A.C. JAIN G.R.JAIN
Managing Director Joint Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

1. Business Environment:

2008-09 has been a challenging year for the world economy and the global real estate sector in particular. While India hasn't witnessed the kind of major turmoil witnessed in some advanced economies it has certainly been impacted adversely. Given its leadership position in the Indian real estate space with a large diversified portfolio of businesses that includes development of residential space, commercial office space, retail destinations, entertainment centres, hospitality properties and SEZ projects, Rainbow Foundations Limited had to face and confront most of these challenges. The deterioration was far more rapid and widespread than expected. Consequently, on several fronts, Rainbow had to rapidly recalibrate its strategy and execution plans to align them with the needs of the transformed business environment.

It is important to track the development of Real Estate Sector in India to understand the critical elements that were driving growth in order to get the right perspective of the Company's operations in 2008-09.

The Indian real estate sector grew at an accelerated pace of 40%-45% per annum between 2004-05 and 2007-08. There was boom in demand for real estate across segments driven mainly by the sustained high growth trajectory of the Indian economy.

Much of this growth was driven by the following factors in different major segments of the real estate sector:

1. **Residential Segment:** Increased income level as a result of economic growth, nuclear family increased the demand for housing and it was backed by easier availability of housing finance.
2. **Commercial Segment:** Huge demand for Commercial space for IT and IT businesses and the opening of several Multi National Companies increased demand for Office Space.
3. **Retail and Entertainment:** Given growing disposable incomes and the emergence of organized retail in India, there was demand for retail development and entertainment destinations.

The spurt in demand and rapid asset appreciation made real estate very attractive for investments. While, initially much of these investments were from domestic sources, with easing up of government regulations on foreign direct investments (FDI), there were high levels of global capital inflows into this sector. Most developers could sustain large developments that have long gestation lags with the help of these large capital flows.

However, by the end of 2006-07, the Reserve Bank of India (RBI) had reacted to concerns on rapid appreciation in asset values in India. It had asked banks to set apart 1% (raised from the earlier 0.4%) of personal loans, capital market exposures, residential housing loans beyond Rs.20 lakh and commercial real estate loans, as a reserve to safeguard against the impact of bad loans in the event of an asset bubble burst. There were also restrictions introduced on external commercial borrowings (ECBs). This tightened capital flows into the sector and removed speculative investments in the market. And, the real estate market growth subsided to some extent with only end-user demand. The capital squeeze became much more apparent with the macro-economic developments in 2008-09.

The fall in housing prices in the US had sparked off the sub prime lending crisis in the middle of 2007. In a matter of months, what had started as a US housing problem became a major crisis that affected the entire global financial

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system. While financial markets in the US and Europe were feeling the pressure in the second half of 2007-08, other capital markets, especially in emerging economies, did not seem to think that the sub-prime problem would play out into a full blown crisis of financial confidence. That changed by the first half of 2008-09, when everyone began to see a clearer picture of the extent of write-downs undertaken by the major international financial houses on account of their non-performing assets. Reported write-downs reached US\$760 billion by end- September 2008, of which US\$580 billion were incurred by global banks.

The global financial system had an adverse effect on India as well. There was a significant capital flight especially by foreign institutional investors; lower capital inflows; sharp depreciation of the Indian rupee against most major currencies, but especially the US dollar; and huge fall in equity values on account of reverse capital flows. Moreover, virtually all overseas lines of credit for banks and Indian companies dried up. The months of September, October and November were particularly bad as the financial system witnessed significant pressures on the liquidity front.

The developments in the global financial system, especially after September 2008 were unprecedented and the sharp downward spiral in cash and credit in the system exacerbated by very negative investor confidence and business sentiments was beyond any realm of expectation. It left Rainbow, like many other companies in this sector under major refinancing risk in a market with very tight liquidity.

The slowdown in the real economy has had a very negative impact on discretionary and high value purchases in India. Much of this was triggered by a sudden reduction in disposable income and doubts about job security.

The demonstrative effects of slowdown in some of the previously faster growing sectors like IT led to widespread negative economic sentiments in India. These developments directly affected demand for residential housing in India as customers refrained from getting into long term indebtedness by taking housing loans and preferred to hold on to liquid assets like cash.

The global downturn has severely affected services exports from India and IT and ITES companies started cutting down expansion plans and costs. This affected growth of commercial real estate. With consumer sentiments hitting lows, retail and tourism has also suffered. As a result, most segments within the real estate space witnessed pressure from the demand side and it became very difficult to sell projects at a rapid pace to improve cash flows.

Therefore, real estate companies like Rainbow faced a crisis of short term asset liability mismatch in 2008-09. And, overcoming this became the single most important challenge for the Company in 2008-09.

2. Operation Review

The Revenue of the Company for the year increased by over 80% from Rs.496.30 lakhs to Rs.817.98 lakhs. The Company's net profit for the year was Rs 39.81 lakhs (last year Rs.41.60 lakhs). The Earning Per Share (EPS) for the year was Rs. 0.72.

During the year 2008-09, the company is concentrated activities in the Residential segments. Though the existing projects in and around Chennai have seen brisk demand and by considering the healthy sales position, your company is proposed to undertake other projects also in Chennai.

3. Risks and Concern:

The Company is exposed to different types of risks such as credit risk, market risk (including liquidity risk, interest rate risk and foreign exchange risk), operational risk and legal risk. The Company monitors credit and market risks, as well as portfolio and operational risk through the oversight of senior management personnel in each of its business segments. Legal risk is subject to the review of the Company's legal department and external advisers. The Company is exposed to specific risks in connection with the management of investments and the environment within which it operates.

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The Company aims to understand, measure and monitor the various risks to which it is exposed and to ensure that it adheres, as far as reasonably and practically possible, to the policies and procedures established by it to mitigate these risks.

4. Internal Control Systems and Adequacy:

The Company has in place adequate internal control systems and procedures commensurate with its size and nature of business. The Internal Audit team continuously monitors the effectiveness of internal control and provides a reasonable assurance of the adequacy and effectiveness of your Company's control, governance and risk management process to the Audit Committee. It also follows upon the implementation of corrective actions and improvements suggested by the Audit Committee.

Internal Audit focuses on the following objectives, forming part of the Audit Plan approved by the Audit Committee:

- ★ Adherence to the operating systems and manual;
- ★ Performance of operational activities in an efficient and effective manner;
- ★ Compliance with the risk management process;
- ★ Compliance with legislative and regulatory provisions.

The Audit Committee reviews the Audit Reports and also has discussions with the Statutory Auditors

5. Human Resources:

Your Company continues to maintain a constructive relationship with its employees through a positive environment so as to improve productivity and efficiency. Your company also continues to invest in people process and skill development and provide them with high performance environment

6. Business Outlook:

The real estate market generally looks negative. Your Company will frame plans according to the existing scenario and try to reduce the downfall and overcome the challenges. During 2009-10, your company's focus will be consolidation in the existing location while making a cautious foray in to some newer centers. The operating profit margin on its projects is slated to show healthy improvement by better utilization of resources, cost control and improvement in realizations through brand building coupled with service excellence.

7. Customers:

The number of customers at the end of the year was 104 (previous year 89)

8. Performance review:

The highlights of performance of your company for the year 2008-09 are Total income of Rs. Rs.817.98 lakhs as against Rs.496.30 lakhs in the previous financial year Cash Profit of Rs.44.51 lakhs as against Rs. 48.46 lakhs in the previous financial year Net profit of Rs.39.81 lakhs as against Rs.41.60 lakhs in the previous financial year Earnings per share (EPS) of Rs.0.72 as against Rs.0.74 in the previous financial year

In order to optimize the shareholders value, your company continues to focus on activities on the residential segments as well as on the selective large projects.

DISCLAIMER:

The information and opinion expressed in this Report may contain certain forward-looking statements, which the management believes are true to the best of its knowledge at the time of its preparation. The management shall not be liable for any loss, which may arise as a result of any action taken on the basis of the information contained herein. Prior written permission of the Company may be obtained for furnishing this information to any person.

RAINBOW FOUNDATIONS LIMITED

REPORT ON CORPORATE GOVERNANCE

RAINBOW FOUNDATIONS LIMITED believes in the principles of Corporate Governance and is committed to conduct its business in a manner, which will ensure long-term growth thereby maximizing value of its shareholders, customers, employees and society at large. Company's policies are in line with Corporate Governance guidelines prescribed under the Listing Agreements with the Stock Exchanges and the Company ensures that various disclosures requirement are complied with for effective Corporate Governance.

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company recognizes that good Corporate Governance is essential to build and retain the confidence of its shareholders. To this end, the Company's philosophy on Corporate Governance is to endeavour to ensure:

1. that system procedure which monitors compliance with laws, rules and regulations are in place in each area of its business.
2. that relevant information regarding the Company and its operations is disclosed, disseminated and easily available to its shareholders and
3. that the Board of Directors is kept fully informed of all material developments in the Company, the risks in its business and its operations and the rationale for management's decisions and recommendations so that the Board of Directors can effectively discharge its responsibilities to our shareholders.

CORPORATE CODE OF CONDUCT

The activities and conduct of the company and its employees are governed by the Code of Conduct of the Group.

The major salutary principles prescribed by the Code of Conduct are:

1. Transparency To maintain the highest standards of transparency in all aspects of our interactions and dealings.
2. Disclosures To ensure timely dissemination of all price sensitive information and matters of interest to our stake holder.
3. Empowerment and Accountability To demonstrate the highest levels of the personal accountability and ensure that employees consistently pursue excellence in every thing they do.
4. Compliances To comply with all laws and regulations as applicable to the company.
5. Ethical Conduct To conduct the affairs of the company in ethical manner.
6. Stake holders Interest To promote the interest of all stake holders including of customers, shareholders, employees, lenders, venders, government and the community.

BOARD OF DIRECTORS

Composition of the Board

The Board of Directors has a mix of Executive and Non-Executive Directors. The Board Comprises of two Executive Directors and three Non Executive Directors. Accordingly, the composition of the Board is in conformity with the listing agreement.

The Company did not have any pecuniary relationship or transactions with the non executive directors during the year under review.

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Directors' attendance Records and Directorships

The Composition of the Board and other relevant details relating to Directors are given below:

Name of the Director	Category of Director ship	No. of Board meetings attended	Last No. of AGM attended	No. of membership in other Boards	No. of Membership and Chairmanship in other Board Committees	No. of shares held in the Company
Mr. A. C. Jain	MD & ED	6	YES	1	-	153500
Mr. G. R. Jain	JMD & ED	6	YES	-	-	198000
Mr. Mukesh Kumar M. Mehta	NEID	6	YES	-	-	631
Mr. P. M. Mothiram	NEID	6	YES	1	-	-
Mr. Sampat Raj Singhvi	NEID	6	YES	-	-	27

1. Independent Director means director as defined under Clause 49 of the Listing Agreement.
2. No Director is related to any other Director on the Board, except Mr. A.C. Jain and Mr. G.R. Jain who are brothers respectively.
3. As required by the Companies Act, 1956 and clause 49 of the listing agreement with the stock exchanges, none of the Directors hold directorship in more than 15 public companies, membership of Board Committees (Audit & Investor Grievance Committee) in excess of 10 and Chairmanship of Board committee in excess of 5.

MD : Managing Director

JMD : Joint Managing Director

ED : Executive Director

NEID: Non Executive Independent Director

Number of Board Meetings held, dates on which held and number of Directors Present

Date of Board meeting	City	Board strength	No. of Directors present
16 th April 2008	Chennai	5	5
30 th June 2008	Chennai	5	5
31 st July 2008	Chennai	5	5
4 th August 2008	Chennai	5	5
31 st October 2008	Chennai	5	5
27 th January 2009	Chennai	5	5

- A. The Board meets at least once a quarter to review the quarterly financial results and operations of your Company. In addition to the above, the Board also meets as and when necessary to address specific issues relating to the business of your Company.

Your Company's Board plays a pivotal role in ensuring good governance and functioning of your Company. The Board consists of professionals from diverse fields possessing vast experience in their respective areas. The Board has unfettered and complete access to any information within your Company. Members of the Board have complete freedom to express their views on agenda items and can discuss any matter at the meeting with the permission of the Chairman. The Board provides direction and exercises appropriate

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control to ensure that your Company is managed in a manner that fulfils stakeholder's aspirations and societal expectations.

Standards issued by ICSI:

The company is in a substantial compliance with the secretarial standards governing board meetings as also general meetings as set out in the Secretarial Standard 1 and 2 issued by the ICSI. The Board of Directors of the company has taken necessary steps in order to ensure compliance with these standards.

B. BOARD PROCEDURE

The Company convened 6 (six) Board Meetings during the Financial Year 2008-09. The Board of Directors generally reviewed the following:

- Annual Operating Plans
- Compliance with statutory and legal requirements.
- Adoption of quarterly un-audited financial results.
- Funding requirements and patterns of the Company.
- Transaction of Capital nature.
- Proceedings of the Committee Meetings.

PROFILE OF DIRECTORS WHO ARE APPOINTED AT THE ENSUING MEETING

1. Mr. Anopchand Jain completed Intermediate and he has a rich experience in the industry of twenty five years and overseas the entire construction work.

1. Date of Birth	7 th August 1952
2. Date of joining the Board of the company	From the date of incorporation
3. Shareholding in the Company	153500
4. Directorships in other Companies	One

2. Mr. Mukesh Kumar M Mehta holds a Bachelor Degree in Science. He has a rich experience in the industry of twenty two years and overseas the entire construction work.

1. Date of Birth	21 st December 1957
2. Date of joining the Board of the company	29 th March 2001
3. Shareholding in the Company	631 shares
4. Directorships in other Companies	Nil

AUDIT COMMITTEE

Objective:

To monitor and effectively supervise your Company's financial reporting process with a view to provide accurate, timely and proper disclosure and the integrity and quality of the financial reporting.

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Role:

1. Oversight of your company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the Statutory auditor and the fixation of audit fees.
3. Approval of payment to Statutory Auditors and fixation of audit fees.
4. Reviewing with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Act;
 - b) Changes, if any, in accounting policies and practices and reasons for the same;
 - c) Significant adjustments made in the financial statements arising out of audit findings;
 - d) Compliance with listing and other legal requirements relating to financial statements;
 - e) Disclosure of any related party transactions;
 - f) Qualifications in the draft audit report.
5. Reviewing with the management, performance of Statutory and Internal Auditors, adequacy of the internal control systems.
6. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
7. Discussion with Internal Auditors any significant findings and follow up there on.
8. Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

The Audit Committee also reviews the un-audited quarterly financial results of the Company before those are submitted to the Board for approval. Minutes of the each Audit Committee are also placed before the Board. Four Audit Committees have been held during the financial year. The dates on which the Audit Committee meeting held: 30th June 2008; 31st July 2008; 31st October 2008 and 27th January 2009.

Sl. No.	Name of the Directors	Category	No. of Meeting held/ Attended
1	Mr. Mukesh Kumar Mehta	Non-Executive Independent Director	4
2	Mr. P.M. Mothiram	- do -	4
3	Mr. Sampath Raj Singhvi	- do -	4

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REMUNERATION & COMPENSATION COMMITTEE

The Remuneration Committee of Directors decides on the policies and details of remuneration payable to the Directors. The Committee met two times during the year on 30th June 2008 and 27th January 2009 and the meeting was attended by the following three Directors.

Sl. No.	Name of the Directors	Category	No. of Meeting held/ Attended
1.	Mr. P.M. Mothiram	Chairman cum Non Executive Independent Director	2
2.	Mr. Mukesh Kumar Mehta	Non Executive Independent Director	2
3.	Mr. Sampath Raj Singhvi	- do -	2

REMUNERATION OF DIRECTORS (FINANCIAL YEAR 2008-2009) :

No sitting fees were paid to the directors of the Company for attending board meeting or any committee meeting thereof.

Details of remuneration of Mr. A.C. Jain, Managing Director and Mr. G.R.Jain, Joint Managing Director for the financial year 2008 -2009.

	Basic Salary(Rs.)	Commission	Contribution to Provident & other Funds	Other Allowances & Perquisites	Total (Rs.)
Mr. A. C. Jain - MD	3,60,000	—	—	—	3,60,000
Mr. G. R. Jain - JMD	3,30,000	—	—	—	3,30,000

SHAREHOLDERS' INVESTOR GRIEVANCE COMMITTEE

The Committee met 4 times during the year on 30th June 2008; 31st July 2008; 31st October 2008 and 27th January 2009 and the following directors were attended by meetings.

Sl. No.	Name of the Directors	Category	No. of Meeting held /Attended
1.	Mr. Mukesh Kumar Metha	Chairman cum Non Executive Independent Director	4
2.	Mr. P.M. Mothiram	Non Executive Independent Director	4
3.	Mr. Sampath Raj Singhvi	Non Executive Independent Director	4

RAINBOW FOUNDATIONS LIMITED

The Company has NOT received any complaint from the investors during the year under report.

Name and designation of the Compliance Officer: Mr. G. R. Jain, Joint Managing Director.

Members METTING: (details of Location and time of AGM for the past three years)

Year	Date	Time	Venue	Attendance
2007-2008	15/09/2008	9.30 a.m	Registered office of the Company	271
2006-2007	29/09/2007	9.30 a.m		259
2005-2006	29/09/2006	9.30 a.m	Rainbow Arcade 21, Thyagaraya Road, T.Nagar, Chennai - 600017	163

There was no requirement of passing any resolutions by way of Postal Ballot in the above said period.

MEANS OF COMMUNICATION :

Your Company publishes the Quarterly results, dividend announcements and book closure / record dates in —

1. Trinity Mirror/News Today and
2. Makkal Kural/Malai Chudar

Your company's Management Discussion and Analysis of the operations for the year ended 31st March 2009 forms part of this Annual Report and is given under the section so captioned.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Forming Part of the Directors Report

INSIDER TRADING

The Code of Conduct for prevention of Insider Trading as suggested under the SEBI (Prohibition of Insider Trading) Regulations, 1992 has introduced. The Board monitors the adherence to the various requirements as set out in the code. No violation of the code has taken place during the year.

Mr. G. R. Jain has been designation as the Compliance Officer for the purpose.

RELATED PARTY TRANSACTION

There were no materially significant related party transactions during the year that in the opinion of the Board may have potential conflict with the interest of the company at large.

COMPLIANCE WITH LAWS

The Company has exercised due diligence in complying with all applicable Laws in the matter of conduct of its business and in particular, there has neither been any non-compliance on the part of the Company on the matter related to Capital Market, during the last three years nor have any penalties or strictures been imposed on this respect.

RAINBOW FOUNDATIONS LIMITED

SHAREHOLDERS INFORMATION:

a. Registered Office of the Company

New No.4, Thanikachalam Road, T.Nagar, Chennai - 600 017.

Telephone : 044-24344647 / 24354647 Email: rainbow@rainbowfoundations.in

b. Compliance Office

Mr. G. R. Jain, Joint Managing Director of the Company has been appointed as Compliance Officer, for any clarification / compliant, shareholders may contact Mr. G.R.Jain, at the following address:

Rainbow Foundations Limited

No.4, Thanikachalam Road, T. Nagar, Chennai - 600 017,

Tamil Nadu, India.

Telephone : 044-24344647 / 24354647

Email: gajraj@rainbowfoundations.in

Annual General Meeting

Date & Time: 30th day of September 2009 at 9.30 a.m.

Venue : New No.4, Thanikachalam Road,

T. Nagar, Chennai - 600 017

c. Financial Calendar Financial Year - 1st April to 31st March

Un-audited Financial Results:

Quarter ending 30th September 2009 - Before end October 2009

Quarter ending 31st December 2009 - Before end January 2010

Quarter ending 31st March 2010 - Before end April 2010.

Results for the year ending 31st March 2010 - Last week of April 2010

d. Book Closure Dates: 25th September 2009 to 30th September 2009 (both days inclusive)

e. Dividend payment date : No Dividend has been recommended.

f. i) Listing on Stock Exchange: Madras Stock Exchange Ltd., Chennai, Bombay Stock Exchange Ltd., Mumbai

ii) Annual listing fees:

Listing fees have been paid to the above exchanges and there is no fee outstanding as on date.

Stock Code : Bombay Stock Exchange '531694'

g. Market Price Data High, Low during each month in last Financial year 2008-09

No trading has taken place in Madras Stock Exchange Ltd. Bombay Stock Exchange Ltd			(in Rupees)
Month	High	Low	
April 2008	13.05	9.37	
May 2008	13.20	11.00	
June 2008	11.90	8.99	
July 2008	10.20	7.77	
August 2008	12.39	9.35	
September 2008	11.99	9.46	
October 2008	10.00	9.41	
November 2008	11.10	8.65	
December 2008	10.03	7.42	
January 2009	7.40	5.59	
February 2009	5.33	4.20	
March 2009	4.35	4.00	

RAINBOW FOUNDATIONS LIMITED

a. Dematerialisation of shares and liquidity:

The Company has entered into the Tripartite Agreements with the National Securities Depository Ltd., (NSDL) and Central Depository Services Ltd., (CDSL) for dematerialisation of shares. About 85.4% (4707886 numbers of equity shares) of the shares have been dematerialised as on 31st March 2009. The ISIN of the Company is ISIN - INE230F01014

b. Investor Grievances

The Company has a regular system of attending to investor grievances. These grievances are promptly attended to and there is no complaint pending as on date.

c. Share Transfer System

The Company has constituted a Share Transfer Committee, which considers and approves the transfer and transmission etc., of shares in physical mode. Physical shares received for dematerialisation are processed and completed within a period of 15 days from date of receipt, provided they are in every respect complied with the law. Bad deliveries are immediately returned to Depository Participants under advice to the Shareholders. For those who opt for dematerialisation of shares, shares are dematerialised and electronic credit given through the registrars.

d. Registrar and Share Transfer Agent (Common Agency)

M/s Cameo Corporate Services Limited
"Subramaniam Building"
No.1, Club House Road, Chennai - 600 002
Telephone: 044 - 28460390 (6 lines)
Fax : 044 - 28460129

e. Investors' Correspondence

Shareholders can send in their correspondence to the Registered Office of the Company at New No.4, Thanikachalam Road, T.Nagar, Chennai - 600 017

or

M/s Cameo Corporate Services Limited,
No.1, Club House Road, Chennai - 600 002.

f. Intimation of Change of Address, bank details etc.

All the members are requested to notify immediately any change in their address, bank details, bank mandate and nominate details to the Company.

g. Distribution of Share Holding as on 31.03.2009

Share or debenture holding of nominal value of		Share / Debenture holders		Share / Debenture Amount	
Rs. (1)	Rs.	Number (2)	% to total (3)	(In Rs.) (4)	% to total (5)
Upto	5,000	878	59.20	1727530	3.13
5,001	10,000	273	18.41	2523580	4.58
10,001	20,000	101	6.81	1665690	3.02
20,001	30,000	28	1.89	707480	1.28
30,001	40,000	17	1.15	620130	1.13
40,001	50,000	51	3.44	2477950	4.49
50,001	1,00,000	47	3.17	3783350	6.86
1,00,001	and above	88	5.93	41625290	75.51
Total		1483	100.00	55131000	100.00

RAINBOW FOUNDATIONS LIMITED

O. Shareholding Pattern as on 31.03.2009

	Category of Shareholders	No. of Share holders	Total. No. of Shares	No. of Shares in Demat Form	% of Shares Shares
(A)	Sharee holding of Promoter and Promoter Group				
	Indian				
(a)	Individuals/Hindu Undivided Family	46	1575700	1330700	28.58
	Sub Total (A) (1)	46	1575700	1330700	28.58
2.	Foreign	-	-	-	-
	Sub Total (A) (2)	-	-	-	-
	Total shareholding promoter and promoter Group(A)= (A)(1)+(A)(2)	46	1575700	1330700	28.58
(B)	Public Shareholding				
(1)	Institutions	-	-	-	-
(2)	Non-Institutions				
(a)	Bodies Corporate	41	195305	154805	3.54
(b)	I. Individual shareholdersHolding nominal share capital upto Rs. 1 Lakh	1295	1085130	673116	19.68
	II. Individual shareholdersHolding nominal share capital in excess of Rs. 1 Lakh	59	2153278	2045578	39.06
(c)	Any otherClearing MemberHindu undivided familiesNon Resident Indians	1392	1502757929	1502757929	0.009.120.17
	Total Public shareholding (B) = (B)(1) + (B)(2)	1437	3937400	3377186	71.42
	Grand Total (A) + (B)	1483	5513100	4707886	100.00

RAINBOW FOUNDATIONS LIMITED

p. Nomination Facility / ECS

In accordance with the provisions of Section 109A of the Companies Act, 1956, and the rules prescribed there under shareholders can now nominate a person with whom the shares shall vest in the event of death of the shareholder.

The nomination can be made only by individuals holding shares of the Company either in their sole name or jointly with another (not exceeding one joint holder). The nominee shall be an individual.

In the event of death of the sole or both the joint holders the nominee shall be entitled to have the shares registered in his name together with all the benefits like dividend etc., accrued in the said shares.

Shareholders who would like to avail nomination facility may please file the nomination form with the Share Transfer Agent of the Company.

q. Mandatory disclosures:

The related party transactions of the Company under Sec.297 of the Companies Act 1956 during the financial year ended March 31, 2009 are being disclosed in the Notes on Accounts which forms part of this report.

r. Disclosures

a) There are no transactions of material nature with the Promoters, Directors or the management or their subsidiaries or relatives, etc., potentially conflicting with Company's interest at large, during the year.

b) There were no instances of non-compliances or imposition of any penalty/strictures on the Company by the SEBI / Stock Exchange / any Statutory Authority, on any matter relating to capital markets, during the last three years. Except a revocation fee paid to BSE for removal of suspension of Trading in Equity shares of the Company.

s. Non- Mandatory requirements

The Company has not adopted the non-mandatory requirements specified under the Listing Agreement.

t. Disclosure of Accounting Treatment in Financial Statement

Rainbow foundation has followed the guidelines of Accounting Standards laid down by the Institute of Chartered Accountant of India (ICAI) in preparation of its Financial Statement.

u Whistle Blower Policy

The Securities and Exchange Board of India (SEBI) has also prescribed the adoption by all Listed Companies, of a whistle Blower Policy as a non-mandatory requirement.

The company has adopted a Whistle Blower Policy, which affords protection and confidentiality to Whistle Blowers. The Audit Committee Chairman is authorised to receive Protected Disclosure under this policy. The Audit Committee is also authorized to supervise the conduct of investigation of any disclosure made by Whistle Blower in accordance with policy.

No personnel has been denied access to the Audit Committee. As of March 31, 2008, no Protected Disclosure have been received under this Policy.

DECLARATION

Pursuant to the requirement of Clause 49 of the Listing Agreement, I hereby confirm that:

1. the undersigned and senior management personnel (as defined in the above – said clause 49) of the Company have affirmed that they have been in compliance with the Code of Conduct of the Group during the financial year ended March 31, 2009; and
2. all Non-executive Director of the Company have affirmed that they have been in compliance with the Code of Conduct of the Group for Non-executive Director during the financial year ended March 31, 2009.

Place : Chennai

Date : 4th September 2009

For RAINBOW FOUNDATIONS LTD

Sd/-

G.R.JAIN

Joint Managing Director

RAINBOW FOUNDATIONS LIMITED

COMPLIANCE CERTIFICATE FROM THE PRACTISING COMPANY SECRETARY

To

The Members of M/s. Rainbow Foundations Limited

I have examined the Compliance of conditions of Corporate Governance by

M/s. Rainbow Foundations Limited, for the year ended 31st March 2009 as stipulated in Clause 49 of the Listing Agreement of the Said Company with the Stock Exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. My examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the company has complied with conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

I state that no investor grievance is pending for a period exceeding one month against the company as per the records maintained by the shareholders committee.

I further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For JM & Associates
Company Secretaries,

SOY JOSEPH
Partner

Certificate of Practice No.5612

Place : Chennai
Date : 04th September 2009

RAINBOW FOUNDATIONS LIMITED

AUDITORS' REPORT TO THE SHARE HOLDERS OF M/S RAINBOW FOUNDATIONS LIMITED

1. We have audited the attached Balance Sheet of M/S. RAINBOW FOUNDATIONS LIMITED, CHENNAI – 600 017 as at 31st March 2009 and also the Profit and Loss account for the year ended on that date and the Cash Flow Statement for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on their financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003, issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in the paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above we state that:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b. In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of books.
 - c. The Company's Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - d. In our opinion, the Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the accounting standards and the significant accounting policies referred to in Section 211(3C) of the Companies Act, 1956, to the extent applicable to this Company.
 - e. On the basis of the written representation received from the directors, as on 31/03/2009, and taken on record by the board, we report that none of the Directors is disqualified as on 31/03/2009 from being appointed as Director under clause (g) of sub section (1) of section 274 of the Companies Act, 1956.
 - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes and Schedules thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 1. In the case of the Balance Sheet of the state of affairs of the Company as at 31st March 2009, and
 2. In the case of the Profit & Loss Account of the Profit of the Company for the year ended on that date.
 3. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

JAIN BAFNA AND CO
(Chartered Accountants)
(NARENDER KUMAR LODHA)
(Partner)

Address: F-1, 58, Greams Road, Chennai 600 006
Mem No: 200/27640

Place : Chennai
Date : 04th September 2009

RAINBOW FOUNDATIONS LIMITED

In the case of M/s RAINBOW FOUNDATIONS LIMITED,

In terms of the Companies (Auditors' Report) Order, 2003 issued by the Company Law Board and on the basis of such checks as we considered appropriate we further report that:

- i. a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) The Fixed Assets have been physically verified at the year end by the management and in our opinion the frequency of verification is reasonable and there was no discrepancy noticed on such verification by the management.
- c) Since there is no disposal of substantial part of its fixed assets during the year, paragraph 4 (i) (c) of the Companies (Auditors' Report) Order 2003 is not applicable.
- ii. According to the information and explanations given to us, in respect of development of flats, since the construction is on contract basis the need for maintaining the stock records for the same does not arise and hence paragraph 4 (ii) of the Companies (Auditors' Report) Order 2003 is not applicable.
- iii. a) According to the information and explanations given to us and in our opinion, the Company has not taken/granted any loans secured/unsecured from/to Companies, firms (or) other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and/or from/to Companies under the same management as defined under Sub-Section (1B) of Section 370 of the Companies Act, 1956, during the year. Consequently, clauses iii(b), iii(c) of Paragraph 4 of the Order are not applicable.
- iv. According to the information and explanations given to us and in our opinion, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of flats and plots. Further, on the basis of our examination of the books and records of the company, we have neither come across nor have been informed of any continuing failure to correct major weakness in the aforesaid internal control procedure.
- v. According to the information and explanations given to us and in our opinion, there are no transactions with any of the parties that need to be entered in the register maintained under section 301 of the Companies Act 1956 (1 of 1956) .
- vi. According to the information and explanations given to us and in our opinion, the Company has not accepted any deposit from the public within the meaning of the Provisions of Section 58A and 58AA of the Companies Act, 1956 and the rules framed there under and the directions issued by the Reserve Bank of India.
- vii. According to the information and explanations given to us and in our opinion, the Company does not have an independent Internal Auditor. However they have an Internal Audit system commensurate with the size and nature of its business
- viii. According to information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 for the company's products
- ix. a. According to the information and explanations given to us and in our opinion, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues as applicable to it and there were no undisputed amount payable in respect of Income-Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty outstanding as on 31st March 2009, for a period of more than six months from the date they became payable.

RAINBOW FOUNDATIONS LIMITED

- b. According to the information and explanations given to us and based on the records of the Company, as at 31st March 2009, there are no dues of wealth tax/ customs duty/excise duty/cess, which have not been deposited on account of any dispute. The particulars of Income Tax and Sales Tax as at 31st March 2009 which have not been deposited on account of dispute are as follows:

Name of the Statute	Nature of Dues	Amount under dispute not yet deposited Rs.	Period to which amount relates	Forum where the dispute is pending
Income Tax Act 1961	Income tax including interest till the date of assessment	2,85,218	AY 2002-03	The Hon'ble Madras High court, Chennai
Income Tax Act 1961	Income Tax Along with Interest till the date of Assessment	2,25,291	AY 2002-03	The Commissioner of Income Tax (Appeals)
Income Tax Act 1961	Income Tax Along with Interest till the date of Assessment	4,02,650	AY 2006-07	The Commissioner of Income Tax (Appeals)
Tamil Nadu General Sales Tax Act, 1959	Sales tax along with Interest and Penalty	6,91,875	1998-1999	High Court of Madras
Tamil Nadu General Sales Tax Act, 1959	Sales tax along with Interest and Penalty	7,73,590	1999-2000	High Court of Madras
Tamil Nadu General Sales Tax Act, 1959	Sales tax along with Interest and Penalty	9,53,137	2000-2001	High Court of Madras
Tamil Nadu General Sales Tax Act, 1959	Sales tax along with Interest and Penalty	27,42,860	2001-2002	High Court of Madras
Tamil Nadu General Sales Tax Act, 1959	Sales tax along with Interest and Penalty	8,14,610	2002-2003	High Court of Madras

- x. The Company does not have any accumulated losses as at 31st March 2009 and has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- xi. During the year, the Company has not defaulted in repayment of dues to any financial institution or bank and there are no debenture holders.
- xii. According to the information and explanations given to us and in our opinion, the Company has not granted any loan or advance by way of pledge of shares, debentures and other securities and hence paragraph 4 (xii) of the Order is not applicable
- xiii. As the Company is not a nidhi/mutual benefit fund/society, paragraph 4 (xiii) of the Order is not applicable
- xiv. Since the Company is not dealing or trading in shares, securities, debentures and other investments, paragraph 4 (xiv) of the Order is not applicable

RAINBOW FOUNDATIONS LIMITED

- xv. According to the information and explanations given to us and in our opinion, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi. In our opinion, during the year the Company has not raised any term loan and hence paragraph 4 (xvi) of the Order is not applicable
- xvii. On the basis of overall examination of the Balance Sheet of the Company, there were no funds raised on a short - term basis which have been used for long - term investment and vice versa.
- xviii. The Company has not made any preferential allotment of shares during the year to any party and hence paragraph 4 (xviii) of the Order is not applicable
- xix. The Company has not issued any debenture during the year and hence paragraph 4 (xix) of the Order is not applicable
- xx. Since the Company has not raised any money during the year by way of public issue, paragraph 4 (xx) of the Order is not applicable
- xxi. To the best of our knowledge and according to the information and explanations given to us and the records of the Company examined by us, no fraud on or by the Company was noticed or reported during the year.

for JAIN BAFNA AND CO,
(Chartered Accountants)
(NARENDER KUMAR LODHA)
Partner.

Place : Chennai
Date : 04th September 2009

RAINBOW FOUNDATIONS LIMITED

BALANCE SHEET AS AT 31ST MARCH 2009

PARTICULARS	SCH	AS AT 31-3-2009		AS AT 31-3-2008	
		Rs.	Ps.	Rs.	Ps.
<u>SOURCES OF FUNDS:</u>					
Share Holder's Funds					
Share Capital	1	55,131,000.00		55,131,000.00	
Reserve Funds					
Reserves & Surplus	2	26,082,442.91		22,101,362.08	
Loan Funds					
Secured	3	56,200,099.16		60,734,207.91	
Unsecured	4	2,800,000.00		1,922,096.00	
Deferred Tax Liability		55,226.00		60,490.00	
TOTAL		<u>140,268,768.07</u>		<u>139,949,155.99</u>	
<u>APPLICATION OF FUNDS:</u>					
Fixed Assets					
Gross Block	5	7,294,132.01		8,989,167.27	
Less: Accumulated Depreciation		3,973,971.52		3,963,423.76	
Net Block		3,320,160.49		5,025,743.51	
Net Current Assets					
Current Assets, Loans, Advances					
Inventories	6	183,080,899.16		168,406,135.71	
Sundry Debtors	A	7,070,714.25		9,922,121.89	
Cash & Bank Balances	B	1,178,156.59		3,347,669.11	
Loans & Advances	C	14,326,230.08		3,864,258.00	
SUBTOTAL	D	<u>205,656,000.08</u>		<u>185,540,184.71</u>	
Less: Current Liabilities & Provisions	7				
Current Liabilities	A	67,413,419.50		49,966,660.23	
Provision	B	1,293,973.00		650,112.00	
SUBTOTAL		<u>68,707,392.50</u>		<u>50,616,772.23</u>	
Net Current Assets		<u>136,948,607.58</u>		<u>134,923,412.48</u>	
TOTAL		140,268,768.07		139,949,155.99	

"Subject to Schedules and Notes attached"

For and on behalf of the Board

As per our report of even date attached

(A.C. JAIN)
Managing Director

(G.R. JAIN)
Joint Managing Director

For JAIN BAFNA And Co.,
(Chartered Accountants)

(NARENDER KUMAR LODHA)
Partner

PLACE : Chennai
DATE : 4th September 2009

RAINBOW FOUNDATIONS LIMITED

TRADING AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31st MARCH 2009

PARTICULARS	SCH	AS AT 31-3-2009		AS AT 31-3-2008	
		Rs.	Ps.	Rs.	Ps.
A. INCOME					
Project Income	9	81,797,751.88		49,630,541.04	
Increase in Stock		8,961,147.11			
TOTAL (I)		90,758,898.99		49,630,541.04	
GROSS PROFIT{(I)-(II)}		18,913,872.33		13,760,347.57	
Rental Income (TDS Rs. NIL)		389,560.00		457,822.00	
Gratuity Provision Written Back		-		535,500.00	
Profit on Sale of Assets		1,625,879.71		688,717.10	
Miscellaneous Income		0.01		774.60	
TOTAL (A)		20,929,312.05		15,443,161.27	
B. EXPENDITURE					
Project Expenditure	11	71,845,026.66		35,310,455.43	
Decrease in Stock		-		559,738.04	
TOTAL - II		71,845,026.66		35,870,193.47	
Administrative Expenditure	12	6,704,315.08		3,574,107.43	
Payment to Auditors		75,000.00		75,000.00	
Interest	10	7,676,852.41		6,011,477.00	
Depreciation		469,958.73		686,473.00	
TOTAL (B)		14,926,126.22		10,347,057.43	
Net Profit Before Tax (A - B)		6,003,185.83		5,096,103.84	
Adj: Provision for Income Tax - current		1,993,124.00		1,223,776.00	
Frienge Benefit Tax		34,245.00		64,701.00	
Income Tax deferred		(5,264.00)		(375,190.00)	
Income Tax -previous year		-		22,754.00	
Profit after tax		3,981,080.83		4,160,062.84	
ADD: Balance brought forward		20,008,798.64		15,848,735.80	
Surplus carried to Balance Sheet		23,989,879.47		20,008,798.64	
Earnings per share (in Rupees)		0.72		0.74	

"Subject to Schedules and Notes attached"

For and on behalf of the Board As per our report of even date attached

(A.C. JAIN)
Managing Director

(G.R. JAIN)
Joint Managing Director

For JAIN BAFNA And Co.,
(Chartered Accountants)

(NARENDER KUMAR LODHA)
Partner

PLACE : Chennai
DATE : 4th September 2009

RAINBOW FOUNDATIONS LIMITED

SCHEDULES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR
THE YEAR ENDED ON 31ST MARCH 2009

Sch	PARTICULARS	AS AT 31-3-2009		AS AT 31-3-2008	
		Rs.	Ps.	Rs.	Ps.
1	SHARE CAPITAL				
	Authorised				
	70,00,000 Equity Shares of Rs.10/- each	70,000,000.00		70,000,000.00	
	Issued, Subscribed and fully paid - up				
	5513100 Equity Shares of Rs.10/- each	55,131,000.00		55,131,000.00	
	TOTAL taken to Balance Sheet	55,131,000.00		55,131,000.00	
2	RESERVES & SURPLUS				
	General Reserve				
	Opening Balance	108,063.44		108,063.44	
	Profit & Loss Account	23,989,879.47		20,008,798.64	
	Forfeited Shares A/c	1,984,500.00		1,984,500.00	
	TOTAL taken to Balance Sheet	26,082,442.91		22,101,362.08	
3	SECURED LOAN				
(i)	The Catholic Syrian Bank Ltd (Industrial Finance Branch) Personally guaranteed by Sri.A.C.Jain Sri.G.R.Jain, Sri Navin Jain, Smt.Sarla jain and Sri. Anthony Muthu and collaterally secured by Equitable Mortgage of the following properties: Owned By Mr. G.R. Jain at West Mambalam, Chennai at Vadakal Village, Sriperumbudur at Pondur Village, Sriperumbudur Property Owned By the Company at Kodaikanal Property Owned By Mr. A.C. Jain at Kodaikanal at Vadakal Village, Sriperumbudur at Pondur Village, Sriperumbudur Property Owned By Mr. Anthony Muthu at Kodaikanal Term Deposit	56,200,099.16		60,512,577.70	
(ii)	Kotak Mahindra - Car Loan (Secured by new Innova Car)	-		67,890.46	
(iii)	Cholamandalam Investments - Car Loan (Secured by new ALTO car)	-		54,617.00	
(iv)	GE Countrywide - Car Loan (Secured by new ACCENT car)	-		99,122.75	
	TOTAL taken to Balance Sheet	56,200,099.16		60,734,207.91	
4	UNSECURED LOANS				
	Arihant Shelters (I) Ltd			54,596.00	
	Annai Builders Estate Pvt Ltd	2,000,000.00		-	
	Utsav Foundations Ltd	800,000.00		1,500,000.00	
	TOTAL taken to Balance Sheet	2,800,000.00		1,554,596.00	

SCHEDULE 5 : FIXED ASSETS

PARTICULARS	GROSS BLOCK					DEPRECIATION			NET BLOCK	
	AS ON 01.04.2008	ADDITIONS	DELETION	AS ON 31.03.2009	UP TO 31.03.08	Adjustment for the sale	FOR THE YEAR	UP TO 31.03.09	AS ON 31.03.2009	AS ON 31.03.2008
Building (Shop - T.Nagar	4,932,916.17		1,733,531.26	3,199,384.91	1,290,505.27	459,410.97	131,330.72	962,425.02	2,236,959.89	3,642,410.90
Computer	309,566.00	15,796.00	-	325,362.00	253,434.48		27,369.23	280,803.71	44,558.29	56,131.52
Furnitures & Fixtures	248,585.07			248,585.07	183,947.37		11,699.00	195,646.37	52,938.70	64,637.70
Vehicles	-		-	-	-	-	-	-		-
Car - Zen	398,181.03			398,181.03	381,255.90		4,382.00	385,637.90	12,543.13	16,925.13
Car- Santro	416,405.00			416,405.00	295,682.47		31,255.00	326,937.47	89,467.53	120,722.53
Car - Innova	891,975.00			891,975.00	497,202.00		102,207.00	599,409.00	2,566.00	394,773.00
Car - Accent	574,280.00			574,280.00	294,829.00		72,350.00	367,179.00	207,101.00	279,451.00
Car - Alto	328,405.00			328,405.00	169,429.00		41,159.00	210,588.00	117,817.00	158,976.00
Motor Cycle	86,898.00			86,898.00	62,158.48		6,405.00	68,563.48	18,334.52	24,739.52
Auto Rickshaw	75,000.00			75,000.00	53,195.22		5,645.00	58,840.22	16,159.78	21,804.78
Cycle	6,494.00			6,494.00	4,659.00		475.00	5,134.00	1,360.00	1,835.00
Plant & Machinery	-			-						
Office Equipments	98,168.00			98,168.00	84,934.77		1,841.00	86,775.77	11,392.23	13,233.23
Electrical fittings	18,187.00			18,187.00	6,320.00		1,651.00	7,971.00	10,216.00	11,867.00
UPS	4,500.00			4,500.00	4,500.00		-	4,500.00	-	-
Cellular Phone	83,655.00	12,499.00		96,154.00	35,008.98		7,895.66	42,904.64	53,249.36	48,646.02
Voltage Stabiliser	11,032.00			11,032.00	9,091.41		270.00	9,361.41	1,670.59	1,940.59
Printers	11,450.00	3,400.00		14,850.00	9,340.14		530.12	9,870.26	4,979.74	2,109.86
Photo Copier	110,000.00			110,000.00	38,869.00		9,894.00	48,763.00	61,237.00	71,131.00
Power Invertor	50,000.00			50,000.00	14,661.00		4,916.00	19,577.00	30,423.00	35,339.00
Fax Machine	-	6,801.00		6,801.00	-		467.00	467.00	6,334.00	-
Air conditioner	333,470.00			333,470.00	274,400.27		8,217.00	282,617.27	50,852.73	59,069.73
TOTAL	8,989,167.27	38,496.00	1,733,531.26	7,294,132.01	3,963,423.76	459,410.97	469,958.73	3,973,971.52	3,320,160.49	5,025,743.51
PREVIOUS YEARS FIGURES	9,417,294.17	145,468.00	573,594.90	8,989,167.27	3,414,262.76	137,312.00	686,473.00	3,963,423.76	5,025,743.51	6,003,031.41

RAINBOW FOUNDATIONS LIMITED

Sch	PARTICULARS	AS AT 31-3-2009		AS AT 31-3-2008	
		Rs.	Ps.	Rs.	Ps.
6	CURRENT ASSETS LOANS & ADVANCES				
A	INVENTORIES				
(a)	Stock in Trade				
	(i) Mint Street	656,651.87		656,651.87	
	(ii) T.Nagar I	575,082.04		575,082.04	
	(iii) Kodaikanal Land	8,961,147.11		-	
	TOTAL - (a)	10,192,881.02		1,231,733.91	
(b)	Closing Projects in Progress				
	(i) Resort Project at Kodai	-		5,729,912.40	
	(ii) Plots				
	Kodai - Land Advance	-		2,964,115.00	
	- Work in Progress	-		2,063,073.15	
	Velachery II - Land Advance	36,350,000.00		32,150,000.00	
	Velachery II - Work in Progress	400.00		400.00	
	Perungalathur II - Land Advance	1,878,000.00		1,878,000.00	
	Sriperumbudur Thodukadu - Land Advance	-		2,000,000.00	
	Thirupoorur - Land Advance	2,500,000.00		2,500,000.00	
	Rathinamangalam - II - Land Advance	-		852,800.00	
	Sriperumbudur Pondur - Land Advance	625,400.00		566,900.00	
	Rajasthan-Jutaram-Land	1,282,980.00		-	
	Ambattur - Land advance	270,000.00		270,000.00	
	Nemili Sriperumbudur - Land advance	7,500,000.00		7,500,000.00	
	Sriperumbudur Vadakal - Land Advance	6,947,117.00		6,947,117.00	
	(iii) Apartments / Houses				
	Trichy - Land Advance	2,400,000.00		2,400,000.00	
	Madipakkam - Land Advance	160,000.00		576,600.00	
	- Work in Progress	-		92,600.00	
	Mylapore - Work in Progress			16,250.00	
	Tiruvanmiyur - Land Advance	600,000.00		600,000.00	
	Choolai - Land Advance	15,260,280.00		280,991.74	
	- Work in Progress	4,515,330.00		855,596.88	
	Velachery J.V.Nagar - Land Advance	7,497,924.81		2,961,112.78	
	- Work in Progress	5,882,969.80		2,823,972.00	
	Whites Road - Land Advance	5,000,000.00		5,000,000.00	
	Rainbow Utsav - Perungalathur - Land Advance	1,496,000.00			
	Rainbow Utsav - Perungalathur - Work in Progress	4,009,300.00		96,000.00	
	George Town - Erulappan - Land	2,539,080.00			
	Flowers Road - Land advance	8,755,000.00		38,110,000.00	
	G.P. Road - Land Advance	16,350,000.00		16,350,000.00	
	- Work in Progress	55,000.00		55,000.00	
	G.P. Road II - Land Advance	3,500,000.00			
	- Work in Progress	4,500.00		-	
	Porur - Land Advance	1,000,000.00			
	Rainbow Nest - Land Advance	2,351,000.00		2,495,300.00	
	- Work in Progress	5,319,035.68		199,960.00	
	(iv) Commercial Complex				
	Purashawalkam - Land Advance	14,867,435.00		14,867,435.00	
	- Work in Progress	13,971,265.85		13,971,265.85	
	TOTAL - (b)	172,888,018.14		167,174,401.80	
	SUBTOTAL (A)	183,080,899.16		168,406,135.71	

RAINBOW FOUNDATIONS LIMITED

Sch	PARTICULARS	AS AT 31-3-2009		AS AT 31-3-2008	
		Rs.	Ps.	Rs.	Ps.
B	SUNDRY DEBTORS (unsecured considered good)				
	More than 6 Months	4,440,107.00		9,295,891.99	
	Others	2,630,607.25		626,229.90	
	SUBTOTAL (B)	7,070,714.25		9,922,121.89	
C	CASH AND BANK BALANCES				
	Cash on Hand	572,327.75		3,106,299.11	
	Balance with Banks				
	in Current Accounts with Scheduled Banks	356,619.84		11,000.00	
	in fixed Deposit Accounts with Scheduled Banks	249,209.00		230,370.00	
	SUBTOTAL (C)	1,178,156.59		3,347,669.11	
D	LOANS & ADVANCES				
(a)	(Good, Un secured, and fully recoverable)				
	Inter Corporate Deposits	13,600,000.00		700,000.00	
	Others	100,000.00		2,419,009.00	
	TOTAL - (a)	13,700,000.00		3,119,009.00	
(b)	Staff Advances (considered good & recoverable)	46,700.00		72,700.00	
(c)	Deposits & Others				
	(good & recoverable in cash or kind)				
	Electricity Deposit	19,630.00		19,630.00	
	Telephone Deposit	37,075.00		37,075.00	
	Deposit-Petrol	10,000.00		-	
	Fixed Deposit (assigned to Sales tax authorities)	2,500.00		2,500.00	
	Rent Advance	250,000.00		340,000.00	
	Rent receivable	21,200.00		35,000.00	
	Interest Receivable	78.36		-	
	Prepaid expenses	23,046.72		22,344.00	
	Sales tax recoverable	216,000.00		216,000.00	
	TOTAL - (c)	579,530.08		672,549.00	
	SUBTOTAL (D)	14,326,230.08		3,864,258.00	
7	<u>CURRENT LIABILITIES & PROVISIONS</u>				
A	CURRENT LIABILITIES				
	Advance for Plots				
	Kodai	1,454,500.00		2,597,500.00	
	Perungalathur	-		1,575,000.00	
	Nemili Sriperumbudur	10,000,000.00			
	Advance for Flats/Apartments / Houses				
	Flowers Road	6,422,800.00		16,369,032.90	
	Rainbow Anitha	500,000.00		-	
	Rainbow Adhinath	1,000,000.00		1,240,000.00	
	Rainbow Nest	984,253.37			
	Velachery-II	13,500,000.00			
	Madipakkam	90,000.00		90,000.00	
	Advance for Commercial Complex				
	T. Nagar	975,120.00		975,120.00	
	Purasawalkam	22,393,812.00		22,393,812.00	

RAINBOW FOUNDATIONS LIMITED

Sch	PARTICULARS	AS AT 31-3-2009		AS AT 31-3-2008	
		Rs.	Ps.	Rs.	Ps.
	Outstanding Liabilities	415,806.63		33,558.83	
	T.D.S. payable	417,510.00		120,375.00	
	General Traders Private Ltd	-		3,864.00	
	Pravin & Company	-		11,802.00	
	Architech Fees Payable-Miller Road	-		107,140.00	
	Johnson Lift Payable Choolai	-		244,983.00	
	Audit Fee Payable	67,275.00		67,275.00	
	Project Expenses -Mylapore payable	-		748,800.00	
	Project Expenses -Rainbow Utsav	1,450,000.00		-	
	Project Expenses Flowers Road-Payable	4,403,646.00		-	
	Sales Tax Payable	151,200.00		39,000.00	
	Arihant Shelters (I) Ltd - Mandavelli	1,711,191.50		1,711,191.50	
	Goodwill Builders	-		414,401.00	
	Arihant Shelters (I) Ltd - Ashok Nagar	684,805.00		684,805.00	
	Rent Payable	367,500.00		367,500.00	
	Rent Deposit	424,000.00		539,000.00	
	SUBTOTAL (A)	67,413,419.50		50,334,160.23	
B	PROVISIONS				
	Income tax payable	1,259,728.00		585,411.00	
	Frienge Benefit Tax Payable	34,245.00		64,701.00	
	SUBTOTAL (B)	1,293,973.00		650,112.00	
9	PROJECT INCOME				
	Kodaikkanal -I-Lands	4,084,000.00		-	
	Kodaikkanal -II-Lands	7,043,000.00		-	
	Madipakkam Phase - Land	1,580,000.00		-	
	Millers Road - Flats	-		982,026.10	
	Ratinamangalam (Land)	2,132,000.00		-	
	Choolai Flats	1,311,000.00		17,454,312.94	
	Choolai (Land)	289,000.00		2,678,600.00	
	Velacherry-JV Nagar-Land (Net of Returns)	(4,832,400.00)		-	
	Velacherry- II-Land	17,500,000.00		-	
	Velacherry-Flats	1,803,007.25		-	
	Vepery Flat	-		250,000.00	
	Rainbow Nest-Flats	749,446.63		-	
	Rainbow Nest-Land	144,300.00		-	
	Flowers Road - Land	29,070,000.00		4,080,000.00	
	Flowers Road - Flat	18,563,998.00		12,785,602.00	
	Perungulathur-plot	1,575,000.00		-	
	Subhash Nagar-Plot	785,400.00		-	
	Siddharth Nagar -	-		1,400,000.00	
	T.Nagar - Shops	-		1,000,000.00	
	Mylapore Land	-		9,000,000.00	
	TOTAL taken to Profit & Loss Account	81,797,751.88		49,630,541.04	

RAINBOW FOUNDATIONS LIMITED

Sch PARTICULARS	AS AT 31-3-2009		AS AT 31-3-2008	
	Rs.	Ps.	Rs.	Ps.
10 INTEREST				
a Interest receipts from				
Corporate Bodies (TDS Rs. 233396)	1,109,832.38		353,025.00	
Others (TDS Rs. NIL)	124,490.00		1,197,709.00	
TOTAL - (a)	1,234,322.38		1,550,734.00	
b Interest payments to				
Corporate Bodies	904,553.00		217,267.00	
Banks	8,003,100.00		7,316,592.00	
Car loans	3,521.79		28,352.00	
TOTAL - (b)	8,911,174.79		7,562,211.00	
NET INTEREST taken to Profit & Loss Account	7,676,852.41		6,011,477.00	
11 PROJECT EXPENDITURE				
Velacherry -II- Land	16,850,000.00		-	
Velacherry - JV Nagar-Velachery-Flat	1,071,002.20		-	
Velacherry - JV Nagar-Velachery-Land (Net of Returns)	(4,536,812.03)		-	
Rainbow Nest-Flats	441,580.32		-	
Rainbow Nest-land	144,300.00		-	
Flowers Road-Land	29,355,000.00		5,496,607.52	
Flowers Road-Flat	7,223,132.00		8,117,197.00	
Mylapore Land	-		8,158,960.00	
Mylapore Flat	16,250.00		-	
Kodai-I-Land	10,783,485.55		-	
Kodai-II-Land	6,198,500.00		-	
Madipakkam-Land	509,200.00		-	
Perungulathur-Plot	1,050,000.00		-	
Subhash Nagar-Plot	750,000.00		-	
Choolai - Land	280,991.74		2,552,892.52	
Choolai - Flats	855,596.88		9,533,949.29	
Siddharth Nagar - Plots & Flat	-		1,300,000.00	
Millers Road - Land & Flats	-		150,849.00	
Ratnamangalam	852,800.00		-	
TOTAL taken to Profit & Loss Account	71,845,026.66		35,310,455.33	
12 ADMINISTRATIVE EXPENSES				
Advertisement expenses	128,752.00		36,166.00	
AGM Expenses	841.00		455.00	
Audit expenses	720.00		1,120.00	
Bank charges	120,855.98		457,320.00	
Books & Periodicals	5,885.00		4,612.00	
Brokerage & Commission	457,500.00		29,000.00	
Business Promotion	49,585.50		25,108.00	
Donation	15,600.00		-	
EC Charges	682.00		-	
Electricity charges	77,466.00		66,050.00	
Filing fees	4,834.00		4,210.00	
Insurance	56,201.28		56,165.76	
Legal expenses	165,000.00		30,058.00	
Listing fees	60,097.00		58,472.00	
Membership & Subscription	-		176.00	
Miscellaneous Expenses	-		8,177.00	
Office Maintenance	143,185.26		211,336.87	

RAINBOW FOUNDATIONS LIMITED

Sch PARTICULARS	AS AT 31-3-2009		AS AT 31-3-2008	
	Rs.	Ps.	Rs.	Ps.
Postage & Telegrams	41,437.37		21,029.21	
Printing & Stationery	81,871.30		54,531.94	
Professional & Consultancy	66,673.00		95,604.60	
Rates ,Taxes & fee	-		4,400.00	
Rent	321,800.00		281,000.00	
Repair & Maintenance (Building)	386,327.00		114,664.30	
Repair & Maintenance (Others)	166,405.00		196,300.40	
Salary & Bonus	1,514,726.00		1,200,698.00	
Sales Tax -2004-05 & 2005-06	2,114,932.00		-	
Staff Welfare	60,509.00		20,781.00	
Stamp Duty	-		60,000.00	
Telephone charges	147,304.87		129,265.84	
Transport charges	600.00		150.00	
Travelling & Conveyance	96,657.38		34,535.43	
Vehicle Maintenance	379,413.14		333,976.88	
WebSoftware Charge	32,150.00		24,433.20	
Xerox Charges	6,304.00		14,310.00	
TOTAL taken to Profit & Loss Account	6,704,315.08		3,574,107.43	

For and on behalf of the Board

As per our report of even date attached

(A.C. JAIN)

Managing Director

(G.R. JAIN)

Joint Managing Director

For JAIN BAFNA And Co.,
(Chartered Accountants)

(NARENDER KUMAR LODHA)
Partner

PLACE : Chennai

DATE : 4th September 2009

RAINBOW FOUNDATIONS LIMITED

14 A Significant Accounting Policies

1. Basis of Accounting

- a. The financial statements are prepared under historical cost convention, on accrual basis, in accordance with the generally accepted accounting principles in India, the accounting standards and relevant guidance notes issued by the Institute of Chartered Accountants of India (ICAI) and the relevant provisions of the Companies Act, 1956.

2. Use of estimates

- a. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities on the date of the financial statements and the results of operations during the reporting periods. Although these estimates are based upon management's knowledge of current events and actions, actual results could differ from those estimates and revisions, if any, are recognised in the current and future periods.

3. Fixed assets and depreciation

- a. Fixed assets (gross block) are stated at historical cost.
- b. Depreciation on assets is provided on written down value method at the rates and in the manner prescribed in schedule XIV to the Companies Act, 1956.
- c. In line with Accounting Standard 19 on 'Leases', fixed assets acquired through 'finance lease' transactions entered into on or after 1st April 2001, have been capitalised.

4. Inventories

Inventories are valued as under

- a. Land and Plots which are registered in the name of the company are valued at cost.
- b. Constructed properties includes the cost of land, internal development costs, external development charges, construction costs, development/ construction materials, and is valued at cost or net realisable value, whichever is lower.
- c. Work in progress includes internal development costs, external development charges, construction costs, and development / construction materials in respect to the unsold square footage.

5. Construction contracts

- a. The company accounts for income on the percentage to completion basis, which necessarily involve technical estimates of the percentage of completion, and costs to completion of each contract/ activity, on the basis of which profits/losses are accounted.
- b. Such estimates, made by the company, have been relied upon, as these are of a technical nature.
- c. The company accounted for construction receipts at the end of the financial year based on "Percentage of Completion Method".
- d. Expenditure incurred during the progress of contracts relating to unsold square footage up to the stage of completion are carried forward as work-in-progress.
- e. Advances and progress payments, received and receivable from customers in respect of such construction contracts in progress are disclosed under Current Liabilities/Current Assets respectively.

6. Revenue recognition

- a. Sale of Land & Undivided Share of Land(UDS)
 - i. Sale of land and UDS (excluding land under agreement to sell) is recognised in the financial year in which the sale deed is executed.
- b. Revenue from constructed properties:

RAINBOW FOUNDATIONS LIMITED

- i. Revenue from constructed properties is recognised on the "percentage of completion method" as suggested under Accounting Standard 7 on Construction Contracts(revised 2002) issued by the Institute of Chartered Accountants of India. Total sale consideration as per the agreements to sell constructed properties entered into is recognised as revenue based on the percentage of actual project costs incurred thereon to total estimated project cost. Project cost includes estimated construction and development cost of such properties. The estimates of the saleable area and costs are reviewed periodically and effect of any changes in such estimates is recognised in the period such changes are determined. However, when the total project cost is estimated to exceed total revenues from the project, the loss is recognised immediately.

- c. Interest Income

- i. Interest from various Short Term/ Long Term investments is recognised on time proportion basis, taking into account the amount outstanding and the rate applicable

7. Interest from customers under agreements to sell

- a. Interest from customers under agreements to sell is accounted for on actual receipt. (Cash basis.)

8. Cost of revenue

- a. Land and plots development costs include land acquisition cost, internal development costs and external development charges, which are not charged to the profit and loss account. They are carried forward as work in progress.
- b. Cost of constructed properties and properties under construction includes cost of land (excluding land under agreements to purchase), internal development costs, external development charges, construction costs and development/ construction materials, which is charged to the profit and loss account based on the percentage of revenue recognised as per accounting policy (7) above, in consonance with the concept of matching costs and revenue. Final adjustment is made on completion of the applicable project.

9. Borrowing costs

- a. Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to the profit and loss account as incurred.

10. Segment Reporting

- a. Accounting Standard 17 "Segment Reporting" as issued by ICAI requires the Company to disclose certain information about operating segments. The Company is managed as a single operating unit that provides Property Development Services only and therefore, has only one reportable business segment. Further, the operations of the Company are limited within one geographical segment. Hence the disclosure required by this standard is presently not applicable to the Company.

11. Deferred Taxation

- a. Current income-tax is determined in respect of taxable income with deferred tax being determined as the tax effect of timing differences representing the difference between taxable income and accounting income that originate in one period, and are capable of reversal in one or more subsequent period(s). Such deferred tax is quantified using rates and laws enacted or substantively enacted as at the end of the financial year.

12. Retirement benefits

- a. Expenses and liabilities in respect of employee benefits are recorded in accordance with Revised Accounting Standard 15 - Employee Benefits (Revised 2005) issued by the ICAI.
 - i. Provident fund
 - 1. The Company is not liable for provident fund.
 - ii. Gratuity
 - 1. Gratuity is a post employment benefit and is in the nature of a defined benefit plan. The liability is not recognised in the balance sheet in respect of gratuity.

RAINBOW FOUNDATIONS LIMITED

13. Contingent liabilities

- a. Depending upon the facts of each case and after due evaluation of legal aspects, claims against the Company not acknowledged as debts are treated as contingent liabilities. In respect of statutory dues disputed and contested by the Company, contingent liabilities are not provided for.

14. Earnings per share

- a. Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for events including a bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).
- b. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

NOTES ON THE ACCOUNTS

- B Balances of certain Debtors and Creditors are subject to reconciliation in the absence of confirmation from them. Schedules have been rearranged and regrouped wherever necessary.
- C The Companies Project at Purusawakkam is under a Legal Dispute with regards to the ownership of the property. Substantial amount has been invested by the company in the project and substantial portion of the project is complete. The outcome of the case is not known and thus the amounts spent have been shown as Closing Project in progress. No provision of loss is made in the absence of certainty of amount.
- D There are no sums which are payable to small scale industrial undertakings (SSIs) that are outstanding for more than thirty days as on the Balance sheet date. Further there are no outstanding amounts payable to Micro, Small and Medium enterprises as on the Balance sheet date. For this purpose, the SSIs and Micro, Small and Medium enterprises are as identified by the management and relied upon by the auditors.
- E The sales Tax Liability of the Company for the Years from 1998 to 2003, are under Dispute with the Tamil Nadu Sales Tax Department. The matter is pending with the Madras High Court hence no Provision has been made in the books of accounts to the tune of Rs.59,76,072/-.
- F The Income tax disputed liability pending before the Hon'ble High Court of Madras and The Commissioner of Income Tax(Appeals) for the Asst year 2002-2003 to the tune of Rs. 5,10,509, is not provided, and similar way The Income tax disputed liability pending with The Commissioner of Income Tax(Appeals) for the Asst Year 2006-07 to the tune of Rs. 4,02,650 is also not provided in the books of accounts

2008-09 2007-08

Minimum
Lease
Payment
as at
31.03.2009

G Payments to Auditors

Towards Statutory Audit	50,000.00	50,000.00
Tax Audit	10,000.00	10,000.00
I.T. Representation	15,000.00	15,000.00
	75,000.00	75,000.00

H Payments to Directors

Towards Salary

Anop Chand Jain - Managing Director	360,000.00	360,000.00
Gajraj Jain - Joint Managing Director	330,000.00	330,000.00

RAINBOW FOUNDATIONS LIMITED

I Leases

Minimum Lease rentals outstanding as on
31st March 2009 are:

	Total Minimum Lease Payments outstanding as at 31st March	Future Interest on Outstanding Lease Payments	Present Value of Minimum lease Payments as at 31st March
Within One year			
2008-2009	-	-	-
2007-2008	217,196.00	3,233.81	213,962
Later than one year and not later than five years			
2008-2009	-	-	-
2007-2008	-	-	-
Later than five years			
2008-2009	-	-	-
2007-2008	-	-	-

J Earnings per Share

Profit after taxation as per P&L a/c. (A)	3,946,619.83	4,160,062.84
Number of Equity shares outstanding (B)	5,513,100	5,644,299
Earnings per share (in Rupees) (A / B)	0.72	0.74

K Deferred Taxation

In conformity with Accounting Standard No.22 issued by
The Institute of Chartered Accountants of India on
'Accounting for Taxes on Income',
The composition of Deferred Tax Liability/Asset
On account of timing differences relating
to depreciation

55,226.00 (Liability)	60,490.00 (Liability)
--------------------------	--------------------------

L Related Party Disclosures

- a Related parties with whom transactions
have taken place during the year
Key Management Personnel
Mr. Anop Chand Jain, Managing Director
Mr. Gajraj Jain, Joint Managing Director

b Transactions with related parties

Remuneration to Key Management Personnel		
Anop Chand Jain - Managing Director	360,000.00	360,000.00
Gajraj Jain - Joint Managing Director	330,000.00	330,000.00

For and on behalf of the Board

(A.C. JAIN)
Managing Director

(G.R. JAIN)
Joint Managing Director

PLACE : Chennai

DATE : 4th September 2009

RAINBOW FOUNDATIONS LIMITED

CASH FLOW STATEMENT

	(Amount in Rs. Thousands) 2008-09	(Amount in Rs. Thousands) 2007-08
A. Cash Flow from Operating Activities		
a. Net Profit before taxation and extraordinary items	6,003.19	5,096.10
b. Adjustments for:		
Depreciation	469.96	686.47
Interest income	(1,234.32)	(1,550.73)
Liabilities/Provisions written back		(535.50)
(Profit)/Loss on sale of fixed assets	(1,625.88)	(688.72)
Interest expense(net)	<u>8,911.17</u>	<u>7,562.21</u>
c. Operating Profit before working capital changes	12,524.12	10,569.83
i. (Increase)/Decrease in sundry debtors	2,851.41	11,266.47
ii. (Increase)/Decrease in inventories	(14,674.76)	(27,908.86)
iii. Increase/(Decrease) in current liabilities	17,446.76	(1,400.15)
iv. (Increase)/Decrease in loans and advances	<u>(10,461.97)</u>	<u>2,901.10</u>
Total	<u>(4,838.56)</u>	(15,141.44)
d. Cash generated from operations	7,685.56	(4,571.61)
e. Income Taxes paid net of refund	(1,383.51)	(1,758.87)
f. Net Cash from operating activities	6,302.05	(6,330.48)
B. Cash Flow from Investing Activities		
a. Purchase of Fixed assets	(38.50)	(145.47)
b. Proceeds from sale of asset	2,900.00	1,125.00
c. Advances to subsidiaries/ firms		-
d. Purchase of investments		-
e. Interest received	<u>1,234.32</u>	<u>1,550.73</u>
f. Net Cash from investing activities	<u>4,095.82</u>	2,530.26
C. Cash Flow from Financing Activities		
a. Issue of shares/Capital introduced	-	449.00
b. Proceeds from long term borrowings	-	-
c. Repayment of long term borrowings	-	-
d. Change in working capital finance	(4,534.11)	13,692.18
e. Net increase/(decrease) in other borrowings	877.90	(1,367.85)
f. Interest paid	(8,911.17)	(7,562.21)
g. Net Cash from financing activities	(12,567.38)	5,211.12
Net increase in cash and cash equivalents (A+B+C)	(2,169.51)	1,410.90
Cash and cash equivalents at the beginning of the period	3,347.67	1,936.77
Cash and cash equivalents at the end of the period	1,178.16	3,347.67
	<u>0.00</u>	<u>-</u>

The above Cash Flow Statement has been prepared under the indirect method set out in AS-3 issued by ICAI.

RAINBOW FOUNDATIONS LIMITED

The Cash Flow from operations are :

	Continuing operations		Discontinuing operations		Total	
	Current year	Previous year	Current year	Previous year	Current year	Previous year
A. Net Cash Flow from Operating Activities	6,302.05	(6,330.48)	-	-	6,302.05	(6,330.48)
B. Net Cash from Investing activities	4,095.82	2,530.26	-	-	4,095.82	2,530.26
C. Net Cash Flow from Financing activities	(12,567.38)	5,211.12	-	-	(12,567.38)	5,211.12

This is the Cash Flow Statement referred to in our report of even date.

AUDITORS' CERTIFICATE

We have examined the above cash flow statement of M/s. Rainbow Foundations Ltd., for year ended 31.03.2009. The Statement has been prepared by the company in accordance with the requirement of listing agreement Clause 32 with Madras Stock Exchange Ltd., and is based on and in agreement with the corresponding Profit & Loss Account and Balance Sheet of the Company covered by our report of even date to the members of the Company.

PLACE : Chennai

DATE : 4th September 2009

For JAIN BAFNA And Co.,
(Chartered Accountants)
(NARENDER KUMAR LODHA)
Partner

Balance Sheet Abstract and Company's General Business Profile
as per part IV of the Companies Act, 1956.

I. Registration Details

Registration No. L55101TN1994PLC027739
Balance Sheet Date 3/31/2009 State Code 18

II. Capital raised during the year: (amount in thousands)

Public Issue Nil Private Placement Nil
Bonus Issue Nil Rights Issue Nil

III. Position of mobilisation and deployment of funds: (amount in thousands)

Total liabilities	140,234	Total assets	140,234
Sources of funds:			
Paid up capital	55,131	Reserves & Surplus	26,048
Secured loan	56,200	Unsecured loans	2,799
Deferred Tax Liability	55		
Application of funds:			
Net fixed assets	3,320	Investment	NIL
Net current assets	136,914	Misc. Exp.	-

IV. Performance of the company: (amount in thousands)

Total turnover	92,774	Total expenditure	86,771
(incl. Other income)			
Profit before tax	6,003	Profit after tax	3,947
Earnings per share	0.72	Dividend	Nil

V. Generic names of three principal services of the company (as per monetary terms)

Development of Residential/ Commercial Apartments Promotion of Resorts and Layout.

PLACE : Chennai

DATE : 4th September 2009

For and on behalf of the Board

(A.C. JAIN)

Managing Director

(G.R. JAIN)

Joint Managing Director

RAINBOW FOUNDATIONS LIMITED

Regd. Office : New No. 4, Thanikachalam Road, T. Nagar, Chennai - 600 017.

ATTENDANCE SLIP

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE METTING HALL

Name and address of the Shareholder :

No. of Shares held

Regd. Folio No.

I hereby record my presence at Fifteenth Annual General Meeting of the Company held on Wednesday, the 30th September 2009 at 9.30 a.m. at the Registered Office of the Company at New No. 4, Thanikachalam Road, T. Nagar, Chennai - 600 017.

Signature of the Shareholder / Proxy

* Strike out whichever is not applicable.

RAINBOW FOUNDATIONS LIMITED

Regd. Office : New No. 4, Thanikachalam Road, T. Nagar, Chennai - 600 017.

PROXY FORM

Regd. Folio No.

I/We..... of
being a member/members of Rainbow Foundations Limited hereby appoint.....
..... of.....
my / our Proxy to attend and vote for me/us behalf at the Fifteenth Annual General Meeting of the Company held on Wednesday, the 30th September 2009 at 9.30 a.m. or any adjournment thereof.

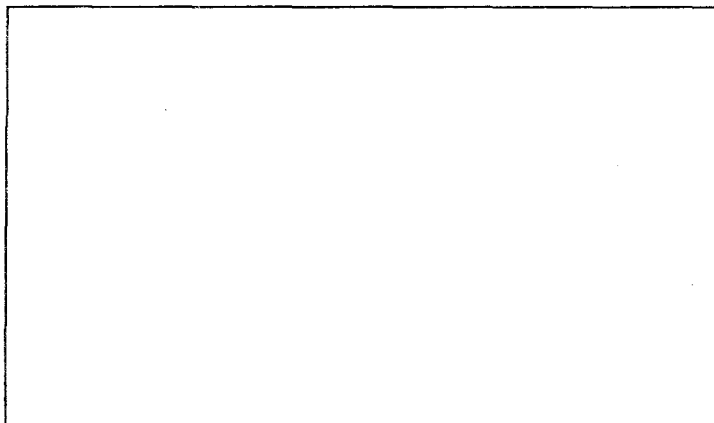
Signed this day of2009

Affix
Rupee 1.00
Revenue
Stamp

Notes : The Proxy in order to be effective should be duly stamped; completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a member of the Company

BOOK-POST

To.



if undelivered, please return to :

RAINBOW FOUNDATIONS LIMITED
Regd. Off. : New No. 4, Thanikachalam Road,
T.Nagar, Chennai - 600 017.