

**Item 1. Financial Statements**

**SIFY LIMITED (formerly known as Satyam Infoway Limited) and Subsidiaries**  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share data and as otherwise stated)

	As at March 31,	As at June 30,	
	2005	2005	
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	Rs. 1,323,912	Rs. 1,289,589	\$ 29,639
Cash restricted	24,904	24,477	563
Accounts receivable	615,286	688,428	15,822
Due from employees	2,063	1,786	41
Due from related parties	33,524	95,872	2,203
Inventories	29,194	72,057	1,656
Prepaid expenses	87,162	83,811	1,926
Net investment in leases	9,430	10,087	232
Other current assets	140,285	116,445	2,676
<b>Total current assets</b>	<b>2,265,760</b>	<b>2,382,552</b>	<b>54,758</b>
Cash restricted	7,336	7,280	167
Net investment in leases	19,735	18,577	428
Property, plant and equipment-net	1,270,621	1,330,611	30,582
Goodwill and other intangible assets	171,732	159,509	3,666
Investments in affiliated companies	192,357	203,239	4,671
Other assets	93,241	104,835	2,409
<b>Total assets</b>	<b>Rs. 4,020,782</b>	<b>Rs. 4,206,603</b>	<b>\$ 96,681</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Current installments of capital lease obligations	6,089	5,509	127
Trade accounts payable	454,466	528,081	12,137
Accrued liabilities	393,727	479,475	11,020
Deferred revenue	409,244	479,690	11,024
Due to employees	2,326	-	-
Advances from customers	69,429	133,681	3,072
Other current liabilities	117,876	96,321	2,214
<b>Total current liabilities</b>	<b>1,453,157</b>	<b>1,722,757</b>	<b>39,594</b>
Capital lease obligations, excluding current installments	3,814	2,692	62
Other liabilities	63,627	77,962	1,792
<b>Total liabilities</b>	<b>1,520,598</b>	<b>1,803,411</b>	<b>41,448</b>
<b>Minority interest</b>	<b>1,595</b>	<b>1,595</b>	<b>37</b>
<b>Stockholders' equity</b>			
Equity shares, Rs. 10 par value; 37,500,000 authorized; Issued and outstanding: 35,380,278 shares as of June 30, 2005 and 35,380,278 shares as of March 31, 2005.	353,803	353,803	8,132
Additional paid-in capital	14,563,734	14,563,731	334,721
Deferred compensation - employee stock offer plan	(3,416)	(2,256)	(52)
Accumulated deficit	(12,415,532)	(12,513,681)	(287,605)
<b>Total stockholders' equity</b>	<b>2,498,589</b>	<b>2,401,597</b>	<b>55,196</b>
<b>Total liabilities and stockholders' equity</b>	<b>Rs. 4,020,782</b>	<b>Rs. 4,206,603</b>	<b>\$ 96,681</b>

See accompanying notes to unaudited condensed consolidated financial statements