





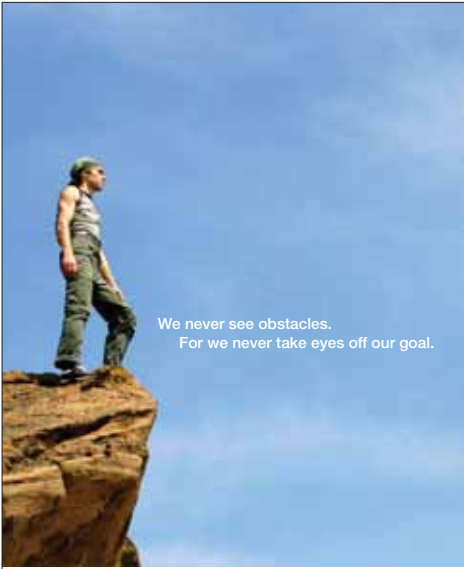


ANNUAL  
**FRUITS OF SUCCESS**



REPORT 2008

# Our Vision, Mission & Values



We never see obstacles.  
For we never take eyes off our goal.

## Our Vision

To enable the transformation of  
businesses into virtual enterprises.



We do what others won't.  
To achieve what others don't.

## Our Mission

1-10-100 by the year 2012

Achieve \$1 billion and be amongst  
the top 10 best employers in India,  
working with 100 of Fortune 1000  
customers.



We live by our values.  
And our values make us what we are.

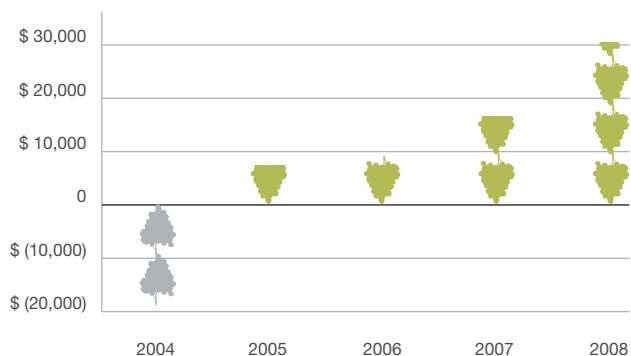
## Our Values

### PRIDE

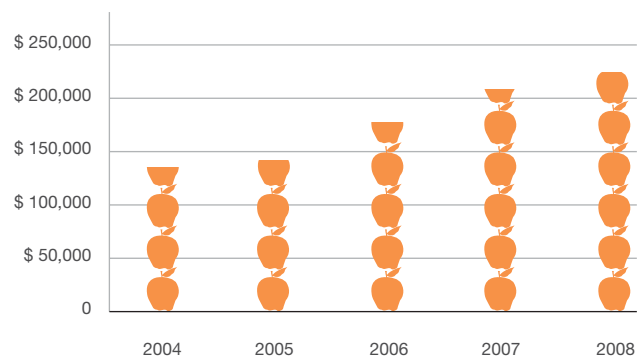
Passion | Respect | Innovation  
Denizen | Excellence

# Financial Highlights

Year Ended December 31, <i>(Dollars in thousands, except per share data)</i>	2004	2005	2006	2007	2008
Revenues	\$ 133,659	\$ 139,516	\$ 170,414	\$ 201,734	\$ 218,798
Gross Margin	40,499	42,162	48,037	65,112	82,357
(Loss) Income from Operations	(24,877)	(5,118)	(266)	9,483	27,682
Net (Loss) Income	\$ (18,211)	\$ 6,969	\$ 8,704	\$ 15,585	\$ 30,904
Diluted Net (Loss) Income per Share	\$ (0.35)	\$ 0.13	\$ 0.16	\$ 0.29	\$ 0.56
Cash and Cash Equivalents	\$ 21,409	\$ 40,371	\$ 46,077	\$ 46,655	\$ 30,878
Short-term Investments	35,863	30,798	31,826	25,295	34,601
Total Assets	180,888	177,802	191,161	216,798	189,893
Total Shareholders' Equity	\$ 111,700	\$ 117,672	\$ 133,351	\$ 155,966	\$ 146,072

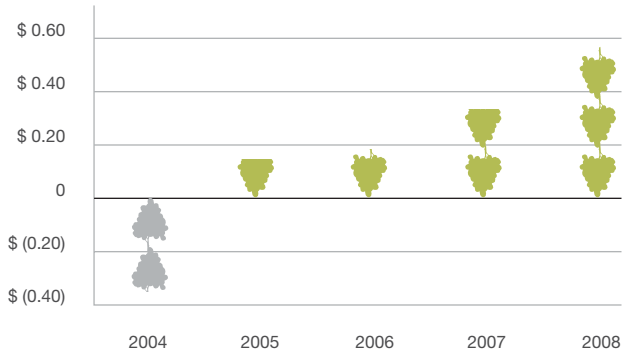


Net Income  
(\$ in thousands)

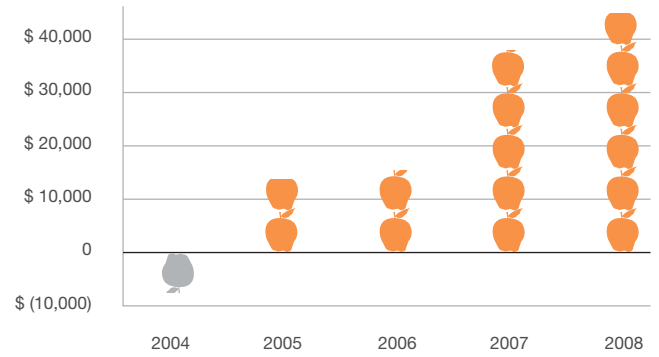


Revenue  
(from Continuing Operations, \$ in thousands)

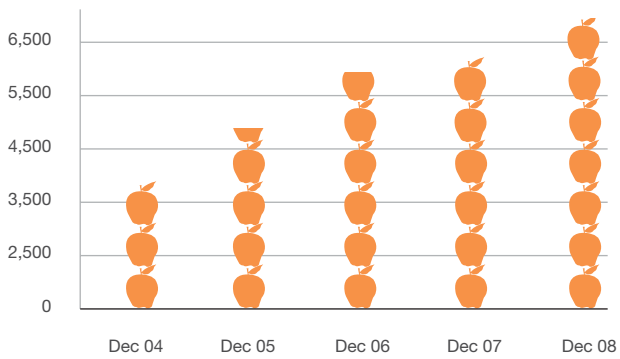
Safe Harbor Statements under the Private Securities Litigation Reform Act of 1995: Some of the statements in this publication that are not historical facts are forward-looking statements. These forward-looking statements include statements concerning our plans, strategies, intentions and beliefs and are sometimes indicated by such words as believes, plans, hopes, expects, anticipates, or similar expressions. These statements are based on the information currently available to iGATE and the company assumes no obligation to update these statements as circumstances change. There are risks and uncertainties that could cause actual events to differ materially from these forward-looking statements. These risks include, but are not limited to, the level of market demand for the services of iGATE and our partner companies, the highly-competitive market conditions that could cause our customers to reduce spending for our services, our ability to create, acquire, and build new businesses, our ability to attract and retain qualified personnel, currency fluctuations and market conditions in India and elsewhere around the world, and other risks that are described in more detail in our filings with the Securities and Exchange Commission. The information contained in this report pertain to iGATE Corporation and its subsidiaries. For a more detailed explanation of the Safe Harbor Statements and the risk factors, refer to the Form 10K enclosed herewith and filed with SEC.



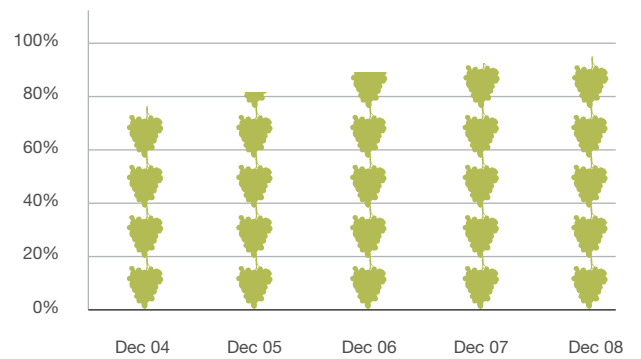
Diluted Net Income per Share  
(in \$)



Net Cash Flow from Operations  
(\$ in thousands)



Headcount



Offshore Headcount  
(as a % of total number of employees)

# Stock Performance Chart

The following graph shows a comparison of the cumulative total return on the Company's Common Stock during the period commencing on December 16, 1996, the date of the Company's initial public offering and ended on December 31, 2008, with the cumulative total return during such period for (i) the NASDAQ Composite Index and (ii) the Russell 2000 Index. The comparison assumes \$100 was invested on December 16, 1996 in the Company's stock and in each of the foregoing indices and assumes reinvestment of dividends, if any. Shareholder returns over the indicated period are based on historical data and should not be considered indicative of future shareholder returns. In prior year's proxies and from the date of the Company's initial public offering, the Russell 2000 Technology Index ("Technology Index") was utilized as a comparative benchmark. As of December 31, 2006, the Technology Index was no longer published. As a result, the Company has included performance benchmarks for the Russell 2000 Index to replace the Technology Index. The Technology Index performance has been included through December 31, 2005 for comparative purposes. Total cumulative return for the Russell 2000 Index has been included commencing from the date of the Company's initial public offering through December 31, 2008.



The Common Stock is currently traded in the NASDAQ NATIONAL MARKET tier of THE NASDAQ STOCK MARKET under the SYMBOL "IGTE".

YEAR	IGATE Corporation	Nasdaq Composite	Russell 2000 Technology	Russell 2000 Index
December 16, 1996	\$ 100	\$ 100	\$ 100	\$ 100
Year end 1996	127	102	102	103
Year end 1997	212	125	103	125
Year end 1998	382	174	115	120
Year end 1999	330	323	237	144
Year end 2000	38	196	141	138
Year end 2001	55	155	109	139
Year end 2002	35	106	59	109
Year end 2003	105	159	96	159
Year end 2004	54	173	92	186
Year end 2005	65	175	90	192
Year end 2006	92	192		225
Year end 2007	113	210		219
Year end 2008	89*	125		143

(\*includes dividend declared as part of the spin-off of Mastech Holdings Inc)



**(From Left to Right)**

Sunil Wadhvani, Phaneesh Murthy, Gordon Garrett, Ashok Trivedi, Michel Berty, Ed Yourdon, Göran Lindahl

**Board of  
Directors**





**(From Left to Right)**

Hari Murthy, Sujit Sircar, Srinivas Kandula, Phaneesh Murthy, Sean Narayanan, Sumit Ganguli



# Chairmen's Message



**Sunil Wadhvani** |

Co-Chairman

**Ashok Trivedi** |

Co-Chairman



Dear Shareholders,

Ever since we founded iGATE, we have pursued quality, excellence and innovation in our services. During the past few years, we have seen the results of our hard work validated through several external endorsements. Our focus and commitment to operating iGATE in an ethical, sustainable and socially responsible way continues.

Our established major transformation programs are now delivering results. We have successfully spun-off iGATE Professional Services as Mastech Holdings Inc (NYSE Alternext US: MHH) effective September 30, 2008, and listed it on the NYSE Alternext US (the former American Stock Exchange). In addition, we completed the divestiture of our clinical research business at the end of August 2008. iGATE will now be a focused, pure-play global services delivery company.

The story of 2008's global economic volatility has been well-documented. Despite the extremely challenging conditions, we have shown increased profitability and a strong balance sheet. Our core business model of offering a business outcome based pricing model through an Integrated Technology and Operations (iTOPS) structure with global service delivery is helping us through this challenging economic period.

On this foundation, we are pursuing our goal of being the best integrated technology and operations services provider.

An overview of the industry indicates that worldwide IT services spending is likely to remain stagnant or marginally contract in 2009 compared to 2008 and then to rebound in 2010. This has led to unprecedented changes in our business. The disruptive shifts in demand and supply patterns will cause companies to emphasize a solution-oriented, vertically-focused value proposition based on business issues. The need for lowering costs and increasing efficiency will increase the motivation for companies to look at alternative models that can deliver higher ROI, like iGATE's integrated technology and operations model.

In anticipation of these changes, we are continuously improving to ensure our competitiveness by developing strong leaders, investing in people, innovating, driving for improved revenues and margins, ensuring delivery excellence, and maintaining a strong focus on ethics and compliance. In our relentless pursuit of excellence we continue to act with a sense of responsibility towards the world in which we are privileged to live and work.

It is with a deep sense of sorrow that we inform you of the untimely passing away of Mr. Ramchandran Natesan, our Chief Financial Officer. In line with our planned succession strategy, Mr. Sujit Sircar, who was our Senior Vice President of Finance, took over the role as the Chief Financial Officer. Sujit joined iGATE in 1998 and has led many initiatives in your company. He was key to transforming iGATE to become a focused, pure-play company, and in continuously striving to reduce costs and improve profitability.

For supporting iGATE through a challenging year, we thank our clients for their continuing confidence in our ability to provide high-ROI services; our employees, for rising to the challenge of solving complex problems and delivering exceptional value to our customers; and our shareholders, for continuing to believe in our vision for growth.

We look forward to 2009 and to our long-term future with confidence and optimism.

# CEO'S MESSAGE



**Phaneesh Murthy** |  
President & Chief Executive Officer

**You can't do today's job with yesterday's methods and be in business tomorrow - Anonymous**

Dear Shareholders

Our performance in 2008 reflects our sustained focus in driving earnings growth. Notwithstanding market challenges, substantial turbulence in the financial sector, and the volatile foreign exchange, we delivered strong operating profits by focusing on efficiencies and cost management.

2008 was a year of significant achievements. We expanded our service offerings, raised the intellectual level of our services, extended our global delivery footprint, and earned external validation for our people management, quality practices and excellence in client relationship management.

Following the end of fiscal year 2008 we declared our first annual dividend of \$0.11 per share and put in place a plan to pay dividend ranging from 20% to 40% of the company profits annually. We also delivered substantial bottom line improvement, with earnings per share

of \$0.56 against \$0.29 in 2007. Gross profit margin in 2008 grew to 37.6% from 32.3% while our revenue grew to \$218.8 million compared to \$201.7 million in 2007.

In the report card that follows, I have explained the progress we made

**Report card:**

*Customers:* During the year we added 27 new clients, this despite the looming economic uncertainty which forced many customers to go slow on their outsourcing decision making process. We have embarked on a strategy to shift our project mix to pursue more long-term and annuity kind of revenues and also help our clients lower cost by pushing more onsite work offshore.

*Employees:* We ended 2008 with 6,658 employees. In our quest to create a world class human resource system to suit a global workforce we introduced newer Human Resource Framework and policies like the Technical and Behavioral Competency Framework, Career Planning and Management Process, and Competency Management System. As leadership development is critical for our long term growth we launched a new Lead program for managers to complement the LEADERS 2 LEADERS PROGRAM, our flagship leadership initiative.

*Physical Infrastructure:* We now have around 805,000 sq. ft. of facilities across our 4 delivery centers in India. During 2009, we intend to add 170,813 sq. ft. of space to our facilities in Bangalore, Hyderabad and Chennai in India. Since we are passionate about reducing the carbon footprint we have incorporated several environmentally-friendly initiatives like rainwater harvesting, wastewater treatment, energy-conserving lighting, and air conditioning systems in our facilities.

*Intellectual Infrastructure:* We continue to make significant investments to raise the intellectual levels of our service offering. We forayed into newer service offerings such as the Retirement Solutions Practice to target clients in the wealth management and financial planning space.

We also added Global Trade Management to our service offerings to target companies in the Banking and Financial services space. We are bringing together people, process and technology to deliver transactional, analytical and advisory services in trade management.

We made substantial investments to set up a Centre of Excellence in the Media and Entertainment space to assume a leadership role and provide cutting-edge technology solutions to our clients. With Global 2000 companies that we cater to, becoming more discerning buyers of offshore services, we are seeing a growing interest in our innovative integrated Technology and Operations (iTOPS) model. We anticipate that our iTOPS model in accounting, mortgage, insurance and trade management will help us gain market share and showcase our value add to clients.

*Delivery center expansion:* It is becoming imperative to offer our clients both near shore and offshore operations to handle their global expansion needs. To do this we are expanding our global delivery footprint. We set up a near-shore services center in Guadalajara, Mexico. Earlier we had set up a center in Ballarat, a city in the State of Victoria in Australia. Both these centers will complement our existing facilities in India and our center in Malaysia.

*Accolades:* As an acknowledgement of our excellent processes and

policies, 2008 was a year of multiple rewards and recognition. On the Human Resource front, we bagged two coveted “Best Employer” awards second year in a row

We were adjudged India’s top employer in the annual DATAQUEST-IDC Best Employer Survey and placed second in the Business Today-Mercer-TNS Cross-Industry Survey of Best Companies to Work for in India.

For our continued focus on customer satisfaction we were named to The Black Book of Outsourcing’s prestigious “50 Best Managed Global Outsourcing Vendors in 2008” list.

For our excellence in client relationship management the iGATE - RBC alliance won the “Best Financial Services partnership” award in the Everest Group/OutsourcingCenter’s distinguished 2008 Outsourcing Excellence Awards.

As an endorsement to our commitment to quality and customer service, iGATE achieved the highest rating of the Capability Maturity Model Integration (CMMi) Version 1.2.

*Conclusion:* As we step into 2009 with caution we are cognizant of the worsening economic scenario. We have taken several steps to manage our cost more prudently in these difficult times. Among them are changing the hiring pattern of resources through more of just-in-time hiring as opposed to campus hiring, cutting down on discretionary spends, and maintaining a very lean and efficient cost structure.

With a clean capital structure, we are now better poised for acquisition. We will look at Mergers and Acquisitions as a vehicle for expansion, growth and capability building in the future.

Although we believe that market conditions will continue to be challenging, we see opportunities and believe that from an earnings point of view we are among those companies that are better positioned to handle adversities compared to many others.

## Hari Murthy |

Chief Sales and Marketing Officer



### Enhancing Client Experience

During the second half of 2008, several of our clients, especially in the retail, financial services and manufacturing sectors, faced dislocations in their markets. Consequently, we saw a sharpening and unprecedented focus on the part of our clients to take costs-out and find more efficient ways of revenue enhancement.

This turbulent period provided iGATE a unique opportunity to innovate in service packaging and relationship models. Consequently, for many of our relationships, discontinuities on the client side such as mergers and acquisitions, new market focus, business model changes represented a growth in addressable opportunities for iGATE.

As new drivers for our client relationships emerged, we found ourselves driving to more metrics-based, measurable business outcomes as indicators of relationship health. Our client experience got defined by their expectations of us directly impacting business outcomes through profitability, market share, and risk-elimination on key business initiatives.

This process continues. We continue to calibrate the breadth and depth of our services offerings, platforms for industry vertical dominance, alternate engagement models and more equitable sharing of engagement risks. All of these have led to higher measured client experience, as indicated in a continuing upward trend in our client satisfaction surveys that we conduct several times in the year. The outcome of this continually improving client experience is a growth in our rate of repeat revenues

from our Top 10 clients, as well as a significant acceleration in our rate of new client acquisition, including from the Global 1000 list.

Our laser focus on client experience and business alignment earned us the Best Relationship Award from Everest/Outsourcing Center in the Financial Services category. We have also been characterized as a leading provider of outsourcing services by Global Services Magazine, International Association of Outsourcing Professionals, and the Black Book of Outsourcing.

iGATE's strength is our ability to respond meaningfully to changes in our clients environment as well as a healthy appetite to accept and manage risks. During most of 2008, we were able to demonstrate the necessary flexibility in our organization systems to adapt continuously and respond timely to evolving situations of our clients. We believe that we are ideally positioned to continue to deliver on our promise of superior client experience through the values of business alignment, competence, scalability and responsiveness.

**Sean Narayanan** |  
Chief Delivery Officer



## Delivering in Troubled Markets

We continue to focus on excellence in execution. Our client-centricity and focus on deep relationships is part of our DNA that continues to grow. We have successfully enhanced the customer experience as demonstrated in our customer satisfaction scores and various industry awards and recognitions. An independent survey by TNS of our customer satisfaction measured by TRI\*M score moved by leaps from 60 in 2007 to 66 in 2008.

We delivered on our promise of margin growth. We centralized our resource management, brought in efficiency through process and tools and ruthlessly focused on flattening our delivery pyramid which resulted in our gross margins continuously moving up through the year. We have been assessed at Level 5 of CMMi version 1.2, demonstrating our commitment to quality and capability to successfully integrate the various quality practices to enhance the value we deliver. We rolled out our integrated iGATE 'cocoon' initiative encompassing Technology, Quality and Training enabling our associates to execute faster, better and in a standard environment translating to both better productivity and reduced lead times for our customers.

We expanded our delivery capabilities from an India-Centric Model to a Global Delivery Model establishing delivery centers in Mexico and Australia. Our tools and processes have been redefined to enable us to work in a distributed manner across the global delivery centers. This ensures that we seamlessly deliver various program components from

different locations based on the unique advantages that each location has to offer while logically it's a single client engagement.

As market dynamics evolved, our focus has been around building capability to deliver to the exacting demands from our customers. One key component is our investment in building a broad-based industry domain expertise across our delivery organization to enable alignment with our customer's business outcome. We restructured our delivery organization by Industry verticals to unlock this significant value to both our customers and our associates. We continue to deliver on our promise of better solutions through integrating technology and operations (iTOPS).

Downturns have historically proved to be turning points for industries. In such challenging economic times, partnerships have taken on a new meaning. Our customers demand more for less, aligning of IT with business objectives, and continuous innovation. These translate to areas of focus for us as we develop solutions to deliver to our clients. This shift in expectations is a clear sign of a transition from tactical outsourcing to strategic outsourcing characterized by a flexible, proactive approach balancing innovation and cost.

As we crystal gaze amidst all the current economic downturn, we have confidence that our delivery capabilities will help us partner with our clients to together generate value for all our stakeholders.

## Sujit Sircar |

Chief Financial Officer



### Managing the Global Finance Function Successfully

2008 was a transformational year for iGATE and I am proud of the way the Finance and Administration team has adapted to the challenging external environment and addressing the needs of our business. We have continuously challenged the cost base and drove to improve the financial parameters by promoting a culture of fiscal responsibility and accountability throughout the organization.

As the finance markets change and our business evolves, it is important for us to show an agile mindset and responsible approach to fiscal discipline without compromising our ethics and social responsibility. As we drive the business forward, we continuously work to ensure that our high level values are translated into consistent actions and behavior worldwide that are aligned with and support the achievement of our strategic business objectives.

We have outperformed on the financial parameters, compared to 2007, from our continuing operations. Our operating profit margin has increased from 4.7% in 2007 to 12.7% in 2008, and the EPS is \$ 0.53, up from \$ 0.20 in the previous year. We have \$ 65 million in cash and short term investments and generated an operating cash flow of \$ 43 million. We reduced our 'Days of Sales Outstanding' from 71 days in 2007 to 65 days as of December 2008.

We have modeled our risk management using selected industry best practices, like performing customer credit evaluation, enhancing the risk insurance coverage, minimizing country risk by opening global centers, and increasing the business continuity planning and disaster recovery processes. The importance of risk management on hedging foreign currency exposure has gone up manifold with turbulence in the world

currency market during 2008. The year saw an unprecedented movement of many of the major currencies between 20-30% within a short period of time. Our robust process of hedging helped us to avoid significant currency related losses.

During the year we expanded our global delivery model by establishing near-shore centers in Australia and Mexico. To meet the growing complexity of global organization, we have developed robust coordinated financial execution planning group to enable us be compliant with the multitude of global financial regulations. Our management information systems are directly integrated with our ERP systems to ensure complete transparency and authenticity to the user, defined by access controls.

We were successful in meeting the finance and administration team goals for the year, while continuing to support the business that is rapidly changing. In line with our vision, as the sales and delivery organizations align with the business outcomes of clients and develop innovative engagement models, we have been evolving the dynamic costing models to ensure that the key performance measures meet the short-term and long-term financial and non-financial objectives. These measures consistently monitor and report our progress towards achieving our objectives and delivering enduring shareholder value.

As we look to the future, the turbulence in the market has raised new challenges including risk management and new regulations. We are confident that our strong foundation on ethics, corporate governance, and robust risk management models will ensure that we meet the key performance measures of the forthcoming years.



## Sumit Ganguli |

Head - Consulting and M&A



### Transformation Solutions for Business Efficiency

The world is experiencing a seismic shift in the business arena. While IT and BPO outsourcing have become mainstream, there is a perceived movement towards convergence of Process and IT. We are also seeing a significant increase in the level of accountability and leaders questioning the business value of transformation. We at iGATE are committed to creating a disruption in the market by providing integrated technology and operations solutions (iTOPS) and an Outcome based pricing model. We are uniquely positioned to provide business process efficiencies and work on optimizing the underlying technology.

iTOPS and outcome based pricing models are the building blocks for us to achieve the stated vision of virtualization of companies. The key to any of this business transformation is a Business consulting engagement. Our Business Process Consulting team focuses on helping clients transform their businesses by defining and enabling business strategy, measuring transformational process improvements, documenting key processes and driving radical changes through a well defined charter. We engage with our clients from the problem definition stage to implementing the solution and create a road map to virtualize the enterprise through our iTOPS model. We have tested frameworks like Balance Scorecard, Business Process Modeling (BPM) and Change Management Methodology that we use to execute Business Process Reengineering for clients across multiple industries.

Our other consulting offerings are shared service consulting. Shared services in organizations have been evolving since the 80's. From being a purely cost saving initiative, the focus is now on being an efficiency enabler. Given the competitive and flat business environment, shared services are now a potent tool for delivering internal organizational effectiveness and external competitiveness. Organizations are today challenged

by operational inefficiencies and duplicate services across regions. Consolidation of common transactional processes into shared service centers is a key strategy to overcome these challenges. Our postulate is that the shared services journey for an organization has moved from just pure efficiency to effectiveness. We have developed a clear road map, diagnostic and measurable tools that we bring to the clients to transition them to a more innovative and effective shared services platform.

Through our IT Management Advisory Service we strive to improve alignment of our clients' IT assets, services and projects with their strategic business objectives. We constantly endeavor to improve the business value of IT investments, initiatives, and target areas of IT governance to engender business value creation.

Portfolio performance and project alignment can be enhanced by metric driven repeatable processes. Our IT Management Advisory Service can help in moving towards a service oriented culture, by providing a foundation for managing change, maximizing and streamlining the enterprise IT application, developing an infrastructure catalog and improving excellence in Program Management Office execution.

We have developed intellectual property (IP) including among others Virtual Finance Offering, Global Trade Management, Closed Block Insurance servicing etc.

The new enhanced IP and Consulting offerings from iGATE provide a strong focus on customer centricity to enable us to develop strategic partnership with our clients. The new solutions that are based around industry domains in the major markets allow us to focus on new strategic initiatives and new business models for defined customer segments.

## Dr Srinivas Kandula |

Global Head - Human Resources



### Pursuing the Mission!

Nearly five years ago we commenced our mission to make iGATE one of the top ten companies to work for in India. We have been adjudged as the 'Best IT Employer 2008' in a survey done by India's leading IT magazine Dataquest in collaboration with International Data Corporation (IDC). We have also been ranked #2 in the 'Best Company to Work for in India' study 2008 done jointly by Business Today-Mercer Human Resource Consulting-TNS Global. The Business Today-Mercer-TNS rates across all industries.

We have been able to achieve these distinctions by our unwavering focus on organizational values of passion, respect, innovation, denizen and excellence. These values are reflected in the people processes and policies that ensure employee equity and transparency. We continue to invest in human capital and developing leadership through coaching and mentoring. Our focus is on defining individual career development through continuous engagement.

The foundation is our unique HR Model based on the 5C concept – compensation, camaraderie, career, culture and competency. The competency model revolves around realizing the potential of the employee and involves 19 engineering and 13 behavioral and leadership skills. Our continued belief that employees are the best judges of what is good for them and giving the options to enable them to meet their long term goals.

Besides work, our fun@work including TGIM (Thank God it's Monday),

myDAY, and our own music group, RubberBand, have developed an environment that goes beyond making iGATE an enjoyable place.

Despite the continued turmoil in markets we continue to focus on the challenge of recruiting and aligning employees to our unique business model that aligns with the business outcome of our clients by integrating technology and operations and that delinks the revenue growth from headcount. We will continue to strive to sustain and improve our HR model to ensure that we are recognized as the Best Company to Work for forever.

We would like to thank the 6,658 employees who have helped us define our unique HR model and in making iGATE the best employer.



## Demonstrating the Spirit of Partnership - Union Bank, N.A.

Union Bank, N.A., is a full-service commercial bank providing an array of financial services to individuals, small businesses, middle-market companies, and major corporations. Union Bank is California's fifth largest bank by deposits. The bank has 335 banking offices in California, Oregon and Washington, and 2 international offices.

In 2005, Union Bank's Information Technology organization embarked on a transformation that would result in a multi-year vision and strategy. The commitment to transform IT and its capabilities enabled alignment with the company's overall business plan that would facilitate a competitive business advantage in the coming years. To enable Union Bank to focus on the mission at hand, yet establish a flexible staffing model to meet the business needs, a strategic partner was required; one with strong executive commitment and involvement. Union Bank chose iGATE as the strategic partner for its integrated technology and operations (iTOPS) capabilities.

The initial engagement started and concluded successfully with a Data Warehouse Performance diagnosis. As a result the relationship extended to numerous technologies and platforms for many of the business lines of Union Bank today and includes the following:

- Quality Assurance Center of Excellence (QA COE)
- Infrastructure Management Services (IMS)
- Application Development and Maintenance
- Data Warehousing
- Business Intelligence
- Consulting on Basel, and others

iGATE's flexible model enables Union Bank to ramp up/ramp down resources in concert with the changing business and market needs.

iGATE values the relationship with Union Bank and established a top level commitment with senior management in which progress is monitored and the quality of services ensures alignment with Union Bank's goals. Since the relationship commenced in 2005, iGATE has made significant investments to increase the domain knowledge across all projects as well as continuous improvement on the speed of delivery and productivity. The spirit of partnership permeates across both company teams to work towards the common goals.

## Enhancing Business Performance - GE

In 1996, General Electric Company (GE) engaged iGATE for supporting the Oracle Enterprise Solutions. From that day, GE has been one of the critical partners of iGATE in its growth story. Over the years, GE has moved its primary focus from cost reduction to business performance improvement using its Sourcing partners.

iGATE is working closely with GE as we transitioned the partnership from cost-out opportunities to value add solutions with focus on GE's Entitlement objectives. The Entitlement focuses on commoditization, globalization and maximizing core competencies.

Over the past 7 years, after iGATE has established the GE – Global Delivery Center, we have delivered services across various technologies and platforms using the onsite-offsite work model in the areas of application development & management, ERP, Data warehousing/ business intelligence solutions and business process outsourcing. iGATE is currently working with multiple divisions of GE worldwide including Corporate, Infrastructure, Healthcare, Finance, Media & Entertainment. Today the GE-GDC has over 1,200 resources, and we are implementing Lean Sigma practices.

iGATE's focus on delivering projects that impact business and enable growth, providing innovative solutions that reduce efforts using reusable components and productivity gains. At the same time, we continue to measure value by reducing total cost of ownership, business process improvements, resource optimization and improving service level agreements. In this effort, iGATE has continuously strived to maintain a high offshore leverage and strived to continuously reduce costs year-on-year. iGATE is associated with GE in evolving engagement models like RTS for Application Management, and other pay for use models.

For its continued commitment to meet the exacting requirements, iGATE has won the GE annual awards (2006) for Operational Excellence and Performance on Compliance & Security.

## Rewarding Excellence

Over the years, Royal Bank of Canada (RBC) has made dramatic operational changes to make it easier for clients and business partner to do business. With the objective of revenue generation and cost savings in a fiercely competitive business, RBC recognized that its applications development capacity needed augmentation and engaged iGATE to support this ongoing business demand.

*"We successfully met our objectives, and our partnership with iGATE enabled us to improve capacity management, time to market and efficiencies while meeting the demands of internal business partners."*  
- Morteza Mahjour, Executive Vice President of Applications, RBC Financial Group.



Delivering Excellence - RBC Delivery Management team









# Delivering Value



The best innovation and highest ROI occurs when business processes and technology intersect. That means continually searching for ways to create a new and improved customer experience, designing services around customer needs, and leveraging technology and capabilities to deliver these services and attract new business.

Nina Babirad

In times of rapid change, it is essential that organizations come out with innovative ways to integrate processes and technology solutions to enhance their competitive position.



Anil Bajpai



Our culture is driven by the fact that everyone's opinions are duly heard and valued. We strive continuously to ensure that future leaders arise from within the organization.

Mahesh Guru

# Delivering Value



Fostering a culture of innovation, encouraging original ideas, and empowering to take risks to grow the business are the foundations on which we develop the long term relationships with our clients. Having the openness to listen to our customers and colleagues have made us successful.

Lalit Khandelwal

A culture of continual improvement, excellent learning environment and motivation to think differently ensures our readiness for the future.

Elizabeth Koshy



Our customers expect us to be 24\*7, dynamic, nimble, innovative and focused on their changing business demands, thus enabling them to gain the competitive advantage.

Raj Lanka

# Delivering Value



Our constant endeavor to delight our customers has provided us with immense opportunities to think creatively and change the rules of the game by coming up with various initiatives and adapting the best practices from all over the world.

Ravi Mani

Dedication, trust and responsibility with an open culture are the key ingredients that nurtures efficiency and deliver business value to our customers.

Nagasamy Pitchai



Globalization has undeniably continued to be a key influence on our personal and professional lives and today's economic climate is a clear indication how flat the world is. Adapting and evolving within this environment has enabled us to be the leaders of the future and drivers of change.

Jason Trussell

# Delivering Value



We partner with our customers' providing best of breed enterprise class solutions that support their business processes and provide better business insight. The primary objective is to enable our customers establish bleeding edge business practices and faster decision making.

Arun Varadarajan

We have set a standard for providing competitive differentiation by aligning closely with clients business imperatives. The outcome based model allows us to compete effectively against large organizations by committing to superior, faster and cost effective solutions.

Ajay Vij



In today's globalized environment to transform from innovative idea to a successful solution needs a complete alignment with the customer's goals and extraordinary focus to succeed.

Viswanathan V



Dr Jaydeep Lal

## Grooming Managers as Leaders

Are managers and leaders different? Do organizations need leaders? The answer is simple. Leaders create, managers preserve. Leadership is about bringing the future to the present. It is true that in order to



succeed an organization needs both managers as well as leaders, however, a cursory look at the Table I that depicts the differences between the key characteristics of the managers and the leaders will demonstrate that it is also equally true that most organizations

are grossly underled and vastly overmanaged. After all, there is more to leadership than just the timeliness of delivery, tracking of budget, and a certain percentage improvement over the past year. Thus, the pay offs of grooming leaders in the organization is abundantly clear, however, what is typically not clear is how to go about it. At iGATE, we cracked this code with the involvement of the top leadership. iGATE understood that the fundamental building blocks for leadership development are top leadership commitment & involvement, robust framework, and a continuous process, and that these three building blocks are iterative in nature.

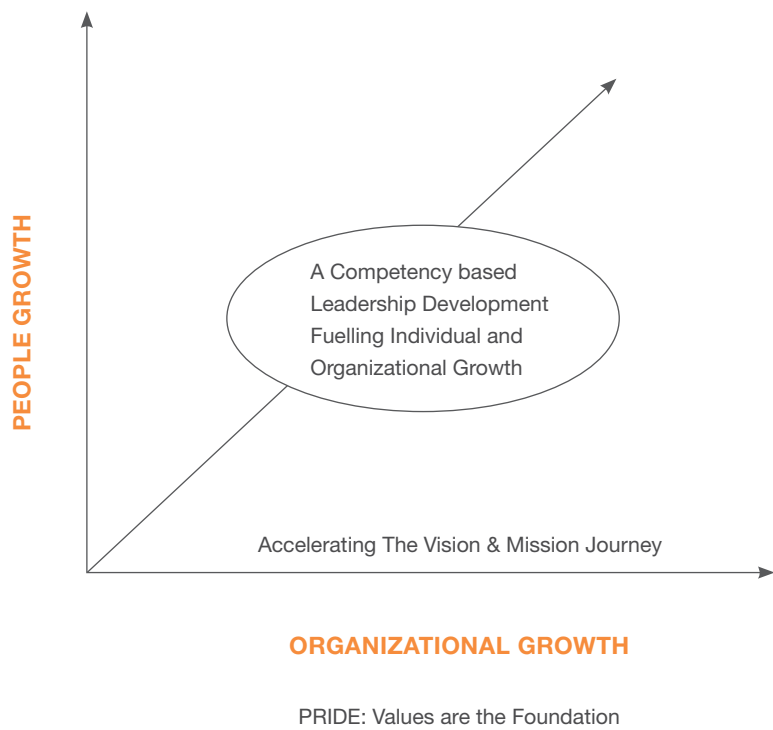
The first requirement for creating a sustainable leadership development process is commitment & involvement. Leadership development requires vision, assiduous preparation, deep involvement, investment of personal time, and effort on part of the top leadership of the organization. Some organizations realize that Leadership Development is too important to be left alone to the care of the L&D or OD Function, and those organizations succeed in this task of creating the future. In short, Leadership Development succeeds when the CEO dons the mantle of the principal coach.

At iGATE, the CEO and the Governing Council Members, not only donned the mantle of the coaches, they went further in getting involved in creating a framework for leadership development. The mandate was to create a model that fuels the organizational and individual growth. Figure 1 depicts this intent clearly.

To give structure to this intent, in June 2007, iGATE created iCODL (iGATE Center for Organization Development & Leadership), with a vision for it that was abundantly clear and luxuriously ambitious.

Managers' Characteristics	Leaders' Characteristics
Administers	Innovates
Imitates	Originates
Focuses on systems and structures	Focuses on people
Short range view	Long range perspective
Copes with complexity	Copes with change
Monitoring	Inspiring
Eye on the bottom line	Eye on the horizon
Accepts and preserves the status quo	Challenges status quo by leading change
Planning	Visioning
Doing things right	Doing right things
Preserving the past	Creating the future

Table I: Managers and Leaders:  
The Key Differences



*Figure 1: Leadership Development and Growth*



*Figure II: The iGATE Leadership Competency Framework*

It was established with the vision of becoming something more than a mere training institute. It was designed to be the torch bearer for heralding the process of Leadership Development in the organization. With this structure in place, iGATE created the second building block of Leadership Development, i.e., The iGATE Leadership Competency Framework as a road map for this long journey. Figure II summarizes the competency framework thus developed.

With the framework in place, iGATE set about the task of building the Leadership Development Program, and this was guided by two key beliefs; (a) No one knows iGATE better than us (though lot of validation at an International level was done from time to time), and (b) Operating from the strengths enhancement paradigm of positive psychology yields better and sustainable results than operating from a weakness correction paradigm. These beliefs in conjunction, not only reinforced the commitment and involvement, but also paved way for a conducive environment. iGATE surely was learning how to learn. These core beliefs resulted in the leaders becoming the coaches. With these coaches a strengths based program was developed which was utilizing the accumulated experiences and wisdom of the top leadership team of the organization. The passion demonstrated by the top leadership

in conceptualizing, designing, developing, and delivering a unique and highly contextualized Leadership Development model for iGATE was infectious.

And this infectious passion was indeed required, if iGATE had to establish a continuous process, the third building block. The process started, and iGATE emphasized on tapping the enviable rich experience of the top leadership team of the company to design and create a deliverable leadership development model. iCODL, lost count of the diligent hours put in by them in giving shape to this Leadership Development effort. However, some numbers are still available. Over a period of 16 months, the members of the governing council devoted more than a month, exclusively for leadership development. And these numbers indicate the structured delivery hours only. Similarly, over the past six months, the members of the Leadership Council also devoted a fortnight exclusively for Leadership Development.

The journey continues. And what a journey it has been so far for this unique Leadership Development effort. It is unique because it operates from a strength enhancement paradigm. It is unique because it emphasizes on a prescriptive model rather than a descriptive one.



It is unique because it emphasizes on happiness and psychological capital of the leaders. It is unique because it promotes diversity. It is unique because it also addresses the social consciousness of the participants. It is unique because here we walk the talk.

And finally, it is unique, because here the process is fun. Have a look at some more figures. The L2L (Leaders to Leaders) journey as we fondly call it at iGATE, formally started in July, 2007. Since then, over a period of 16 months, six classes (The Class of Pioneers, Explorers, Challengers, Centurions, Champions, and Innovators) have graduated from iCODL. iGATORS from virtually every part of the world (Asia, Australia, Europe, USA) have participated in these programs in highly diverse groups. Besides our own coaches, our participants also get the opportunity to interact with captains of industry, ace academicians, and Magsaysay awardees, in the interactive guest sessions. The coaches continue to mentor them through a web enabled tool. The special guests stay in touch with the participants through the inhouse

magazine. The strength of iCODL alumni is now touching 175. These figures, the commitment of the coaches, and the enthusiasm of our alumni encourages us to believe in the sustainability of the journey. What adds to our confidence is the way in which the torch is being passed and the way in which the issue of percolation is being addressed. A highly interactive design was developed for a coaches' workshop for the members of the leadership council and that workshop created the Lead iGATE Program for the next tier of Leaders, and over the past six months, that program has also shown all the promise of getting institutionalized. This program already has alumni strength of 125, and has already traveled three cities in India. A critical mass is indeed being created here.

The journey so far has been immensely satisfying, however, sitting back on the laurels is one luxury that is not available in any Leadership Development Initiative. After all, Leadership is not only about bringing the future to the present, it is also about doing that – First.





Vivek Subramanyam



Sean Narayanan

## Everyday Innovation @iGATE

Innovation is the center of our core values in iGATE. An ingrained dimension of innovation across the organization, across the leadership and in every iGATOR is necessary to achieve our vision. In the iGATE context, innovation has multiple flavors - innovate being an ideal partner for our customers, innovate being an ideal workplace for our employees, innovate in the solutions we take to the market and innovate in the way we execute and deliver work to enhance value for our clients. The beneficial outcomes of our innovation are better engagement and operating models, higher client intimacy, best-in-class HR practices, better work environment, and disproportionate returns on investment to our stakeholders.

We have a powerful guiding tenet underlying our flexible engagement philosophy: an alignment of our success with that of our customers. This is a paradigm shift from the currently prevalent models in the outsourcing industry which by definition breed intellectual laziness while promoting misalignment in objectives. We continually focus on delivering by 'outcomes' of and for our customer rather than 'output'. This means our engagements are structured around an integrated view of operations and technology – what we refer to as our iTOPS model. The entire energy of the iGATE team is around process and technology interventions and improvements that promote successful business outcomes. As a corollary, we are investing in process or technology changes that minimize effort on transactions that will not result in successful outcomes for each one of our clients. What we have is a powerful guiding philosophy for our innovation agenda.

We have designed several business benefits based solutions for our clients. We have built a robust iTOPS platform that supports the process operations lifecycle. In client engagements where we deploy this solution, all technology and operations related costs and resource needs are owned completely by us. The customer just signs up on a fee for every successful outcome - be it loan processed, invoice paid, payment disbursed or money collected with the service being provided

under mutually agreed service levels. We in turn constantly challenge ourselves to innovate on the process, the underlying technology and the interplay to ensure the unit cost comes down.

A clear focus of our innovation agenda is around the execution engine we have in place. We have a “cocoon” initiative for execution; an easy to use, guaranteed success model for consistency in delivery. Our “cocoon” initiative encompasses dimensions of Technology, Quality and Training. Our intelligent “cocoon” makes it faster and easier to write software code while providing a standard development environment for our associates across .Net and JEE technology platforms. It encapsulates best practices and productivity enhancers. Hence, when the “cocoon” is used as part of the development lifecycle, industrial quality output is a certainty, while reducing the need for high end technology gurus alone to be a part of the team. Code quality, re-usability, maintainability are integrated into the environment and developer productivity, and time to market are all positively impacted. An estimated savings of 20-25% in the coding effort and 40-50% on the review effort is being typically achieved. The Training and Quality dimensions support the technology “cocoon” initiative enabling continuous training across the career lifecycle and integrating quality and process best practices into the “cocoon”. The technology cocoon is built using open source technologies instilling our continued commitment to open source and reducing total cost of ownership and cost of quality to our clients.

Our Requirements Management Framework is another innovation where we enable Web 2.0 technology like Wiki to ensure requirement stability. Our integrated project dashboard iPD – is a predictive project management model that acts as an early warning system and drives preventive measures as opposed to eventual reactive firefighting.

We continue our everyday innovation at iGATE through our ‘small steps’ program based on kaizen best practices to enable decentralized

ownership of execution excellence. The small steps program provides a platform to everyone in the organization to contribute small but measurable improvements and successes in each of their areas of work. The outcomes of this exercise are incremental or disruptive improvement ideas. This successful initiative is improving the velocity, quality and productivity of execution in numerous client engagements. In addition, “small steps” shows value at the grassroots level with our clients.

As we continue to build and propagate an innovation culture across iGATE, clearly the focus is also around building an ecosystem conducive to innovation. Our strategy is for innovation to be in the DNA of our organization. We use our ‘Leaders to Leaders’ and ‘Lead iGATE’ programs which are intrinsic to building leaders in the organization to inculcate this value. In these high intensity programs, the executive and senior management invest significant time, energy and resources to simulate and leverage game theories to highlight our experiential focus on innovation.

We are also enhancing the engine that governs organizational behavior to identify, motivate, and reward key contributors around innovation and build out this constantly growing pool of innovation champions. At the leadership level, key result areas (KRAs) have innovation outcomes clearly built into them. The charter for all our leaders is to harness their organizational capabilities to develop innovation led planks for differentiation in the marketplace.

At iGATE, innovation is just part of our everyday routine...but we still have miles to go.



Smitha K S

## Making a difference

iCARE, the name under which we have been working towards fulfilling the Corporate Social responsibilities of iGATE, saw a year of fruition for the initiatives that were more in the form of an idea / experimentation in the previous years. Our focus on Child Education was strengthened further this year with a more systematic approach through partnerships and alliances enabling long-term sustenance of the projects we have undertaken.

We have been able to translate our strong belief that every corporate has the responsibility in the development of a just and humane society into actions that are measurable and aligning very well with our philosophy. iCARE's philosophy is about providing long term and permanent solution as the saying goes...

Give a man a fish, you've fed him for the day... teach him fishing, you've fed him for life

Our work with different non-profit organizations and a study of the areas that we wanted to focus for development in the past helped us immensely in learning the nature of the issues we were dealing with and the initiatives we need to have in place that can work in the long run.

The rest of the report gives a glimpse of some of the key programs taken up this year and the results that they are yielding and will continue to yield in the years to come.

### iCARE projects 2008

#### Gurucool: Quality education - a right of every child

The Gurucool program was aimed at making the government run schools a more inviting place for a child attending the school. This became an imperative due to the fact that almost two-thirds of the children in a country like India remain outside the regular schooling

system while a majority of the rest has access to schools run by Government. While the government programs of free text books and mid-day meal encourages children to come to school, it was not sufficient to create those cherishable memories of schooling in a child hailing from families that are economically challenged. A recent report also suggests that about 95% of the government grants are used up in paying staff salaries leaving little or no money for any learning materials or infrastructure related expenses.

Thus, a program like Gurucool uses a multi-pronged approach of enhancing the infrastructure of the government schools and to make the years spent in school a more value adding in the life of a child. The first program was launched at the Varthur School situated at the Varthur Village. The first steps of the program were:

- Securing the campus by constructing a compound wall around the campus making it a safe and healthy place for the children attending school
- Building restrooms, being the most basic of the amenities for the children
- Providing storage racks and materials for the class rooms
- Providing teaching equipments for the teachers
- Renovation of the entire campus making it more hygienic and bright.

As a second step, iCARE partnered with an organization involved in training and leadership development of youth, to design a leadership building program that runs alongside the regular curriculum as an alternate education. The program aims at building some of the life skills in a child designed to specifically equip a child in dealing with adolescence and associated challenges. The following are some of the modules covered as a part of this program:

- Spoken English
- Personal hygiene, Grooming and Etiquette
- Self esteem
- Handling relationships, Sharing, caring and Respect
- Honesty and Ethics
- Substance Abuse
- Family time

- Goal setting and Career

This one year program also includes a child mentoring program called the 'The Big Buddy' where our employees signed to play the role of a mentor or a big-buddy to a child creating a support system for the child to continue education and become an able citizen and leading a life of dignity.

The program had as many as 32 individuals willingly sign up to invest their personal time for as long a year to make a difference in the life of a child who otherwise see no signs of encouragement from his / her family when it comes to attending school or securing marks.

This Big-buddy is a one of its kind intervention of a symbiotic relationship where the child receives appropriate guidance from his / her mentor and the working professional derives satisfaction through meaningful investment of one's time. iGATE being an organization with an average age of 26, the enthusiastic support and active involvement from this young crowd has definitely helped gain momentum in initiatives of this kind.

### Project Akshara

Akshara a Sanskrit name that denotes an alphabet, is the name given to this project set up with an objective of making sure that no child is deprived of reading and writing. Thus the project supports children



who are attending school with writing materials required for the entire academic year. In the first year of its launch, Project Akshara covered 3,500 children across Karnataka and Chennai (In Tamilnadu). The schools were largely from the rural areas with minimal access to any NGO / corporate support.

These notebooks were printed by iGATE to ensure better quality that can last them all through the year.

This project helped us reach out to a large number of children and give them a little encouragement to make it to school.

### iCARE IT Learning Centres – IT education for every one

The iCARE IT Learning Centres are set up for students who have completed their basic schooling and are not able to move forward due to their financial constraints. These students end up getting into low-income jobs that never provides any opportunity for progression or allow them to utilize their education in any way. . This IT education aids these students in making them more employable and is designed keeping the existing job opportunities in mind.

Currently there are two centres catering to about 225 students. The unique features of these centres are such that,

1. Trained staff made available for about 14 hrs. a day
2. Syllabus revised at regular intervals to keep pace with the changing needs of the job market
3. Flexibility in timing for students who are into small-time jobs or pursuing education
4. Centres located at areas that provide easy access to students.

### Bihar Flood Relief Program

This program brought a lot of iGATORS together to fight against a

natural calamity that shattered Bihar this year in the form of floods in the Kosi River. Generous contributions from hundreds of iGATORS from across the globe made it a sizeable amount that was matched with equal contribution from the corporate budget. We partnered with OXFAM India, specializing in disaster relief programs, to carry out the rehabilitation work. The funds collected were used to for the following projects in the Supaul district of Bihar.

- Dry foods supply for 20,000 families
- Environment hygiene and sanitation work

- Reconstruction of houses

The significant difference from the last year to this year in our CSR journey has been the way in which we expanded the resources to a larger set of population that we wanted to touch at the same time ensuring that the programs had a long-term positive impact. The

expansion was planned in such way that the increase in volumes did not result in dilution of the effectiveness in any of the programs that are run. This should thus be a strong foundation for us to strengthen iCARE in the years to come.





**Chella Namasivayam**

strategizing its action plan for climate change mitigation iGATE has undertaken carbon footprint estimation study which determines the Green House Gas (GHG) inventory covering all its facilities. The study helps iGATE to respond strategically towards climate change mitigation as an important aspect of CSR objective, improve operational efficiency throughout the supply chain, strengthen market positioning in terms of brand and services, become a preferred service provider of emerging climate-conscious clients, achieve improved visibility in capital market and manage stakeholder's expectation in a better way.

## Going Green for a Better Future



iGATE is committed to establish itself as climate responsible organization which conducts its business in a sustainable fashion so as to optimize resource and energy utilization. iGATE has set a vision to achieve carbon neutrality and position itself in a low carbon growth path. Being located across diverse geographies the organization may have to face physical, regulatory, reputational and business risks and challenges associated with global climate change, which can significantly affect company's profitability and long-term competitive dynamics. Furthermore, as iGATE is expanding its client base, it is all the more important that the organization develops a climate-friendly supply chain to align its corporate image with the 'green' / 'carbon neutral' preference of many of its global clients. As the first step of

The Carbon Footprint estimation was done by Ernst & Young and has been performed covering the office locations at India: Bangalore, Hyderabad, Noida, Chennai (2 offices), USA: Fremont, Australia: Ballarat and Mexico: Guadalajara. The GHG inventory is reported according to the internationally accepted guidelines of ISO 14064 and WBCSD (World Business Council of Sustainable Development) Corporate GHG Accounting Protocol. GHG emission of the organization is categorized under 'Direct' (scope I) and 'Indirect (scope II, III) emissions. Scope I emissions include direct emissions due to diesel consumption in DG set and in owned transports, Scope II emissions include GHG emissions due to purchased electricity in different office facilities and Scope III emissions include emissions due to business travel (air, rail, road), employee commute and vendor travel. Afforestation activities result in GHG removal through carbon sink.

The overall GHG inventory of iGATE stands at 28,434 tCO<sub>2</sub> and the GHG emission intensity stands at 4.23 tCO<sub>2</sub>/ employee for the year 2008. iGATE's GHG emission intensity is one of the lowest among major Indian IT corporations.

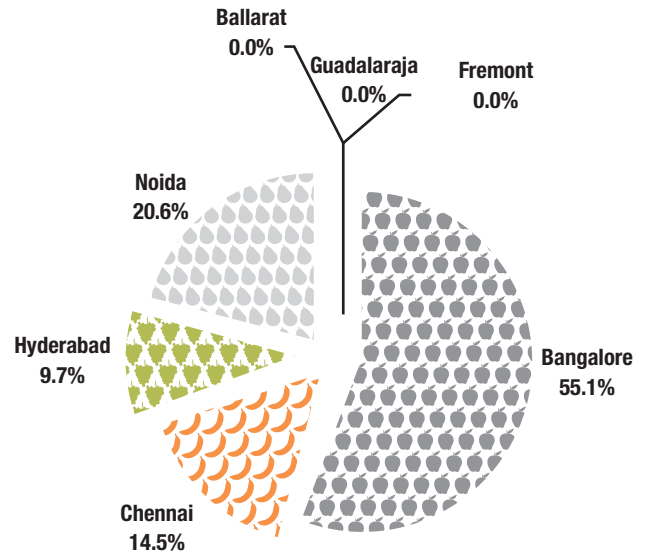


Exhibit: Office wise break up of Scope I + II emissions

iGATE is continuously exploring the opportunities to adopt new, energy efficient technologies and practices to improve its energy bottom-line and reduce CO2 emissions. Some of these initiatives are:

- Consolidation/Virtualization of servers to reduce power usage and space in the data center

Summary of GHG inventory for 2008		
Scope I Emissions	3,427	tCO2
Scope II Emissions	12,643	tCO2
Scope III Emissions	12,507	tCO2
Emission offset due to afforestation activities	143	tCO2
<b>Total</b>	<b>28,434</b>	<b>tCO2</b>

Table: Breakup of Carbon Inventory for 2008

- Cold aisle/ hot aisle arrangement for air conditioning to reduce energy consumption while cooling
- Implementation of Low energy consuming storage devices such as Hitachi
- Consolidation of blade servers which consumes less energy
- Implementation of N-Computing technologies which provide virtualization
- Sensor based lighting to reduce wastage of power
- Implementation of Energy saving switches
- Replacement of CRT monitors with LCD monitors
- Implementation of Green compliant telecom to save 50 – 75% of power
- Replacement of incandescent lamps with less energy consuming CFL/LED/TR-5
- Variable Frequency Drive and Variable Air Volume Installation for energy conservation
- Roof and wall Insulation using expanded Polystyrene & Glass wool which eliminates ingress of heat inside work areas
- Plan for synchronization of Generator sets for optimum usage of power
- Reduced sun exposure in south/ west to decrease cooling load
- Energy efficient pumps and motors
- Heating of water in the cafeteria
- Mass transport for employees
- Planting of tree saplings around the campus

Some of the technology levers under consideration by the company for carbon abatement are Green Processors, Dynamic Smart Cooling, PC Power Managers, Hard Disk drives by Green Power Technology, Server Racks, Energy Efficient Printers, Copiers etc, energy efficiency measures in buildings like water cooled chillers, phase changing materials and HVAC systems with heat regenerated desiccant.

Long-term opportunities for reducing the carbon footprint include

- use of CNG/biofuel buses/ transports instead of diesel buses,
- introduction of car pool policy among all employees
- plantation of rows of rain-attraction trees on tracks of unused campus land (Bangalore) to create carbon sink to make the office facilities running on green energy
- adoption of initiatives for Green Building Certifications like LEEDS etc for all the owned buildings which will add to brand image
- green procurement from vendors/ suppliers and introduction of criteria of Carbon Disclosure, green initiatives etc in suppliers' contract/ agreement.



iGATE is well-positioned to adopt early actions towards low carbon future. Beyond its major concern for climate change as CSR goal the organization intends to position itself strategically to face the upcoming policy and regulatory challenges of climate change. The most logical roadmap to achieve the goal of carbon neutrality encompasses the following key steps a) Measure emissions – Quantification of inventory through the exercise b) Reduce emissions – Reduction of emissions by all possible means and c) Offset unavoidable emissions – Purchase of emission reduction credits. Achieving climate leadership will be a major differentiator and source of competitive advantage for iGATE.



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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2008

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 000-21755

**iGATE CORPORATION**

(Exact name of registrant as specified in its charter)

**PENNSYLVANIA**  
(State or other jurisdiction of  
incorporation or organization)

**25-1802235**  
(I.R.S. Employer  
Identification No.)

**6528 Kaiser Drive**  
**Fremont, CA**  
(Address of principal executive offices)

**94555**  
(Zip Code)

Registrant's telephone number, including area code: **(510) 896-3015**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

**Common Stock, \$0.01 par value per share**

**NASDAQ Global Select Market**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period the registrant was required to file reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2008 (based on the closing price of such stock as reported by NASDAQ on such date) was \$174,701,081.

The number of shares of the registrant's Common Stock, par value \$.01 per share, outstanding as of January 31, 2009 was 54,179,715 shares.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's Proxy Statement, prepared for the Annual Meeting of Shareholders scheduled for April 21, 2009 to be filed with the Commission are incorporated by reference into Part III of this report.

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**iGATE CORPORATION**  
**2008 FORM 10-K**  
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## PART I

### ITEM 1. BUSINESS

#### Overview

This Annual Report on Form 10-K (“Annual Report”) contains statements that are not historical facts and that constitute “forward-looking statements” within the meaning of such term under the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements include our financial growth and liquidity projections as well as statements concerning our plans, strategies, intentions and beliefs concerning our business, cash flows, costs, and the markets in which we operate. Without limiting the foregoing, the words “believes,” “anticipates,” “plans,” “expects” “intends” and similar expressions are intended to identify certain forward-looking statements. These forward-looking statements are based on information currently available to us, and we assume no obligation to update these statements as circumstances change. There are risks and uncertainties that could cause actual events to differ materially from these forward-looking statements. While we cannot predict all of the risks and uncertainties, they include, but are not limited to, our ability to predict our financial performance, the level of market demand for our services, the highly-competitive market for the types of services that we offer, the impact of competitive factors on profit margins, market conditions that could cause our customers to reduce their spending for our services, our ability to create, acquire and build new businesses and to grow our existing businesses, our ability to attract and retain qualified personnel, our ability to reduce costs and conserve cash, currency fluctuations and market conditions in India and elsewhere around the world, political and military tensions in India and South Asia, changes in generally accepted accounting principles and/or their interpretation and other risks that are discussed in Part 1 of Item 1A of this Annual Report entitled “Risk Factors” and in other sections of this Annual Report, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”)”.

Unless otherwise indicated or the context otherwise requires, all references in this report to “iGATE”, the “Company”, “us”, “our”, or “we” are to iGATE Corporation, a Pennsylvania corporation, and its consolidated subsidiaries. iGATE Corporation, formerly named iGATE Capital Corporation, through its operating subsidiaries, is a worldwide provider of Information Technology (“IT”) and IT enabled operations offshore outsourcing services to large and medium-sized organizations. These services include client/server design and development, conversion/migration services, offshore outsourcing, enterprise resource planning (“ERP”) package implementation and integration services, software development and applications maintenance outsourcing.

#### Website Access to SEC Reports

The Company’s website address is <http://www.igate.com>. The Company’s Annual Report, Quarterly Reports on Form 10-Q, current reports on Form 8-K and any amendments to these reports are available free of charge on the Investors page of the Company’s website as soon as reasonably practicable after the reports are filed electronically with the Securities and Exchange Commission (“SEC”). The information found on our website is not part of this or any other report we file with or furnish to the SEC.

#### Business Overview

iGATE’s service offerings include Information Technology (“IT”) and IT enabled operations offshore outsourcing solutions and services to large and medium-sized organizations using an offshore/onsite model.

The use of offshore outsourcing for IT and IT enabled operations outsourcing solutions and services has emerged as a global trend in numerous countries and industries. Our clients recognize that offshore outsourcing is an effective way to provide high quality and cost-effective services.

Our principal strategy is to offer offshore-based Integrated Technology and Operations (“iTOPS”) solutions that integrate IT outsourcing and IT enabled operations offshore outsourcing solutions and services in a seamless

offering as well as conventional IT and business process outsourcing services to our clients in various industries. Some of our current service offerings are non-IT related and include services as diverse as call centers and mortgage and claims processing. We may continue to expand our IT enabled operations offshore outsourcing service offerings through acquisitions and strategic relationships and internal initiatives.

Our iTOPS offerings include outsourcing solutions focused primarily on insurance, banking, financial services and capital markets industries as well as finance and accounting process outsourcing delivered out of our offshore facilities in India that targets diverse industries.

IT services that we deliver using our offshore centers include software application development and maintenance, implementation and support of enterprise applications, package evaluation and implementation, re-engineering, data warehousing, business intelligence, analytics, data management and integration, software testing and IT infrastructure management services. We believe that we deliver high quality solutions to our clients at a substantial savings by using our global pool of highly talented people.

IT enabled operations offshore outsourcing solutions and services offered include business process outsourcing, transaction processing services and call center services. The call center services are offered to clients in several industries and are not industry specific. The transaction processing services offered are focused on the mortgage banking, financial services, insurance and capital market industries, except for the delivery of finance and accounting functions such as accounts payable which can be performed for clients across all industries.

iGATE has offshore development centers located in Bangalore, Hyderabad, Chennai and Noida in India. iGATE has global development centers located in Australia, Mexico, Canada, Malaysia and the U.S. The centers can deliver both near shore (work performed primarily at the client site) and offshore services, dependent upon customer location and expectations. iGATE operates in India, Canada, the U.S., Europe, Mexico, Singapore, Malaysia, Japan and Australia.

iGATE markets its service offerings to large and medium-sized organizations. Certain contracts are based upon a fixed price with payment based upon deliverables and/or project milestones reached. Certain contracts are time-and-material based where contract payments are based on the number of consultant hours worked on the project. Certain contracts with no stated deliverables have a designated workforce and are based on fixed periodic payments. Some process outsourcing contracts provide pricing per transaction. Customers typically have the right to cancel contracts with minimal notice. Contracts with deliverables or project milestones can provide for certain penalties if the deliverables or project milestones are not met within contract timelines.

## **Recent Events**

None.

## **Reportable Financial Segments**

The Company's reportable segments through June 30, 2008 were iGATE Solutions ("iGS"), iGATE Professional Services ("iPS") and iGATE Shared Services ("iSS"). The iGS segment's service offerings include IT and IT enabled operations offshore outsourcing solutions and services to large and medium-sized organizations. The iPS segment's offerings included a variety of client-managed and supervised IT staffing service offerings. This segment services are offered principally in the United States of America. The iSS segment's offerings included the operations of the clinical research business (i.e. iGATE Clinical Research International Inc. and iGATE Clinical Research International Private Limited collectively "iCRI") and the corporate shared service division of the Company.

On July 31, 2008, the Company sold off its clinical research business. Additionally, pursuant to an enterprise reorganization, the Company assigned the resources, including employees, relating to the corporate shared service division in the iSS segment to the iGS segment of its business. Also, as more fully explained in Note 4 of the Consolidated Financial Statements, effective September 30, 2008, the Company spun off the iPS segment of its business into a newly formed company known as Mastech Holdings, Inc (“Mastech”).

As a consequence of the above mentioned events, currently the business of the Company is comprised solely of what was formerly known as the iGS segment, which is conducted through our wholly owned subsidiary, iGATE Global Solutions Limited.

### **Seasonality**

Our operations are generally not affected by seasonal fluctuations. However, our consultants’ billable hours are affected by national holidays and vacation policies, which vary by country.

### **Competition**

The IT and IT enabled operations offshore outsourcing services industries are highly competitive, and are served by numerous global, national, regional and local firms. Primary competitors in the IT and IT enabled outsourcing industry include participants from a variety of market segments, including the major consulting firms, systems consulting and implementation firms, Internet services and consulting companies, applications software firms, India based offshore outsourcing companies, service groups of computer equipment companies, general management consulting firms, programming companies and temporary staffing firms. Many companies also choose to perform some or all of their back office IT and IT enabled operations internally. We believe that the principal competitive factors in the IT and IT enabled operations offshore outsourcing markets include the range of services offered, size and scale of service provider, global reach, technical expertise, responsiveness to client needs, speed in delivery of IT solutions, quality of service and perceived value.

### **Our Partner Companies and Affiliates**

We operate our business through our wholly owned subsidiary iGATE Global Solutions Limited, which is engaged in IT and IT enabled operations involving offshore outsourcing solutions and services.

### **Intellectual Property Rights**

We rely upon a combination of nondisclosure and other contractual arrangements and trade secrets, copyright and trademark laws to protect our proprietary rights and the proprietary rights of third parties from whom we license intellectual property. We enter into confidentiality agreements with our employees and limit the distribution of proprietary information. There can be no assurance that the steps we take in this regard will be adequate to deter misappropriation of proprietary information or that we will be able to detect unauthorized use and take appropriate steps to enforce our intellectual property rights.

Generally, all software that we develop in connection with a client engagement is typically assigned to the client.

### **Human Resources**

Our success depends in large part on our ability to attract, develop, motivate and retain highly skilled IT and IT enabled service professionals. We recruit in a number of countries, including India, the United States, Canada, Mexico, the United Kingdom, Singapore, Japan and Australia. We advertise in newspapers and trade magazines. In addition, our employees are a valuable recruiting tool and are actively involved in referring new employees and screening candidates for new positions.

We have a focused retention strategy that includes career planning, training, benefits and an incentive plan. Our benefits package includes subsidized health insurance, a 401(k) plan, group life insurance and a long-term disability plan. We intend to continue to use stock options and restricted stock grants as part of our recruitment and retention strategy. We also have a training infrastructure. We train employees on a variety of platforms and help them transition from legacy to advanced architecture skills by providing cross-platform training in new technologies. We have implemented an Intranet to allow our employees to access our courseware and computer-based training modules via the Internet so that the training is available to all employees worldwide at their individual convenience and pace.

At December 31, 2008, iGATE had 6,658 non-unionized employees comprised of 6,141 IT and IT enabled service professionals (including subcontractors) and 517 individuals working in sales, recruiting, general and administrative roles. As of December 31, 2008, 29% of our U.S. workforce was working under H-1B temporary work permits in the United States. We believe that our relationships with our employees are good.

## **ITEM 1A. RISK FACTORS**

### **Our New Business Strategy is Unproven**

In 2008, we significantly reorganized our business to reflect our business strategy to increase the focus on our offshore delivery business and to become a “pure-play” IT/IT enabled operations business. After these changes, iGATE was left with only service offerings that include Information Technology and IT enabled operations, offshore outsourcing solutions and services to large and medium-sized organizations using an offshore/onsite model. In the judgment of the Board of Directors, the Company will provide greater value to its shareholders as a focused IT and IT enabled outsourcing company, but there can be no assurance that the Company will be able to continue to profitably manage the iGS segment as a standalone business. In particular, the Company’s professional services business, which was spun off at the end of the third quarter of 2008, historically provided the Company with substantial free cash flow. We cannot be certain that this standalone strategy will improve our performance, and it is possible that the strategy will detract from our performance.

### **Difficulties in Providing Expanded Service Options**

We have been expanding the nature and scope of our engagements by extending the breadth of the IT / BPO services we offer. The success of some of our newer service offerings, such as operations and business process consulting, IT consulting, business process management, systems integration and infrastructure management, depends in part, upon continued demand for such services by our existing and new clients and our ability to meet this demand in a cost-competitive and effective manner. Our ability to effectively offer a wider breadth of end-to-end business solutions depends on our ability to attract existing or new clients to these service offerings. To obtain engagements for our end-to-end solutions, we are competing with large, well-established international consulting firms as well as other India-based technology services companies, resulting in increased competition and marketing costs. Accordingly, our new service offerings may not effectively meet client needs and we may be unable to attract existing and new clients to these service offerings.

The increased breadth of our service offerings may result in larger and more complex client projects. This will require us to establish closer relationships with our clients and potentially with other technology service providers and vendors, and require a more thorough understanding of our clients’ operations. Our ability to establish these relationships will depend on a number of factors including the proficiency of our technology professionals and our management personnel. Larger projects often involve multiple components, engagements or stages, and a client may choose not to retain us for additional stages or may cancel or delay additional planned engagements. These terminations, cancellations or delays may result from the business or financial condition of our clients or the economy generally, as opposed to factors related to the quality of our services. Cancellations or delays make it difficult to plan for project resource requirements, and resource planning inaccuracies may have a negative impact on our profitability.

## **Intense Competition in the IT and Offshore Outsourcing Services Industries**

The IT and offshore outsourcing services industries are highly competitive and served by numerous global, national, regional and local firms. Primary competitors include participants from a variety of market segments, including the major consulting firms, systems consulting and implementation firms, India based offshore outsourcing services, applications software firms, service groups of computer equipment companies, specialized interest consulting firms, programming companies and temporary staffing firms. Many of these competitors have substantially greater financial, technical and marketing resources and greater name recognition than we have. There are relatively few barriers to entry into our markets and we may face additional competition from new competitors who are more powerful and companies who provide different services. This increase in competition may result in lower prices, higher cost of resources and thus lower profitability.

In addition, there is a risk that clients may elect to increase their internal resources to satisfy their applications solutions needs. Further, the IT services industry is undergoing consolidation, which may result in increasing pressure on margins. These factors may limit our ability to increase prices commensurate with increases in compensation. There can be no assurance that we will compete successfully with existing or new competitors in the IT and offshore outsourcing services markets.

## **Rapid Technological Change; Dependence on New Solutions**

The IT and offshore outsourcing services industries are characterized by rapid technological change, evolving industry standards, changing client preferences and new product introductions. Our success will depend in part on our ability to develop IT solutions that keep pace with industry developments. There can be no assurance that we will be successful in addressing these developments on a timely basis or that, if these developments are addressed, we will be successful in the marketplace. In addition, there can be no assurance that products or technologies developed by others will not render our services noncompetitive or obsolete. Our failure to address these developments could have a material adverse effect on our business, operating results and financial condition.

A significant number of organizations are attempting to migrate business applications to advanced technologies. As a result, our ability to remain competitive will be dependent on several factors, including our ability to develop, train and hire employees with skills in advanced technologies, breadth and depth of process and technology expertise, service quality, knowledge of industry, marketing and sales capabilities. Our failure to hire, train and retain employees with such skills could have a material adverse impact on our business. Our ability to remain competitive will also be dependent on our ability to design and implement, in a timely and cost-effective manner, effective transition strategies for clients moving to advanced architectures. Our failure to design and implement such transition strategies in a timely and cost-effective manner could have a material adverse effect on our business, operating results and financial condition.

## **Risk of Preferred Vendor Contracts**

We are party to several “preferred vendor” contracts and we are seeking additional similar contracts in order to obtain new or additional business from large or medium-sized clients. Clients enter into these contracts to reduce the number of vendors and obtain better pricing in return for a potential increase in the volume of business to the preferred vendor. While these contracts are expected to generate higher volumes, they generally result in lower margins. Although we attempt to lower costs to maintain margins, there can be no assurance that we will be able to sustain margins on such contracts. In addition, the failure to be designated a preferred vendor, or the loss of such status, may preclude us from providing services to existing or potential clients, except as a subcontractor, which could have a material adverse effect on our business, operating results and financial condition.

## **Concentration of Revenues**

Our revenues are highly dependent on clients primarily located in the United States, as well as clients concentrated in certain industries. Economic slowdowns, changes in U.S. law and other restrictions or factors that affect the economic health of these industries may affect our business. In the year ended December 31, 2008, approximately 56% of our revenues were derived from customers located in the United States. We have in the past derived, and may in the future derive, a significant portion of our revenues from a relatively limited number of clients. Our five largest clients represented approximately 61%, 55% and 50% of revenues for the years ended December 31, 2008, 2007 and 2006, respectively. Consequently, if our top clients reduce or postpone their IT spending significantly, this may lower the demand for our services and negatively affect our revenues and profitability. Further, any significant decrease in the growth of the financial services or other industry segments on which we focus may reduce the demand for our services and negatively affect our revenues and profitability.

## **Risks Associated with Termination**

Most of our projects are terminable by the client without penalty. An unanticipated termination of a major project could result in the loss of substantial anticipated revenues and could require us to maintain or terminate a significant number of unassigned IT professionals, resulting in a higher number of unassigned IT professionals and/or significant termination expenses. The loss of any significant client or project could have a material adverse effect on our business, operating results and financial condition.

## **Negative Economic Conditions in the United States and Abroad**

A majority of our revenues is from clients located in the United States. Due to the current economic downturn, there is decreased economic activity in the United States. The trend of slowdown is also impacting most of the major economies in the world where we have our business. Our business depends on the overall demand for information technology and on the economic health of our clients. As the economic downturn progresses, companies may be forced to reduce their information technology outsourcing budgets. Weak economic conditions and reduced outsourcing budgets may adversely affect demand for our services, thus reducing our revenues.

## **Risks Related to Inability to Acquire Additional Businesses**

We plan to continue to expand our operations gradually through the acquisition of, or investment in, additional businesses and companies in order to seek opportunities to add or enhance the services, to enter into new markets or to strengthen our global presence. We may be unable to identify businesses that complement our strategy for growth. If we do succeed in identifying a company with such a business, we may not be able to proceed to acquire the company, its relevant business or an interest in the company for many reasons, including:

- a failure to agree on the terms of the acquisition or investment;
- incompatibility between the Company and the management of the company which we wish to acquire or invest;
- competition from other potential acquirers;
- a lack of capital to make the acquisition or investment; and
- the unwillingness of the company to partner with us.

If we are unable to continue acquiring and investing in attractive businesses, our strategy for growth may not succeed.

## **Risks Related to Acquisitions**

There can be no assurance that we will be able to profitably manage additional businesses or successfully integrate any acquired businesses without substantial expenses, delays or other operational or financial problems.



Further, acquisitions may involve a number of special risks, including diversion of management's attention, failure to retain key acquired personnel, unanticipated events or circumstances and legal liabilities and amortization of acquired intangible assets, risk that business we acquire may lose customers, some or all of which could have a material adverse effect on our business, operating results and financial condition.

Client satisfaction or performance problems at a single acquired firm could have a material adverse impact on our reputation as a whole. In addition, there can be no assurance that acquired businesses, if any, will achieve anticipated revenues and earnings. Our failure to manage our acquisition strategy successfully could have a material adverse effect on our business, operating results and financial condition.

### **Potential U.S Regulation of Offshore Outsourcing**

Some U.S. states have enacted legislation restricting government agencies from outsourcing their back office processes and Information Technology solutions work to companies outside the United States. It is also possible that U.S. private sector companies that work with these states may be restricted from outsourcing their work related to government contracts. We currently do not have significant contracts with U.S. federal or state government entities; however, there can be no assurance that these restrictions will not extend to private companies, such as our clients. Any changes to existing laws or the enactment of new legislation restricting offshore outsourcing may adversely impact our ability to do business in the United States, particularly if these changes are widespread.

### **Variability of Quarterly Operating Results**

The revenues and operating results are subject to significant variations from quarter to quarter depending on a number of factors, including the timing and number of client projects commenced and completed during the quarter, the number of working days in a quarter, employee hiring, attrition and utilization rates and the mix of time-and-material projects versus proportional performance and maintenance projects during the quarter. We recognize revenues on time-and-material projects as the services are performed, while revenues on proportional performance projects are recognized using the proportional performance method. Certain contracts with no stated deliverables, with a designated workforce assigned, recognize revenues on a straight-line basis over the life of the contract. Although proportional performance projects have not contributed significantly to revenues and profitability to date, operating results may be adversely affected in the future by cost overruns on proportional performance projects. Because a high percentage of the expenses are relatively fixed, variations in revenues may cause significant variations in operating results. Additionally, periodically our cost increases due to both the hiring of new employees and strategic investments in infrastructure in anticipation of future opportunities for revenue growth.

### **Risks of International Operations**

We have international operations in twelve countries. Our international IT and IT enabled outsourcing development depend greatly upon business immigration and technology transfer laws in those countries, and upon the continued development of technology infrastructure. There can be no assurance that our international operations will be profitable or support our growth strategy. The risks inherent in our international business activities include:

- unexpected changes in regulatory environments or failure to adhere to regulations that govern our client's businesses;
- foreign currency fluctuations;
- tariffs and other trade barriers;
- difficulties in managing international operations; and
- the burden of complying with a wide variety of foreign laws and regulations.

Our failure to manage growth, attract and retain personnel, manage major development efforts, profitably deliver services, or a significant interruption of our ability to transmit data via satellite, could have a material adverse impact on our ability to successfully maintain and develop our international operations and could have a material adverse effect on our business, operating results and financial condition.

### **Market Price of our Shares may Continue to be Volatile**

The market price of our shares may continue to be unstable or unpredictable due to market conditions and other factors some of which are beyond our control. Factors affecting market price of our shares are:

- Fluctuations in our quarterly or annual operating results;
- Loss of one or more significant clients;
- Loss of one or more key management personnel;
- Natural disasters or any other events effecting the countries where we or our clients have operations; and
- Changes in financial estimates by securities research analysts.

### **Concentration of Ownership in Founders**

Sunil Wadhvani and Ashok Trivedi, co-founders of iGATE, own approximately 57% of our outstanding common stock. Accordingly, Messrs. Wadhvani and Trivedi together have sufficient voting power to elect all the members of the Board of Directors and to effect transactions without the approval of our other public shareholders, except for those limited transactions that require a supermajority vote under our bylaws or articles of incorporation. The interests of Messrs. Wadhvani and Trivedi may from time to time diverge from our interests. Our Audit Committee consists of independent directors and addresses certain potential conflicts of interest and related party transactions that may arise between us and our directors, officers or our other affiliates. However, there can be no assurance that any conflicts of interest will be resolved in our favor.

### **Impairment Analysis May Lead to Recognition of Losses**

The carrying amount of the goodwill on our balance sheet was \$29.2 million as of December 31, 2008. We periodically assess the potential impairment of our long-lived assets, such as goodwill, as appropriate. If, as a result of such an assessment, we were to determine that the carrying amount of this goodwill was not recoverable, we would reduce the carrying amount in the period in which the determination was made. Any reduction would result in the recognition of a one-time impairment loss, which would have an adverse effect on our financial results in the period in which the loss was recognized.

### **Risks Associated with Intellectual Property Rights**

Our success depends in part upon certain methodologies and tools we use in designing, developing and implementing applications systems and other proprietary intellectual property rights. We rely upon a combination of nondisclosure and other contractual arrangements and trade secrets, copyright and trademark laws to protect our proprietary rights and the proprietary rights of third parties from whom we license intellectual property. We enter into confidentiality agreements with our employees and limit distribution of proprietary information. There can be no assurance that the steps we take in this regard will be adequate to deter misappropriation of proprietary information or that we will be able to detect unauthorized use and take appropriate steps to enforce our intellectual property rights.

Although we believe that our services do not infringe on the intellectual property rights of others and that we have all rights necessary to utilize the intellectual property employed in our business, we are subject to the

risk of litigation alleging infringement of third-party intellectual property rights. Any claims, whether or not meritorious, could:

- be expensive and time-consuming to defend;
- cause significant installation delays;
- divert management's attention and resources; and/or
- require us to enter into royalty or licensing arrangements, which may not be available on acceptable terms, or may not be available at all.

A successful claim of product infringement against us or our failure or inability to license the infringed or similar technology could have a material adverse effect on our business, financial condition and results of operations.

### **Fixed-Price Projects**

We undertake certain projects billed on a fixed-price basis. We recognize revenue from these contracts on a proportional performance basis, which is different from our principal method of billing, the time-and-material basis. Failure to accurately estimate the resources or time required to complete a fixed price project or to maintain the required quality levels or any unexpected increase in cost due to increase in employee cost, office space cost, technology cost or failure to complete such projects within budget would expose us to risks associated with cost overruns. This could have a material adverse effect on our business, operating results and financial condition.

### **Recruitment and Retention of IT Professionals**

Our industry relies on large numbers of skilled IT employees, and our success depends upon our ability to attract, develop, motivate and retain a sufficient number of skilled IT professionals and project managers who possess the technical skills and experience necessary to deliver our services. Qualified IT professionals are in demand worldwide and are likely to remain a limited resource for the foreseeable future. There can be no assurance that qualified IT professionals will be available to us in sufficient numbers, or that we will be successful in retaining current or future employees. Failure to attract or retain qualified IT professionals in sufficient numbers may have a material adverse effect on our business, operating results and financial condition. Historically, we have done much of our recruiting outside of the countries where the client work is performed. Accordingly, any perception among our IT professionals, whether or not well founded, that our ability to assist them in obtaining temporary work visas and permanent residency status has been diminished, could lead to significant employee attrition.

### **Exposure to Regulatory and General Economic Conditions in India**

Our subsidiary iGATE Global Solutions ("iGS") utilizes offshore software development centers based in Bangalore, Chennai, Hyderabad, and Noida, India. iGS also operates recruiting and training centers in India. The Indian government exerts significant influence over its economy. In the recent past, the Indian government has provided significant tax incentives and relaxed certain regulatory restrictions in order to encourage foreign investment in certain sectors of the economy, including the technology industry. Certain of these benefits that directly affect us include, among others, tax holidays (temporary exemptions from taxation on operating income), liberalized import and export duties and preferential rules on foreign investment and repatriation. To be eligible for certain of these tax benefits, we must continue to meet certain conditions. A failure to meet such conditions in the future could result in the cancellation of the benefits. There can be no assurance that such tax benefits will be continued in the future and also it is not clear whether new tax policies will provide equivalent benefits and incentives. Any new tax legislation and the results of actions by taxing authorities may have adverse effect on our operations and our overall tax rate.

### **Increase in Wages of our Employees**

Salaries and other related benefits constitute a major portion of our total cost. Most of our employees are based in India and our wage costs in India have historically been significantly lower than wage costs in the United States and Europe for comparably skilled professionals, and this has been one of our competitive advantages.

However, wage increases in India or other countries where we have our operations may prevent us from sustaining this competitive advantage and may negatively affect our profit margins. We may need to increase the levels of our employee compensation more rapidly than in the past to retain talent. Unless we are able to continue to increase the efficiency and productivity of our employees, wage increases in the long term may reduce our profit margins.

### **Dependence on Senior Leadership Team**

Our success is highly dependent on the efforts and abilities of our Chief Executive Officer, Phaneesh Murthy and senior management team. These personnel possess business and technical capabilities that are difficult to replace. Although each executive has entered into employment agreements containing non-competition, non-disclosure and non-solicitation covenants, these contracts do not guarantee that they will continue their employment with us or that such covenants will be enforceable. If we lose service of any of the key executives, we may not be able to effectively manage our current operations and meet our ongoing and future business challenges and this may have material adverse effect on our business, operating results and financial condition.

### **Potential Liability to Clients**

Many of our engagements involve projects that are critical to the operations of our clients' businesses and provide benefits that may be difficult to quantify. Although we attempt to contractually limit our liability for damages arising from errors, mistakes, omissions or negligent acts in rendering our services, there can be no assurance that our attempts to limit liability will be successful. Our failure or inability to meet a client's expectations in the performance of our services could result in a material adverse change to the client's operations and therefore could give rise to claims against us or damage our reputation, adversely affecting our business, operating results and financial condition.

We may also be liable to our clients for damages caused by disclosure of confidential information of the client. We are often required to collect and store sensitive and confidential data of the client to perform the services under the contract. If any of our current or former employees misappropriates client's sensitive or confidential data or if we do not adapt to latest changes in the data protection legislation, we could be subject to significant liability to our clients.

### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

## ITEM 2. PROPERTIES

Information regarding the principal properties owned and leased by the Company and its subsidiaries as of December 31, 2008 is set forth below:

<u>Location</u>	<u>Principal Use</u>	<u>Approximate Square Footage</u>
Fremont, California . . . . .	Corporate headquarters, management administration, human resources, sales, and marketing	6,300
Pittsburgh, Pennsylvania . . . . .	Management administration, human resources, sales and marketing	11,000
Chennai, India . . . . .	iGS offshore development center	100,000
Bangalore, India . . . . .	iGS Whitefield campus and offshore development center	500,000
Hyderabad, India . . . . .	iGS offshore development center	125,000
Noida, India . . . . .	iGS offshore development center	80,000
Guadalajara, Mexico . . . . .	iGS offshore development center	10,000
Ballarat, Australia . . . . .	iGS offshore development center	3,100

In addition to the properties listed above, the Company and its subsidiaries lease sales offices in many IT services markets in the United States and throughout the world. These locations allow the Company to respond quickly to the needs of our clients and to recruit qualified IT professionals in these markets.

## ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of our business, we are involved in a number of lawsuits and administrative proceedings. While uncertainties are inherent in the final outcome of these matters, Company management believes, after consultation with legal counsel, that the disposition of these proceedings should not have a material adverse effect on our financial position, results of operations or cash flows.

## ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of shareholders during the fourth quarter of 2008.

## PART II

### ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Common Stock is traded on the NASDAQ National Market under the ticker symbol "IGTE". The following table sets forth, for the periods indicated, the range of high and low closing sale prices for iGATE Corporation Common Stock as reported on the NASDAQ National Market.

	<u>High</u>	<u>Low</u>
<b>2008</b>		
First Quarter .....	\$ 8.43	\$6.48
Second Quarter .....	8.69	6.28
Third Quarter .....	11.44	6.80
Fourth Quarter .....	\$ 8.74	\$4.32
<b>2007</b>		
First Quarter .....	\$ 8.70	\$6.31
Second Quarter .....	8.39	6.58
Third Quarter .....	9.99	7.26
Fourth Quarter .....	\$10.16	\$6.66

On January 31, 2009, we had 141 registered holders of record of our Common Stock.

We currently have no program regarding the purchase of our Common Stock.

The Board of Directors of the Company declared on January 21, 2009 an annual cash dividend for the year ended December 31, 2008 of \$0.11 per share payable to the shareholders of record as on February 28, 2009 and payable on March 16, 2009.

## ITEM 6. SELECTED FINANCIAL DATA

	Year Ended December 31,				
	2008	2007	2006	2005	2004
	(in thousands, except per share data)				
Income Statement Data(1):					
Revenues .....	\$218,798	\$201,734	\$170,414	\$139,516	\$133,659
Gross margin .....	82,357	65,112	48,037	42,162	40,499
Gain on sale of land .....	—	—	—	—	(3,615)
Restructuring charges (recovery)(2) .....	—	769	(2,507)	—	4,896
Goodwill impairment(3) .....	—	1,950	—	—	—
Income (loss) from operations .....	27,682	9,483	(266)	(5,118)	(24,877)
Other income (expense), net .....	2,661	5,940	3,578	(250)	1,379
Equity in income (losses) of affiliated companies .....	2	29	317	338	(335)
Minority interest .....	(371)	(2,992)	(752)	(261)	(700)
(Loss) gain on venture investments and affiliated companies, net(4) .....	—	(193)	578	(2,149)	—
Income (loss) before income taxes .....	29,974	12,267	3,455	(7,440)	(24,533)
Income tax provision(benefit) .....	675	1,767	1,597	(1,468)	2,863
Income (loss) from continuing operations .....	29,299	10,500	1,858	(5,972)	(27,396)
Income from discontinued operations, net of income taxes(1) .....	1,605	5,085	6,846	12,941	9,185
Net income (loss) .....	<u>\$ 30,904</u>	<u>\$ 15,585</u>	<u>\$ 8,704</u>	<u>\$ 6,969</u>	<u>\$ (18,211)</u>
Net earnings per common share, Basic:					
Earnings (loss) from continuing operations per share .....	\$ 0.54	\$ 0.20	\$ 0.03	\$ (0.11)	\$ (0.52)
Earnings from discontinued operations per share ....	0.03	0.09	0.13	0.24	0.17
Net earnings—Basic .....	<u>\$ 0.57</u>	<u>\$ 0.29</u>	<u>\$ 0.16</u>	<u>\$ 0.13</u>	<u>\$ (0.35)</u>
Net earnings per common share, Diluted:					
Earnings (loss) from continuing operations per share .....	\$ 0.53	\$ 0.20	\$ 0.03	\$ (0.11)	\$ (0.52)
Earnings from discontinued operations per share ....	0.03	0.09	0.13	0.24	0.17
Net earnings—Diluted .....	<u>\$ 0.56</u>	<u>\$ 0.29</u>	<u>\$ 0.16</u>	<u>\$ 0.13</u>	<u>\$ (0.35)</u>
Weighted average common shares, basic .....	53,903	53,333	52,939	52,530	52,721
Weighted average common shares, diluted .....	<u>55,451</u>	<u>53,972</u>	<u>53,278</u>	<u>52,734</u>	<u>52,721</u>
Balance Sheet Data:					
Cash and cash equivalents .....	\$ 30,878	\$ 46,655	\$ 46,077	\$ 40,371	\$ 21,409
Short-term investments .....	34,601	25,295	31,826	30,798	35,863
Working capital(5) .....	74,497	93,617	111,931	100,912	93,723
Total assets .....	189,893	216,798	191,161	177,802	180,888
Total shareholders' equity .....	\$146,072	\$155,966	\$133,351	\$117,672	\$111,700

- (1) On September 4, 2008, the Board of Directors authorized management to utilize a tax-free separation for the divestiture of iGATE Professional Services and declared a stock dividend consisting of 1 share of Mastech for each 15 shares of iGATE. On September 30, 2008, we completed the spin-off of Mastech. On July 31, 2008, we completed the sale of iGATE Clinical Research International Inc and iGATE Clinical Research International Private Limited (collectively 'iCRI'). In December 2007 we sold jobcurry Systems Private Ltd. In June 2004, we sold our subsidiary located in Sydney, Australia, iGATE Australia Pty. Ltd. ("iGATE

Australia”). In April 2004, we sold our subsidiary located in Edinburgh, Scotland, Direct Resources Scotland Ltd. (“DRI”). As required under accounting rules, dispositions are presented as discontinued operations, net of applicable statutory taxes.

- (2) In 2007, we incurred \$0.8 million related to the restructuring of our Shared Services segment. In 2006, we reversed \$2.5 million of our 2004 restructuring reserve related to our United Kingdom operation. In 2004, we incurred \$4.9 million in connection with our restructuring of our United Kingdom operation.
- (3) In 2007, we incurred \$2.0 million in total charges related to goodwill impairment in our subsidiary iGATE Global Solutions.
- (4) In 2007, we recorded an impairment charge of \$0.6 million on our investment in Concours, which was offset by a gain of \$0.4 million from an escrow account related to a prior sale of a business. In 2006, we sold our investment in Brainbench for \$0.6 million. In 2005, we recorded an impairment charge of \$2.4 million on our investment, which was offset by a gain of \$0.3 million on the remaining shares of stock of ScanSoft (f/n/a Speechworks, Inc).
- (5) Working capital represents current assets less current liabilities.



## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **Overview**

iGATE Corporation ("iGATE" or "the Company") is a leading provider of Information Technology ("IT") and IT enabled operations offshore outsourcing solutions services to large and medium-size organizations. iGATE provides end-to-end business solutions that leverage technology thus enabling its clients to enhance business performance.

On July 31, 2008, the Company completed the sale of iGATE Clinical Research International Inc and iGATE Clinical Research International Private Limited (collectively, "iCRI"), its clinical research business, and on September 30, 2008, the Company completed the spin-off of its Professional Services business segment ("iPS"). In accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long Lived Assets", the assets and liabilities, results of operations and cash flows of iCRI and iPS have been classified as discontinued operations in the consolidated financial statements for all periods presented through the date of sale and spin-off. Cash flows of iCRI and iPS have been segregated in the consolidated statement of cash flows as separate line items within operating, investing and financing activities.

### **Critical Accounting Policies and Estimates**

The following explains our most critical accounting policies and estimates. See Note 1 to our Consolidated Financial Statements set forth on pages 39 to 46 of this Form 10-K for a complete description of our significant accounting policies.

#### *Revenue Recognition*

We recognize revenue on time-and-material contracts as the services are performed. Time-and-material contracts typically bill at an agreed upon hourly rate. A price for an entire project is agreed upon for a predetermined fee before the project starts. We recognize revenues on fixed-price contracts using the proportional performance method. We prepare a budget for each fixed price project, and based upon the budget that we prepare, we estimate what our costs should be. We determine performance by comparing the actual cost of work performed to date to the estimated total cost for each contract. We recognize revenue based upon costs incurred by our consultants during the period. The Company follows this revenue recognition method for fixed-price contracts because there is a direct and consistent relationship between the service patterns and services provided to the customer and the direct costs incurred to provide such services. If our cost estimates indicate a loss on a particular fixed price contract, we record a provision for the estimated loss without regard to the stage of completion. Changes in job performance, conditions and estimated profitability may result in revisions to costs and revenues and are recognized in the period in which the changes are identified. Certain contracts with no stated deliverables, with a designated workforce assigned, we recognize revenues on a straight-line basis over the life of the contract. Revenue on these contracts is ratable and predetermined based upon the negotiated contract. We also bill customers based on a transaction fee basis. Revenue from these unit prices contracts are recognized on rendering of the services as per the terms of the contract.

#### *Investments in Unconsolidated Entities*

Investments in equity shares of unconsolidated entities that are not quoted or publicly traded in which the Company owns less than 20% of the voting interest are accounted for at cost. For investments in entities in which the Company owns between 20% and 50% of the voting interest or otherwise acquires management influence are accounted for using the equity method and initially recognized at cost. Under the equity method, the Company's share of the post acquisition profits and losses is recognized in the consolidated statements of income.

For investments accounted for using the cost or equity method of accounting, management evaluates information (e.g., budgets, business plans, financial statements, etc.) in determining whether an other-than-temporary decline in value exists. Factors indicative of an other-than-temporary decline include recurring operating losses, credit defaults and subsequent rounds of financings at an amount below the cost basis of an investment. This list is not all inclusive and management weighs all quantitative factors in determining if an other-than-temporary decline in value of an investment has occurred.

In evaluating these factors above, management presumes a decline in value to be other-than-temporary if the fair value of the security is 20% or more below the investment's carrying value for a period of six months or more (the "20% criteria"). However, the presumption of an other-than-temporary decline in these instances may be overcome if there is persuasive evidence indicating that the decline is temporary in nature (e.g., strong operating performance of investee, historical volatility of investee, etc.). Additionally, there may be instances where impairment losses are recognized even if the 20% criterion is not satisfied (e.g., plan to sell the security in the near term and the fair value is below the Company's carrying basis). In 2007, the Company recorded an impairment of its remaining investment in Concours, Inc. of \$0.6 million. There were no impairments recorded in 2008 or in 2006.

#### *Allowance for Uncollectible Accounts*

Accounts receivables are reviewed periodically to determine the probability of loss. The allowance for uncollectible accounts is determined using the combination of the specific identification method for balances deemed uncollectible, as well as judgments made by the Company based upon historical and expected collection experience.

#### *Goodwill and intangible assets*

Goodwill is not amortized but is reviewed for impairment annually or more frequently if indicators arise. The evaluation is based upon a comparison of the estimated fair value to the carrying value of the assets and liabilities. The fair values used in this evaluation are estimated based upon the Company's market capitalization and the discounted future cash flow analysis. These cash flow projections are based upon a number of estimates and assumptions including operating results, business plans and future cash flows. Intangible assets are initially valued at fair market value using generally accepted valuation methods appropriate for the type of intangible asset. Intangible assets with definite lives are amortized over the estimated useful lives and are reviewed for impairment, if indicators of impairment arise. The evaluation of impairment is based upon a comparison of the carrying amount of the intangible asset to the estimated future undiscounted net cash flows expected to be generated by the asset. If estimated future undiscounted cash flows are less than the carrying amount of the asset, the asset is considered impaired. The impairment expense is determined by comparing the estimated fair value of the intangible asset to its carrying value, with any shortfall from fair value recognized as an expense in the current period. Amortization of the Company's definite lived intangible assets is computed using the straight-line method over the estimated useful lives of the assets.

#### *Income taxes*

In determining taxable income for financial statement reporting purposes, we make certain estimates and judgments. These estimates and judgments are applied in the calculation of certain tax liabilities and in the determination of the recoverability of deferred tax assets, which arise from temporary differences between the recognition of assets and liabilities for tax and financial statement reporting purposes. In addition, the calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax rules and the potential for future adjustment of our uncertain tax positions by the Internal Revenue Service or other taxing jurisdiction. If our estimates of these taxes are greater or less than actual results, an additional tax benefit or charge will result.

We record valuation allowances to reduce our deferred tax assets to an amount that we believe is more likely than not to be realized. We consider estimated future taxable income and ongoing prudent and feasible tax

planning strategies, including reversals of deferred tax liabilities and tax holiday periods in assessing the need for a valuation allowance. If we determine that we will not realize all or part of our deferred tax assets in the future, we make an adjustment to the carrying value of the deferred tax asset, which would be reflected as income tax expense. Conversely, if we determine that we will realize a deferred tax asset, which currently has a valuation allowance, we reverse the valuation allowance which would be reflected as an income tax benefit or as an adjustment to stockholders' equity for tax assets related to stock options. We have recorded a valuation allowance for deferred tax assets at entities or units that have been unprofitable and where we believe that such assets may not be utilized in the near term.

#### *Derivative instruments and hedging activities*

The Company purchases forward foreign exchange contracts/option contracts (derivatives) to mitigate the risk of changes in foreign exchange rates on accounts receivable and forecasted cash flows denominated in certain foreign currencies.

The Company designates derivative contracts as cash flow hedges if they satisfy the criteria for hedge accounting under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. Changes in fair values of derivatives designated as cash flow hedges are deferred and recorded as a component of accumulated other comprehensive income (losses), net of taxes until the hedged transactions occur and are then recognized in the Consolidated Statements of Income included in other income (expense), net. Changes in fair value of derivatives not designated as hedging instruments and the ineffective portion of derivatives designated as cash flow hedges are recognized in the Consolidated Statements of Income and are included in other income (expense), net.

With respect to derivatives designated as hedges, the Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Company also formally assesses both at the inception of the hedge and on a quarterly basis, whether each derivative is highly effective in offsetting changes in fair values or cash flows of the hedged item. If it is determined that a derivative or a portion thereof is not highly effective as a hedge, or if a derivative ceases to be a highly effective hedge, the Company prospectively discontinues hedge accounting with respect to that derivative.

In all situations in which hedge accounting is discontinued and the derivative is retained, the Company continues to carry the derivative at its fair value on the balance sheet and recognizes any subsequent change in its fair value in the Consolidated Statement of Income. When it is probable that a forecasted transaction will not occur, the Company discontinues hedge accounting and recognizes immediately in the Consolidated Statement of Income the gains and losses attributable to such derivative that were accumulated in other comprehensive income.

#### *Stock based compensation*

Effective January 1, 2006 we adopted revised Statement of Financial Accounting Standards No. 123, *Share-Based Payment*, ("SFAS 123(R)"). SFAS 123(R) requires all share-based payments, including grants of stock options, restricted stock units and employee stock purchase rights, to be recognized in our financial statements based on their respective grant date fair values. Under this standard, the fair value of each employee stock option and employee stock purchase right is estimated on the date of grant using an option pricing model that meets certain requirements.

We currently use the Black-Scholes option pricing model to estimate the fair value of our share-based payments. The determination of the fair value of share-based payment awards utilizing the Black-Scholes model is affected by our stock price and a number of assumptions, including expected volatility, expected life, risk-free interest rate and expected dividends. We estimate the expected volatility of our stock options at grant date based

on the historical traded prices of our stock as the expected volatility assumption required in the Black-Scholes model. The expected life of the stock options is based on historical and other data including life of the option and vesting period. The risk-free interest rate assumption is the implied yield currently available on zero-coupon government issues with a remaining term equal to the expected term. The dividend yield assumption is based on our history and expectation of dividend payouts. Stock-based compensation expense recognized in our financial statements in 2006 and thereafter was based on awards that are ultimately expected to vest. The amount of stock-based compensation expense in 2006 and thereafter was reduced for estimated forfeitures based on historical experience. Forfeitures are required to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ significantly from those estimated.

We evaluate the assumptions used to value stock-based awards on a periodic basis. If factors change and we employ different assumptions, stock-based compensation expense may differ significantly from what we have recorded in the past. If there are any modifications or cancellations of the underlying unvested securities, we may be required to accelerate, increase or cancel any remaining unearned stock-based compensation expense. To the extent that we grant additional equity securities to employees or we assume unvested securities in connection with any acquisitions, our stock-based compensation expense will be increased by the additional unearned compensation resulting from those additional grants or acquisitions.

### **Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant items subject to such estimates and assumptions include the useful lives of property and equipment, carrying amount of property and equipment, intangibles and goodwill, valuation allowance for receivables and deferred tax assets, valuation of derivative instruments, valuation of share-based compensation, assets and obligations related to employee benefits, income tax uncertainties and other contingencies and commitments. Management believes that the estimates used in the preparation of the consolidated financial statements are prudent and reasonable. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

**Results of Operations from Continuing Operations for the Year Ended December 31, 2008 as Compared to the Year Ended December 31, 2007:**

	<u>Year Ended December 31,</u>	
	<u>2008</u>	<u>2007</u>
Revenues .....	\$218,798	\$201,734
Cost of revenues .....	<u>136,441</u>	<u>136,622</u>
Gross margin .....	82,357	65,112
Selling, general and administrative .....	45,327	42,471
Depreciation and amortization .....	9,348	10,439
Restructuring charges .....	—	769
Goodwill impairment .....	<u>—</u>	<u>1,950</u>
Income from operations .....	27,682	9,483
Interest income .....	2,658	3,923
Interest expense .....	(90)	(89)
Other income, net .....	93	2,106
Equity in income of affiliated companies .....	2	29
Minority interest .....	(371)	(2,992)
(Loss) on venture investments and affiliated companies, net .....	<u>—</u>	<u>(193)</u>
Income before income taxes .....	29,974	12,267
Income tax expense .....	<u>675</u>	<u>1,767</u>
Income from continuing operations .....	<u>\$ 29,299</u>	<u>\$ 10,500</u>

Revenues for the year ended December 31, 2008 were \$218.8 million, an increase of \$17.1 million or 8.5%, as compared to \$201.7 million for the year ended December 31, 2007. Our revenue increase for the periods presented is directly attributable to a combination of increased business with our recurring customers which contributed an increase of \$10.2 million for the year ended December 31, 2008, and the balance from new customer wins. There was an increase in billable headcount from 5,765 as of December 31, 2007 to 6,141 as of December 31, 2008. The increase in billable headcount directly resulted in increased billable hours and a corresponding increase in revenue. Our top ten customers accounted for 73.8% and 65.5% of the revenue for the year ended December 31, 2008 and 2007, respectively.

The gross margin as a percentage of sales (“gross margin percentage”) was 37.6% for the year ended December 31, 2008, as compared to 32.3% for the year ended December 31, 2007. The increase in gross margin percentage was largely attributable to an increase in realized rates for offshore and onsite work and improved utilization. The average onsite and offshore rates improved by 5.0% and 1.5%, respectively, in the year ended December 31, 2008 over the year ended December 31, 2007. The volume of work done offshore increased from 76.5% to 78.2%.

Selling, general and administrative expenses (“S,G&A”) include all costs that are not directly associated with revenue generating activities. S,G&A expenses include employee costs, corporate costs and facilities costs. Employee costs include administrative salaries and related employee benefits, travel, recruiting and training costs. Corporate costs include costs such as legal, accounting and outside consulting fees. Facilities costs primarily include rent and communications costs.

S,G&A costs for the year ended December 31, 2008 were \$45.3 million or 20.7% of revenues, as compared to \$42.5 million or 21.1% of revenues for the year ended December 31, 2007. Our net employee costs increased approximately \$0.2 million for the year as compared to the prior year. Our net corporate costs decreased by \$0.4 million due to decrease in accounting and insurance of \$1.0 million, which was offset by an increase in bad debt expense. Our facilities costs increased \$3.1 million mainly due to increases in rental and communication related expenses.

Depreciation and amortization cost was \$9.3 million or 4.3% of revenue, as compared to \$10.4 million or 5.2% of revenue a decrease of \$1.1 million.

In June 2007, we recorded a goodwill impairment charge of approximately \$2.0 million, related to our July 2006 acquisition of LoanPro. This impairment charge was not considered as part of our discussion of S,G&A cost and was recorded on a separate line item on our Consolidated Statements of Income.

Operating income percentage was 12.7% for the year ended December 31, 2008 as compared to 4.7% for the year ended December 31, 2007. This increase was due primarily to the increase in gross margin by 5.3% and the decrease in S,G&A costs as a percentage of revenue by 0.4%. The increase in operating income percentage was mainly due to increases in revenues and gross margins.

### **Other Income (Expense) Components**

Other income, net for the year ended December 31, 2008, totaled \$2.7 million, compared to \$5.9 million for the year ended December 31, 2007. The following paragraphs discuss significant components of other income (expense) and changes within each of the years presented.

In 2008, our investment income totaled \$2.7 million as compared to \$3.9 million for 2007. The decrease was due to a decrease in cash and cash equivalents and short term investment from \$72.0 million in December 31, 2007 to \$65.5 million in December 31, 2008. The decrease in cash was due to \$30.8 million spent to purchase shares from minority shareholders in iGS. In 2008, we recognized \$3.7 million of favorable foreign currency gain related to our intercompany debt in India which was offset by \$4.6 million of realized loss on our hedges. In 2007, we recognized \$0.3 million of unfavorable foreign currency translation losses related to our intercompany debt with India which was offset by \$2.4 million of realized gain on our hedges. As of December 31, 2008, all of our outstanding forward contracts met the qualifying criteria to receive hedge accounting.

During the year ended December 31, 2008 there was a gain of \$0.4 million on termination of land sale contract. During June 2007 we took an investment write off for \$0.6 million.

Minority interest expense was \$0.4 million for the year ended December 31, 2008 and relates to the minority interest portion of the income of iGS. Minority interest expense was \$3.0 million for the year ended December 31, 2007 also related to the income of iGS. This has reduced due to the acquisition of minority interest in our subsidiary iGS during the year as part of delisting from Indian Stock Exchanges.

### **Income Taxes**

Federal income taxes calculated at the U.S. statutory rate were \$10.5 million for the year ended December 31, 2008. State income taxes which totaled \$0.1 million for 2008 were calculated using a blended statutory rate, and are net of federal income tax benefit. Our income tax provision was \$0.7 million at an effective rate of 2.3% for the year.

Several items caused variations from our statutory tax provision. iGS is eligible to claim a tax holiday on the majority of its operating income through March 2010. Taxable income for determining the income tax provision of iGS includes non operating income, such as interest income and capital gains income and operating income of one of its units for which tax holiday has expired. The tax holiday resulted in a benefit of \$8.6 million for the year ended December 31, 2008.

Other variations typically arise because certain expenses or benefits recorded to our financial statements are either limited or disallowed when calculating our income tax provision. Certain expenses such as minority interest expense are not deductible at all. In addition to these limited or disallowed deductions, valuation allowances have been provided against certain deductions for which the recognition of the corresponding tax benefit is unlikely.

These deductions include net operating losses realized by iGS's U.S. Branch and capital gains / losses realized from the disposition of certain subsidiary and equity investments. The aggregate impact of these variations on the Company's effective tax rate was a benefit of \$1.3 million.

Federal income taxes calculated at the U.S. statutory rate were \$4.3 million for the year ended December 31, 2007. State income taxes which totaled \$0.1 million for 2007 were calculated using a blended statutory rate, and are net of federal income tax benefit. Our income tax provision was \$1.8 million at an effective rate of 14.4% for the year.

Several items caused variations from our statutory tax provision. iGS is eligible to claim a tax holiday on the majority of its operating income through March 2010. The tax holiday resulted in a benefit of \$4.7 million for the year ended December 31, 2007. iGS' non-operating income, such as interest income, is not included in the tax holiday, and has been considered as part of our income tax provision.

Other variations typically arise because certain expenses or benefits recorded to our financial statements are either limited or disallowed when calculating our income tax provision. Certain expenses such as minority interest expense are not deductible at all. In addition to these limited or disallowed deductions, valuation allowances have been provided against certain deductions for which the recognition of the corresponding tax benefit is unlikely. These deductions include net operating losses realized by iGS's U.S. Branch and capital losses realized from the disposition of certain subsidiary and equity investments. The aggregate impact of these variations on the Company's effective tax rate was \$2.0 million.

**Results of Operations from Continuing Operations for the Year Ended December 31, 2007 as Compared to the Year Ended December 31, 2006:**

	<u>Year Ended December 31,</u>	
	<u>2007</u>	<u>2006</u>
Revenues .....	\$201,734	\$170,414
Cost of revenues .....	<u>136,622</u>	<u>122,377</u>
Gross margin .....	65,112	48,037
Selling, general and administrative .....	42,471	40,527
Depreciation and amortization .....	10,439	10,283
Restructuring charges (recovery) .....	769	(2,507)
Goodwill impairment .....	<u>1,950</u>	<u>—</u>
Income (loss) from operations .....	9,483	(266)
Interest income .....	3,923	3,146
Interest expense .....	(89)	(96)
Other income, net .....	2,106	528
Equity in income of affiliated companies .....	29	317
Minority interest .....	(2,992)	(752)
(Loss) gain on venture investments and affiliated companies, net .....	<u>(193)</u>	<u>578</u>
Income before income taxes .....	12,267	3,455
Income tax expense .....	<u>1,767</u>	<u>1,597</u>
Income from continuing operations .....	<u>\$ 10,500</u>	<u>\$ 1,858</u>

Revenues for the year ended December 31, 2007 were \$201.7 million, an increase of \$31.3 million or 18.4%, as compared to \$170.4 million for the year ended December 31, 2006. Our revenue increase for the periods presented is directly attributable to a combination of increased business with our recurring customers which contributed an increase of \$27.1 million for the year ended December 31, 2007, and the balance from new customer wins. There was an increase in billable headcount from 5,299 as of December 31, 2006 to 5,765 as of

December 31, 2007. This resulted in increased billable hours and a corresponding increase in revenue. Revenues from the top 10 customers increased by more than \$20 million from the prior year.

The gross margin as a percentage of sales (“gross margin percentage”) was 32.3% for the year ended December 31, 2007, as compared to 28.2% for the year ended December 31, 2006. This improvement was due primarily to the increasing mix of higher profit margin projects from existing customers, higher offshore and onsite billing rates, higher offshore volumes and improved resource utilization. The average onsite and offshore rates improved by 6.7% and 4.2%, respectively, in the year ended December 31, 2007 over the year ended December 31, 2006 this improvement was due primarily to the increasing mix of higher profit margin projects from existing customers, higher offshore and onsite billing rates, higher offshore volumes and improved resource utilization. The volume of work done offshore increased from 72.8% to 76.5%.

Selling, general and administrative expenses (“S,G&A”) include all costs that are not directly associated with revenue generating consultants. S,G&A expenses include employee costs, corporate costs and facilities costs. Employee costs include administrative salaries and related employee benefits, travel, recruiting and training costs. Corporate costs include costs such as legal, accounting and outside consulting fees. Facilities costs include rent and communications costs. S,G&A costs for the year ended December 31, 2007 were \$42.5 million or 21.1% of revenues, as compared to \$40.5 million or 23.8% of revenues for the year ended December 31, 2006. Our employee cost increased approximately \$0.4 million for the year ended as compared to the prior year. Our net corporate cost increased approximately \$0.1 million for the year due to increases in bad debt expense and legal and accounting costs. Our net facilities costs increased \$1.5 million mainly due to increases in rent and non-capital equipment expenditures at our new campus in Bangalore, India.

Depreciation and amortization cost was \$10.4 million or 5.2% of revenue, as compared to \$10.3 million or 6.0% of revenue.

In June 2007, we recorded a goodwill impairment charge of approximately \$2.0 million, related to our July 2006 acquisition of LoanPro. This impairment charge was not considered as part of our discussion of iGS’ S,G&A cost and was recorded on a separate line item on our Consolidated Statements of Income.

Operating income percentage was 4.7% for the year ended December 31, 2007 as against operating loss percentage of 0.2% for the year ended December 31, 2006. The increase in operating income percentage was mainly due to significant increases in revenues and gross margins.

### **Other Income (Expense) Components**

Other income, net for the year ended December 31, 2007, totaled \$5.9 million, compared to \$3.6 million for the year ended December 31, 2006. The following paragraphs discuss significant components of other income (expense) and changes within each of the years presented.

In 2007, our interest income totaled \$3.9 million as compared to \$3.1 million for 2006. The increase was due to increased investment yields as well as increases in invested cash during 2007 as our cash flows increased during 2007, allowing us to invest additional cash. In 2007, we recognized \$0.3 million of unfavorable foreign currency translation losses related to our intercompany debt with India which was offset by \$2.4 million of realized gain on our hedges. In 2006, we recognized \$0.5 million of unfavorable foreign currency translation losses related to our intercompany debt with India, which was offset by \$1.2 million of realized gain on our hedges. As of July 1, 2007, our hedging activities met the minimum requirements for effective hedge accounting treatment under current accounting rules. As a result, from July 1, 2007 onwards, we only recognize realized gains or losses as current period income or loss.

In 2007, we recorded an impairment charge in our investment in Concours of \$0.6 million, which was offset by a gain of \$0.4 million from an escrow account related to a prior sale of a business. In 2006, we sold our



investment in Brainbench for \$0.6 million. These gain and losses are included as a component of Gain (loss) on Venture Investments and Affiliated Companies in the Consolidated Statements of Income.

We recognized income on affiliated companies of less than \$0.1 million for the year ended December 31, 2007 as compared to \$0.3 million for the year ended December 31, 2006. All activity in both periods was related to our investment in the Software AG joint venture.

Minority interest expense was \$3.0 million for the year ended December 31, 2007 and relates to the minority interest portion of the income of iGS. Minority interest expense was \$0.8 million for the year ended December 31, 2006 also related to the income of iGS. The year over year increase in minority interest expense was directly attributable to the greater profitability of iGS in 2007.

### **Income Taxes**

Federal income taxes calculated at the U.S. statutory rate were \$4.3 million for the year ended December 31, 2007. State income taxes which totaled \$0.1 million for 2007, were calculated using a blended statutory rate, and are net of federal income tax benefit. Our income tax provision was \$1.8 million at an effective rate of 14.4% for the year.

Several items caused variations from our statutory tax provision. iGS is eligible to claim a tax holiday on the majority of its operating income through March 2010. The tax holiday resulted in a benefit of \$4.7 million for the year ended December 31, 2007. iGS' non-operating income, such as interest income, is not included in the tax holiday, and has been considered as part of our income tax provision.

Other variations typically arise because certain expenses or benefits recorded to our financial statements are either limited or disallowed when calculating our income tax provision. Certain expenses such as minority interest expense are not deductible at all. In addition to these limited or disallowed deductions, valuation allowances have been provided against certain deductions for which the recognition of the corresponding tax benefit is unlikely. These deductions include net operating losses realized by iGS's U.S. branch and capital losses realized from the disposition of certain subsidiary and equity investments. The aggregate impact of these variations on the Company's effective tax rate was \$2.0 million.

Federal income taxes calculated at the U.S. statutory rate were \$1.2 million for the year ended December 31, 2006. State income taxes which totaled \$0.2 million for 2006, were calculated using a blended statutory rate, and are net of federal income tax benefit. Our income tax provision was \$1.6 million at an effective rate of 46.2% for the year.

Several items caused variations from our statutory tax provision. iGS is eligible to claim a tax holiday on the majority of its operating income through March 2010. The tax holiday resulted in a benefit of \$3.7 million for the year ended December 31, 2006. iGS' non-operating income, such as interest income, is not included in the tax holiday, and has been considered as part of our income tax provision.

Other variations typically arise because certain expenses or benefits recorded to our financial statements are either limited or disallowed when calculating our income tax provision. Certain expenses such as minority interest expense are not deductible at all. In addition to these limited or disallowed deductions, valuation allowances have been provided against certain deductions for which the recognition of the corresponding tax benefit is unlikely. These deductions include capital losses realized from the disposition of certain subsidiary and equity investments. The aggregate impact of these variations on the Company's effective tax rate was \$3.9 million.

### **Liquidity and Capital Resources**

At December 31, 2008 we had cash and short-term investments of \$30.9 million and \$34.6 million, respectively, as compared to cash and short-term investments of \$46.7 million and \$25.3 million, respectively, at

December 31, 2007. Short-term investments at December 31, 2008 and December 31, 2007 consisted mainly of highly liquid short-term investments. Our focus has been liquidity along with the preservation of our principal holdings.

Cash provided by operations is anticipated to be adequate to fund capital expenditures and other business needs over the next 12 months.

On May 21, 2008, iGS entered into a loan agreement with Citibank N.A. that provided for a \$6.5 million working capital line of credit. The loan is secured by way of a charge on all of iGS' present and future receivables, investments, rights to or on moveable properties and moveable current assets. As of December 31, 2008 and for the period from May 21, 2008 through December 31, 2008, iGS did not utilize the line of credit. There is no expiration date for the line of credit and the interest rate would be determined at the time of withdrawal of funds at the then applicable rates.

### **Cash from Operations**

Cash provided by continuing operations was \$43.2 million for the year ended December 31, 2008. Primary factors contributing to our cash provided by continuing operations were net income of \$29.3 million for the period, plus significant non cash items of approximately \$11.5 million. These non cash items included depreciation and amortization of \$9.3 million, stock based compensation expense related to SFAS 123(R) of \$4.8 million, deferred rent of \$0.6 million, and minority interest of \$0.4 million which was offset by deferred tax of \$3.6 million.

The net effect on the Company's working capital items for the year ended December 31, 2008 was a positive \$4.7 million. Major changes in working capital were a decrease in prepaid and other current assets of \$1.7 million and an increase in accounts payable and other liabilities of \$8.2 million and deferred revenue of \$0.3 million which was offset by an increase in accounts and unbilled receivables of \$4.9 million, decrease in restructuring reserve of \$0.6 million. The increase in accounts receivable was mainly due to an increase in sales partly offset by the decrease in day sales outstanding from 71 days at the end of 2007 to 65 days as of December 31, 2008.

Cash provided by continuing operations was \$29.9 million for the year ended December 31, 2007. Primary factors contributing to our cash provided by operations were net income of \$10.5 million for the period, plus significant non cash items of approximately \$17.6 million. These non cash items included depreciation and amortization of \$10.4 million, stock based compensation expense related to SFAS 123(R) of \$3.7 million, impairment of goodwill of \$2.0 million, a loss on the write down of an investment of an affiliated company for \$0.6 million, and minority interest of \$3.0 million, offset by deferred taxes of \$2.4 million.

The net effect on the Company's working capital items for the year ended December 31, 2007 was a positive \$2.2 million. Major changes in working capital were a decrease in accounts and unbilled receivables of \$4.2 million, in accounts payable and other liabilities of \$3.6 million offset by an increase in prepaid assets of \$5.7 million. The decrease in accounts receivable was directly related to a significant improvement in our days outstanding, as our days sales outstanding decreased from 75 days at the end of 2006 to 71 days as of December 31, 2007. The increase in prepaid assets consisted primarily of \$5.0 million retained in an escrow account in India that was specifically earmarked for the repurchase of shares related to the delisting of iGS. The increase in accounts payable and other liabilities was directly related to increased accruals for expenses due to the higher level of business at the end of 2007 versus the prior year end.

Cash provided by continuing operations was \$6.1 million for the year ended December 31, 2006. Primary factors contributing to our cash provided by operations were net income of \$1.9 million for the period, plus significant non cash items of approximately \$13.0 million. These non cash items included depreciation and amortization of \$10.3 million and stock based compensation expense related to SFAS 123(R) of \$3.4 million.

The net effect on the Company's working capital items for the year ended December 31, 2006 was a negative \$(8.5) million. Major changes in working capital were an increase in accounts and unbilled receivables of \$4.5 million, a decrease in restructuring reserves of \$4.8 million offset by an increase in accounts payable and other liabilities of \$0.9 million. The increase in accounts receivable was directly related to a higher volume of revenues recorded in the last two months of 2006 versus the last two months of 2005. The decrease in restructuring reserves consisted primarily of cash payments of \$1.5 million made during 2006 on previous established reserves and a liability reduction of \$2.5 million for the sublease of office space in the UK. The increase in accounts payable and other liabilities was directly related to increased accruals for expenses due to the higher level of business at the end of 2006 versus the prior year end.

### **Investing Activities**

Cash used in investing activities for the year ended December 31, 2008 was \$53.3 million, as compared to cash used in investing activities of \$41.7 million in 2007 and \$9.0 million in 2006.

Our capital expenditures were \$14.2 million, \$8.1 million and \$9.0 million for the years ended December 31, 2008, 2007 and 2006, respectively. Significant portions of capital expenditures in all three years presented were due to expansion of our campus located in offshore centers in India.

In 2008, we acquired 2.2 million shares of iGS, representing 7% of iGS shares outstanding, from the Indian public at a price of approximately \$10 per share and redemption of vested option settlement at a total cost of \$30.8 million. The shares were purchased to delist iGS from the Indian stock exchanges. In 2007, we acquired 4.0 million shares of iGS, representing 12.65% shares outstanding of iGS from the Indian public at a cost of \$42.2 million at a price of approximately \$10.40 per share. Under applicable Indian laws, iGS could be delisted only after iGATE and its affiliates acquired over 90% of iGS' common stock in accordance with the delisting guidelines of the Securities and Exchange Board of India. In 2006, we acquired cash of \$0.3 million as part of our acquisition of an additional 55% of the equity of LoanPro.

We received net cash proceeds from the sale of iCRI of \$2.9 million in 2008. In 2006, we sold our remaining interest in Brainbench for \$0.6 million.

In 2008, we increased our investment portfolio by \$14.6 million. In 2007, we decreased our Investment portfolio by \$8.6 million. We increased our investment portfolio by \$0.8 million in 2006. In 2007, we used our short-term investments for capital additions for our campus in Bangalore, India. In 2006, we were able to increase our short-term investments due to increases in cash.

### **Financing Activities**

Cash used by financing activities was \$2.9 million for the year ended December 31, 2008, and cash provided by financing activities of \$2.7 million and \$1.9 million for the years ended December 31, 2007 and 2006, respectively. Sources of cash related to stock option exercises were \$2.0 million, \$3.0 million and \$1.9 million in 2008, 2007 and 2006, respectively. Tax benefits recognized in conjunction with SFAS 123(R) were \$0.1 million, \$0.2 million and \$0.1 million in 2008, 2007 and 2006, respectively.

On May 21, 2008, iGS entered into a loan agreement with Citibank N.A. that provided for a \$6.5 million working capital line of credit. The loan is secured by iGS present and future receivables, investments, rights to or on moveable properties and movable current assets. As of December 31, 2008 iGS did not have any amounts outstanding under the line of credit.

## Restructurings

We restructured our businesses in 2007 and 2004. As a result of these restructurings, we will be required to make cash payments in future years. The nature of the payments and the reasons for the restructurings are discussed more fully in Note 24 to the Consolidated Financial Statements. The following table details the cash payments that we will be required to make in the future years:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Thereafter</u>
	(Dollars in thousands)					
Severance and related items . . . . .	\$107	\$—	\$—	\$—	\$—	\$—
Leases costs of office closure . . . . .	79	85	—	—	—	—
Total . . . . .	<u>\$186</u>	<u>\$ 85</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>

## Contractual Obligations

We also have financial commitments related to existing leases on our occupied space. Our commitments are as follows:

	<u>Total</u>	<u>Less than 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>More than 5 years</u>
	(Dollars in thousands)				
Operating lease obligations . . . . .	\$15,287	\$ 3,642	\$5,310	\$4,627	\$1,708
Capital lease obligations . . . . .	668	237	348	83	—
Foreign exchange derivative contracts . . . . .	10,602	7,468	3,134	—	—
Total . . . . .	<u>\$26,557</u>	<u>\$11,347</u>	<u>\$8,792</u>	<u>\$4,710</u>	<u>\$1,708</u>

The Company is expanding Phase IV of its campus located in Bangalore, India. Total remaining estimated costs of the project will approximate \$7.3 million at December 31, 2008 and will be paid out over the next 6 months. In January 2009, approximately \$0.7 million was incurred towards this project. Phase I was completed in February 2004, Phase II was completed in December 2005 and Phase III was completed in January 2007. The Company has funded the entire project to date through a combination of available cash reserves and short term investments and expects to fund the costs of Phase IV through its net cash flows provided by operations.

## Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

## Seasonality

Our operations are generally not affected by seasonal fluctuations. However, our consultants' billable hours are affected by national holidays and vacation policies, which vary by country.

## Economic Trends and Outlook

The outlook with respect to global spending on IT services is mixed. According to a forecast from IDC in November 2008, worldwide IT spending will grow 2.6% year over year in 2009. According to the Global IT Market Outlook for 2009, published by Forrester Research, Inc. in January 2009, global IT services and outsourcing spend is estimated to be approximately \$484 billion, 3 percent less than in 2008. It is expected that IT outsourcing services will perform slightly better than IT consulting and systems integration services, as the latter is vulnerable to a reduced demand for software purchases to be implemented and integrated.

A majority of our business comes from the United States, which is currently going through an economic downturn. The majority of our top 10 customers are United States companies, and any negative impact in their business can result in reduced demand for our services, which would substantially also affect our future revenues and margins.

We believe that our business model is somewhat diversified, both geographically and operationally—we serve both IT and IT enabled solutions, and have opened centers in both Mexico and Australia. We believe our strategy of a Global delivery model positions us well to provide a greater breadth of services in catering to market needs and opportunities, even with substantial uncertainty in the current outlook with respect to global IT spending.

### **Recently Issued Accounting Standards**

In December 2007, the FASB issued SFAS No. 141 (revised), “*Business Combinations*” (“SFAS No. 141(R)”). The standard changes the accounting for business combinations including the measurement of acquirer shares issued in consideration for a business combination, the recognition of contingent consideration, the accounting for pre-acquisition gain and loss contingencies, the recognition of capitalized in-process research and development, the accounting for acquisition-related restructuring cost accruals, the treatment of acquisition-related transaction costs and the recognition of changes in the acquirer’s income tax valuation allowance. SFAS No. 141(R) is effective for fiscal years beginning after December 15, 2008, with early adoption prohibited. The Company will adopt this statement for all acquisitions consummated beginning January 1, 2009.

In December 2007, the FASB issued SFAS No. 160, “*Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51*” (“SFAS No. 160”). The standard changes the accounting for noncontrolling (minority) interests in consolidated financial statements, including the requirements to classify noncontrolling interests as a component of consolidated stockholders’ equity and the elimination of “minority interest” accounting in results of operations with earnings attributable to noncontrolling interests reported as part of consolidated earnings. Additionally, SFAS No. 160 revises the accounting for both increases and decreases in a parent’s controlling ownership interest. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008, with early adoption prohibited. The Company does not expect the adoption of this statement to have a material impact on its consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, “*Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133*” (“SFAS No. 161”). SFAS No. 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity’s financial position, financial performance, and cash flows. This statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company is currently evaluating the impact of this statement on its financial statements.

In April 2008, the FASB issued FASB Staff Position (“FSP”) No. 142-3, “*Determination of the Useful Life of Intangible Assets*” (“FSP No. 142-3”). FSP No. 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142. The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141 (R), Business Combinations. FSP No. 142-3 is effective for fiscal years beginning after December 15, 2008. The Company does not believe that adoption of this accounting standard effective January 1, 2009 will have a significant impact on its consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, “*The Hierarchy of Generally Accepted Accounting Principles*” (“SFAS No. 162”). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements that are presented in conformity with generally accepted accounting principles. SFAS No. 162 becomes effective 60 days following the SEC’s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, “The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles.” The Company does not expect that the adoption of this statement will have a material impact on its consolidated financial statements.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### **Market Risk Factors**

We are exposed to market risks from adverse changes in foreign exchange rates, interest rates, especially the Indian Rupee (“Rupee”). Our exchange rate risk arises from our foreign currency revenues, receivables and payables. We have sought to reduce the effect of any currency exchange rate fluctuations on our results of operations by purchasing forward foreign exchange contracts and foreign exchange options to cover a portion of our expected cash flows. These instruments typically have maturities of one to three years. We use these instruments as economic hedges and not for speculative purposes and they qualify for hedge accounting under SFAS 133. We do not engage in speculative or leveraged transactions, nor do we hold or issue financial instruments for trading purposes.

### **Foreign Exchange Rate Sensitivity**

The Company’s cash flow and earnings are subject to fluctuations due to exchange rate variation mainly between the Rupee and the U.S. Dollar (the “USD”). This foreign currency risk exists based upon the nature of the Company’s operations. The majority of the Company’s customers and revenue are U.S. based, which provides an inherent foreign currency risk between USD and Rupee exchange rates. We attempt to limit our exposure to changing Rupee rates mainly through financial market transactions.

We enter into forward foreign exchange contracts to mitigate the risk of changes in foreign exchange rates on inter-company transactions and forecasted transactions denominated in foreign currencies. All of these transactions meet the criteria for hedge accounting as cash flow hedges under SFAS 133, “*Accounting for Derivative Instruments and Hedging Activities*”. We designate contracts as cash flow hedges if they satisfy the criteria for hedge accounting under SFAS 133. Changes in the fair value of these hedges are deferred and recorded as a component of accumulated other comprehensive income (losses), until the hedged transaction occur and are then recognized in the Consolidated Statements of Income. Changes in fair value for the ineffective portion of hedging instruments are recognized in the Consolidated Statements of Income of each period and are included in other income (expense), net.

We formally document all relationships between hedging instruments and hedge items, as well as its risk management objectives and strategy for undertaking various hedge transactions with respect to derivatives designated as hedges. In addition, we formally assess both at the inception of the hedge and on a quarterly basis, whether each derivative is highly effective in offsetting changes in fair values or cash flows of the hedged item. If it is determined that a derivative or a portion thereof is not highly effective as a hedge, or if a derivative ceases to be highly effective hedge, we will prospectively discontinue hedge accounting with respect to that derivative.

In all situations in which hedge accounting is discontinued and the derivative is retained, we continue to carry the derivative at its fair value on the balance sheet and recognize any subsequent change in its fair value in the consolidated statement of income. When it is probable that a forecasted transaction will not occur, we discontinue the hedge accounting and recognize immediately in the consolidated statement of income the gains and losses attributable to such derivative that were accumulated in other comprehensive income.

The following table presents information related to foreign currency contracts held by the Company:

**OUTSTANDING HEDGE TRANSACTIONS ON DECEMBER 31, 2008**

	<u>Maturity Date Ranges</u>	<u>Strike Price at Rupee Rate Ranges</u>	<u>Amount</u>	<u>Net Unrealized Gains/(Losses) December 31, 2008</u>
			(Dollars in thousands)	
<b>FORWARD CONTRACTS—USD</b>				
From:	January 28, 2009	40.17		
To:	April 30, 2010	50.84		
Subtotal . . . . .			<u>\$ 6,850</u>	<u>\$ (856)</u>
<b>CURRENCY OPTION CONTRACTS—USD</b>				
From:	January 25, 2009	39.76		
To:	June 30, 2011	51.50		
Subtotal . . . . .			<u>101,700</u>	<u>(10,890)</u>
<b>FORWARD CONTRACTS—CAD</b>				
From:	January 30, 2009	43.00		
To:	April 30, 2009	45.25		
Subtotal . . . . .			<u>\$ 4,926</u>	<u>452</u>
Total . . . . .				<u><u>\$(11,294)</u></u>

As of December 31, 2008, iGS' forward contracts to hedge intercompany cash flows will all mature by April 30, 2010. As each contract matures, iGS will receive Rupees at the contracted rate ("strike price") while delivering either the USD or Canadian Dollar ("CAD") equivalent of Rupees at the prevailing Rupee exchange rate. Contracts that meet qualifying criteria are accounted for as foreign currency cash flow hedges. Accordingly, the effective portion of gains and losses is deferred as a component of other comprehensive income and is recognized in earnings at the time the hedged item affects earnings. Any gains and losses due to hedge ineffectiveness or related to contracts which do not qualify for hedge accounting are recorded in current period earnings in "other income, net". As of December 31, 2008 all of the contracts outstanding met qualifying criteria to receive hedge accounting and have been effective. As a result, for the year ended December 31, 2008, iGS has appropriately recorded other comprehensive loss of \$0.4 million. For the year ended December 31, 2007, iGS recognized other comprehensive gain of \$0.3 million.

As of December 31, 2008, iGS' option contracts to hedge intercompany cash flows will all mature by August 31, 2009. As each contract matures and dependent upon prevailing Rupee exchange rates, iGS will sell USDs or CADs at each contracted "put" strike price. Contracts that meet qualifying criteria are accounted for as foreign currency cash flow hedges. Accordingly, the effective portion of gains and losses is deferred as a component of other comprehensive income and is recognized in earnings at the time the hedged item affects earnings. Any gains and losses due to hedge ineffectiveness or related to contracts which do not qualify for hedge accounting are recorded in current period earnings in "other income and expense". As of December 31, 2008 all the contracts met qualifying criteria to receive hedge accounting and have been deemed to be effective. As a result, for the year ended December 31, 2008, iGS has appropriately recorded other comprehensive loss of \$10.9 million. For the year ended December 31, 2007, iGS recognized other comprehensive gain of \$1.2 million.

Substantially all of the Company's foreign affiliates' financial instruments are denominated in their respective functional currencies (See Note 9 to the Consolidated Financial Statements).

*Interest Rate Sensitivity*

The Company is exposed to changes in interest rates primarily as a result of its investing activities used to maintain liquidity and fund business operations. The nature and amount of the Company's long-term and short-

term debt can be expected to vary as a result of future business requirements, market conditions and other factors.

*Effect of Hypothetical 10% Fluctuation In Market Prices*

Our primary net foreign currency exposure is the Rupee. The fair value of foreign exchange contracts is subject to changes in foreign currency exchange rates.

As of December 31, 2008, the potential gain or loss in the fair value of the Company's outstanding foreign currency contracts assuming hypothetical 10%, 5%, 2% and 1% fluctuations in currency rates would be approximately (in millions):

	Valuation given X% decrease in Rupee / USD rate				Fair Value as of December 31, 2008	Valuation given X% increase in Rupee / USD rate			
	(10%)	(5%)	(2%)	(1%)		1%	2%	5%	10%
Rupee to USD rate . . . . .	43.839	46.275	47.736	48.223	48.710	49.197	49.684	51.146	53.581
Derivative Instruments . . . . .	\$ 0.1	\$ (6.2)	\$ (10.0)	\$ (11.3)	\$ (11.3)	\$ (13.8)	\$ (15.1)	\$ (18.8)	\$ (25.1)

However, it should be noted that any change in the fair value of the contracts, real or hypothetical, would be significantly offset by an inverse change in the value of the underlying hedged items. In relation to currency contracts, this hypothetical calculation assumes that each exchange rate would change in the same direction relative to the USD.

**Inflation**

We do not believe that inflation had a significant impact on our results of operations for the periods presented. On an ongoing basis, we attempt to minimize any effects of inflation on our operating results by controlling operating costs and whenever possible, seeking to insure that billing rates reflect increases in costs due to inflation.

For all significant foreign operations, the functional currency is the local currency. Assets and liabilities of these operations are translated at the exchange rate in effect at each period end. Statement of Income accounts are translated at the average exchange rate prevailing during the year. Translation adjustments arising from the use of differing exchange rates from period to period are included as a component of other comprehensive income (loss). Realized gains and losses from foreign currency transactions are included in other income, net for the periods presented.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The Financial Statements and Supplementary Data required by this item are filed as part of this Form 10-K. See Index to Consolidated Financial Statements on page 32 of this Form 10-K.



## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying Consolidated Financial Statements of iGATE Corporation and subsidiaries have been prepared by management, which is responsible for their integrity and objectivity. The statements have been prepared in conformity with accounting principles generally accepted in the United States of America and necessarily include amounts based on management's best estimates and judgments.

The Company's Consolidated Financial Statements for the year ended December 31, 2008 have been audited by Ernst & Young, an Independent Registered Public Accounting Firm, whose report thereon appears on page 33 of this Form 10-K.

The Board of Directors pursues its responsibility for the Company's financial reporting and accounting practices through its Audit Committee, all of the members of which are independent directors. The Audit Committee's duties include recommending to the Board of Directors the Independent Registered Public Accounting Firm to audit the Company's financial statements, reviewing the scope and results of the independent accountants' activities and reporting the results of the committee's activities to the Board of Directors. The Independent Registered Public Accounting Firm has met with the Audit Committee in the presence of management representatives to discuss the results of their audit work. The Independent Registered Public Accounting Firm has direct access to the Audit Committee.

Phaneesh Murthy  
President, Chief Executive Officer and Director

Sujit Sircar  
Chief Financial Officer

**iGATE CORPORATION**  
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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## **Report of Independent Registered Public Accounting Firm**

Board of Directors and Shareholders of iGATE Corporation

We have audited the accompanying consolidated balance sheet of iGATE Corporation and subsidiaries as of December 31, 2008 and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended. 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.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of iGATE Corporation and subsidiaries at December 31, 2008 and the consolidated results of their operations and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), iGATE Corporation's internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young

New Delhi, India  
February 23, 2009

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
iGATE Corporation  
Pittsburgh, Pennsylvania

We have audited the accompanying consolidated balance sheet of iGATE Corporation as of December 31, 2007 and the related consolidated statements of income, stockholders' equity and comprehensive income (loss), and cash flows for each of the two years in the period ended December 31, 2007. We have also audited the accompanying Schedule II, Valuation and Qualifying Accounts for each of the two years in the period ended December 31, 2007. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and schedule are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements and schedule referred to above present fairly, in all material respects, the financial position of iGATE Corporation at December 31, 2007 and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, the Company adopted FASB Interpretation No. 48 Accounting for Uncertainty in Income Taxes – an Interpretation of FASB No. 109 as of January 1, 2007.

/s/ BDO Seidman, LLP

Milwaukee, Wisconsin,  
March 17, 2008, except  
Note 4 dated February 16, 2009

**iGATE CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(dollars in thousands, except per share data)

	<u>December 31,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents .....	\$ 30,878	\$ 46,655
Short-term investments .....	34,601	25,295
Accounts receivable, net .....	33,778	31,708
Unbilled revenues .....	6,787	8,539
Prepaid expenses and other current assets .....	4,184	10,076
Prepaid income taxes .....	3,300	894
Deferred tax assets .....	32	407
Receivable from Mastech Holdings Inc. ....	742	536
Current assets of discontinued operations .....	—	15,925
Total current assets .....	<u>114,302</u>	<u>140,035</u>
Non-current assets of discontinued operations .....	—	2,679
Deposits and other assets .....	3,986	2,126
Investments in unconsolidated affiliates .....	—	943
Property and equipment, net .....	34,490	34,239
Deferred tax assets .....	5,016	—
Intangible assets, net .....	2,920	1,003
Goodwill .....	29,179	35,773
Total assets .....	<u>\$189,893</u>	<u>\$216,798</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable .....	\$ 1,785	\$ 3,846
Accrued payroll and related costs .....	13,146	13,584
Accrued income taxes .....	—	631
Other accrued liabilities .....	15,898	18,486
Deferred income taxes .....	471	—
Foreign exchange derivative contracts .....	7,468	—
Restructuring reserve .....	271	1,058
Deferred revenue .....	766	495
Current liabilities of discontinued operations .....	—	8,318
Total current liabilities .....	<u>39,805</u>	<u>46,418</u>
Other long-term liabilities .....	882	536
Foreign exchange derivative contracts, long term .....	3,134	—
Deferred tax liabilities .....	—	7,441
Total liabilities .....	<u>43,821</u>	<u>54,395</u>
Commitments (Note 26)		
Minority interest .....	—	6,437
Shareholders' equity:		
Preferred shares, without par value: 20,000,000 shares authorized, 1 share held in treasury in 2008 and 2007 .....	—	—
Common shares, par value \$0.01 per share:		
100,000,000 shares authorized: 55,157,029 and 54,619,807 shares issued as of December 31, 2008 and December 31, 2007, respectively and 54,166,927 and 53,629,705 shares outstanding as of December 31, 2008 and December 31, 2007 .....	551	546
Common shares held in treasury, at cost, 990,102 shares .....	(14,714)	(14,714)
Additional paid-in capital .....	173,198	165,757
Retained earnings (accumulated deficit) .....	15,613	(6,026)
Accumulated other comprehensive (loss) income .....	(28,576)	10,403
Total shareholders' equity .....	<u>146,072</u>	<u>155,966</u>
Total liabilities and shareholders' equity .....	<u>\$189,893</u>	<u>\$216,798</u>

See accompanying notes

**iGATE CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(dollars and shares in thousands, except per share data)

	Year Ended December 31,		
	2008	2007	2006
Revenues .....	\$218,798	\$201,734	\$170,414
Cost of revenues (exclusive of depreciation and amortization) .....	136,441	136,622	122,377
Gross margin .....	82,357	65,112	48,037
Selling, general and administrative .....	45,327	42,471	40,527
Depreciation and amortization .....	9,348	10,439	10,283
Restructuring charges (recovery) .....	—	769	(2,507)
Goodwill impairment .....	—	1,950	—
Income (loss) from operations .....	27,682	9,483	(266)
Interest income .....	2,658	3,923	3,146
Interest expense .....	(90)	(89)	(96)
Other income, net .....	93	2,106	528
Equity in income of affiliated companies .....	2	29	317
Minority interest .....	(371)	(2,992)	(752)
(Loss) gain on venture investments and affiliated companies, net .....	—	(193)	578
Income before income taxes .....	29,974	12,267	3,455
Income tax expense .....	675	1,767	1,597
Income from continuing operations .....	29,299	10,500	1,858
Income from discontinued operations, net of income taxes .....	1,605	5,085	6,846
Net income .....	<u>\$ 30,904</u>	<u>\$ 15,585</u>	<u>\$ 8,704</u>
Net earnings per common share, Basic:			
Earnings from continuing operations .....	\$ 0.54	\$ 0.20	\$ 0.03
Earnings from discontinued operations .....	\$ 0.03	\$ 0.09	\$ 0.13
Net earnings—Basic .....	<u>\$ 0.57</u>	<u>\$ 0.29</u>	<u>\$ 0.16</u>
Net earnings per common share, Diluted:			
Earnings from continuing operations .....	\$ 0.53	\$ 0.20	\$ 0.03
Earnings from discontinued operations .....	\$ 0.03	\$ 0.09	\$ 0.13
Net earnings—Diluted .....	<u>\$ 0.56</u>	<u>\$ 0.29</u>	<u>\$ 0.16</u>
Weighted average common shares, basic .....	53,903	53,333	52,939
Weighted average common shares, diluted .....	<u>55,451</u>	<u>53,972</u>	<u>53,278</u>

See accompanying notes

**iGATE CORPORATION**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)**

	Common Stock		Series A Preferred Shares	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Deferred Compensation	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity	Comprehensive Income/(Loss)
	Shares	Par Value								
Balances, December 31, 2005	52,766,536	\$538	—	\$162,278	\$(29,741)	\$(1,119)	\$(14,714)	\$ 430	\$117,672	
Exercise of stock options, including tax benefit recognized of \$0.1 million	—	—	—	994	—	—	—	—	996	
Reclassification of deferred compensation	250,032	2	—	(1,119)	—	1,119	—	—	—	
iGATE stock-based compensation expense	15,000	—	—	938	—	—	—	—	938	
Subsidiary option activity and stock based compensation expense	—	—	—	4,535	—	—	—	—	4,535	
Comprehensive income:										
Currency translation adjustment	—	—	—	—	—	—	—	506	506	\$ 506
Net income	—	—	—	—	8,704	—	—	—	8,704	\$ 8,704
										\$ 9,210
Balances, December 31, 2006	53,031,568	\$540	—	\$167,626	\$(21,037)	\$ —	\$(14,714)	\$ 936	\$133,351	
Application of FIN 48	—	—	—	—	(574)	—	—	—	(574)	
Exercise of stock options, including tax benefit recognized of \$1.0 million	499,137	5	—	2,490	—	—	—	—	2,495	
iGATE stock-based compensation expense	99,000	1	—	1,590	—	—	—	—	1,591	
Subsidiary option activity and stock based compensation expense	—	—	—	2,350	—	—	—	—	2,350	
Redemption of subsidiary options	—	—	—	(8,299)	—	—	—	—	(8,299)	
Comprehensive income:										
Unrealized gain on derivative contracts	—	—	—	—	—	—	—	1,474	1,474	1,474
Currency translation adjustment	—	—	—	—	—	—	—	7,993	7,993	7,993
Net income	—	—	—	—	15,585	—	—	—	15,585	15,585
										\$ 25,052
Balances, December 31, 2007	53,629,705	\$546	—	\$165,757	\$(6,026)	\$ —	\$(14,714)	\$ 10,403	\$155,966	
Exercise of stock options, including tax benefit recognized of \$0.1 million	—	—	—	1,439	—	—	—	—	1,444	
iGate stock-based compensation expense	537,222	5	—	5,353	—	—	—	—	5,353	
Mastech Holdings, Inc Spin off	—	—	—	—	(9,265)	—	—	—	(9,265)	
Subsidiary option activity and stock based compensation expense	—	—	—	411	—	—	—	—	411	
Redemption of subsidiary options	—	—	—	238	—	—	—	—	238	
Comprehensive income:										
Unrealized loss on foreign exchange derivative contracts, net of tax of \$1.1 million	—	—	—	—	—	—	—	(11,703)	(11,703)	(11,703)
Unrealized gain on investments, net of tax \$nil	—	—	—	—	—	—	—	312	312	312
Actuarial gain relating to defined benefit plan, net of tax \$nil	—	—	—	—	—	—	—	138	138	138
Currency translation adjustment	—	—	—	—	—	—	—	(27,726)	(27,726)	(27,726)
Net income	—	—	—	—	30,904	—	—	—	30,904	30,904
										\$ (8,075)
Balances, December 31, 2008	54,166,927	\$551	—	\$173,198	\$ 15,613	\$ —	\$(14,714)	\$(28,576)	\$146,072	

See accompanying notes

**iGATE CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<u>Year Ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
	(Dollars in thousands)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Operations:			
Net income	\$ 30,904	\$ 15,585	\$ 8,704
Less: Income from discontinued operations, net of taxes	1,605	5,085	6,846
Adjustments to reconcile net income to cash provided by operations:			
Depreciation and amortization	9,348	10,439	10,283
Stock based compensation	4,781	3,683	3,364
Receipts from termination of land sale contract	(1,148)	—	—
Realized gain on investments	(1,961)	(641)	(108)
Bad debt expense	1,010	246	423
Deferred income taxes	(3,597)	(2,435)	460
Equity in income of affiliated companies	(2)	(29)	(317)
Gain on sale of fixed assets	(136)	—	—
Minority interest	371	2,992	752
Unrealized loss (gain) on derivative instruments	—	347	(1,547)
Impairment of goodwill	—	1,950	—
Deferred rent	592	—	—
Realized loss (gain) on sale of affiliated companies	—	642	(578)
Changes in assets and liabilities:			
Accounts receivable and unbilled receivables	(4,891)	4,169	(4,538)
Prepaid and other assets	1,660	(5,683)	(203)
Accounts payable	(1,731)	1,136	(1,163)
Accrued and other liabilities	9,923	2,453	2,062
Restructuring reserves	(619)	515	(4,751)
Deferred revenue	341	(430)	138
Net cash flows provided by operating activities-continuing operations	43,240	29,854	6,135
Net cash flows provided by operating activities-discontinued operations	2,433	7,006	8,346
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Additions to equipment and leasehold improvements, net	(14,211)	(8,079)	(9,042)
Purchases of investments	(68,052)	(67,527)	(20,889)
Sale of investments	53,499	76,173	20,108
Receipts from termination of land sale contract	1,148	—	—
Payments for lease deposits	1,357	—	—
Proceeds from sale of Brain Bench	—	—	578
Proceeds from sale of iCRI, net of cash transferred	2,925	—	—
Purchase of iGS stock and stock option settlement	(30,836)	(42,221)	—
Loan Pro acquisition	—	—	286
Proceeds from the sale of joint venture	905	—	—
Net cash flows used in investing activities-continuing operations	(53,265)	(41,654)	(8,959)
Net cash flows provided by/(used in) investing activities-discontinued operations	(164)	502	(936)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Payments on secured financing	(240)	(252)	(78)
Cash portion of iPS business distributed to shareholders	(4,777)	—	—
Net proceeds from exercise of stock options	2,013	2,958	1,936
Tax benefits related to stock option exercises	78	—	—
Net cash flows provided by/(used in) by financing activities-continuing operations	(2,926)	2,706	1,858
Net cash flows provided by financing activities-discontinued operations	—	—	—
Effect of currency translation	(8,124)	(884)	(127)
Net change in cash and cash equivalents	(18,806)	(2,470)	6,317
Cash and cash equivalents, beginning of period of continuing operations	46,655	46,077	40,371
Cash and cash equivalents, beginning of period of discontinued operations	3,029	6,077	5,466
Cash and cash equivalents, end of the period of discontinued operations	—	(3,029)	(6,077)
Cash and cash equivalents, end of period	\$ 30,878	\$ 46,655	\$ 46,077
<b>SUPPLEMENTAL DISCLOSURE:</b>			
Cash payment for income taxes	\$ 3,612	\$ 1,560	\$ 283
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>			
Unrealized (loss) gain on investments and derivative instruments	\$(11,391)	\$ 1,474	\$ 320
Capitalized leases	\$ 350	\$ 795	\$ 343

See accompanying notes



**iGATE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**1. Company overview and summary of Significant Accounting Policies**

1.1 Company Overview

iGATE Corporation (“iGATE” or the “Company”) is leading provider of Information Technology (“IT”) and IT enabled operations offshore outsourcing solutions services to large and medium-size organizations. iGATE provides end-to-end business solutions that leverage technology thus enabling its clients to enhance business performance.

On July 31, 2008, the Company completed the divestiture and sale of iGATE Clinical Research International Inc and iGATE Clinical Research International Private Limited (collectively, “iCRI”), its clinical research business, and on September 30, 2008, the Company completed the spin-off of its professional services business segment (“iPS”). In accordance with Statement of Financial Accounting Standards (“SFAS”) No. 144, “*Accounting for the Impairment or Disposal of Long Lived Assets*”, the assets and liabilities, results of operations and cash flows of iCRI and iPS have been classified as discontinued operations in the consolidated financial statements for all periods presented through the date of sale and spin-off. Cash flows of iCRI and iPS have been segregated in the consolidated statement of cash flows as separate line items within operating, investing and financing activities.

1.2 Basis of Preparation of Financial Statements and Principals of Consolidation

The accompanying financial data has been prepared by us in accordance with U.S. generally accepted accounting principles (“GAAP”).

The accompanying financial statements have been prepared on a consolidated basis and reflect the financial statements of iGATE and all of its subsidiaries that are more than 50% owned and controlled. When the Company does not have a controlling interest in an entity, but exerts a significant influence on the entity, the Company applies the equity method of accounting. All inter-company transactions and balances are eliminated in consolidation.

1.3 Use of estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant items subject to such estimates and assumptions include the useful lives of property and equipment, carrying amount of property and equipment, intangibles and goodwill, valuation allowance for receivables and deferred tax assets, valuation of derivative instruments, valuation of share-based compensation, assets and obligations related to employee benefits, income tax uncertainties and other contingencies and commitments. Management believes that the estimates used in the preparation of the consolidated financial statements are prudent and reasonable. Although these estimates are based upon management’s best knowledge of current events and actions, actual results could differ from these estimates.

1.4 Revenue Recognition

We recognize revenue on time-and-material contracts as the services are performed. We recognize revenues on fixed-price contracts using the proportional performance method. We determine performance by comparing the actual cost of work performed to date to the estimated total cost for each contract. If our cost estimates indicate a loss on a particular fixed price contract, we record a provision for the estimated loss without regard to

**iGATE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**DECEMBER 31, 2008**

the stage of completion. Certain contracts with no stated deliverables, with a designated workforce assigned, we recognize revenues on a straight-line basis over the life of the contract. We also bill customers based on a transaction fee basis. Revenue from these unit prices contracts are recognized on rendering of the services as per the terms of the contract.

**1.5 Cash and cash equivalents**

The Company classifies all highly liquid investments, including fixed term deposits, with original maturity at the date of purchase of three months or less and that are readily convertible to known amounts of cash to be cash equivalents.

**1.6 Short term investments**

Short-term investments consist of mutual funds and are stated at fair value. Such investments also include fixed term deposits that mature within one year but do not otherwise qualify as cash equivalents.

The Company accounts for its investments in mutual funds in accordance with Financial Accounting Standards Board (“FASB”) Statements of Financial Accounting Standards (“SFAS”) No. 115, *Accounting for Certain Investments in Debt and Equity Securities* (“SFAS 115”). These investments are recorded at fair value, with the unrealized gains or losses, net of tax, reported as a component of accumulated other comprehensive income in the Consolidated Statement of Shareholders’ Equity and Comprehensive Income (Loss). The unrealized gain or loss is the difference between the Company’s original cost for an investment and the investment’s fair value at each reporting period. Realized gains or losses on securities sold are calculated using the specific identification method.

**1.7 Investments in Unconsolidated Affiliates**

Investments in equity shares of unconsolidated entities that are not quoted or publicly traded in which the Company owns less than 20% of the voting interest are accounted for at cost. For investments in entities in which the Company owns between 20% and 50% of the voting interest or otherwise acquires management influence are accounted for using the equity method and initially recognized at cost. Under the equity method, the Company’s share of the post acquisition profits and losses is recognized in the consolidated statements of income.

**1.8 Accounts Receivable and Unbilled Revenues**

The Company extends credit to clients based upon management’s assessment of their creditworthiness. Substantially all of the Company’s revenues (and the resulting accounts receivable) are from Global 2000 companies, major systems integrators and governmental agencies.

Unbilled receivables represent amounts recognized as revenues for the periods presented based on services performed in accordance with the terms of client contracts that will be invoiced in subsequent periods.

**1.9 Allowance for Uncollectible Accounts**

Accounts receivables are reviewed periodically to determine the probability of loss. The allowance for uncollectible accounts is determined using the combination of the specific identification method for balances deemed uncollectible, as well as judgments made by the Company based upon historical and expected collection experience.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**DECEMBER 31, 2008**

1.10 Property and equipment

Property and equipment are stated at cost. The Company provides for depreciation using the straight-line method over the estimated useful lives. Upon disposal, assets and related accumulated depreciation are removed from the Company's accounts and the resulting gains and losses are reflected in current earnings in the Consolidated Statements of Income. Improvement and betterments that extend the useful life of an asset are capitalized and depreciated over the remaining useful life of the related asset.

The estimated useful lives of assets are as follows:

Building . . . . .	25 years
Computer equipment . . . . .	1.5 – 3 years
Furniture and fixtures . . . . .	5 years
Vehicles . . . . .	5 years
Leasehold improvements . . . . .	Shorter of the life of the improvement or lease term ranging from 3 to 10 years

Advances paid towards the acquisition of property and equipment and the cost of property and equipment not put to use before the balance sheet date are disclosed under the caption capital work-in-progress in Note 11.

Property and equipment are reviewed for impairment if indicators of impairment arise. There were no impairment charges related to property and equipment recognized during the years ended December 31, 2008, 2007 and 2006.

Software that has been purchased is included in property and equipment and is amortized using the straight-line method over two years.

Costs of improvements that substantially extend the useful life of particular assets are capitalized. Repairs and maintenance cost are charged to earnings when incurred. The cost and related accumulated depreciation are removed from the consolidated financial statements upon sale or disposition of the asset.

1.11 Accounting for leases

The Company leases its delivery centers and office facilities under operating lease agreements that are renewable on a periodic basis at the option of the lessor and the lessee. The lease agreements contain rent free periods and rent escalation clauses. Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term.

1.12 Goodwill and intangible assets

Goodwill is not amortized but is reviewed for impairment annually or more frequently if indicators arise. The evaluation is based upon a comparison of the estimated fair value to the carrying value of the assets and liabilities. The fair values used in this evaluation are estimated based upon the market capitalization and discounted future cash flow analysis. Intangible assets are initially valued at fair market value using generally accepted valuation methods appropriate for the type of intangible asset. Intangible assets with definite lives are amortized over the estimated useful lives and are reviewed for impairment, if indicators of impairment arise. If

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
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estimated future undiscounted cash flows are less than the carrying amount of the asset, the asset is considered impaired. The impairment expense is determined by comparing the estimated fair value of the intangible asset to its carrying value, with any shortfall from fair value recognized as an expense in the current period. Amortization of the Company’s definite lived intangible assets is computed using the straight-line method over the estimated useful lives of the assets which are as follows:

Intellectual property . . . . .	3–5 years
Customer relationships . . . . .	3–6 years
Beneficial employment contracts . . . . .	2–4 years

1.13 Foreign currency

The consolidated financial statements are reported in U.S. Dollars, which is the Company’s functional currency. The functional currency for foreign subsidiaries is their respective local currency. The translation of the functional currencies of the respective subsidiaries into U.S. Dollars is performed for balance sheet accounts using the exchange rates in effect as of the balance sheet date and for revenues and expense accounts using a monthly average exchange rate prevailing during the respective period. The gains or losses resulting from such translation are reported under accumulated other comprehensive income (loss) as a separate component of shareholders’ equity.

Monetary assets and liabilities of each subsidiary denominated in currencies other than the subsidiary’s functional currency are translated into the respective functional currency at the rates of exchange prevailing at the balance sheet date. The gains or losses resulting from foreign currency transactions are included in the Consolidated Statements of Income.

1.14 Earnings per share

Basic earnings per share are computed by dividing net income for the period by the weighted average number of equity shares outstanding during the period. Diluted earnings per share are computed by dividing net income by the diluted weighted average number of equity shares outstanding during the period. Diluted earnings per share reflect the potential dilution from equity shares issuable through employee stock options by application of the treasury stock method.

1.15 Income taxes

Income taxes are accounted for using the asset and liability method as described in Statement of Financial Accounting Standards (“SFAS”) No. 109, “*Accounting for Income Taxes*” (“SFAS No. 109”). Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred tax assets and liabilities is recognized as income or expense in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits of which future realization is not more likely than not. Changes in valuation allowance from period to period are reflected in the income statement of the period of change. Deferred taxes are not provided on the

**iGATE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
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undistributed earnings of non-U.S. subsidiaries where it is expected that the earnings of the foreign subsidiary will be indefinitely reinvested. Tax benefits of deductions earned on exercise of employee stock options in excess of compensation charged to earnings are credited to additional paid in capital.

The Company adopted FASB Interpretation No. 48 (“FIN 48”), *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*, on January 1, 2007. This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes* and prescribes a recognition threshold of more-likely-than-not to be sustained upon examination. Accounting and disclosures of tax positions taken or expected to be taken by the Company are based on the recognition threshold and measurement attribute prescribed by FIN 48.

#### 1.16 Derivative instruments and hedging activities

The Company purchases forward foreign exchange contracts/option contracts (derivatives) to mitigate the risk of changes in foreign exchange rates on accounts receivable and forecasted cash flows denominated in certain foreign currencies.

The Company designates derivative contracts as cash flow hedges if they satisfy the criteria for hedge accounting under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. Changes in fair values of derivatives designated as cash flow hedges are deferred and recorded as a component of accumulated other comprehensive income (losses), net of taxes until the hedged transactions occur and are then recognized in the Consolidated Statements of Income included in other income (expense), net. Changes in fair value of derivatives not designated as hedging instruments and the ineffective portion of derivatives designated as cash flow hedges are recognized in the Consolidated Statements of Income and are included in other income (expense), net.

#### 1.17 Stock based compensation

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (Revised 2004) as amended, *Accounting for Stock-Based Compensation* (“SFAS No. 123(R)”), and superseded APB Opinion No. 25, *Accounting for Stock Issued to Employees*. SFAS 123 (R) requires compensation costs related to share-based transactions, including employee share options, to be recognized in the financial statements based on its fair value. Effective January 1, 2006, the Company adopted SFAS No. 123 (R) using the modified prospective application method. Under this transition method, the compensation cost recognized beginning January 1, 2006 includes compensation cost for (i) all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of SFAS No. 123, and (ii) all share-based payments granted subsequent to December 31, 2005 based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123(R). Additionally, upon adoption of SFAS No. 123(R), the Company began to recognize compensation expense for stock options net of estimated forfeitures. SFAS No. 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. As a result the expense has been reduced for estimated forfeitures. Stock-based compensation recognized in the Consolidated Statement of Income for the years ended December 31, 2008, 2007 and 2006 is based on awards ultimately expected to vest.

The Company elected to use the Black-Scholes-Merton pricing model to determine the fair value of share-based awards on the date of grant. Under the fair value method, the estimated fair value of awards is recorded as an expense on a straight-line basis over the vesting term.

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1.18 Employee benefits

*Defined Contribution Plans*

Eligible employees of the Company in India receive benefits from the Provident Fund, administered by the Government of India, which is a defined contribution plan. Both the employees and the Company make monthly contributions to the Provident Fund equal to a specified percentage of the eligible employees' salary.

Eligible United States employees of the Company participate in a employee retirement savings plan ("the Plan") under Section 401(k) of the United States Internal Revenue Code ("the Code"). The Plan allows for employees to defer a portion of their annual earnings on a pre-tax basis through voluntary contributions to the Plan. The Plan does not provide for any Company matching.

The Company has no further obligation under defined contribution plans beyond the contributions made under these plans. Contributions are charged to income in the year in which they are incurred and are included in the consolidated statements of income.

*Defined Benefit Plans*

Employees in India are entitled to benefits under the Gratuity Act, a defined benefit retirement plan covering eligible employees of the Company. The plan provides for a lump-sum payment to eligible employees at retirement, death, incapacitation or on termination of employment, of an amount based on the respective employee's salary and tenure of employment. In India, contributions are made to funds administered and managed by the ING Vysya Life Insurance Company Ltd. ("Fund Administrator") to fund the gratuity liability of the Indian subsidiaries. Under this scheme, the obligation to pay gratuity remains with the Company, although the Fund Administrator administer the scheme.

On December 31, 2008, the Company adopted the recognition, measurement and disclosure provisions of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of Financial Accounting Standards Board ("FASB") Statements No. 87, 88, 106 and 132(R)" ("SFAS No. 158"). SFAS No. 158 required the Company to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its pension plan in the balance sheet as of December 31, 2008, with a corresponding adjustment to accumulated other comprehensive income. The adoption of SFAS No. 158 did not result in any significant adjustment to accumulated other comprehensive income. The liability in respect of defined benefit plans is calculated annually by the Company using the projected unit credit method. Prior service cost, if any, resulting from an amendment to a plan is recognized and amortized over the remaining period of service of the covered employees. Additionally, the Company records the funded status of its defined benefit pension as a liability on its consolidated balance sheet with a corresponding offset, net of taxes, recorded in accumulated other comprehensive income within stockholders' equity.

1.19 Fair value of financial instruments and concentration of credit risk

The carrying amounts reported in the balance sheets for cash and cash equivalents, short-term investments, accounts receivable, employee receivables, other current assets, accounts payable, accrued expenses and other current liabilities approximate their fair value due to the short-term maturity of these items.

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, short-term investments and accounts receivable. By their nature, all

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such instruments involve risks including credit risks of non-performance by counterparties. A substantial portion of the Company's cash and cash equivalents are invested with nationally recognized banks located in the United States and India. A portion of the surplus funds are also invested in mutual funds and time deposits with nationally recognized banks in India. Accounts receivable are unsecured and are derived from revenue earned from customers in industries based primarily in the United States, Canada and the United Kingdom. The Company monitors the credit worthiness of its customers to whom it grants credit terms in the normal course of its business. Management believes there is no significant risk of loss in the event of non-performance of the counter parties to these financial instruments, other than the amounts already provided for in the consolidated financial statements.

#### 1.20 Commitments

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Legal costs incurred in connection with the same are expensed as incurred.

#### 1.21 Recently issued accounting pronouncements

In December 2007, the FASB issued SFAS No. 141 (revised), "*Business Combinations*" ("SFAS No. 141(R)"). The standard changes the accounting for business combinations including the measurement of acquirer shares issued in consideration for a business combination, the recognition of contingent consideration, the accounting for pre-acquisition gain and loss contingencies, the recognition of capitalized in-process research and development, the accounting for acquisition-related restructuring cost accruals, the treatment of acquisition-related transaction costs and the recognition of changes in the acquirer's income tax valuation allowance. SFAS No. 141(R) is effective for fiscal years beginning after December 15, 2008, with early adoption prohibited. The Company will adopt this standard for all acquisitions consummated beginning January 1, 2009.

In December 2007, the FASB issued SFAS No. 160, "*Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51*" ("SFAS No. 160"). The standard changes the accounting for noncontrolling (minority) interests in consolidated financial statements, including the requirements to classify noncontrolling interests as a component of consolidated stockholders' equity and the elimination of "minority interest" accounting in results of operations with earnings attributable to noncontrolling interests reported as part of consolidated earnings. Additionally, SFAS No. 160 revises the accounting for both increases and decreases in a parent's controlling ownership interest. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008, with early adoption prohibited. The Company does not expect the adoption of this statement to have a material impact on its consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, "*Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133*" ("SFAS No. 161"). SFAS No. 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This standard is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company is currently evaluating the impact of this statement on its consolidated financial statements.

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In April 2008, the FASB issued FASB Staff Position (“FSP”) No. 142-3, “*Determination of the Useful Life of Intangible Assets*” (“FSP No. 142-3”). FSP No. 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142. The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141 (R), “*Business Combinations*”. FSP No. 142-3 is effective for fiscal years beginning after December 15, 2008. The Company does not believe that adoption of this accounting standard effective January 1, 2009 will have a significant impact on its consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, “*The Hierarchy of Generally Accepted Accounting Principles*” (“SFAS No. 162”). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements that are presented in conformity with generally accepted accounting principles. SFAS No. 162 becomes effective 60 days following the SEC’s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, “The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles.” The Company does not expect that the adoption of SFAS No. 162 will have a material impact on its consolidated financial statements.

**2. Acquisition of stock from minority shareholders**

In 2007, the Company, being the largest shareholder in iGATE Global Solutions Limited (iGS), decided to delist iGS from the Indian stock exchanges. As per the delisting guidelines of the Securities and Exchange Board of India, iGS could be delisted only after iGATE and its affiliates acquired over 90% of iGS’ common stock. The Company increased its ownership in iGS to 99.99% and 93.4% as of December 31, 2008 and 2007, respectively.

The Company is currently in the process of acquiring the remaining outstanding minority shares. The delisting process began in 2007 and the total cost of acquisition of shares through December 31, 2008 is approximately \$64.6 million, including \$0.2 million payable to the remaining minority shareholders, which is included in other current liabilities. The total estimated cost of acquisition has been allocated to the assets acquired and liabilities assumed based on a determination of their fair value. The following table summarizes the allocation (in thousands).

	<b>Amount</b>
Minority interest . . . . .	\$19,234
Intangible (customer relationships) . . . . .	4,352
Land . . . . .	4,074
Building and other assets . . . . .	2,067
Goodwill . . . . .	26,569
Reversal of deferred tax liability on iGS dilution gain . . . . .	9,710
Deferred tax liability . . . . .	(1,418)
Total purchase consideration . . . . .	\$64,588

The Board of Directors of iGS in its meeting held on October 16, 2008 approved consolidation of the face value of the iGS share from Rs 4 to Rs 200,000 per share which was approved by the members of iGS in its Extraordinary General Meeting held on November 7, 2008. The consolidation exercise resulted in fraction shares and the fraction shares were pooled together and sold to iGATE Corp. and iGATE Inc. by the Trustee appointed by the Board of iGS at the rate of Rs 410 per share of face value of Rs 4 each, which was the same price paid to



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the public shareholders in the reverse book building exercise conducted under the SEBI (Delisting of Securities) Guidelines 2003 in December 2007. After the consolidation exercise, there are only two shareholders in iGS i.e.; iGATE Inc. holding 75.20% and iGATE Corp. holding 24.79% of the equity capital of the Company.

**3. Business Combination**

On April 24, 2006, iGS entered into a Master Services Agreement with LoanPro, LLC (“LoanPro”) to perform offshore mortgage servicing. In conjunction with this agreement, iGS acquired a 5% ownership interest in LoanPro for a nominal amount with the option to acquire up to an additional 55%. iGS exercised this option on July 1, 2006 and acquired the additional 55% of LoanPro for a nominal amount. In the third quarter of 2006, the Company began to consolidate LoanPro’s operations. The net assets acquired were not significant and did not require a purchase price allocation. This acquisition resulted in goodwill of approximately \$2 million.

LoanPro lost its largest customer in the quarter ended June 30, 2007 and as a result of this triggering event, the Company reassessed the carrying value of the goodwill associated with this acquisition was impaired and written off.

As of December 31, 2008, LoanPro has been dissolved.

**4. Discontinued Operations**

On July 31, 2008, the Company completed the divestiture and sale of iCRI for cash consideration of approximately \$3.6 million which includes cash transfer of \$0.7 million. This sale resulted in a gain of approximately \$ 1.8 million, which is been included in income from discontinued operations.

On February 26, 2008, the Board of Directors of iGATE authorized management to pursue the divestiture of the iPS segment, either through a sale or a tax-free separation where the Professional Services business, subject to certain conditions, would be contributed to a new corporation known as Mastech Holdings Inc. (“Mastech”) and such corporation’s common stock would be distributed to iGATE’s shareholders, creating a separate public company with its own management and board of directors. On September 4, 2008, the Board of Directors authorized management to utilize a tax-free separation for the divestiture and declared a stock dividend consisting of 1 share of Mastech for each 15 shares of iGATE.

On September 30, 2008, the Company completed the spin-off of Mastech. The distribution of common stock of the newly formed company was considered a tax free transaction for the Company. The Company incurred costs of approximately \$3.2 million including amounts associated with investment banking fees and other transaction costs related to the spin-off, which are included in income from discontinued operations. iGATE has continued to provide Mastech employees with coverage under iGATE employee benefit plans through December 31, 2008 and has been reimbursed by Mastech for premiums and costs related to such services and coverage.

In accordance with Emerging Issues Task Force (“EITF”) Issue no. 03-13, “*Applying the Conditions in Paragraph 42 of FASB Statement No. 144 in Determining Whether to Report Discontinued Operations*” the Company determined that the outsourcing services provided by iGS to Mastech are not significant and hence do not result in significant continuing involvement in the operations of Mastech. These services are provided in the normal course of business and are expected to continue post spin-off.

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Revenue billed by iGS to Mastech, which was an intercompany transaction prior to the spin-off and hence eliminated in the consolidated statements of income for the years ended December 31, 2008, 2007 and 2006 amounting to \$1.4 million, \$2.9 million and \$0.8 million, respectively, is reported within the income from continuing operations. Related receivable by iGS from Mastech amounting to \$0.2 million and \$0.5 million as of December 31, 2008 and December 31, 2007, respectively, is reported on the consolidated balance sheets.

The following table summarizes results from discontinued operations of the iCRI, and iPS businesses for the years ended December 31 included in the Consolidated Statement of Income (in thousands):

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenues . . . . .	\$75,724	\$108,440	\$114,018
Gain on sale of investment . . . . .	1,830	—	—
Spin-off transaction costs . . . . .	3,173	—	—
Income from discontinued operations . . . . .	2,002	5,599	7,498
Income tax expense . . . . .	397	514	652
Income from discontinued operations, net of tax . . . . .	<u>\$ 1,605</u>	<u>\$ 5,085</u>	<u>\$ 6,846</u>

The following table presents Company's iCRI and iPS business assets and liabilities at December 31, 2007 classified as discontinued operations (in thousands):

<b>Assets:</b>	
Cash . . . . .	\$ 3,029
Accounts receivable, net . . . . .	9,506
Unbilled revenues . . . . .	2,559
Prepaid expenses and other current assets . . . . .	431
Prepaid income taxes . . . . .	104
Deferred tax assets . . . . .	296
Total current assets . . . . .	<u>15,925</u>
Investments in unconsolidated affiliates . . . . .	62
Deposits . . . . .	22
Property and equipment, net . . . . .	1,467
Goodwill . . . . .	789
Deferred tax assets . . . . .	339
Total non-current assets . . . . .	<u>2,679</u>
Assets of discontinued operations . . . . .	<u>\$18,604</u>
<b>Liabilities:</b>	
Accounts payable . . . . .	\$ 2,880
Other liabilities . . . . .	5,438
Liabilities of discontinued operations . . . . .	<u>\$ 8,318</u>

The Company's reportable segments through June 30, 2008 were iGS, iPS and iGATE Shared Services ("iSS"). The iGS segment's service offerings includes Information Technology ("IT") and IT enabled operations, offshore outsourcing solutions and services to large and medium-sized organizations. The iPS segment's

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offerings included a variety of client-managed and supervised IT staffing service offerings. This segment services were offered principally in the United States of America. The iSS segment's offerings included the operations iCRI and the corporate shared service division of the Company.

As a consequence of the sale and divestiture of the iCRI and iPS businesses, the Company is now comprised solely of the iGS segment.

**5. Cash and cash equivalents**

Cash and cash equivalents comprises the following (in thousands):

	As of December 31,	
	2008	2007
Fixed deposits with banks . . . . .	\$ 2,053	\$ —
Other cash and bank balances . . . . .	28,825	46,655
	\$30,878	\$46,655

**6. Short term investments**

Short term investments comprise the following (in thousands):

	As of December 31,	
	2008	2007
Mutual funds—available for sale . . . . .	\$20,560	\$20,668
Fixed deposits with banks—held to maturity . . . . .	14,041	—
Fixed income securities—held to maturity . . . . .	—	4,627
Total short term investments . . . . .	\$34,601	\$25,295

The unrealized gain on mutual funds as of December 31, 2008 and 2007 amounted to approximately \$0.3 million and \$0.1 million, respectively.

**7. Investments in Unconsolidated Affiliates**

At December 31, 2008 and 2007, the Company had investments in unconsolidated affiliates accounted for on the cost basis in Air2Web, Inc., Peopleclick, Inc., and The Concours Group. The carrying value of such investments at December 31, 2008 and 2007 is nil because in prior periods the Company had recorded an impairment write-off on these investments, including approximately \$0.6 million in 2007.

Software AG (India) Private Limited was a joint venture between the Company and Software AG, a German corporation, where the Company held 49% ownership. The Company's investment in the joint venture had been accounted for under the equity method and the carrying value of the investment at December 31, 2007 was approximately \$0.9 million. On March 14, 2008, the Company terminated its joint venture agreement with Software AG and sold its interest in the joint venture to Software AG resulting in a gain of approximately \$0.1 million. Equity income related to the investment in Software AG was less than \$0.1 million in 2008 and 2007 and approximately \$0.3 million in 2006.

*Gain on Sale of Stock of Subsidiary*

On December 24, 2007, the Company sold its wholly owned subsidiary jobcurry Systems Private, Ltd. ("jobcurry") for total net cash proceeds of \$1.0 million. The Company recognized a gain on the sale of its subsidiaries in the amount of \$0.1 million. The sale of jobcurry was not a material disposition and did not require pro-forma disclosure.

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**8. Accounts receivable and unbilled revenues**

The Company extends credit to clients based upon management's assessment of their creditworthiness. Substantially all of the Company's revenues (and the resulting billed accounts receivable and unbilled receivable) are from Global 2000 companies, major systems integrators and governmental agencies. Unbilled receivables represent amounts recognized as revenues for the periods presented based on services performed in accordance with the terms of client contracts that will be invoiced in subsequent periods.

Receivables are reviewed periodically to determine the probability of loss. The allowance for doubtful accounts is determined using the combination of the specific identification method for balances deemed uncollectible, as well as judgments made by the Company based upon historical and expected charge-off experience.

The following table provides details of the allowance for doubtful accounts as recorded by the Company (in thousands):

<u>As of December 31,</u>	<u>Balance at the beginning of the year</u>	<u>Additions charged to cost and expense</u>	<u>(Deductions) Recoveries</u>	<u>Balance at the end of the year</u>
2006 .....	\$625	\$ 423	\$(704)	\$ 344
2007 .....	\$344	\$ 246	\$ 15	\$ 605
2008 .....	\$605	\$1,010	\$(309)	\$1,306

Two customers accounted for 25% and 18%, 25% and 18%, and 30% and 10% of the total revenues in 2008, 2007 and 2006, respectively. The receivables from these customers comprised 42% and 48% of net billed and unbilled receivables as of December 31, 2008 and 2007 respectively.

**9. Derivative Instruments and Hedging Activities**

Summarized below are derivative instruments consisting of foreign exchange contracts and currency option contracts whose carrying values were adjusted to their fair value at December 31, 2008. Fair values are based on prevailing exchange rates and other available market information.

**OUTSTANDING HEDGE TRANSACTIONS ON DECEMBER 31, 2008**

	<u>Maturity Date Ranges</u>	<u>Strike Price at Rupee Rate Ranges</u>	<u>Amount</u>	<u>Net Unrealized Gains/(Losses) December 31, 2008</u>
(Dollars in thousands)				
<b>FORWARD CONTRACTS—USD</b>				
From:	January 28, 2009	40.17		
To:	April 30, 2010	50.84		
Subtotal .....			\$ 6,850	\$ (856)
<b>CURRENCY OPTION CONTRACTS—USD</b>				
From:	January 25, 2009	39.76		
To:	June 30, 2011	51.50		
Subtotal .....			101,700	(10,890)
<b>FORWARD CONTRACTS—CAD</b>				
From:	January 30, 2009	43.00		
To:	April 30, 2009	45.25		
Subtotal .....			\$ 4,926	452
Total .....				<u>\$(11,294)</u>

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As of December 31, 2008, iGS' forward contracts to hedge intercompany cash flows will all mature by April 20, 2010. As each contract matures, iGS will receive Rupees at the contracted rate ("strike price") while delivering either the U.S. Dollar ("USD") or Canadian Dollar ("CAD") equivalent of Rupees at the prevailing Rupee exchange rate. Contracts that meet qualifying criteria are accounted for as foreign currency cash flow hedges. Accordingly, the effective portion of gains and losses is deferred as a component of other comprehensive income and is recognized in earnings at the time the hedged item affects earnings. Any gains and losses due to hedge ineffectiveness or related to contracts which do not qualify for hedge accounting are recorded in current period earnings in "other income, net". At December 31, 2008 all of the contracts outstanding met qualifying criteria to receive hedge accounting and have been effective. As a result, for the year ended December 31, 2008, iGS has appropriately recorded other comprehensive loss of \$0.4 million. For the year ended December 31, 2007, iGS recognized other comprehensive gain of \$0.3 million.

As of December 31, 2008, iGS' option contracts to hedge intercompany cash flows will all mature by August 31, 2009. As each contract matures and dependent upon prevailing Rupee exchange rates, iGS will sell USDs or CADs at each contracted "put" strike price. Contracts that meet qualifying criteria are accounted for as foreign currency cash flow hedges. Accordingly, the effective portion of gains and losses is deferred as a component of other comprehensive income and is recognized in earnings at the time the hedged item affects earnings. Any gains and losses due to hedge ineffectiveness or related to contracts which do not qualify for hedge accounting are recorded in current period earnings in "other income, net". At December 31, 2008 all the contracts met qualifying criteria to receive hedge accounting and have been deemed to be effective. As a result, for the year ended December 31, 2008, iGS has recorded other comprehensive loss of \$10.9 million. For the year ended December 31, 2007, iGS recognized other comprehensive gain of \$1.2 million.

**10. Prepaid expenses and other current assets**

Prepaid expenses and other current assets consist of the following (in thousands):

	<b>As of December 31,</b>	
	<b>2008</b>	<b>2007</b>
Accrued interest receivable . . . . .	\$ 192	\$ 266
Other current assets . . . . .	160	5,415
Prepaid expenses . . . . .	2,732	3,031
Employee advances . . . . .	1,100	1,364
	<b>\$4,184</b>	<b>\$10,076</b>

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**11. Property and equipment, net**

Property and equipment consist of the following (in thousands):

	<u>As of December 31,</u>	
	<u>2008</u>	<u>2007</u>
Land .....	\$ 5,774	\$ 7,893
Buildings .....	10,666	11,331
Furniture and fixtures .....	21,760	25,317
Computer equipment .....	22,198	24,588
Software .....	276	5,953
Leasehold improvements .....	3,373	3,273
Vehicles .....	936	1,423
Property and equipment, gross .....	<u>\$64,983</u>	<u>\$79,778</u>
Less: Accumulated depreciation and amortization .....	<u>37,807</u>	<u>45,833</u>
	27,176	33,945
Capital work in progress .....	<u>7,314</u>	<u>294</u>
Property and equipment, net .....	<u><u>\$34,490</u></u>	<u><u>\$34,239</u></u>

Depreciation expense on property and equipment amounted to \$7.8 million, \$9.5 million and \$8.8 million during the years ended December 31, 2008, 2007 and 2006, respectively.

**12. Goodwill and intangible assets**

The following tables present the reconciliation of changes in the carrying value of goodwill for the years ended December 31, 2008 and 2007 (in thousands):

	<u>Amount</u>
Goodwill at December 31, 2006 .....	\$10,225
Purchase price adjustment .....	(201)
Acquisitions .....	26,408
Goodwill impairment .....	(1,950)
Foreign currency translation effect .....	<u>1,291</u>
Goodwill at December 31, 2007 .....	\$35,773
Acquisitions .....	167
Foreign currency translation effect .....	<u>(6,761)</u>
Goodwill at December 31, 2008 .....	<u><u>\$29,179</u></u>

Intangible assets as of December 31, 2008 comprised of customer relationship of \$8,858 and accumulated amortization on them of \$5,938.

Amortization expense related to identifiable intangible assets was \$1.6 million, \$0.9 million and \$1.5 million for the years ended December 31, 2008, 2007 and 2006, respectively. Future estimated annual amortization is as follows (in thousands):

2009 .....	\$ 907
2010 .....	728
2011 .....	728
2012 .....	<u>557</u>
	<u><u>\$2,920</u></u>

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**13. Leases**

The Company leases vehicles under capital leases which provide the following future minimum rental payments as of December 31, 2008, which is included in other long term liabilities (in thousands).

<u>Year ending December 31:</u>	
2009 .....	\$ 237
2010 .....	196
2011 .....	152
2012 .....	73
2013 .....	<u>10</u>
Total minimum lease payments .....	668
Less: amount representing future interest .....	<u>(154)</u>
Present value of minimum lease payments as of December 31, 2008 .....	514
Less: current portion .....	<u>(154)</u>
Long-term capital lease obligations .....	<u>\$ 360</u>

The Company conducts its operations using facilities under non-cancellable operating lease agreements that expire at various dates. Future minimum lease payments under these agreements are as follows (in thousands):

<u>Year ending December 31:</u>	
2009 .....	\$ 3,642
2010 .....	2,964
2011 .....	2,346
2012 .....	2,231
2013 and thereafter .....	<u>4,104</u>
Total minimum lease payments .....	<u>\$15,287</u>

Rental expenses in agreements with rent holidays and scheduled rent increases are recorded on a straight line basis over the lease term. Rent expenses under cancellable and non-cancellable operating leases were \$4,028, \$3,328 and \$2,589 for the years ended December 31, 2008, 2007 and 2006, respectively.

**14. Other accrued liabilities**

Other accrued liabilities consist of the following (in thousands):

	<u>As of December 31,</u>	
	<u>2008</u>	<u>2007</u>
Accrued expenses .....	\$ 6,727	\$ 6,008
Provision for volume discounts .....	5,328	3,017
Sales tax and other indirect taxes payable .....	1,222	928
Advance from customers .....	65	65
Other liabilities .....	<u>2,556</u>	<u>8,468</u>
	<u>\$15,898</u>	<u>\$18,486</u>

**15. Employee benefit plan**

**Defined Contribution Plan**

The Company's contribution to the Provident Fund for the years ended December 31, 2008, 2007 and 2006 was \$2.1 million, \$2.0 million, and \$1.4 million, respectively.

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**Defined Benefit Plan**

iGS provides for gratuity, a defined benefit retirement plan covering eligible employees in India. Liabilities with regard to the plan are determined by actuarial valuation. The following table sets forth the net periodic cost recognized by the Company in respect of such plan (in thousands):

	<u>Year Ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Net periodic plan cost</b>			
Service cost .....	\$ 646	\$735	\$625
Interest cost .....	142	106	33
Expected return on plan asset .....	(134)	(69)	(33)
Recognized net actuarial (gain) loss .....	(52)	23	92
<b>Net periodic plan cost for the period</b> .....	<u>\$ 602</u>	<u>\$795</u>	<u>\$717</u>

*Change in benefit obligation* (in thousands)

	<u>As of December 31,</u>	
	<u>2008</u>	<u>2007</u>
Projected benefit obligation at the beginning of the year .....	\$1,939	\$1,252
Service cost .....	646	735
Actuarial (gain) loss .....	(111)	92
Interest cost .....	142	106
Benefits paid .....	(367)	(417)
Effect of exchange rate changes .....	(402)	171
Projected benefit obligation at the end of the year .....	<u>\$1,847</u>	<u>\$1,939</u>

*Change in fair value of plan assets* (in thousands)

	<u>As of December 31,</u>	
	<u>2008</u>	<u>2007</u>
Fair value of plan assets at the beginning of the year .....	\$1,604	\$ 841
Employer contributions .....	1,108	853
Expected return on plan assets .....	134	69
Actual (loss) gain on plan assets .....	(219)	131
Benefits paid .....	(367)	(417)
Effect of exchange rate changes .....	(373)	127
Fair value of plan assets at the end of the year .....	<u>\$1,887</u>	<u>\$1,604</u>

	<u>As of December 31,</u>	
	<u>2008</u>	<u>2007</u>
Unrecognized actuarial gain .....	\$138	\$—
Funded status .....	39	608
Net amount recognized .....	<u>\$177</u>	<u>\$608</u>



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The weighted average assumptions used in accounting for the Gratuity Plan for the years ended December 31, 2008, 2007 and 2006 are presented below:

	<b>Year ended December 31,</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>
Discount rate .....	9.5%	8%	8%
Rate of increase in compensation per annum .....	12% - 5 years 10% - thereafter	7.5 % - 5 years 5 % thereafter	7.5 % - 5 years 5 % thereafter
Expected long term rate of return on plan assets per annum .....	9.5%	8%	8%

The Company evaluates these assumptions annually based on its long-term plans of growth and prevalent industry standards. The estimates of future salary increases, considered in the actuarial valuation, take account of historical compensation increases, inflation rate, seniority, promotions and other relevant factors such as supply and demand factors in the employment market. The discount rate is based on the sum of the risk free rate and the interest rate on high quality fixed income securities. The Company has invested the plan assets with ING Vysya Life Insurance Co. Ltd. The expected rate of return on the plan assets has been determined considering the plan asset allocation, historical rates of return earned on such plan assets and current market trends. Plan assets are primarily invested in long-term fixed income securities and to a lesser extent in money market funds.

Unrecognized actuarial loss is amortized over the average remaining service period of the employees expected to receive benefits under the plan.

The following benefit payments reflect expected future service, as appropriate, which are expected to be paid during the years shown (in thousands).

<b><u>Year ending December 31,</u></b>	<b><u>Amount</u></b>
2009 .....	\$ 309
2010 .....	355
2011 .....	409
2012 .....	457
2013 .....	525
2014-2018 .....	2,384
	<u>\$4,439</u>

**16. Stock Based Compensation**

***iGATE Corporation Stock Option Plans*** (in thousands):

Effective January 1, 2006, the Company adopted the provisions of SFAS No. 123(R) using the modified prospective transition method. The Company's results for the years ended December 31, 2008, 2007 and 2006 include share-based compensation expense of \$4,781, \$3,683 and \$3,364, respectively. The total stock-based compensation cost included in the consolidated statements of income within direct costs for the years ended December 31, 2008, 2007 and 2006 was \$2,154, \$1,845 and \$1,768, respectively. The total stock-based compensation cost included in the consolidated statements of income within selling, general and administrative expenses for the years ended December 31, 2008, 2007 and 2006 was \$2,626, \$1,837 and \$1,596, respectively.

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The Company has recognized a related tax benefit associated with its share-based compensation arrangements for the years ended December 31, 2008, 2007 and 2006 of \$78, \$162 and \$129, respectively.

***iGS/iGATE Exchange Options***

Consequent to the delisting of iGS from the Indian stock exchanges, iGS exchanged 2.3 million of iGS employee stock options for 2.8 million of iGATE stock options on December 7, 2007. The exchange was not mandatory and was solely the prerogative of each employee. All iGS stock options contained time based vesting provisions and none of them had any performance conditions. Similarly all iGATE options granted in exchange only contain time based service conditions for vesting. The exchange ratio was computed as 1.202 iGATE options for every iGS option. This was arrived considering a price of approximately \$10.40 for each for iGS option, and \$8.66 for iGATE shares, the closing price of the Company's stock on December 7, 2007.

The iGATE options issued are replacement awards for original iGS options, and as such, are treated as modification in accordance with SFAS No. 123(R). Hence, the fair value of the exchange options was estimated at the date of exchange and the incremental fair value of \$0.5 million is being amortized on a straight-line basis over the requisite service periods of the awards. The Company also paid \$8.3 million towards redemption of iGS vested options at their fair market values. The amount was recorded as a reduction of Additional Paid-in Capital in the consolidated statements of shareholders' equity and comprehensive income (loss).

Pursuant to the delisting of iGS from the Indian stock exchanges and the exchange of iGS stock options with iGATE options, no further options will be granted under any of the iGS stock option plans.

***iGATE Corporation Stock Incentive Plans***

During 2000, the Company adopted the Second Amended and Restated Stock Incentive Plan (the "Plan"). The Plan provided that up to 14.7 million shares of the Company's common stock shall be allocated for issuance to directors, executive management and key personnel. This plan expired by its terms on November 3, 2006 and no options have been granted under the Plan since this date.

On May 25, 2006, the 2006 iGATE Corporation Stock Incentive Plan (the "2006 Plan" and together with the Plan, the "iGATE Plans") was approved by the Company's shareholders. The 2006 Plan replaced the Company's expired Plan and is substantially similar to it. Revisions were made primarily to address changes in applicable law since 2000. The 2006 Plan provides that up to 14.7 million shares of the Company's common stock shall be allocated for issuance to officers, employees, directors and consultants of the Company and its subsidiaries. At December 31, 2008, there were 10.6 million shares of common stock available for issuance under the 2006 Plan.

**iGATE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**DECEMBER 31, 2008**

A summary of the stock option and restricted stock activity is presented below:

<u>1996 Plan</u>	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (in years)</u>	<u>Aggregate Intrinsic Value (in millions)</u>
Options outstanding at December 31, 2005	2,201,207	\$ 6.93		
Granted	100,000	5.41		
Exercised	(250,032)	3.47		
Lapsed and forfeited	(364,917)	9.99		
Options outstanding at December 31, 2006	1,686,258	\$ 6.68		
Granted	—	—		
Exercised	(499,137)	8.80		
Lapsed and forfeited	(51,320)	6.56		
Options outstanding at December 31, 2007	1,135,801	\$ 8.31		
Granted	—	—		
Exercised	(130,459)	4.18		
Lapsed and forfeited	(372,507)	13.99		
Options outstanding at December 31, 2008	<u>632,835</u>	\$ 5.86	1.73	\$1.3
Options vested and expected to vest at December 31, 2008	<u>632,349</u>	\$ 5.86	1.73	\$1.3
Options exercisable at December 31, 2008	<u>601,585</u>	\$ 5.89	1.73	\$1.3
<u>2006 Plan</u>	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (in years)</u>	<u>Aggregate Intrinsic Value (in millions)</u>
Options outstanding at December 31, 2005	—			
Granted	15,000	\$6.00		
Exercised	—	—		
Lapsed and forfeited	—	—		
Options outstanding at December 31, 2006	<u>15,000</u>	\$6.00		
Granted	159,000	8.21		
Exercised	—	—		
iGS/iGATE Exchange	2,763,464	1.43		
Options outstanding at December 31, 2007	<u>2,937,464</u>	\$1.80		
Granted	255,324	2.40		
Exercised	(236,186)	3.47		
Lapsed and forfeited	(643,192)	2.19		
Options outstanding at December 31, 2008	<u>2,313,410</u>	\$1.59	5.41	\$11.7
Options vested and expected to vest at December 31, 2008	<u>2,254,997</u>	\$1.60	5.41	\$11.4
Options exercisable at December 31, 2008	<u>548,829</u>	\$2.46	4.93	\$ 2.4

**iGATE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
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<u>2006 Plan</u>	<u>Restricted Stock</u>	<u>Weighted Average Fair Value</u>
Unvested at December 31, 2005 .....	—	
Granted .....	571,000	\$4.27
Unvested at December 31, 2006 .....	571,000	\$4.27
Granted .....	96,000	9.06
Vested .....	(114,000)	6.89
Lapsed and forfeited .....	(31,500)	4.27
Unvested at December 31, 2007 .....	<u>521,500</u>	\$5.36
Granted .....	1,119,739	5.88
Vested .....	(159,016)	5.27
Lapsed and forfeited .....	(220,673)	4.44
Unvested at December 31, 2008 .....	<u>1,261,550</u>	\$5.93
Available for future grant .....	<u>10,624,837</u>	

During 2008, 2007 and 2006, options covering a total of 0.3 million, 0.2 million and 0.1 million shares, respectively, of Common Stock were granted under the Plan. On December 7, 2007, 2.8 million iGATE stock options were exchanged for 2.3 million of iGS stock options. Options generally expire ten years from the date of the original grant or earlier if an option holder ceases to be employed by or associated with the Company for any reason.

During 2008, 2007 and 2006, the Company granted 1.1 million, 0.1 million and 0.6 million shares of restricted stock, respectively. Restricted stock grants generally vest over a four year period. These shares are voting but are subject to forfeiture if a holder ceases to be employed by or associated with the Company for any reason.

The total intrinsic value of options exercised during 2008, 2007 and 2006 was \$2.1 million, \$2.9 million and \$0.6 million, respectively. The fair value of stock options vested during 2008, 2007 and 2006 was \$4.8 million, \$1.6 million and \$0.8 million, respectively. The income tax benefit classified as a financing cash inflow for 2008, 2007 and 2006 was \$0.1 million, \$0.2 million and \$0.1 million, respectively.

As of December 31, 2008, approximately \$11.74 million of unrecognized compensation cost is expected to be recognized for the unvested shares. This expense is expected to be recognized over a weighted-average period of 2 years.

**iGATE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**DECEMBER 31, 2008**

**iGATE Stock Options Outstanding at December 31, 2008:**

<b>Plan</b>					
<b>Options Outstanding</b>				<b>Options Exercisable</b>	
<b>Range of Exercise Price</b>	<b>Options</b>	<b>Weighted Average Remaining Contractual Life (Years)</b>	<b>Weighted Average Exercise Price</b>	<b>Options</b>	<b>Weighted Average Exercise Price</b>
\$1.93 - \$2.01	49,329	1.09	\$ 1.95	49,329	\$ 1.95
\$2.96 - \$2.96	106,250	0.75	\$ 2.96	106,250	\$ 2.96
\$3.63 - \$3.68	68,812	0.75	\$ 3.67	68,812	\$ 3.67
\$3.78 - \$3.85	71,250	4.59	\$ 3.80	71,250	\$ 3.80
\$4.00 - \$4.11	80,000	4.24	\$ 4.06	80,000	\$ 4.06
\$4.19 - \$5.25	8,630	1.59	\$ 5.11	8,630	\$ 5.11
\$5.41 - \$5.41	100,000	0.50	\$ 5.41	68,750	\$ 5.41
\$5.58 - \$11.75	70,477	1.84	\$ 9.10	70,477	\$ 9.10
\$12.38 - \$15.69	66,855	0.69	\$13.98	66,855	\$13.98
\$17.02 - \$28.63	11,232	0.33	\$25.98	11,232	\$25.98
\$1.93- \$28.63	632,835	1.73	\$ 5.86	601,585	\$ 5.89

**2006 Plan**

<b>Options Outstanding</b>				<b>Options Exercisable</b>	
<b>Range of Exercise Price</b>	<b>Options</b>	<b>Weighted Average Remaining Contractual Life (Years)</b>	<b>Weighted Average Exercise Price</b>	<b>Options</b>	<b>Weighted Average Exercise Price</b>
\$0.001 - \$0.01	152,098	7.10	\$0.01	60,333	\$0.01
\$0.08 - \$0.08	1,516,905	4.44	\$0.08	235,949	\$0.08
\$0.80 - \$4.42	244,749	5.97	\$3.15	114,850	\$3.35
\$4.45 - \$6.27	225,826	8.16	\$5.71	69,977	\$5.33
\$6.40 - \$6.40	234	4.90	\$6.40	234	\$6.40
\$7.41 - \$7.41	1,100	0.75	\$7.41	1,100	\$7.41
\$8.04 - \$8.04	49,997	8.20	\$8.04	17,077	\$8.04
\$8.64 - \$8.64	99,501	7.92	\$8.64	43,559	\$8.64
\$9.00 - \$9.00	3,000	8.75	\$9.00	750	\$9.00
\$9.14 - \$9.14	20,000	8.77	\$9.14	5,000	\$9.14
\$0.00 - \$9.14	2,313,410	5.41	\$1.59	548,829	\$2.46

***iGS Stock Option Plans***

iGS maintains two employee stock option plans herein referred to as “Plan 1” and “Plan 2” and collectively the “iGS Plans”. The iGS Plans are administered by a committee appointed by the Board of Directors of iGS. Plan 1 provides for the issuance of a maximum of 3 million shares of iGS common stock and Plan 2 provides for the issuance of a maximum of 4.5 million shares of iGS common stock. Options to purchase iGS common stock are typically granted at the prevailing market values for each of the iGS Plans.

**iGATE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
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Options granted under the iGS Plans generally vest over a four year period and expire ten years from the date of grant or earlier if an option holder ceases to be employed with iGS, iGS' holding company or any iGS subsidiary companies.

<u>iGATE Global Solutions Stock Option Plan 1</u>	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (in years)</u>	<u>Aggregate Intrinsic Value (in millions)</u>
Options outstanding at December 31, 2005 .....	1,492,634	\$3.11		
Granted .....	713,585	4.70		
Exercised .....	(293,180)	2.30		
Lapsed and forfeited .....	(766,362)	4.41		
Options outstanding at December 31, 2006 .....	1,146,677	\$3.42		
Granted .....	307,000	9.29		
Exercised .....	(213,104)	2.97		
iGS/iGATE Exchange .....	(385,115)	7.14		
Lapsed and forfeited .....	(704,437)	4.74		
Options outstanding at December 31, 2007 .....	151,021	\$3.37		
Exercised .....	(125,250)	2.29		
Lapsed and forfeited .....	(18,071)	4.19		
Options outstanding at December 31, 2008 .....	<u>7,700</u>	\$5.00	6.7	\$—
Options vested and expected to vest at December 31, 2008 .....	<u>4,607</u>	\$4.36	5.6	\$—
Options exercisable at December 31, 2008 .....	<u>4,607</u>	\$4.36	5.6	\$—
<u>iGATE Global Solutions Stock Option Plan 2</u>	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (in years)</u>	<u>Aggregate Intrinsic Value (in millions)</u>
Options outstanding at December 31, 2005 .....	2,962,234	\$4.68		
Granted .....	—	—		
Exercised .....	(20,330)	2.50		
Lapsed and forfeited .....	(1,872,163)	5.18		
Options outstanding at December 31, 2006 .....	1,069,741	\$4.34		
Granted .....	—	—		
Exercised .....	(161,951)	4.28		
Lapsed and forfeited .....	(616,670)	5.64		
iGS/iGATE Exchange .....	(267,915)	3.83		
Options outstanding at December 31, 2007 .....	23,205	\$4.22		
Granted .....	—	—		
Exercised .....	(17,955)	2.91		
Lapsed and forfeited .....	(5,250)	\$4.75		
Options outstanding at December 31, 2008 .....	<u>—</u>			

**iGATE CORPORATION**  
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iGS also maintains an employee restricted stock unit plan herein referred to as “RSU Plan”. The RSU Plan is administered by the Compensation Committee appointed by the Board of Directors of iGS. The RSU Plan is a separate plan set up in partial modification of the above iGS Plans and provides for the issuance of a maximum of 3.0 million shares of iGS common stock. These restricted stock units are granted at a \$0.08 strike price. Restricted stock unit grants for the RSU Plan generally vest over a four year period and expire twelve years from the date of grant or earlier if a holder ceases to be employed by or associated with iGS for any reason.

On October 10, 2006, iGS exchanged approximately 1.75 million of iGS employee stock options for approximately 0.5 million of iGS restricted stock units. The proposed exchange was approved by iGS’s Board on October 10, 2006. The exchange was not mandatory and was solely the prerogative of each employee. At the date of the exchange the iGS closing stock price was \$4.20.

The fair value of restricted stock unit grants was estimated using the prevailing market value of iGS common stock at the date of grant. The fair value is then amortized on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period. A forfeiture rate is also applied to the estimated compensation cost of the granted restricted stock units. Forfeitures are estimated based on voluntary termination behavior, as well as an analysis of actual option forfeitures.

<u>iGATE Global Solutions Restricted Stock Unit Plan</u>	<u>Restricted Stock Units</u>	<u>Weighted Average Fair Value</u>
Unvested at December 31, 2005	—	—
Granted	919,077	\$5.19
Exercised	—	—
Lapsed and forfeited	<u>(44,931)</u>	5.19
Unvested at December 31, 2006	874,146	\$5.19
Granted	1,262,350	6.49
Exercised	(18,969)	4.98
iGS/iGATE Exchange	(1,646,025)	6.02
Lapsed and forfeited	<u>(452,943)</u>	5.20
Unvested at December 31, 2007	18,559	\$5.42
Granted	—	—
Exercised	(2,502)	0.08
Lapsed and forfeited	(12,233)	0.08
iGS/iGATE Exchange	<u>(1,987)</u>	0.08
Unvested at December 31, 2008	<u>1,837</u>	\$8.19

Total available stock options and/or restricted units to be granted for all of the iGS Plans combined cannot exceed 7.5 million shares.

The total intrinsic value of options exercised during 2008, 2007 and 2006 was \$0.1 million, \$1.4 million and \$0.4 million, respectively. The fair value of stock options vested during 2008, 2007 and 2006 was \$nil, \$3.9 million and \$3.3 million, respectively.

In 2006, the Company recognized \$2.8 million of compensation expense associated with the iGS stock option plans in its Consolidated Statements of Income as compared to \$3.1 million in 2007. As of December 31, 2008, no additional compensation cost is expected to be recognized for the unvested shares.

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**iGATE Global Solutions Stock Options Outstanding at December 31, 2008 Plan 1:**

<u>Range of Exercise Price</u>	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
	<u>Options</u>	<u>Weighted Average Remaining Contractual Life (Years)</u>	<u>Weighted Average Exercise Price</u>	<u>Options</u>	<u>Weighted Average Exercise Price</u>
\$0.00 – \$8.17	<u>7,700</u>	<u>6.7 years</u>	<u>\$5.00</u>	<u>4,607</u>	<u>\$4.36</u>

The fair value of each option grant under the iGATE Plans and iGS Plans was estimated using the Black-Scholes option pricing model. The fair value is then amortized on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period. Use of a valuation model requires management to make certain assumptions with respect to selected model inputs. Expected volatility was calculated based on the historical volatility of either the iGATE or iGS common stock and volatility derived from exchange traded options. The average expected life was based on the contractual term of the option and expected employee exercise and post-vesting employment termination behavior. The risk-free interest rate for each of the iGATE Plans was based on U.S. Treasury zero-coupon issues with a remaining term equal to the expected life assumed at the date of grant. The risk-free rate for each of the iGS Plans was based on an equivalent Indian risk-free rate. Forfeitures are estimated based on voluntary termination behavior, as well as an analysis of actual option forfeitures. The weighted-average assumptions used in the Black-Scholes option pricing model are as follows:

<u>Year Ended December 31, 2008</u>	<u>iGATE</u>	<u>iGS</u>
Weighted average fair values of options granted during 2008	\$ 8.67	\$ —
Risk-free interest rate	3.05%	—
Expected dividend yield	0.0%	—
Expected life of options	4.38 years	—
Expected volatility rate	56.6%	—
<u>Year Ended December 31, 2007</u>	<u>iGATE</u>	<u>iGS</u>
Weighted average fair values of options granted during 2007	\$ 4.79	\$ 7.13
Risk-free interest rate	4.34%	6.60%
Expected dividend yield	0.0%	0.5%
Expected life of options	4.5 years	5 years
Expected volatility rate	61.0%	58.7%
<u>Year Ended December 31, 2006</u>	<u>iGATE</u>	<u>iGS</u>
Weighted average fair values of options granted during 2006	\$ 3.17	\$ 2.60
Risk-free interest rate	4.65%	7.00%
Expected dividend yield	0.0%	0.5%
Expected life of options	4.5 years	5 years
Expected volatility rate	66.5%	61.8%



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**17. Earnings per share**

The reconciliation between basic and diluted earnings per common share from continuing operations is as follows (in thousands, except per share amounts):

	Year Ended		
	2008	2007	2006
<b>Numerator:</b>			
Earnings from continuing operations . . . . .	\$29,299	\$10,500	\$ 1,858
Earnings from discontinued operations . . . . .	1,605	5,085	6,846
Net income . . . . .	<u>\$30,904</u>	<u>\$15,585</u>	<u>\$ 8,704</u>
<b>Denominator:</b>			
Basic weighted average common shares . . . . .	53,903	53,333	52,939
Dilutive effect of stock options and restricted shares outstanding . . . . .	1,548	639	339
Diluted weighted average common shares . . . . .	<u>55,451</u>	<u>53,972</u>	<u>53,278</u>
Earnings from continuing operations per common share—basic . . . . .	\$ 0.54	\$ 0.20	\$ 0.03
Earnings from discontinued operations per common share—basic . . . . .	0.03	0.09	0.13
Net earnings per common share—basic . . . . .	<u>\$ 0.57</u>	<u>\$ 0.29</u>	<u>\$ 0.16</u>
Earnings from continuing operations per common share—diluted . . . . .	\$ 0.53	\$ 0.20	\$ 0.03
Earnings from discontinued operations per common share—diluted . . . . .	0.03	0.09	0.13
Net earnings per common share—diluted . . . . .	<u>\$ 0.56</u>	<u>\$ 0.29</u>	<u>\$ 0.16</u>

The number of outstanding options to purchase common shares for which the option exercise prices exceeded the average market price of the common shares aggregated 0.6 million, 0.6 million and 0.9 million shares for the years ended December 31, 2008, 2007 and 2006, respectively. These options were excluded from the computation of diluted earnings per share under the treasury stock method.

**18. Cost of revenues**

Cost of revenue consists of the following (in thousands):

	Year ended December 31,		
	2008	2007	2006
Personnel expenses . . . . .	\$106,769	\$105,609	\$ 91,367
Operational expenses . . . . .	29,672	31,013	31,010
	<u>\$136,441</u>	<u>\$136,622</u>	<u>\$122,377</u>

Personnel expenses include salaries and benefits and operational expenses include travel, training, communication etc.

**iGATE CORPORATION**  
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**19. Selling, general and administrative expenses**

Selling, general and administrative expenses consist of the following (in thousands):

	<u>Year ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Personnel expenses .....	\$24,656	\$24,479	\$24,038
Operational expenses .....	20,671	17,992	16,489
	<u>\$45,327</u>	<u>\$42,471</u>	<u>\$40,527</u>

**20. Other income, net**

Components of other income, net recorded in continuing operations are as follows (in thousands):

	<u>Year ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Foreign exchange (loss) gain, net .....	\$(936)	\$2,090	\$ 680
Amount forfeited by counterparty on termination of land sale agreement .....	426	—	—
Other .....	603	16	(152)
Other income .....	<u>\$ 93</u>	<u>\$2,106</u>	<u>\$ 528</u>

**21. Income taxes**

The components of income (loss) from continuing operations before income taxes, as shown in the accompanying consolidated statements of income, consisted of the following (in thousands):

	<u>Year ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Income (loss) before income taxes: .....			
Domestic .....	\$ 1,964	\$ (3,380)	\$ (8,146)
Foreign .....	28,010	15,647	11,601
Income from continuing operations before income taxes .....	<u>\$29,974</u>	<u>\$12,267</u>	<u>\$ 3,455</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
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The provision (benefit) for income taxes from continuing operations consisted of the following (in thousands):

	Year ended December 31,		
	2008	2007	2006
Current (benefit) provision			
Federal .....	\$(1,366)	\$ 1,451	\$1,186
State .....	(85)	120	162
Foreign .....	4,101	2,542	402
Total current provision .....	2,650	4,113	1,750
Deferred provision (benefit):			
Federal .....	777	(538)	(132)
State .....	116	(80)	(20)
Foreign .....	(2,868)	(1,728)	(1)
Total deferred (benefit) .....	(1,975)	(2,346)	(153)
Total provision for income taxes .....	\$ 675	\$ 1,767	\$1,597

The reconciliation of income taxes computed using the statutory U.S. income tax rate and the provision (benefit) for income taxes from continuing operations is as follows (in thousands):

	December 31, 2008		December 31, 2007		December 31, 2006	
Income taxes computed at the federal statutory rate . . . .	\$10,491	35.0%	\$ 4,294	35.0%	\$ 1,209	35.0%
State income taxes, net of federal tax benefit .....	75	0.2	90	0.7	185	5.4
Foreign taxes at other than U.S. statutory rate. ....	(8,570)	(28.6)	(4,665)	(38.0)	(3,660)	(106.0)
Nondeductible expenses .....	967	3.2	2,163	17.6	3,596	104.1
Minority interest .....	130	0.4	1,047	8.5	263	7.6
Nondeductible goodwill .....	—	—	—	—	55	1.6
Nondeductible compensation .....	—	—	46	0.4	238	6.9
Nontaxable income .....	(2,335)	(7.8)	(760)	(6.2)	—	—
Capital losses in investments .....	—	—	(307)	(2.5)	—	—
Other—net .....	(107)	(0.4)	627	5.1	805	23.3
Changes in valuation allowance .....	24	0.1	(768)	(6.3)	(1,094)	(31.7)
	\$ 675	2.3%	\$ 1,767	14.4%	\$ 1,597	46.2%

Under the Indian Income Tax Act, 1961, the Company's Indian subsidiary is eligible to claim a tax holiday for 10 consecutive assessment years on profits derived from the export of software services from divisions registered under the Software Technology Parks at Bangalore, Chennai, Hyderabad and Noida. For the years ended December 31, 2008, 2007 and 2006 the tax holiday resulted in income tax benefits of \$8.6 million, \$4.7 million and \$3.7 million, respectively, when calculated at the statutory US rate. The majority of the remaining benefits will extend through March 2010. There are no adverse tax effects to be considered from the goodwill impairment as it is included as part of the subsidiary's tax holiday. Non-operating income, such as interest income and capital gains income along with operating income to the extent of expiry of tax holiday is not included in the tax holiday, and has been considered as part of our income tax provision.

**iGATE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**DECEMBER 31, 2008**

The Company's Indian subsidiary has net operating loss carry forwards amounting to approximately \$16.5 million, which are under litigation with the India Tax authorities and hence a benefit amounting to approximately \$5.6 million was not recognized at December 31, 2008.

The US branch of the Company's Indian subsidiary has approximately \$4.3 million of net operating losses available to offset future federal and state taxable income. These losses are due to expire between the years of 2022 and 2025.

The components of the deferred tax assets and liabilities were as follows:

	<b>December 31,</b>	
	<b>2008</b>	<b>2007</b>
	<b>(Dollars in Thousands)</b>	
Deferred tax assets:		
Allowance for doubtful accounts and employee advances . . . . .	\$ 330	\$ 127
Accrued health benefits . . . . .	135	160
Accrued vacation and bonuses . . . . .	1,091	548
Depreciation . . . . .	1,321	87
Stock based compensation . . . . .	399	363
Foreign currency translation adjustments . . . . .	791	720
Capital losses carried forward . . . . .	13,780	14,904
Deferred compensation . . . . .	5,821	5,777
Net operating loss carryovers . . . . .	1,910	2,742
Accrued restructuring charges . . . . .	44	273
Minimum alternative tax—India . . . . .	3,393	1,797
Other . . . . .	1,276	14
Valuation allowance . . . . .	<u>(24,301)</u>	<u>(24,277)</u>
Total deferred tax assets . . . . .	<u>5,990</u>	<u>3,235</u>
Deferred tax liabilities		
Amortization of acquired intangibles . . . . .	1,272	319
Prepaid expenses . . . . .	141	240
Unrecognized gain on iGATE Global Solutions IPO . . . . .	<u>—</u>	<u>9,710</u>
Total deferred tax liabilities . . . . .	<u>1,413</u>	<u>10,269</u>
Net deferred tax (asset) liability . . . . .	<u>\$ (4,577)</u>	<u>\$ 7,034</u>
Net deferred tax (asset) liability . . . . .	\$ (4,577)	\$ 7,034
Less: Net current deferred tax liability (asset) . . . . .	<u>439</u>	<u>(407)</u>
Net long-term deferred tax (asset) liability . . . . .	<u>\$ (5,016)</u>	<u>\$ 7,441</u>

The Company has established a partial valuation allowance against its deferred tax assets, due to uncertainty regarding their future realization. In assessing the realizability of its deferred tax assets, management considers the projected future taxable income, and tax planning strategies. As a result, the Company has created a valuation allowance for deferred tax assets at entities or units that have been unprofitable and where it believes that such assets may not be utilized in the near term.

The Company has not provided for U.S. deferred income taxes or foreign withholding tax on basis differences in its non-U.S. subsidiaries of \$18.4 million that result primarily from undistributed earnings the

**iGATE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**DECEMBER 31, 2008**

Company intends to reinvest indefinitely. Determination of the deferred income tax liability on these basis differences is not practicable because such liability, if any, is dependent on circumstances existing if and when remittance occurs.

The change in the total valuation allowance for deferred tax assets as of December 31, 2008, 2007 and 2006 is as follows (in thousands):

	As of December 31,		
	2008	2007	2006
Opening valuation allowance .....	\$24,277	\$25,045	\$23,952
Reduction during the year .....	(679)	(1,348)	(369)
Addition during the year .....	703	580	1,462
Closing valuation allowance .....	\$24,301	\$24,277	\$25,045

**22. Segment information**

The Company's reportable segments through June 30, 2008 were iGATE Solutions ("iGS"), iGATE Professional Services ("iPS") and iGATE Shared Services ("iSS"). The iGS segment's service offerings includes Information Technology ("IT") and IT enabled operations, offshore outsourcing solutions and services to large and medium-sized organizations. The iPS segment's offerings included a variety of client-managed and supervised IT staffing service offerings. This segment services are offered principally in the United States of America. The iSS segment's offerings included the operations of the clinical research business (i.e. iGATE Clinical Research International Inc. and iGATE Clinical Research International Private Limited collectively "iCRI") and the corporate shared service division of the Company.

On July 31, 2008, the Company sold off its clinical research business. Additionally, pursuant to an enterprise reorganization, the Company assigned the resources, including employees, relating to the corporate shared service division in the iSS segment to the iGS segment of its business. Also, as more fully explained in Note 4 of the Consolidated Financial Statements, effective September 30, 2008, the Company spun off the iPS segment of its business into a newly formed company known as Mastech Holdings, Inc.

As a consequence of the above mentioned events, currently the business of the Company is comprised solely of the iGS segment.

Revenues based on the location of the customer and fixed assets by geographic area consisted of the following:

	Year Ended December 31,		
	2008	2007	2006
	(Dollars in thousands)		
<b>Revenues:</b>			
North America, principally U.S. ....	\$163,164	\$155,180	\$131,211
Europe .....	31,441	23,834	19,123
Asia, principally India .....	24,193	22,720	20,080
Total revenues .....	\$218,798	\$201,734	\$170,414

**iGATE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**DECEMBER 31, 2008**

	Year Ended December 31,		
	2008	2007	2006
	(Dollars in thousands)		
<b>Fixed assets:</b>			
North America, principally U.S. ....	\$ 1,821	\$ 630	\$ 771
Europe .....	66	111	131
Asia, principally India .....	32,603	33,498	27,347
Total fixed assets .....	\$34,490	\$34,239	\$28,249

**23. Related party transactions**

The Company has advanced employees \$1.1 million and \$1.4 million at December 31, 2008 and 2007, respectively. These advances do not exceed \$4,500 per employee and are typically deducted from the employee's salary over a six-month period or until paid in full.

At December 31, 2008, Sunil Wadhvani, Co-Chairman of iGATE Corporation, directly owned 12,738,791 common shares of the Company and indirectly owned 2,562,262 common shares of the Company through various family trusts.

At December 31, 2008, Ashok Trivedi, Co-Chairman of iGATE Corporation, directly owned 12,961,131 common shares of the Company and indirectly owned 2,339,922 common shares of the Company through various family trusts.

Sunil Wadhvani and Ashok Trivedi, co-founders of iGATE, own approximately 57% of the outstanding common stock of the Company and also own approximately 57% of the outstanding common stock of Mastech Holdings, Inc. The transactions with Mastech Holdings, Inc. for the period from October 1, 2008 to December 31, 2008 are as follows:

	Dollars in thousands
Outsourcing services rendered to Mastech Holdings, Inc. ....	\$392
Reimbursable expenses incurred on behalf of Mastech Holdings, Inc. ..	\$922

The balances receivable from and payable to related parties are summarized as follows (in thousands):

	As of December 31,	
	2008	2007
<i>Due from Mastech Holdings Inc.</i>		
Accounts receivable, net of allowance .....	\$324	\$536
Prepaid expenses and other current assets .....	418	—
	\$742	\$536

**iGATE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**DECEMBER 31, 2008**

**24. Restructuring Charges**

In 2007, the Company restructured its operations and incurred \$0.8 million of severance and related costs. In 2004, the Company restructured its United Kingdom operations. The Company incurred approximately \$4.9 million related to the closing of its Red Brigade Ltd. office in Bracknell, UK, which was comprised of \$4.6 million of early exit costs associated with the closing and \$0.3 million of non cash charges related to write-offs of leasehold improvements associated with the leased property. In 2006, the Company recovered \$2.5 million related to its United Kingdom restructuring.

The components of the restructuring charges and the restructuring accrual at December 31, 2008, 2007 and 2006 are as follows:

<u>(in thousands)</u>	<u>Accrued December 31, 2005</u>	<u>Credited to Expense</u>	<u>Foreign Currency Translation Effect</u>	<u>Cash Expenditures</u>	<u>Accrued December 31, 2006</u>
2004 lease costs of office closure . . . . .	\$3,859	\$(2,507)	\$471	\$(1,326)	\$ 497
2002 lease costs of office closure . . . . .	68	—	—	(68)	—
Total . . . . .	<u>\$3,927</u>	<u>\$(2,507)</u>	<u>\$471</u>	<u>\$(1,394)</u>	<u>\$ 497</u>

<u>(in thousands)</u>	<u>Accrued December 31, 2006</u>	<u>Charged to Expense</u>	<u>Foreign Currency Translation Effect</u>	<u>Cash Expenditures</u>	<u>Accrued December 31, 2007</u>
2004 lease costs of office closure . . . . .	\$ 497	\$ —	\$ 46	\$ (241)	\$ 302
2007 severance and related items . . . . .	—	769	—	(13)	756
Total . . . . .	<u>\$ 497</u>	<u>\$ 769</u>	<u>\$ 46</u>	<u>\$ (254)</u>	<u>\$1,058</u>

<u>(in thousands)</u>	<u>Accrued December 31, 2007</u>	<u>Charged to Expense</u>	<u>Foreign Currency Translation Effect</u>	<u>Cash Expenditures</u>	<u>Accrued December 31, 2008</u>
2004 lease costs of office closure . . . . .	\$ 302	\$ —	\$(69)	\$ (69)	\$ 164
2007 severance and related items . . . . .	756	—	—	(649)	107
Total . . . . .	<u>\$1,058</u>	<u>\$ —</u>	<u>\$(69)</u>	<u>\$ (718)</u>	<u>\$ 271</u>

**25. Credit facility**

On May 21, 2008, iGS entered into a loan agreement with Citibank N.A. that provided for a \$6.5 million working capital line of credit. The loan is secured by way of a charge on all of iGS' present and future receivables, investments, rights to or on moveable properties and moveable current assets. As of December 31, 2008 and for the period from May 21, 2008 through December 31, 2008, iGS did not utilize the line of credit. There is no expiration date for the line of credit and the interest rate would be determined at the time of withdrawal of funds at the then applicable rates.

**26. Commitments**

*Capital commitments*

As of December 31, 2008, the Company has open purchase orders totaling \$5.3 million to purchase property and equipment.

**iGATE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**DECEMBER 31, 2008**

*Other commitments*

The Company's business process delivery centers in India are 100% Export Oriented units or Software Technology Parks of India units ("STPI") under the STPI guidelines issued by the Government of India. These units are exempted from customs, central excise duties, and levies on imported and indigenous capital goods, stores, and spares. The Company has executed legal undertakings to pay custom duty, central excise duty, levies, and liquidated damages payable, if any, in respect of imported and indigenous capital goods, stores, and spares consumed duty free, in the event that certain terms and conditions are not fulfilled.

iGS, a subsidiary of the Company, has entered into a service agreement with a customer that provides the customer the option to take an equity stake in iGS for up to 7% of iGS's outstanding voting shares at fair market value. The customer may purchase iGS shares solely at their discretion and must notify iGS of their intention to purchase within thirty days of the purchase.

**27. Fair Value Measurements**

Effective January 1, 2008, the Company partially adopted SFAS No. 157, "*Fair Value Measurements*" for all financial assets and liabilities accounted for at fair value on a recurring basis. Financial Staff Positions ("FSP") FAS 157-2, "*Effective Date of FASB Statement No.157*" ("*FSP FAS 157-2*"), delays the effective date of SFAS No. 157 for non-financial assets and non-financial liabilities until January 1, 2009 for the Company except as it applies to non-financial assets and non-financial liabilities recognized or disclosed at fair value in financial statements on a recurring basis (at least annually). SFAS No.157 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, SFAS No. 157 establishes a three-tier value hierarchy based on observable and unobservable inputs, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Includes other inputs that are directly or indirectly observable in the marketplace which may require future adjustment based on the attributes of the financial asset and liability being measured or an inactive market transaction.

Level 3—Unobservable inputs which are supported by little or no market activity. The fair value is primarily based on internally derived assumptions surrounding the timing and amount of expected cash flows.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. In accordance with SFAS 157, the Company measures cash equivalents, marketable securities and foreign currency derivative contracts at fair value. Cash equivalents and marketable securities are primarily classified within Level 1 or Level 2. This is because the cash equivalents and marketable securities are valued primarily using quoted market prices or alternative pricing sources and models utilizing market observable inputs. The foreign currency derivative contracts are classified within Level 2 as the valuation inputs are based on quoted prices and market observable data of similar instruments in inactive markets.



**iGATE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**DECEMBER 31, 2008**

Assets and liabilities measured at fair value are summarized below:

<u>Description</u>	<u>December 31, 2008</u>	<u>Fair value measurement at reporting date using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>Assets</b>				
Short term investments:				
Money market mutual funds .....	\$20,560	\$20,560	—	—
<b>Total assets</b> .....	<b>\$20,560</b>	<b>\$20,560</b>	—	—
<b>Liabilities</b>				
Other current liabilities:				
Foreign currency derivative contracts .....	\$10,602	—	\$10,602	—
<b>Total liabilities</b> .....	<b>\$10,602</b>	—	<b>\$10,602</b>	—

Effective January 1, 2008, the Company also adopted SFAS No. 159, “*The Fair Value Option for Financial Assets and Financial Liabilities – including an Amendment of FASB Statement No. 115*”, which allows an entity to choose to measure certain financial instruments and liabilities at fair value on a contract-by-contract basis. Subsequent fair value measurement for the financial instruments and liabilities an entity chooses to measure will be recognized in earnings. As of December 31, 2008, the Company did not elect such an option for the financial instruments and liabilities.

In October 2008, the Financial Accounting Standards Board (“FASB”) issued FASB Staff Position No. FAS 157-3, “*Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*” (“FSP 157-3”). FSP 157-3 clarifies the application of SFAS No. 157, “*Fair Value Measurements*”, in a market that is not active and is intended to address the following application issues

- How the reporting entity’s own assumptions (that is, expected cash flows and appropriately risk-adjusted discount rates) should be considered when measuring fair value when relevant observable inputs do not exist.
- How available observable inputs in a market that is not active should be considered when measuring fair value.
- How the use of market quotes (for example, broker quotes or pricing services for the same or similar financial assets) should be considered when assessing the relevance of observable and unobservable inputs available to measure fair value.

FSP 157-3 is effective on issuance, including prior periods for which financial statements have not been issued. As such, the FSP 157-3 was effective for the Company for the reporting period ended September 30, 2008. Adoption of FSP 157-3 did not have a significant impact on the Company’s financial statements.

**iGATE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**  
**DECEMBER 31, 2008**

**28. Quarterly Financial Information (Unaudited)**

The following table sets forth certain unaudited financial information for each of the quarters indicated below and, in the opinion of management, contains all adjustments, consisting only of normal recurring adjustments, if necessary, for a fair presentation thereof. Earnings per share amounts for each quarter are required to be computed independently, and therefore may not equal the amount computed for the entire year.

<u>(in thousands)</u>	<b>Three Months Ended</b>			
	<b>March 31</b>	<b>June 30</b>	<b>September 30</b>	<b>December 31</b>
	<b>2008</b>	<b>2008</b>	<b>2008</b>	<b>2008</b>
<b>2008</b>				
Revenues . . . . .	\$55,639	\$56,241	\$55,418	\$51,500
Gross Margin . . . . .	20,364	19,839	21,275	20,879
Income from Continuing Operations . . . . .	5,507	7,086	7,448	7,641
Income from Continuing Operations before Income Tax . . . . .	6,526	7,928	8,416	7,104
Income (loss) from Discontinued Operations . . . . .	982	961	(162)	(176)
Net Income . . . . .	<u>\$ 7,408</u>	<u>\$ 8,408</u>	<u>\$ 8,294</u>	<u>\$ 6,794</u>
Net earnings per common share, basic . . . . .	<u>\$ 0.14</u>	<u>\$ 0.16</u>	<u>\$ 0.15</u>	<u>\$ 0.13</u>
Net earnings per common share, diluted . . . . .	<u>\$ 0.13</u>	<u>\$ 0.15</u>	<u>\$ 0.15</u>	<u>\$ 0.12</u>

<u>(in thousands)</u>	<b>Three Months Ended</b>			
	<b>March 31</b>	<b>June 30</b>	<b>September 30</b>	<b>December 31</b>
	<b>2007</b>	<b>2007</b>	<b>2007</b>	<b>2007</b>
<b>2007</b>				
Revenues . . . . .	\$48,311	\$49,398	\$50,390	\$53,635
Gross Margin . . . . .	15,405	15,152	16,103	18,452
Income (loss) from Continuing Operations . . . . .	2,752	(628)	3,447	3,912
Income from Continuing Operations before Income Tax . . . . .	3,380	924	4,099	3,864
Income from Discontinued Operations . . . . .	1,308	1,386	1,382	1,009
Net Income . . . . .	<u>\$ 4,327</u>	<u>\$ 2,072</u>	<u>\$ 4,331</u>	<u>\$ 4,855</u>
Net earnings per common share, basic . . . . .	<u>\$ 0.08</u>	<u>\$ 0.04</u>	<u>\$ 0.08</u>	<u>\$ 0.09</u>
Net earnings per common share, diluted . . . . .	<u>\$ 0.08</u>	<u>\$ 0.04</u>	<u>\$ 0.08</u>	<u>\$ 0.09</u>

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

Not Applicable.

### **ITEM 9A. CONTROLS AND PROCEDURES**

#### *Disclosure Controls and Procedures*

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of Company management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to the Securities Exchange Act of 1934 ("Exchange Act") Rules 13a-15(b) and 15d-15(b). Based upon, and as of the date of this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective. The results of management's assessment were reviewed with the Company's Audit Committee.

The certification required by Section 302 of the Sarbanes-Oxley Act of 2002 are filed as exhibits 31.01 and 31.02, respectively, to this Annual Report on Form 10-K.

#### *Management's Report on Internal Control over Financial Reporting*

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements; providing reasonable assurance that receipts and expenditures of company assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use, or disposition of company assets that could have a material effect on our financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become ineffective because of changes in conditions or that the degree of compliance with established policies or procedures may deteriorate.

The Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2008. In making its assessment of internal control over financial reporting, management used the criteria described in the *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Based upon this assessment, management has concluded and hereby reports that the Company's internal control over financial reporting was effective as of December 31, 2008. There were no changes in our internal control over financial reporting during the quarter ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

The Company's independent registered public accounting firm, Ernst & Young, has issued its report on the effectiveness of the Company's internal control over financial reporting.

*Changes in Internal Control over Financial Reporting*

There has been no change in iGATE's internal control over financial reporting that occurred during the fourth quarter that has materially affected, or is reasonably likely to materially affect, such internal control over financial reporting as of December 31, 2008.

*Attestation Report of Independent Registered Public Accounting Firm*

The Board of Directors and Shareholders of iGATE Corporation

We have audited iGATE Corporation's internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). iGATE Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, iGATE Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2008 consolidated financial statements of iGATE Corporation and subsidiaries and our report dated February 23, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young

New Delhi, India  
February 23, 2009

**ITEM 9B. OTHER INFORMATION**

None

**PART III****ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Information required by this Item, not set forth below, is incorporated herein by reference from the Company's definitive proxy statement relating to the Annual Meeting of Shareholders scheduled for April 21, 2009, which will be filed with the Commission within 120 days after the close of the Company's fiscal year ended December 31, 2008 (the "Proxy Statement").

We have adopted a code of ethics applicable to all of our employees, including our principal executive officer, principal financial officer and principal accounting officer titled Code of Conduct Policy. The Code of Conduct Policy is posted on the Company's website, [www.igate.com](http://www.igate.com) (under the "Corporate Governance" caption of the Investor Relations page). The Company intends to satisfy the disclosure requirement regarding certain amendments to, or waivers from, provisions of its code of ethics by posting such information on the Company's website.

**ITEM 11. EXECUTIVE COMPENSATION**

The information required by this Item is incorporated by reference to the Company's Proxy Statement.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The following table provides information as of December 31, 2008 regarding compensation plans and arrangements under which equity securities of iGATE are authorized for issuance.

<u>Plan Category</u>	<u>Equity Compensation Plan Information</u>		
	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u> (a)	<u>Weighted-average exercise price of outstanding options, warrants and rights</u> (b)	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u> (c)
	<u>(in thousands except for price)</u>		
Equity compensation plans approved by security holders .....	4,208	\$1.75	10,625
Total .....	<u>4,208</u>	<u>\$1.75</u>	<u>10,625</u>

During 2006, the Company adopted the 2006 iGATE Corporation Stock Incentive Plan (the "Plan"). The Plan provides that up to 14.7 million shares of the Company's Common Stock shall be allocated for issuance to directors, executive management and key personnel.

The other information required by this Item is incorporated by reference to the Company's Proxy Statement.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this Item is incorporated by reference to the Company's Proxy Statement.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by this Item is incorporated by reference to the Company's Proxy Statement.

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

#### (a) 1. *Financial Statements*

The following Consolidated Financial Statements of the registrant and its subsidiaries are included on pages 35 to 38 and the reports of Independent Registered Public Accounting Firms are included on page 33 and 34 in this Form 10-K.

Reports of Independent Registered Public Accounting Firm.

Consolidated Balance Sheets—December 31, 2008 and 2007.

Consolidated Statements of Income—Years ended December 31, 2008, 2007 and 2006.

Consolidated Statements of Shareholders' Equity and Comprehensive Income (Loss)—Years ended December 31, 2008, 2007 and 2006.

Consolidated Statements of Cash Flows—Years ended December 31, 2008, 2007 and 2006.

Notes to Consolidated Financial Statements

#### 2. *Consolidated Financial Statement Schedules*

The following consolidated financial statement schedules shown below should be read in conjunction with the Consolidated Financial Statements on pages 35 to 38 in this Form 10-K. All other schedules are omitted because they are not applicable or the required information is shown in the Consolidated Financial Statements or notes thereto.

The following items appear immediately following the signature pages:

Financial Statement Schedules:

Schedule II—Valuation and Qualifying Accounts for the two years ended December 31, 2007 and 2006, respectively.

#### 3. *Exhibits*

Exhibits required by Item 601 of Regulation S-K are listed in the Exhibit Index, which is incorporated herein by reference.

**iGATE CORPORATION**  
**SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	<u>Balance at beginning of period</u>	<u>Charged to expense</u>	<u>Deductions(1)</u>	<u>Balance at end of period</u>
	(in thousands)			
<b>Allowance for Doubtful Accounts:</b>				
Year ended December 31, 2007 .....	\$ 344	\$ 246	\$ 15	\$ 605
Year ended December 31, 2006 .....	\$ 625	\$ 423	\$ (704)	\$ 344
<b>Deferred Tax Valuation Allowance:</b>				
Year ended December 31, 2007 .....	\$25,045	\$ 580	\$(1,348)	\$24,277
Year ended December 31, 2006 .....	\$23,952	\$1,462	\$ (369)	\$25,045

(1) Write-offs, net of recoveries, cash payments related to restructurings and the use of capital loss carry forwards and foreign tax credits.



<u>Exhibit</u>	<u>Index Description of Exhibit</u>
2.1	Separation and Distribution Agreement by and between iGATE Corporation and Mastech Holdings, Inc., dated September 30, 2008 filed as Exhibit 2.1 to iGATE's Form 8-K on October 1, 2008.
3.1	Second Amendment and Restated Articles of Incorporation of the Company are incorporated by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q, File No.000-2175, filed on August 14, 2000.
3.2	Amended and Restated Bylaws of the Company are incorporated by reference to Exhibit 3.2 to the Quarterly Report on Form 10-Q, File No. 000-21755, filed on August 14, 2000.
4.1	Form of certificate representing the Common Stock of the Company is incorporated by reference from Exhibit 4.1 to iGATE Corporation's Registration Statement on Form S-1, Commission File No. 333-14169, filed on November 19, 1996.
10.1	Form of Employment Agreement by and between the Company and Sunil Wadhvani and Ashok Trivedi is incorporated by reference from Exhibit 10.1 to iGATE Corporation's Registration Statement on Form S-1, Commission File No. 333-14169, filed on November 19, 1996.*
10.1(a)	Form of Amendment to Employment Agreement by and between the Company and Sunil Wadhvani and Ashok Trivedi is incorporated by reference from Exhibit 10.1(a) to the Annual Report on Form 10-K, File No. 000-21755 filed on March 28, 2001.*
10.2	Executive Employment Agreement dated November 22, 2000 between Steven Shangold and Emplifi, Inc. and iGATE Corporation is incorporated by reference from Exhibit 10.2 to the Annual Report on Form 10-K, File No. 000-21755 filed on March 28, 2001.*
10.2(a)	Employment Agreement Amendment dated September 30, 2001, between Steven Shangold, Emplifi, Inc. and iGATE Corporation filed on April 1, 2002.*
10.3	Employment Agreement dated April 1, 2001 between iGATE Management, Inc., and Michael J. Zugay is incorporated by reference from Exhibit 10.1 to the Quarterly Report on Form 10-Q, File No 000-21755 filed on August 14, 2001.*
10.3(a)	iGate Corporation 2006 Stock Incentive Plan is incorporated by reference to Exhibit 10.01 to the Quarterly Report on Form 10-Q, File No. 000-21755, filed on August 9, 2007.
10.3(b)	Employment Letter Agreement dated January 21, 2009 effective January 1, 2009, between Sujit Sircar and iGATE Corporation is filed herewith.*
10.4(a)	Executive Employment Agreement dated August 21, 2003 between Phaneesh Murthy and iGATE Global Solutions, Ltd. filed on November 14, 2003.*
10.8(h)	Goods Security Agreement dated May 21, 2008 by and among iGATE Global Solutions Ltd., and Citibank N.A. filed as exhibit 10.8 to the quarterly report on Form 10-Q, file no. 002021755, filed August 1, 2008.
10.9	Lease Agreement dated January 15, 1995 by and between iGS and Messrs. Wadhvani and Trivedi for real estate in Bangalore, India is incorporated by reference to Exhibit 10.10 to iGATE Corporation's Registration Statement on Form S-1, Commission File No. 333-14169, on April 1, 2002.
10.10	Lease Agreement dated November 6, 1996 by and between iGS and Messrs. Wadhvani and Trivedi for real estate in Bangalore, India is incorporated by reference to Exhibit 10.11 to iGATE Corporation's Registration Statement on Form S-1, Commission File No. 333-14169, filed on November 19, 1996.
10.11	Lease Agreement dated January 15, 1998 by and between iGS and Messrs. Wadhvani and Trivedi for real estate in Bangalore, India incorporated by reference to Exhibit 10.12 to Annual Report on Form 10-K for the year ended December 31, 1998.

<u>Exhibit</u>	<u>Index Description of Exhibit</u>
10.12	Lease Agreement dated March 26, 1997 by and between iGS and Messrs. Wadhvani and Trivedi for real estate in Bangalore, India incorporated by reference to Exhibit 10.13 to Annual Report on Form 10-K for the year ended December 31, 1998.
10.13	Lease Agreement dated January 13, 1998 by and between iGS and Messrs. Wadhvani and Trivedi for real estate in Chennai, India incorporated by reference to Exhibit 10.14 to Annual Report on Form 10-K for the year ended December 31, 1998.
10.14	Lease Agreement dated April 1, 1996 by and between Scott Systems Private Limited and Messrs. Wadhvani and Trivedi for real estate in Bombay, India is incorporated by reference from Exhibit 10.12 to iGATE Corporation's Registration Statement on Form S-1, Commission File No. 333-4169, filed on November 19, 1996.
10.15	Lease Agreement dated April 1, 1996 by and between Scott Systems Private Limited and Sunil Wadhvani for real estate in Bombay, India is incorporated by reference to Exhibit 10.13 to iGATE Corporation's Registration Statement on Form S-1, Commission File No. 333-14169, filed on November 19, 1996.
10.16	Lease Agreement dated April 1, 1996 by and between Scott Systems Private Limited and Ashok Trivedi for real estate in Bombay, India is incorporated by reference to Exhibit 10.14 to iGATE Corporation's Registration Statement on Form S-1, Commission File No. 333-14169, filed on November 19, 1996.
10.17	Lease Agreement dated April 18, 1998 by and between Scott Systems Private Limited and Messrs. Wadhvani and Trivedi for real estate in Mumbai, India incorporated by reference to Exhibit 10.18 to Annual Report on Form 10-K for the year ended December 31, 1998.
10.18	Lease Agreement dated April 18, 1998 by and between Scott Systems Private Limited and Messrs. Wadhvani and Trivedi for real estate in Mumbai, India incorporated by reference to Exhibit 10.19 to Annual Report on Form 10-K for the year ended December 31, 1998.
10.20	Lease Agreement dated October 14, 1998 by and between Park Ridge One Associates and the Company for office space located in Park Ridge Office Center near Pittsburgh, Pennsylvania incorporated by reference to Exhibit 10.20 to Annual Report on Form 10-K for the year ended December 31, 1998.
10.20(a)	First Amendment to Lease Agreement dated October 14, 1998 by and between Park Ridge One Associates and the Company for office space located in Park Ridge Office Center near Pittsburgh filed as Exhibit 10.20(a) to Annual Report on Form 10-K for the year ended December 31, 2005 filed on March 16, 2006.
10.21	Lease Agreement dated June 8, 2000 by and between the Company and Foster Plaza Holding Corporation for office space in Foster Plaza located near Pittsburgh, Pennsylvania is incorporated by reference to Exhibit 10.21 to the Annual Report on Form 10-K, File No. 000-21755 filed on March 28, 2001.
10.23	Shareholders Agreement by and among the Company, Sunil Wadhvani and Ashok Trivedi and the Joinder Agreement by Grantor Retained Annuity Trusts established by Messrs. Wadhvani and Trivedi are incorporated by reference to Exhibit 10.5 to iGATE Capital Corporation's Registration Statement on Form S-1, Commission File No. 333-14169, filed on December 16, 1996.
10.24	Tax Sharing Agreement by and between iGATE Corporation and Mastech Holdings, Inc., dated September 30, 2008 filed as Exhibit 10.1 to iGATE's Form 8-K on October 1, 2008.
21.0	Subsidiaries of the Registrant filed as Exhibit 21.0 to the Annual Report on Form 10-K filed on March 17, 2008 is filed herewith.

**Exhibit**

**Index Description of Exhibit**

- |       |  |
|-------|--|
| 23.1  | Consent of Ernst & Young, Independent Registered Public Accounting Firm is filed herewith.   |
| 23.2  | Consent of BDO Seidman, LLP, Independent Registered Public Accounting Firm is filed herewith.  |
| 31.01 | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer is filed herewith.  |
| 31.02 | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer is filed herewith.  |
| 32.01 | Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer is filed herewith. |
| 32.02 | Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer is filed herewith. |

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\* Management compensatory plan or arrangement

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 23rd day of February, 2009.

February 23, 2009

iGATE CORPORATION

/s/ PHANEESH MURTHY

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**Phaneesh Murthy**  
*President, Chief Executive Officer and Director*

/s/ SUJIT SIRCAR

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**Sujit Sircar**  
*Chief Financial Officer*

/s/ SUNIL WADHWANI

---

**Sunil Wadhvani**  
*Co-Chairman of the Board of Directors  
and Director*

/s/ ASHOK TRIVEDI

---

**Ashok Trivedi**  
*Co-Chairman of the Board of Directors  
and Director*

/s/ J. GORDON GARRETT

---

**J. Gordon Garrett**  
*Director and Chairman of the Audit Committee*

/s/ GORAN LINDAHL

---

**Goran Lindahl**  
*Director*

/s/ EDWARD YOURDON

---

**Edward Yourdon**  
*Director*

/s/ MICHEL BERTY

---

**Michel Berty**  
*Director*

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# GLOBAL PRESENCE

## USA

6528 Kaiser Drive  
Fremont, CA 94555  
Tel: +1 510 896 3000

1000 Commerce Drive, Suite 200  
Pittsburgh, PA 15275  
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Iselin, NJ 08830  
Tel: +1 732 623 7000

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Atlanta, GA 30339  
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20 Cabot Boulevard, Suite 300  
Mansfield, MA 02048  
Tel: +1 508 618 1267

1400 Preston Road, Suite 400  
Plano, TX 75093  
Tel: +1 972 665 9814

India  
Plot No:158-162(P) &165(P)-170(P)  
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Sonali Info Park, 8-2-120/113  
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Hyderabad 500034  
Tel: +91 40 6672 2000

C-133A & B, Sector 2  
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Uttar Pradesh 201301  
Tel: +91 120 254 8520

106-109, MAC Commerce Park  
Anna Salai, Guindy  
Chennai 600032  
Tel: +91 44 5225 0000

4/3B, Orient Row  
Park Circus  
Calcutta 700017

209/b Wing, Navkar Chambers  
2nd Floor, Andheri Kurla Road  
Marol Naka, Andheri East  
Mumbai 400 059

## Australia

Suite #3, 300B, Gillies Street  
Wendouree, Ballarat  
Victoria 3355  
Tel: +61 3 5335 3000

Part level 3, 492 St Kilda Road  
Melbourne, Victoria 3004  
Tel: +61 3 9820 1730

Suite 3, Level 4, 56, Berry Street  
North Sydney, NSW 2060  
Tel: +61 2 9460 2175

## Singapore

Level 27, Prudential Tower  
30 Cecil Street  
049 712  
Tel: + 65 6725 6446



**Canada**

5800 Explorer Drive, Suite 401  
Mississauga, Toronto, ONL4W 5KP  
Tel: +1 905 629 3000

**UK**

4th Floor, Crowne House  
56-58 Southwark Street  
London SE1 1UN  
Tel: + 44 20 7904 1100

**Malaysia**

Unit F08, First Floor, Block 2320  
Century Square 63000  
Cyberjaya, Selangor Darul Ehsan  
Tel: + 60 3 8318 4252

**Japan**

706 Queen's Tower A, 2-3-1  
Minato-Mirai, Nishi-ku, Yokohama  
Kanagawa 220-6007  
Tel: +81 45 682 5120

**Mexico**

6th Floor, Atlantic Tower, 6  
WTC, Guadalajara Complex  
Guadalajara, Jaisco, CP 44540  
Tel: +52 333 001 4600

**Germany**

Haus 2/3.OG  
Landsberger Strasse 155  
80687 Munich  
Tel: +49 89 579 59 160

**The Netherlands**

Koningin Emmaplein 10  
3016 AB Rotterdam  
Tel: +31 10 436 22 11

**Belgium**

Regus Park Atrium  
Rue Des Colonies 11  
Bruxelles, B - 1000

**France**

17 Square Edouard VII  
75009 Paris

**South Africa**

Adams & Adams Place  
1140, Prospect Street, Hatfield  
Pretoria 0002

**Sweden**

Borgarfjordsgatan 13A, 6TR  
164 40 Kista

**Switzerland**

Stockerhof  
Dreikönigstrasse 31a  
8002 Zurich  
Tel: +41 797 413255

## Recent Awards and Honours

Outsourcing Excellence Awards 2008, Best Financial Services Partnership Category, (with Royal Bank of Canada), Outsourcing Center/Everest Group

Top 50 Best Managed Global Outsourcing Vendor, Black Book of Outsourcing

Global Services 100, 2008, Global Services Magazine and NeolT

Global Services 100, 2009, Global Services Magazine and NeolT

FinTech 100, 2008, Financial Insights and American Banker

Global Outsourcing 100, 2009, International Association of Outsourcing Professionals

# 1 in DQ-IDC Best IT Employer Survey 2008

# 3 in DQ-IDC Best IT employer survey 2007

India's Employer of Choice [IT/ITeS] 2007 by CNBC TV18 -Watson Wyatt

# 2 'Best Company to Work for' by Business Today-Mercer Human Resource Consulting-TNS

# 6 'Best Company to Work for' in BT-Mercer-TNS survey in 2007

Green Campus Award, Mysore Horticultural Society

Annual National Quality Conference, Anna University, Chennai

Best Practice Award for "Small Steps", BSPIN(E).



Information  
effective  
March 1, 2009

### **Directors**

**Michel Berty** <sup>1,2,3</sup>  
*Former President, PAC U.S.*

**J.Gordon Garrett** <sup>1,2,3</sup>  
*Chief Executive Officer,  
Interloci Network Management Inc.*

**Ed Yourdon** <sup>2,3</sup>  
*Independent Software Engineering Consultant*

**Göran Lindahl** <sup>1,2,3</sup>  
*Former CEO & President of ABB,*

**Phaneesh Murthy\***  
*President & Chief Executive Officer*

**Sunil Wadhvani\***  
*Co-Chairman*

**Ashok Trivedi\***  
*Co-Chairman*

### **Governing Council**

**Phaneesh Murthy\***  
*President & Chief Executive Officer*

**Hari Murthy**  
*Chief Sales and Marketing Officer*

**Sean Narayanan**  
*Chief Delivery Officer*

**Sujit Sircar\***  
*Chief Financial Officer*

**Sumit Ganguli**  
*Head - Consulting and M&A*

**Dr Srinivas Kandula**  
*Global Head - Human Resources*

### **Committee Assignments**

1. Audit Committee
  2. Compensation Committee
  3. Nominating and Corporate Governance Committee
- \*Executive Officers

### **Corporate Headquarters**

6528 Kaiser Drive  
Fremont, CA 94555  
Tel: 510-896-3000  
Toll Free: 1-877-92-iGATE  
www.igate.com

### **Investor Relations**

To receive further information about  
iGATE Corporation, please contact:  
Investor Relations  
6528 Kaiser Drive  
Fremont, CA 94555  
Tel: 510-896-3015

### **Transfer Agent**

BNY Shareowner Services  
Newport Office Center VII  
480 Washington Blvd.  
Jersey City, NJ 07310  
Tel: 800-522-6645  
TDD for hearing impaired: 800-231-5469  
<https://www.bnymellon.com/isd>

### **Independent Auditors**

Ernst & Young  
Golf View Corporate Tower B  
Sector - 42 Sector Road  
Gurgaon - 122002  
Haryana-India

**Annual Shareholder Meeting**  
for iGATE Stockholders will take  
place on April 21, 2009  
Place: The Westin San Francisco Airport,  
1 Old Bayshore Highway,  
Milbrae, CA 94030  
Time: 8.30 am

### **Common Stock**

iGATE common stock is  
traded on the NASDAQ  
National Market System  
under the symbol IGTE.



6528 Kaiser Drive  
Fremont, CA 94555  
Tel: 510 896 3000  
Fax: 510 896 3010  
[www.igate.com](http://www.igate.com)

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Australia   Canada   Germany   India   Japan   Malaysia   Mexico   Singapore   Switzerland   UK   USA

iGATE (NASDAQ: IGTE) is the first "integrated technology and operations" solution provider with a global delivery model. iGATE's unique business model of "integrated technology and operations" (ITOPS) coupled with "Pay by the Drink" Model (Transaction based Pricing or Output based Pricing) aligns with the Client's Strategic Objectives to attain greater operational capabilities, achieve operational efficiencies, reduce operational costs, increase cost variability and rationalize their current operating environment. iGATE has 6,658 people, with 34 offices in 16 countries.