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, 2013*
3.	*Type of Audit qualification*	Qualified. The qualifications as reported by Statutory Auditors is reproduced herein: *1. The financial statements as at March 31, 2013 include investments of Rs. 1,020 lakhs (March 31, 2012: Rs. 1,020 lakhs) in its wholly owned subsidiary Allsectech Manila Inc., Philippines and advances towards investment in preference share capital of Rs.1,443 lakhs (March 31, 2012: Rs.1,225 lakhs) from such subsidiary. The subsidiary's accumulated losses have fully eroded its net worth as at March 31, 2013. 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, 2012 was also qualified in respect of the above matter.* *2. The financial statements as at March 31, 2013 include investments of Rs. 595 lakhs in its wholly owned subsidiary Allsectech Inc., USA and receivable balance (net) of Rs.595 lakhs from such subsidiary. The subsidiary's accumulated losses have fully eroded its net worth as at March 31, 2013. 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.*

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 and March 31, 2013. The second qualification relating to recoverability of investment in Allsectech Inc, USA has been reported for the first time in March 31, 2013.
5.	*Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report:*	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 2012-13. The Management has given detailed explanation to this qualified opinion in Note 20(a) & (b) of the Notes forming part of the Accounts, which is reproduced below. **Reply to the First qualification:** Regarding the subsidiary Allsectech Manila: Management has undertaken several initiatives to improve its income from operations and establish profitable operations. Allsectech Manila Inc has made profits during the past two quarters on account of expansion of customer base and improved capacity utilisation and expects that such additional efforts initiated by the management would result in significant increase in the revenue and sustained profitability. Based on the above and considering the business plans for the future, management is of the view that no provision is required to be made to the carrying value of such investments and advances. Also, the Company has via its Board Meeting dated February 05, 2013 decided to convert the loan given to Allsectech Manila Inc. amounting to Rs. 1,443 lakhs (USD 26.57 lakhs) in to preference share capital subject to approval from the relevant regulatory authorities in Manila, Philippines. Pending receipt of such approvals, the same has been disclosed as advance towards investment in preference share capital. **Reply to the Second qualification:** Regarding the subsidiary Allsectech Inc USA: 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. Based on the above

		and considering the business plans for the future, management is of the view that no provision is required to be made to the carrying value of such investments and advances.
6.	*Additional comments from the board/audit committee chair:*	The reply given in the Notes was discussed and arrived at the Audit Committee and Board meeting of the Company held on 8 May 2013 for approval of annual accounts of the Company and the Board/Audit committee members consented to the explanatory notes provided by the Company.
7.	*To be signed by-* • *CEO/Managing Director* • *CFO* • *Auditor of the company* • *Audit Committee Chairman"*	(R. JAGADISH) (K. NARASIMHAN) (S. BALASUBRAHMANYAM) (T. ANANTHA NARAYANAN)