

RAINBOW FOUNDATIONS LIMITED

**SEVENTEENTH ANNUAL REPORT
2010-2011**

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

SEVENTEENTH ANNUAL REPORT 2010-2011

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 **Seventeenth Annual General Meeting** of the **Rainbow Foundations Limited** will be held on Friday, the 30th day of September 2011 at 9.30 A.M at the registered office of the Company at New No.4, Thanikachalam Road, T.Nagar, Chennai – 600 017 to transact the following business:

ORDINARY BUSINESS:

- (1) To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2011 and the Balance Sheet as at that date together with the Reports of the Directors and the Auditors thereon.
- (2) To appoint a Director in the place of Mr. G.R. Jain, who retires by rotation and being eligible, offers himself for re-appointment.
- (3) To appoint a Director in the place of Mr. P.M. Mothiram, who retires by rotation and being eligible, offers himself for re-appointment.
- (4) To re-appoint Messrs. Jain Bafna and Co. (Registration No.010657 S) Chartered Accountants, Chennai, as Statutory Auditors of the Company to hold office from the conclusion of the 17th Annual General Meeting upto the conclusion of the next i.e. 18th Annual General Meeting of the Company and to authorize the Board of Directors of the Company to fix their remuneration.

**By Order of the
Board of Directors
For Rainbow Foundations
Limited**

Place : Chennai
Date : 5th September 2011

G.R. Jain
Joint Managing Director

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

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 OF THE COMPANY.**

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 Nos.2 and 3 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 28th September 2011 to 30th September 2011 (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 17th Annual General Meeting.
- j. Members are hereby informed that the Ministry of Corporate Affairs (MCA) has taken a Green Initiative in Corporate Governance by issuing circulars no. 17/2011/95/2011 CL.V dated 21.04.2011 and 29.04.2011, permitting companies to service documents to their shareholders through electronic mode. In order to receive notices/documents of the Company on email, you would be required to register your email with the Company and/or update your email with your depository participant with NSDL / CDSL. As and when there are any changes in your email address, you are requested to keep your Depository Participant (DP)/ Company informed of the same. You are requested to inform us by sending an email to rainbow@rainbowfoundations.in indicating your decision. A copy will be sent to you free of cost.

RAINBOW FOUNDATIONS LIMITED

DIRECTORS' REPORT

To the Members,

The Directors are pleased to present their Seventeenth Annual Report on the business and operations of the Company and the statements of account for the year ended 31st March, 2011.

FINANCIAL RESULTS:

The financial results of the Company for the year ended March 31, 2011 are presented below:

	<i>(Rupees in Lakhs)</i>	
	Year Ended 31.03.2011	Year Ended 31.03.2010
Net Sales	799.87	860.01
Other Income	1.23	6.86
Gross Profit before Interest & Depreciation	260.30	135.74
Interest	121.53	64.66
Depreciation	9.91	6.48
Profit before tax	65.52	14.58
Provision for Taxation	24.04	3.85
Net Profit (After tax)	46.44	7.81

DIVIDEND

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

DEPOSITS

Your Company has not accepted or invited any fixed deposits 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.

DIRECTORS

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. G.R. Jain and Mr. P.M. Mothiram, Directors retire by rotation and, being eligible, offer themselves for reappointment. Members are requested to re-appoint the retiring Directors.

A brief resume, expertise, shareholding in your Company and details of other directorships of Mr. G.R. Jain and Mr. P.M. Mothiram are given in the Corporate Governance report.

SHARE CAPITAL

Your Company has increased its authorised share capital from Rs. 70,000,000/- (Rupees Seven Crore Only) divided into 7,000,000 (Seventy Lakhs) equity shares of Rs. 10/- (Rupees Ten Only) each to Rs. 120,000,000/- (Rupees Twelve Crore Only) divided into 12,000,000 (One Crore and Twenty Lakhs) equity shares of Rs 10/- (Rupees Ten only) each by further creation of 50,00,000 (Fifty Lakhs Only) equity shares of Rs.10/- (Rupees Ten only) with the consent of the shareholders vide Extra- Ordinary General Meeting dated 20th of January 2011 and complied with the provisions thereto.

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Further the Company has got the approval from its shareholders, vide Extra- Ordinary General Meeting dated 20th of January 2011, for further issue of shares from the unissued part of the increased authorized capital of the company on right basis for an aggregate amount of Rs. 55,131,000 (Rupees Five Crores Fifty one lakh thirty One thousand only) and the said Rights Equity Shares rank pari passu in all respects with the existing Equity Shares issued by the Company.

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:

- a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- 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 period;
- 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 on 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 the Bombay Stock Exchange Limited (BSE) Mumbai and the Madras Stock Exchange Limited (MSE) Chennai. The listing fees payable to both the exchanges for the financial year have been paid.

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MANAGEMENT DISCUSSION AND ANALYSIS

The management discussion and analysis of financial condition including the result of 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

To comply with the conditions of Corporate Governance, pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, a Management Discussion and Analysis Statement, Report on Corporate Governance and a Certificate from the Practising Company Secretary are included in the Annual Report.

CODE OF CONDUCT

Pursuant to Clause 49 of the Listing Agreement, a 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 2010-11 is annexed and forms part of the Directors' and Corporate Governance Report.

PERSONNEL

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

ACKNOWLEDGEMENTS

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 : 5th September 2011

Managing Director

Joint Managing Director

RAINBOW FOUNDATIONS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

1. Economic Review:

Indian Economy:

India's economy rose 7.8 percent in the three months ended March 31, 2011 from a year earlier, after a revised 8.3 percent gain in the previous quarter, the Central Statistical Office said in a statement in New Delhi on May 31. That's the slowest pace in five quarters.

Manufacturing rose 5.5 percent in the three months through March from a year earlier, compared with a 6 percent gain in the previous quarter. Finance and insurance services grew 9 percent after a 10.8 percent jump in the previous quarter. Farm output rose 7.5 percent while mining advanced 1.7 percent, according to the report.

The sectors which registered significant growth rates are agriculture, forestry and fishing at 7.5 percent, electricity, gas and water supply at 7.8 percent, construction at 8.2 percent, trade, hotels, transport and communication at 9.3 percent, and financing, insurance, real estate and business services at 9.0 percent.

Despite a slow recovery in the world economies, it is heartening to see that India has recorded admirable growth post recession. India has moved up to fifth position in a list ranking the governments of 112 countries in terms of their ability to project the economy into the international sphere, As per the Economic Survey 2010- 11, in the year 2000, the country was ranked 10th in the Index of Government Economic Power (IGEP). As per the IGEP, the Survey said India was among the best performers on the globe in terms of its ability to raise resources, credit-worthiness and credibility in international financial markets.

Going by simple macro economic data a reasonable forecast for the year 2010-11 is that the economy will improve its GDP growth by around 1 percentage point from that witnessed in 2009-10. Thus, allowing for factors beyond the reach of domestic policymakers such as the performance of the monsoon and the rate of recovery of the global economy, the Indian GDP can reasonably be expected to grow around 8.5 +/- 0.25 per cent, with a full recovery, breaching the 9 per cent mark in 2011-12.

Real Estate Sector:

The real estate sector in India is on a growth path. The development in the real estate market encompasses growth in both commercial and residential spheres. Further, it has been estimated that there would be shortage of 26.53 million houses during the Eleventh Five Year Plan (2007-12), which provides a big investment opportunity, according to a report by the Technical Group on Estimation of Housing Shortage. The popularity of the Indian real estate sector is also highlighted by a report 'Emerging trends in Real Estate in Asia Pacific 2011' published by Price Waterhouse Coopers and Urban Land Institute.

During 2010-11, the Indian real estate and housing sectors received US\$ 1.12 billion in foreign direct investment (FDI), according to the Department of Industrial Policy and Promotion India (DIPP).

The Government has undertaken various initiatives to help the sector grow in the recent past. Some of the major government initiatives include:

- Allowing 100 per cent FDI in townships, housing, built-up infrastructure and construction development projects through the automatic route, subject to guidelines as prescribed by DIPP
- Allowing 100 per cent FDI under the automatic route in development of Special Economic Zones (SEZ), subject to the provisions of Special Economic Zones Act 2005 and the SEZ Policy of the Department of Commerce

In the Union Budget 2011-12, Mr. Pranab Mukherjee, Union Finance Minister presented various initiatives for the real estate sector, especially focusing on affordable housing. Some of these initiatives include:

- Raising the limit on housing loans eligible for a 1 per cent subsidy in interest rates

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- Widening the scope for housing under “priority-sector lending” for banks, making interest rates cheaper on them
- Earmarking substantial amount to the Urban Development Ministry for spending on extension of Metro networks in Delhi, Bangalore and Chennai
- Allocating US\$ 20.03 million for the urban infrastructure development project. The Urban Development Ministry received US\$ 1.5 billion, an increase of US\$ 68.53 million from the last fiscal 2010-11.
- Increasing allocation for Bharat Nirman to US\$ 12.89 billion. Bharat Nirman consists of 6 flagship programs, the Pradhan Mantri Gram Sadak Yojana (PMGSY), Accelerated Irrigation Benefit Program, Rajiv Gandhi Grameen Vidyutikaran Yojana, Indira Awas Yojana, National Rural Drinking Water Program and Rural telephony.

The affordable housing segment is expected to play an important role in the growth of the real estate sector in India in 2011, on the back of increasing demand for such housing, according to the Confederation of Real Estate Developers' Associations of India (CREDAI).

Further, growth in the infrastructure sector is also expected to accelerate real estate activities, in commercial as well as residential segments, during this year.

OPERATIONAL REVIEW

During the Year Company has resulted with a project income of Rs. 79.98 Lakh as Compared to Rs.86 lakh for the previous year which has shown a reduction in project income. However the profit after tax was higher at Rs.46.43 lakh as against the Rs.7.80 lakh for the previous year. Increase in profit was mainly due to the reduction in Project expenditure.

3. Key Challenges:

There are certain key challenges and risks that need to be actively monitored and mitigation steps to be taken as and when

- 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

4. 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

BUSINESS OUT LOOK

The events in the last 6 months namely, the very disturbed political conditions 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 followed adequate measures to fulfill the customer needs and wants through various tactics introduced during the year such as 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 Agreement with the Stock Exchanges, the disclosure requirements of which are given below:

BOARD OF DIRECTORS

Composition

As on 5th September, 2011, 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 agreement.

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.

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Directors' attendance Records and Directorships

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

Name of the Director	Category of Directorship	No. of Board meetings Held during the year	No. of Board meetings attended	Last AGM attended	* No. of membership in other Board Committees	# No. of Membership and Chairmanship in other Boards	No. of Shares held in the Company
Mr. A. C. Jain	MD & ED	6	6	YES	1	-	153500
Mr. G. R. Jain	JMD & ED	6	5	YES	-	-	198500
Mr. Mukesh Kumar M Mehta	NEID	6	6	YES	-	-	631
Mr. P. M. Mothiram	NEID	6	6	YES	1	-	-
Mr. Sampat Raj Singhvi	NEID	6	6	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

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 will be posted on the Company's website shortly. 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

2. Disclosures

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

3. Empowerment and Accountability

To demonstrate the highest levels of the personal accountability and ensure that employees consistently pursue excellence in every thing they do.

4. Compliances

To comply with all laws and regulations as applicable to the company.

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5. Ethical Conduct

To conduct the affairs of the company in an ethical manner.

6. Stake holders Interest

To promote the interest of all stake holders including customers, shareholders, employees, lenders, vendors, government and the community.

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.

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

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

- The Audit Committee met five times during the year under review on the following dates:
21st May 2010, 31st July 2010, 4th September 2010, 12th November 2010 and 11th February 2011.
- The terms of reference, role and scope are in line with those prescribed by Clause 49 of the Listing Agreement 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 Directors	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 M Mehta	Non Executive Independent Director	2	2
3.	Mr. Sampath Raj Singhvi	- do -	2	2

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

21st May 2010 and 12th November 2011

Board Procedure:

The Company convened 6 (six) Board Meetings during the Financial Year 2010-2011. 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
21st May 2010	Chennai	5	5
31st July 2010	Chennai	5	4
4th September 2010	Chennai	5	5
12th November 2010	Chennai	5	5
18th December 2010	Chennai	5	5
11th February 2011	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.

RAINBOW FOUNDATIONS LIMITED

The Board has unfettered and complete access to any information within your Company. Members of the Board have complete freedom to express their views on agenda items and can discuss any matter at the meeting with the permission of the Chairman. The Board provides direction and exercises appropriate 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 has not passed any resolutions by way of circular during the financial year ended 31st March 2011.

Standards issued by ICSI:

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

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
2008-2009	15/09/2008	9.30 a.m	Registered office of the Company	271
2009-2010	30/09/2009	9.30 a.m		243
2010-2011	29/09/2010	9.30 a.m		264

Extra - Ordinary General Meetings:

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

Year	Date	Time	Venue	Attendance
2010-2011	20/01/2011	10.00 a.m.	Registered office of the Company	79

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, 2011.

*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 Section 297 of the Companies Act 1956 during the financial year ended March 31, 2011 are being disclosed in the Notes on Accounts which forms part of this report.

(B) Disclosure of Accounting Treatment

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

(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.

RAINBOW FOUNDATIONS LIMITED

(D) Proceeds from public issues, rights issues, and preferential issues etc.

Company has got the approval from its shareholders, vide Extra- Ordinary General Meeting dated 20th of January 2011, for further issue of shares from the unissued part of the increased authorized capital of the company on right basis for an aggregate amount of Rs. 55,131,000 (Rupees Five Crores Fifty one lakh thirty One thousand only) and the said Rights Equity Shares rank pari passu in all respects with the existing Equity Shares issued by the Company.

(E) 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

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	4,80,000	-	-	-	4,80,000
Mr. G. R. Jain - Joint Managing Director	4,80,000	-	-	-	4,80,000

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.

- (F) 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. Except a revocation fee was paid to BSE for removal of suspension of Trading in Equity shares of the Company.
- 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 authorised to receive Protected Disclosure under this policy. The Audit Committee is also authorized to supervise the conduct of investigation of any disclosure made by Whistle Blower in accordance with policy.

No personnel has been denied access to the Audit Committee. As of March 31, 2008, no Protected

RAINBOW FOUNDATIONS LIMITED

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 in 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. Sampath Raj Singhvi	27	NIL

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. G.R. Jain and Mr. P.M. Mothiram, Directors retire at the ensuing Annual General Meeting. The Board has recommended the re-appointment of all the retiring Directors.

Name of the Director	Mr. G.R. Jain	Mr. P.M. Mothiram
Brief Resume of the Director	Holds a Bachelors Degree in Commerce	Holds a Post Graduate Degree in business administration
Date of Birth	14th July 1961	15th October 1953
Date of joining the Board of the company	From the date of incorporation	29th March 2001
Nature of his expertise in specific functional areas	He has a rich experience in the industry of 25 years and overseas the entire construction work.	He has a rich experience in the 33 years in administration.
Name of the companies in which the person holds the directorship	Nil	M/s Right Choice Associates (P) Ltd., Chennai
Name of the companies in which the person holds membership of Committees of the Board	Nil	Nil
Present shareholding in the company	198500	Nil

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.

RAINBOW FOUNDATIONS LIMITED

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 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 21st May 2010, 31st July 2010, 4th September 2010 and 11th February 2011 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. Sampath Raj Singhvi	- do -	4	4

The Shareholders'/Investors' Grievance Committee met four times during the year under review on the following dates:

21st May 2010, 31st July 2010, 4th September 2010 and 11th February 2011

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.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Forming Part of the Directors Report as above.

INSIDER TRADING

The Code of Conduct for prevention of Insider Trading as suggested under the SEBI (Prohibition of Insider Trading) Regulations, 1992 has been 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. Malai Chudar

Your company's Management Discussion and Analysis of the operations for the year ended 31st March 2011 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 28th September, 2011 at 9.30 a.m. at New No.4, Thanikachalam Road, T.Nagar, Chennai - 600 017.

RAINBOW FOUNDATIONS LIMITED

a. Registered Office of the Company:

New 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, 2011 to 31st March, 2012

Board Meeting for consideration of accounts	5th September 2011
Annual General Meeting	30th September 2011
Posting of Annual Report along with notice of AGM	8th September 2011
Book Closure dates	28th September 2011 to 30th September 2011 (both days inclusive)
Last date for receipt of proxy forms	27th September 2011 (before 6.00 pm)
Unaudited results for the quarter ending 30th June, 2011	Before 15th Aug. 2011
Unaudited results for the quarter ending 30th Sep, 2011	Before 15th Nov. 2011
Unaudited results for the quarter ending 31st Dec, 2011	Before 15th Feb, 2012

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'

RAINBOW FOUNDATIONS LIMITED

f. Market Price Data High, Low during each month in last Financial year 2010-11

No trading has taken place in Madras Stock Exchange Ltd.

Bombay Stock Exchange Ltd		(in Rupees)	
Month	High	Low	
April 2010	9.95	8.70	
May 2010	9.60	8.00	
June 2010	12.02	8.90	
July 2010	10.35	8.69	
August 2010	9.43	7.19	
September 2010	11.68	6.85	
October 2010	13.65	10.61	
November 2010	11.95	7.69	
December 2010	10.26	6.49	
January 2011	10.65	8.53	
February 2011	15.16	10.68	
March 2011	14.64	12.11	

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 91.03% (5018481 numbers of equity shares) of the shares have been dematerialised as on 31st March 2011. 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 is given through the registrars.

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

or

RAINBOW FOUNDATIONS LIMITED

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

I. 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 31.03.2011

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	1104	67.19	1641400	2.98
5,001	10,000	252	15.34	2337160	4.24
10,001	20,000	95	5.78	1572590	2.85
20,001	30,000	29	1.77	720250	1.31
30,001	40,000	15	0.91	558490	1.01
40,001	50,000	22	1.34	1042290	1.89
50,001	1,00,000	37	2.25	3048840	5.53
1,00,001	and above	89	5.42	44209980	80.19
Total		1643	100.00	55131000	100.00

o. Shareholding Pattern as on 31.03.2011

	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	1713686	1713686	31.08
	Sub Total (A) (1)	11	1713686	1713686	31.08
2.	Foreign				
	Sub Total (A) (2)	-	-	-	-
	Total shareholding promoter and promoter Group(A)= (A)(1)+(A)(2)	-	-	-	-
(B)	Public Shareholding				
(1)	Institutions	-	-	-	-
(2)	Non-Institutions				
(a)	Bodies Corporate	31	134346	93846	2.44
(b)	I. Individual shareholders Holding nominal share capital upto Rs. 1 Lakh	1485	996275	606156	18.07

RAINBOW FOUNDATIONS LIMITED

	II. Individual shareholders Holding nominal share capital in excess of Rs. 1 Lakh	64	2165773	2101773	39.28
(c)	Any other				
	Clearing Member	3	183	183	00.00
	Hindu undivided families	47	501908	501908	9.10
	Non Resident Indians	2	929	929	0.02
	Total Public shareholding (B) = (B)(1) + (B)(2)	1632	3799414	3304795	68.92
	Grand Total (A) + (B)	1643	5513100	5018481	100.00

p. Nomination Facility / ECS

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

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

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

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

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, 2011.

For RAINBOW FOUNDATIONS LIMITED

Sd/-

G.R.JAIN

Joint Managing Director

Place: Chennai-17

Date: 5th September 2011

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 2011 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.

For JM & Associates
Company Secretaries

SOY JOSEPH
Partner
(Certificate of Practice No.5612)
Chennai
5th September 2011

RAINBOW FOUNDATIONS LIMITED

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 2011 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 on 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-17

Date : 5th September 2011

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 2011 and also the Profit and Loss account for the year ended on that date and the Cash Flow Statement for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on their financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003, issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in the paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above we state that:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b. In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of books.
 - c. The Company's Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - d. In our opinion, the Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the accounting standards and the significant accounting policies referred to in Section 211(3C) of the Companies Act, 1956, to the extent applicable to this Company.
 - e. On the basis of the written representation received from the directors, as on 31/03/2011, and taken on record by the board, we report that none of the Directors is disqualified as on 31/03/2011 from being appointed as Director under clause (g) of sub section (1) of section 274 of the Companies Act, 1956.
 - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes and Schedules thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 1. In the case of the Balance Sheet of the state of affairs of the Company as at 31st March 2011, and
 2. In the case of the Profit & Loss Account of the Profit of the Company for the year ended on that date.
 3. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For JAIN BAFNA AND CO
(Chartered Accountants)
(NARENDER KUMAR LODHA)
(Partner)
Address: F-1, 58, Greams Road,
Chennai 600 006
Mem No: 200/27640
Firm Reg No:010657 S

PLACE: CHENNAI
DATE : 5th September 2011

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 not taken unsecured loan from any party listed 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 rate of interest and other terms and conditions on which loans have 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 has been regular in the payment of interest.
- iv. According to the information and explanations given to us and in our opinion, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of flats and plots. Further, on the basis of our examination of the books and records of the company, we have neither come across nor have been informed of any continuing failure to correct major weakness in the aforesaid internal control procedure.
- v. According to the information and explanations given to us and in our opinion, there are no transactions with any of the parties that need to be entered in the register maintained under section 301 of the Companies Act 1956 (1 of 1956).
- vi. According to the information and explanations given to us and in our opinion, the Company has not accepted any deposit from the public within the meaning of the Provisions of Section 58A and 58AA of the Companies Act, 1956 and the rules framed there under and the directions issued by the Reserve Bank of India.
- vii. According to the information and explanations given to us and in our opinion, the Company does not have an independent Internal Auditor. However they have an Internal Audit system commensurate with the size and nature of its business.
- viii. According to information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 for the company's products.
- ix. a. According to the information and explanations given to us and in our opinion, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues as applicable to it and there were no undisputed amount payable in respect of Income-Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty outstanding as on 31st March 2011, for a period of more than six months from the date they became payable.
b. According to the information and explanations given to us and based on the records of the Company, as at 31st March 2011, there are no dues of wealth tax/ customs duty/excise duty/cess, which have

RAINBOW FOUNDATIONS LIMITED

not been deposited on account of any dispute. The particulars of Income Tax and Sales Tax as at 31st March 2011 which have not been deposited on account of dispute are as follows:

Name of the Statute	Nature of Dues	Amount under dispute not yet deposited Rs.	Period to which amount relates	Forum where the dispute is pending
Income Tax Act 1961	Income tax including interest till the date of assessment	2,85,218	AY 2002-03	The Hon'ble Madras High court, Chennai
Income Tax Act 1961	Income Tax Along with Interest till the date of Assessment	2,25,291	AY 2002-03	The Commissioner of Income Tax (Appeals)
Income Tax Act 1961	Income Tax Along with Interest till the date of Assessment	4,02,650	AY 2006-07	The Commissioner of Income Tax (Appeals)
Income Tax Act 1961	Income Tax Along with Interest till the date of Assessment	Rs. 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 2011 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.

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

PLACE: CHENNAI
DATE : 16th August 2010

Address: F-1, 58, Greams Road, Chennai 600 006
Mem No: 200/27640 Firm Reg No:010657 S

RAINBOW FOUNDATIONS LIMITED

BALANCE SHEET AS AT 31ST MARCH 2011

PARTICULARS	SCH	AS AT 31-3-2011 Rs.	AS AT 31-3-2010 Rs.
SOURCES OF FUNDS:			
Share Holder's Funds			
Share Capital	1	55,131,000.00	55,131,000.00
Reserve Funds			
Reserves & Surplus	2	31,501,573.27	26,857,783.93
Loan Funds			
Secured	3	61,764,620.72	57,861,305.78
Unsecured	4	89,000,000.00	28,633,361.43
Deferred Tax Liability			393,491.00
TOTAL		237,397,193.99	168,876,942.14
APPLICATION OF FUNDS:			
Fixed Assets			
Gross Block	5	10,626,291.98	8,502,548.01
Less: Accumulated Depreciation		4,896,221.98	4,294,505.01
Net Block		5,730,070.00	4,208,043.00
Deferred Tax Asset		102,541.00	
Net Current Assets			
Current Assets, Loans, Advances			
Inventories	A	357,972,839.52	203,020,790.59
Sundry Debtors	B	18,130,170.23	13,453,026.27
Cash & Bank Balances	C	567,199.45	926,472.13
Loans & Advances	D	9,156,832.00	3,019,068.00
SUBTOTAL		385,827,041.20	220,419,356.99
Less: Current Liabilities & Provisions			
Current Liabilities	A	152,165,210.21	55,750,457.85
Provision	B	2,097,248.00	-
SUBTOTAL		154,262,458.21	55,750,457.85
Net Current Assets		231,564,582.99	164,668,899.14
TOTAL		237,397,193.99	168,876,942.14
		-	-

"Subject to Schedules and Notes attached"

For and on behalf of the Board

(A.C. JAIN)
Managing Director

(P. KRISHNASAMY)
Company Secretary

(G.R. JAIN)
Joint Managing Director

As per our report of even date attached

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

PLACE : Chennai

DATE : 5th September 2010

RAINBOW FOUNDATIONS LIMITED

TRADING AND PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31 st MARCH 2011

PARTICULARS	SCH	2010-11	2009-10
A. INCOME			
Project Income	8	79,987,001.79	86,001,374.17
Increase in Stock		3,805,592.56	-
TOTAL (I)		83,792,594.35	86,001,374.17
GROSS PROFIT{(I)-(II)}			
Rental Income (TDS Rs. NIL)		26,030,424.54	13,574,343.65
Agriculture Income		103,881.00	409,900.00
Profit on Sale of Assets		-	240,000.00
Miscellaneous Income		18,834.81	36,040.16
TOTAL (A)		26,153,140.35	14,260,284.49
B. EXPENDITURE			
Project Expenditure	10	57,762,169.81	71,112,729.32
Decrease in Stock		-	1,314,301.20
TOTAL - II		57,762,169.81	72,427,030.52
Administrative Expenditure	11	6,381,625.38	5,612,899.32
Payment to Auditors		75,000.00	75,000.00
Interest	9	12,152,998.82	6,466,293.50
Depreciation		991,259.81	647,978.65
TOTAL (B)		19,600,884.01	12,802,171.47
<u>Net Profit Before Tax (A - B)</u>		6,552,256.34	1,458,113.02
Adj: Provision for Income Tax - current		2,404,499.00	385,327.00
Frilege Benefit Tax		-	-
(Income)/Expense Tax deferred		(496,032.00)	333,001.00
Income Tax Refund		-	(40,820.00)
Income Tax -previous year		-	-
Profit after tax		4,643,789.34	780,605.02
ADD: Balance brought forward		24,765,220.49	23,984,615.47
Surplus carried to Balance Sheet		29,409,009.83	24,765,220.49
Earnings per share (in Rupees)		0.84	0.13

"Subject to Schedules and Notes attached"

For and on behalf of the Board

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

(P. KRISHNASAMY)
 Company Secretary

As per our report of even date attached
 For JAIN BAFNA And Co.,
 (Chartered Accountants)
 (NARENDER KUMAR LODHA)
 Partner

PLACE : Chennai
 DATE : 5th September 2010

RAINBOW FOUNDATIONS LIMITED

SCHEDULES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED ON 31ST MARCH 2011

SCH	PARTICULARS	AS AT 31-3-2011	AS AT 31-3-2010
1	SHARE CAPITAL		
	Authorised		
	70,00,000 Equity Shares of Rs.10/- each		70,000,000.00
	1,20,00,000 Equity Shares of Rs.10/- each	120,000,000.00	
	Issued, Subscribed and fully paid - up		
	55,13,100 Equity Shares of Rs.10/- each	55,131,000.00	55,131,000.00
	TOTAL taken to Balance Sheet	55,131,000.00	55,131,000.00
2	RESERVES & SURPLUS		
	General Reserve		
	Opening Balance	108,063.44	108,063.44
	Profit & Loss Account	29,409,009.83	24,765,220.49
	Forfeited Shares A/c	1,984,500.00	1,984,500.00
	TOTAL taken to Balance Sheet	31,501,573.27	6,857,783.93
3	SECURED LOAN		
(i)	The Catholic Syrian Bank Ltd (Industrial Finance Branch)	59,544,646.72	56,932,123.78
	Personally guaranteed by Sri.A.C.Jain, Sri. G.R.Jain, Sri Navin Jain and Smt.Sarla jain and collaterally secured by Equitable Mortgage of the following properties: Owned By Mr. G.R. Jain at West Mambalam, Chennai. at Vadakal Village, Sriperumbudur Property Owned By Company Shop at Rainbow Arcade Property Owned By Mr. A.C. Jain at Vadakal Village, Sriperumbudur, at Pondur Village, Sriperumbudur Property Owned By Sri Navin Jain and Smt. Sarala Jain at Flowers Road Chennai		
	Term Deposit		
(ii)	Vehicle Loans (<i>Secured by Hypothecation of Vehicle</i>)		
	From Banks	368,624.00	630,686.00
	From Other than Banks	1,851,350.00	298,496.00
	TOTAL taken to Balance Sheet	61,764,620.72	57,861,305.78
4	UNSECURED LOANS		
	Short Term		
	from Banks	-	5,192.43
	from Others	89,000,000.00	28,628,169.00
	TOTAL taken to Balance Sheet	89,000,000.00	28,633,361.43

RAINBOW FOUNDATIONS LIMITED

SCHEDULE 5 : FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS ON 01/04/2010	ADDITIONS	DELETION	AS ON 31/03/2011	UP TO 31/03/2010	Adjustment for the sale	FOR THE YEAR	UP TO 31/03/2011	AS ON 31/03/2011	AS ON 31/03/2010
TANGIBLE ASSETS										
Building	3,199,384.91	-	-	3,199,384.91	1,074,273.91	-	106,256.00	1,180,529.91	2,018,855.00	2,125,111.00
Computers	325,362.00	-	-	325,362.00	298,627.00	-	10,694.00	309,321.00	16,041.00	26,735.00
Furnitures&fixtures	429,052.07	-	-	429,052.07	208,540.07	-	39,913.00	248,453.07	180,599.00	220,512.00
Vehicles	3,770,837.03	2,539,925.00	416,181.03	5,894,581.00	2,167,900.03	389,542.84	802,021.81	2,580,379.00	3,314,202.00	1,602,937.00
Plant & machinery	777,912.00	-	-	777,912.00	545,164.00	-	32,375.00	577,539.00	200,373.00	232,748.00
INTANGIBLE ASSETS										
	-	-	-	-	-	-	-	-	-	-
TOTAL	8,502,548.01	2,539,925.00	416,181.03	10,626,291.98	4,294,505.01	389,542.84	991,259.81	4,896,221.98	5,730,070.00	4,208,043.00
PREVIOUS YEARS FIGURES	7,294,132.01	1,624,821.00	416,405.00	8,502,548.01	3,973,971.52	327,445.16	647,978.65	4,294,505.01	4,208,043.00	3,320,160.49

RAINBOW FOUNDATIONS LIMITED

SCH	PARTICULARS	AS AT 31-3-2011	AS AT 31-3-2010
6	CURRENT ASSETS LOANS & ADVANCES		
A	INVENTORIES		
(a)	Stock in Trade		
	(i) Mint Street	681,502.05	645,369.05
	(ii) Rainbow Courtyard	2,311,570.28	-
	(iii) Rainbow Utsav	1,494,022.28	-
	(v) T.Nagar I	575,082.04	575,082.04
	(vi) Kodai Land I	7,596,628.73	7,658,128.73
	TOTAL - (a)	12,658,805.38	8,878,579.82
(b)	Closing Projects in Progress		
	(i) Plots		
	Kodai - Work in Progress	106,500.00	-
	Perungalathur II - Land Advance	1,411,750.00	1,411,750.00
	Thirupoorur - Land Advance	2,850,000.00	2,700,000.00
	Sriperumbadur Pondur - Land Advance	625,400.00	625,400.00
	Rajasthan-Jetaran-Land	1,282,980.00	1,282,980.00
	Ambattur - Land advance	-	270,000.00
	Nemili Sriperumbudur - Land advance	7,736,110.00	7,736,110.00
	Sriperumbadur Vadakal - Land Advance	6,800,469.00	7,102,499.00
	(ii) Apartments / Houses		
	Trichy - Land Advance	-	2,400,000.00
	Madipakkam - Land Advance	160,000.00	160,000.00
	Tiruvanmyur - Land Advance	600,000.00	600,000.00
	Rainbow Anitha Choolai - Land Advance	14,342,887.60	15,260,280.00
	- Work in Progress	791,405.00	386,001.00
	Rainbow Adithya Choolai - Land Advance	29,087,280.00	17,587,280.00
	- Work in Progress	676,580.00	193,329.00
	Velacherry J.V.Nagar - Land Advance	7,497,924.81	7,497,924.81
	-Work in Progress	-	4,966,059.41
	Whites Road - Land Advance	5,000,000.00	5,000,000.00
	Rainbow Paras -Land Advance	18,000,000.00	17,000,000.00
	-Work In Progress	6,696,895.33	7,000.00
	Rainbow Utsav - Perungalathur - Land Advance	1,395,031.58	1,496,000.00
	- Work in Progress	-	7,410,193.98
	Rainbow Abhay Flowers Road -Land advance	-	8,755,000.00
	G.P. Road - Land Advance	16,510,500.00	16,510,500.00
	- Work in Progress	55,000.00	55,000.00
	G.P. Road II - Land Advance	14,500,000.00	3,500,000.00
	- Work in Progress	4,500.00	4,500.00
	Rainbow Nest - Land Advance	1,579,500.00	1,723,800.00
	- Work in Progress	-	7,329,722.72
	Rainbow Retreat - JV	500,000.00	-
	Rainbow Retreat - WIP	369,015.00	-
	Rainbow Paradise - Land Advance	25,000,000.00	-
	Rainbow Paradise - Work in Progress	380,000.00	-
	Rainbow Tulip - Land Advance	54,500,000.00	-
	Rainbow Tulip - Work in Progress	90,060.00	-
	Rainbow Navkar - Land	6,756,124.79	1,010,000.00
	Rainbow Navkar - Work in Progress	134,534.00	-
	Rainbow Orchid - Land Advance	55,000,000.00	-
	Rainbow Orchid - Work in progress	32,730.00	-
	Rainbow Sripal - Land in advance	7,291,200.00	-
	Rainbow Sripal - Work in progress	3,442,298.80	-

RAINBOW FOUNDATIONS LIMITED

SCH	PARTICULARS	AS AT 31-3-2011	AS AT 31-3-2010
	(iii) Commercial Complex		
	Purashawalkam - Land Advance	14,867,435.00	14,867,435.00
	- Work in Progress	13,971,265.85	13,971,265.85
	Rainbow Nakoda-Land Advance	22,242,930.71	25,092,180.00
	-Work In Progress	3,025,726.67	230,000.00
	TOTAL - (b)	345,314,034.14	194,142,210.77
	SUBTOTAL (A)	357,972,839.52	203,020,790.59
B	SUNDRY DEBTORS (unsecured considered good)		
	More than 6 Months	9,393,187.27	8,222,521.84
	Others	8,736,982.96	5,230,504.43
	SUBTOTAL (B)	18,130,170.23	13,453,026.27
C	CASH AND BANK BALANCES		
	Cash on Hand	288,593.66	619,581.34
	Balance with Banks		
	in Current Accounts with Scheduled Banks	18,836.79	47,121.79
	in fixed Deposit Accounts with Scheduled Banks	259,769.00	259,769.00
	SUBTOTAL (C)	567,199.45	926,472.13
D	LOANS & ADVANCES		
(a)	(Good, Un secured, and fully recoverable)		
	Inter Corporate Deposits	7,813,113.00	1,993,113.00
	Others	100,000.00	100,000.00
	TOTAL - (a)	7,913,113.00	2,093,113.00
(b)	Staff Advances (considered good & recoverable)	35,000.00	63,500.00
(c)	Deposits & Others		
	(good & recoverable in cash or kind)		
	Electricity Deposit	19,630.00	19,630.00
	Telephone Deposit	47,575.00	47,575.00
	Deposit-Petrol	10,000.00	10,000.00
	Fixed Deposit (assigned to Sales tax authorities)	2,500.00	2,500.00
	Rent Advance	300,000.00	250,000.00
	Interest Receivable	11,049.00	-
	Rent receivable	14,833.00	27,400.00
	Income Tax Refundable	91,246.00	91,246.00
	Prepaid expenses	22,265.00	15,810.00
	TDS Recoverable	92,494.00	92,494.00
	Service Tax Receivable	291,327.00	
	Sales Tax Recoverable	305,800.00	305,800.00
	TOTAL - (c)	1,208,719.00	862,455.00
	SUBTOTAL (D)	9,156,832.00	3,019,068.00

RAINBOW FOUNDATIONS LIMITED

SCH	PARTICULARS	AS AT 31-3-2011	AS AT 31-3-2010
7	CURRENT LIABILITIES & PROVISIONS		
A	CURRENT LIABILITIES		
	Advance for Plots		
	Kodai	219,000.00	219,000.00
	Advance for Flats/Apartments / Houses		
	Flowers Road	-	8,154,879.00
	Rainbow Anitha	16,440,000.00	200,000.00
	Rainbow Adhithya	29,411,000.00	1,451,000.00
	Rainbow Courtyard	1,876,000.00	842,942.58
	Rainbow Nest	6,000,000.00	900,949.64
	Velachery-II	-	7,500,000.00
	Madipakkam	90,000.00	90,000.00
	Rainbow Utsav	4,091,700.00	1,000,000.00
	Rainbow Sripal	3,115,170.14	1,351,000.00
	Rainbow Navkar	2,050,000.00	-
	Rainbow Orchid	19,210,000.00	-
	Rainbow Paras	5,258,655.75	-
	Rainbow Tulip	28,500,000.00	-
	Rainbow Paradise	604,000.00	-
	Advance for Commercial Complex		
	T. Nagar	975,120.00	975,120.00
	Purasawalkam	22,393,812.00	22,393,812.00
	Rainbow Nakoda Plaza	5,107,452.50	5,000,000.00
	Project Expenses Outstanding	1,550,000.00	1,450,000.00
	Outstanding Liabilities	783,953.00	758,759.13
	T.D.S. payable	686,642.00	146,999.00
	Audit Fee Payable	67,500.00	67,500.00
	Provisions	10,270.32	-
	Sales Tax Payable	-	16,000.00
	Arihant Shelters (I) Ltd - Mandavelli	-	1,711,191.50
	Arihant Shelters (I) Ltd - Ashok Nagar	-	684,805.00
	Interest Payable	3,176,438.00	-
	Rent Payable	363,496.50	367,500.00
	Rent Deposit	185,000.00	469,000.00
	SUBTOTAL (A)	152,165,210.21	55,750,457.85
B	PROVISIONS		
	Income Tax Payable	2,097,248.00	-
	SUBTOTAL (B)	2,097,248.00	-

RAINBOW FOUNDATIONS LIMITED

SCH	PARTICULARS	AS AT 31-3-2011	AS AT 31-3-2010
8	PROJECT INCOME		
	Kodaikkanal -I-Lands	-	3,150,000.00
	Kodaikkanal -II-Lands	-	4,447,000.00
	Land-Gopal Menon Street	-	8,000,000.00
	Choolai Flats	-	1,700,000.00
	Velacherry- II-Land	-	39,245,700.00
	Velacherry-Flats	5,352,827.74	5,377,365.01
	Bungalow-Velachery II	9,812,500.00	6,000,000.00
	Land-Erulappan Street	-	3,500,000.00
	Rainbow Nest-Flats	10,180,049.64	283,303.73
	Flowers Road-Bungalow	-	10,500,000.00
	Flowers Road - Land	8,670,000.00	-
	Perungulathur-plot	-	1,343,500.00
	Rainbow Utsav-Flat	20,858,395.32	2,104,505.43
	Mint Street - Shops	-	350,000.00
	Rainbow Paras - Flat	2,372,329.53	-
	Rainbow Sripal - Flat	9,860,073.57	-
	Ambattur - Land	695,500.00	-
	Rainbow anitha - Land	920,700.00	-
	Rainbow Nakoda - Land	2,912,000.00	-
	Rainbow Navkar - Land	343,200.00	-
	Rainbow Nest - Land	144,300.00	-
	Rainbow Sripal - Land	1,881,600.00	-
	Rainbow Utsav-Land	228,900.25	-
	Vadakkal - Land	327,000.00	-
	Rainbow Nakoda - Shop	5,427,625.74	-
	TOTAL taken to Profit & Loss Account	79,987,001.79	86,001,374.17
9	INTEREST		
a	Interest receipts from		
	Corporate Bodies (TDS Rs. 5199)	51,986.00	1,697,679.00
	Bank (TDS Rs. 2052)	10,635.00	11,980.50
	Others	17,924.00	105,056.00
	TOTAL - (a)	80,545.00	1,814,715.50
b	Interest payments to		
	Corporate Bodies	5,169,924.00	806,450.00
	Banks	6,870,212.82	7,381,919.00
	Car loans	193,407.00	92,640.00
	TOTAL - (b)	12,233,543.82	8,281,009.00
	NET INTEREST taken to P & L Account	12,152,998.82	6,466,293.50

RAINBOW FOUNDATIONS LIMITED

SCH	PARTICULARS	AS AT 31-3-2011	AS AT 31-3-2010
10	PROJECT EXPENDITURE		
	Velacherry -II- Land	-	36,350,000.00
	Velacherry - JV Nagar-Velachery-Flat	5,787,945.59	3,194,202.39
	Velachery II-Bungalow	6,500,000.00	5,000,400.00
	Flat-Rainbow Utsav	10,024,101.98	802,771.02
	Rainbow Nest-Flats	7,593,514.72	166,924.96
	Flowers Road-Bungalow	-	9,000,000.00
	Flowers Road-Land	8,755,000.00	-
	Kodai-I-Land	-	3,600,000.00
	Perungulathur-Plot	-	1,093,450.00
	Choolai - Flats	-	1,300,000.00
	Land-Gopal Menon Street	-	7,800,000.00
	Land-Erulappan Street	-	2,585,955.00
	Kodai - Plots	-	61,500.00
	Mint Street Project	-	157,525.92
	Rainbow Paras - Flat	2,167,455.67	-
	Rainbow Sripal - Flat	5,163,448.20	-
	Ambattur - Land	270,000.00	-
	Rainbow Anitha - Land	917,392.40	-
	Rainbow Nakoda - Land	2,849,249.29	-
	Rainbow Navkar - Land	339,255.21	-
	Rainbow Nest - Land	144,300.00	-
	Rainbow sripal - Land	1,822,800.00	-
	Rainbow Utsav - Land	100,968.42	-
	Vadakkal Land	302,030.00	-
	Rainbow Nakoda- Shop	5,024,708.33	-
	TOTAL taken to Profit & Loss Account	57,762,169.81	71,112,729.29
11	ADMINISTRATIVE EXPENSES		
	Advertisement expenses	78,654.00	103,647.00
	AGM Expenses	-	425.00
	Audit expenses	480.00	480.00
	Bank charges	67,598.75	123,788.13
	Books & Periodicals	5,736.00	5,728.00
	Brokerage & Commission	-	12,500.00
	Business Promotion	287,414.00	36,715.42
	Compensation	400,000.00	-
	Documentation charges	5,799.00	-

RAINBOW FOUNDATIONS LIMITED

SCH	PARTICULARS	AS AT 31-3-2011	AS AT 31-3-2010
	Donation	80,150.00	30,000.00
	Electricity charges	63,935.00	70,152.00
	Filing fees	252,000.00	11,700.00
	Insurance	68,017.00	59,071.72
	Legal expenses	221,750.00	4,000.00
	Listing fees	72,798.00	141,064.00
	Loan Processing and Valuation Fee	225,100.00	202,035.00
	Office Maintenance	175,494.00	25,124.00
	Postage & Telegrams	15,766.00	15,039.00
	Printing & Stationery	98,471.00	70,312.50
	Professional & Consultancy	108,619.59	144,685.37
	Rent	355,100.00	328,000.00
	Repair & Maintenance (Building)	18,348.00	314,008.00
	Repair & Maintenance (Others)	71,361.50	8,930.50
	Salary	2,944,500.00	1,711,902.00
	Sales Tax	2,920.00	1,651,372.00
	Sales Tax Interest	695.00	-
	Staff Welfare	103,092.00	38,685.75
	Tender Charges	1,000.00	2,000.00
	Telephone charges	146,122.13	147,002.78
	Transport charges	-	700.00
	Travelling & Conveyance	180,779.74	79,864.27
	Vehicle Maintenance	326,724.67	261,841.88
	WebSoftware Charge	3,200.00	12,125.00
	TOTAL taken to Profit & Loss Account	6,381,625.38	5,612,899.32

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.,
(Chartered Accountants)
(NARENDER KUMAR LODHA)
Partner

PLACE : Chennai

DATE : 5th September 2010

RAINBOW FOUNDATIONS LIMITED

12 "A" Significant Accounting Policies

1. Basis of Accounting

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

2. Use of estimates

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

3. Fixed assets and depreciation

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

4. Inventories

Inventories are valued as under

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

5. Construction contracts

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

6. Revenue recognition

- a. Sale of Land & Undivided Share of Land(UDS)
 - i. Sale of land and UDS (excluding land under agreement to sell) is recognised in the financial year in which the sale deed is executed.
- b. Revenue from constructed properties:
 - i. Revenue from constructed properties is recognised on the "percentage of completion method" as suggested under Accounting Standard 7 on Construction Contracts(revised 2002)

RAINBOW FOUNDATIONS LIMITED

issued by the Institute of Chartered Accountants of India. Total sale consideration as per the agreements to sell constructed properties entered into is recognised as revenue based on the percentage of actual project costs incurred thereon to total estimated project cost. Project cost includes estimated construction and development cost of such properties. The estimates of the saleable area and costs are reviewed periodically and effect of any changes in such estimates is recognised in the period such changes are determined. However, when the total project cost is estimated to exceed total revenues from the project, the loss is recognised immediately.

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

7. Interest from customers under agreements to sell

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

8. Cost of revenue

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

9. Borrowing costs

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

10. Segment Reporting

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

11. Deferred Taxation

- a. 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

RAINBOW FOUNDATIONS LIMITED

1. Gratuity is a post employment benefit and is in the nature of a defined benefit plan. The liability is not recognised in the balance sheet in respect of gratuity.

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. 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.

12 "B" NOTES ON THE ACCOUNTS

- A Balances of certain Debtors and Creditors are subject to reconciliation in the absence of confirmation from them.

Schedules have been rearranged and regrouped wherever necessary.

- B The Companies Project at Purusawakkam is under a Legal Dispute with regards to the ownership of the property. Substantial amount has been invested by the company in the project and substantial portion of the project is complete. The outcome of the case is not known and thus the amounts spent have been shown as Closing Project in progress. No provision of loss is made in the absence of certainty of amount.
- C There are no sums which are payable to small scale industrial undertakings (SSIs) that are outstanding for more than thirty days as on the Balance sheet date. Further there are no outstanding amounts payable to Micro, Small and Medium enterprises as on the Balance sheet date. For this purpose, the SSIs and Micro, Small and Medium enterprises are as identified by the management and relied upon by the auditors.
- D The Income tax disputed liability pending before the Hon'ble High Court of Madras and The Commissioner of Income Tax(Appeals) for the Asst year 2002-2003 to the tune of Rs. 2,85,218 and Rs. 2,25,291 respectively, is not provided, and similar way The Income tax disputed liability pending with The Commissioner of Income Tax(Appeals) for the Asst Year 2006-07 & AY 2007-08 to the tune of Rs. 4,02,650 & Rs. 3,33,003 respectively is also not provided in the books of accounts.
- E The company has received Show Cause Notice from Service Tax Department demanding Rs. 7,86,330 as service tax dues. The company has filed its replies against the Show Cause Notice. No further communication is received from the Service Tax Department and the company has not provided for the liability.

F		2010-2011	2009-2010
G	Payments to Auditors		
	Towards Statutory Audit	50,000.00	50,000.00
	Tax Audit	10,000.00	10,000.00
	I.T. Representation	15,000.00	15,000.00
		75,000.00	75,000.00

RAINBOW FOUNDATIONS LIMITED

H	Payments to Directors	2010-2011	2009-2010
	Towards Salary		
	Anop Chand Jain - Managing Director	480,000.00	430,000.00
	Gajraj Jain - Joint Managing Director	480,000.00	367,500.00

I	Leases			
	Minimum Lease rentals outstanding as on 31st March 2011 are:			
		Total Minimum Lease Payments outstanding as at 31st March	Future Interest on Outstanding Lease Payments	Present Value of Minimum lease Payments as at 31st March
	Within One year			
	2010-2011	1,356,167.00	154,391.00	1,201,776
	2009-2010	481,764.00	81,596.00	400,168
	Later than one year and not later than five years			
	2010-2011	1,080,868.00	62,670.00	1,018,198
	2009-2010	586,172.00	36,534.00	549,638
	Later than five years			
	2010-2011	-	-	-
	2009-2010	-	-	-

J	Earnings per Share		
	Profit after taxation as per Profit and Loss account (A)	4,643,789.34	780,605.02
	Number of Equity shares outstanding (B)	5,513,100	5,513,100
	Earnings per share (in Rupees) (A / B)	0.84	0.14

K	Deferred Taxation		
	In conformity with Accounting Standard No.22 issued by		
	The Institute of Chartered Accountants of India on		
	'Accounting for Taxes on Income',		
	The composition of Deferred Tax Liability/Asset		
	On account of timing differences relating to depreciation	102,541.00	393,491.00
		(Asset)	(Liability)

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

RAINBOW FOUNDATIONS LIMITED

b	Transactions with related parties		
	Remuneration to Key Management Personnel		
	Anop Chand Jain - Managing Director	480,000.00	430,000.00
	Gajraj Jain - Joint Managing Director	480,000.00	367,500.00

For and on behalf of the Board

(A.C. JAIN) (G.R. JAIN)
Managing Director Joint Managing Director
(P. KRISHNASAMY)
Company Secretary

As per our report of even date attached
For JAIN BAFNA And Co.,
(Chartered Accountants)
(NARENDER KUMAR LODHA)
Partner

PLACE : Chennai

DATE : 5th September 2010

RAINBOW FOUNDATIONS LIMITED

CASH FLOW STATEMENT

	(Amount in Rs. Thousands) 2010-11	(Amount in Rs.Thousands) 2009-10
A. Cash Flow from Operating Activities		
a. Net Profit before taxation and extraordinary items	6,552.26	1,458.11
b. Adjustments for:		
Depreciation	991.26	647.98
Interest income	(80.55)	(1,814.72)
Liabilities/Provisions written back		
(Profit)/Loss on sale of fixed assets	(18.83)	(36.04)
Interest expense(net)	12,233.54	8,281.01
c. Operating Profit before working capital changes	19,677.68	8,536.34
i. (Increase)/Decrease in sundry debtors	(4,677.14)	(6,382.31)
ii. (Increase)/Decrease in inventories	(154,952.05)	(19,939.89)
iii. Increase/(Decrease) in current liabilities	96,414.75	(11,662.96)
iv. (Increase)/Decrease in loans and advances	(6,137.76)	11,388.11
Total	<u>(69,352.20)</u>	(26,597.05)
d. Cash generated from operations	(49,674.52)	(18,060.71)
e. Income Taxes paid net of refund	(307.25)	(1,719.43)
f. Net Cash from operating activities	(49,981.77)	(19,780.14)
B. Cash Flow from Investing Activities		
a. Purchase of Fixed assets	(2,539.93)	(1,624.82)
b. Proceeds from sale of asset	45.47	125.00
c. Advances to subsidiaries/ firms		
d. Purchase of investments		
e. Interest received	80.55	1,814.72
f. Net Cash from investing activities	<u>(2,413.91)</u>	314.90
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	3,903.31	1,661.21
e. Net increase/(decrease) in other borrowings	60,366.64	25,833.36
f. Interest paid	(12,233.54)	(8,281.01)
g. Net Cash from financing activities	52,036.41	19,213.56
Net increase in cash and cash equivalents (A+B+C)	(359.27)	(251.68)
Cash and cash equivalents at the beginning of the period	926.47	1,178.16
Cash and cash equivalents at the end of the period	<u>567.20</u>	<u>926.47</u>
	<u>(0.00)</u>	

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

RAINBOW FOUNDATIONS LIMITED

The Cash Flow from operations are:

		Continuing operations		Discontinuing operations		Total	
		Current year	Previous year	Current year	Previous year	Current year	Previous year
A.	Net Cash Flow from Operating Activities	(49,981.77)	(19,780.14)	-	-	(49,981.77)	(19,780.14)
B.	Net Cash from Investing activities	(2,413.91)	314.90	-	-	(2,413.91)	314.90
C.	Net Cash Flow from Financing activities	52,036.41	19,213.56	-	-	52,036.41	19,213.56

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

AUDITORS' CERTIFICATE

We have examined the above cash flow statement of M/s. Rainbow Foundations Ltd., for the year ended 31.03.2011. The statement has been prepared by the Company in accordance with the requirement of Listing Agreement Clause 32 with Madras stock exchange Ltd., and is based on and in agreement with the corresponding Profit & loss Account and Balance sheet of the Company covered by our report of even date to the members of the Company.

As per our report of even date attached
For JAIN BAFNA And Co.,
(Chartered Accountants)
(NARENDER KUMAR LODHA)
Partner

PLACE : Chennai
DATE : 5th September 2011

RAINBOW FOUNDATIONS LIMITED

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

I. Registration Details

Registration No. L55101TN1994PLC027739

Balance Sheet Date 3 1 0 3 2 0 1 1 State Code 1 8

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

Public Issue N I L Private Placement N I L

Bonus Issue N I L Rights Issue N I L

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

Total liabilities 2 3 7 3 9 7 Total assets 2 3 7 3 9 7

Sources of funds: 1 1

Paid up capital 5 5 1 3 1 Reserves & Surplus 3 1 5 0 2

Secured loan 6 1 7 6 5 Unsecured loans 8 9 0 0 0

Deferred Tax Liability

Application of funds:

Net fixed assets 5 7 3 0 Investment N I L

Net current assets 2 3 1 5 6 5 Misc. Exp. -

Deferred Tax Asset 1 0 3

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

Total turnover 8 3 9 1 5 Total expenditure 7 7 3 6 3
(incl. Other income)

Profit before tax 6 5 5 2 Profit after tax 4 6 4 4

Earnings per share 0 . 8 4 Dividend N I L

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

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

For and on behalf of the Board

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

PLACE : Chennai
DATE : 5th September 2011

(P. KRISHNASAMY)
Company Secretary

RAINBOW FOUNDATIONS LIMITED

Regd. Office : New 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 17th Annual General Meeting at the Registered office of the Company at No.4, Thanikachalam Road, T. Nagar, Chennai – 600017, Tamil Nadu, on Friday, the 30th September 2011 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 : New No. 4, Thanikachalam Road, T.Nagar, Chennai - 600 017.

PROXY FORM

I/We of in the district of being a member(s) of Rainbow Foundations 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

17th Annual General Meeting of the Company to be held at No.4, Thanikachalam Road, T. Nagar, Chennai – 600017, Tamil Nadu, on Friday, the 30th September 2011 at 9.30 a.m. and at any adjournment thereof.

Affix
Rupee 1.00
Revenue
Stamp

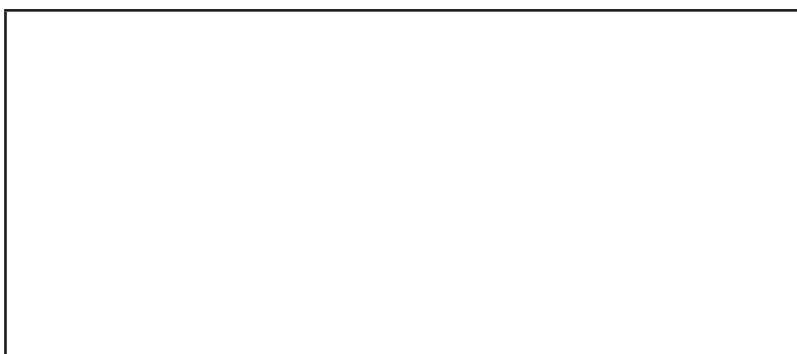
Signed this..... day of 2011

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.*

BOOK-POST

To.



If undelivered, Please return to :

RAINBOW FOUNDATIONS LIMITED

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

T. Nagar, Chennai - 600 017

Tamil Nadu.