

**SIFY LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands, except share data and as otherwise stated)

	Year ended March 31,			
	2002	2003	2004	2004
<b>Net loss from continuing operations</b>	<b>Rs.(7,158,265)</b>	<b>Rs.(1,329,388)</b>	<b>Rs.(371,284)</b>	<b>\$(8,555)</b>
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation, amortization and impairment	5,020,600	854,182	582,531	13,422
Equity in losses of affiliates	1,225,444	26,061	(17,083)	(393)
Gain on sale of investments	-	(1,495)	(98,948)	(2,280)
Loss / (gain) on sale of plant and equipment	3,652	2,552	(1,990)	(46)
Provision for doubtful receivables and advances	101,500	156,233	76,487	1,762
Inventory write down	22,085	6,720	1,407	33
Minority interest	(17,928)	(12,564)	(79)	(2)
Others		7,106	50,745	1,169
<i>Changes in assets and liabilities:</i>				
Accounts receivable	(15,997)	(65,793)	(223,074)	(5,140)
Due from officers and employees	26,152	62,552	4,870	112
Due from related parties	4,159	(7,879)	2,986	69
Inventories	50,557	(11,265)	17,805	410
Prepaid expenses	94,580	(10,030)	17,828	411
Other assets	21,815	(24,962)	43,034	992
Trade accounts payable and accrued liabilities	(14,477)	(78,836)	120,621	2,779
Deferred revenue	(39,484)	144,778	52,656	1,213
Advances from customers	(84,388)	10,851	57,499	1,325
Other liabilities	(15,685)	32,904	(42,026)	(968)
<b>Net cash provided by / (used in) continuing operations</b>	<b>Rs.(775,680)</b>	<b>Rs.(238,273)</b>	<b>Rs. 273,985</b>	<b>\$6,313</b>
<b>Net cash provided by discontinued operations</b>	<b>Rs. 237,531</b>	<b>Rs. 0</b>	<b>Rs. 0</b>	<b>\$0</b>
<b>Net cash provided by / (used in) operating activities</b>	<b>Rs.(538,149)</b>	<b>Rs.(238,273)</b>	<b>Rs. 273,985</b>	<b>\$6,313</b>
<b>Cash flows from investing activities:</b>				
Expenditure on plant and equipment	(181,217)	(284,346)	(342,584)	(7,894)
Proceeds from sale of plant and equipment	12,559	12,055	12,955	299
Expenditure on intangible assets	(59,240)	(16,891)	(2,331)	(54)
Expenditure on investment in affiliates	(119,741)	29,162	56,737	1,307
Expenditure on acquisition of minority interest	-	-	(940)	(22)
Net movement in cash - restricted	(122,287)	(22,233)	62,889	1,449
Purchase consideration for acquisition, net of cash	(11,210)	-	(32,755)	(755)
Proceeds from sale of investments	-	8,579	257,356	5,930
<b>Net cash used in continuing operations</b>	<b>Rs.(481,136)</b>	<b>Rs.(273,674)</b>	<b>Rs. 11,327</b>	<b>\$261</b>
<b>Net cash used in discontinued operations</b>	<b>Rs.(71,279)</b>	<b>Rs. 0</b>	<b>Rs. 0</b>	<b>\$0</b>
<b>Proceeds from sale of discontinued operation</b>	<b>Rs. 349,165</b>	<b>Rs. 0</b>	<b>Rs. 0</b>	<b>\$0</b>
<b>Net cash used in investing activities</b>	<b>Rs.(203,250)</b>	<b>Rs.(273,674)</b>	<b>Rs. 11,327</b>	<b>\$261</b>
<b>Cash flows from financing activities:</b>				
Acquisition related debt	-	-	30,355	699
Principal payments under capital lease obligations	(9,097)	(1,695)	(7,317)	(169)
Net proceeds from issuance of common stock	-	760,472	166,920	3,846
<b>Net cash provided by / (used in) continuing operations</b>	<b>Rs.(9,097)</b>	<b>Rs. 758,777</b>	<b>Rs. 189,958</b>	<b>\$4,376</b>
<b>Net cash used in discontinued operations</b>	<b>Rs. 0</b>	<b>Rs. 0</b>	<b>Rs. 0</b>	<b>\$0</b>
<b>Net cash provided by / (used in) financing activities</b>	<b>Rs.(9,097)</b>	<b>Rs. 758,777</b>	<b>Rs. 189,958</b>	<b>\$4,376</b>
Effect of exchange rate changes on cash	(5,598)	(7,345)	(47,063)	(1,084)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(756,094)</b>	<b>239,485</b>	<b>428,207</b>	<b>9,866</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1,414,205</b>	<b>658,111</b>	<b>897,596</b>	<b>20,682</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>Rs. 658,111</b>	<b>Rs. 897,596</b>	<b>Rs. 1,325,803</b>	<b>\$30,548</b>
<b>Supplementary Information</b>				
Cash paid towards interest	2,838	795	2,126	49
Cash paid towards taxes (net of refunds)	44,958	20,048	(29,468)	(679)
<b>Supplemental schedule of non cash financing activity</b>				
Additional common stock issued for acquisition of business	49,268	-	-	-

See accompanying notes to consolidated financial statements