

Part I. Financial Information
Item 1. Financial Statements

SIFY 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,	
	2006	2006	2006
	Rs.	Rs.	\$
ASSETS			
Current assets:			
Cash and cash equivalents	Rs. 2,822,501	Rs. 2,534,318	\$55,250
Accounts receivable	838,433	895,591	19,525
Due from employees	23,818	3,807	83
Inventories	30,462	34,996	763
Prepaid expenses	91,158	89,656	1,955
Net investment in leases	10,776	11,846	258
Other current assets	212,696	242,558	5,288
Total current assets	4,029,844	3,812,772	83,122
Cash restricted	1,000	1,000	22
Net investment in leases	10,842	10,281	224
Property, plant and equipment-net	1,423,246	1,630,426	35,544
Goodwill and other intangible assets	62,436	163,420	3,563
Investments in affiliated companies	233,060	248,848	5,425
Other assets	191,343	174,957	3,813
Total assets	Rs. 5,951,771	Rs. 6,041,704	\$ 131,713
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Current installments of capital lease obligations	2,759	2,122	46
Trade accounts payable	440,841	267,660	5,835
Accrued liabilities	584,264	684,586	14,924
Deferred revenue	444,333	456,524	9,953
Due to employees	1,300	10,111	220
Advances from customers	112,512	63,622	1,387
Other current liabilities	74,174	115,877	2,527
Total current liabilities	1,660,183	1,600,502	34,892
Capital lease obligations, excluding current installments	2,546	2,583	56
Other liabilities	234,533	237,121	5,169
Total liabilities	1,897,262	1,840,206	40,117
Stockholders' equity			
Common stock, Rs 10 par value; 50,000,000 equity shares authorized (as of March 31 2006 : 50,000,000) ; Issued and outstanding: 42,702,226 shares as of June 30, 2006 and 42,389,514 shares as of March 31, 2006	423,895	427,022	9,309
Additional paid-in capital	16,238,413	16,277,927	354,871
Deferred compensation - employee stock offer plan	(41,925)	-	-
Accumulated deficit	(12,565,874)	(12,503,451)	(272,584)
Total stockholders' equity	4,054,509	4,201,498	91,596
Total liabilities and stockholders' equity	Rs. 5,951,771	Rs. 6,041,704	\$ 131,713

See accompanying notes to unaudited condensed consolidated financial statements