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Board of Directors

Sify Technologies Limited

(Formerly Sify Limited)

Raju Vegesna
Chairman, Managing Director & CEO

Ananda Raju Vegesna
Executive Director

T H Chowdary

C B Mouli

P S Raju

S K Rao

S R Sukumara

Audit Committee

C B Mouli
Chairman & Financial Expert

S K Rao

S R Sukumara

Compensation Committee

T H Chowdary
Chairman

P S Raju

S K Rao

S R Sukumara

M P Vijay Kumar
Chief Financial Officer

V Ramasubramanian
Company Secretary

Registered Office

2nd Floor, Tidel Park
4, Canal Bank Road
Taramani, Chennai 600 113

Bankers

State Bank of India
AXIS Bank Limited
HDFC Bank Limited
IDBI Bank Limited
Citibank N.A.
ABN Amro Bank
ICICI Bank Limited

Auditors

BSR & Co.
Chartered Accountants
Chennai

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DIRECTORS' REPORT

Dear Members,

Your Directors take pleasure in presenting to you the Twelfth Annual Report together with the audited accounts of your company for the financial year ended March 31, 2008.

Financial highlights

Details	Rs. in million	
	Year ended March 31, 2008	Year ended March 31, 2007
Sales and service	4638.44	5009.62
Continuing operations	4638.44	4373.15
Discontinued operations	–	636.47
Other Income	361.58	432.62
Depreciation	389.10	453.28
Profit before tax		
Continuing operations	(198.76)	64.65
Discontinued operations	–	211.18
Taxation including Fringe Benefit Tax	(16.82)	(17.50)
Profit after tax		
Continuing operations	(215.58)	48.04
Discontinued operations	–	210.29

The Company registered a sales revenue of Rs.4,638 million during the year under review, as compared to Rs.4,373 million in the previous year, a growth of 6% over the previous fiscal.

Sify's Enterprise business revenues registered robust growth of 30% during the year under review. The 'Smart Expansion' initiatives undertaken during 2006-07 have started yielding results reflected in the strong growth in revenues.

The company's Consumer business comprising broadband to home services, e-port cyber cafes (formerly branded *iWays*) and portals recorded revenues 20% lower than in the previous year. This is because the growth of broadband to home was marginal due to continued low levels of internet penetration; e-ports witnessed a downturn due to operations becoming unprofitable with significant increase in real estate costs affecting franchisee growth and well being.

Sify's International business of Remote Infrastructure Management services and eLearning services grew year-on-year by over 30% and showed promise for continued growth in future.

The Company has incurred a loss of Rs.215.58 million from operations during the year under review as against a profit of Rs.48.04 million in the previous year. The reasons for the loss were: exceptional legal expenses incurred amounting to Rs.15.88 crores; under performance of the Consumer business; lower margins in the Enterprise business due to changes in the product mix; and increase in operating costs due to ongoing capacity building.

A comprehensive evaluation of the company's Fixed Assets was completed during the year, based on which the useful life of networking equipment and computers is estimated to be longer than previously calculated. Consequently, the depreciation charge for the year under review is lower by Rs.123.70 million.

MAJOR CORPORATE DEVELOPMENTS

Change in the Name of the Company

During the year under review, the name of the company was changed to Sify Technologies Limited to better reflect our core competence, and a fresh Certificate of Incorporation was obtained from the Government.

New Logo Style

Consequent to the name change, the company has changed its logo design with a new promise to its stake holders (Sify ^{keeping you ahead}). The new logo better reflects the company's vibrant, dynamic and contemporary personality, in a fresh eco-friendly green that signals a paper free world-counterpoised by a business like, dependable grey.

Adjustment against Securities Premium Account

At the Eleventh Annual General Meeting held on September 24, 2007, the shareholders of the Company had approved the adjustment of Rs.11626.41 million representing the carry forward losses against the Company's Securities Premium Account. This proposal was confirmed by the Hon'ble High Court of Madras, on December 16, 2007 and registered with the Registrar of Companies on December 26, 2007. The necessary adjustments have been incorporated in the financials for the year ended March 31, 2008. After the adjustments, the Company's Securities (Share) Premium Account is reduced to Rs.4968.97 Million.

Merger of Sify Communications Limited with Sify Technologies Limited

The shareholders had approved the merger of Sify Communications Limited (Sify Comm), the subsidiary company, with Sify Technologies Limited (Sify Technologies) at the Court convened meeting on March 17, 2008. The Company had subsequently filed the petition with the High Court of Madras.

In the current business and regulatory environment, and the opportunities that may unfold from new Government regulation and policies, retaining separate identities for the enterprise and consumer sides of the business would likely to benefit the company in terms of licensing, growth and expansion of areas such as Voice over Internet Protocol and wireless connectivity. Your Directors believe the company would be better positioned to seize opportunities in the current regulatory and policy landscape by deferring the merger so that Sify Comm can focus on data telecom services (similar to the enterprise services of telecom operators) where we already have a leadership position; while Sify Technologies can focus on consumer services such as Internet access and content, eLearning, remote infrastructure management, enterprise application services and data center hosting. In view of this, both the Companies have withdrawn the petition pending with the High Court of Madras, India, for the merger of Sify Comm with Sify Technologies. The option of merging the two entities will be reviewed in future depending on the business and policy environment, and the benefits that could accrue from a merger at that time.

The withdrawal of the merger will not be materially affecting the financial performance of the company going forward.

Investment by Infinity Satcom Universal Private Limited

M/s Infinity Satcom Universal Private Limited (Infinity Satcom), holding 26% of the paid up capital of Sify Communications Limited (Sify Comm), had agreed to subscribe 12,817,000 Equity Shares of Rs.10/- each for cash at a premium of Rs.165/- per share in the shares of Sify Technologies Limited (Sify Technologies) in response to an invitation to subscribe. This was consequent to the proposal of Sify Comm amalgamating with Sify Technologies, which necessitated Sify Technologies to reduce its Foreign Direct Investment (FDI) limit from 100% to 74%, as per the guidelines of the Government of India for the Telecom sector. Consequent to the withdrawal of the merger petition for amalgamating Sify Comm with Sify Technologies from the High Court of Madras, Infinity Satcom has confirmed that there will not be any infusion of funds in Sify Technologies, and they would continue to focus their attention on Sify Comm, and contribute to the funding requirements of that Company as and when required.

Associates Stock Option Plan

The shareholders had earlier authorized the Board to issue and allot upto 5,133,000 Equity Shares of Rs.10/- each to the employees of the company, including employees and Directors of the company and its subsidiaries, under the Associate Stock Option Plans of 1999, 2000, 2002, 2005 and 2007. The shares of the above plans have been allocated almost in full.

The company proposed keeping additional shares for grant of stock options to employees in future to attract and retain talented human resources. The shareholders have, at the Extraordinary General Meeting of the Company held on March 17, 2008, approved the allocation of an additional 600,000 shares under ASOP 2007 for the allotment of stock options to the employees of the company.

BUSINESS REVIEW

Enterprise Services

The Enterprise business accounted for 57% of the total revenues of the company during the year under review. The product range encompassed diverse offerings in Connectivity, Hosting, Voice, Application Services, and Security solutions. The Company also introduced new products, and addressed new market segments during the course of the year.

Widening its range of Connectivity products, Sify launched RoamConnect; a solution that enables customers to access a global high-speed, reliable, and secure wireless Broadband service when on the move. With Roam Connect International, customers can now access their data from more than 100,000 broadband locations globally, including key business-centric venues such as airports, hotels, conference centers and retail venues.

The Hosting services offered by the Company were expanded during the year, with revenues growing 52% over the previous year. The range of services has been enhanced, along with an increase in Data Centre capacity with multiple locations across key cities. The Company also leveraged its considerable expertise and leadership in the hosting space to offer more sophisticated Data Centre solutions such as Data center build, migrate, audit, and consulting services.

The company continued to integrate the various enterprise products and services during the year to become a major end-to-end IT Infrastructure solutions provider covering Connectivity, Security, Storage, Hosting, Application Services and Managed Services. The enterprise services organization was restructured to give further impetus to this strategy, resulting in Sify becoming a strategic partner for many key clients. There were also a number of new products and services launched in keeping with this strategy which have been well accepted by the market.

The Company continued to play an important role in the Network Security business. With increasing focus on managed services, the Company launched its Managed Security Services (MSS), through which the security needs of customers are managed from a high tech Security Operations Centre (SOC) in Bangalore. The Company launched an aggressive reseller strategy to target the large, fast growing SME market with customized solutions to cater to the needs of this segment. The Government's e-governance initiatives are also being addressed with our ability to offer large scale data center services, e-procurement, and a range of government process specific security solutions.

The company is well positioned to consolidate its strong position in the enterprise services business with a comprehensive range of product and service offerings, delivery models that cater to diverse markets, and a widened geographic and segment coverage.

Consumer Services

This business accounted for 38% of the total revenues of the company during the year under review. The Company has embarked upon an integrated consumer strategy to be able to respond quickly to rapidly evolving consumer needs with contemporary and relevant services. The Company has therefore adopted a strategy to bring together Sify's various Consumer teams across e-Port cyber cafes, Broadband to Home services and Portals, to draw upon their strengths and synergies to shape the consumer landscape.

Broadband:

Sify broadband offers customers a range of plans to cater to their usage requirements with respect to speed, download limit and price. Over the past year, Sify has also launched several new services with an aim to enhance the home broadband experience.

Sify Wireless broadband has been launched in 8 major cities and will soon be extended to other cities.

Sify e-port:

The Sify *iWay* brand has now been rechristened as Sify e-Port. Along with the brand change, the Company has also repositioned the cafes as the largest e-services chain in the country. In keeping with this new positioning, a range of value added services have been launched in the past year, creating multiple new revenue streams for the company and a world of convenience for customers.

The Company also entered into several strategic tie ups with private companies and government institutions to provide services like travel ticket booking, utility bill payments, financial services, mobile recharge, international calling, online tutorials etc. through the e-Port chain. The Company now has 3917 e-ports, of which 2029 are operational, spread across 201 towns and cities in India.

The company continued to provide VOIP services from e-Ports and independent tele-centres for outbound overseas calling. This business is under intense competitive pressure from the Telcos.

Interactive services (portals):

In keeping with the constantly evolving preferences of its users, Sify.com relaunched its channels with a fresh new look and ease of navigation. Sify Movies, which was the first channel to be relaunched, recorded a 30% increase in visitors within a month of relaunch.

Sify.com continued its association with the popular TV channel Sony Entertainment Television with tie-ups for key reality shows like Indian Idol, Jhalak Dikhla Jaa, K for Kishore and Champion Chaalbaaz. The success of these initiatives was evident with the www.indianidol.sify.com site contributing to 15% of the incremental page views for Sify.com. It was estimated to be accessed by around 5% of the country's Internet users.

After the successful launch of mumbailive.in, bangalorelive.in and hyderabadlive.in, Sify.com launched chennailive.in, the first broadband and video website for the city of Chennai. The site features live video feeds from traffic web-cams stationed at key junctions of the city so that users can plan their routes by checking the site for prevailing traffic conditions in the city.

Samachar.com, the leading website for overseas Indians, was relaunched with an all new look and feel with new services based on user feedback. Samachar.com brings India up close and personal to Indians living overseas with both text and video content. The Samachar.com directory was launched to enable users to list their business or services to be able to find buyers and sellers.

Sify's shopping portal, Sifymall.com, increased both visitors and number of transactions for gifts, jewelry and gift vouchers during special events such as Diwali, Christmas, Valentine's Day and the Raksha Bandhan festival with special promotions. Sifymall also entered into alliances with credit card companies to increase transactions and provide better value with special offers and discounts.

Sify Khel, the popular sports portal, increased in the number of users with in-depth coverage of the popular India-Australia cricket series. Sify.com also partnered with Presino.com to offer the popular Fantasy cricket game to its users. Building on the renewed interest in cricket following India's win in the World Twenty-20 series, Sify Sports offered coverage of Pakistan's tour of India and video highlights of the ICL series. Sify Sports also relaunched a new online score card with features like highlights, schedule, commentary and graphs, making it very user friendly.

The company has entered into an agreement with Google Inc. to bring the Google Applications suite of communication and collaboration tools including email, chat and online documents, to Indian Internet users. Google Applications will now power a value added Sifymail and chat, as well as other applications using the Google Applications platform, which will be leveraged across Sify's fast expanding Network Infrastructure, reaching out to over a million users across India and abroad

International services

During the year, the Company's, International business grew at 36% over the previous year. The Company continued to expand its international business led by two lines of service; Remote Infrastructure Management and Corporate eLearning Services.

Infrastructure Management Services:

The Company leverages its deep expertise in Infrastructure based Managed Services, Transition and Delivery methodologies to provide support services to large, global corporations with a worldwide presence. The Company expanded its client base in the US, UK and the Middle East across verticals such as telecommunication, entertainment, manufacturing and services. The Company's services are delivered purely as offshore remote services from its Management Centres in Chennai and Hyderabad.

Some of the highlights in 2007-08 were:

- Sify was awarded the 'Cisco Global PSS' partner status. Sify will now deliver System Integration services to Cisco's global clients as a trusted partner.
- The company has been selected by a global automotive giant to provide network monitoring services for its global network infrastructure.
- Sify has been selected by an US headquartered global manufacturer of tools, hardware and specialty hardware products to remotely manage their IT infrastructure.
- We have completed the transition and commenced remote services to manage the IT infrastructure of a UK headquartered global consumer Products Company.
- Sify has been selected by a leading bank in UAE to provide Data Centre design and consulting services.

eLearning Services:

The Company offers custom learning content development services and learning technology services to large global corporations. The year under review was noteworthy on three counts: First, eLearning revenues grew by nearly 50% over the previous year; secondly, 38% of the total customer base consisted of new, first-time customers; and lastly, research and development of some new products and services was initiated.

These services are currently focused on global corporations in industry verticals such as hi-tech, engineering, financial services, other services and pharmaceuticals. The Company's delivery centres are located in Chennai, Mumbai, New Delhi and Bangalore. For the second year in a row, the Company won two awards at the prestigious Brandon Hall Excellence in Learning Awards for 2007 for courses created for Cisco Systems and GE.

Technology Initiatives

The Company continued its innovative efforts by

- Deploying a "Value Added Services" platform for our e-ports solution viz. air, railway, bus ticketing,
- Enabling "Value Added Services" for our enterprise networking products, viz. Roam Connect and
- Developing the "Software As A Service" (SaaS) platform.

In addition, the Company's infrastructure facilities have grown significantly with network reach expanding from 181 to 502 Points of Presence, and significant increases in international and national bandwidth capacity and Data Centre capacity. Infrastructure enhancement has enabled us to offer products and services such as Managed Security Services, Server Based Computing Solutions, National Long Distance/International Long Distance Services, Hosted Contact Centre and Enterprise Voice Services. The Company has been continuing to make investments in portal framework, network management, supply chain management and service management software platforms.

Data Centre

The Company developed its fourth Data Centre at Airoli, Navi Mumbai, to cater to rising demand, which went live in July 2008. The Airoli Data Centre is a key facet of the company's strategy to develop the most sophisticated network and data centre infrastructure in the country to facilitate the evolution and demand for services such as ecommerce, online banking, corporate ERP and other applications, media and entertainment content, stock trading, unified communications and disaster recovery in the country.

The Airoli centre will be followed by at least two more - one each in New Delhi and Bangalore, over the next eight quarters.

SUBSIDIARY COMPANIES AND ASSOCIATE COMPANY

Sify Communications Limited

The Company's revenue for the year was Rs.1383.39 million and resulted in a net profit of Rs.89.53 million during the year under review. VPN Services accounted for more than 90% of total revenue.

Based on the approval received from the Ministry of Communications & Information Technology, Department of Telecommunications, New Delhi, for setting up the International Gateway Stations at Chennai & Mumbai, the Company used the National Long Distance (NLD) and International Long Distance (ILD) licences effectively to build the NLD and ILD backbones and commenced the International long distance business in July 2008. This will help the company to get a strong foothold in the Voice arena and together with its prominent position in the Data space, has the potential to become a major integrated Data and Voice service provider.

Sify Networks Private Limited and Sify International Inc.

The companies did not have any business operations during the year. The loss incurred by Sify International Inc. was due to administration and personnel expenses amounts to Rs.2.95 million.

Closure of subsidiary companies

India World Communications Limited, Globe Travels Inc. Iowa, USA and Sify Americas Inc., USA have been closed during the year under review as there were no business operations in these companies during the last three years.

MF Global Sify Securities India Private Limited

During the year under review, the Associate Company has registered revenue of Rs.2341.82 million as against Rs.1130.65 million in the last year, recording a growth of 107%. The Net Profit also registered an impressive growth of 240% from Rs.155.23 million in the previous year to Rs.527.10 million during the year under review.

Forward looking statements

The statements made in this report may contain forward looking statements within the meaning of applicable laws and regulations. The forward looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those reflected in the forward looking statements.

For detailed information on Risks relating to the Industry, Company, Management Discussion and Analysis, please refer to our Form 20-F expected to be filed by end of September 2008 with Securities and Exchange Commission, USA.

Directors

Mr Raju Vegesna and Dr S K Rao, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. Your Directors recommend their reappointment.

Audit Committee

The present Audit Committee consists Mr C B Mouli, Dr S K Rao and Mr S R Sukumara.

Compensation Committee

The present Compensation Committee consists Dr T H Chowdary, Dr S K Rao, Mr P S Raju and Mr S R Sukumara.

Directors' responsibility statement

Your Directors state:

- (i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that they had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the loss of the company for that period;

- (iii) that they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) that they had prepared the annual accounts on a going concern basis.

Auditors

Our Statutory Auditors, BSR & Co., retire at the ensuing Annual General Meeting and are eligible for reappointment.

Fixed Deposits

Your Company has not accepted any deposits and as such, no amount of principal or interest was outstanding on the date of the Balance Sheet.

Conservation of Energy, Technology Absorption and Foreign Exchange

The particulars prescribed under clause (e) of sub section (1) of Section 217 of the Indian Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, are given in Annexure "A" of this report.

Employees' Particulars in terms of Section 217(2A) of the Indian Companies Act, 1956

The particulars of employees as required to be disclosed in accordance with the provisions of Section 217(2A) of the Indian Companies Act, 1956, and the Companies (Particulars of Employees) Rules, 1975, as amended, are annexed to the Directors' Report.

Acknowledgement

Your Directors take this opportunity to thank all investors, customers, vendors, banks, regulatory and government authorities for their continued support. Your Directors also wish to place on record their appreciation of the valuable contribution made by the Associates at all levels.

For and on behalf of the Board

C B Mouli
Director

Ananda Raju Vegesna
Executive Director

Raju Vegesna
Chairman & Managing Director

Hyderabad
August 29, 2008

ANNEXURE A

Particulars furnished pursuant to Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

- A Conservation of energy: The Company is not a manufacturing company and hence the details in respect of the above are not applicable.
- B Research and Development: The Company has not undertaken any R&D activity in any specific area during the year under review, and hence no cost has been incurred towards the same.
- C Technology Absorption : Nil.
- D Foreign Exchange Earnings and Outgo : In million
- Total Foreign Exchange earnings : Rs. 546.86
- Total Foreign Exchange outgo : Rs. 851.19

Sify Technologies Limited (Formerly Sify Limited)

Annexure to Directors' Report for the year ended March 31, 2008

Information as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, annexed to and forming part of the Directors' Report for the year ended 31st March 2008.

S.No.	Name	Designation	Qualification	Age in years	Date of Joining	Exp. in Years	Gross Remuneration Rs.	Previous Employment	Designation
1	Naresh Ajwani	Executive - Vice President - Broadband	MA '85, Dip in Mktg '99	46	10-May-99	25	4,138,056	Versatile Group of Companies- Director	
2	Rajagopalan S K	Senior Vice President - Project Management Group	B.Sc '76, B.Tech '79	52	19-Aug-02	29	4,472,058	Citicbank N.A.- VP(CS&PM)	
3	David Appasamy	Executive - Vice President	Dip.in Hotel Mgr.'78, MEP'93	50	10-Jan-00	30	3,326,712	Mudra - General Manager	
4	Sushil Luniya	Vice President - Operations - Corporate Communications	BE '84, MBA '87	46	19-Mar-02	21	3,914,952	Apollo Tyres Ltd - Head Sales	
5	Harjinder Singh Kohli	Vice President - Enterprise Solutions	B.Com. '87,	41	05-Jul-99	21	2,892,180	Birl AT&T Communications Ltd - Sr.Mgr Sales	
6	Sivaramkrishnan V	President - Interactive Services	BE Electronic '88, MBA '92, Indian Institute of Foreign Trade	43	18-Apr-06	19	5,900,412	Ford India - VP Marketing, Sales & Services	
7	Venkata Rao Mallineni	Executive Vice President - Enterprise Solutions	BE Indus Prod '88, M.Tech '92	41	05-Sep-06	17	2,944,029	Sofipro Systems Ltd - President & CEO	
8	Pijush Kanti Das	President - Access Media	BSc Chem '74, Dip in Mgmt '87, PG in Eco '95	55	18-May-06	34	3,682,544	I & M Bank, Nairabi - General Manager	
9	Bhaskar R Sayyaparaaju	Chief Technology Officer	BS Mech Engg '86, MS CS '91	42	01-Aug-06	18	6,357,834	Nvidia Corporation, Santa Clara - Director of IS	
10	Suri CVS	Chief Operating Officer	BA (Hons) Eco '81, PGDIRPM '83	48	01-Sep-06	25	7,022,953	East India Petroleum Ltd - Director CEO	
11	Saji P K	Sr.Vice President - Technology Infrastructure	Dip.in CompEngg'89,MBA (Oper)'07	39	17-Jan-00	20	2,917,664	CMS Computers-Territory Manager	
12	Pranesh Babu K	Sr.Vice President - Technology Infrastructure	BE ECE '89	42	13-Sep-00	19	2,964,682	Reliance Telecom Ltd, Manager Projects	
13	Ajith K N	Head - Human Resources	MA (Personnel Mgr & IR) '91, MPHIL. '08	40	21-Feb-01	17	2,806,904	Carborundm Universal Ltd, Manager HR & TQM	
14	Kasturi K V	Vice President - Finance	Boom '85, AICWA'90, CA '89	43	05-May-05	18	2,403,859	Mahindra Holidays & Resorts India Limited, Divisional Manager - Finance	
15	Vivek Kumar	Head Marketing & New Initiatives	B. Tech'97, MBA '99, IIMA	33	31-Mar-06	9	2,783,750	Henkel India, General Manager - Marketing	
16	Rajender Karppe	Vice President - IMS Technical Services	BE Mechanical '86, MS Computer Science '90	45	01-Nov-06	22	2,573,714	Sun Microsystems Inc, Engineering Manager	
Part of the year									
1	Kumar V M	Senior Vice President - IMS	BTECH'85, PGDIP'89	44	14-Dec-00	22	2,407,786	System LogicSolutions Ltd., - VP - Business Development	
2	Gopalakrishnan S	President - Government Initiatives	BE Mechanical '81	47	01-Nov-06	23	2,968,556	Vallabhdas Kanji Ltd - Head - Operations	
3	Pradip J Nath	Executive President - Enterprise Solutions	MMS Marketing '83	46	02-Apr-07	23	5,311,370	VSNL - Sr Vice President	
4	Arvind Mathur	Chief Architect	MS Electrical Comm Engg '90, Master of Physics IIT Delhi '88	44	26-Apr-07	18	5,928,637	VSNL -Product Head- Enterprise Network	
5	Satyamoorthy D	Sales Head - Enterprise Solutions	MA Econ '87, PG.Dip.In.Sys.Mgr '91	44	16-May-07	24	3,143,866	VSNL-VP Enterprise Sales	
6	Shrikant Shrofe	National Sales Head - Key Accounts	BE Elec '90	39	18-Jul-07	18	2,657,498	Cisco Systems-Business Manager	
7	M. P. Vijay Kumar	Chief Financial Officer	Boom '89, CA '92, ICWA '89, ACS '91	39	15-Oct-07	15	2,909,703	Partner-Yoganandh & Ram, Chartered Accountants	
8	Venkata Ramana Gourinani	Senior Vice President - Software Services	BE '85, MSc -CS '89, MBA '00	43	25-Oct-07	19	1,326,968	Data Domain -Head Global Product Support	
9	Abhijit Barua	Head - Strategy	BE CSE '92	40	24-Dec-07	16	1,390,358	VSNL-VP Global Carrier Solutions	
10	Sudhir Aggarwal	Head - Government Initiatives	B.Com '84	45	07-Jan-08	23	1,243,281	Oracle India Pvt. Ltd-General Manager - Business Development	
11	Suketu Vichhivora	Head - Solutions Architect	BE-EE '85	44	16-Oct-07	23	1,322,526	Network Appliance-Head Professional Services	

Note :

- The remuneration includes Basic Salary, House Rent Allowance, Special Allowance, Leave Travel Assistance and other taxable perquisites.
- None of the above employees is related to any of the Directors of the company.
- Terms of employment of all the employees mentioned above are contractual.
- None of the above employees either individually or together with spouse or children held more than 2% of the equity shares of the company.

Hyderabad

August 29, 2008

C B Moulil
Director

Ananda Raju Vegesna
Executive Director

Raju Vegesna
Chairman & Managing Director

**AUDITORS' REPORT TO THE MEMBERS OF
SIFY TECHNOLOGIES LIMITED
(Formerly Sify Limited)**

- 1 We have audited the attached Balance Sheet of Sify Technologies Limited (Formerly Sify Limited) ('the Company') as at March 31, 2008, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 4 Further to our comments in the Annexure referred to above, we report that:
 - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;

- (iii) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) on the basis of written representations received from the directors, as on March 31, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956; and
- (vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2008;
 - b. in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date; and
 - c. in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

for BSR & Co.
Chartered Accountants

S Sethuraman

Partner

Hyderabad
August 29, 2008

Membership No. 203491

Annexure to the Auditors' Report as of and for the year ended March 31, 2008 (Referred to in our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) Fixed assets disposed of during the year were not substantial, and therefore, do not affect the going concern assumption.
- (ii) (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
- (b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) The Company has granted loans to one company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount outstanding during the year was Rs. 270,826 (thousands) and the year end balance of such loans was Rs. Nil.
- (b) In our opinion, the rate of interest and other terms and conditions on which loans were granted to parties listed in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
- (c) In the case of loans granted to parties listed in the register maintained under Section 301 of the Companies Act, 1956, the terms of arrangement do not stipulate any repayment schedule and are repayable on demand. Accordingly paragraph 4(iii)(c) of the Order is not applicable to the Company in respect of repayment of the principal amount.
- (d) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. We have not observed any major weakness in the internal control system during the course of the audit.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs. 5 lakh with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for any of the products / services rendered by the Company.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including

Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service tax, Customs duty and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund and Excise duty. There were no dues on account of cess under section 441A of the Companies Act, 1956 since the aforesaid section has not yet been made effective by the Central Government.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty and other material statutory dues were in arrears as at March 31, 2008 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, the dues of service tax and sales tax have not been deposited by the Company on account of disputes:

Name of Statute	Nature of Dispute	Amount (in Rs.000s)	Period to which it relates	Forum where pending
Finance Act, 1994	Service Tax related	75,553	Apr 05 - Sep 07 of Service Tax	Commissioner
		18,624	Oct 05 - Mar 06 of Service Tax	Commissioner
		294	Apr 05 - Sep 05	Assistant Commissioner of Service Tax, Chennai
		719	Jul 03 - Sep 04	Additional Commissioner of Service Tax, Chennai
Uttar Pradesh Tax Act, 1948	Trade Sales tax	12,910 *	2003-04 to 2005-06	Commercial Tax officer, Uttar Pradesh

* including sums paid amounting to Rs. 168 (thousands) under protest

- (x) We draw reference to Note B(22) of Schedule 20 in relation to adjustment of accumulated losses against balance available in the securities premium account to the extent of Rs. 11,626 (thousands). Based on the above, the accumulated losses are not more than 50% of the Company's net worth at the end of the financial year. The Company has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has

not defaulted in repayment of dues to its bankers. The Company did not have any outstanding dues to any financial institutions or debenture holders during the year.

- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the Company.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we are of the opinion that funds raised on short-term basis have not been used for long-term investment.
- (xviii) According to the information and explanations given to us, the Company has made preferential allotment of shares to a company covered in the register maintained under section 301 of the Act. In our opinion, the price at which shares have been issued is not prejudicial to the interest of the Company.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

for BSR & Co.
Chartered Accountants

S Sethuraman

Hyderabad
August 29, 2008

Partner
Membership No. 203491

Balance Sheet

		Rs in Thousands	
	Schedule	As at 31 March 2008	As at 31 March 2007
SOURCES OF FUNDS			
Shareholder's Funds			
Share capital	1	441,018	428,003
Stock Options Outstanding Account	2	31,653	19,141
Reserves and surplus	3	4,547,947	16,068,531
		<u>5,020,618</u>	<u>16,515,675</u>
Loan funds			
Secured loans	4	779,454	806,146
		<u>5,800,072</u>	<u>17,321,821</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	5,935,999	5,133,548
Less: Depreciation / Amortisation		(3,754,609)	(3,369,825)
Net Block		<u>2,181,390</u>	<u>1,763,723</u>
Capital work-in-progress (including capital advances)		113,038	23,410
		<u>2,294,428</u>	<u>1,787,133</u>
Investments			
	6	758,187	739,508
Current Assets, Loans and Advances			
Inventories	7	35,020	24,239
Sundry debtors	8	1,333,694	762,949
Cash and bank balances	9	1,347,175	2,884,705
Loans and advances	10	1,604,652	1,072,038
		<u>4,320,541</u>	<u>4,743,931</u>
Less: Current liabilities and provisions			
Current liabilities	11	1,746,421	1,538,155
Provisions	12	42,249	36,997
		<u>1,788,670</u>	<u>1,575,152</u>
Net Current Assets		<u>2,531,871</u>	<u>3,168,779</u>
Profit and Loss Account		215,586	11,626,401
		<u>5,800,072</u>	<u>17,321,821</u>
Significant accounting policies and notes to accounts	19		

The schedules referred to above form an integral part of the financial statements.

This is the Balance Sheet referred to in our report of even date.

for **BSR & Co.**

Chartered Accountants

S Sethuraman

Partner

Membership No : 203491

Hyderabad

August 29, 2008

C B Mouli

Director

for and on behalf of the Board of Directors

Ananda Raju Vegesna

Executive Director

M P Vijay Kumar

Chief Financial Officer

Raju Vegesna

Chairman & Managing Director

V Ramasubramanian

Company Secretary

Profit and Loss Account

		Rs in Thousands	
	Schedule	For the year ended 31 March 2008	For the year ended 31 March 2007
INCOME			
Sales and services	13	4,640,441	5,009,614
Other income	14	361,585	432,629
		5,002,026	5,442,243
EXPENDITURE			
Cost of software and hardware sold	15	661,292	412,893
Personnel expenses	16	1,017,150	935,438
Other expenses	17	3,110,055	3,346,052
Depreciation / Amortisation	5	389,096	453,275
Financial expenses	18	44,100	18,759
		5,221,693	5,166,417
Profit / (Loss) before prior period, exceptional items and taxation		(219,667)	275,826
Prior period income (Refer Schedule 19 (C) 25)		20,905	-
Profit / (Loss) before exceptional items and taxation		(198,762)	275,826
Exceptional item			
Profit on sale of IP / VPN Business		-	436,470
Profit / (Loss) before taxation		(198,762)	712,296
Profit / (Loss) from continued operations before tax		(198,762)	64,649
Income Tax :			
Current Tax		-	-
Deferred Tax		-	-
Fringe Benefit Tax		16,824	16,610
Profit / (Loss) from continued operations after tax	A	(215,586)	48,039
Profit / (Loss) from discontinued operations before exceptional items and tax		-	211,177
Exceptional item			
Profit on sale of IP/VPN Business		-	436,470
Profit/(loss) from discontinued operations before tax		-	647,647
Income tax:			
Current Tax		-	-
Deferred Tax		-	-
Fringe Benefit Tax		-	893
Profit / (Loss) from discontinued operations after tax	B	-	646,754
Profit after tax	A+B	(215,586)	694,793
Profit / (Loss) carried forward from the previous year	(11,626,401)	-	(12,321,194)
Less: Adjusted against securities premium (Refer to Schedule 19(C)(22))	11,626,401	-	-
Profit / (Loss) carried to Balance Sheet		(215,586)	(11,626,401)
Earnings per share: (Rs.) (also refer to note C(21) of Schedule 19)			
Basic		(5.03)	16.27
Diluted		(5.03)	16.23
Earnings per share (Rs.) (continued and discontinued operations)			
Continued:			
Basic		(5.03)	1.12
Diluted		(5.03)	1.12
Discontinued:			
Basic		-	15.15
Diluted		-	15.11
No of shares used in computing earning per share			
Basic		42,877,726	42,704,619
Diluted		43,083,145	42,809,136
Nominal value of share (Rs.)		10.00	10.00

Significant accounting policies and notes to accounts

19

The schedules referred to above and notes thereon form an integral part of these financial statements.

This is the Profit and Loss Account referred to in our report of even date.

for **BSR & Co.**

for and on behalf of the Board of Directors

Chartered Accountants

S Sethuraman**C B Mouli****Ananda Raju Vegesna****Raju Vegesna**

Partner

Director

Executive Director

Chairman & Managing Director

Membership No : 203491

Hyderabad

M P Vijay Kumar**V Ramasubramanian**

August 29, 2008

Chief Financial Officer

Company Secretary

Schedules to the Balance Sheet

	Rs in Thousands	
	As at 31 March 2008	As at 31 March 2007
1. Share Capital		
Authorised		
61,000,000 (As at 31 March 2007: 50,000,000) equity shares of Rs 10 each	610,000	500,000
	<u>610,000</u>	<u>500,000</u>
Issued		
55,643,284 (As at 31 March 2007: 42,806,467) equity shares of Rs 10 each fully paid up Less: Share forfeited 6,202 (As at 31 March 2007: 6,202) equity shares of Rs. 10 each	556,433	428,065
	(62)	(62)
	<u>556,371</u>	<u>428,003</u>
Subscribed and Paid-up		
42,820,082 (As at 31 March 2007: 42,800,265) equity shares of Rs 10 each fully paid up 12,817,000 (As at 31 March 2007: Nil) equity shares of Rs 10 each partly paid up (Rs 3 each) Less: Calls unpaid	428,201	428,003
	38,451	–
	(25,634)	–
	<u>441,018</u>	<u>428,003</u>

Note:

Of the above the Company has issued 952,551 (As at 31 March 2007: 952,551) equity shares of Rs 10 each for consideration other than cash.

2. Stock Options Outstanding Account

Balance at the beginning of the year	19,141	11,591
Add: Employee Stock Compensation cost for the year (net of reversals for forfeited options)	14,532	9,894
Less: Transfer to Securities Premium in respect of grants exercised during the year	(518)	(1,906)
Less: Transfer to General Reserve in respect of grants lapsed during the year	(1,502)	(438)
Balance at the end of the year	<u>31,653</u>	<u>19,141</u>

	Rs in Thousands	
	As at 31 March 2008	As at 31 March 2007
3. Reserves and Surplus		
Securities premium		
Balance at the beginning of the year	16,068,093	15,997,648
Add: Premium received during the year	526,758	71,382
Less: Adjustment of Debit balance in Profit and Loss Account (Refer to Schedule 19(C)(22))	(11,626,401)	–
Add: Transfer from stock options outstanding account	518	1,906
	<u>4,968,968</u>	<u>16,070,936</u>
Less: Calls unpaid	(422,961)	–
Less: Share issue expenses	–	(2,843)
Balance at the end of the period (A)	<u>4,546,007</u>	<u>16,068,093</u>
General Reserve		
Balance at the beginning of the period	438	–
Add: Transferred from Stock options outstanding account	1,502	438
Balance at the end of the period (B)	<u>1,940</u>	<u>438</u>
Total (A) + (B)	<u>4,547,947</u>	<u>16,068,531</u>

4. Secured Loans

Loans from banks (Refer to note-1 below)	85,000	800,000
Working capital facilities (Refer to note 2 below)	617,778	–
Buyers Credit (Refer to note 3 below)	71,285	–
Vehicles purchased under financial lease (Refer to note 4 below)	5,391	6,146
	<u>779,454</u>	<u>806,146</u>

Note:

- 1 Loan from banks include demand loan secured by pledge of fixed deposits (Refer to schedule 9)
- 2 Working capital facilities include cash credit secured by current assets including book debts and bank overdraft secured by way of pledge of fixed deposits. (After to schedule 9)
- 3 Buyer's credit is secured by charge on current assets and book debts.
- 4 Secured against the relevant assets.

Schedules to the Balance Sheet (Contd...)

5. Fixed Assets

Rs in Thousands

	Gross Block				Depreciation / Amortisation				Net Block	
	1 April 07	Additions	Deletions / Adjustments	31 March 08	1 April 07	For the year	Deletions / Adjustments	31 March 08	31 March 08	31 March 07
Tangible Assets										
Leasehold land	5,132	-	-	5,132	510	79	-	589	4,543	4,622
Building	485,156	-	-	485,156	115,400	17,321	-	132,721	352,435	369,756
Plant and machinery	3,568,740	597,335	(1,552)	4,164,523	2,549,751	273,345	(962)	2,822,134	1,342,389	1,018,989
Furniture and fittings	383,864	30,609	(1,199)	413,274	301,639	36,480	(934)	337,185	76,089	82,225
Office equipment	88,961	7,952	(35)	96,878	63,713	11,128	(35)	74,806	22,072	25,248
Assets acquired under Lease										
Building	149,074	135,433	-	284,507	4,435	8,947	-	13,382	271,125	144,639
Motor vehicles	9,217	4,448	(4,040)	9,625	2,580	3,788	(2,381)	3,987	5,638	6,637
Intangible assets										
Systems software	205,457	33,500	3,834	242,791	185,940	15,634	680	202,254	40,537	19,517
Web publication rights	98,226	-	-	98,226	98,226	-	-	98,226	-	-
Customer and contract related intangibles	112,800	-	(13,113)	99,687	42,826	15,134	(2,323)	55,637	44,050	69,974
Goodwill	26,921	-	9,279	36,200	4,805	7,240	1,643	13,688	22,512	22,116
Total	5,133,548	809,277	(6,826)	5,935,999	3,369,825	389,096	(4,312)	3,754,609	2,181,390	1,763,723
As at 31 March 2007	4,394,743	766,941	(28,136)	5,133,548	2,940,280	453,275	(23,730)	3,369,825	1,763,723	

1. Buildings include assets capitalized pending transfer of title in favor of the Company amounting to Rs 327,030 (As at 31 March 2007: Rs 327,030)

2. Reclassifications between various categories of assets have been disclosed in deletions / adjustment column.

Rs in Thousands except share data

	As at 31 March 2008	As at 31 March 2007
6. Investments		
Long term – At cost – In subsidiaries		
Trade (Unquoted)		
IndiaWorld Communications Limited (200,000 (As at 31 March 2007: 200,000) Equity shares of Rs 10 each fully paid up)	5,014,849	5,014,849
Less: Decline, other than temporary, in value of investment	(5,014,849)	(5,014,849)
	—	—
Sify International Inc. (formerly India Plaza.Com, Inc) (100 Shares (As at 31 March 2007: 100) of common stock of USD 0.0001 fully paid up)	357,603	357,603
Less: Decline, other than temporary, in value of investment	(357,603)	(357,603)
	—	—
Sify Communications Limited (formerly Safescrypt Limited) (13,320,000 (As at 31 March 2007: 13,320,000) of Rs 10 each fully paid up) Equity shares	584,600	584,600
	584,600	584,600
Sify Networks Private Limited (formerly E Alcatraz Consulting Private Limited) (81,820 (As at 31 March 2007: 81,820) Equity shares of Rs 10 each fully paid up)	32,755	32,755
Less: Decline, other than temporary, in value of investment	(32,755)	(32,755)
	—	—
(A)	584,600	584,600
In Associates		
Trade (Unquoted)		
Cricinfo Limited (Nil (As at 31 March 2007: 43,605) Ordinary shares of GBP 0.01 each fully paid up)	—	1,682,525
Less: Decline, other than temporary, in value of investment (Voluntarily wound up)	—	(1,682,525)
	—	—
MF Global-Sify Securities India Private Limited (formerly Man Financial - Sify Securities India (Private Limited) (15,490,800 (As at 31 March 2007: 15,490,800) Equity shares of Rs 10 each fully paid up) (B)	154,908	154,908
	154,908	154,908
CURRENT INVESTMENTS		
(Non-trade, at cost or market value whichever is lower)		
Birla Sunlife 95 Fund - Growth 44,379.355 Units of Rs.10/- each (As at 31 March 2007: Nil)	8,972	—
HDFC Prudence Fund - Growth 75,987.506 Units of Rs.10/- each (As at 31 March 2007: Nil)	9,707	—
	18,679	—
(C)	18,679	—
(A) + (B) + (C)	758,187	739,508
Aggregate market value of current investments	18,679	—

Schedules to the Balance Sheet (Contd...)

	Rs in Thousands			Rs in Thousands	
	As at March 31, 2008	As at March 31, 2007		As at March 31, 2008	As at March 31, 2007
7. Inventories			Unsecured		
Traded software and hardware	35,020	24,239	Outstanding for a period exceeding six months		
	35,020	24,239	- considered good	174,653	176,510
			- considered doubtful	85,148	117,197
8. Sundry Debtors			Other debts		
Secured			- considered good	1,122,628	545,836
Outstanding for a period exceeding six months, considered good	11,764	5,789		1,382,429	839,543
Other debts, considered good	24,649	34,814		1,418,842	880,146
	36,413	40,603	Less: Provision for doubtful debts	(85,148)	(117,197)
Amount due from subsidiary company Sify Communication Limited	150,200	3,135		1,333,694	762,949

	Rs. in Thousands			Rs. in Thousands	
	As at 31 March 2008	As at 31 March 2007		As at 31 March 2008	As at 31 March 2007
9. Cash and Bank Balances					
Cash on hand			379		493
Cheques on hand			1,069		112,736
Balance with scheduled banks					
- in current accounts			160,902		206,454
- in deposit accounts (Refer note 1 and note 2)			1,182,150		2,559,775
Balance with other than scheduled banks					
- in current accounts					
Citibank N.A New York (maximum amount outstanding during the year ended 31 March 2008: Rs 5,428) (Year ended 31 March 2007 : Rs.4,772)			413		4,388
Citibank N.A California (maximum amount outstanding for the year ended 31 March 2008: Rs.2,918) (Year ended 31 March 2007: Rs.3,204)			557		859
Cedar Rapids and Trust Bank (maximum amount outstanding for the year ended 31 March 2008: Rs.4,434) (Year ended 31 March 2007: Rs.Nil)			1,705		-
			1,347,175		2,884,705

Note : 1. Loan from Bank's secured by way of pledge of fixed deposits (Refer to Schedule 4)
2. Bank overdraft secured by way of pledge of fixed deposits (Refer to Schedule 4)

	Rs in Thousands			Rs in Thousands	
	As at March 31 2008	As at March 31 2007		As at March 31 2008	As at March 31 2007
10. Loans and Advances			Unsecured, considered doubtful		
Unsecured, considered good			Advances recoverable in cash or in kind or for value to be received		
Advances recoverable in cash or in kind or for value to be received			- To subsidiaries	201,712	199,728
- To subsidiaries	749	271,564	- Other advances	19,203	20,326
- Other advances	403,161	404,270	Provision for advances to subsidiaries	(201,712)	(199,728)
Deposits	769,197	132,522	Provision for other advances	(19,203)	(20,326)
Advance tax/Tax deducted at source (also refer to Note 11(vii) of Schedule 19)	262,166	112,391		-	-
Interest accrued	82,140	49,081		1,604,652	1,072,038
Accrued Income	75,209	73,702			
Net investment in leases	12,030	28,508	Amounts due from subsidiary company		
	1,604,652	1,072,038	Sify Communication Limited	-	2,70,826

Schedules to the Balance Sheet (Contd...)

	Rs in Thousands	
	As at March 31, 2008	As at March 31, 2007
11. Current Liabilities		
Sundry creditors		
– dues to micro and small enterprises (31 March 2007: dues to small scale industries)	–	–
– due to others	1,215,603	966,352
Unearned income	258,411	293,755
Security deposits	121,686	112,540
Other liabilities	49,384	82,735
Advances from customers	98,824	82,773
Forward contract payable (net)	2,513	–
	1,746,421	1,538,155
12. Provisions		
Gratuity	8,592	12,363
Compensated absence	33,657	24,634
	42,249	36,997

Schedules to the Profit and Loss Account

	Rs in Thousands	
	For the Year ended March 31, 2008	For the Year ended March 31, 2007
13. Sales and Services		
Sales - Domestic	722,425	455,150
Services - Export	464,364	580,268
Services - Domestic	3,453,652	3,974,196
	4,640,441	5,009,614
14. Other Income		
Gain on foreign exchange fluctuation (Net)	–	14,081
Interest income on bank deposits (Tax deducted at source for the year ended 31 March 2008 Rs. 14,161) (For the year ended 31 March 2007: Rs 26,010)	149,318	144,399
Other income	212,267	115,908
Profit on sale of Fixed Assets	–	487
Provisions no longer required written back towards:		
– advance to subsidiary	–	93,161
– decline, other than temporary, in the value of investment	–	64,593
	361,585	432,629
15. Cost of Software and Hardware Sold		
Opening inventory	24,239	29,224
Purchases (Net of capitalised for the year ended 31 March 2008 Rs 9,947) (For year ended 31 March 2007: Rs 7,228)	672,073	407,908
Closing inventory	(35,020)	(24,239)
	661,292	412,893

	Rs in Thousands	
	For the Year ended March 31, 2008	For the Year ended March 31, 2007
16. Personnel Expenses		
Salaries and wages	923,431	862,555
Contribution to provident and other funds	43,126	37,379
Staff welfare expenses	36,061	25,610
Employee Stock compensation expense	14,532	9,894
	1,017,150	935,438
17. Other Expenses		
Networking costs	800,343	961,611
Other Direct Cost	242,906	259,670
Commission	604,793	695,913
Communication expenses	41,740	43,482
Rent	156,875	143,786
Rates and taxes	22,328	9,056
Travelling expenses	146,940	130,570
Power and fuel	139,931	112,843
Legal and professional charges	273,080	162,671
Repairs and maintenance:		
– Plant and machinery	12,984	12,539
– Buildings	35,151	29,839
– Others	67,856	76,428
Hire charges of vehicles and equipment	12,504	10,047
Insurance	15,482	23,086
Outsourced manpower	195,714	209,049
Advertisements	20,568	37,686
Market promotion expenses	76,350	76,135
Other selling expenses	11,489	13,081
Loss on foreign exchange fluctuation	17,959	–
Loss on sale of fixed assets	107	–
Bad debts written off (net of adjustments against the provision for Doubtful debts (For the year ended 31st March 2008 Rs.122,691) (For year ended 31 March 2007: Rs 276,525))	9,049	31,326
Provision for doubtful debts for the year	90,642	194,750
Decline, other than temporary, in the value of investment	1,636	21,077
Provision for advances	–	3,126
Advances written off	1,984	–
Miscellaneous expenses	111,644	88,281
	3,110,055	3,346,052
18. Financial Expenses		
Interest on vehicles on leasing arrangement	1,826	389
Bank charges	17,925	12,704
Interest	24,349	5,666
	44,100	18,759

Schedules to the Balance Sheet and Profit and Loss Account for the year ended March 31, 2008

Schedule 19. Significant Accounting Policies and Notes to Accounts

(In Rupees thousands, except share data and as otherwise stated)

A BACKGROUND**1. Description of business**

Sify Technologies Limited, ('Sify' / 'the Company') formerly known as Sify Limited, is a Company domiciled in India. The address of the Company's registered office is 2nd Floor, Tidel Park, 4, Rajiv Gandhi Salai, Taramani, Chennai - 600113, India. The Company is primarily involved in providing services, such as Corporate Network and Data Services, Internet Access Services, Online Portal and Content offerings, development of e-learning software and in selling hardware and software related to such services. Sify was incorporated on 12th December 1995 and is listed on the NASDAQ.

B SIGNIFICANT ACCOUNTING POLICIES**1. Basis for preparation**

The financial statements of the Company have been prepared and presented in accordance with the Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards notified by the Central Government pursuant to Companies (Accounting Standards) Rule, 2006, guidelines issued by ICAI (Institute of Chartered Accountants of India) and the provisions of the Companies Act 1956, to the extent applicable. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to existing accounting standards requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised accounting standards on an on-going basis.

2. Use of estimates

The preparation of financial statements in conformity with GAAP requires the Company's Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include estimates of provision for diminution in the value of investments, provision for doubtful debts, future obligations under employee retirement benefit plans and useful life of fixed assets and intangible assets. Actual results could differ from those estimates. Any revision to accounting estimate is recognised prospectively.

3. Revenue recognition

The revenue recognition in respect of various streams of revenue are described below:

Corporate network/data services

Corporate network service revenues primarily include connectivity services and the revenues from the sale of hardware and software purchased from third party vendors and, to a lesser extent, revenue from installation of the link and other ancillary services such as e-mail and domain registration. The Company provides connectivity for a fixed period of time at a fixed rate regardless of usage. The revenue attributable to connectivity services is recognised ratably over the period of the contract. The software sold by the Company is off-the-shelf software, such as anti virus utilities and firewalls. The revenue attributable to hardware/software is recognised on delivery. The revenue attributable to the installation of the link is recognised on completion of the installation work. All revenues are shown exclusive of sales tax and service tax and net of applicable discounts and allowances.

Web hosting service revenues primarily include co-location services and connectivity services. Revenue from hosting services is recognised over the period during which the service is provided.

The Company remotely manages the IT infrastructure of global enterprises from India. The contracts are on time and material basis and revenues are recognized accordingly.

Internet access services

Internet access services include Internet access at homes and businesses through dial-up or cable operator and internet access through a network of cyber cafes. It also includes revenues from VoIP or Internet telephony.

Dial-up Internet access is sold to customers either for a specified number of hours or for an unlimited usage within a specified period of time. Customers purchase "user accounts" or "top-ups" that enable them to access the Internet for a specified quantum of usage or for a specified period of time all within a contracted period. The amounts received from customers on the sale of these user accounts or top-ups are not refundable. Revenue is recognized from sale of user accounts or top-ups based on usage (where access is for a specified quantum of usage) and based on time (where access is for a specified period of time) by the customer. Any unused hours at the end of the contracted period are recognized as revenue.

Public internet access is provided to customers through a chain of franchisee cyber café outlets, network of cable operators and to a lesser extent, Sify owned cyber cafés. Sify enters into an arrangement with franchisees that provides for the payment of an initial non-refundable franchisee fee in consideration for establishing the franchisee relationship and providing certain initial services. These initial services consist of a number of activities, including installing the broadband receiver equipment at the cyber café and connecting it to one of Sify's broadcasting towers, obtaining regulatory approvals for clearance of the site for wireless transmission at the allotted frequency range and other ancillary services. Initial franchisee fee is recognised as revenue at the time of commencement of operations by the franchisee. Internet access revenue is recognised based on usage by the customer.

Internet access at homes and businesses through cable networks is provided through a franchised network of cable operators in India. Customers buy "user accounts" for a specified usage or volume of data transfer or for a specified period of time all within a contracted period. Revenues is recognized on actual usage by customer (where access is for a specified quantum of usage) and based on time (where access is for a specified period of time). Any unused hours at the end of the contracted period are recognized as revenue.

VoIP services are mainly provided through Internet Telephony Booths at *iway* cybercafés and to a smaller extent through Cable TV operators, or CTOs, and through Multi-Dwelling Units (MDU). The user purchases the packs that enable them to use the Internet telephone facility through CTO and MDUs. Revenues are recognised on the basis of usage by the customer. The customer uses Internet telephony facilities at the *iway* cybercafés and makes the payment to the extent of usage of the facility. Revenue is recognized on the basis of usage.

Online portal services and content offerings

The Company enters into contracts with customers to serve advertisements in the portal and the Company is paid on the basis of impressions, click-throughs or leads and in each case the revenue is recognised ratably over the period of the contract based on actual impressions/click throughs/ leads delivered. Revenues from commission earned on electronic commerce transactions are recognized when the transactions are completed. Revenues from value-added services that are rendered using Sify's mobile telephone short code,

54545 are recognized upon delivery of the content/ring tones to the end subscriber and confirmation by the mobile phone service provider.

Other services

The Company provides e-learning software development services to facilitate web-based learning in various organizations. Revenue from such projects is recognized on the fixed man-month rates or proportionate performance method, based on the terms of the contract.

4. Fixed assets and depreciation/amortisation

Fixed assets are stated at cost less accumulated depreciation/amortisation. Direct costs are capitalised until fixed assets are ready for use. These costs include freight, installation costs, duties and other directly attributable costs incurred to bring the assets to their working condition for intended use. Borrowing costs directly attributable to acquisition of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalized.

Assets acquired under a finance lease are capitalised and the corresponding lease liability is recorded at an amount equal to the fair value of the leased asset or the present value of the minimum lease payments, whichever is lower, at the inception of the lease. Initial costs incurred in connection with specific leasing activities directly attributable to activities performed by the Company for a finance lease are also capitalised.

Depreciation on fixed assets is provided using the straight-line method at the rates specified in Schedule XIV to the Companies Act, 1956 or based on the useful life of the assets as estimated by the management, whichever is higher. Depreciation is calculated on a pro-rata basis for assets purchased / sold during the year. Individual assets costing less than Rs 5 are depreciated in full in the year of acquisition.

Leasehold land is amortised using straight-line method over the lease period.

Software for internal use is acquired primarily from third-party vendors in ready-to-use condition. Costs for acquiring such software are capitalised. Capitalised software costs are amortised on straight-line basis over the estimated useful life of the software.

Management's estimates of the useful lives for various categories of fixed assets are given below :

Asset description	Estimated useful life (in years)
Buildings	28
Plant and machinery comprising computers, servers etc.	3 – 5 *
Plant and machinery comprising other items	8 *
Furniture and fittings	5
Office equipment	5
Motor vehicles	3

* revised estimated useful life.

Depreciation on assets acquired under a finance lease is provided using the straight-line method over the useful life of the asset or the lease period, whichever is lower.

Software is amortised over a period of one to three years. Other intangible assets are amortised over three to five years representing management's estimate of the useful life of the asset.

5. Investments

Long-term investments comprise investments in subsidiaries and associates and are carried at cost with provision being made for

(In Rupees thousands, except share data and as otherwise stated)

diminution if any, other than temporary, in their value. Such diminution is determined for each investment individually on the basis of the past performance of such subsidiaries / associates and the future expected benefits to the Company from such investments. Current investments are carried at lower of cost and fair value.

6. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories comprises cost of purchase and all incidental costs incurred in bringing the inventories to their present location and condition. Cost of hardware and software purchased for the purpose of resale is determined using the first-in-first-out method. Inventory of CDs used for Internet service activities are stated at the weighted average cost.

7. Foreign currency transactions

Foreign currency transactions are recorded at the exchange rates prevailing at the date of the transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the profit and loss account. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. The resultant exchange differences are recognised in the profit and loss account.

Profit and loss items at the foreign branch are translated at the respective monthly average rate. Monetary items at the branch office at the Balance Sheet date are translated using the exchange rate prevalent at the date of the Balance Sheet. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

In accordance with the announcement "Accounting for Derivatives" made by the Institute of Chartered Accountants of India ('ICAI') on 27 March 2008, derivatives are marked to market and the changes in the value of such derivatives are recognised in profit or loss account.

8. Employee Benefits

Provident fund: Eligible employees receive benefits from a provident fund, which is a defined contribution plan managed by the Regional Provident Fund Commissioner, Chennai. Both the employee and the Company make monthly contributions to the provident fund plan equal to 12% of the covered employee's basic salary. The Company has no further obligations under the plan beyond its monthly contributions.

Gratuity: The Company provides for gratuity, a defined benefit retirement Plan (the "Gratuity Plan") covering eligible employees. The Gratuity Plan commenced on 1st April, 1997. The Plan provides a lump sum payment to vested employees at retirement, death or termination of employment, of an amount based on the respective employee's last drawn salary and the tenure of employment with the Company. The Company provides the gratuity benefit through annual contribution to a fund managed by the Life Insurance Corporation of India (LIC). Under this scheme the settlement obligation remains with the Company although the LIC administers the scheme. Liabilities related to the gratuity plan are determined by actuarial valuation performed by an independent actuary as at the Balance Sheet date.

Compensated Absences: Provision for compensated absence is made on the basis of actuarial valuation at the balance sheet date, carried out by an independent actuary.

9. Earnings per share

Basic earnings per share is computed and disclosed using the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed and disclosed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the year.

10. Income taxes

Income tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income tax law), deferred tax charge or credit (reflecting the tax effects of the timing differences between accounting income and taxable income for the period) and fringe benefit tax. The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognised using the tax rates that have been enacted or substantially enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each Balance Sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

Current tax and deferred tax assets and liabilities are offset to the extent to which the Company has a legally enforceable right to set off and they relate to taxes on income levied by the same governing taxation laws.

Provision for Fringe Benefit taxes has been recognised on the basis of harmonious contextual interpretation of the provisions of the Income Tax Act, 1961.

11. Impairment of Assets

Management periodically assesses using external and internal sources whether there is indication that an asset may be impaired. An impairment occurs where the carrying value of an asset exceeds the higher of present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal or the amount from the sale of the asset. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the assets net sale price or present value as determined above. There has been no indication of impairment of assets.

12. Export Incentives

Income in respect of duty credit entitlement arising from export sales under the Serve From India Scheme of the Government of India is recognised in the year of exports, provided there is no significant uncertainty regarding the entitlement and availment of the credit and the amount thereof.

13. Provisions, contingent liabilities and contingent assets

Provision is recognised when there is a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on best estimates required to settle the obligation at the balance sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are neither recognised nor disclosed in the financial statements.

14. Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature

(In Rupees thousands, except share data and as otherwise stated)

and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Company are segregated.

C NOTES TO ACCOUNTS

1) Acquisition of Globe Travel Business

During the year ended 31 March, 2007, the Company acquired the business of Globe Travels, which operated an online travel agency. The management believes that the addition of a travel portal is in line with the Company's strategy of providing end-to-end services to Sify users. The results of Globe Travels operations have been recorded in the financial statements effective 10 May 2006, the date of acquisition. The purchase price in respect of the business acquisition comprises the following:

Cash price	112,220 (USD 2,500)
Stock Options (No. of options)	140,000
Earnout payments	USD 500

The Cash price of USD 2,500 includes an amount of USD 500 as holdback amount payable upon the Airlines Reporting Corporation ("ARC") approval of the Company's application for change of ownership of the travel portal. The Company has obtained the ARC approval in August 2007 and paid the hold back amount.

The stock options have been treated as compensation cost as the share-based payment is in return for continued service and accordingly has been accounted for as employee compensation and not as part of the payment in the business combination. Further, it was not probable that earn out payment is payable. Accordingly, the cost of acquisition comprises of the cash price of Rs.112,220 and other incidental direct acquisition cost of Rs.3,999.

The final allocation of the purchase price is as follows :

Property and Equipment	1,247
Software	6,089
Customer, contract related Intangibles	72,683
Goodwill	36,200
Total	116,219

Also refer to schedule 5 of the financial statements.

2) Discontinued Operations - Sale of IP - VPN business

Sify had commenced providing Internet Protocol Virtual Private Network ('IP VPN') services from December 2004 under the Internet Service Provider ('ISP') license based on the letter of intent received from the Government of India ('GOI') permitting the ISP license holders to provide such services. In this connection, the Company had paid a one time entry fee of Rs. 100,000 based on such letter of intent in respect of IP VPN business. Such license fee was capitalised and was being amortised over a period of 15 years effective from the quarter ended March 31, 2005. In addition, the Company was required to pay to the GOI, a prescribed annual recurring fees on the revenues arising from such business to GOI.

The GOI had released a press note on November 10, 2005 wherein National Long Distance (NLD) / International Long Distance (ILD) licenses were liberalised and existing IP VPN businesses were required to be covered under the NLD / ILD licenses. Further, the press release also provided an option to the existing ISP license holders engaged in

IP VPN business to migrate to NLD / ILD licenses. As the NLD / ILD licenses were under the regime of Department of Telecom, the notification of the GOI dated 7 November 2005 was required to be complied with to receive NLD/ ILD licenses. The primary condition set out in the notification among other conditions was that, the total composite foreign holding by the applicant should not exceed 74 per cent.

Given that the foreign shareholding in Sify was higher than the aforesaid threshold limit, Sify Communications Limited (SCL), a wholly-owned subsidiary of the Company proposed to obtain the NLD/ ILD Licenses in its name and made necessary applications in this regard. To facilitate this, Sify divested its shareholding in SCL to the extent of 26% to Infinity Satcom Universal Private Limited (ISU), a company incorporated under the laws of India, for a consideration of Rs 139,810 during the quarter ended December 31, 2005. Further, it was proposed to transfer the IP VPN business of the Company to SCL, for a consideration of Rs 500,000, based on the valuation performed by a reputed accounting firm.

Pending the receipt of NLD/ ILD licenses, based on legal advice, it was decided that Sify Limited would continue to carry on the IP VPN business till such time SCL receives NLD / ILD Licenses. Correspondingly, pending transfer of the IP VPN business, Sify had not recognised the sale and accordingly, the amount of Rs 500,000 received towards such sale was treated as an advance receipt and classified under 'Other Liabilities'.

Pursuant to the arrangements with SCL and GOI notification dated 7 November 2005, allowing adjustment of the one time entry fee of Rs. 100,000 paid by Sify towards the entry fee payable for receipt of NLD / ILD Licences, during the quarter ended December 31, 2005 the Company reversed amortisation of license fees from December 2004 to September 30, 2005 and the entry fee of Rs. 100,000 was classified under 'Loans and advances'.

SCL was granted NLD and ILD licenses by the GOI on November 21, 2006. Pursuant to the arrangements with SCL, Sify transferred the following assets and liabilities of the IP VPN business as on November 21, 2006 and recorded the consequential gain from transfer of the business.

Net assets transferred	Rs 63,530
Sale consideration	Rs 500,000
Gain arising from the transfer of business	Rs 436,470

Further, during the year ended March 31, 2007, the ILD/NLD license fees of Rs 100,000 has been adjusted towards the annual recurring fees of Rs 75,000 and the balance of Rs 25,000 is included under Dues from subsidiaries under 'Loans and advances'.

SCL has entered into an agreement with the company pursuant to which SCL is required to pay right to use fees to the Company for the use of infrastructure facilities owned by the Company.

The disclosure as per Para 20 of Accounting Standard No.24, issued by the Institute of Chartered Accountants of India is as given below:

- a. Description: The Company was providing network connectivity to its corporate customers through Virtual Private Networks with the IP technology. The connectivity is provided for a fixed period and for a fixed bandwidth. The revenue is recognised over the period of service.
- b. Segmental Disclosure: The IP VPN services were forming part of the Corporate network / data services under segmental reporting as per AS 17.

(In Rupees thousands, except share data and as otherwise stated)

c. The assets and the liabilities of the IP VPN business were as follows:

	As at March 31, 2007	As at November 21, 2006
• Debtors	Nil	Rs. 151,558
• Deferred Revenue	Nil	Rs. 88,028

d. The following statement shows the revenue and expenses of continued and discontinued operations for the year ended 31st March, 2007:

Particulars	For the year ended March 31, 2007		
	Continued Operations	Discontinued Operations	Total
	(For the period 01 April 06 to 21 November 06)		
INCOME			
Sales and Services	4,373,144	636,470	5,009,614
Other income	432,629	-	432,629
TOTAL	<u>4,805,773</u>	<u>636,470</u>	<u>5,442,243</u>

EXPENDITURE

Cost of Software and hardware sold	412,893	-	412,893
Operating and administrative expenses	2,901,320	293,627	3,194,947
Personnel expenses	811,235	124,203	935,438
Financial expenses	18,759	-	18,759
Selling and Marketing expenses	119,439	7,463	126,902
Depreciation/Amortisation	453,275	-	453,275
Provision for diminution in value of investments	24,203	-	24,203
TOTAL	<u>4,741,124</u>	<u>425,293</u>	<u>5,166,417</u>
Profit/(loss) before taxation	64,649	211,177	275,826
Income Tax expense	16,610	893	17,503
Profit/(loss) after taxation	48,039	210,284	258,323
Profit on sale of IP/VPN Business	436,470	-	436,470

Cash flow from discontinued operations

	For the period ended November 21, 2006
Cash from operations	41,500
Working capital changes	(165,504)
Net cash flow from operating activities	(124,004)
Net cash inflow / outflow	(124,004)

The amounts are based on the management estimate.

3) Associates stock option plan (ASOP)

The Company had issued stock options under Associate Stock Option Plan (ASOP) 1999, ASOP 2000, ASOP 2002, ASOP 2005 and ASOP 2007. The Compensation Committee grants the options on the basis of performance, criticality and potential of the employees as identified by Management. Each option entitles the holder to purchase one American Depository Share (ADS) at an exercise price determined by the Compensation committee on the date of the grant. There are no

options outstanding in respect of ASOP 1999. The plan wise details are as follows:

(i) ASOP 2000 and 2002

The following table summarises the transactions of stock options under ASOP 2000 and ASOP 2002:

No. of options granted, exercised and forfeited	Year ended March 31, 2008	Year ended March 31, 2007
Outstanding at beginning of the year	6,250	378,897
Granted	-	-
Total	6,250	378,897
Forfeited during the year	-	521
Exercised during the year	6,250	338,763
Lapsed during the year	-	33,363
Outstanding at the end of the year	-	6,250
Vested and exercisable at the end of the year	-	4,688

(ii) ASOP 2005

The Company had formulated the ASOP 2005, which had been approved by the shareholders of the Company on 25 October 2005. Under the Plan, 1,900,000 ADR's /shares can be granted to eligible associates at an exercise price which is not less than 90% of the market price as on the date of the grant.

The exercise price is payable in Indian Rupees. The options vest over a period of 3 years from the date of the grant and are exercisable after the vesting date but before the expiry date which is at the end of the fortieth month from the date of the grant. The Company has also cancelled any balance available for issue under previous plans. Accordingly, any unissued options available under previous plans or any option surrendered or lapsed stands cancelled.

The following table summarizes the transactions of stock options under ASOP 2005:

No. of options granted, exercised and forfeited	Year ended March 31, 2008	Year ended March 31, 2007
Outstanding at the beginning of the year	869,197	1,676,400
Granted during the year	119,400	547,600
Forfeited during the year	(122,442)	(1,267,292)
Expired during the year	(29,295)	(15,523)
Exercised during the year	(13,567)	(71,988)
Replaced during the year	(497,200)	-
Outstanding at the end of the year	326,093	869,197
Vested and Exercisable at the end of the year	235,010	54,914
Weighted Average Exercise Price in Rs	328.84	238.32
Remaining contractual period/year	0.57 to 1.07 years	1.57 to 2.81 years

(iii) ASOP 2007

In September 2007, the Shareholders of the Company approved a new scheme for allotment of shares to employees i.e. Associate Stock Option Plan 2007. Consequently 797,600 unissued options available under the earlier Associate Stock Option Plan 2005 are no longer available for issuance.

(In Rupees thousands, except share data and as otherwise stated)

The options vest in a graded manner over a period of 4 years as follows:

- One sixth of the option quantity : At the end of one year from the date of the grant.
Five sixths of the option quantity : At the end of each quarter during the second, third and fourth year from the date of the grant in twelve equal instalments.

The options are to be exercised with a period of twelve months from the date of last vesting.

The following table summarises the transactions of stock options under ASOP 2007:

No. of options granted, exercised and forfeited	Year ended March 31, 2008
Outstanding at the beginning of the year	-
Granted during the year	708,200
Replaced during the year	(123,900)
Replacement options granted	621,100
Forfeited during the year	(5,000)
Expired during the year	-
Exercised during the year	-
Outstanding at the end of the year	1,200,400
Vested and Exercisable at the end of the year	-
Weighted Average Exercise Price in Rs	157.35
Remaining contractual period	3.56 year - 3.81years

Modification

As the stock options issued under ASOP 2005 and ASOP 2007 have been out of money during the most time of the vesting period, the Company's compensation committee allowed certain employees vide their approval dated January 22, 2008 to surrender their (a) unvested (b) vested and (c) unexercised stock options and obtain fresh options at a discount of 10% of the market price under ASOP 2007 prevalent at the date of modification in lieu of the surrendered stock options. This modification resulted in the revision in the exercise price as well as the service period over which the stock options vest. Consequent upon modification, 497,200 stock options of ASOP 2005 plan and 123,900 stock options of ASOP 2007 plan were replaced with an allotment of equal number of fresh options to those who surrendered.

The incremental intrinsic value of the stock options replaced was determined by reference to the difference between the intrinsic value of the replaced stock options and the net intrinsic value of the cancelled stock options at the date of grant of new stock options.

The incremental intrinsic value as a result of such modification in respect of vested and unvested options amounted to Rs 2,040 and Rs 8,816 respectively. In respect of modification that has occurred during the vesting period, the incremental intrinsic value is included in the measurement of the amount recognised, for services received

over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date intrinsic value of the original equity instruments, which is recognised over the remainder of the original vesting period. In respect of the modification that has occurred after vesting date, the incremental intrinsic value granted is recognised immediately or over the vesting period if the employee is required to complete an additional period of service before becoming unconditionally entitled to those modified equity instruments. The incremental cost recognised in the current year in respect of such vested and unvested options amounted to Rs 203 and Rs 879 respectively.

The Company measures the compensation cost relating to the stock option using the intrinsic value method. The compensation cost is amortised over the vesting period of the stock option. The Company has accounted for the ESOP granted under ASOP 2005 and 2007 as per *The Guidance Note on Employee Share Based Payments*, dated 4 February 2005 issued by the Institute of Chartered Accountants of India. Accordingly, the Company has amortised an amount of Rs. 14,532 (Net) towards stock expense for the year ended March 31, 2008.

Proforma Disclosure:

Had the compensation cost for the options been recognized based on the fair value at the date of grant in accordance with Black Scholes' model, the proforma amounts of the Company's net profit and earnings per share would have been as follows:

	Year ended March 31, 2008	Year ended March 31, 2007
Net profit / (loss) - as reported	(215,586)	694,793
Add: Stock based compensation expense included in reported net profit/(loss)	14,532	9,894
Less: Stock based compensation expense determined under fair value method	(56,410)	(52,129)
Pro forma net profit / (loss)	(257,464)	652,558

	Year ended March 31, 2008	Year ended March 31, 2007
Loss per share:		
Number of shares - Basic	42,877,726	42,704,619
Profit / (loss) per share - reported	(5.03)	16.27
Profit / (loss) per share - proforma	(6.01)	15.28
Number of shares - Diluted	43,083,145	42,809,136
Profit / (loss) per share - reported	(5.03)	16.23
Profit / (loss) per share - proforma	(6.01)	15.24

The fair value of each option is estimated on the date of grant using the Black-Scholes model with the following assumptions:

	Year ended March 31, 2008	Year ended March 31, 2007
Dividend Yield	-	-
Assumed Volatility	53.83% -77.82%	57.2% -95.4%
Risk-Free Interest Rate	2.50% -7.50%	4.75% -4.84%
Expected Term	18 - 45 months	18 - 40 months

(In Rupees thousands, except share data and as otherwise stated)

4. Financial and Derivative instruments

- (a) Derivative contracts entered into by the Company and outstanding as on March 31, 2008.

Particulars	Currency	As at March 31, 2008	As at March 31, 2007
Forward contracts			
Sell (Number of contracts : 22)	USD (thousands)	4,750	-

There are no unhedged exposures in foreign currency as at March 31, 2008.

- b) Pursuant to the announcement issued by the Institute of Chartered Accountants of India on March 27, 2008 on "Accounting for Derivatives", the Company has marked to market the outstanding derivative contracts as at March 31, 2008 and an amount of Rs.2,513 representing a loss has been recognised in the books of account of the Company.

5. Employee Benefits

Effective 1st April, 2006, the Company adopted the revised accounting standard on employee benefits issued by the Institute of Chartered Accountants of India. As per the transitional provisions specified in the Standard, the difference in the liability as per the existing policy followed by the Company and that arising on adoption of this standard is required to be charged to opening reserves and surplus account. However, there is no significant impact on adoption of the Standard, which is required to be adjusted to the opening balance of reserves and surplus.

The following table set out the status of the gratuity plan as required under AS-15 (Revised):

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

Particulars	Year ended March 31, 2008	Year ended March 31, 2007
Projected benefit obligation at the beginning of the Period	20,785	22,959
Service cost	8,533	8,149
Interest cost	1,639	1,662
Actuarial (gain)/ loss	2,393	604
Benefits paid	(6,018)	(12,589)

Projected benefit obligation at the end of the Period **27,332** **20,785**

Change in the fair value of assets

Particulars		
Fair value of plan assets at the beginning of the period	8,423	1,717
Actual return on plan assets	957	163
Actuarial (gain) / loss	(423)	631
Employer contributions	15,801	18,500
Benefits paid	(6,018)	(12,589)

Fair value of plan assets at the end of the period **18,740** **8,422**

Amount recognized in balance sheet

Present Value of Projected benefit obligation at the end of the period	27,332	20,785
Funded status of the plans	18,740	8,422

Funded Status amount of liability recognised in the balance sheet	8,592	12,363
Expense recognised in statement of profit and loss Account		
Service cost	8,533	8,149
Interest cost	1,639	1,662
Expected returns on plan assets	(957)	(163)
Amortisation	-	-
Recognized net actuarial (gain)/ loss	2,816	(27)
Net gratuity costs	12,031	9,621
Actual return on plan assets	533	794

Summary of Actuarial assumptions

Financial Assumptions at the valuation date:

Discount rate	7.85% P.a	8.15% P.a
Expected rate of return on plan assets	7.50% P.a	7.50% P.a
Salary escalation rate	6.00% P.a	6.00 %P.a

Discount rate: The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

Expected rate of return on plan assets: This is based on the expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

Salary escalation rate: The estimates of future salary increases considered take into account the inflation, seniority, promotion and other relevant factors.

6. Segment reporting

The Company's operations predominantly relate to connectivity to enterprises and providing Internet access to retail subscribers (both home access and public access). The Company also operates the portals, "Sify.com", "Samachar.com", and "SifyMax.in" that provides a variety of India-related content to audiences both in India and abroad, and which generates revenue from advertisements and other value added services.

The primary operating segments of the Company are:

- Corporate network/data services, which provides Internet, connectivity, security and consulting, hosting and managed service solutions;
- Retail Internet access services, from homes and through cybercafés
- Online portals services and content offerings; and
- Other services, such as development of e-learning software.

Accordingly, revenues represented by nature of service rendered comprise the primary basis of segmental information. Management believes that it is not feasible to provide secondary segmental

(In Rupees thousands, except share data and as otherwise stated)

disclosures, considering the diverse industrial classification of the Company's customers and their India centric focus.

Bandwidth costs, which form a significant part of the total expenses, are of three kinds – international, inter-city and last mile. These are allocated primarily between the corporate network/data services and internet access services businesses as described below:

The international bandwidth refers to bandwidth that is required for access to sites and offices outside the country. For all these businesses, bandwidth is allocated based on actual utilisation captured by monitoring traffic per IP pool assigned, at the egress points. The Company has packet shapers in the main locations to monitor bandwidth use by each of the above categories of users. This information is used in determining norms like bandwidth per port and bandwidth per PC. The actual utilization are cross validated against assumptions / norms for each business.

The national bandwidth refers to the inter-city link bandwidth implemented within the country. Inter city bandwidth is allocated based on the number of subscribers or iway cafes at "non gateway" points and the bandwidth sold to and used by business enterprises (determined using packet shapers). However, due to strategic reasons aimed at furthering the corporate business, the national backbone was enhanced to carry traffic to the international fibre gateways moving away from its hybrid satellite and fibre gateways to only fibre gateways for international bandwidth. Local exit of international traffic through the satellite gateways has reduced and this traffic has been loaded onto the national backbone. National bandwidth costs are now allocated based on international bandwidth allocation ratios. Since most of the traffic carried on the national backbone is finally aimed towards the international gateways, the Company believes that the allocation on this basis is more appropriate.

Last mile costs in the dial up access (E1/R2 costs) and spectrum fees for wireless connectivity that can be directly identified to the businesses are allocated directly.

Certain expenses, like depreciation and overheads incurred by the support functions including finance, human resources, administration, technology and corporate, which form a significant component of total expenses, are not specifically allocable to specific segments as the underlying services are used interchangeably. Management believes that it is not feasible to provide segment disclosure of these expenses and, accordingly, they are separately disclosed as "unallocated expenses" and adjusted only against the total income of the Company.

A significant part of the fixed assets used in the Company's business are not identifiable to any of the reportable segments and can be used interchangeably between segments. Management believes that it is not feasible to provide segment disclosures relating to total assets since a meaningful segregation of the available data is onerous.

(In Rupees thousands, except share data and as otherwise stated)

The Company's operating segment information for the year ended 31 March 2008 is presented below:

Year ended March 31, 2008	Corporate Network/ Data Services	Internet Access Services	Online Portal Services and Content Offerings	Subtotal (D)	Others (E)	Total (A)+(D)+(E)
	(A)	(B)	(C)	(B+C)		
Revenues	2,627,414	1,545,226	210,766	1,755,992	257,035	4,640,441
Allocable expenses	(1,867,745)	(1,434,984)	(299,035)	(1,734,019)	(209,034)	(3,810,798)
Segment operating income / (loss)	759,669	110,242	(88,269)	21,973	48,001	829,643
Unallocable expenses						(994,296)
Operating income						(164,653)
Other income						212,267
Income/(loss) before interest, tax, depreciation and provision for advances / losses in subsidiaries/investments/others						47,614
Depreciation / amortization and provision for advance / losses in subsidiaries						(407,248)
Interest income (net)						123,143
Prior period income						20,905
Net profit after taxes						(215,586)

The Company's operating segment information for the year ended 31 March 2007 is presented below:

Year ended March 31, 2007	Corporate Network/ Data Services	Internet Access Services	Online Portal Services and Content Offerings	Subtotal (D)	Others (E)	Total (A)+(D)+(E)
	(A)	(B)	(C)	(B+C)		
Revenues	2,684,554	1,868,914	281,789	2,150,703	174,357	5,009,614
Allocable expenses	(1,605,718)	(1,767,861)	(285,030)	(2,052,891)	(154,920)	(3,813,529)
Segment operating income / (loss)	1,078,836	101,053	(3,241)	97,812	19,437	1,196,085
Unallocable expenses						(876,964)
Operating income						319,121
Other income						288,230
Profit on sale of VPN Business						436,470
Income / (loss) before interest, tax, depreciation and provision for advances / losses in subsidiaries/investments/others						1,043,821
Depreciation/ amortization and provision for advance / losses in subsidiaries						(487,372)
Interest income (net)						138,344
Net profit after taxes						694,793

(In Rupees thousands, except share data and as otherwise stated)

7. Leases

The Company has entered into a leasing arrangement with banks for the lease of motor vehicles (“the leased asset”) for periods upto 36 months. During the lease period, the Company has agreed to hypothecate and create an exclusive charge on the leased assets in favour of the banks and repay the principal amount of the loan along with interest thereon by way of instalments as agreed upon. The charge/security created in favour of the banks shall remain in force until such time all the dues under the agreement are fully discharged.

Minimum lease payments as at 31 March 2008 are as follows:

Minimum lease payments as at	March 31, 2008	March 31, 2007
Payable not later than one year	3,342	2,954
Payable later than one year and not later than five years	2,657	3,982
Total	5,999	6,936
Less: Amounts representing interest	608	790
Present value of minimum lease payments	5,391	6,146
Payable not later than one year	2,898	2,474
Payable later than one year and not later than five years	2,493	3,672

The Company, which is a dealer lessor, has leasing arrangement for leasing various types of routers, modems and other equipment for setting up virtual private network and providing bandwidth to its customers in its corporate connectivity business.

The Company recognises the sale transaction in the statement of profit and loss in accordance with the terms of the underlying agreements and the initial direct cost as expenses as incurred.

Gross Investment and minimum lease payments as at 31 March 2008 are as follows:

Gross Investment	March 31, 2008	March 31, 2007
Receivable not later than one year	7,275	17,796
Receivable later than one year but not later than 5 years	5,430	12,615
Total	12,705	30,411
Less: Amount representing interest (Unearned finance income)	675	1,903
Present Value of minimum lease payments	12,030	28,508
Receivable not later than one year	5,101	16,560
Receivable later than one year but not later than 5 years	6,929	11,948

8. Related party transactions

- The related parties where control exists are the subsidiaries, step down subsidiaries and associates.
- Related parties where control / significant influence exists or with whom transactions have taken place during the year:

Subsidiaries	Sify International Inc. (formerly known as India Plaza.com Inc.) India World Communications Limited (since became defunct) Sify Communications Limited (formerly Safe Script Limited) Sify Networks Private Limited (formerly E Alcatraz Consulting Private Limited) Sify Americas Inc. (since wound up on 4th April,2008) Globe Travels Inc. (since wound up on 17th April,2008)
Associates	MF Global-Sify Securities India Private Limited (Formerly Man Financial-Sify Securities India Private Limited) Cricinfo Limited (Voluntarily wound up during the year)
Others	Server Engineer LLC, USA Infinity Satoom Universal Private Limited
Key Management Personnel and Relatives of Key Management Personnel	Raju Vegesna, Chairman and Managing Director. Anand Raju Vegesna, Executive Director. R. Ramraj, Managing Director (upto July 18, 2006)

(In Rupees thousands, except share data and as otherwise stated)

c. Particulars of related party transactions

The following is a summary of significant related party transactions:

The values for the year ended 31 March 2008 are:

Particulars	Subsidiaries	Associates	Others	Total
Transactions with related parties				
Purchases	4,601	–	3,796	8,397
Other advances (net)	(470,844)	–	–	(470,844)
Expenses Recovered	737,082	–	–	737,082
Other income	181,210	–	–	181,210
Corporate Guarantees given to bank for Bank guarantees	483,616	–	–	483,616
Balances with related parties				
Advances recoverable from	202,461	–	–	202,461
Amounts receivable from (refer to note C(23) of Schedule 19)			448,595	448,595
Amounts provided	(201,712)	–	–	(201,712)
Debtors	150,200			150,200
Amounts receivable from (refer to note C(23) of Schedule 19)			448,595	448,595

Details of managerial remuneration paid to Managing Director and payment to directors are provided in Note C(12) and C (13).

The values for the year ended 31 March 2007 are:

Particulars	Subsidiaries	Associates	Others	Total
Transactions with related parties				
Billings	–	2,494	–	2,494
Purchases	1,829			1,829
Other advances (net)	9,204	–	–	9,204
Expenses recovered	224,136	–	–	224,136
Other Income	49,242	–	–	49,242
Corporate Guarantees given to bank for Bank guarantees	456,193	–	–	456,193
Write back of provisions made for diminution in value of investment and advance recoverable	157,754	–	–	157,754
Balances with related parties				
Advances recoverable from	471,112	1,123	–	472,235
Debtors	3,315	–	–	3,315
Amounts provided	(199,728)	(1,123)	-	(200,851)

9. Investments**Sify Communications Limited (formerly Safescrypt Limited)**

Pursuant to the transfer of IP-VPN business to Sify Communications Limited (a 74% subsidiary) (SCL) and the receipt of NLD/ILD licences from November 21, 2006, SCL has commenced making profits. Management believes that the business will continue to earn profits and that there is no longer a temporary diminution in the value of investment. Accordingly, provision made for diminution in the value of investment, amounting to Rs 64,593, has been written back during the previous year.

10. Legal proceedings

- Sify and certain of its ex-officers and ex-directors are named as defendants in a securities class action lawsuit filed in the United States District Court for the Southern District of New York. This action, which is captioned In re Satyam Infoway Ltd. Initial Public Offering Securities Litigation, also names several of the underwriters involved in Sify's initial public offering of American Depositary Shares as defendants. This class action is brought on behalf of a purported class of purchasers of Sify's ADS from the time of Sify's Initial Public Offering (IPO) in October 1999 through December 2000. The central allegation in this action is that the underwriters in Sify's IPO solicited and received undisclosed commissions from, and entered into undisclosed arrangements with, certain investors who purchased Sify's

(In Rupees thousands, except share data and as otherwise stated)

ADS's in the IPO and the aftermarket. The complaint also alleges that Sify violated the United States federal securities laws by failing to disclose in the IPO prospectus that the underwriters had engaged in these allegedly undisclosed arrangements. More than 300 issuers have been named in similar lawsuits.

In July 2002, an omnibus motion to dismiss all complaints against issuers and individual defendants affiliated with issuers was filed by the entire group of issuer defendants in these similar actions. In October 2002, the cases against the Company's executive officers who were named as defendants in this action were dismissed without prejudice. In February 2003, the court in this action issued its decision on defendants' omnibus motion to dismiss. This decision denied the motion to dismiss the Section 11 claim as to the Company and virtually all of the other issuer defendants. The decision also denied the motion to dismiss the Section 10(b) claim as to numerous issuer defendants, including the Company. On 26 June 2003, the plaintiffs in the consolidated IPO class action lawsuits currently pending against Sify and over 300 other issuers who went public between 1998 and 2000, announced a proposed settlement with Sify and the other issuer defendants. The proposed settlement provides that the insurers of all settling issuers will guarantee that the plaintiffs recover \$1 billion from non-settling defendants, including the investment banks who acted as underwriters in those offerings. In the event that the plaintiffs do not recover \$1 billion, the insurers for the settling issuers will make up the difference. The Company believes that it has sufficient insurance coverage to cover the maximum amount that it may be responsible for under the proposed settlement. Although the Federal District Court has preliminarily approved the settlement, it is possible that the Federal District Court may not finally approve the settlement in whole or part. The maximum financial exposure under this, in the event that the plaintiffs recover nothing from the underwriter, is estimated to be USD 3.9 million; an amount the Company believes which is fully recoverable from Sify's insurer.

2. Sify is party to additional legal actions arising in the ordinary course of business. Based on the available information, as at 31 March 2008, Sify believes that it has adequate legal defences for these actions and that the ultimate outcome of these actions will not have a material adverse effect on Sify. However in the event of adverse judgment in all these cases, the maximum financial exposure would be Rs 9,491 (As at 31 March 2007: Rs.4,224).

11. Commitment and contingencies

- (i) Unexpired bank guarantees as at March 31, 2008 amounted to Rs. 143,112 (As at March 31, 2007: Rs 140,965).
- (ii) The Company has given corporate guarantees, as at March 31, 2008 amounting to Rs 483,616 (As at March 31, 2007: Rs 456,193) to the bankers in respect of non-funded facility availed by a subsidiary of the Company.
- (iii) Unexpired letters of credit as at March 31, 2008 amounted to Rs 147,233 (As at March 31, 2007: Rs 43,958).
- (iv) Contracts pending to be executed on capital account as at March 31, 2008 and not provided for (net of advances: Rs 507,157) amounted to Rs 618,541 [as at March 31, 2007: Rs 75, 207 (net of advances: Rs 24,043)].
- (v) The Company has discounted cheques, as on 31st March 2008 amounting to Rs Nil (As at March 31, 2007 Rs 693).
- (vi) In respect of contingencies arising on legal proceedings, refer to note C (10) of Schedule 19.
- (vii) During the year ended March 31, 2006, the Company received a notice from the Income-Tax Department of India for the financial years 2002 and 2003 for a sum of Rs.103,000 stating that no withholding tax has been deducted in respect of international bandwidth and leased line payments made by the Company to international bandwidth / lease line service providers. Subsequently, the demand was revised to Rs. 77,724 by the income tax authorities. Under the Income tax regulations the company is required to pay such amounts in 12 monthly instalments under protest if it seeks to dispute the demand. Accordingly, the Company has paid Rs. 77,724 under protest and challenged such demands. The Company believes that withholding taxes need not be deducted if the service provider did not have any permanent establishment in India and has not installed any equipment at the Company's premises. The Company has demonstrated to the tax authorities that international service providers neither had a permanent establishment in India nor installed any equipment at the Company's premises, and hence concluded that no provision for the loss contingency is considered necessary. The amounts paid under protest are included under 'Loans and advances'. The Company has received an order in its favour from the Income Tax Authorities on March 28, 2008.
- (viii) Details of unpaid amounts relating to Service Tax and Sales Tax together with forum where dispute is pending as at March 31, 2008 is set out below:

Name of the Statues	Nature of the Dues	Amount Disputed	Period to which it relates	Forum where the dispute is pending
Finance Act, 1994 (Service Tax Provisions)	Service Tax	75,553	April 2005 to September 2007	Commissioner of Service Tax, Chennai
Finance Act, 1994 (Service Tax Provisions)	Service Tax	18,624	October 2005 to March 2006	Commissioner of Service Tax, Chennai
Finance Act, 1994 (Service Tax Provisions)	Service Tax	294	April to September 2005	Asst. Commissioner of Service Tax, Chennai
Finance Act, 1994 (Service Tax Provisions)	Service Tax	719	July 2003 to September 2004	Additional Commissioner of Service Tax, Chennai
Uttar Pradesh Trade (Tax act, 1948)	Sales Tax	12,910	2003-04 to 2005-06	Commercial Tax Officer, Uttar Pradesh

(In Rupees thousands, except share data and as otherwise stated)

	Year ended March 31, 2008	Year ended March 31, 2007
12. Managerial remuneration		
Salary	–	1,231
Allowances	–	1,200
Total	–	2,431
Contribution to provident fund	–	148
Gratuity	–	38
13. Payment to other director		
Sitting Fees	1,320	980
Consultancy fees	240	240
14. Auditors' remuneration (included under Legal and Professional Charges)		
a. Audit fees	2,310	1,650
b. Other charges		
Taxation matters	–	–
Other matters	2,190	1,350
c. Reimbursement of out of pocket of expenses	430	240
15. Expenditure in foreign currency On Cash Basis		
Networking costs/Communication expenses	151,870	221,463
Travel	25,965	21,635
Legal and professional charges	192,881	22,339
Personnel expenses	16,647	42,756
Printing & Stationery	917	2,505
Direct costs	80,201	57,148
Content Development cost	3,036	12,400
Marketing promotion expenses	1,045	4,903
Others	36,667	42,984
16. Value of imports on CIF basis		
Software/Hardware imported	10,926	25,229
Fixed assets	316,695	166,888
17. Earnings in foreign currency on Cash Basis		
Service income	629,235	510,755
Interest income	7,493	51,075
18. Other information		
a. The management has initiated a process of identifying enterprises which provides goods and services to the Company which qualify under the definition of medium and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act 2006. Accordingly, there are no amounts payable to such medium and small enterprises as at March 31, 2008 based on information received and available with the Company.		
b. The Company has got a non-fund based facility with a bank to the extent of Rs.500, 000 (As at March 31, 2007 Rs. 500,000) for which a first charge is created on the Company's current assets.		
c. Deposits referred to in schedule 10 to the Financial Statements-Loans and advances include deposits made (amounting to Rs. 55,616) for a period 90 years to Electronics Corporation of Tamil Nadu towards land allotment.		
19. Quantitative information		

	Year ended March 31, 2008		Year ended March 31, 2007	
	Qty	Value	Qty	Value
Opening Stock				
Hardware	2,969	22,816	26,540	24,976
Software	122	1,423	132	4,248
Purchases				
Hardware	167,355	527,099	149,864	290,254
Software	2,878	154,921	1,790	124,882

(In Rupees thousands, except share data and as otherwise stated)

	Year ended March 31, 2008		Year ended March 31, 2007	
	Qty	Value	Qty	Value
Sales				
Hardware	160,714	553,632	172,943	283,475
Software	2,963	180,287	1,799	143,411
Captive Consumption				
Hardware	873	9,947	492	6,897
Software	–	–	1	331
Closing stock				
Hardware	8,737	32,953	2,969	22,816
Software	37	2,067	122	1,423

1. Includes sale of products through e-commerce.
2. Software is measured by number of packages.

20. Income tax

- a. No provision for income tax has been made during the year, as the Company does not have any taxable income.
- b. The Company has not recognised deferred tax asset in respect of losses carried forward as the Management feels it is prudent not to do so.
- c. The Finance Act, 2007 has introduced Fringe Benefit Tax (FBT) on employee stock options. The difference between the fair value of the underlying share on the date of vesting and the exercise price paid by the employee is subject to FBT. The Company will recover such tax from the employee. The Company's obligation to pay FBT arises only upon the exercise of stock option and hence the FBT liability and the related recovery will be recorded at the time of the exercise.

21. Earning Per Share

	Year ended March 31, 2008	Year ended March 31, 2007
Weighted average share - Basic	42,877,726	42,704,619
Employee Stock Option	126,566	104,517
Partly paid-up shares	78,853	–
Weighted average share - Diluted	43,083,145	42,809,136

Earnings per share before exceptional items after taxation (continued and discounted operations)

Profit/(Loss) before exceptional items and taxation	(198,762)	275,826
Less: Income Tax	16,824	17,503
Profit/(Loss) before exceptional items and after taxation	(215,586)	258,323
Earnings per share:		
Basic	(5.03)	6.05
Diluted	(5.03)	6.03

22. Setting off of Profit and Loss Debit balance against Securities Premium Account

Pursuant to the approval of the shareholders of the Company at the Eleventh Annual General Meeting held on September 24, 2007 and confirmation by the Honourable High Court of Madras vide its Order dated December 13, 2007, accumulated losses of Rs.11,626,401 as on April, 2007, has been adjusted against the Securities Premium Account.

23. Share Purchase agreement with Infinity Satcom Universal Private Limited

The Company has entered into a Share Purchase Agreement with Infinity Satcom Universal Private Limited (Infinity Satcom) for issuance of 12,817,000 Equity Shares of the Company with face value of Rs.10/- at a premium of Rs.165/-. It was approved by the Company's shareholders at the Extra ordinary General Meeting held on March 17, 2008. Infinity Satcom is controlled by Shri. Ananda Raju Vegesna, Executive Director, and brother of Shri Raju Vegesna, Chairman and Managing Director.

The Company has received a sum of Rs. 112,149 (comprising of Rs. 12,817 towards face value and Rs. 99,332 towards securities premium) and has called up a sum of Rs. 448,595 (comprising of Rs. 25,634 towards face value and Rs. 422,961 towards securities premium). Such sums called up amounting to Rs. 448,595 are not due for payment as at the Balance Sheet date. Infinity Satcom have communicated to the Company vide their letter dated August 27, 2008 that they would focus their attention on the business of Sify Communication Limited and hence shall not contribute the allotment money as well as the balance money towards the subscription of 12,817,000 Equity Shares, as and when it is called.

In view of the above, on August 29, 2008, the Board of Directors have passed a resolution forfeiting the 12,817,000 Equity shares allotted to Infinity Satcom. Accordingly, the amount of Rs. 112,149 (comprising of Rs. 12,817 towards face value and Rs. 99,332 towards securities premium) has been forfeited subsequent to the Balance Sheet date.

24. Change in Estimate

Based on a comprehensive evaluation, during the year ended March 31, 2008 the Company has revised the estimates of the useful lives of its networking equipment (included under plant and machinery) and computers. As a result, the expected useful life of networking equipment has been increased from 5 to 8 years and the expected useful life of computers has been decreased from 5 to 3 years. Had the Company continued to use the earlier basis of providing depreciation, the charge to the profit and loss account before taxation for the current year would have been lower by Rs. 110,315 and the net bolck of fixed assets would corresponding have been lower by Rs. 110,315.

25. Prior period income

Prior period income represents reversal of service tax liability amounting to Rs 20,905 on debtors written off during the year ended March 31, 2007.

26. Prior year comparatives

Prior year comparative figures have been regrouped and reclassified wherever necessary to conform to the current year's classification.

For and on behalf of Board of Directors

C B Mouli
Director

Ananda Raju Vegesna
Executive Director

Raju Vegesna
Chairman & Managing Director

Hyderabad
August 29, 2008

M P Vijay Kumar
Chief Financial Officer

V Ramasubramanian
Company Secretary

Rs in Thousands

Cash Flow Statement

	For the year ended March 31, 2008	For the year ended March 31, 2007
Cash Flows from Operating Activities		
Profit / (Loss) before taxation and exceptional items	(198,762)	275,826
Adjustments for :		
Depreciation and amortisation	389,096	453,275
Financial expenses (considered separately)	44,100	18,759
Diminution in value of investment	1,636	21,077
Bad Debts written off	9,049	31,326
Provision for doubtful debts	90,642	194,750
Provision for accumulated losses of subsidiaries	1,984	3,126
Deferred compensation charge	14,532	9,894
Provision no longer required written back	-	(157,754)
Unrealised foreign exchange fluctuation (Gain)/Loss, net	1,027	13,736
Duty Credit Entitlement	(46,437)	(66,094)
Interest income (considered separately)	(149,318)	(144,399)
(Profit)/Loss on sale of fixed assets, net	107	(487)
Operating Profit before working capital changes	157,656	653,035
Adjustment for :		
(Increase)/decrease in sundry debtor	(669,987)	(163,832)
(Increase)/decrease in inventories	(10,781)	4,985
(Increase)/decrease in loans and advances	(731,559)	(178,667)
Increase/(decrease) in current liabilities and provisions	212,140	(3,598)
Cash flow from/ (used in) operating activities	(1,042,531)	311,923
Taxes paid	(16,824)	(17,503)
Net cash flow from/ (used in) operating activities	(A) (1,059,355)	294,420
Cash flow from investing activities		
Purchase of fixed assets and changes in capital work-in-progress	(874,801)	(895,630)
Sale proceeds of fixed assets	2,407	4,893
Advance to / from subsidiaries (net)	268,831	(178,683)
Interest income received	116,259	128,816
Investment in Mutual Funds	(20,315)	-
Net cash from / (used in) investing activities	(B) (507,619)	(940,604)
Cash flow from financing activities		
Proceeds from issuance of share capital	116,812	72,647
Loans availed against fixed deposits	85,000	800,000
Repayment of loans	(800,000)	-
Other loans availed (net)	689,063	-
Loans availed against purchase of vehicle	3,753	6,695
Repayment of loans obtained against purchase of vehicles	(4,508)	(5,854)
Investment in finance leases	(16,478)	(6,890)
Financial expenses	(44,100)	(18,759)
Net cash from / (used in) financing activities	(C) 29,542	847,839
Effect of exchange differences on translation of cash and cash equivalents	(D) (98)	(8,229)
Net Increase / (Decrease) in cash and cash equivalents during the year	(A+B+C+D) (1,537,530)	193,424
Cash and cash equivalents at the beginning of the year (Refer to Schedule 9)	2,884,705	2,691,281
Cash and cash equivalents at the end of the year (Refer to Schedule 9)	1,347,175	2,884,705
Supplementary information		
- Cash paid / (refunds received) towards Income taxes	166,599	73,568

 for **BSR & Co.**

Chartered Accountants

for and on behalf of the Board of Directors

S Sethuraman
Partner
Membership No: 203491

C B Mouli
Director

Ananda Raju Vegesna
Executive Director

Raju Vegesna
Chairman & Managing Director

Hyderabad
August 29, 2008

M P Vijay Kumar
Chief Financial Officer

V Ramasubramanian
Company Secretary

Balance Sheet Abstract and General Profile of the Company under Part IV to Schedule VI of the Companies Act, 1956

I. Registration details

Registration no.	50809
State code	18
Balance Sheet date	March 31, 2008

II. Capital raised during the period (Amount in Rs. 000's) (Amount in Rs. 000's)

Public issue	–
Rights issue	–
Bonus issue	–
Private placement	116,812

III. Position of mobilization and deployment of funds (Amount in Rs. 000's)

Total Liabilities	5,800,072
Total Assets	5,800,072

Source of Funds

Paid-up capital	441,018
Reserves and surplus	4,579,600
Secured loans	779,454
Unsecured loans	–

Application of Funds

Net fixed assets	2,294,428
Investments	758,187
Net current assets	2,531,871
Miscellaneous expenditure	–
Accumulated loss	215,586

IV. Performance of the Company - continuing operations (Amount in Rs. 000's)

Turnover	5,002,026
Total expenditure	5,221,693
Profit/(Loss) before tax	(198,762)
Profit/(Loss) after tax	(215,586)
Earnings per share in Rs.	(5.03)
Dividend %	–

V. Generic names of three principal products / services of the Company (as per monetary terms)

Item code no. (ITC Code)	
Product description	Internet Service Provider

for and on behalf of the Board of Directors

C B Mouli
Director

Ananda Raju Vegesna
Executive Director

Raju Vegesna
Chairman & Managing Director

Hyderabad
August 29, 2008

M P Vijay Kumar
Chief Financial Officer

V Ramasubramanian
Company Secretary

Sify Technologies Limited

Statement pursuant to Section 212(1)(c) of the Companies Act, 1956, relating to the Subsidiary Companies

Name of the Subsidiary Company	Sify Communications Limited	Sify Networks Private Limited	Sify International Inc.	Rs in Thousands
Financial year of the subsidiary ended on	March 31, 2008	March 31, 2008	March 31, 2008	
Shares of subsidiary company held on the above date and extent of holding				
i) Equity Shares	1,80,00,000 of Rs. 10 each	81,820 of Rs.10 each	100	
ii) Extent of holding (%)	74%	100%	100%	
Net aggregate amount of profits / (losses) of the subsidiary for the above financial year so far as they concern members of Sify Technologies Limited				
i) Dealt with in the accounts of Sify Technologies Limited	Nil	Nil	Nil	
ii) Not dealt with in the accounts of Sify Technologies Limited	89,529	Nil	(2,149)	
Net aggregate amount of profits / (losses) for previous financial years of the subsidiary as far as it concerns members of Sify Technologies Limited				
i) Dealt with in the accounts of Sify Technologies Limited	Nil	Nil	Nil	
ii) Not dealt with in the accounts of Sify Technologies Limited	(142,316)	(73,672)	(208,272)	
Hyderabad August 29, 2008	C B Mouli Director	Raju Vegesna Chairman & Managing Director	MP Vijay Kumar Chief Financial Officer	V Ramasubramanian Company Secretary