

**Item 1. Financial Statements**

**SIFY LIMITED and Subsidiaries**  
**UNAUDITED CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share data and as otherwise stated)

	<u>As of March 31,</u> <u>2005</u>	<u>As of December 31,</u> <u>2005</u>	
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	Rs. 1,323,912	Rs. 1,148,627	\$ 25,553
Cash restricted	24,904	—	—
Accounts receivable, net	615,286	776,827	17,282
Due from employees	2,063	19,441	432
Due from related parties	33,524	—	—
Inventories	29,194	37,252	829
Prepaid expenses	87,162	107,774	2,398
Net investment in leases	9,430	10,611	236
Other current assets	140,285	211,695	4,710
<b>Total current assets</b>	<b>2,265,760</b>	<b>2,312,227</b>	<b>51,440</b>
Cash restricted	7,336	1,000	22
Net investment in leases	19,735	13,599	303
Property, plant and equipment, net	1,270,621	1,432,726	31,874
Goodwill and other intangible assets	171,732	46,045	1,024
Investments in affiliated companies	192,357	227,614	5,064
Other assets	93,241	136,271	3,031
<b>Total assets</b>	<b>Rs. 4,020,782</b>	<b>Rs. 4,169,482</b>	<b>\$ 92,758</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Current installments of capital lease obligations	6,089	3,932	87
Trade accounts payable	454,466	414,075	9,212
Accrued liabilities	393,727	490,131	10,904
Deferred revenue	409,244	504,075	11,214
Due to employees	2,326	700	16
Advances from customers	69,429	81,682	1,817
Other current liabilities	117,876	93,080	2,071
<b>Total current liabilities</b>	<b>1,453,157</b>	<b>1,587,675</b>	<b>35,321</b>
Capital lease obligations, excluding current installments	3,814	2,345	52
Other liabilities	63,627	93,846	2,088
<b>Total liabilities</b>	<b>1,520,598</b>	<b>1,683,866</b>	<b>37,461</b>
<b>Minority interest</b>	1,595	136,862	3,045
<b>Stockholders' equity</b>			
Equity shares, Rs.10 par value; 50,000,000 (Previous year 37,500,000) equity shares authorized; Issued and outstanding: 35,464,849 shares as of December 31, 2005 and 35,380,278 shares as of March 31, 2005.	353,803	354,648	7,890
Additional paid-in capital	14,563,734	14,612,940	325,093
Deferred compensation — employee stock offer plan	(3,416)	(33,145)	(738)
Accumulated deficit	(12,415,532)	(12,585,689)	(279,993)
<b>Total stockholders' equity</b>	<b>2,498,589</b>	<b>2,348,754</b>	<b>52,252</b>
<b>Total liabilities and stockholders' equity</b>	<b>Rs. 4,020,782</b>	<b>Rs. 4,169,482</b>	<b>\$ 92,758</b>

See accompanying condensed notes to unaudited consolidated financial statements