



RAINBOW FOUNDATIONS LIMITED

EIGHTEENTH ANNUAL REPORT
2011 - 2012

RAINBOW FOUNDATIONS LIMITED

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

Mr. P. KRISHNASAMY

Company Secretary

AUDITORS:

JAIN BAFNA AND CO

Chartered Accountants

Chennai – 600 006.

BANKERS :

THE CATHOLIC SYRIAN BANK LTD

Industrial Finance Branch,

Chennai – 600 002.

DENA BANK

T.Nagar Branch,

Chennai – 600 017.

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

Madras Stock Exchange Ltd.,

Bombay Stock Exchange Ltd., Mumbai

DEMAT ISIN - INE230F01014

REGISTERED OFFICE :

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

Phone : 044 - 28460390 (6 lines)

Fax : 044 - 28460129

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RAINBOW FOUNDATIONS LIMITED

NOTICE

NOTICE is hereby given that the Eighteenth Annual General Meeting of **Rainbow Foundations Limited** will be held on Thursday, the 27th day of September 2012 at 9.30 A.M at the registered office of the Company at No.4, Thanikachalam Road, T.Nagar, Chennai – 600 017 to transact the following business:

ORDINARY BUSINESS:

- (1) To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2012 and the Balance Sheet as on that date together with the Reports of the Directors' and the Auditors' 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 re-appoint Messrs. Jain Bafna and Co. (Firm Registration No.010657 S) Chartered Accountants, Chennai, as Statutory Auditors of the Company to hold office from the conclusion of the 18th Annual General Meeting upto the conclusion of the next Annual General Meeting of the Company and to authorize the Board of Directors of the Company to fix their remuneration.

Registered Office:

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

Place: Chennai-17

Date: 11th August 2012

**By Order of the Board of Directors
For Rainbow Foundations Ltd.**

G.R. Jain

Joint Managing Director

Notes:

- a. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
Proxies, in order to be effective, must be received by the Company, duly filled, stamped and signed, at its Registered Office not less than 48 hours before the Meeting.
- b. The relevant details of the Directors seeking re-appointment/appointment under Item No.2 above as required by Clause 49 of the Listing Agreements entered into with the Stock Exchanges, are annexed hereto.
- c. Corporate Members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote in their behalf at the Meeting.
- d. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
- e. The Register of Members and the Share Transfer Books of the company will remain closed from 24th September 2012 to 27th September 2012, both days inclusive.
- f. Members are requested to notify immediately any change in their addresses and/or the Bank Mandate details to the Company's Registered Office at No.4, Thanikachalam Road, T.Nagar, Chennai - 600 017.
- g. Members / Proxies may kindly bring the Attendance Slip duly filled in for attending the meeting.
- h. Queries if any relating to Accounts may be sent to the Registered Office of the Company three days in advance before the date of AGM.
- i. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company on all working days between 10.00 a.m. and 12 noon upto the date of the 18th Annual General Meeting.
- j. The Ministry of Corporate Affairs has taken a 'Green Initiative in Corporate Governance' by issuing circulars allowing paperless compliances by Companies through electronic mode. Further, in line with recent circular issued by the Securities and Exchange Board of India (SEBI) and consequent changes in the listing agreement, Companies can send Annual Report in electronic mode to Members who have registered their e-mail addresses for the purpose. Members who have not registered their e-mail address with the Company can now register the same by sending an e-mail to rainbow@rainbowfoundations.in. The Members holding shares in electronic form are requested to register their e-mail address with their Depository Participants only. The Members of the Company, who have registered their e-mail address, are entitled to receive such communication in physical form, upon request.

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DIRECTORS' REPORT

To the Members,

The Directors are pleased to present their Eighteenth Annual Report on the business and operations of the Company and the statements of account for the year ended 31st March, 2012.

FINANCIAL RESULTS:

PARTICULARS	(Rupees in Lakhs)	
	Year Ended 31.03.2012	Year Ended 31.03.2011
Income from operation	1342.32	801.10
Profit before Interest & Depreciation	223.80	200.70
Interest	163.16	125.26
Depreciation	10.33	9.91
Profit before tax	50.32	65.52
Provision for Taxation	17.66	24.04
Net Profit (After tax)	34.68	46.44

PERFORMANCE REVIEW

The Company's profit before Interest & tax on a consolidated basis reduced to Rs. 50.32 Lakhs during the year, as compared to Rs. 65.52 Lakhs in the previous year. The Company earned a net profit of Rs. 34.68 Lakhs as against a net profit of Rs. 46.44 Lakhs in the previous year on a consolidated basis. The reason for the down fall happened mainly because of the impact of interest during the year. Your directors are expecting to provide a better performance on forthcoming years.

DIVIDEND

Due to inadequacy of Profits during the year under report, your Directors express their inability to recommend any dividend for the financial year 2011-2012.

DEPOSITS

During the year under review your Company has not accepted or invited any fixed deposit, in terms of section 58A of the Companies Act, 1956, 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.

DIRECTOR

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

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

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

DIRECTORS' RESPONSIBILITY STATEMENT

The Director's Responsibility Statement, setting out compliance with the accounting and financial reporting requirements specified under Section 217(2AA) of the Companies Act, 1956, in respect of the financial statements, is furnished below and on behalf of the Board of Directors, it is hereby confirmed that:

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

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- b) they have, in selection of the accounting policies, consulted the Auditors and have 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 year ;
- c) they have taken proper and sufficient care to the best of their knowledge and ability 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.

AUDITORS & AUDITORS' REPORT

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

The Board has duly examined the Auditors Report and the clarifications, wherever necessary have been included in the notes to accounts. Further no qualifications are 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 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 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:

The equity shares of the Company are listed with Bombay Stock Exchange Limited (BSE), Mumbai and Madras Stock Exchange Ltd, (MSE), 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 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:

Your directors are happy to report that your Company is complying with the Code of Corporate Governance introduced by SEBI as incorporated in Clause 49 of the Listing Agreement with the Stock Exchanges. A detailed report on Corporate Governance together with a certificate from the Statutory Auditors in compliance of Clause 49 of the Listing Agreement is attached which forms part of the Directors' Report.

CODE OF CONDUCT :

Pursuant to Clause 49 of the Listing Agreement, the declaration signed by the Joint Managing Director affirming compliance of the Code of Conduct by the Directors and senior management personnel of the Company for the financial year 2011-12 is annexed and forms part of the Directors' and Corporate Governance Report.

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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 are in receipt of remuneration in excess of the limits specified therein during the year under review.

ACKNOWLEDGEMENTS:

The Directors would like to place on record their sincere appreciation to the Company's Shareholders, Customers, Business Partners, Vendors, both international and domestic, Bankers, Financial Institutions and Academic Institutions for their continued support to the Company during the year. The Directors also wish to place on record their appreciation for the contribution made by employees at all levels for sustaining the organizational growth especially during the challenging times.

We thank the Government of India, state governments and other government agencies for their assistance and cooperation and look forward to their continued support in future. Finally, the Board expresses its gratitude to the members for their continued trust, cooperation and support.

For and on behalf of the Board of Directors

Place : Chennai

A.C. JAIN

G.R.JAIN

Date : 11th August 2012

Managing Director

Joint Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

1. Economic Review:

Indian Economy

Indian economy is estimated to grow by 6.9% in 2011-12 mainly due to weakening Industrial growth. This indicates a slowdown compared not just to the previous two years, when the economy grew by 8.4%, but also from 2003 to 2011, except 2008-09 economic downturn, when the growth rate was 6.7 percent. The Economic Survey 2011-12, presented by the Finance Minister Shri. Pranab Mukherjee in the Lok Sabha, however predicts 7.6% GDP growth in 2012-13 and 8.6% in 2013-14.

With agriculture and services continuing to perform well, the slowdown can be attributed almost entirely to weakening industrial growth. The services sector continues to be a star performer as its share in GDP has climbed from 58% in 2010-11 to 59% in 2011-12 with a growth rate of 9.4%. Similarly, agriculture and allied sectors are estimated to achieve a growth rate of 2.5% in 2011-12 with food grains production likely to cross 250.42 million tones owing to increase in the production of rice in some States. The industrial sector has performed poorly, retreating to a 27% share of the GDP. Overall growth during April-December 2011 reached 3.6% compared to 8.3% in the corresponding period of the previous year.

But despite the low growth figure of 6.9%, India remains one of the fastest growing Economies of the world as all major countries including the fast growing emerging economies are seeing a significant slowdown. However, for the Indian economy, the outlook for growth and price stability at this juncture looks more promising. There are signs from some high frequency indicators that the weakness in economic activity has bottomed out and a gradual upswing is imminent. The Economic Survey expects the growth rate of real GDP to pick up to 7.6% in 2012-13 and faster beyond that.

The global economy is projected to grow by 2.5 per cent in 2012 and 3.1 per cent in 2013, following a growth of 2.7 per cent in 2011, a slight downward revision from previous forecasts. World trade growth will slow further to 4.1 per cent in 2012, down from 13.1 per cent in 2010 and 6.6 per cent in 2011. Global unemployment too remains above its pre-crisis level in developed countries like the US and is rising rapidly in the euro area. In the United States, despite recent improvements, the unemployment rate remains high at over 8 per cent while in the euro area, the unemployment rate as a whole increased to a historic high of 10.9 per cent in March 2012.

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Real Estate Sector

As the economy shows signs of decreasing GDP growth rate, the Indian real estate industry faces its own share of concerns. Real estate developers are reeling under high debt and FDI inflows have also slowed down. The recent increase in home loan interest rates is expected to dampen the sales even further. Amidst these macroeconomic conditions, Indian real estate asset classes across the prime cities of India have seen mixed sentiments.

Recent growth in the Indian economy has stimulated demand for land and developed real estate across industries. Demand for residential, commercial and retail real estate is rising throughout India, accompanied by increased demand for hotel accommodation and improved infrastructure.

India is going to produce an estimated 2 million new graduates from various Indian universities during this year, creating demand for 100 million square feet of office and industrial space.

Further, presence of a large number of Fortune 500 and other reputed companies will attract more companies to initiate their operational bases in India thus, creating more demand for corporate space.

The real estate sector in India is ready to take a big leap in the coming years. Since 2010, the residential sector has been on a strong growth trajectory and with increasing urbanization the momentum is expected to continue. Strong demographic mix and increasing salary levels will be the key triggers for growth of the residential market in 2012.

2. Operational Review :

In spite of recession in Real Estate Market Income from Operation is Increased from 801.1 Lakhs in 2010 - 2011 to 1342.32 Lakhs in 2011-2012. Though your company could not make much profit on the expected Lines, your Directors are confident to show attractive result in the coming Years.

3. Key Challenges:

There are certain key challenges and threats that need to be actively addressed and mitigation steps to be taken as and when required. These challenges can be summarized as follows:

- Increasing input material costs leading to higher cost of construction.
- Hardening of interest rates with a potential risk of lower demand, delay in getting project funding and higher interest cost for the Company.
- Increasing labor cost and shortage of skilled and technically qualified manpower.
- Land prices still continue to be high.
- Lack of desirable progress in development of infrastructure specifically in the areas of roads, water and sewage systems, power, etc.
- Absence of industry status and institutional financing for land procurement.
- Bureaucracy and lack of transparency in land dealings.

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.

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.

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5. 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.

6. 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.

7. Business Outlook:

The events in the last 6 months has reverberated to the property development business negatively and until we have more stable political and economic situation, the outlook for the property business is not going to be rosy as one would have expected.

The considerable inflation seen in the economy has lead to stringent monetary management by the RBI resulting in steep increase in interest rates both to the company and to its customers who are mainly housing loan applicants.

Even though, your Company's project cost comes down as compared to the last year, inflation has brought negative consequences on construction cost while local government controls on supply and movement of essential items namely sand, bricks etc has disturbed the equilibrium resulting increase in prices, resulted in the reduction of profit as budgeted.

However, your company has taken due initiatives to arrive more projects for development in near future which gives a very positive business outlook.

8. Customers:

Customers are the key development part of any organization. So it became most important to assess the satisfaction and motivational factors of them. Your company has been followed adequate measures to fulfill the customer needs and wants through various tactics introduced during the year such customer feedback, post review etc.,

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.

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REPORT ON CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE :

Corporate Governance deals with laws, procedures, practices and implicit rules that determine company's ability to take informed managerial decisions vis-à-vis its claimants – in particular, its shareholders, creditors, customers, the State and employees. There is a global consensus about the objective of 'good' corporate governance: maximizing long-term shareholder value.

The Company seeks to focus on enhancement of long-term value creation for all stakeholders without compromising on integrity, social obligations, environment and regulatory compliances. The Company will continue to focus its energies and resources in creating and safeguarding of shareholder's wealth, and at the same time, protect the interests of all its stakeholders.

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 endeavor 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

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

In addition to these, the Company has also adopted the requirements of Corporate Governance under Clause 49 of the Listing Agreements with the Stock Exchanges, the disclosure requirements of which are given below:

BOARD OF DIRECTORS

Composition

As on notice date, the Board of Directors has 5 Members, out of whom 2 are Executive Directors and 3 are Non-Executive Directors, who bring in a wide range of skills and experience to the Board. The composition of the Board is in conformity with Clause 49 of the Listing agreements.

As per the declarations received by the Company, none of the Directors are disqualified under Section 274(1) (g) of the Companies Act, 1956 read with Companies (Disqualification of Directors under Section 274(1) (g) of the Companies Act, 1956) Rules, 2003.

None of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49), across all the companies in which he is a Director. The necessary disclosures regarding Committee positions have been made by the Directors.

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

Corporate code of conduct:

The Board has laid down separate Codes of Conduct for Non-Executive Directors and Senior Management personnel of the Company and the same are posted on the Company's website. All Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct.

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

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2. Disclosures

To ensure timely dissemination of all price sensitive information and matters of interest to our stake holders.

3. Empowerment and Accountability

To demonstrate the highest levels of the personal accountability and ensure that employees consistently pursue excellence in everything 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.

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 Held during the year	No. of Board meetings attended during the year	Attendance at the 17th AGM held on 30/09/2011	*No. of member ship in other Board Committees	#No. of Member ship and Chairman ship in other boards	No. of Shares held in the Company
Mr. A. C. Jain	MD & ED	5	5	YES	1	-	176883
Mr. G. R. Jain	JMD & ED	5	5	YES	-	-	198500
Mr.Mukesh Kumar M. Mehta	NEID	5	5	YES	-	-	631
Mr. P. M. Mothiram	NEID	5	5	YES	1	-	-
Mr. Sampat Raj Singhvi	NEID	5	5	YES	-	-	27

* Excludes Alternate Directorships and directorships in private companies, foreign companies and Section 25 Companies.

Represents Memberships/Chairmanships of Audit Committee and Shareholders'/Investors' Grievance Committee.

None of the Directors in the Company are related to each other, except Mr. A.C. Jain and Mr. G.R. Jain who are brothers respectively.

Independent Director means director as defined under Clause 49 of the Listing Agreement.

MD : Managing Director **JMD** : Joint Managing Director

ED : Executive Director **NEID** : Non Executive Independent Director

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Committees of the Board:

The Board of Directors of the Company has constituted the following Committees namely

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.

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.

Composition of the Audit Committee and details of meetings attended by the Directors during the year under review

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Sl. No.	Name of the Director	Category	No. of Meeting held	No. of Meeting Attended
1.	Mr. Mukesh Kumar Mehta	Chairman cum Non-Executive Independent Director	5	5
2.	Mr. P.M. Mothiram	- do -	5	5
3.	Mr. Sampat Raj Singhvi	- do -	5	5

- The Audit Committee met five times during the year under review on the following dates:
14th May 2011, 13th August 2011, 5th September 2011, 14th June 2011 and 6th February 2012
- The terms of reference, role and scope are in line with those prescribed by Clause 49 of the Listing Agreements with the stock exchanges. The Company also complies with the provisions of Section 292A of the Companies Act, 1956 (the Act) pertaining to Audit Committee and its functioning.

The Board delegated the following powers to the Audit Committee:
 - To investigate any activity within its terms of reference
 - To seek information from any employee
 - To obtain outside legal or other professional advice
 - To secure attendance of outsiders with relevant expertise, if it considers necessary
- The Chairman of the Audit Committee is an independent director.
- The Chairman of the Audit Committee will be present at Annual General Meeting to answer shareholder queries.
- The Audit Committee invites such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at its meetings. The Managing Director, Executive Directors and head of Internal Audit attend the meetings. The Statutory Auditors are also invited to the meetings. Mr.P.Krishnasamy, the Company Secretary, acts as the Secretary of the Committee.

Review of information by Audit Committee

The Audit Committee has reviewed the following information:

- Management discussion and analysis of financial condition and results of operations;
- Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
- Management letters/ letters of internal control weaknesses issued by the statutory auditors;
- Internal audit reports relating to internal control weaknesses.

REMUNERATION & COMPENSATION COMMITTEE

- a. The board has set up a remuneration committee to determine on its behalf and on the behalf of the shareholders with agreed terms of reference, the company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment.
- b. To avoid conflicts of interest, the remuneration committee, which determines the remuneration packages of the executive directors, comprises of three directors, all of whom are non-executive directors, the Chairman of the Committee being an independent director.

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- c. All the members of the remuneration committee were present at the meeting.
- d. The Chairman of the remuneration committee will be present at the Annual General Meeting, to answer the shareholder queries.

Composition of the Remuneration Committee and details of meetings attended by the Directors during the year under review

The Remuneration Committee of Directors decides on the policies and details of remuneration payable to the Directors.

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

The Committee met two times during the year under review on the following dates:

14th May 2011 and 6th February 2012

Board Procedure:

The Company convened 5 (five) Board Meetings during the Financial Year 2011-2012. 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

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
14 th May 2011	Chennai	5	5
13 th August 2011	Chennai	5	5
5 th September 2011	Chennai	5	5
14 th November 2011	Chennai	5	5
6 th February 2012	Chennai	5	5

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

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meeting with the permission of the Chairman. The Board provides direction and exercises appropriate control to ensure that your Company is managed in a manner that fulfils stakeholder's aspirations and societal expectations.

Resolutions Passed By Circulation

The Board of directors have not passed any resolutions by way of circular during the financial year ended 31st March 2012.

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 have taken necessary steps in order to ensure compliance with these standards.

GENERAL BODY MEETINGS

Annual General Meetings:

Details of Annual General Meetings held during the last three years are as follows:

Year	Date	Time	Venue	Attendance
2009-2010	30/09/2009	9.30 a.m	Registered office of the Company	243
2010-2011	29/09/2010	9.30 a.m		264
2011-2012	30/09/2011	9.30 a.m		281

POSTAL BALLOT

There are no ordinary or special resolutions that need to be passed by the shareholders through a postal ballot for the year ended March 31, 2012.

**No court convened meetings were held during the last three years.*

DISCLOSURES:

(A) Basis of related party transactions

The related party transactions of the Company under Sec.297 of the Companies Act 1956 during the financial year ended March 31, 2012 are being disclosed in the Notes on Accounts which forms part of this report.

(B) Disclosure of Accounting Treatment

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

(C) Board Disclosures – Risk management

The company has laid down procedures to inform Board members about the risk assessment and minimization procedures. These procedures were periodically reviewed to ensure that executive management controls risk through means of a properly defined framework.

(d) Remuneration of directors

- i) All pecuniary relationship or transactions of the Non-Executive directors:
None of the NEDs had any pecuniary relationship or transactions with the Company other than the Directors' Fees received by them.
- ii) Remuneration to Directors

RAINBOW FOUNDATIONS LIMITED

Details of remuneration to the Managing Director and Executive Director.

Name of the Director	Basic Salary (Rs.)	Commission	Contribution to Provident & other Funds	Other Allowances & Perquisites	Total (Rs.)
Mr. A. C. Jain Managing Director	6,00,000/-	--	--	--	6,00,000/-
Mr. G. R. Jain Joint Managing Director	6,00,000/-	--	--	--	6,00,000/-

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

This should be on the company's website and reference drawn in the annual report.

(e)

- i. There was no non-compliance during the last three years by the Company on any matter related to Capital Market. There were no penalties imposed nor strictures passed on the Company by Stock Exchanges, SEBI or any statutory authority.
- ii. 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.
- iii. All mandatory requirements as per Clause 49 of the Listing Agreement have been complied with by the Company.
- iv. The Company has constituted the Remuneration & Compensation Committee which is a non-mandatory requirement.
- v. 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 authorized 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.

- vi. Compliance with Applicable 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.

Details of number of shares and convertible instruments held by Non-Executive Directors:

Name of the Director	No. of Equity Shares held	No. of convertible instruments held
Mr. Mukesh Kumar M Mehta	631	NIL
Mr. P.M. Mothiram	NIL	NIL
Mr. Sampat Raj Singhvi	27	NIL

RAINBOW FOUNDATIONS LIMITED

SHAREHOLDERS

i) Information about the Directors who are to be re-appointed in the AGM.

According to Section 255 of the Companies Act, 1956, not less than two-thirds of the total number of directors of a public company shall be liable to retire by rotation and one-third of such directors shall retire every year.

In terms of Section 255 of Companies Act read with Article of association of the Company, Mr. Mukesh Kumar M. Mehta, Director retires at the ensuing Annual General Meeting. The Board has recommended the re-appointment of the retiring Director.

Name of the Director	Mr. Mukesh Kumar M Mehta
Brief Resume of the Director	Holds a Bachelors Degree in Science.
Date of Birth	21 st December 1957
Date of joining the Board of the company	29 th March 2001
Nature of his expertise in specific functional areas	He has a rich experience in the industry of 25 years.
Name of the companies in which the person holds the directorship	Nil
Name of the companies in which the person holds membership of Committees of the Board	Nil
Present shareholding in the company	631

ii) Relationships between directors:

None of the Directors in the Company are related to each other, except Mr. A.C. Jain and Mr. G.R. Jain who are brothers respectively.

Disclosure of relationship between directors inter-se has been made in this report as above, and also in the notice of appointment of a director, and in the letter of offer.

iii) Quarterly results and presentations made by the company to analysts has been put on the company's website.

iii) A board committee under the chairmanship of Mr. Mukesh Kumar M Metha has been formed to specifically look into the redressal of shareholder and investor complaints. This Committee shall be designated as 'Shareholders/Investors Grievance Committee'.

Composition of the Shareholder's/Investors' Grievance Committee and details of meeting attended by the Directors during the year under review

The Committee met 4 times during the year on 14th May 2011, 5th September 2011, 14th November 2011 and 6th February 2012 and the following directors were attended by meetings.

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

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

CEO/CFO CERTIFICATION

CEO / CFO's certificate pursuant to Clause 49 of the listing agreement forms part of this Annual report.

RAINBOW FOUNDATIONS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The management discussion and analysis of financial condition including the operation of the economy for the year under review as required is given as a separate statement in 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 designated as the Compliance Officer for the purpose.

MEANS OF COMMUNICATION:

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

1. News Today and
2. Maalai Chudar

Your company's Management Discussion and Analysis of the operations for the year ended 31st March 2012 forms part of this Annual Report and is given under the section so captioned.

GENERAL SHAREHOLDERS INFORMATION:

The AGM is scheduled to be held on 27th September 2012 at 9.30 a.m. at No.4, Thanikachalam Road, T.Nagar, Chennai - 600 017.

a. Registered Office of the Company:

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

b. Compliance Officer:

Mr. G. R. Jain, Joint Managing Director of the Company has been appointed as Compliance Officer, for any clarification and to receive queries. 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

rainbow@rainbowfoundations.in

c. Financial Year

The financial year of the Company starts from 1st April of every year and ends on 31st March of the succeeding year.

Financial Calendar:

(Tentative and Subject to Change)

Period: 1st April, 2012 to 31st March, 2013

Board Meeting for consideration of accounts	11 th August 2012
Annual General Meeting	27 th September 2012
Posting of Annual Report along with notice of AGM	1 st week of September 2012
Book Closure dates	24 th September 2012 to 27 th September 2012 (both days inclusive)
Last date for receipt of proxy forms	25 th September 2012 (before 6.00 pm)
Unaudited results for the quarter ending 30 th Jun, 2012	Before 15 th Aug. 2012
Unaudited results for the quarter ending 30 th Sep, 2012	Before 15 th Nov. 2012
Unaudited results for the quarter ending 31 st Dec, 2012	Before 15 th Feb, 2013

RAINBOW FOUNDATIONS LIMITED

d. **Dividend Payment Date: No Dividend has been recommended.**

e. **i) Listing on Stock Exchanges:** The Company's Equity shares are listed on the following two Stock Exchanges in India:

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'

f. **Market Price Data High, Low during each month in last Financial year 2011-12**

No trading has taken place in Madras Stock Exchange Ltd.

Bombay Stock Exchange Ltd		(in Rupees)
Month	High	Low
April 2011	14.64	12.11
May 2011	12.75	10.46
June 2011	13.65	11.80
July 2011	12.10	9.88
August 2011	9.88	7.35
September 2011	9.81	7.35
October 2011	10.75	9.04
November 2011	9.01	8.00
December 2011	9.20	9.20
January 2012	9.66	7.95
February 2012	8.26	7.10
March 2012	7.65	6.25

g. **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 91.12% (5023581 numbers of equity shares) of the shares have been dematerialised as on 31st March 2012. The ISIN of the Company is ISIN - INE230F01014

h. **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.

i. **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.

RAINBOW FOUNDATIONS LIMITED

j. 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

k. Investors' Correspondence

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

or

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

l. 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.

m. Distribution of Share Holding as on 31.03.2012

Share or debenture holding of nominal value of		Share / Debenture holders		Share / Debenture amount	
Rs.	Rs.	Number	% to total	(In Rs.)	% to total
(1)		(2)	(3)	(4)	(5)
Upto	5,000	1117	67.29	1605110	2.91
5,001	10,000	254	15.30	2355160	4.27
10,001	20,000	94	5.66	1552810	2.82
20,001	30,000	31	1.87	773730	1.40
30,001	40,000	17	1.02	632940	1.49
40,001	50,000	21	1.27	994200	1.80
50,001	1,00,000	37	2.29	3069320	5.57
1,00,001	and above	89	5.36	44147730	80.08
Total		1660	100.00	55131000	100.00

ni. Shareholding Pattern as on 31.03.2012

	Category of Shareholders	No. of Share holders	Total. No. of Shares	No. of Shares in Demat Form	% of Shares
(A)	Shareholding of Promoter and Promoter Group				
1.	Indian				
(a)	individuals/Hindu Undivided Family	11	1714186	1714186	31.92
	Sub Total (A) (1)	11	1714186	1714186	31.92
2.	Foreign				
	Sub Total (A) (2)	-	-	-	-

RAINBOW FOUNDATIONS LIMITED

	Total shareholding promoter and promoter Group(A) = (A)(1)+(A)(2)	-	-	-	-
(B)	Public Shareholding				
(1)	Institutions	-	-	-	-
(2)	Non-Institutions				
(a)	Bodies Corporate	26	121281	80781	2.20
(b)	I. Individual shareholders Holding nominal share capital upto Rs. 1 Lakh	1503	1011192	626173	18.34
	II. Individual shareholders Holding nominal share capital in excess of Rs. 1 Lakh	64	2159048	2095048	39.16
(c)	Any other Clearing Member				
	Hindu undivided families	1	300	300	00.00
	Non Resident Indians	53	506164	506164	9.18
		2	929	929	0.02
	Total Public shareholding (B) = (B)(1) + (B)(2)	1649	3798914	3309395	68.91
	Grand Total (A) + (B)	1660	5513100	5023581	100.00

o. 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.

DECLARATION

As provided under clause 49 of the Listing Agreement with the Stock Exchanges, I affirm that the board members and the senior management personnel have confirmed with the codes of conduct, as applicable to them, for the year ended 31st March, 2012.

Place: Chennai-17
Date: 11th August 2012

For RAINBOW FOUNDATIONS LIMITED
G.R.JAIN
Joint Managing Director

RAINBOW FOUNDATIONS LIMITED

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

To The Members/shareholders
M/s. Rainbow Foundations Limited

We have examined the compliance of conditions of Corporate Governance by **M/s. Rainbow Foundations Limited**, for the year ended 31st March 2012 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our 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 our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We 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.

We 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.

Place : Chennai
Date : 11th August 2012

For JM & Associates
Company Secretaries
SOY JOSEPH
Partner
(Certificate of Practice No.5612)

CERIFICATE BY CEO / CFO

I, G.R.JAIN, Joint Managing Director of Rainbow Foundation Limited, to the Best of my knowledge and belief, certify that:

1. I have reviewed the Balance Sheet and Profit and Loss Account and all its Schedules and Notes on Accounts, as well as the Cash Flow Statement, in respect of the 12 Months period ended 31st March 2012 and these statements
 - (i) does not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
2. I am responsible for establishing and maintaining internal controls for financial reporting and have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and I have also disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls for financial reporting, if any, and what I have done or propose to do to rectify these:
3. As there were no instances of fraud, that involves management or employees having a significant role in the Company's internal control systems for financial reporting, no disclosure were required to be made.
4. We have indicated to the Auditors, the Audit Committee and in the notes of accounts, whether or not there were
 - (i) significant changes in internal control over financial reporting during the year;
 - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

Place : Chennai
Date : 11th August 2012

G.R.JAIN
Joint Managing Director

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 2012 and also the Statement of Profit and Loss 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 Statement of Profit & Loss 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 Statement of Profit & Loss 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 31/03/2012, and taken on record by the board, we report that none of the Directors is disqualified as on 31/03/2012 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 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 2012,
 2. In the case of the Statement of Profit & Loss of the Profit of the Company for the year ended on that date and
 3. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Place : Chennai
Date : 11th August 2012

For JAIN BAFNA AND CO
(Chartered Accountants)
(S.MUTHUKUMAR)
(Partner)

Address: F-1, 58, Greams Road, Chennai 600 006
Mem No: 209636
Firm Reg No:010657 S

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.
 - a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - c) The company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii.
 - a) According to the information and explanations given to us and in our opinion, during the year the Company has taken interest free unsecured loan from any one party listed under the register maintained under section 301 of the Companies Act, 1956 and the closing balance is Rs. 73 Lakhs and the maximum amount outstanding was Rs. 86.50 Lakhs. The company has not granted unsecured loans to parties listed in the register maintained under section 301 of the Companies Act, 1956.
 - b) In our opinion, the loan is interest free and other terms and conditions on which loan has been taken from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie prejudicial to the interest of the company.
 - c) The company is regular in repaying the principal amounts as stipulated and no interest is payable since the loan is interest free.
- 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. No order has been passed by the Company Law Board.
- 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 2012, 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 2012, 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 2012 which have not been deposited on account of dispute are as follows:

Name of the Statue	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)
Income Tax Act 1961	Income Tax Along with Interest till the date of Assessment	3,33,003/-	AY 2007-08	The Commissioner of Income Tax (Appeals)

- x. According to the information and explanations given to us and in our opinion, the Company does not have any accumulated losses as at 31st March 2012 and has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- xi. According to the information and explanations given to us and in our opinion, 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. According to the information and explanations given to us and in our opinion, the Company is not a nidhi/ mutual benefit fund/society, paragraph 4 (xiii) of the Order is not applicable
- xiv. According to the information and explanations given to us and in our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments, paragraph 4 (xiv) of the Order is not applicable
- 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. According to the information and explanations given to us and in our opinion, the term loans have been applied for the purpose for which they were raised.
- xvii. According to the information and explanations given to us and in our opinion, 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. According to the information and explanations given to us and in our opinion, 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. According to the information and explanations given to us and in our opinion, the Company has not issued any debenture during the year and hence paragraph 4 (xix) of the Order is not applicable
- xx. According to the information and explanations given to us and in our opinion, 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.

Place : Chennai

Date : 11th August 2012

For JAIN BAFNA AND CO

(Chartered Accountants)

(S. MUTHUKUMAR)

(Partner)

Firm Reg No:010657 S

RAINBOW FOUNDATIONS LIMITED

BALANCE SHEET AS AT 31ST MARCH 2012

PARTICULARS	Note No	Figures for the Current reporting period	Figures for the Previous reporting period
I. EQUITY AND LIABILITIES			
(1) Shareholder's Funds			
(a) Share Capital	3	57,115,500.00	57,115,500.00
(b) Reserves and Surplus	4	32,985,555.39	29,517,073.27
(2) Non-Current Liabilities			
(a) Long-term borrowings	5	202,673.00	1,086,553.00
(b) Other Long term liabilities	6	29,618,140.00	31,262,325.00
(3) Current Liabilities			
(a) Short-term borrowings	7	174,977,639.20	158,044,646.72
(b) Trade payables		238,504,076.69	83,622,376.71
(c) Other current liabilities	8	25,579,076.50	28,913,929.50
(d) Short-term provisions	9	919,290.00	2,097,248.00
Total		<u>559,901,950.78</u>	<u>391,659,652.20</u>
II.Assets			
(1) Non-current assets			
<i>(a) Fixed assets</i>			
(i) Tangible assets	10	4,759,772.00	5,730,070.00
(b) Deferred tax assets (net)		305,732.00	102,541.00
(c) Long term loans and advances	11	398,294.00	398,294.00
(d) Other non-current assets	12	379,705.00	379,705.00
(2) Current assets			
(a) Inventories	13	472,857,912.86	357,972,839.52
(b) Trade receivables	14	40,414,929.58	18,130,170.23
(c) Cash and cash equivalents	15	1,422,976.45	567,199.45
(d) Short-term loans and advances	16	39,126,800.00	7,959,162.00
(e) Other current assets	17	235,828.89	419,671.00
Total		<u>559,901,950.78</u>	<u>391,659,652.20</u>

"See accompanying Notes to the financial statements" 2

For and on behalf of the Board

(A.C. JAIN)
Managing Director

(G.R. JAIN)
Joint Managing Director

P. Krishnasamy
Company Secretary

As per our report of even date attached
for JAIN BAFNA AND CO
Firm Reg No: 010657 S
(Chartered Accountants)

(S Muthukumar)
Partner
Membership No: 209636

Place : Chennai
Date : 11th August 2012

RAINBOW FOUNDATIONS LIMITED

TRADING AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31st MARCH 2012

PARTICULARS	Note No	Figures for the Current reporting period	Figures for the Previous reporting period
I. Revenue from operations	18	131,940,277.32	79,987,001.79
II. Other Income	19	2,292,500.00	203,260.81
III. Total Revenue (I + II)		134,232,777.32	80,190,262.60
IV. Expenses:			
Purchase of Stock-in-Trade	20	120,880,584.38	57,955,828.76
Changes in inventories of Stock-in-Trade	21	(14,263,889.12)	(3,999,251.51)
Employee benefit expense	22	2,678,847.00	3,047,592.00
Financial costs	23	16,315,638.00	12,526,242.57
Depreciation and amortization expense	10	1,032,635.00	991,259.81
Other expenses	24	2,557,348.94	3,116,334.63
Total Expenses		129,201,164.20	73,638,006.26
V. Profit before exceptional and extraordinary items and tax (III - IV)		5,031,613.12	6,552,256.34
VI. Exceptional Items (Profit after adjusting loss on sale of fixed asset)		-	-
VII. Profit before extraordinary items and tax (V - VI)		5,031,613.12	6,552,256.34
VIII. Extraordinary Items (prior period expenses)		-	-
IX. Profit before tax (VII - VIII)		5,031,613.12	6,552,256.34
X. Tax expense:			
(1) Current tax		1,766,322.00	2,404,499.00
(2) Deferred tax		(203,191.00)	(496,032.00)
XI. Profit(Loss) from the period from continuing operations (IX-X)		3,468,482.12	4,643,789.34
XII. Profit/(Loss) from discontinuing operations			
XIII. Tax expense of discounting operations			
XIV. Profit/(Loss) from Discontinuing operations (after tax) (XII-XIII)		-	-
XV. Profit/(Loss) for the period (XII+XIV)		3,468,482.12	4,643,789.34
XVI. Earning per equity share:			
(1) Basic		0.63	0.84
(2) Diluted		0.63	0.84

"See accompanying Notes to the financial statements"

2

For and on behalf of the Board

(A.C. JAIN)
Managing Director

(G.R. JAIN)
Joint Managing Director

P. Krishnasamy
Company Secretary

As per our report of even date attached
for JAIN BAFNA AND CO
Firm Reg No: 010657 S
(Chartered Accountants)

(S Muthukumar)
Partner
Membership No: 209636

Place : Chennai
Date : 11th August 2012

RAINBOW FOUNDATIONS LIMITED

1. Company Information

The company is in the business of Real estate development in the state of Tamilnadu. It is engaged in the building of Flats, Commercial Complex's and Resorts. The company is also engaged in the development and marketing of plots and pieces of land.

2. Significant Accounting Policies

1. Basis of Accounting

- a. The financial statements have been prepared to comply in all material aspects with applicable accounting principles in India and the applicable Accounting Standards notified under Section 211(3C) of the Companies Act, 1956. All assets and liabilities have been classified as current or non-current as per the normal operating cycle and other criteria set out in Revised Schedule VI to the Companies Act, 1956. Based on the nature of products and the time between acquisition of assets for processing and their realization in cash and cash equivalents, the company has ascertained its operating cycle as 12 months for the purpose of current / noncurrent classification of assets and liabilities.

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.

RAINBOW FOUNDATIONS LIMITED

- 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:
 - ii. 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
 - iii. 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/construction 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.

RAINBOW FOUNDATIONS LIMITED

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
 - 2. 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.

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.

RAINBOW FOUNDATIONS LIMITED

NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS YEAR ENDED ON 31st MARCH 2012

SCH	PARTICULARS	Figures for the Current reporting period		Figures for the Previous reporting period	
		Number	Amount	Number	Amount
3	SHARE CAPITAL				
	Authorised Capital				
	Equity Shares of Rs. 10 each	12,000,000	120,000,000.00	12,000,000	120,000,000.00
	Total	12,000,000	120,000,000.00	12,000,000	120,000,000.00
	Issued, Subscribed and fully paid up Share Capital				
	Equity Shares of Rs. 10 each	5,513,100	55,131,000.00	5,513,100	55,131,000.00
	Total	5,513,100	55,131,000.00	5,513,100	55,131,000.00
	Shares Forfeited				
	Equity Shares of Rs. 10 each	198,450	1,984,500.00	198,450	1,984,500.00
	Total	198,450	1,984,500.00	198,450	1,984,500.00
	Total taken to Balance Sheet		57,115,500.00		57,115,500.00

3.1 RECONCILIATION OF SHARE CAPITAL

Equity Shares (Face Value Rs 10.00)

Shares outstanding at the beginning of the year	5,513,100	55,131,000.00	5,513,100	55,131,000.00
Shares Issued during the year	-	-	-	-
Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	5,513,100	55,131,000.00	5,513,100	55,131,000.00

3.2 RIGHTS PREFERENCES AND RESTRICTIONS ATTACHED TO SHARES

The company has only one class of equity shares have a face value of Rs. 10 Per share.

Each holder of equity shares is entitled to one vote per share.

The company declares and pays dividends in Indian Rupees.

The dividend proposed by the Board of Directors is subject to approval of the shareholders in the ensuing Annual General Meeting, except for Interim Dividend

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

RAINBOW FOUNDATIONS LIMITED

PARTICULARS	Figures for the Current reporting period	Figures for the Previous reporting period
4 Reserves and Surplus		
4.1 General Reserve		
Opening balance	108,063.44	108,063.44
Add: Current year surplus	-	-
Closing Balance	108,063.44	108,063.44
Surplus from Profit & Loss account		
Opening balance	29,409,009.83	24,765,220.49
Add: Current year surplus	3,468,482.12	4,643,789.34
Closing Balance	32,877,491.95	29,409,009.83
Total taken to Balance Sheet	32,985,555.39	29,517,073.27
5 Long-term borrowings		
5.1 Long Term Maturities on Finance Lease Obligations		
Secured	202,673.00	1,086,553.00
Total taken to Balance Sheet	202,673.00	1,086,553.00
a Finance lease obligations is secured by hypothecation of Vehicles on lease		
6 Other Long term liabilities		
6.1 Trade Payables		
Trade Payables with others	29,618,140.00	31,262,325.00
Total taken to Balance Sheet	29,618,140.00	31,262,325.00
7 Short Term Borrowings		
7.1 Secured Borrowings		
Loans repayable on Demand		
From Banks	43,689,319.20	59,544,646.72
7.2 Unsecured Indian Rupee Borrowings		
Loans repayable on Demand		
From related parties	7,300,000.00	
From other Parties	123,988,320.00	98,500,000.00
Total taken to Balance Sheet	174,977,639.20	158,044,646.72
a Secured Borrowings:		
Secured by the Term Deposit held in the name of the company, Land and Building owned by the company, and properties owned by the directors and their relatives and personal guarantees given by the directors. The rate of interest is 700 bps above the base lending rate.		

RAINBOW FOUNDATIONS LIMITED

8 Other Current Liabilities

8.1	Current Maturities of Finance Lease Obligations	883,880.00	1,133,421.00
8.2	Others		
	Expense Payable	363,496.50	3,539,934.50
	Rental Deposits <i>is they advance</i>	23,503,932.00	23,553,932.00
	TDS Payable	827,768.00	686,642.00
	Total taken to Balance Sheet	25,579,076.50	28,913,929.50

9 Short-term provisions

9.1	Provision for income tax	919,290.00	2,097,248.00
	Total taken to Balance Sheet	919,290.00	2,097,248.00

11 Long term loans and advances

11.1	Other Loans and Advances		
	Unsecured Considered Good		
	Sales Tax Recoverable	305,800.00	305,800.00
	TDS Recoverable	92,494.00	92,494.00
	Total taken to Balance Sheet	398,294.00	398,294.00

12 Other non-current assets

12.1	Others		
	Unsecured - Considered Good		
	Deposits	379,705.00	379,705.00
	Total taken to Balance Sheet	379,705.00	379,705.00

13 Inventories

13.1	Work in progress	445,935,218.36	345,314,034.14
13.2	Stock in trade - Finished Flats	26,922,694.50	12,658,805.38
	Total taken to Balance Sheet	472,857,912.86	357,972,839.52

- a) Work in Progress: This is values based on cost of completion
- b) Stock in Trade: This is values based on cost of completion or Net Realisable value which ever is lower

14 Trade receivables

14.1	Trade receivables outstanding for		
	(Considered good and unsecured)		
	more than 6 months	2,671,007.00	9,393,187.27
	others	37,743,922.58	8,736,982.96
	Total taken to Balance Sheet	40,414,929.58	18,130,170.23

NOTE 10 : FIXED ASSETS

10	PARTICULARS	Gross Value				Depreciation				Closing balance	
		Opening balance	Additions	Deletions	Total	Opening balance	Additions	Deletions	Total	As on 31/03/2012	As on 31/03/2011
10.1	Building	3,199,384.91			3,199,384.91	1,180,529.91	100,943.00		1,281,472.91	1,917,912.00	2,018,855.00
10.2	Plant & Equipments	777,912.00	57,208.00		835,120.00	577,539.00	32,598.00		610,137.00	224,983.00	200,373.00
10.3	Furniture & Fixtures	429,052.07			429,052.07	248,453.07	32,688.00		281,141.07	147,911.00	180,599.00
10.4	Vehicles	5,894,581.00		44,060.00	5,850,521.00	2,580,379.00	859,990.00	49,189.00	3,391,180.00	2,459,341.00	3,314,202.00
10.5	Computers	325,362.00			325,362.00	309,321.00	6,416.00		315,737.00	9,625.00	16,041.00
	Total	10,626,291.98	57,208.00	44,060.00	10,639,439.98	4,896,221.98	1,032,635.00	49,189.00	5,879,667.98	4,759,772.00	5,730,070.00
		-				-					-
Figures for the previous year		8,502,548.01	2,539,925.00	416,181.03	10,626,291.98	4,294,505.01	991,259.81	389,542.84	4,896,221.98	5,730,070.00	4,208,043

- a) Vehicles includes vehicles on Finance Lease

Particulars	As on 31/03/2012	As on 31/03/2011
Gross Block	3,401,253.00	3,931,529.00
Current Year Depreciation	687,722.00	676,007.00
Accumalated Depreciation	1,432,652.00	976,158.00
Net Book value	1,968,601.00	2,955,371.00

- b) Building includes building given as security for secured borrowings from banks

Particulars	as on 31/03/2012	as on 31/03/2011
Gross Block	3,199,384.91	3,199,384.91
Current Year Depreciation	100,943.00	106,256.00
Accumalated Depreciation	1,281,472.91	1,180,529.91
Net Book value	1,917,912.00	2,018,855.00

RAINBOW FOUNDATIONS LIMITED

14.2 Trade receivables

Secured, considered good

Unsecured, considered good

40,414,929.58

18,130,170.23

Doubtful

15 Cash and cash equivalents

Cash and cash equivalents

15.1 Balance with banks

in current account

556,264.79

18,836.79

15.2 Cash in hand

606,942.66

288,593.66

15.3 Other Bank Balances:

in Deposit account

259,769.00

259,769.00

(Maturity on 31/03/2013)

Total taken to Balance Sheet

1,422,976.45

567,199.45

a) Bank deposits have been given as security for the secured loan as disclosed in Note 6.1

16 Short-term loans and advances

Other Loans and Advances

Unsecured - Considered Good

Staff Advances

9,500.00

35,000.00

Interest Receivable

732,169.00

11,049.00

Loans

38,385,131.00

7,913,113.00

Total taken to Balance Sheet

39,126,800.00

7,959,162.00

17 Other current assets

Service Tax Recoverable

160,418.89

291,327.00

Income Tax Refundable

18,978.00

91,246.00

Prepaid Expenses

32,822.00

22,265.00

TDS Receivable

12,277.00

Rent Receivable

11,333.00

14,833.00

Loans

Total taken to Balance Sheet

235,828.89

419,671.00

For and on behalf of the Board

(A.C. JAIN)
Managing Director

(G.R. JAIN)
Joint Managing Director

P. Krishnasamy
Company Secretary

As per our report of even date attached
for JAIN BAFNA AND CO
Firm Reg No: 010657 S
(Chartered Accountants)

(S Muthukumar)
Partner
Membership No: 209636

Place : Chennai

Date : 11th August 2012

RAINBOW FOUNDATIONS LIMITED

PARTICULARS		Figures for the Current reporting period	Figures for the Previous reporting period
18	Revenue from operations		
18.1	Sale of Flats/Plots	131,940,277.32	79,987,001.79
		<u>131,940,277.32</u>	<u>79,987,001.79</u>
	Sale of Flats/Plots		
	Commercial Complex	30,950,444.26	8,339,625.74
	Flats/Houses/Shops	86,865,333.06	70,624,876.05
	Plots/Land	14,124,500.00	1,022,500.00
	Total	<u>131,940,277.32</u>	<u>79,987,001.79</u>
19	Other Income		
19.1	Interest Income	2,094,771.00	80,545.00
	Other Non Operating Income		
	Rental Income	175,600.00	103,881.00
	Profit on Sale of Asset	22,129.00	18,834.81
		<u>2,292,500.00</u>	<u>203,260.81</u>
20	Cost of Flats/Plots		
20.1	Cost of Flats/Plots	120,880,584.38	57,955,828.76
		<u>120,880,584.38</u>	<u>57,955,828.76</u>
	Cost of Flats/Plots		
	Commercial Complex	31,267,033.58	8,067,616.57
	Flats/Houses/Shops	84,422,945.80	49,316,182.19
	Plots/Land	5,190,605.00	572,030.00
	Total	<u>120,880,584.38</u>	<u>57,955,828.76</u>
21	Changes in inventories of Stock-in-Trade		
	Opening Balance	12,658,805.38	8,659,553.87
	Less: Closing Balance	26,922,694.50	12,658,805.38
	Total	<u>(14,263,889.12)</u>	<u>(3,999,251.51)</u>
22	Employee benefit expense		
	Salaries & Wages	2,630,120.00	2,944,500.00
	Staff Welfare Expenses	48,727.00	103,092.00
	Total	<u>2,678,847.00</u>	<u>3,047,592.00</u>

RAINBOW FOUNDATIONS LIMITED

23 Financial costs

Interest Expenses	16,025,063.00	12,233,543.82
Other borrowing costs	290,575.00	292,698.75
Total	16,315,638.00	12,526,242.57

24 Other Expenses

24.1 Payment to Auditors

for Audit	50,000.00	50,000.00
for Tax Representations	25,000.00	25,000.00
for Reimbursement of expenses	700.00	480.00

24.2 Prior Period Items

Telephone Expenses	1,198.29
Electricity Charges	11,069.00

24.3 Electricity Charges	63,748.62	63,935.00
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24.4 Rent	375,000.00	355,100.00
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24.5 Repairs to buildings	472,557.00	18,348.00
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24.6 Repairs to machinery	19,596.00	71,361.50
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24.7 Insurance	68,321.90	68,017.00
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24.8 Rates & Taxes	-	3,615.00
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24.9 Miscellaneous Expenses	1,470,158.13	2,460,478.13
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Total	2,557,348.94	3,116,334.63
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For and on behalf of the Board

(A.C. JAIN)
Managing Director

(G.R. JAIN)
Joint Managing Director

P. Krishnasamy
Company Secretary

As per our report of even date attached
for JAIN BAFNA AND CO
Firm Reg No: 010657 S
(Chartered Accountants)

(S Muthukumar)
Partner
Membership No: 209636

Place : Chennai
Date : 11th August 2012

RAINBOW FOUNDATIONS LIMITED

CASH FLOW STATEMENT

	(Amount in Rs. Thousands) 2011-12	(Amount in Rs. Thousands) 2010-11
A. Cash Flow from Operating Activities		
a. Net Profit before taxation and extraordinary items	5,031.61	6,552.26
b. Adjustments for:		
Depreciation	1,032.64	991.26
Interest income	(2,094.77)	(80.55)
Liabilities/Provisions written back		
(Profit)/Loss on sale of fixed assets	(22.13)	(18.83)
Interest expense(net)	16,025.06	14,940.80
c. Operating Profit before working capital changes	19,972.41	12,233.54
i. (Increase)/Decrease in sundry debtors	(22,284.76)	13,125.42
ii. (Increase)/Decrease in inventories	(114,886.10)	19,677.68
iii. Increase/(Decrease) in current liabilities	166,835.65	(4,677.14)
iv. (Increase)/Decrease in loans and advances	(31,167.64)	(154,952.05)
v. (Increase)/Decrease in other current assets	183.84	96,414.75
Total	(1,319.00)	(6,137.76)
d. Cash generated from operations	18,653.41	(69,352.20)
e. Income Taxes paid net of refund	(2,887.5)	(49,674.52)
f. Net Cash from operating activities	15,765.92	(307.25)
B. Cash Flow from Investing Activities		
a. Purchase of Fixed assets	(57.21)	(2,539.93)
b. Proceeds from sale of asset	17.00	45.47
c. Advances to subsidiaries/ firms		
d. Purchase of investments		
e. Interest received	2,094.77	80.55
f. Net Cash from investing activities	2,054.56	(2,413.91)
C. Cash Flow from Financing Activities		
a. Issue of shares/Capital introduced	-	-
b. Proceeds from long term borrowings	-	-
c. Repayment of long term borrowings	-	-
d. Change in working capital finance	(16,988.75)	3,903.31
e. Net increase/(decrease) in other borrowings	16,049.11	60,366.64

RAINBOW FOUNDATIONS LIMITED

f	Interest paid	(16,025.06)	(12,233.54)	
g.	Net Cash from financing activities		(16,964.70)	52,036.41
	Net increase in cash and cash equivalents (A+B+C)		855.78	(359.27)
	Cash and cash equivalents at the beginning of the period		567.20	926.47
	Cash and cash equivalents at the end of the period		1,422.98	567.20

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

For and on behalf of the Board

(A.C. JAIN)
Managing Director

(G.R. JAIN)
Joint Managing Director

P. Krishnasamy
Company Secretary

As per our report of even date attached
for JAIN BAFNA AND CO
Firm Reg No: 010657 S
(Chartered Accountants)

(S Muthukumar)
Partner
Membership No: 209636

Place : Chennai
Date : 11th August 2012

RAINBOW FOUNDATIONS LIMITED

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

ATTENDANCE SLIP

Members attending the meeting in person or by proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall.

I hereby record my presence at the 18th Annual General Meeting at the Registered office of the Company at No.4, Thanikachalam Road, T. Nagar, Chennai – 600017, Tamil Nadu, on Thursday, the 27th September 2012 at 9.30 a.m.

Name of the attending Member..... (in block letters)

Member's Folio Number.....

Name of Proxy (in block letters)
(To be filled in if the Proxy attends instead of the Member)

No. of Shares held

Signature of Proxy holder / Signature of Shareholder

RAINBOW FOUNDATIONS LIMITED

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

PROXY FORM

I/We of in the district of being a member(s) of Rainbow Foundation Limited hereby appoint of in the district of or failing him of in the district of as my / our proxy to vote for me / us on my / our behalf at the 18th Annual General Meeting of the Company to be held No.4, Thanikachalam Road, T. Nagar, Chennai – 600017, Tamil Nadu, on Thursday, the 27th September 2012 at 9.30 a.m. at and at any adjournment thereof.

Signed this day of, 2012

Affix
Rupee 1.00
Revenue
Stamp

Signature

Notes : *The proxy in order to be effective must be deposited at the Registered Office of the Company at the above address not less than 48 hours before the time for holding the aforesaid meeting and should be duly stamped, completed and signed.*

RAINBOW FOUNDATIONS LIMITED

If undelivered, Please return to :

RAINBOW FOUNDATIONS LIMITED

Regd. Off. : No.4, Thanikachalam Road,

T. Nagar, Chennai - 600 017.

Tamil Nadu.