

FORM B

Format of covering letter of the annual audit report to be filed with the stock exchanges

1.	Name of the Company:	Allsec Technologies Limited
2.	Annual financial statements for year ended	March 31, 2014
3.	Type of Audit qualification	<p>Qualified.</p> <p>The qualifications as reported by Statutory Auditors is reproduced herein:</p> <p>1. The financial statements as at March 31, 2014 include investments in equity and preference share capital in its wholly owned subsidiary Allsectech Manila Inc., Philippines aggregating Rs. 2,586 lakhs (March 31, 2013: Rs. 1,020 lakhs as investments and Rs 1,443 as advance towards share capital). The subsidiary's accumulated losses have fully eroded its net worth as at March 31, 2014. Management has undertaken several initiatives to improve its income from operations and establish profitable operations. The recovery of the value of such investment in the subsidiary is dependent upon the ability of the subsidiary to establish successful operations in the future and achieve sustained profitability. In view of the operational and financial position of the subsidiary as noted above, we are unable to comment on the adjustments, if any, that may be required to be made to the carrying value of such investments and advances. Our audit opinion on the financial statements for the year ended March 31, 2013 was also qualified in respect of the above matter.</p> <p>2. The financial statements as at March 31, 2014 include investments of Rs. 1,214 lakhs (March 31, 2013: Rs. 595 lakhs) in its wholly owned subsidiary Allsectech Inc., USA and receivable balance (net) of Rs. 84 lakhs (March 31, 2013: Rs. 595 lakhs) from such subsidiary. The subsidiary's accumulated losses have substantially eroded its net worth as at March 31, 2014. The recovery of the value of such investment in the subsidiary is dependent upon the ability of the subsidiary to establish successful operations in the future and achieve sustained profitability. In view of the operational and financial position of the subsidiary as noted above, we are unable to comment on the adjustments, if any, that may be required to be made to the carrying value of such investments and receivables. Our audit opinion on the financial statements for the year ended March 31, 2013 was also qualified in respect of the above matter.</p>
4.	Frequency of qualification	The first qualification relating to recoverability of investment in Manila was included in the Stand alone Audit report for year ended March 31, 2012, March 31, 2013 & March 31, 2014.

		The second qualification relating to recoverability of investment in Allsectech Inc, USA has been reported for the year ended March 31, 2013 and March 31, 2014.
5.	<i>Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report:</i>	<p>The Auditors have made the above qualifications in Para 1 and Para 2 under “basis of qualified opinion” in the Audit Report for the year 2013-14. The Management has given detailed explanation to this qualified opinion in Note 19(a) & (b) of the Notes forming part of the Accounts, which is reproduced below.</p> <p><u>Reply to the First qualification:</u></p> <p><u>Regarding the subsidiary Allsectech Manila:</u></p> <p>Management has undertaken several initiatives to improve its income from operations and establish profitable operations. Management has also entered into arrangements such as subleasing of excess capacity to earn alternative sources of income. Based on these action plans, the management is confident that the subsidiary will be able to earn sufficient profit which will enable the parent Company to recoup the value of investments in the subsidiary. Based on the above, management is of the view that no provision is required to be made to the carrying value of such investments.</p> <p><u>Reply to the Second qualification:</u></p> <p><u>Regarding the subsidiary Allsectech Inc USA:</u></p> <p>Management has undertaken several initiatives to restructure the operations of its subsidiary and establish profitable operations. The management believes that the synergy of the consolidated operations of parent and subsidiary increases the operational efficiency of the group. Considering that the investment in subsidiary is long term in nature and steps have been taken by the management for turnaround of the subsidiary, diminution in value is considered as temporary and management is of the view that no provision is required to be made to the carrying value of such investments and other receivables.</p>
6.	<i>Additional comments from the board/audit committee chair:</i>	The reply given in the Notes was discussed and arrived at the Audit Committee and Board meeting of the Company held on 23 rd May 2014 for approval of annual accounts of the Company and the Board/Audit committee members consented to the explanatory notes provided by the Company.

7.	<p>To be signed by-</p> <ul style="list-style-type: none"> • CEO/Managing Director • CFO • Auditor of the company • Audit Committee Chairman" 	<p>Paqodil</p> <p><u>Kennanally</u></p> <p>Belashatmy</p> <p>Schmidt</p>
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