ICT Group has built a strong foundation to support future growth and earnings momentum.

ICT Group is a leader in outsourced customer management and related marketing, technology and BPO solutions.

With a global network of 40+ operations centers across 5 continents, we offer clients optimal flexibility, scalability and choice.

Our deep vertical expertise, diversified client base, leading edge technology and proven operational and quality processes help set the Company apart from its competitors and position us for continued growth and success.

a letter to our shareholders

John J. Brennan, Chairman, CEO and President

During 2007, we committed significant resources to meet and overcome multiple challenges. I believe that ICT Group is now a much stronger Company, positioned to capitalize on a large and growing market for customer management and BPO services outsourcing.

Dear Shareholder,

2007 was a challenging year for ICT Group, proving to be a time of transition and rebuilding for the Company.

Our financial results were impacted by a confluence of events, starting with financial penalties we incurred on two rapidly expanded client programs, followed by a major client's decision to migrate its outsourced operations from our domestic facilities to lower-priced offshore facilities at an accelerated rate. Although we had little advance notice, ICT Group responded quickly to the client's needs, to maintain this significant relationship, but it was costly. We were faced with significant offshore staffing, facility expansion and systems implementation costs, while at the same time incurring ramp-down costs for redundant domestic operations.

Further affecting 2007 performance, the headwinds of the sub-prime financial crisis grew stronger as the year progressed, resulting in a decline in sales and marketing programs from domestic financial services clients, which impacted revenue and profitability during the latter part of the year.

By marshalling its resources, ICT Group successfully met and overcame these challenges:

- Client issues were stabilized and customer relationships were improved in line with improved operational performance.
- The accelerated offshore migration was successfully executed and completed in the first quarter of 2008.
- The decline in domestic financial sales and marketing programs began to be offset in early 2008 by an increase in outsourced customer service, collections and back-office work from financial clients seeking to reduce their internal cost structures.

Undoubtedly the challenges of 2007 tested the strength and tenacity of ICT Group. However, as a result of the actions taken, combined with the continued strong demand for our services in both domestic and international markets, we believe that ICT Group is now positioned to achieve renewed revenue growth and profitability improvement during the course of 2008.

2007 Financial Performance

Total revenue in 2007 was $453.6 million, compared to 2006 total revenue of $447.9 million. On an adjusted basis, 2007 net income was $3.4 million, or $0.21 per diluted share, compared to net income of $16.8 million, or $1.11 per diluted share in 2006.[1] On an unadjusted basis, the Company incurred a net loss of $11.8 million or $0.75 per diluted share in 2007.

Operating Achievements

Successfully Right-Sized Operations Used to Support Domestic Clients:
During 2007, ICT Group rebalanced its domestic operations capacity in response to rapidly shifting client demands. As a result, certain domestic operations were closed or downsized, reducing U.S. workstation capacity. At year-end 2007, the Company had 3,860 workstations in operation in the U.S. compared to 5,170 a year earlier.

To support the continued, strong demand for offshore support services, ICT Group added approximately 2,000 workstations in the Philippines during 2007, with the opening of two new operations centers and the expansion of existing facilities. At year-end 2007, the Company had 4,670 workstations in operation in the Philippines.

In recognition of this rapid expansion, ICT Group was named "The Fastest Growing BPO Company of the Year" for 2007 by the International Information and Communication Technology community in the Philippines.

The number of workstations in Canada being used to support U.S. clients was reduced and redirected to support a rapidly growing base of Canadian clients. Lastly, our offshore capacity in Latin America was further expanded to provide bilingual English/Spanish support for U.S. clients.

As a result of these actions, 48% of total production for U.S. clients was handled from offshore operations in 2007, up from 33% in 2006; by the fourth quarter of 2007, the share handled offshore reached 58%.

Achieved Strong Revenue Growth in International Markets:
Led by strong growth in Canada, Mexico and Australia, as well as the first full year operating in Argentina, combined revenue from ICT Group's international units increased 32% in 2007, accounting for 29% of total Company revenue compared to 22% in 2006. Our business in Canada and Argentina came primarily from clients in the telecommunications and energy sectors, while in Europe, Mexico and Australia, it came primarily from clients in the financial services sector.

Accelerated Growth in BPO and Value-Added Services:
Revenue from our higher-margin Marketing, Technology and BPO solutions business increased 24% in 2007, as ICT Group took advantage of the growing trend among large, multinational companies to consolidate their outsourcing initiatives and turn to suppliers that offer a broader range of business processing support services. Strongest growth was achieved within our outbound IVR alert messaging and complementary back-office BPO services business. These services were introduced into our international units during 2007, which resulted in program wins in Europe and Australia.

Successfully Captured New Business:
ICT Group's new business pipeline remained strong across targeted verticals, in both domestic and international markets. During the first half of 2007, the Company allocated significant resources to improve operational performance and support the offshore migration of existing programs. After achieving these objectives, ICT Group was able to focus more intently on expanding its base of business during the second half of the year, which led to securing significant new and expanded contracts and building a strong sales pipeline. We expect these wins to help support revenue growth and earnings momentum in 2008.

Looking Ahead: Strategy for Growth

ICT Group's key strategic initiatives, which will serve as the Company's blueprint for achieving continued, long-term growth and profitability improvement in the outsourced services market, are outlined below:

Improve Revenue and Profitability of Domestic Business:
As a result of accelerating the migration of U.S. production to its lower-priced, higher-margin offshore operations in 2007, ICT Group now expects to support approximately 65% of production for U.S. clients from offshore operations in the Philippines and Latin America in 2008.

We expect to add approximately 1,200 workstations in the Philippines during 2008, with the expansion of existing centers and the opening of our first provincial centers outside of greater Manila. Additionally, we plan to expand offshore operations in Latin America during 2008, to provide clients with an alternative, low-cost offshore solution and bilingual support.

ICT Group's rebalanced production capacity and new business wins are expected to result in quarterly sequential growth in domestic revenue during 2008, accompanied by improvements in operating profitability driven by the Company's higher-margin offshore operations.

Within the Government and healthcare sectors, which represent over 20% of ICT Group's domestic revenue, clients have historically been reluctant to adopt an offshore model. Also, we have noted a growing demand among clients across multiple verticals to seek out either a higher-quality or lower-cost domestic

[1] Refer to reconciliation of net income and diluted earnings per share, as adjusted for restructuring charges, litigation costs, income tax and other charges recorded during 2007 on page 6 of this Annual Report.

solution for their outsourced initiatives. As a result, we now expect that at least 20% to 25% of production for domestic clients will remain in the U.S. for the next two to three years.

In response to this demand, ICT Group is developing smaller, more cost-effective U.S.-based operations in more remote areas of the country with less competition for labor, as well as expanding its home based agent (HBA) solution. By establishing home based operations in close proximity to existing operations centers, we can utilize these facilities for internal training, quality assurance and other core functions supporting the HBA delivery model.

Support Continued, Strong Growth Within International Markets: Consistent with its focus on further expansion in international markets, ICT Group has strengthened the senior management staff within its international division and country-specific operating units.

Based on projected demand, we expect revenue from our international units to continue to grow at a faster pace than our domestic business units. Not only is the outsourced services market in countries outside the U.S. much less developed, but clients in many of these foreign markets have not yet experienced the full benefits of utilizing a lower-cost offshore alternative for their outsourced service initiatives.

We are strengthening our competitive position in the U.K., Canada and Australia, and are keenly focused on growing business in Latin America, where the Company already has operations in Mexico, Costa Rica and Argentina. We believe that we are well positioned to capitalize on this opportunity, with the ability to leverage our global operating network, process improvement strategies and common technology platform for the delivery of comprehensive end-to-end services.

In addition to supporting U.S. clients from the Philippines, India, Mexico, Canada and Costa Rica, ICT Group is currently supporting:

- Australian and Canadian clients from the Philippines,
- U.K. clients from Canada and the Philippines, and
- Clients in Spain from Argentina.

Continue to Develop and Expand Higher-Value Marketing, Technology and Back-Office BPO Solutions: ICT Group expects to better utilize offshore operations during off-peak hours, in response to a growing demand for less time-sensitive, non-voice BPO support services, including application processing, e-mail response management, remittance processing and financial analysis.

In 2008, we expect to achieve continued growth within our high-value Marketing, Technology and BPO solutions business, both by organically developing expanded services for our core markets and exploring expansion opportunities through acquisitions and strategic relationships, particularly for clients in the financial services and healthcare verticals.

Implement Technology and Process Enhancements to Reduce Operating Costs and Improve Efficiency: In an effort to reduce the Company's cost structure and further differentiate itself in the marketplace, ICT Group is implementing and refining multiple technology-based, continuous process improvement initiatives, spanning the entire agent life cycle—from recruiting to training to workforce management to quality performance monitoring to sales verification.

ICT Group plans to further develop and invest in its use of enabling technologies designed to achieve reduced operating costs and improved performance and efficiency, including:

- Agent recruitment software to improve selection and reduce attrition
- eLearning tools to improve training efficiency and reduce costs
- Centralized workforce management to optimize agent productivity
- Call recording technology for training and quality assurance
- Voice mining software to automate sales verification

In Closing

Out of the challenges of 2007 has come a stronger and more diverse ICT Group, with a broader geographic footprint, stronger vertical market positions and more comprehensive service offerings.

I thank our clients, employees and shareholders for their continued support and long-standing confidence in ICT Group, and I look forward to reporting to you next year, as we continue to build upon our solid business foundation and achieve restored levels of success and profitability in this viable and growing market for outsourced customer management and related marketing, technology and BPO services.

Thank you.

John J. Brennan
Chairman, Chief Executive Officer and President
ICT Group, Inc.

2007 ICT Group financial results

The following table shows a reconciliation of net income and diluted earnings per share, as adjusted for restructuring charges, litigation costs, income tax and other charges recorded during 2007. There were no such adjustments recorded during 2006.

(in thousands, except per share amounts) *(unaudited)*	For the Year Ended December 31, 2007
Net loss	$(11,809)
Addback:	
Interest income, net	(627)
Income tax provision	5,383
Operating loss	$ (7,053)
Addback:	
Restructuring charges	7,664
Litigation costs	1,042
Client claim	398
Writeoff of M&A advisory costs	257
Other exit activities	344
Adjusted operating income	$ 2,652
Less:	
Interest income, net	(627)
Income tax benefit, adjusted for the tax effect of the addback items above and the discreet income tax charge recorded during the third quarter of 2007	(113)
Adjusted net income	$ 3,392
Adjusted diluted earnings per share	$ 0.21
Shares used in computing adjusted diluted earnings per share	16,003

Caution Concerning Forward-Looking Statements: *This report contains forward-looking statements concerning ICT Group, Inc.'s objectives and anticipated revenue and earnings for 2008. Forward-looking statements generally contain words such as "plans," "believes," "expects" or "intends." Forward-looking statements address matters that are, to different degrees, uncertain. For ICT Group, Inc., particular uncertainties arise from the competitive nature of the outsourced business services industry, economic, political or other conditions which could alter the desire or ability of businesses to outsource certain sales and service functions, government regulation of the industry, the risks associated with investments and operations in foreign countries, including exchange rate fluctuations, the ability to select or develop on a timely basis the technology needed to remain competitive, ICT Group, Inc.'s capital and financing needs and the risk factors discussed in ICT Group's Annual Report on Form 10-K for the year ended December 31, 2007. These uncertainties may cause ICT Group, Inc.'s actual future results to be materially different than those expressed in the forward-looking statements. ICT Group, Inc. does not undertake to update its forward-looking statements.*

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, 2007

or

☐ **Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission File Number 0-20807

ICT GROUP, INC.

(Exact name of registrant as specified in its charter.)

Pennsylvania	**23-2458937**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
100 Brandywine Boulevard Newtown, PA	**18940**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant's telephone number including area code: (267) 685-5000

Securities registered pursuant to Section 12(b) of the Act: NONE

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

Common Stock, par value $.01
(Title of Class)

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 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 that the registrant was required to file such 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). (Check one):

Large Accelerated Filer ☐ Accelerated Filer ☒ Non-accelerated Filer ☐ Smaller Reporting Company ☐
(Do not check if a smaller reporting company)

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES ☐ NO ☒

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 29, 2007, was approximately $214,874,215. Such aggregate market value was computed by reference to the closing sale price of the Common Stock as reported on the National Market of The Nasdaq Stock Market on June 29, 2007. For purposes of this calculation only, the registrant has defined affiliates as consisting solely of all directors, executive officers and beneficial owners of more than ten percent of the common stock of the Company. In making such calculation, registrant is not making a determination of the affiliate or non-affiliate status of any holders of shares of Common Stock. The number of shares of the registrant's Common Stock outstanding as of March 3, 2008, was 15,850,826.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement relating to its 2008 Annual Meeting of Shareholders, to be filed no later than April 29, 2008, are incorporated by reference in Part III hereof.

Unless the context indicates otherwise, "ICT Group," "ICT," the "Company," "we," "our," and "us" refer to ICT Group, Inc., and where appropriate, one or more of its subsidiaries.

ICT GROUP, INC.

FORM 10-K ANNUAL REPORT
For Fiscal Year Ended December 31, 2007

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This document contains certain forward-looking statements that are subject to risks and uncertainties. Forward-looking statements include statements relating to the appropriateness of our reserves for contingencies, the realizability of our deferred tax assets, our restructuring reserves, our belief regarding our critical accounting policies, our ability to finance our operations and capital requirements into 2009, our expectation regarding work opportunity tax credits, our share-based awards, our ability to finance our long-term commitments, certain information relating to outsourcing trends as well as other trends in the outsourced business services industry and the overall domestic economy, our business strategy including the markets in which we operate, the services we provide, our ability to attract new clients and customers, our expectation to grow through both internal expansion and selective acquisition, the benefits of certain technologies we have acquired or may acquire in the future and the investment we plan to make in technology, our plans regarding international expansion, the implementation of quality standards, the seasonality of our business, the adequacy of our current facilities and the availability of additional or alternative space, our dividend policy, variations in operating results and liquidity, as well as information contained elsewhere in this document where statements are preceded by, followed by or include the words "will," "should," "believes," "plans," "intends," "expects," "anticipates" or similar expressions. For such statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. The forward-looking statements in this document are subject to risks and uncertainties that could cause the assumptions underlying such forward-looking statements and the actual results to differ materially from those expressed in or implied by the statements. All forward-looking statements included in this report are based on information available to us as of the date of this report, and we assume no obligation to update these cautionary statements or any forward-looking statements.

PART I

ITEM 1. *BUSINESS*

We are a leading global provider of outsourced customer management and business process outsourcing solutions. Our comprehensive, balanced mix of sales, service, marketing and technology solutions includes: customer care/retention, technical support and customer acquisition, cross-selling/upselling and collections as well as market research, database marketing, data entry/management, e-mail response management, remittance processing and other back-office business processing services.

We also offer a comprehensive suite of Customer Relationship Management (CRM) technologies, which are available on a hosted basis, for use by clients at their own in-house facilities, or on a co-sourced basis in conjunction with our fully integrated, Web-enabled operations centers. These technologies include: interactive voice response (IVR) and advanced speech recognition (ASR), outbound alert notification/messaging, automatic call distribution (ACD) voice processing, Voice over Internet Protocol (VoIP), contact management, automated e-mail management and processing, sales force and marketing automation and Web self-help, for the delivery of consistent, quality customer care across multiple channels.

Industry Overview

Outsourced business services have evolved significantly in recent years. Competitive pressures, advancements in technology and an accelerating trend toward outsourcing have resulted in the demand for more complex, interactive and highly customized customer management solutions, using a combination of home-shore, near-shore and offshore facilities. Outsourced service providers are now expected to serve more as a business "partner," offering their clients value-added strategies rather than traditional commodity-based customer interaction and sales and service support applications.

Our Approach

We have distinguished ourselves in the industry with our balanced growth strategy, industry expertise, customer-oriented focus, comprehensive portfolio of services, substantial resources across global operations and technology infrastructure capable of supporting future expansion. We continue to expand our worldwide network of state-of-the-art operations centers in order to deliver globally integrated customer care, end-to-end telesales and marketing and CRM technology services to meet the specific needs of our clients.

With over 20 years of expertise in outsourced customer management services, ICT Group is well positioned for continued growth in a large and growing market. By leveraging our experienced Management team, proven business model, global infrastructure, operating and technology investments and expertise in target industries, Management intends to advance our position as a leading global supplier of integrated customer management and related marketing, technology and back-office business process outsourcing solutions by:

Increasing International Presence and Further Developing Lower-cost Offshore Delivery Solutions. With an operations infrastructure across North America, Latin America, Europe and Asia, we offer clients increased flexibility and geographically diverse solutions. In 2007, we expanded offshore operations in the Philippines, where we currently operate five operations centers. A major component of our continued revenue growth and profitability strategy is to develop lower-cost offshore delivery capabilities in existing and new geographies, as well as creating lower-cost onshore alternatives to mitigate business risks for ICT Group and our customers.

At the same time, we plan to strengthen and build our position in international markets, including Latin and South America, Europe and Asia-Pacific. In Argentina, we plan to begin providing offshore English and Spanish support for the U.S. market and potentially multi-lingual support for the European market. In Europe and Australia, we are focused on expanding our customer care services business opportunities as well as leveraging our strong financial services vertical position, to deliver cost-effective offshore voice and back-office business process outsourcing (BPO) support services from VoIP-connected facilities in Canada, India, and the Philippines.

Leveraging and Strengthening our Vertical Market Expertise. We have historically targeted specific markets based on our vertical expertise and recognition of important industry-specific trends. Our Management believes that these vertical markets have both improving demand characteristics and increased outsourcing needs, which offer strong growth opportunities. Currently, we are focused on exploiting new business opportunities in the financial services and insurance, telecommunications and technology, healthcare, energy services, business and consumer products and services and Government markets. We will also use strategic relationships to develop new business in these targeted verticals as well as explore and develop new vertical markets.

Implement Technology and Process Enhancements to Reduce Operating Costs and Improve Efficiency. The Company plans to further develop and invest in its use of enabling technologies designed to reduce operating costs and improve performance and efficiency. In addition to continuing the migration of a portion of its IT/ programming, quality verification and selected other corporate support functions to lower-cost offshore geographies, ICT Group will continue to invest in the development of such enabling technologies as: agent recruitment software, centralized workforce management, eLearning, digital call recording and voice mining for improved verification.

Broadening our Services Platform. Large multinational companies are looking for a broader complement of services from their external service providers. We will focus on expanding our higher-margin, value-added services to fulfill these broader client needs, helping to differentiate ICT Group from our competitors. We continue to increase revenue from our IVR services for both inbound response and outbound alert applications. We also provide back-office data entry/management, document imaging and scanning, mailroom operations support, remittance processing and e-mail response management services. We intend to continue to develop these services, organically and through the exploration of strategic alliances with, and select acquisitions of, businesses that provide complimentary outsourced services.

Continuing Commitment to Quality Service. We have consistently emphasized quality service and extensive employee training by investing in quality assurance personnel and procedures. We intend to continue our commitment to providing quality service as well as our quality-focused service process engineering and continuous process development initiatives, as demonstrated by our certification with ISO 9001:2000 standards as well as our certification as a Level 1 Service Provider under the Payment Card Industry (PCI) Data Security Standard.

Our Services

Our services are provided through operations centers located across the globe and include customer care/ retention, technical support and customer acquisition, cross-selling/upselling and collections as well as market research, database marketing, data entry/management, e-mail response management, remittance processing and other back-office business processing services and CRM technology hosting on behalf of customers operating in our target industries. Recent technological advancements have allowed us to better manage production output at each operations center by routing customer interactions to different centers depending on required skills and capacity. The technology assets may be located at a different physical location or country than the operations center. Accordingly, many of our operations centers are not limited to performing only one of the above-mentioned services. Rather, they can perform a variety of different services for a number of different customers/ programs.

We offer the following services to our clients:

Customer Care Services and Technical Support. We provide outsourced customer care support services across a broad range of industries. In addition, we provide Tier I and Tier II technical support services for IT, telecommunications and consumer electronics companies, supporting both business- and consumer-based customers. Depending on client needs, we will assume sole or shared responsibility for the management of a client's customer care operation—at the client's facility or at one of our operations centers. As of December 31, 2007, we operated operations centers in the U.S., Canada, England, Ireland, Australia, Argentina, Costa Rica and the Philippines, which provided these services for our clients. Certain operations centers in the U.S., Mexico and Costa Rica provide bilingual English and Spanish services. Certain operations centers in Canada provide bilingual English and French services. Our operations centers in Ireland provide pan-European, multilingual services supporting the European marketplace.

Telesales. Our telesales business operation provides inbound and outbound telesales support activities primarily for clients in the financial services, insurance and telecommunications industries. As of December 31, 2007, this business is supported by operations centers located throughout the U.S., Canada, Ireland, England, Australia, Argentina, Costa Rica, Mexico, and the Philippines. Certain operations centers in the U.S. provide bilingual English and Spanish telesales. Certain operations centers in Canada provide bilingual English and French telesales. Our operations centers in Ireland provide pan-European, multilingual telesales supporting the European marketplace.

Marketing, Technology and BPO Solutions. We also support businesses across a range of industries with marketing research, collections, data entry/management, scanning and imaging, e-mail response management and remittance processing, and provide a comprehensive suite of CRM technologies, including IVR and advanced speech recognition, ACD voice processing, e-mail management and processing, outbound alert messaging/ notification and other contact management technologies. As of December 31, 2007, this organization supported our clients from operations centers located in the U.S., Canada, Costa Rica, India and the Philippines. Our CRM technologies are available on a hosted basis for use by clients at their own in-house facilities, or on a co-sourced basis in conjunction with our fully integrated state-of-the-art customer operations centers.

Additional financial information regarding our geographic areas is presented in Note 16 to our consolidated financial statements included in this Annual Report on Form 10-K.

Target Industries

Our domestic salesforce is organized by specific vertical industries, which enables our sales personnel to develop in-depth industry and product knowledge. Several of the industries that we serve are undergoing deregulation and consolidation, which provides us with additional opportunities as businesses search for cost-effective solutions for their customer care, telesales, marketing and CRM technology-related customer support needs. Selected industries we target include:

Financial Services

We provide retail banks, mortgage companies, credit rating agencies, insurance carriers and other financial services organizations with a wide range of services, including card holder acquisition, active account generation, account balance transfer, account retention, insurance telesales and customer service. Our Financial Marketing Services operation offers banking services, such as marketing and servicing home equity loans, lines of credit, loan-by-phone, checking and deposit account acquisition, mortgage loans and other traditional banking products.

Telecommunications

We provide customer service, technical support and telesales support for land line, cellular, cable and satellite services offered by major telecommunications companies.

Healthcare Services

Through our Healthcare Services business organization, we support pharmaceutical and medical device manufacturers, health insurance companies and other healthcare-related suppliers, for a variety of sales and customer care applications. For example, we provide patient assistance for prescription savings programs, technical/product support for medical device manufacturers and member enrollment services for healthcare insurance companies.

Other

We provide customer service and retention, telesales and value-added marketing, technology and back-office business processing support services for clients in the Government, retail, consumer products and energy industries. These applications include, but are not limited to: customer service, first-level customer technical support, customer care/retention, business-to-business lead generation and direct sales.

Technology

We invest heavily in systems and software technologies designed to improve our operations productivity, thereby lowering the effective cost per operations made or received, and to improve sales and customer service effectiveness by providing our sales and service representatives with real-time access to customer and product information. We believe we were one of the first fully automated teleservices companies and among the first to implement predictive dialing technology for outbound telemarketing and market research, to provide collaborative Web browsing services and to provide VoIP capabilities.

Through a global implementation of VoIP, we have obtained a redundant voice and data network infrastructure (based on VoIP technology) from our telecommunications vendors that can seamlessly route inbound and outbound voice traffic to our operations centers worldwide. As an example, our percentage of VoIP-enabled workstations has increased from approximately 20% in 2003 to 70% in 2007.

We utilize a scalable set of UNIX and Windows processors to support our inbound and outbound operations centers. Dedicated UNIX and Windows processors are used for inbound operations centers, while predictive dialing systems, networked to UNIX and Windows processors at our corporate data centers, are used for outbound operations centers. The predictive dialing systems support call and data management. The UNIX and Windows processors provide centralized list management, data consolidation, report generation and also interface with client order processing systems.

We use software to prepare inbound and outbound scripts, manage, update and reference client data files, collect statistical transaction and performance data and assist in the preparation of internal and external reports. This software includes our proprietary list management system (LMS) as well as Siebel Systems Contact Management system. Our use of the Siebel Systems software as well as Oracle's database management system provides a scalable and robust suite of applications to support our clients' business needs. We also use a proprietary IVR system that runs on industry standard operating systems and interfaces with our telephony system through Intel's Dialogic interface cards. This IVR system provides an automated method to handle voice calls and interfaces with Nuance, an industry-leading speech recognition system.

Quality Assurance, Personnel and Training

We place heavy emphasis on the delivery of quality service on calls made or taken on behalf of our clients. This is accomplished through extensive employee training and development programs, augmented with highly developed quality assurance personnel and solid business practices. Our quality assurance and training departments are responsible for the development, implementation and enforcement of policies and procedures used in operating the operations centers. The selection and training of telephone service representatives, training and professional development of operations center management personnel, monitoring of calls and verification and editing of all sales are performed through our Quality Assurance and Training organizations. Through our Quality Assurance department our internal staff, as well as the staff of our clients, are able to perform real time on-site and remote call monitoring to maintain quality and efficiency. Sales confirmations are recorded, with the customer's consent, in order to verify the accuracy and authenticity of transactions. Additionally, we are able to provide our clients with immediate updates on the progress of an ongoing program. Access to this data allows our operations Management and our clients to identify potential campaign shortfalls and to immediately modify or enhance the program. Digital recording technology has been deployed to all of our operations centers and allows the consolidation of all verification activities into geographically centralized locations and effectively creates a "third-party" verification center. Verification results are available to our operations Management and our client services Management by the end of each calling day. Each center can access the recordings for review with supervisory staff or the service representative. We are also currently testing as part of a pilot program certain voice-recognition software. This software will enhance a variety of our verification abilities when fully deployed.

Our commitment to providing quality service is further illustrated by our certification with ISO 9001:2000 standards, which are administered by the International Organization for Standardization and represent an international consensus on the essential features of a quality system to ensure the effective operation of a business. All domestic and international sales and service centers are ISO 9001:2000 compliant. Our ISO 9001:2000 certification is at the core of our Quality Management System, and is the key driver to our process driven, continuous improvement orientation. In 2007, we successfully obtained full certification as a Level 1 Service Provider under the Payment Card Industry (PCI) Data Security Standard. Our certification involved a complete audit with a 12-step approval process, ensuring that we have built and maintained a secure network, protected cardholder data, maintained a vulnerability management program, implemented strong access control measures, regularly monitored and tested networks and maintained an information security policy. These two certifications allow us to meet the critical and complex data security needs of our clients.

Employees

Management believes that a key driver of our success is the quality of our employees. We tailor our recruiting and training techniques toward the industries we serve. As part of the setup of each client program, service representatives receive a detailed review of each program in which they are to participate along with training regarding the background, structure and philosophy of the client that is sponsoring the program. As is typical in our business, most of our service representatives are part-time or temporary employees. As of December 31, 2007, we employed 19,006 people, most of whom were part-time or temporary employees. Except for our employees in Argentina, none of our employees are currently represented by a labor union. We consider our relations with our employees to be good.

Clients

We target those companies that we believe have the greatest potential to generate recurring revenue to the Company based on their ongoing direct sales and customer service needs. At December 31, 2007, we provided our services to over 150 clients.

Our customer care clients typically enter into multi-year contractual relationships that may contain provisions for early contract terminations, while we generally operate under month-to-month contractual relationships with our telesales clients. The pricing component of a contract is often comprised of a base service charge and separate charges for ancillary services. Our services are generally based upon per-minute or hourly rates. On occasion, we perform services for which we are paid incentives based on completed sales.

For each of the years ended December 31, 2007, 2006 and 2005, there were no customers which comprised more than 10% of our revenue. For the years ended December 31, 2007, 2006 and 2005, our top ten customers accounted for 49%, 48% and 48% of our total revenue, respectively.

Competition

The customer management and business process outsourcing services industry is very competitive and our principal competition in our primary markets comes from large service organizations, including, but not limited to: Convergys Corporation, Sykes Enterprises, TeleTech Holdings, Inc., APAC Customer Services, Inc, PeopleSupport, Inc., and StarTek, Inc. We also compete with numerous independent firms, some of which are as large or larger than we are, as well as the in-house operations of many of our clients or potential clients. In addition, many businesses that are significant consumers of these services utilize more than one service firm at a time and may reallocate work among various firms from time to time. Some of this work is contracted on an individual project basis, with the result that we and other firms seeking such business are required to compete with each other frequently as individual projects are initiated. Furthermore, we believe there is a trend among some businesses toward outsourcing the management of their operations centers to large, multi-service competitors, some of which may be substantially larger with greater financial resources than us.

Quarterly Results and Seasonality

We have experienced, and expect to continue to experience, quarterly variations in operating results, principally as a result of the timing of programs conducted by new and existing clients (particularly programs with substantial amounts of upfront project setup costs), and selling, general and administrative expenses to support the growth and development of existing and new business units.

Our business tends to be strongest in the second half of the year due to higher call volumes and improved financial results of client sales and service activity in anticipation of the holiday season, while the first quarter often reflects a slowdown relating to the cessation of that activity. As we continue to increase the percentage of revenue associated with service programs, we expect these variations to lessen. Our operating margins in the first quarter are typically lower due to higher payroll-related taxes with our workforce.

Government Regulation

Both the Federal and state Governments regulate telemarketing sales practices in the U.S. The Federal Telephone Consumer Protection Act of 1991 (the TCPA), enforced by the Federal Communications Commission (the FCC), imposes restrictions on unsolicited telephone calls to residential telephone subscribers. Under the

TCPA, it is unlawful to initiate telephone solicitation to residential telephone subscribers before 8:00 A.M. or after 9:00 P.M. local time at the subscriber's location, or to use automated telephone dialing systems or artificial or pre-recorded voices to certain subscribers. Additionally, the TCPA requires telemarketing firms to develop a written policy implementing a "do-not-call" registry, and to train its telemarketing personnel to comply with these restrictions. The TCPA creates a right of action for both consumers and state attorneys general. A court may award actual damages or minimum statutory damages of $500 for certain violations, which may be trebled for willful or knowing violations. Currently, we train our service representatives to comply with the regulations of the TCPA and program our call management system to avoid initiating telephone calls during restricted hours or to individuals maintained on an applicable do-not-call list.

The Federal Trade Commission (the FTC) regulates both general sales practices and telemarketing specifically. Under the Federal Trade Commission Act (the FTC Act), the FTC has broad authority to prohibit a variety of advertising or marketing practices that may constitute "unfair or deceptive acts and practices." Pursuant to its general enforcement powers, the FTC can obtain a variety of types of equitable relief, including injunctions, refunds, disgorgement, the posting of bonds and bars from continuing to do business, for a violation of the acts and regulations it enforces.

The FTC also administers the Federal Telemarketing and Consumer Fraud and Abuse Prevention Act of 1994 (the TCFAPA). Under the TCFAPA, the FTC adopted the Telemarketing Sales Rule (TSR), which prohibits deceptive, unfair or abusive practices in telemarketing sales. Generally, the TSR prohibits misrepresentations of the cost, quantity, terms, restrictions, performance or characteristics of products or services offered by telephone solicitation or of refund, cancellation or exchange policies. The TSR also regulates the use of prize promotions in telemarketing to prevent deception and requires that a telemarketer identify promptly and clearly the seller on whose behalf the telemarketer is calling, the purpose of the call, the nature of the goods or services offered and, if applicable, that no purchase or payment is necessary to win a prize. The TSR also imposes limits on the use of predictive dialers which is the technology that automatically dials a certain number of telephone numbers and routes the connected calls to telephone sales representatives as they become available. Although this technology utilizes complex algorithms in an attempt to ensure that no consumers are contacted without available telephone sales representatives to handle the calls, this situation occasionally occurs, resulting in what is known as an "abandoned" call. The TSR establishes limits on the permissible numbers of such abandoned calls, and requires that telemarketers play a recorded message to all consumers who receive such calls. These regulations also create new limitations on the use of credit card account numbers and other consumer information, and require telemarketers to transmit caller identification information to consumers. These regulations also require the transmission of a telephone number and when made available by the telemarketer's carrier, the name of the telemarketer or seller. The TSR also requires that telemarketers maintain records on various aspects of their business. Analogous restrictions apply to industries regulated by the FCC.

We also adhere to the standards required by the Do-Not-Call Implementation Act (the DNC Act). In response to the requirements set forth by the DNC Act, the FCC amended its TCPA rules. The amended rules became effective on June 26, 2003. The amendments, which were similar to the changes made to the TSR, authorized the creation of a National Do-Not-Call registry, placed a limit on the number of calls abandoned by the predictive dialer and required the transmission of a telephone number to be shown by caller ID.

To manage our adherence to these requirements, we have a Compliance Manager and a Compliance Committee which monitor our compliance.

Most states have enacted statutes similar to the TCFAPA generally prohibiting unfair or deceptive acts and practices. Additionally, some states have enacted laws and others are considering enacting laws targeted directly at telemarketing practices. For example, telephone sales in certain states are not final until a written contract is delivered to and signed by the buyer, and such a contract often may be canceled within three business days. At least one state also prohibits telemarketers from requiring credit card payment, and several other states require certain telemarketers to obtain licenses, post bonds or submit sales scripts to the state's attorney general. Under the more general statutes, depending on the willfulness and severity of the violation, penalties can include imprisonment, fines and a range of equitable remedies such as consumer redress or the posting of bonds before continuing in business. Many of the statutes directed specifically at telemarketing practices provide for a private right of action for the recovery of damages or provide for enforcement by state agencies permitting the recovery of significant civil or criminal penalties, costs and attorneys' fees. We cannot be assured that any such laws, if enacted, will not adversely affect or limit our current or future operations.

In addition to the laws regulating telephone sales activities, there are federal and state laws governing consumer privacy, such as the Gramm-Leach-Bliley Act and the Health Insurance Portability and Accountability Act. In addition, the USA PATRIOT Act imposes some requirements that affect some of our clients in the financial services sector.

The various industries that we serve are also subject to Government regulation. For example, our work on client programs involving the sale of insurance products implicates state licensing and regulatory requirements. In addition, our work on behalf of our pharmaceutical clients requires knowledge of Food and Drug Administration regulations regarding the reporting of adverse events.

In addition to Federal regulation, activity at the state and Federal level regarding laws that impact the teleservices industry has intensified over the past several years. States have enacted a variety of laws regulating marketing via telephone. Do-not-call lists, restricted hours or days, registration, request to continue solicitation and no rebuttal laws are common in many states. We have developed a system to facilitate compliance with all of these laws. Our Compliance Committee, comprised of members from our Quality Assurance, Operations, Client Services, Legal and IT departments, is responsible for compliance. Our participation on the Direct Marketing Association and the American Telemarketing Association Legislative Committees helps to enable our timely notification of proposed legislation.

Internationally, the various countries outside of the United States in which we have operations generally have less detailed regulatory frameworks for teleservices activities. Instead, many of these countries have laws and/or regulations regulating consumer privacy and the collection and use of consumer data. The most prominent of these is the European Union's Data Privacy Directive.

In Canada, the Canadian Radio-Television and Telecommunications Commission enforces a variety of rules affecting the teleservices industry, including regulations on unsolicited communications via automatic dialing and announcing devices. On January 1, 2004, the Personal Information Protection and Electronic Documents Act ("PIPEDA"), a federal law regulating the collection and use of an individual's personal information, became effective. PIPEDA requires, among other things, the establishment of a privacy policy and procedure and the appointment of a privacy officer. Our legal and compliance groups are currently monitoring provincial legislative activity in this area, as PIPEDA permits individual provinces to enact their own, more stringent privacy laws.

Investor Information

You can access financial and other information in the "Investors" section of our website. The website address is www.ictgroup.com. We make available through our website, free of charge, copies of our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after filing such material electronically or otherwise furnishing it to the Securities and Exchange Commission (the SEC). In addition, we make available through our website, free of charge, copies of our Code of Ethics for the Chief Executive Officer and Senior Financial Officers and our Code of Conduct. To the extent that there are any waivers of, or amendments to, either code, we intend to report the waiver or amendment in the "Investors" section of our website. These documents are also available in print form to any shareholder who requests them. Requests should be directed to the Legal Department of ICT Group, Inc., 100 Brandywine Boulevard, Newtown, PA 18940. The information on the website listed above is not and should not be considered part of this Annual Report on Form 10-K and is not incorporated by reference in this document. This website is only intended to be an inactive textual reference. You can also read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street N.E., Washington, D.C. 20459. You can contact the Public Reference Room at 1-800-SEC-0330. Because we file our documents electronically with the SEC, you can also access them at www.sec.gov.

We were incorporated in the Commonwealth of Pennsylvania in 1987. Our executive offices are located at 100 Brandywine Boulevard, Newtown, PA 18940. Our telephone number is (267) 685-5000.

ITEM 1A. *RISK FACTORS*

An investment in our Company involves a substantial risk of loss. You should carefully consider the risks described below together with all of the other information included in this Annual Report on Form 10-K before making an investment decision. The risks and uncertainties described below are not the only ones facing us.

RISKS RELATING TO OUR BUSINESS

We may not be able to manage our growth effectively, which could adversely affect our results of operations.

We have experienced rapid growth over the past few years and currently expect to continue a high rate of growth. Rapid growth places a significant strain on our Management, operations and resources. Our future performance and profitability will depend on our ability to:

- build our infrastructure to meet the demands of our clients;
- successfully recruit, train and retain qualified personnel in a cost-effective manner;
- maintain state-of-the-art technology to compete effectively in the outsourced business services industry;
- effectively oversee and manage our operations centers as we expand geographically, including internationally;
- effectively manage the growth and implementation of our customer operations centers;
- successfully introduce newer cost-effective near-shore, offshore and home-shore outsourced business service solutions;
- select and serve new vertical markets;
- successfully expand our service offerings from our core CRM business to include enhanced technology, marketing and business process outsourcing services;
- successfully integrate any acquired businesses;
- manage our business in light of general economic conditions and conditions which may affect in particular our clients and other companies in the markets we serve;
- manage our operating costs as we expand and grow our business, and
- maximize the income tax benefits from the locations in which we operate under tax holidays.

If we are unable to keep pace with technological changes, our business will be harmed.

Our business is highly dependent on our computer and telecommunications equipment and software capabilities. Our failure to maintain the competitiveness of our technological capabilities or to respond effectively to technological changes could have a material adverse effect on our business, results of operations or financial condition. Our continued growth and future profitability will be highly dependent on a number of factors, including our ability to:

- expand our existing solution offerings;
- achieve cost efficiencies in our existing customer operations centers ;
- introduce new solutions that leverage and respond to changing technological developments, and
- keep current with technology advances.

There can be no assurance that technologies or services developed by our competitors or vendors will not render our products or services non-competitive or obsolete, that we can successfully develop and market any new services or products, that any such new services or products will be commercially successful or that the integration of automated customer support capabilities will achieve intended cost reductions. In addition, the inability of equipment vendors and service providers to supply equipment and services on a timely basis could harm our operations and financial condition.

Our results of operations may be subject to significant fluctuations.

Our quarterly and annual operating results have fluctuated in the past and may vary in the future due to a wide variety of factors, including:

- the commencement and expiration or termination of contracts;
- our revenue mix;
- the amount and timing of new business;
- the impact of litigation and associated costs;
- the financial strength of our clients and the collectibility of our receivables;
- our ability to successfully open new operations centers, to expand existing operations centers, or to close operations centers in a timely fashion;
- our ability to move client programs between operations centers and countries in an efficient manner;
- the profitability of our international operations;
- the timing of additional selling, general and administrative expenses;
- our ability to resolve vendor and customer disputes in a timely manner and manage the costs associated with them;
- competitive conditions in our industry;
- the impact of adverse weather conditions or natural disasters;
- our ability to maximize the utilization of our capacity in our operations centers;
- our sources of pre-tax income, which are either domestic or international, will impact our overall effective tax rate, and
- changes in statutory income tax rates and tax laws and expiration of tax holidays in the jurisdictions in which we operate.

Our business tends to be strongest in the second half of the year due to higher call volumes and improved financial results of client sales and service activity in anticipation of the holiday season, while the first quarter often reflects a slowdown relating to the cessation of that activity. Our operating margins in the first quarter are typically lower due to higher payroll-related taxes with our workforce. In the past, during the first quarter, our business has generally leveled off or slowed from the previous quarter as a result of reduced client sales activity and client transitions to new marketing programs during the first quarter of the calendar year. In addition, we have generally expanded our operations in the first and third quarters, without a commensurate increase in revenue in those quarters, to support anticipated business growth beginning in the second and fourth quarters, respectively. However, more recently, we have experienced quarterly fluctuations in our business as a result of other factors, such as the timing of demand for the particular services we offer in the specific geographical areas we service.

Due to these factors, our quarterly revenue, expenses and results of operations could vary significantly in the future. You should take these factors into account when evaluating past periods and, because of the potential variability in our quarterly results, you should not rely upon results of past periods as an indication of our future performance. In addition, because our operating results may vary significantly from quarter to quarter, results may not meet the expectations of securities analysts and investors, and this could cause the price of our common stock to fluctuate significantly.

Our contracts often are short-term or may be subject to early termination by our clients, which could cause our operating results to fluctuate.

We generally operate under month-to-month contractual relationships with our teleservices clients. The potentially brief duration of certain teleservices programs we implement for clients could cause our operating results to fluctuate. In addition, while customer care services contracts are generally longer-term contractual relationships, those contracts often provide for early termination at the client's discretion. Certain of those contracts require the client to pay a contractually agreed amount in the event of early termination, but others do not. We cannot assure you that we will be able to collect such amount or that such amount, if received, will sufficiently compensate us for our investment in the canceled program or for the revenue we may lose as a result of early termination.

We generate a significant portion of our revenue from a small number of major clients.

For the year ended December 31, 2007, our top ten clients accounted for 49% of our total revenue. The loss of one of these clients or the failure to maintain the current service levels for these customers could have a material adverse effect on our business, financial condition and results of operations. Many of our contracts are cancelable by the customer with limited notice, therefore these contracts do not necessarily ensure that we will generate a minimum level of revenue to cover our fixed operating costs.

Our business may be affected by the success of our clients' products and services.

In most of our client programs, we generate revenue based, in large part, on the amount of time our customer service representatives devote to our clients' customers. Consequently, the amount of revenue generated from any particular client program is dependent upon consumers' interest in, and use of, the client's products and/or services. There can be no assurance that our clients will continue to market products and services or develop new products and services that require them to use our services.

We depend on particular industries for a majority of our revenues.

We currently generate a majority of our revenue from clients in the financial services industry, healthcare industry and telecommunications industry. Our growth and financial results are largely dependent on continued demand for our services from clients in these industries and current trends in these industries to outsource certain business services. If any of these industries experiences a downturn, our clients in these sectors may do less business with us, or they may elect to perform the services provided by us in-house. In 2007, the revenues generated from our clients in the financial services industry were negatively impacted by the financial credit crisis. If there are any trends in any of these industries to reduce or eliminate the use of outsourced business services, our financial results could be negatively affected. Our revenue by industry is as follows:

	For the years ended December 31,		
	2007	2006	2005
Financial services	49%	49%	51%
Telecommunications	26%	19%	19%
Healthcare	13%	20%	13%
Other	12%	12%	17%

We may be unable to cost-effectively hire or retain qualified personnel, which could materially increase our costs.

Our business is labor intensive and is characterized by high personnel turnover. A higher turnover rate among our employees would increase our recruiting and training costs and decrease operating efficiencies and productivity. Some of our operations require specially trained employees and growth in our business will require us to recruit and train qualified personnel at an accelerated rate from time to time. We may not be able to successfully hire, train and retain sufficient qualified personnel to adequately staff for existing business or future growth, particularly when we undertake new client relationships in industries in which we have not previously provided services. In addition, a significant portion of our costs consists of wages paid to hourly workers. An increase in hourly wages, costs of employee benefits or employment taxes could materially adversely affect us.

Our profitability will be adversely affected if we do not maintain sufficient capacity utilization.

Our profitability is influenced significantly by how we utilize our workstation capacity. We attempt to maximize utilization during all periods. However, because much of our business is inbound, we typically experience significantly higher utilization during peak (weekday) periods than during off-peak (night and weekend) periods. In addition, we have experienced, and in the future may experience, at least in the short-term, idle peak period capacity when we open a new customer interaction center or terminate or complete a large client program. From time to time we assess the expected long-term capacity utilization of our centers. Accordingly, we may, if deemed necessary, consolidate or shut down under performing centers in order to maintain or improve targeted utilization and margins. There can be no assurance that we will be able to achieve or maintain optimal customer interaction center capacity utilization.

Interruptions or failures of our technology infrastructure could harm our business and reputation.

We are highly dependent on the stability of our computer and communications equipment, systems and software, and our telecommunications carrier networks. These systems could be interrupted by natural disasters, power losses, operating malfunctions or computer viruses and other disruptions caused by unauthorized or illegal access to our systems. If an interruption occurs, the contracts we have with our clients may provide for damages and for termination or re-negotiation. Our property damage insurance may not adequately compensate us for any losses we may incur. Although we have put in place a disaster recovery program, any interruption in or failure of our technology equipment systems could have a material adverse effect on our business.

A significant interruption in telephone service could harm our business.

Any significant interruption in telephone service or developments that limit the ability of telephone companies to provide us with increased capacity in the future and could harm our existing operations and prospects for future growth.

Future acquisitions will involve risks.

While we historically have grown our business primarily through internal expansion, we expect to continue our growth through both internal expansion and selective acquisitions of companies that would augment our service offerings, facilitate our entry into new sectors and/or geographic markets and otherwise expand our business. We will not be able to acquire other businesses if we cannot identify suitable acquisition opportunities, reach mutually agreeable terms with acquisition candidates or obtain additional financing, if amounts in excess of the availability under our existing credit facility are necessary, to pay for any acquisitions that we undertake. The negotiation of potential acquisitions as well as the integration of acquired businesses could require us to incur significant costs and cause diversion of our Management's time and resources. Future acquisitions could result in:

- dilutive issuances of equity securities;
- a decline in our operating results;
- incurrence of debt and contingent liabilities;
- recording of goodwill and other intangibles that could become impaired, and
- other acquisition-related expenses.

Some or all of these items could have a material adverse effect on our business. Any businesses we acquire may not generate sales and profitability sufficient to justify our investment. If we fail to successfully integrate an acquired business, we may not be able to realize the synergies we anticipated in valuing that business. In addition, to the extent that consolidation becomes more prevalent in our industry, the prices for suitable acquisition candidates may increase to unacceptable levels and thus limit our ability to grow through acquisitions.

Our international operations are susceptible to business and political risks and changes in foreign currency exchange rates that could adversely affect our results of operations.

We operate our business in various countries outside the United States, including Canada, Ireland, the United Kingdom, Australia, Mexico, India, Argentina, Costa Rica and the Philippines. As of December 31, 2007, over 75% of our employees were located outside the United States and they generated a significant amount of our revenue. North American companies, in particular, have created a demand for offshore outsourcing capacity. As a result, we expect to continue expansion through start-up operations and acquisitions in additional countries. Expansion of our existing international operations and entry into additional countries will require Management attention and financial resources. In addition, there are certain risks inherent in conducting business internationally including: the imposition of trade barriers, foreign exchange restrictions, longer payment cycles, greater difficulties in accounts receivables collection, difficulties in complying with a variety of foreign laws, ensuring our compliance with the income tax holidays we currently benefit from, changes in legal or regulatory requirements, difficulties in staffing and managing foreign operations, political instability and potentially adverse tax consequences. To the extent we experience these risks, our business and results of operations could be adversely affected.

Our financial results may be impacted by risk associated with changes in foreign currency

We conduct our business in various foreign currencies and are exposed to market risk from changes in foreign currency exchange rates and interest rates, which could impact our results of operations and financial condition. While we do attempt to mitigate some of this risk through hedging arrangements, we may not be successful to the extent that these arrangements are ineffective or not fully effective. We also are subject to certain exposures arising from the translation and consolidation of the financial results of our foreign subsidiaries. A significant change in the value of the dollar against the currency of one or more countries in which we operate may have a material adverse effect on our results of operations.

Future litigation may result in significant costs for defense purposes or for settlement purposes, both of which may not be covered by our current insurance programs. Litigation may also take away Management focus from the business and could significantly impact our financial results.

We disclose that our business, not unlike other businesses, may face litigation from time to time. In 2007 we settled litigation with a broker over contract claims. The total cost to the Company was $825,000 to settle the litigation along with $217,000 for incurred legal fees. Irrespective of the outcome of any potential lawsuits or potential actions, claims, or investigations relating to the same or any other subject matter, we may incur substantial defense costs and possibly settlement costs, which may not be covered in their entirety by insurance. Litigation may also take away Management focus from the business, which, in addition to the costs that we may incur, could result in harm to our business, financial condition, results of operations and cash flows.

Our business could be significantly disrupted if we lose members of our Management team.

We believe that our success depends to a significant degree upon the continued contributions of our executive officers and other key personnel, both individually and as a group. Our future performance will be substantially dependent on our ability to retain them. The loss of the services of any of our executive officers, particularly John J. Brennan, our Chief Executive Officer, could prevent us from executing our business strategy.

We may not be able to effectively win business against our competition.

The industries in which we compete are highly competitive. We compete with:

- the in-house business services operations of our clients or potential clients;
- other outsourced business service providers, some of which have greater resources than we have, and
- providers of other marketing and CRM formats and, in particular, other forms of direct marketing such as interactive shopping and data collection through television, the Internet and other media.

Many businesses that are significant consumers of CRM solutions use more than one CRM solutions firm at a time and reallocate work among various firms from time to time. We and other firms seeking to perform outsourced CRM solutions are frequently required to compete with each other as individual programs are initiated. We cannot be certain that we will be able to compete effectively against our current competitors or that additional competitors, some of which may have greater resources than we have, will not enter the industry and compete effectively against us. As competition in the industry increases, we may face increasing pressure on the prices for our services.

If the trend toward outsourcing or the growth in the industries we serve decreases, our growth may suffer.

Our growth depends in part on continued demand for our services prompted by the outsourcing trend, as well as continued growth in the industries we serve. If interest in outsourcing wanes because of economic, political, or other conditions, or if there is a significant downturn in the industries in which we operate, our business and our growth could suffer.

Consumer resistance to our services could harm our industry.

As the outsourced business services industry continues to grow, the effectiveness of our customer solutions as a direct marketing tool may decrease as a result of consumer saturation and increased consumer resistance to customer acquisition activities, particularly direct sales.

Government regulation of our industry and the industries we serve may increase our costs and restrict the operation and growth of our business.

Both the United States Federal and various state Governments regulate our business and the outsourced business services industry as a whole. The Federal Telemarketing and Consumer Fraud and Abuse Prevention Act of 1994 broadly authorizes the FTC to issue regulations restricting certain telemarketing practices and prohibiting misrepresentations in telephone sales. The FTC regulations implementing the TCFAPA are commonly referred to as the Telemarketing Sales Rule. Our operations outside the United States are also subject to regulation. Please refer to Part I, Item 1: "Government Regulation" of this Form 10-K for more detailed information. In addition to current laws, rules and regulations that regulate our business, bills are frequently introduced in Congress to regulate the use of credit information. We cannot predict whether additional Federal or state legislation will be enacted that regulates our business. Additional Federal or state legislation could limit our activities or increase our cost of doing business, which could cause our operating results to suffer.

Several of the industries we serve, particularly the financial services, healthcare and telecommunications industries, are subject to Government regulation. We could be subject to a variety of regulatory enforcement or private actions for our failure or the failure of our clients to comply with these regulations. Our results of operations could be adversely impacted if the effect of Government regulation of the industries we serve is to reduce the demand for our services or expose us to potential liability. We and our employees who sell insurance products are required to be licensed by various state insurance commissions for the particular type of insurance product sold and to participate in regular continuing education programs. Our participation in these insurance programs requires us to comply with certain state regulations, changes in which could materially increase our operating costs associated with complying with these regulations.

Security and privacy breaches of the systems we use to protect personal data could adversely affect our business, results of operations and financial condition.

Our databases contain personal data of our clients' customers, including credit card and healthcare information. Any security or privacy breach of these databases could expose us to liability, increase our expenses relating to the resolution of these breaches and deter our clients from selecting our services. Our data security procedures may not effectively address evolving security risks or address the security and privacy concerns of existing or potential clients. Any failures in our security and privacy measures could adversely affect our business, financial condition and results of operations.

We may not be able to adequately protect our proprietary information or technology.

Third parties may infringe upon or misappropriate our trademarks, trade names, trade secrets or other intellectual property rights, which could adversely affect our business, results of operations and financial condition, and litigation may be necessary to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of the proprietary rights of others. The steps we have taken to deter misappropriation of our proprietary information and technology or client data may be insufficient to protect us, and we may be unable to prevent infringement of our intellectual property rights or misappropriation of our proprietary information. Any infringement or misappropriation could harm any competitive advantage we currently derive or may derive from our proprietary rights. In addition, because we operate in many foreign jurisdictions, we may not be able to protect our intellectual property in the foreign jurisdictions in which we operate.

Our technology and services may infringe upon the intellectual property rights of others.

Third parties may assert claims against us alleging that we are violating or infringing upon their intellectual property rights. Any claims and any resulting litigation could subject us to significant liability for damages. An adverse determination in any litigation of this type could require us to design around a third party's patent, license alternative technology from another party or reduce or modify our product and service offerings. In addition, litigation is time-consuming and expensive to defend and could result in the diversion of our time and resources. Any claims from third parties may also result in limitations on our ability to use the intellectual property subject to these claims.

Terrorism and the possibility of further acts of violence or war may have a material adverse effect on our operations.

Terrorist attacks and the response to them by the United States and further acts of violence or war may affect the market on which our common stock trades, the markets in which we operate, our operations and profitability and your investment. Further terrorist attacks against the United States or other countries may occur. The potential near-term and long-term effect of these attacks on our business, the market for our common stock and the global economy is uncertain. The consequences of any terrorist attacks, or any armed conflicts that may result, are unpredictable, and we may not be able to foresee events that could have an adverse effect on our business or the trading price of our common stock.

A significant or prolonged economic downturn could have a materially adverse effect on our revenues and profit margin.

Our financial results are impacted by the level of business activity of our clients. Economic slowdowns in some markets, particularly in the United States, may cause reductions in technology and discretionary spending by our clients, which may result in reductions in the growth of new business as well as reductions in existing business. In 2007 the downturn in the financial services markets caused by the financial credit crisis impacted our consolidated results for 2007. If our clients enter bankruptcy or liquidate their operations, our revenue could be adversely affected. There can be no assurance that weakening economic conditions throughout the world will not adversely impact our results of operations and/or financial position.

RISKS RELATING TO OUR COMMON STOCK

A Voting Trust controlled by our Chief Executive Officer and one of our directors controls 28% of our outstanding common stock.

A Voting Trust controlled by John J. Brennan, our Chief Executive Officer, and his brother Donald P. Brennan, one of our directors, controls approximately 28% of our outstanding common stock. Additionally, John J. Brennan controls approximately 9% of our outstanding common stock through shares he personally owns and through voting agreements he has entered into with our employees. Eileen Brennan Oakley, daughter of Donald P. Brennan and Trustee of the 1996 and 1997 Brennan Family Trusts, controls approximately 7% of our outstanding common stock held by those Trusts. As a result, John J. Brennan, Donald P. Brennan and Eileen Brennan Oakley have substantial influence in determining the outcome of matters requiring shareholder approval.

Our stock price has been and may continue to be highly volatile.

From January 1, 2006, through March 3, 2008, the closing market price of our common stock fluctuated from a low of $8.01 to a high of $36.55. Because much of our common stock is owned by affiliates, the number of shares that is subject to daily trading on the market is limited. Therefore, the volatility of our stock price is exacerbated by relatively low trading volumes. The market price of our common stock may continue to be volatile and may be significantly affected by:

- actual or anticipated fluctuations in our operating results;
- announcements of new services by us or our competitors;
- developments with respect to conditions and trends in our industry or in the industries we serve;
- Governmental regulation;

- general market conditions;
- the loss of a significant client or a significant change in the volume of services or the locations at which we provide services to a client;
- levels of liquidity in our stock's trading volumes, and
- other factors, many of which are beyond our control.

These factors may adversely affect the trading price of our common stock, regardless of our actual operating performance, and could prevent you from selling your common stock at or above the price at which you purchased it. In addition, the stock market has, recently and from time to time, experienced significant price and volume fluctuations that have adversely affected the market prices of securities of companies without regard to their operating performances.

Anti-takeover provisions in our articles of incorporation, bylaws and Pennsylvania law and the right of our board of directors to issue preferred stock without shareholder approval could make a third-party acquisition of ICT Group difficult.

Provisions of our articles of incorporation and bylaws may have an anti-takeover effect and may delay, defer or prevent a tender offer or takeover attempt not approved by our board of directors, including those made at a premium over the prevailing market price of our common stock.

Our board of directors, limitations on calling a special meeting of our shareholders and the authority of our board to issue preferred stock and establish certain rights, preferences, privileges, limitations and other special rights thereof without any further vote or action by our shareholders could have the effect of delaying, impeding or discouraging the acquisition of control of us in a transaction not approved by our board of directors.

In general, Subchapter F of Chapter 25 of the Pennsylvania Business Corporation Law delays for five years and imposes conditions upon "business combinations" between an "interested shareholder" and us, unless prior approval of our board of directors is given. The term "business combination" is defined broadly to include various merger, consolidation, division, exchange or sale transactions, including transactions using our assets for purchase price amortization or refinancing purposes. An "interested shareholder," in general, would be a beneficial owner of shares entitling that person to cast at least 20% of the votes that all shareholders would be entitled to cast in an election of directors.

We do not currently intend to pay dividends. As a result, shareholders are likely to benefit from an investment in our common stock only if it appreciates in value.

We have never declared or paid any cash dividends on our common stock. Moreover, we currently intend to retain any future earnings to finance future growth and working capital needs and, therefore, do not anticipate paying any cash dividends in the foreseeable future. As a result, obtaining a return on an investment in our common stock will depend upon any future appreciation in its value. We cannot guarantee that our common stock will appreciate in value or even maintain the price at which shareholders have purchased their shares.

ITEM 1B. *UNRESOLVED STAFF COMMENTS*

None.

ITEM 2. *PROPERTIES*

As of December 31, 2007, our corporate headquarters was located in Newtown, Pennsylvania in leased facilities consisting of approximately 105,000 square feet of office space rented under a lease that expires in 2017. In addition to the corporate headquarters staff, certain other divisional and operations personnel are located in the facility. We also lease all of the facilities used in our operations. These lease commitments expire generally between March 2008 and April 2014 and typically contain renewal options. Management believes that its existing facilities are suitable and adequate for our current operations, but additional facilities will be required to support growth. Management believes that suitable additional or alternative space will be available as needed on commercially reasonable terms.

The following table lists our various operating facilities and locations as of December 31, 2007.

Locations
Conway, AR; Morrilton, AR; Nogales, AZ ; Colorado Springs, CO; Lakeland, FL; Louisville, KY; Wilton, ME; Amherst, NY; Lancaster, OH; Allentown, PA; Bloomsburg, PA; Erie, PA; Langhorne, PA ; Lockhaven, PA ; Horsham (PA), Spokane, WA; Carbonear, Newfoundland, Canada; Cornerbrook, Newfoundland, Canada; St. John's, Newfoundland, Canada; Miramichi, New Brunswick, Canada; Riverview, New Brunswick, Canada; Halifax, Nova Scotia, Canada; New Glasgow, Nova Scotia, Canada; Sydney, Nova Scotia, Canada; Lindsay, Ontario, Canada; Peterborough, Ontario, Canada; Sherbrooke, Quebec, Canada; Athlone, Ireland; Dublin, Ireland; London, U.K.; Sydney, Australia; Mexico City, Mexico; Manila, Philippines (5); San Jose, Costa Rica; Buenos Aires, Argentina; Hyderabad, India.

ITEM 3. *LEGAL PROCEEDINGS*

On April 28, 2006, a broker with whom we executed an agreement in June 2001 filed a Demand for Arbitration and Statement of Claim against us with the American Arbitration Association. The Demand alleged various contract, quasi-contract and tort claims against us arising out of commissions we allegedly owed this broker pursuant to the June 2001 agreement for work we perform for one of our customers. The June 2001 agreement states that the decision of a majority of the arbitration panel shall be final and binding on the parties. Prior to the scheduled arbitration, which was scheduled for the end of May 2007, the Company agreed on a settlement with the broker for $825,000. This amount was accrued and paid during 2007. We also incurred legal expenses totaling $217,000 during 2007.

In addition to the above matter, from time to time, we are involved in litigation incidental to our business. Litigation can be expensive and disruptive to normal business operations. Accruals for litigation claims are provided to the extent that any losses are determined to be probable and estimable. Although the ultimate outcome of these claims or lawsuits cannot be ascertained, it is our opinion, based on present information and advice received from counsel, that the disposition or ultimate determination of such claims or lawsuits is not likely to have a material adverse effect on our Company.

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

None.

PART II

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

Market Information:

Our common stock trades on The NASDAQ Global Market under the symbol "ICTG." The following table sets forth, for the periods indicated, the high and low closing sales prices as quoted on The NASDAQ Global Market.

	High	Low
Fiscal 2006:		
First Quarter	$27.76	$15.73
Second Quarter	28.71	23.50
Third Quarter	32.07	21.98
Fourth Quarter	36.55	30.72
Fiscal 2007:		
First Quarter	$31.81	$17.50
Second Quarter	22.85	18.00
Third Quarter	18.77	13.31
Fourth Quarter	15.16	9.88

Holders:

As of March 3, 2008, there were 76 holders of record of the Company's common stock, which does not reflect the number of shareholders whose shares are held in nominee or "street" name by brokers. On March 3, 2008, the closing sale price of the common stock as reported by The NASDAQ Global Market was $8.44.

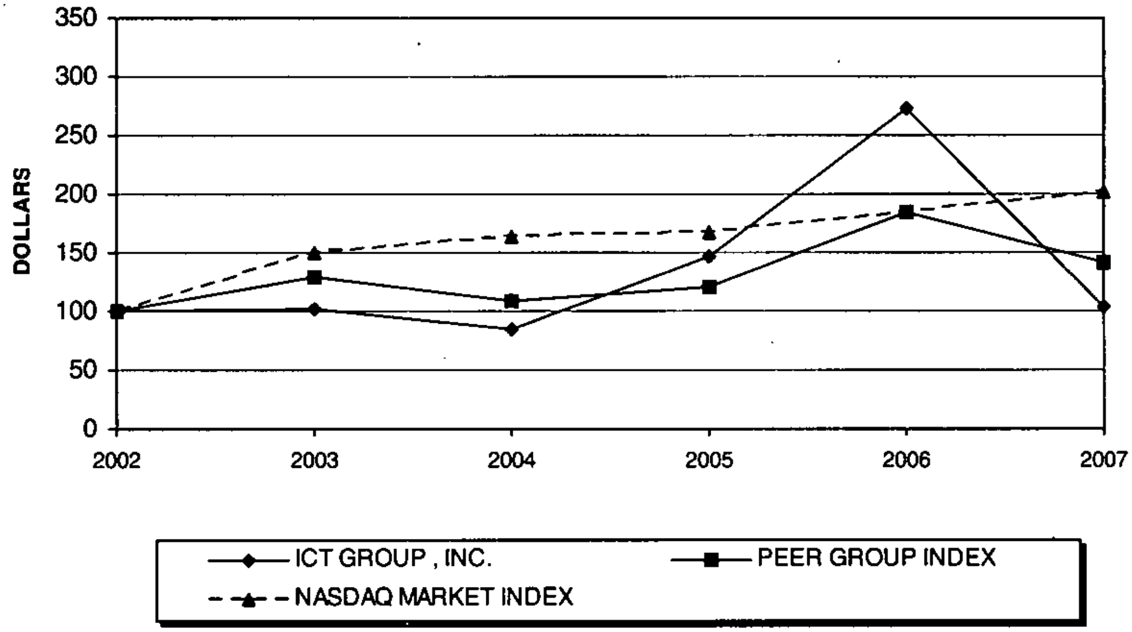
Dividend Policy:

We have never declared or paid any cash dividends on our capital stock. Management currently intends to retain its earnings to finance future growth and working capital needs and, therefore, does not anticipate paying any cash dividends in the foreseeable future. Additionally, our credit agreement limits the payment of dividends.

Performance Graph:

The graph below compares the cumulative total stockholder return on the Company's common stock with the cumulative total return of the peer group selected by the Company and of the Nasdaq Stock Market (U.S.) Index (the Nasdaq index). The Peer Group consists of APAC Customer Services, Inc., Convergys Corporation, Sykes Enterprises, and Teletech Holdings, Inc, PeopleSupport, Inc., and StarTek, Inc. The Company believes that the Peer Group provides a better reference point for investors when evaluating the Company's performance. The graph assumes that the value of the investment in the common stock of the Company, the stocks comprising the Nasdaq Index and the stocks comprising the Peer Group was $100 at January 1, 2003.

COMPARE CUMULATIVE TOTAL RETURN
AMONG ICT GROUP, INC.,
NASDAQ MARKET INDEX AND PEER GROUP INDEX



ASSUMES $100 INVESTED ON JAN. 1, 2003
ASSUMES DIVIDEND REINVESTED
FISCAL YEAR ENDING DEC. 31, 2007

	Fiscal Year Ended					
	1/1/2003	12/31/2003	12/31/2004	12/31/2005	12/31/2006	12/31/2007
ICT Group, Inc.	$100.00	$101.29	$ 83.79	$146.25	$272.56	$103.11
NASDAQ Market Index	100.00	150.36	163.00	166.58	183.68	201.91
Peer Group	100.00	129.60	108.19	120.03	185.09	141.46

ITEM 6. *SELECTED FINANCIAL DATA*

The following selected financial data are derived from the consolidated financial statements of the Company. The data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 and the consolidated financial statements and related notes thereto included in Item 8 of this Form 10-K.

	For the Year Ended December 31,				
	2007	2006	2005	2004	2003
	(In thousands, except per share amounts)				
Statement of Operations Data:					
Revenue	$453,621	$447,912	$401,334	$325,529	$298,142
Operating expenses:					
Cost of services	287,267	273,618	244,572	194,365	179,679
Selling, general and administrative	164,701	155,435	141,601	123,559	115,273
Restructuring charge (reversal) [1]	7,664	—	—	—	(686)
Litigation costs (recoveries) [2]	1,042	—	(3,611)	10,338	4,693
	460,674	429,053	382,562	328,262	298,959
Operating income (loss)	(7,053)	18,859	18,772	(2,733)	(817)
Interest expense (income), net	(627)	160	2,464	1,594	1,183
Income (loss) before income taxes	(6,426)	18,699	16,308	(4,327)	(2,000)
Income tax provision (benefit) [3]	5,383	1,888	4,133	(1,634)	(856)
Net income (loss)	$ (11,809)	$ 16,811	$ 12,175	$ (2,693)	$ (1,144)
Diluted earnings (loss) per share	$ (0.75)	$ 1.11	$ 0.94	$ (0.21)	$ (0.09)
Shares used in computing diluted earnings (loss) per share	15,773	15,164	12,964	12,571	12,483

(1) See Note 18 to the consolidated financial statements
(2) See Note 13 to the consolidated financial statements
(3) See Note 9 to the consolidated financial statements

	As of December 31,				
	2007	2006	2005	2004	2003
	(In thousands)				
Balance Sheet Data:					
Cash and cash equivalents	$ 30,244	$ 32,367	$ 10,428	$ 11,419	$ 12,091
Working capital	79,591	79,523	56,881	48,739	50,000
Total assets	225,600	215,666	172,759	160,576	135,825
Long-term debt, less current maturities	—	—	35,000	39,000	30,000
Shareholders' equity	167,189	161,145	81,012	68,948	70,551

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

Overview

We are a leading global provider of outsourced customer management and business process outsourcing solutions. Our comprehensive, balanced mix of sales, service, marketing and technology solutions includes:

- *Customer Care Services* (including customer care/retention, and technical support);
- *Telesales,* and
- *Marketing, Technology and Business Process Outsourcing (BPO) Solutions* (including market research, database marketing, data entry/management, e-mail response management, remittance processing and other back-office business processing services).

We provide our services through operations centers located throughout the world, including the U.S., Ireland, the U.K., Canada, Australia, Mexico, the Philippines, Costa Rica, India and Argentina. As of December 31, 2007, we had 43 operating centers from which we support clients primarily in the financial services, healthcare, telecommunications, information technology, business and consumer services, Government and energy services sectors.

Our domestic sales force is organized by specific industry verticals, which enables our sales personnel to develop in-depth industry and product knowledge. We also have sales operations in the U.K., Canada, Mexico, Australia and Argentina.

We invest heavily in systems and software technologies designed to improve productivity, to lower the effective cost per contact made or received. Our systems and software technologies are also designed to improve sales and customer service effectiveness by providing sales and service representatives with real-time access to customer and product information. We currently offer and/or utilize a comprehensive suite of customer relationship management (CRM) technologies, available on a hosted basis for use by clients at their own in-house facilities or on a co-sourced basis in conjunction with our fully integrated, Web-enabled centers. Our technologies include automatic call distribution (ACD) voice processing, interactive voice response (IVR), advanced speech recognition (ASR), Voice over Internet Protocol (VoIP), contact management, automated e-mail management and processing, sales force and marketing automation, alert notification and Web self-help.

We believe that we were one of the first fully automated outsourced customer management services companies, and we were among the first such companies to implement predictive dialing technology for telemarketing and market research, provide collaborative Web browsing services and utilize VoIP capabilities. Through our global implementation of VoIP, we have established a redundant voice and data network infrastructure that can seamlessly route inbound and outbound voice traffic to our centers worldwide. We do not provide telecommunications or VoIP services to the general public.

Our customer care clients typically enter into multi-year, contractual relationships that may contain provisions for early contract terminations. We generally operate under month-to-month contractual relationships with our telesales clients. The pricing component of a contract is often comprised of a base service charge and separate charges for ancillary services. Our services are generally priced based upon per-minute or hourly rates. On occasion, we perform services for which we are paid incentives based on completed sales. The nature of our business is such that we generally compete with other outsourced service providers as well as the retained in-house operations of our customers. This can create pricing pressures and impact the rates we can charge in our contracts.

Revenue is recognized as the services are performed, and is generally based on hours or minutes of work performed; however, certain types of revenue relating to upfront project setup costs is deferred and recognized over a period of time, typically the length of the customer contract. The incremental direct cost associated with this revenue is also deferred over the same period of time. Some of our client contracts have performance standards, which can result in service penalties and other adjustments to monthly billings if the standards are not met. Any required adjustments to our monthly billings are reflected in our revenue on an as-incurred basis.

We refer to our revenue as either Sales revenue or Services revenue. Our Sales revenue includes outbound consumer telesales for new customer acquisition and cross-selling products and services to existing customers. Services revenue encompasses all our other revenue, which is classified into the categories of customer service and ancillary services. Customer service includes inbound order handling, customer care, help desk support, technical support and patient assistance whereas ancillary services include market research, database marketing, lead qualification, technology hosting, data processing, data entry, receivables management and other BPO activities.

Results for 2007 reflect the following:

- Increase in production hours of 11% as compared to 2006. This reflects the continued growth in our operations.
    - Our Philippines operations handled approximately 32% of total production during 2007 as compared to 24% of total production during 2006.
- Minimal revenue growth, which is reflective of the fact that many of our domestic clients are migrating their services to our lower-priced offshore centers, which produce lower revenue rates per production hour and the impact of the financial credit crisis in the U.S, which impacted many of our financial services clients.
    - Growth in our Services revenue during 2007 was 3% as compared to our 2006 results.
    - Our Sales revenue declined 3% during 2007 compared to 2006 and was primarily due to decline in financial telesales business for credit card and mortgage programs which was brought about by the financial credit crisis in 2007.
- Our revenue for 2007 reflects the impact of approximately $1.7 million of service penalties and credits given to three customers, which did not occur in 2006. Of this total, $1.1 million was recorded in the first quarter of 2007 and $600,000 was recorded during the third and fourth quarters of 2007.
- Restructuring
    - We continue to evaluate our infrastructure and restructure our business according to a plan established by Management. During the year, we recorded restructuring charges totaling $7.7 million, comprised of ongoing lease obligations, asset impairments and severance. The restructuring was brought about primarily due to the offshore migration of client work.
- Income taxes
    - Included in our income tax provision for was $3.0 million of valuation allowances recorded against deferred tax assets relating to U.S. net operating losses.
- We settled an outstanding litigation with a broker for $825,000 plus legal expenses of $217,000.
- Facility expansion
    - During 2007 we opened our fourth and fifth operating centers in the Philippines and our first operating center in Quebec, Canada.

Our future profitability will be impacted by, among other things, our ability to expand our service offerings to existing customers as well as our ability to obtain new customers and grow new vertical markets. Our profitability is also impacted by our ability to manage costs, perform in accordance with contract requirements to avoid service penalties and mitigate the effects of foreign currency exchange risk. Our business is very labor-intensive and consequently, in an effort to reduce costs and be as competitive as possible in the marketplace, we have been moving many of our domestic operations to near-shore and offshore operations centers, which typically have lower labor costs. Our success is dependent upon our ability to perform work in locations where we can find qualified labor at cost-effective rates and effectively manage that labor in the most profitable manner.

Some of these benefits, however, may be offset by the expanded training and associated costs we have incurred in the past and may continue to incur because of our service mix. Many of our customer care services require more complex and costly training processes and to the extent we cannot bill these amounts to our clients, our profitability will be impacted. In addition to the more complex training, the employees who work on our customer care programs are generally paid a higher hourly rate because of the more complex level of services they are providing.

We believe that our 2008 performance will be largely dependent on our ability to continue capturing new business, leveraging the investment we have made in our infrastructure, effectively managing the transition of domestic programs to offshore facilities, and by expanding our business service offerings. We believe that major corporations will continue to leverage the skills of companies like ours and that the services outsourced will continue to expand beyond the contact center services that currently comprise the large majority of our business. We plan to leverage our existing strength in the financial services, insurance and healthcare markets and provide additional business services to our customers. To capitalize on these opportunities, we will continue to enhance the technologies we use.

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. These generally accepted accounting principles require Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Our significant accounting policies are described in Note 2 to the consolidated financial statements, included in Item 8 of this Form 10-K. The following discussion addresses our critical accounting policies, which are those that are most important to the portrayal of our financial condition and results and require Management's most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. If actual results were to differ significantly from estimates made, the reported results could be materially affected. However, we are not currently aware of any reasonably likely events or circumstances that would result in materially different results. These critical accounting policies and estimates are discussed with our audit committee quarterly.

Revenue Recognition

Revenue is typically calculated based on contracted per-minute or hourly rates with customers. We recognize revenue as services are performed, generally based on billable minutes or hours of work incurred. Some of our client contracts have performance standards, which can result in adjustments to monthly billings if the standards are not met. Any required adjustments to our monthly billings are reflected in our revenue on an as-incurred basis.

In order to provide our business services solutions, we may incur certain upfront project set-up costs specific to each customer contract. In certain instances, we can bill the customer for these costs; however, because the delivered item (project set-up services) does not have stand alone value to the customer, revenue is deferred and recognized as services are provided over the contract term or until contract termination, should that occur prior to the end of the contract term. To the extent we have billed these costs and there are no customer issues with collection, we will defer the project set-up costs and amortize such amounts over the program period, over the remaining contract term or until contract termination. The costs incurred are deferred only to the extent of the amounts billed. Amounts collected from customers prior to the performance of services are also recorded as deferred revenue. Deferred revenue totaled $5.4 million and $6.0 million as of December 31, 2007 and 2006, respectively. The current portion is included in accrued expenses and other liabilities with the non-current portion included in other liabilities in the accompanying consolidated balance sheets. The deferred revenue related to upfront project set-up costs was $4.3 million and $5.0 million as of December 31, 2007 and 2006, respectively. The current portion of the deferred cost associated with this revenue is included in prepaid expenses and other assets with the non-current portion included in other assets in the accompanying consolidated balance sheets. The deferred costs totaled $2.9 million and $3.4 million at December 31, 2007 and 2006, respectively. The balance of the deferred revenue represents customer prepayments as of December 31, 2007.

Our revenue recognition policy is in accordance with Staff Accounting Bulletin No. 104, "Revenue Recognition," and Emerging Issues Task Force Issue (EITF) 00-21, "Revenue Arrangements with Multiple Deliverables."

Allowance for Doubtful Accounts

Our accounts receivable balances are net of an estimated allowance for uncollectible accounts. Management continuously monitors collections and payments from customers and maintains an allowance for uncollectible accounts based upon our historical write-off experience and any specific customer collection issues that have been identified. Other items considered in estimating the allowance for uncollectible accounts include the age of the receivables, the financial status of our customers and general economic conditions. Because the allowance for uncollectible accounts is an estimate, it may be necessary to adjust the allowance for doubtful accounts if actual bad debt expense exceeds the estimated reserve. We are subject to concentration risks as certain of our customers, as well as certain of the industries we support, generate a high percentage of our total revenue and corresponding receivables. Accounts receivable, net of the allowance for doubtful accounts, was approximately \$79.8 million and \$83.7 million as of December 31, 2007 and 2006, respectively, representing approximately 35% and 39% of total assets, respectively. Given the significance of accounts receivable to our consolidated financial statements, the determination of net realizable values is considered to be a critical accounting estimate.

Impairment of Goodwill and Other Intangible Assets

Goodwill and other intangible assets are recorded as a result of business combinations. As of December 31, 2007 and 2006, we had \$13.1 million and \$12.9 million of goodwill, respectively. We also had \$1.3 million and \$2.3 million of other intangible assets, net of amortization, at December 31, 2007 and 2006, respectively. An impairment of these assets could have a significant impact on our results of operations. An impairment exists when events have occurred or circumstances exist that would cause the fair value of these assets to fall below their carrying value. Although goodwill is no longer required to be amortized, we are required to perform an annual impairment review of our goodwill. This impairment review, which is performed in the fourth quarter of each year, is a discounted cash flow analysis using projected cash flows of the Company. On an interim basis, we also evaluate whether any events have occurred or whether any circumstances exist that could indicate an impairment of our goodwill. Other intangible assets are evaluated similar to other long-lived assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," as discussed below. For the years ended December 31, 2007, 2006 and 2005, there were no impairment charges related to goodwill and other intangible assets.

Impairment of Long-Lived Assets

We continually evaluate whether events or circumstances have occurred that would indicate that the remaining estimated useful lives of our long-lived assets may warrant revision or that the remaining balance may not be recoverable. When factors indicate that long-lived assets should be evaluated for possible impairment, an estimate of the related undiscounted cash flows over the remaining life of the long-lived assets is used to measure recoverability. Some of the more important factors we consider include our financial performance relative to our expected and historical performance, significant changes in the way we manage our operations, negative events that have occurred, and negative industry and economic trends. If any impairment is indicated, measurement of the impairment will be based on the difference between the carrying value and fair value of the asset, generally determined based on the present value of expected future cash flows associated with the use of the asset. For the years ended December 31, 2007, 2006 and 2005, we recorded impairment charges of \$1.1 million, \$14,000, and \$458,000, respectively. Our impairment charges in 2007 relate to the corporate restructuring that occurred during the year. In 2005, the impairment charge was associated with facilities that we exited early. Net property and equipment as of December 31, 2007 and 2006 totaled \$70.7 million and \$61.7 million, respectively, representing approximately 31% and 29% of total assets, respectively.

Accounting for Income Taxes

As part of the process of preparing our consolidated financial statements, Management is required to estimate income taxes in each of the jurisdictions in which we operate. This process involves estimating our actual current tax expense together with assessing temporary differences resulting from differing treatment of items, such as depreciation of property and equipment, for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within the consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be realized through future taxable income. We also have deferred tax assets relating to net operating loss (NOL) carryforwards for Federal and state tax purposes, foreign NOL carryforwards and Federal tax credit carryforwards. During the third quarter of 2007, based upon the downtown in the financial credit markets, which impacted our clients in the financial services industry, and increased migration of client programs offshore, it was determined that it was more likely than not the U.S. entity would not generate sufficient taxable income to realize its deferred tax assets. Accordingly, a valuation allowance of approximately $3.0 million was placed against our U.S. deferred tax assets and we will no longer provide income tax benefits on our U.S. operating losses until we begin generating taxable income that will allow us to utilize those losses. At December 31, 2007, we have $5.7 million of U.S. NOL carryforwards which have a full valuation allowance recorded against them.

With respect to our state NOLs, we do not believe it is more likely than not that these deferred tax assets will be realized. Accordingly, a valuation allowance of $5.3 million has been recorded against these deferred tax assets, of which $2.1 million was recorded in 2007. At December 31, 2007, we have $41.1 million of NOL carryforwards relating to our foreign operations in Australia and the United Kingdom, resulting in a gross deferred tax asset of $12.3 million. Currently, Management does not expect to be able to utilize these NOLs to offset future taxable income, and therefore these deferred tax assets have a full valuation allowance recorded against them. In Argentina, we have deferred tax assets of $430,000 generated from NOLs that we currently expect to be able to utilize in the future. Our ability to realize any of the above NOLs in the future will depend upon the Company's ability to generate profits in the various tax jurisdictions to which they apply.

The amount of the deferred tax assets considered realizable, however, could be reduced in the near-term if estimates of future taxable income are reduced. We will continue to evaluate and assess the realizability of all deferred tax assets and adjust valuation allowances, if required in the future.

Restructuring Charges

During the year ended December 31, 2007, we recorded $7.7 million of pre-tax restructuring charges in connection with a plan to reduce our North American cost structure by closing various operating centers prior to the end of their existing lease terms. The restructuring charge included severance of $521,000, site closure costs totaling $6.0 million, which are primarily ongoing lease and other contractual obligations and the write-off of $1.1 million of leasehold improvements and certain fixed assets. At December 31, 2007, the remaining accrual associated with these charges was $3.6 million, representing primarily ongoing lease obligations and facility exit costs.

As of December 31, 2007, we had a remaining accrual of $519,000 for the amount of estimated costs required to terminate the leases and close the facilities included in the December 2002 restructuring. This accrual relates to one remaining leased facility.

During 2007 and 2006, we did not enter into any sublease arrangements nor did we negotiate any termination settlements for the facilities that remain under contract. The cash payments recorded against the remaining accrual were related to the ongoing lease obligations.

Accounting for Contingencies

In the ordinary course of business, we have entered into various contractual relationships with strategic corporate partners, customers, suppliers, vendors and other parties. As such, we could be subject to litigation, claims or assessments arising from any or all of these relationships, or from our relationships with our employees. Management accounts for contingencies such as these in accordance with SFAS No. 5, "Accounting for Contingencies." SFAS No. 5 requires an estimated loss contingency be recorded when information available prior to the issuance of financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. SFAS No. 5 and its interpretations further state that when there is a range of loss and no amount within that range is a better estimate than any other, that the minimum amount in the range should be accrued. Accounting for contingencies arising from contractual or legal proceedings requires Management to use its best judgment when estimating an accrual related to such contingencies. As additional information becomes known, the accrual for a loss contingency could fluctuate, thereby creating variability in our results of operations from period to period. Likewise, an actual loss arising from a loss contingency which significantly exceeds the amount accrued could have a material adverse impact on our operating results for the period in which such actual loss becomes known.

Share-Based Compensation

Effective January 1, 2006, we adopted SFAS No. 123 (revised 2004), "Share-Based Payment" (SFAS No. 123R). SFAS No. 123R replaces SFAS No. 123 and supersedes APB Opinion No. 25 and amends SFAS No. 95, "Statement of Cash Flows." SFAS No. 123R eliminates the ability to account for share-based compensation transactions using the intrinsic value method under APB Opinion No. 25, and requires that share-based awards be accounted for using a fair value based method. SFAS No. 123R requires compensation costs related to share-based payment transactions to be recognized in the financial statements over the period that an employee provides service in exchange for the award. We have adopted SFAS No. 123R using the modified prospective method.

Under the modified prospective method, we are required to record compensation expense for awards granted, modified or settled subsequent to the adoption of SFAS No. 123R over the related vesting period of such awards and record compensation expense prospectively for the unvested portion of awards issued and outstanding at the date of adoption over the remaining vesting period of such awards based on the original estimated fair value of such awards. No change in the results from prior periods is permitted under the modified prospective method. Accordingly, we have not restated prior period amounts. We determine the fair value of stock options using the Black-Scholes valuation model. Inherent in this valuation model are various assumptions and estimates, including, but not limited to, stock price volatility, risk-free borrowing rate and employee stock option exercise behaviors. We also utilize incentive compensation plans that have performance conditions, which require Management to estimate the level of performance that will be achieved. The share-based compensation expense recorded is partially based on the estimated achievement level of the performance targets.

Results of Operations

The following is a discussion of the major categories set forth in the consolidated statement of operations.

(dollars in thousands)	2007	2006	2005	% change 2007 vs. 2006	% change 2006 vs. 2005
Revenue:	$453,621	$447,912	$401,334	1.3%	11.6%
Services	340,482	330,943	278,999	2.9%	18.6%
Sales	113,139	116,969	122,335	-3.3%	-4.4%
Average Number of Workstations	13,020	11,396	9,805		

Our overall revenue growth over the past year has been impacted by the migration of our services to lower-cost offshore operating centers, particularly in the Philippines, which have lower revenue rates per production hour, in addition to the impact caused by the financial credit crisis in the U.S. Our Philippines operations handled 32% of our production hours in 2007 as compared to only 24% in 2006 and 16% in 2005. This is indicative of the trend in our industry as our clients seek to reduce their outsourcing costs.

Our revenue growth in 2007 was attributable to our Services revenue, which had an increase of 3%. Our Services revenue, which is made up primarily of inbound customer service programs, accounted for 75% of total revenue for the year ended December 31, 2007, as compared to 74% for the year ended December 31, 2006. Conversely, our Sales revenue accounted for 25% and 26% of total revenue for the years ended December 31, 2007 and 2006, respectively. Our Sales revenue was impacted by the decline in financial telesales business for credit card and mortgage programs that occurred as a result of the financial credit crisis in 2007.

Also impacting our revenue during 2007 was $1.7 million of service penalties and credits given to three clients. These penalties and credits evolved from certain disputes with clients and not necessarily from performance standards in our contracts. Our 2006 revenue included approximately $16.0 million related to the initial enrollment period for Medicare Part D, which concluded in the second quarter of 2006, and $5.5 million of revenue from two large, low margin technology clients from whose programs we exited in 2006.

Total revenue per average workstation in production for 2007 decreased by 11% to $34,840, as compared to $39,304 during 2006. The decrease is primarily due to our continued expansion in the Philippines where we have opened our fourth and fifth operating centers and the resultant lower revenue rates, as well as the growth of our business in Latin America, which is also priced lower than work performed in our domestic and other foreign centers.

The $46.6 million increase in revenue for 2006 as compared to 2005 was driven solely by growth in our Services revenue. Services revenue increased to 74% of total revenue during 2006 as compared to 70% during 2005. Approximately $16.0 million of the growth in Services revenue for 2006 was attributable to the services we performed for various healthcare clients in support of the Federal Government's Medicare Part D registration process. Sales revenue declined during 2006 as compared to 2005, which can largely be attributed to the shift of this business to offshore centers, which have lower revenue rates per production hour. Total revenue per average workstation in production during 2006 decreased by 4% to $39,304 from $40,932 during 2005. The decline was primarily due to our expansion in the Philippines.

As we continue to perform work for customers in international markets, our revenue will be impacted by fluctuations in foreign currency exchange rates. In 2007 changes in foreign exchange rates had a positive impact on total revenue of $7.4 million as compared to 2006 and was primarily due to changes in the Canadian dollar and Australian dollar. In 2006, changes in foreign exchange rates had a positive impact on total revenue of approximately $4.1 million compared to 2005, and was also primarily due to changes in the Canadian dollar, the Euro and the British pound sterling.

(dollars in thousands)	2007	2006	2005	% change 2007 vs. 2006	% change 2006 vs. 2005
Cost of Services:	$287,267	$273,618	$244,572	5.0%	11.9%
Labor costs	211,092	195,769	174,118	7.8%	12.4%
Telecom costs	21,786	22,225	19,389	-2.0%	14.6%
Other direct costs	54,389	55,624	51,065	-2.2%	8.9%
Total Cost of Services as a Percentage of Revenue	63.3%	61.1%	60.9%		
Production Hours (in thousands)	20,300	18,260	15,478		

Our cost of services consists primarily of direct labor costs associated with our customer service representatives (CSRs) and telecommunications costs. Other direct costs we incur for our client programs include information technology support, quality assurance, other billable labor and support services costs.

In 2007, the increase in our cost of services over 2006 was driven primarily by direct labor cost increases directly attributable to increased production hours and lower productivity associated with the rapid offshore migration of our client programs. The offshore migration caused some production inefficiencies as we incurred costs to ramp up already existing programs in new locations. The offshore migration was a significant factor as to why our labor costs increased 8% in 2007, while our revenue only increased by 1%. Our labor costs are impacted by production hour volume, foreign exchange rates and changes in hourly payroll rates. Our direct labor cost per production hour decreased in 2007 to $10.40 from $10.72 in 2006. This trend is due to the increasing volume of services performed in lower-wage, offshore operations centers. Our labor cost per production hour reflects a decline in wage rates of 7%, partially offset by the impact of foreign currency exchange rates.

During 2007, we were able to reduce our telecom costs to $1.07 per production hour from $1.22 per production hour in 2006, despite increases in our volume usage. This was accomplished primarily through obtaining rate reductions from the telephony carriers we use. Also during 2007, we were able to reduce other direct costs as compared to 2006, primarily as a result of a decrease in our reliance upon third party billable labor.

In 2006, the increase in our cost of services over 2005 was driven primarily by direct labor cost increases directly attributable to increased production hours to support our revenue growth as well as increases in other costs of services. Our direct labor cost per production hour decreased in fiscal year 2006 to $10.72 from $11.25 in fiscal year 2005. The decrease reflects an overall decline in wage rates of approximately 7% in 2006 compared to 2005, partially offset by the impact of foreign currency exchange rates.

The increase in telecom costs during 2006 was volume- and product mix-driven, although our actual telecom cost per production hour decreased to $1.22 in 2006 from $1.25 in 2005. Contributing to this decline per production hour were refunds of $755,000, net of consultant fees, relating to Federal excise taxes that the U.S. Treasury Department has agreed to refund on long distance telephone service provided to companies. Other direct costs increased in 2006 as compared to 2005 primarily due to increases in other billable labor of $1.1 million and quality assurance costs of $1.8 million. Some of our other inbound customer care services, particularly those in the healthcare industry, require a variety of ancillary services that are off the phone, which tends to drive our other billable labor costs. Our quality assurance costs are typically a function of our call volume and tend to increase as our volume of business increases.

We expect foreign currency exchange rates to continue to impact of cost of services. In 2007 foreign exchange rates increased our costs of services by $10.9 million over 2006, and foreign exchange rates increased our cost of services by $6.5 million as compared to 2005. However, the primary reason for the increase in direct labor cost overall was the increased volume of production hours necessary to support our client demand.

(dollars in thousands)	2007	2006	2005	% change 2007 vs. 2006	% change 2006 vs. 2005
Selling, General & Administrative Expenses:	$164,701	$155,435	$141,601	6.0%	9.8%
Salaries, benefits and other personnel-related costs	68,932	65,382	56,716	5.4%	15.3%
Facilities and equipment costs	58,782	53,163	50,934	10.6%	4.4%
Depreciation and amortization	26,420	23,662	20,790	11.7%	13.8%
Other SG&A costs	10,567	13,228	13,161	-20.1%	0.5%
Total SG&A as a Percentage of Revenue	36.3%	34.7%	35.3%		

Selling, general and administrative (SG&A) expenses are primarily comprised of salaries and benefits, rental expenses relating to our facilities and some of our equipment, equipment maintenance and depreciation and amortization.

SG&A expenses increased by $9.3 million in 2007 compared to 2006, primarily as a result of increased facilities costs, primarily rent expense, and depreciation of our fixed assets. During 2007, we opened two new facilities in the Philippines and one new facility in Quebec, Canada. Our 2007 results also reflect a full-year amount of facilities costs associated with our third operations center in the Philippines which opened in 2006 as well as a full year of facilities costs associated with our operation in Argentina. Salaries and benefits costs increased primarily due to full-time headcount increases as well as increases in base wage rates. Approximately 45% of our SG&A expenses were incurred in foreign locations, which are subject to changes in foreign exchange rates. Foreign exchange rates had the effect of increasing SG&A expenses by approximately $1.4 million in 2007 compared to 2006. Foreign exchange rate fluctuations will continue to have an impact on our results. As a percentage of revenue, our SG&A expenses increased in 2007 from 2006, primarily as a result of our offshore expansion which increased our facilities costs and our depreciation costs.

SG&A expenses increased by $13.8 million in 2006 compared to 2005, primarily as a result of increased salaries and benefits costs along with facilities costs. Salaries and benefits costs increased primarily due to headcount increases as well as increases in base wage rates. Our facilities costs, which consist primarily of rent expense, increased by $2.2 million. During 2006, we opened two new operations centers in the United States, one new operations center in the Philippines and new operations centers in India and Costa Rica, as we continued to expand our worldwide operations. Approximately 37% of our SG&A expenses were incurred in foreign locations, which are subject to changes in foreign exchange rates. Foreign exchange rates had the effect of increasing SG&A expenses by approximately $800,000 in 2006 compared to 2005. As a percentage of revenue, our SG&A expenses declined in 2006 from 2005, primarily as a result of our ability to manage our revenue growth by increasing utilization of existing infrastructure.

(dollars in thousands)	2007	2006	2005	% change 2007 vs. 2006	% change 2006 vs. 2005
Restructuring Charge:	$7,664	$—	$—	n/a	n/a

During 2007, we recorded $7.7 million of pre-tax restructuring charges in connection with a plan to reduce our North American cost structure by closing various operating centers prior to the end of their existing lease terms. The restructuring charge included severance of $521,000, site closure costs totaling $6.0 million, which are primarily ongoing lease and other contractual obligations and the write-off of $1.1 million of leasehold improvements and certain fixed assets. At December 31, 2007, the remaining accrual associated with these charges was $3.6 million, representing primarily ongoing lease obligations and facility exit costs.

(dollars in thousands)	2007	2006	2005	% change 2007 vs. 2006	% change 2006 vs. 2005
Litigation Costs (Recoveries)	$1,042	$—	$(3,611)	n/a	n/a

Our litigation costs for the year ended December 31, 2007 were incurred as part of the settlement of litigation with a broker formerly engaged by the Company, which was reached during the second quarter of 2007. The costs incurred during 2007 were comprised of the $825,000 settlement amount and associated legal fees of $217,000. In 2005, we had net recoveries from one of our insurance carriers of $3.6 million relating to the Shingleton litigation. These insurance proceeds were partially offset by incurred legal expenses of $604,000.

(dollars in thousands)	2007	2006	2005	% change 2007 vs. 2006	% change 2006 vs. 2005
Interest Expense:	$(257)	$(940)	$(2,637)	-72.7%	-64.4%
Interest Income:	$ 884	$ 780	$ 173	13.3%	350.9%

In 2007 and 2006, the decrease in our interest expense over the prior year represents the repayment in April 2006 of all outstanding obligations under our credit facility. Exclusive of any borrowings under our Credit Facility, interest expense is comprised primarily of the amortization of our deferred financing costs. In 2005 interest expense included interest on outstanding borrowings under the Credit Facility. The increase in interest income from 2005 to 2006 and from 2006 to 2007 is reflective of higher average cash investment balances and higher interest rates.

(dollars in thousands)	2007	2006	2005	% change 2007 vs. 2006	% change 2006 vs. 2005
Income Tax Provision:	$5,383	$1,888	$4,133	185.1%	-54.3%

Our income tax provision increased by $3.5 million in 2007 and decreased by $2.2 million in 2006, as compared to the comparable prior year period.

Our 2007 effective tax rate reflects a full valuation allowance recorded against our U.S. net deferred tax assets. In the third quarter of 2007, we established a full valuation allowances against our deferred tax assets in the U.S. This charge reflected a valuation allowance recorded against our deferred tax assets as well as the reversal of income tax benefits recorded against current year losses. Through the end of the second quarter of 2007, management believed that it was more likely than not that those deferred tax assets would be recovered through future taxable income. However, based upon changes related to the downturn in the financial credit markets which had a significant impact on our clients in the financial services industry, and increased migration of client programs offshore, it was determined during the third quarter of 2007 that it was more likely than not the U.S. entity would not generate sufficient taxable income to realize its deferred tax assets. Accordingly, a valuation allowance of $3.0 million was placed against our U.S. net deferred tax assets. We will continue to provide a valuation allowance against future U.S. losses until we begin generating taxable income to utilize those losses.

Our 2006 effective tax rate is reflective of the fact that approximately $14.4 million of the Company's pre-tax profit was generated in the Philippines, which was not subject to income tax as a result of incentive tax holidays. Also impacting the rate in 2006 was $1.2 million of work opportunity tax credits, which resulted in an income tax benefit of $776,000. The Federal Government renewed legislation in the fourth quarter of 2006 to continue this credit program.

In 2005, our effective income tax rate was primarily driven by the Company generating $4.4 million of profit in the Philippines, which was not subject to income tax as a result of incentive tax holidays. Our income tax provision in 2005 reflects the recording of additional valuation allowances of $1.1 million recorded for the remaining deferred tax assets related to our net operating loss carryforwards in Australia. Also during 2005, we recorded $599,000 of valuation allowances against certain research and development (R&D) credits associated with a previous tax year. The impact on our effective income tax rate of these increases in valuation allowances was partially offset by work opportunity tax credits of approximately $605,000.

Quarterly Results and Seasonality

We have experienced, and expect to continue to experience, quarterly variations in operating results, principally as a result of the timing of programs conducted by new and existing clients (particularly programs with substantial amounts of upfront project set-up costs), and selling, general and administrative expenses to support the growth and development of existing and new business units.

Our business tends to be strongest in the second half of the year due to higher call volumes and improved financial results of client sales and service activity in anticipation of the holiday season, while the first quarter often reflects a slowdown relating to the cessation of that activity. As we continue to increase the percentage of revenue associated with service programs, we expect these variations to lessen. Our operating margins in the first quarter are typically lower due to higher payroll-related taxes with our workforce.

Our results in the second quarter, third quarter and fourth quarter of 2007 reflect $3.8 million, $807,000 and $3.0 million of restructuring charges recorded during those periods, respectively. Our third quarter results also reflect the impact of a valuation allowance recorded against our U.S. net operating losses.

Our results in the fourth quarter of 2006 were impacted by certain weather-related events and an earthquake in the Pacific Rim, both of which caused reduction in call center activity and fourth quarter profit. Partially offsetting these events were certain discrete income tax items, which reduced our effective income tax rate. Our results in the third quarter of 2006 benefited from a reduction in our effective tax rate due to certain discrete income tax items.

Liquidity and Capital Resources

At December 31, 2007, we had $30.2 million of cash and cash equivalents compared to $32.4 million at December 31, 2006.

We generate cash through various means, primarily through cash from operations and, when required, through borrowings under our Credit Facility. In April 2006, we also raised $53.1 million through a registered equity offering. The primary areas of our business in which we spend cash include capital expenditures, payments of principal and interest on amounts owed under our Credit Facility to the extent we have outstanding borrowings, labor and facilities costs.

Cash From Operations

Cash provided by operations in 2007, 2006 and 2005 was $27.5 million, $34.8 million and $26.1 million, respectively.

Cash from operations in 2007 was primarily generated by positive changes in working capital of $9.0 million and various non-cash expenses of $30.3 million, offset by a net loss of $11.8 million. The non-cash expenses included $26.4 million of depreciation and amortization and non-cash share-based compensation of $1.8 million. The working capital changes were primarily due to an increase in accrued expenses and income taxes of $6.3 million and a decrease in accounts receivable of $7.1 million, offset by changes in our other working capital accounts (exclusive of cash and cash equivalents), primarily accounts payable and prepaid expenses, which used $4.4 million of cash flow.

Cash from operations in 2006 was primarily generated by net income of $16.8 million and various non-cash expenses of $24.6 million. The non-cash expenses included $23.7 million of depreciation and amortization and non-cash share-based compensation of $1.9 million, partially offset by $1.0 million of deferred income tax benefits and other non-cash items. Changes in our working capital accounts (exclusive of cash and cash equivalents) and non-current assets and liabilities decreased cash flow from operations by $6.7 million. This decrease in cash flow was primarily due to a decrease in accrued expenses of $8.7 million, offset by changes in our other working capital accounts (exclusive of cash and cash equivalents) and non-current assets and liabilities which generated $2.0 million of positive cash flow. Included in accrued expenses at December 31, 2005 was an amount of $6.6 million that was owed to a customer which is an association comprised of several member companies. The $6.6 million represented amounts previously collected from the association that were re-billed to the member companies at the request of the association in order to reflect a revised billing arrangement. The $6.6 million re-billed to the member companies was collected by us prior to December 31, 2005, and such amount was repaid to the association's customers in the first half of 2006.

Cash from operations in 2005 was primarily generated by net income of $12.2 million and various non-cash expenses of $25.4 million. The non-cash expenses included $20.8 million of depreciation and amortization and $4.0 million of deferred income tax expense. The net income and non-cash items were partially offset by the payment of our Shingleton litigation settlement of $14.8 million. Other working capital changes (exclusive of cash and cash equivalents) and changes in non-current assets and liabilities resulted in an additional $3.3 million of operating cash flow. A $19.1 million increase in accounts payable and accrued expenses was driven by higher accruals for payroll and related expenses, higher deferred revenue and $6.6 million of amounts due to a customer, as described above. This increase was partially offset by a $17.8 million increase in accounts receivable which was due to higher revenue and a slightly extended collection cycle. Much of the cash associated with these fourth quarter receivables was collected in January and February 2006.

Credit Facility and other Borrowings

In 2007, 2006 and 2005, we had net repayments under the Credit Facility of $0, $35.0 million and $4.0 million, respectively. In 2006, we repaid our outstanding borrowings using proceeds from the equity offering we completed in April 2006 and have had no outstanding borrowings under the Credit Facility since that time. In March 2005, some of our borrowings were used to make payment on the Shingleton settlement. These borrowings were repaid in 2005 with cash flow provided by operations.

Our Credit Facility is a $125.0 million secured revolving facility with a $5.0 million sub-limit for swing line loans and a $30.0 million sub-limit for multicurrency borrowings. The Credit Facility includes a $50.0 million accordion feature, which will allow us to increase our borrowing capacity to $175.0 million, subject to obtaining commitments for the incremental capacity from existing or new lenders. On December 20, 2007, we amended the Credit Facility to modify the definition of EBITDA to exclude the impact of the restructuring charges and the U.S. income tax valuation allowance recorded during 2007. As of December 31, 2007, we were in compliance with all covenants contained in the Credit Facility.

Borrowings under the Credit Facility can bear interest at various rates, depending upon the type of loan. We have two borrowing options, either a "Base Rate" option, under which interest rate is calculated using the higher of the federal funds rate plus 0.5% or the Bank of America prime rate, plus a spread ranging from 0% to 0.75%, or a "Eurocurrency Rate" option, under which interest rate is calculated using LIBOR plus a spread ranging from 1.00% to 2.25%. The amount of the spread under each borrowing option depends on our ratio of funded debt to EBITDA (which, for purposes of the Credit Facility, is defined as income before interest expense, interest income, income taxes, and depreciation and amortization and certain other charges).

In 2005, we incurred $596,000 of debt issuance costs associated with the Credit Facility. These costs have been deferred and are being amortized over the five-year term of the Credit Facility.

During 2007, our subsidiary in Argentina entered into a $700,000 short-term line of credit with a local bank for working capital needs. Any borrowings under this line of credit incur interest at an annual rate of 15%, which reflects the current market rate in Argentina. During 2007 we borrowed $524,000 to satisfy working capital needs. These amounts were repaid by the end of 2007. Consequently, there were no outstanding borrowings under this line of credit at December 31, 2007. Interest expense under this line of credit in 2007 was $36,000.

Equity Transactions

During 2007, we received $435,000 in proceeds from the exercise of employee stock options, which comprised the majority of our cash flow from financing activities.

In April 2006, we completed an offering of our common stock. We sold 2,350,000 shares and generated proceeds of $53.1 million, net of underwriting discount and offering costs. A portion of these proceeds was used to repay amounts outstanding under our Credit Facility, which at the time was $34.0 million. Management has used the remaining proceeds for working capital and other general corporate needs.

During 2006, we received $5.2 million in proceeds from the exercise of employee stock options, which also resulted in $3.8 million of positive cash flow from related income tax benefits.

Litigation

In May 2007, we settled a contract claim with a broker with whom we executed an agreement in June 2001. The settlement amount was $825,000. This amount was paid during 2007. We also incurred legal expenses totaling $217,000 during 2007.

In March 2005, we announced a settlement with the plaintiffs in the Shingleton litigation and made payments of $14.8 million to satisfy our obligations under the settlement. This payment was partially offset by recoveries from our insurance carriers, which totaled $6.9 million.

Capital Expenditures and Business Combinations

In 2007, we spent $30.8 million on capital expenditures compared to $25.9 million and $21.1 million in 2006 and 2005, respectively. A portion of our capital expenditures is reflected in our workstation growth. We had 13,710 workstations in operation at December 31, 2007, compared to 12,719 workstations at December 31, 2006 and 10,662 at December 31, 2005.

In 2007, we put into production 2,813 workstations in various centers and eliminated 1,822 workstations through the recent facility closures as we continued to realign our resources with our client needs. We spent approximately $19.0 million on workstation expansion. The remainder of our capital expenditures related primarily to information technology hardware and software.

In 2006, we added a net total of 2,057 workstations. This included 1,080 workstations added to our operations centers in the Philippines, primarily through the opening of our third Philippine operations center in 2006. We also added 670 workstations through our acquisition of Proyectar Connect S.A. on November 30, 2006. For purposes of determining revenue per average workstation in 2006, we have only included one-third of the Proyectar workstations since we only generated one month of revenue in Argentina for the fourth quarter of 2006. The remaining 307 net workstations were added in a variety of our existing facilities both domestically and offshore. We spent approximately $18.8 million on workstation expansion. The remainder of our capital expenditures related primarily to information technology hardware and software.

In 2005, we added a net total of 1,398 workstations. This included 692 workstations added to our near-shore and offshore locations, located primarily in the Philippines and Mexico. The remaining 706 workstations were added in our domestic operations centers. We spent approximately $14.8 million on workstation expansion. The remainder of our capital expenditures related primarily to information technology hardware and software.

On November 30, 2006, we purchased the stock of Proyectar Connect S.A., a company located in Argentina that provides inbound and outbound customer support services for $11.0 million.

Our operations will continue to require significant capital expenditures to support the growth of our business. Historically, equipment purchases have been financed through cash generated from operations, the Credit Facility and our ability to acquire equipment through operating leases. We believe that cash-on-hand, together with cash flow generated from operations, the ability to acquire equipment through operating leases, and funds available under our Credit Facility, will be sufficient to finance our current operations and planned capital expenditures at least into 2009.

Commitments and Obligations

As of December 31, 2007, we are parties to various agreements that create contractual obligations and commercial commitments. These obligations and commitments will have an impact on future liquidity and the availability of capital resources. We expect to satisfy our contractual obligations through cash flows generated from operations. We would also consider accessing the capital markets to meet our needs, although we can make no assurances that this type of financing would be available when we might need it. The table noted below presents a summary of these obligations and commitments:

Contractual Obligations:

(in thousands) Description	Payments Due By Period Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
Operating leases (1)	$78,387	$22,182	$27,233	$14,270	$14,702
Telephone contract commitments	10,300	7,693	2,607	—	—
Credit Facility (2)	—	—	—	—	—
Total contractual obligations	$88,687	$29,875	$29,840	$14,270	$14,702

(1) *Includes facility and equipment operating leases, some of which call for payment of direct operating costs in addition to rent. These obligation amounts include future minimum lease payments and exclude such direct operating costs.*

(2) *At December 31, 2007, we did not have any borrowings outstanding under the Credit Facility. The amount of the unused Credit Facility at December 31, 2007 was $125.0 million. For additional information, see Note 8 to the consolidated financial statements, included in Item 8 of this Form 10-K.*

Our table of contractual obligations excludes purchase orders for merchandise and supplies in the normal course of business that are expected to be liquidated within 12 months.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework and gives guidance regarding the methods used for measuring fair value, and expands disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years, except for certain nonfinancial assets and liabilities for which the effective date has been deferred until periods beginning after November 15, 2008. The adoption of SFAS No. 157 is not excepted to have a material impact on our results of operation and financial position.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities," which provides companies with an option to report selected financial assets and liabilities at fair value in an attempt to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007. The adoption of SFAS No. 159 is not excepted to have a material impact on our results of operation and financial position.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations," (SFAS No. 141R) which modifies the accounting for mergers and acquisitions. SFAS No. 141R requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction and establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed in a business combination. Certain provisions of this standard will, among other things, impact the determination of acquisition-date fair value of consideration paid in a business combination (including contingent consideration); exclude transaction costs from acquisition accounting; and change accounting practices for acquired contingencies, acquisition-related restructuring costs, in-process research and development, indemnification assets, and tax benefits. SFAS No. 141R is effective for business combinations which are consummated after January 1, 2009. We are currently evaluating the future impacts and disclosures of this standard.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51," which establishes new standards governing the accounting for and reporting of noncontrolling interests (NCIs) in partially owned consolidated subsidiaries and the loss of control of subsidiaries. Certain provisions of this standard indicate, among other things, that NCIs (previously referred to as minority interests) be treated as a separate component of equity, not as a liability; that increases and decrease in the parent's ownership interest that leave control intact be treated as equity transactions, rather than as step acquisitions or dilution gains or losses; and that losses of a partially owned consolidated subsidiary be allocated to the NCI even when such allocation might result in a deficit balance. SFAS No. 160 is effective beginning January 1, 2009. We are currently evaluating the future impacts and disclosures of this standard.

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

Our operations are exposed to market risks primarily as a result of changes in interest and foreign currency exchange rates. We do not use derivative financial instruments for speculative or trading purposes. We perform a sensitivity analysis to determine the effects that market risk exposures may have on our debt and other financial instruments. Information provided by the sensitivity analysis does not necessarily represent the actual changes in fair value that would be incurred under normal market conditions because, due to practical limitations, all variables other than the specific market risk factor are held constant.

Interest Rate Risk

Our exposure to market risk for changes in interest rates has historically related to our Credit Facility as well as investments in short-term, interest-bearing securities such as money market accounts. A change in market interest rates exposes us to the risk of earnings or cash flow loss but would not impact the fair value of the related underlying instrument. Borrowings under our Credit Facility are subject to variable LIBOR or prime base rate pricing. Interest earned on our cash balances is based on current market rates. Accordingly, a 1.0% change (100 basis points) in these rates would have resulted in net interest income and expense changing by approximately $268,000 and $40,000 for the years ended December 31, 2007 and 2006, respectively. Interest expense for the years ended December 31, 2007 and 2006 consists primarily of amortization of debt issuance costs associated with our Credit Facility. We did incur interest charges relating to the line of credit we established in Argentina during 2007. The interest rates in effect for the Credit Facility at any point in time approximate market rates; thus, the fair value of any outstanding borrowings approximates its reported value. In the past, Management has not entered into financial instruments such as interest rate swaps or interest rate lock agreements. However, we may consider using these instruments to manage the impact of changes in interest rates based on Management's assessment of future interest rates, volatility of the yield curve and our ability to access the capital markets in a timely manner.

Foreign Currency Risk

We have operations in Canada, Ireland, the United Kingdom, Australia, Mexico, the Philippines, India, Argentina and Costa Rica that are subject to foreign currency fluctuations. Our most significant foreign currency exposures occur when revenue is generated in one foreign currency and corresponding expenses are generated in another foreign currency. Currently, our most significant exposure has been with our Canadian and Philippine operations, where revenue is generated in U.S. dollars (USD) and the corresponding expenses are generated in either Canadian dollars (CAD) or Philippine pesos (PHP). We mitigate a portion of these exposures through foreign currency derivative contracts.

The impact of foreign currencies will continue to present economic challenges for us and could negatively impact overall earnings. A 5% change in the value of the USD relative to foreign currencies would have had a pre-tax impact of approximately $4.8 million and $3.8 million on our earnings for the years ended December 31, 2007 and 2006, respectively.

ITEM 8. *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA*

Our consolidated financial statements being filed under this Item 8 can be found beginning on page F-1 of this Annual Report on Form 10-K.

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

None.

ITEM 9A. *CONTROLS AND PROCEDURES*

(a) Evaluation of Disclosure Controls and Procedures

Our Management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report are functioning effectively to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our Management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure.

(b) Management's Report on Internal Control Over Financial Reporting

Our Management's report on internal control over financial reporting is set forth in Item 8 of this Annual Report on Form 10-K and can be found on page F-2.

(c) Change in Internal Control over Financial Reporting

No change in our internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. *OTHER INFORMATION*

None.

PART III

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

Information with respect to this item is incorporated by reference from our definitive proxy statement in connection with our 2008 Annual Meeting of Shareholders, to be filed no later than April 29, 2008 (the Proxy Statement).

ITEM 11. *EXECUTIVE COMPENSATION*

Information with respect to this item is incorporated by reference from the Proxy Statement.

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

Information with respect to this item is incorporated by reference from the Proxy Statement.

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

Information with respect to this item is incorporated by reference from the Proxy Statement.

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

Information with respect to this item is incorporated by reference from the Proxy Statement.

PART IV

ITEM 15. ***EXHIBITS AND FINANCIAL STATEMENT SCHEDULES***

Financial Statements and Financial Statement Schedules

See Index to Consolidated Financial Statements and Financial Statement Schedule on page F-1.

Exhibits

The following is a list of exhibits filed as part of this Annual Report on Form 10-K. With respect to exhibits which are indicated by footnote, to have been previously filed, such exhibits are incorporated herein by reference. For exhibits incorporated by reference, the location of the exhibit in the previous filing is indicated parenthetically.

3.1 Amended and Restated Articles of Incorporation of the Company (Filed as Exhibit 3.1 to Amendment No. 2 to the Company's Registration Statement on Form S-1 on June 4, 1996 (Registration No. 333-4150))

3.2 Amended and Restated Bylaws of the Company (Filed as Exhibit 3.2 to Amendment No. 2 to the Company's Registration Statement on Form S-1 on June 4, 1996 (Registration No. 333-4150))

9.1 Amended and Restated Voting Trust Agreement among John J. Brennan, Donald P. Brennan and the Company, dated October 16, 2000 (Filed as Exhibit 99.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000)

10.4 ICT Group, Inc. 2006 Equity Compensation Plan, which amended the ICT Group, Inc. 1996 Equity Compensation Plan (Filed with Company's Definitive Proxy Statement on April 17, 2006)+

10.5 ICT Group, Inc. 2006 Non-Employee Directors Plan, which amended the ICT Group, Inc. 1996 Non-Employee Directors Plan (Filed with Company's Definitive Proxy Statement on April 17, 2006)+

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10.8 Amended and Restated Shareholders Agreement among John J. Brennan, Donald P. Brennan, the Company and certain family trusts, dated October 16, 2000 (Filed as Exhibit 99.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000)

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10.13 Employment Agreement between Timothy F. Kowalski and the Company, dated July 7, 1997 (Filed as Exhibit 10.17 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999)+

10.14 Amendment to Employment Agreement between Vincent A. Paccapaniccia and the Company, dated January 2, 2002 (Filed as Exhibit 10.14 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001)+

10.16 Employment Agreement between Pam Goyke and the Company, dated September 11, 2000 (Filed as Exhibit 10.21 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000)+

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10.32 Amendment to Employment Agreement between Timothy F. Kowalski and the Company, dated March 17, 2003 (Filed as Exhibit 10.32 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002)+

10.33 Employment Agreement between Jeffrey Moore and the Company, dated November 7, 2003 (Filed as Exhibit 10.33 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003)+

10.34 Employment Agreement between Donald T. McCormick and the Company, dated December 1, 1999 (Filed as Exhibit 10.34 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004)+

10.35 Employment Agreement between James Shannon and the Company, dated September 15, 2002 (Filed as Exhibit 10.35 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004)+

10.36 ICT Group, Inc. Incentive Plan (Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed March 15, 2005)+

10.37 Description of Compensation of Non-Employee Directors (Filed as Exhibit 10.37 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004)+

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10.44 Amended and Restated Security Agreement, dated as of June 24, 2005, among the Registrant, certain subsidiaries of the Registrant named therein as grantors, and Bank of America, N.A. as Administrative Agent (Filed as Exhibit 10.44 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005)

10.45 Amended and Restated Pledge Agreement, dated as of June 24, 2005, among the Registrant, certain subsidiaries of the Registrant named therein as pledgors, and Bank of America, N.A. as Administrative Agent (Filed as Exhibit 10.45 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005)

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10.53 Underwriting Agreement dated April 6, 2006, between ICT Group, Inc., the Selling Shareholders, and the Underwriters (Filed as Exhibit 1.1 to the Company's Current Report on Form 8-K filed April 6, 2006)

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23	Consent of KPMG LLP *
31.1	Chief Executive Officer's Rule 13a-14(a)/15d-14(a) Certification *
31.2	Chief Financial Officer's Rule 13a-14(a)/15d-14(a) Certification *
32.1	Chief Executive Officer's Section 1350 Certification *
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+ Compensation plans and arrangements for executives and others.
* Filed herewith

Financial Statements and Financial Statement Schedules

See Index to Consolidated Financial Statements and Financial Statement Schedule on page F-1.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ICT GROUP, INC.
(Registrant)

Dated: March 14, 2008

By: /s/ JOHN J. BRENNAN
John J. Brennan
Chairman, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
By: /s/ JOHN J. BRENNAN **John J. Brennan**	Chairman, President and Chief Executive Officer and Director (principal executive officer)	March 14, 2008
By: /s/ VINCENT A. PACCAPANICCIA **Vincent A. Paccapaniccia**	Executive Vice President, Corporate Finance and Chief Financial Officer (principal financial and accounting officer)	March 14, 2008
By: /s/ DONALD P. BRENNAN **Donald P. Brennan**	Vice-Chairman	March 14, 2008
By: /s/ BERNARD SOMERS **Bernard Somers**	Director	March 14, 2008
By: /s/ JOHN STOOPS **John Stoops**	Director	March 14, 2008
By: /s/ SETH LEHR **Seth Lehr**	Director	March 14, 2008
By: /s/ GORDON COBURN **Gordon Coburn**	Director	March 14, 2008

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* Filed herewith

ICT GROUP, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND

FINANCIAL STATEMENT SCHEDULE

Management's Report on Internal Control over Financial Reporting

Management of ICT Group, Inc. (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated 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 pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; 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 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.

Management evaluated the Company's internal control over financial reporting as of December 31, 2007. In making this assessment, Management used the framework established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). As a result of this assessment and based on the criteria in the COSO framework, Management has concluded that, as of December 31, 2007, the Company's internal control over financial reporting was effective.

The Company's independent registered public accounting firm, KPMG LLP, has audited the effectiveness of the Company's internal control over financial reporting. Their opinion on the effectiveness of the Company's internal control over financial reporting appears on page F-3 in this Annual Report on Form 10-K.

/s/ JOHN J. BRENNAN

John J. Brennan
Chairman, President and Chief Executive Officer

/s/ VINCENT A. PACCAPANICCIA

Vincent A. Paccapaniccia
Executive Vice President, Corporate Finance and
Chief Financial Officer

March 14, 2008

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
ICT Group, Inc.:

We have audited ICT Group, Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). ICT Group, Inc.'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's 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, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included 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, ICT Group, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.*

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of ICT Group, Inc. as of December 31, 2007 and 2006, and the related consolidated statements of operations, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2007, and our report dated March 14, 2008 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Philadelphia, Pennsylvania
March 14, 2008

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
ICT Group, Inc.:

We have audited the accompanying consolidated balance sheets of ICT Group, Inc. and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of operations, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2007. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedule, "Valuation and Qualifying Accounts." These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement 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 are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ICT Group, Inc. and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, effective January 1, 2006, the Company adopted the fair value method of accounting for stock-based compensation as required by Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment.*

As discussed in Note 9 to the consolidated financial statements, effective January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes.*

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), ICT Group, Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 14, 2008 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Philadelphia, Pennsylvania
March 14, 2008

ICT GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

	December 31, 2007	December 31, 2006
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 30,244	$ 32,367
Accounts receivable, net of allowance for doubtful accounts of $337 and $489	79,823	83,673
Prepaid expenses and other current assets	17,354	10,898
Income taxes receivable	451	2,676
Deferred income taxes	312	250
Total current assets	128,184	129,864
PROPERTY AND EQUIPMENT, NET	70,658	61,667
DEFERRED INCOME TAXES	5,147	4,756
GOODWILL	13,074	12,862
OTHER ASSETS	8,537	6,517
	$225,600	$215,666
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 17,779	$ 21,376
Accrued expenses and other current liabilities	26,712	22,506
Income taxes payable	2,691	4,193
Deferred income taxes	1,411	2,266
Total current liabilities	48,593	50,341
OTHER LIABILITIES	8,271	3,443
DEFERRED INCOME TAXES	1,547	737
COMMITMENTS AND CONTINGENCIES (NOTE 13)		
SHAREHOLDERS' EQUITY:		
Preferred stock, $0.01 par value 5,000 shares authorized, none issued	—	—
Common stock, $0.01 par value, 40,000 shares authorized, 15,793 and 15,734 shares issued and outstanding	158	157
Additional paid-in capital	117,708	115,633
Retained earnings	31,974	44,377
Accumulated other comprehensive income	17,349	978
Total shareholders' equity	167,189	161,145
	$225,600	$215,666

The accompanying notes are an integral part of these consolidated financial statements.

ICT GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	For the Year Ended December 31,		
	2007	2006	2005
REVENUE	$453,621	$447,912	$401,334
OPERATING EXPENSES:			
Cost of services	287,267	273,618	244,572
Selling, general and administrative (including share-based compensation of $1,839, $1,949 and $0, respectively)	164,701	155,435	141,601
Restructuring charge	7,664	—	—
Litigation costs (recoveries)	1,042	—	(3,611)
	460,674	429,053	382,562
Operating income (loss)	(7,053)	18,859	18,772
INTEREST EXPENSE	(257)	(940)	(2,637)
INTEREST INCOME	884	780	173
Income (loss) before income taxes	(6,426)	18,699	16,308
INCOME TAX PROVISION	5,383	1,888	4,133
NET INCOME (LOSS)	$(11,809)	$ 16,811	$ 12,175
EARNINGS (LOSS) PER SHARE:			
Basic earnings (loss) per share	$ (0.75)	$ 1.14	$ 0.96
Diluted earnings (loss) per share	$ (0.75)	$ 1.11	$ 0.94
Shares used in computing basic earnings (loss) per share	15,773	14,713	12,722
Shares used in computing diluted earnings (loss) per share	15,773	15,164	12,964

The accompanying notes are an integral part of these consolidated financial statements.

ICT GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(In thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
BALANCE, JANUARY 1, 2005	12,646	$127	$ 51,756	$ 15,391	$ 1,674	$ 68,948
Exercise of stock options and related income tax benefit	143	1	35	—	—	36
Comprehensive income:						
Net income	—	—	—	12,175	—	12,175
Currency translation adjustment	—	—	—	—	(497)	(497)
Unrealized gain on derivative instruments, net of tax	—	—	—	—	350	350
Total comprehensive income						12,028
BALANCE, DECEMBER 31, 2005	12,789	128	51,791	27,566	1,527	81,012
Exercise of stock options	591	6	5,172	—	—	5,178
Income tax benefit relating to share-based awards	—	—	3,848	—	—	3,848
Vesting of restricted share unit awards	4	—	—	—	—	—
Share-based compensation	—	—	1,791	—	—	1,791
Proceeds from equity offering, net of offering costs	2,350	23	53,031	—	—	53,054
Comprehensive income:						
Net income	—	—	—	16,811	—	16,811
Currency translation adjustment	—	—	—	—	252	252
Unrealized loss on derivative instruments, net of tax	—	—	—	—	(801)	(801)
Total comprehensive income						16,262
BALANCE, DECEMBER 31, 2006	15,734	157	115,633	44,377	978	161,145
Adoption of FIN 48	—	—	—	(594)	—	(594)
Exercise of stock options	42	1	434	—	—	435
Vesting of restricted share unit awards, net of shares withheld for minimum tax obligations	17	—	(51)	—	—	(51)
Share-based compensation	—	—	1,692	—	—	1,692
Comprehensive income:						
Net loss	—	—	—	(11,809)	—	(11,809)
Currency translation adjustment	—	—	—	—	7,975	7,975
Unrealized gain on derivative instruments, net of tax	—	—	—	—	8,396	8,396
Total comprehensive income						4,562
BALANCE, DECEMBER 31, 2007	15,793	$158	$117,708	$ 31,974	$17,349	$167,189

The accompanying notes are an integral part of these consolidated financial statements.

ICT GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For the Year Ended December 31,		
	2007	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$(11,809)	$ 16,811	$ 12,175
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	26,420	23,662	20,790
Share-based compensation	1,839	1,949	—
Tax benefit of stock option exercises	—	—	109
Deferred income tax expense (benefit)	753	(1,195)	4,029
Amortization of deferred financing costs	180	181	194
Gain on sale of equipment	—	—	(184)
Asset impairment	1,134	14	458
(Increase) decrease in:			
Accounts receivable	7,072	1,052	(17,755)
Prepaid expenses and other	758	626	2,727
Other assets	(278)	(725)	(418)
Increase (decrease) in:			
Accounts payable	(4,878)	373	3,176
Accrued expenses and other liabilities	2,716	(8,708)	15,962
Income taxes	3,631	722	(420)
Accrued litigation	—	—	(14,750)
Net cash provided by operating activities	27,538	34,762	26,093
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(30,840)	(25,942)	(21,132)
Proceeds from sale of equipment	41	—	249
Cash paid for acquired businesses, net of cash acquired	—	(10,955)	(178)
Realized losses on derivatives	(1,003)	—	—
Net cash used in investing activities	(31,802)	(36,897)	(21,061)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings under lines of credit	524	10,000	45,000
Payments on lines of credit	(524)	(45,000)	(49,000)
Proceeds from equity offering, net of offering costs	—	53,054	—
Payment of debt issuance costs	—	—	(596)
Proceeds from exercise of stock options	435	5,178	209
Withholding of restricted share units for minimum tax obligations	(51)	—	—
Tax benefit of stock option exercises	—	3,848	—
Net cash provided by (used in) financing activities	384	27,080	(4,387)
EFFECT OF FOREIGN EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	1,757	(3,006)	(1,636)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,123)	21,939	(991)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	32,367	10,428	11,419
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 30,244	$ 32,367	$ 10,428

The accompanying notes are an integral part of these consolidated financial statements.

Note 1: ***BACKGROUND***

ICT Group, Inc. (incorporated in the Commonwealth of Pennsylvania in 1987) and subsidiaries (the Company), is a leading global provider of outsourced customer management and business process outsourcing solutions. We provide a comprehensive mix of sales, service, marketing and business services outsourcing solutions. We manage customer operations centers in the U.S., U.K., Ireland, Canada, Australia, Mexico, Argentina, India, Costa Rica and the Philippines from which we support domestic and multinational corporations and institutions, primarily in the financial services, insurance, telecommunications, healthcare, information technology, Government, and energy services industries. Unless the context indicates otherwise, "ICT," the "Company," "we," "our," and "us" refer to ICT Group, Inc., and, where appropriate, one or more of its subsidiaries.

Note 2: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

Principles of Consolidation

The consolidated financial statements include the accounts of ICT Group, Inc. and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Pursuant to Statement of Financial Accounting Standards (SFAS) No. 52, "Foreign Currency Translation," the functional currency of our foreign subsidiaries is their local currency. Therefore, all assets and liabilities of our foreign subsidiaries are translated at the period-end currency exchange rate and revenue and expenses are translated at an average currency exchange rate for the period. The resulting translation adjustment is accumulated in a separate component of shareholders' equity. Gains and losses on the remeasurement of intercompany loans that are treated as a permanent investment because repayment is not planned or anticipated in the near future are accumulated in a separate component of shareholders' equity. Gains and losses on the remeasurement of intercompany loans which are expected to be repaid are included in the determination of net income or loss.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include the valuation of property and equipment, the assessment of the recoverability of goodwill and intangible assets, valuation allowances for receivables and deferred income tax assets, restructuring accruals, litigation contingencies and the fair value of derivative instruments. Actual results could differ from those estimates.

Revenue Recognition

Revenue is typically calculated based on contracted per-minute or hourly rates with customers. We recognize revenue as services are performed, generally based on billable minutes or hours of work incurred. Some of our client contracts have performance standards, which can result in adjustments to monthly billings if the standards are not met. Any required adjustments to our monthly billings are reflected in our revenue on an as-incurred basis.

In order to provide our business services solutions, we may incur certain upfront project set-up costs specific to each customer contract. In certain instances, we can bill the customer for these costs; however, because the delivered item (project set-up services) does not have stand alone value to the customer, revenue is deferred and recognized as services are provided over the contract term or until contract termination, should that occur prior to the end of the contract term. To the extent we have billed these costs and there are no customer issues with collection, we will defer the project set-up costs and amortize such amounts over the program period, remaining contract term or until contract termination. The costs incurred are deferred only to the extent of the amounts billed. Amounts collected from customers prior to the performance of services are also recorded as deferred revenue. Deferred revenue totaled $5.4 million and $6.0 million as of December 31, 2007 and 2006, respectively. The current portion is included in accrued expenses and other current liabilities with the non-current portion included in other liabilities in the accompanying consolidated balance sheets. The deferred revenue related to upfront project set-up costs was $4.3 million and $5.0 million as of December 31, 2007 and 2006, respectively. The current portion of the deferred cost associated with this revenue is included in prepaid expenses and other current assets with the non-current portion included in other assets in the accompanying consolidated balance sheets. The deferred costs totaled $2.9 million and $3.4 million at December 31, 2007 and 2006, respectively.

Our revenue recognition policy is in accordance with Staff Accounting Bulletin No. 104, "Revenue Recognition," and Emerging Issues Task Force Issue 00-21, "Revenue Arrangements with Multiple Deliverables."

Grant Income

We earn income from Government grants, primarily in Ireland and Canada. We recognize the grant income as we incur the related costs, primarily payroll, for which the grant is intended to compensate. Grant income is recorded as a reduction of the related expense in the consolidated statement of operations. If we have already incurred the costs, then we recognize grant income during the period in which the grant becomes a receivable or is collected. If there are additional conditions attached to the grant, we evaluate the conditions and only record income if there is reasonable assurance that we will comply with the conditions. Many of our grants have conditions relating to the maintenance of specified levels of employees, with which we have the intent and ability to comply. To the extent we are not able to remain in compliance with the terms of certain of the grants, we may have to refund a portion of the grant. During the fourth quarter of 2007, we reversed $344,000 of grant income recorded previously, based on employee reductions. No such other amounts have been required to be refunded. Grant receivables are recorded in prepaid expenses and other on our consolidated balance sheet.

Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid investments with purchased maturities of three months or less. Cash equivalents at December 31, 2007 and 2006 consisted of an overnight repurchase agreement and money market accounts.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts represents Management's best estimate of the amount of probable credit losses in existing accounts receivable. We determine the allowance based on historical write-off experience and any specific customer collection issues that have been identified. We review our allowance for doubtful accounts monthly. Past due balances are reviewed individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Amounts charged to expense in 2007, 2006 and 2005 were $359,000, $475,000 and $150,000, respectively. We do not have any off-balance sheet credit exposure related to our customers.

Property and Equipment

Property and equipment are recorded at cost. Depreciation and amortization are provided over the estimated useful lives of the applicable assets using the straight-line method. The lives used are as follows:

Communications and computer equipment	3-7 years
Furniture and fixtures	5-7 years
Leasehold improvements	Lesser of lease term or useful life

Depreciation and amortization expense relating to property and equipment was $25.9 million, $23.3 million and $20.4 million for the years ended December 31, 2007, 2006 and 2005, respectively. Repairs and maintenance are charged to expense as incurred. Additions and betterments are capitalized and amortized over their estimated useful lives. Improvements made to our leased facilities are amortized into expense over the remaining lease term.

Under the provisions of Statement of Position 98-1, "Accounting for Costs of Computer Software Developed or Obtained for Internal Use," we capitalize the costs associated with software developed or obtained for internal use when both the preliminary project stage is completed and Management has authorized funding for the project, and it is probable that the project will be completed and used to perform the function intended. Capitalized costs include only (i) external direct costs of materials and services consumed in developing or obtaining internal-use software, (ii) direct payroll and payroll-related costs relating to the time spent by employees on each internal-use software project, and (iii) interest costs incurred, when material, while developing internal-use software. Capitalization of such costs ceases no later than the point at which the project is substantially complete and ready for its intended purpose. We capitalized $680,000, $968,000 and $948,000 of costs during 2007, 2006 and 2005, respectively, which have been included in communications and computer equipment. These costs are amortized on a project-by-project basis over the estimated useful life, typically three years, beginning when the software is placed into operations and is ready for its intended purpose. At December 31, 2007 and 2006, there was $904,000 and $829,000, respectively, of capitalized costs associated with projects that are still in progress, and therefore are not currently being amortized.

Goodwill and Other Intangible Assets

Goodwill and other intangible assets are recorded in connection with business combinations (see Note 5). An impairment may exist when events have occurred or circumstances exist that would cause the fair value of these assets to fall below their carrying value. Although goodwill is no longer required to be amortized, we are required to perform an annual impairment review of our goodwill. This impairment review, which is performed in the fourth quarter of each year, is a discounted cash flow analysis using projected cash flows of the Company. Management has determined that we have one reporting unit for purposes of applying SFAS No. 142, "Goodwill and Other Intangible Assets," based on our current reporting structure. We performed our impairment test as of December 31, 2007, and determined that goodwill was not impaired. On an interim basis, we also evaluate whether any events have occurred or whether any circumstances exist which could indicate an impairment of our goodwill. For the years ended December 31, 2007, 2006 and 2005, there were no impairment charges taken against goodwill. Other intangible assets are evaluated under the provision of SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets," as discussed below. There were no impairment charges taken against other intangible assets for the years ended December 31, 2007, 2006 and 2005.

Impairment of Long-Lived Assets

Under the provisions of SFAS No. 144, long-lived assets, such as property and equipment and intangible assets, are to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We continually evaluate whether events or circumstances have occurred that would indicate that the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance may not be recoverable. When factors indicate that long-lived assets should be evaluated for possible impairment, we use an estimate of the related undiscounted cash flows over the remaining life of the long-lived assets to measure recoverability. If impairment is indicated, measurement of the impairment is based on the difference between the carrying value and fair value of the assets, generally determined based on the present value of expected future cash flows associated with the use of the asset. For the years ended December 31, 2007, 2006 and 2005, we recorded impairment charges of $1.1 million, $14,000 and $458,000, respectively.

Income Taxes

Income taxes are accounted for under the asset and liability method in accordance with 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 and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which such items are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

Effective January 1, 2007, we adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48). FIN 48 prescribes a comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. FIN 48 states that a tax benefit from an uncertain tax position may be recognized only if it is "more likely than not" that the position is sustainable, based on its technical merits. Under FIN 48, the liability for unrecognized tax benefits is classified as noncurrent unless the liability is expected to be settled in cash within 12 months of the reporting date.

Derivative Instruments

Derivative instruments are recorded at fair value on the consolidated balance sheet. We account for these derivative instruments pursuant to SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" and SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." Our derivatives are designated as cash flow hedges (see Note 17); therefore, to the extent the Company's derivatives qualify for accounting as a hedging instrument, changes in fair value are recorded through accumulated other comprehensive income until settlement of the instrument, at which time gains and/or losses are realized.

Fair Value of Financial Instruments

Financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable and a line of credit. Management believes that the carrying value of these assets and liabilities are representative of their respective fair values due to the short-term nature of those instruments. To the extent we have any outstanding borrowings under our line of credit, the fair value would approximate its reported value because our interest rate is variable and reflects current market rates.

Concentration of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash, cash equivalents and accounts receivable. We perform periodic evaluations of the relative credit standing of the financial institutions with which we do business. We maintain cash accounts that at times may exceed federally insured limits; however, we have not experienced any losses from maintaining cash accounts in excess of such limits. Management believes that we are not exposed to any significant risks on our cash accounts. Accounts receivable are subject to the financial condition of our customers. We periodically evaluate the financial condition of our customers and generally do not require collateral. Although we are an international business, much of our customer base is located in North America and not necessarily in the offshore locations where we operate. Our allowance for doubtful accounts reflects current market conditions and Management's assessment regarding the collectibility of our receivables.

Share-Based Compensation

Prior to January 1, 2006, we used the intrinsic value method of accounting for share-based employee compensation in accordance with Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Under APB Opinion No. 25, no compensation expense was recognized for stock options because the exercise price of stock options equaled the market price of our stock on the dates of grant. We also provided the pro forma disclosures required under SFAS No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, "Accounting for Stock-Based Compensation -Transition and Disclosure."

Effective January 1, 2006, we adopted SFAS No. 123 (revised 2004), "Share-Based Payment" (SFAS No. 123R). SFAS No. 123R replaces SFAS No. 123 and supersedes APB Opinion No. 25 and amends SFAS No. 95, "Statement of Cash Flows." SFAS No. 123R eliminates the ability to account for share-based compensation transactions using the intrinsic value method under APB Opinion No. 25, and requires that share-based awards be accounted for using a fair value based method. SFAS No. 123R requires compensation costs related to share-based payment transactions to be recognized in the financial statements over the period that an employee provides service in exchange for the award. We have adopted SFAS No. 123R using the modified prospective method.

Under the modified prospective method, we are required to record compensation expense for awards granted, modified or settled subsequent to the adoption of SFAS No. 123R over the related vesting period of such awards and record compensation expense prospectively for the unvested portion of awards issued and outstanding at the date of adoption over the remaining vesting period of such awards based on the original estimated fair value of such awards. No change in the results from prior periods is permitted under the modified prospective method. Accordingly, we have not restated prior period amounts. We determine the fair value of stock options using the Black-Scholes valuation model. Inherent in this valuation model are various assumptions and estimates, including, but not limited to, stock price volatility, risk-free borrowing rate and employee stock option exercise behaviors. We also utilize incentive compensation plans that have performance conditions, which require management to estimate the level of performance that will be achieved. The share-based compensation expense recorded is partially based on the estimated achievement level of the performance targets (see Note 11).

The following table illustrates the effect on net income and earnings per share had compensation cost for our share-based compensation plans been determined under SFAS No. 123 for the year ended December 31, 2005.

In thousands, except per share data	
Net income, as reported	$12,175
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of tax	432
Pro forma net income	$11,743
Diluted earnings per share, as reported	$ 0.94
Pro forma diluted earnings per share	$ 0.90

Prior to the adoption of SFAS No. 123R, we recorded benefits associated with tax deductions that were in excess of compensation expense recognized for financial reporting purposes for stock options and other equity awards as a cash flow from operations. SFAS No. 123R requires these excess benefits to be recorded as a component of cash flows from financing activities. For the year ended December 31, 2006 we recorded approximately $3.8 million of tax benefits through financing activities, which would have been recorded through operating activities in prior years. For the year ended December 31, 2007, we did not record any tax benefits as the U.S. entity is in a net operating loss position with a full valuation allowance recorded against our net deferred tax assets. Accordingly, any tax deductions earned by the Company from stock option exercises or the vesting of other stock awards are not recorded until such time they can be used to offset taxable income on a future tax return. At December 31, 2007, all deferred tax benefits earned by the U.S. entity have a full valuation recorded against them. See Note 9 for more information on income taxes.

Comprehensive Income

SFAS No. 130, "Reporting Comprehensive Income," requires companies to classify items of other comprehensive income (loss) by their nature in a financial statement and display the accumulated balance of other comprehensive income (loss) separately from retained earnings and additional paid-in capital in the equity section of the balance sheet. For the years ended December 31, 2007, 2006 and 2005, accumulated other comprehensive income consisted of foreign currency translation adjustments and unrealized gains and losses on outstanding derivative instruments.

As of December 31, 2007, 2006 and 2005, the accumulated balances for each classification of other comprehensive income were as follows:

	December 31,		
(in thousands)	**2007**	**2006**	**2005**
Derivative instruments, net of tax	$ 8,232	$ (164)	$ 637
Foreign currency translation adjustments	9,117	1,142	890
Accumulated other comprehensive income	$17,349	$ 978	$1,527

Commitments and Contingencies

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 can be reasonably estimated (see Note 13). Legal costs associated with loss contingencies are recorded as they are incurred.

Leasing Arrangements

SFAS No. 13, "Accounting for Leases" and SFAS No. 98, "Accounting for Leases," require companies to assess the classification of the leases they enter into as either a capital lease or an operating lease. Capital leases are considered financing arrangements and are accounted for on the balance sheet. Operating leases are considered to be rental arrangements and are not recorded on the balance sheet. See Note 13, where we disclose our future commitments under operating leases.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework and gives guidance regarding the methods used for measuring fair value, and expands disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. except for certain nonfinancial assets and liabilities for which the effective date has been deferred until periods beginning after November 15, 2008. The adoption of SFAS No. 157 is not expected to have a material impact on our results of operation or financial position.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities," which provides companies with an option to report selected financial assets and liabilities at fair value in an attempt to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year beginning after November 15, 2007. The adoption of SFAS No. 159 is not expected to have a material impact on our results of operation or financial position.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations," (SFAS No. 141R) which modifies the accounting for mergers and acquisitions. SFAS No. 141R requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction and establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed in a business combination. Certain provisions of this standard will, among other things, impact the determination of acquisition-date fair value of consideration paid in a business combination (including contingent consideration); exclude transaction costs from acquisition accounting; and change accounting practices for acquired contingencies, acquisition-related restructuring costs, in-process research and development, indemnification assets, and tax benefits. SFAS No. 141R is effective for business combinations which are consummated after January 1, 2009. We are currently evaluating the future impacts and disclosures of this standard.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51," which establishes new standards governing the accounting for and reporting of noncontrolling interests (NCIs) in partially owned consolidated subsidiaries and the loss of control of subsidiaries. Certain provisions of this standard indicate, among other things, that NCIs (previously referred to as minority interests) be treated as a separate component of equity, not as a liability; that increases and decrease in the parent's ownership interest that leave control intact be treated as equity transactions, rather than as step acquisitions or dilution gains or losses; and that losses of a partially owned consolidated subsidiary be allocated to the NCI even when such allocation might result in a deficit balance. SFAS No. 160 is effective beginning January 1, 2009. We are currently evaluating the future impacts and disclosures of this standard.

Note 3: *EARNINGS PER SHARE*

Basic earnings (loss) per share (Basic EPS) is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding. Diluted earnings (loss) per share (Diluted EPS) is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding, after giving effect to the potential dilution from the assumed vesting or exercise of securities, such as unvested restricted stock units and stock options, into shares of common stock as if those securities were vested or exercised. A reconciliation of shares used to compute EPS is shown below.

	For the years ended December 31,		
(in thousands, except per share amounts)	**2007**	**2006**	**2005**
Net income (loss)	$(11,809)	$16,811	$12,175
Basic earnings (loss) per share:			
Weighted average shares outstanding	15,773	14,713	12,722
Basic earnings (loss) per share	$ (0.75)	$ 1.14	$ 0.96
Diluted earnings (loss) per share:			
Weighted average shares outstanding	15,773	14,713	12,722
Dilutive shares resulting from common stock equivalents (1)	—	451	242
Shares used in computing diluted earnings (loss) per share	15,773	15,164	12,964
Diluted earnings (loss) per share	$ (0.75)	$ 1.11	$ 0.94

(1) *Given the Company's loss for the year ended December 31, 2007, Diluted EPS is the same as Basic EPS as all common stock equivalents would be antidilutive. Accordingly, the dilutive effect of 230 shares resulting from stock equivalents in 2007 is not included. For the years ended December 31, 2006 and 2005, the dilutive effect of 194 and 353 shares, respectively, resulting from common stock equivalents was not included as the result would be antidilutive.*

Note 4: *PROPERTY AND EQUIPMENT*

Property and equipment consists of the following:

(in thousands)	December 31, 2007	December 31, 2006
Communications and computer equipment	$ 175,980	$ 150,818
Furniture and fixtures	32,611	29,964
Leasehold improvements	42,381	29,022
	250,972	209,804
Less—Accumulated depreciation and amortization	(180,314)	(148,137)
	$ 70,658	$ 61,667

Note 5: *GOODWILL AND OTHER ASSETS*

Goodwill and other assets consist of the following:

(in thousands)	December 31, 2007	December 31, 2006
Goodwill	$13,074	$12,862
Other Assets		
Deposits	$ 4,100	2,692
Non-current portion of derivatives	1,646	—
Other intangible assets, net of accumulated amortization of $1,769 and $1,202	1,325	2,341
Asset for unrecognized tax benefits	665	—
Non-current deferred costs	353	856
Deferred financing costs, net of accumulated amortization of $1,497 and $1,317	448	628
	$ 8,537	$ 6,517

Our deposits are primarily lease-related. At December 31, 2007, $2.2 million of the balance relates to facilities deposits in the Philippines, as compared to $760,000 at December 31, 2006. The increase was due to our expansion in 2007, where we began operations in two new facilities. The non-current portion of our derivatives relates to those amounts which are not due to be settled until after January 1, 2009.

On November 30, 2006, we purchased the stock of Proyectar Connect S.A., a company located in Argentina that provides inbound and outbound customer support services. Management expects this acquisition to further strengthen our market position in Central and South America. In addition to providing a base for further expansion in this region, we also anticipate using this operation to provide cost-effective offshore bilingual English/Spanish support services for the U.S. market and potentially multi-lingual support services for clients and prospects in Europe. This transaction was accounted for as a purchase business combination, and accordingly, the results of operations and cash flows of the business acquired are included in the accompanying consolidated financial statements from the date of acquisition. Pro forma combined results of operations are not presented since the results of operations as reported in the accompanying consolidated financial statements would not be materially different.

The cash paid was $11.0 million, including transaction costs and net of cash acquired. There was $9.6 million of goodwill recorded in connection with this acquisition along with estimated intangible assets of $1.6 million. Because this was an acquisition of stock, none of the recorded intangibles are deductible for Argentine tax purposes. The purchase price allocation associated with this transaction is shown below in U.S. dollars:

(in thousands)	
Accounts receivable	$ 1,533
Property and equipment	717
Customer contracts	1,600
Non-compete	20
Goodwill	9,617
Other assets	70
Deferred income taxes	(567)
Liabilities assumed	(2,035)
Cash paid, net of cash acquired of $241	$10,955

With respect to the intangibles, the non-compete intangibles are being amortized on a straight-line basis over their stated terms of three years and the customer relationship intangible is being amortized over a four-year period. Our purchase price allocation was finalized during 2007.

Our intangible assets, other than goodwill, and the related accumulated amortization and net book value are as follows.

	December 31,	
(in thousands)	2007	2006
Customer-related	$ 3,004	$ 3,433
Non-compete agreements	90	110
	3,094	3,543
Less: Accumulated amortization	(1,769)	(1,202)
	$ 1,325	$ 2,341

Amortization expense was $540,000, $344,000 and $341,000 for the years ended December 31, 2007, 2006 and 2005, respectively. The estimated amortization expense for intangible assets derived from business combinations for fiscal years 2008, 2009, 2010 and 2011 is $480,000, $445,000, $390,000, and $10,000, respectively. There is no intangible amortization forecasted beyond 2011.

Deferred financing costs represent costs we incurred in renewing our Credit Facility (see Note 8). These costs are being amortized on a straight-line basis as interest expense over the five-year term of the agreement.

Note 6: *ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES*

Accrued expenses and other current liabilities consist of the following:

(in thousands)	December 31, 2007	2006
Payroll and related benefits	$13,872	$15,854
Current portion of restructuring (Note 18)	3,072	319
Telecommunications expense	918	164
Sales and VAT taxes	2,993	493
Accrued facilities	236	401
Deferred revenue	4,888	4,805
Other	733	470
	$26,712	$22,506

Note 7: *OTHER LIABILITIES*

Other liabilities consist of the following:

(in thousands)	December 31, 2007	2006
Non-current portion of restructuring (Note 18)	$1,085	$ 594
Non-current deferred revenue	504	1,221
Accrued facilities	1,603	1,582
Liability for unrecognized tax benefits	5,079	—
Other	—	46
	$8,271	$3,443

Note 8: *LINES OF CREDIT AND LONG-TERM DEBT*

Our revolving credit facility ("Credit Facility") is structured as a $125.0 million secured revolving facility with a $5.0 million sub-limit for swing line loans and a $30.0 million sub-limit for multicurrency borrowings. The Credit Facility includes a $50.0 million accordion feature, which allows us to increase our borrowing capacity to $175.0 million, subject to obtaining commitments for the incremental capacity from existing or new lenders. The Credit Facility matures on June 24, 2010.

Borrowings under the Credit Facility can bear interest at various rates, depending upon the type of loan. We have two borrowing options, either a "Base Rate" option, under which the interest rate is calculated using the higher of the federal funds rate plus 0.5% or the Bank of America prime rate, plus a spread ranging from 0% to 0.75%, or a "Eurocurrency Rate" option, under which the interest rate is calculated using LIBOR plus a spread ranging from 1% to 2.25%. The amount of the spread under each borrowing option depends on our ratio of funded debt to EBITDA (which, for purposes of the Credit Facility, is defined as income before interest expense, interest income, income taxes, and depreciation and amortization and certain other charges). At December 31, 2007, we had no outstanding borrowings.

Exclusive of the amortization of debt issuance costs, we did not incur any interest expense related to our Credit Facility for the year ended December 31, 2007. For the years ended December 31, 2006 and 2005, our interest expense related to our Credit Facility, exclusive of the amortization of debt issuance costs, was $710,000 and $2.4 million, respectively.

The Credit Facility contains certain affirmative and negative covenants including limitations on specified levels of consolidated leverage, consolidated fixed charges and minimum net worth requirements, and includes limitations on, among other things, liens, mergers, consolidations, sales of assets, incurrence of debt and capital expenditures. We are also required to pay a quarterly commitment fee ranging from 0.2% to 0.5% of the unused amount. Upon the occurrence of an event of default under the Credit Facility, such as non-payment or failure to observe specific covenants, the lenders would be entitled to declare all amounts outstanding under the facility immediately due and payable. On December 20, 2007, we amended the Credit Facility to modify the definition of EBITDA to exclude the impact of the restructuring charges and the U.S., income tax valuation allowance recorded during 2007. As of December 31, 2007, we were in compliance with all covenants contained in the Credit Facility.

At December 31, 2007, we had $448,000 of unamortized debt issuance costs associated with the Credit Facility that are being amortized over the remaining term of the Credit Facility. At December 31, 2007, there were no outstanding letters of credit. The amount of the unused Credit Facility at December 31, 2007 was $125.0 million. The Credit Facility can be drawn upon through June 24, 2010, at which time all amounts outstanding must be repaid. Borrowings under the Credit Facility are collateralized with substantially all of our assets, as well as the capital stock of our subsidiaries.

During 2007, our subsidiary in Argentina entered into a $700,000 short-term line of credit with a local bank for working capital needs. Any borrowings under this line of credit incur interest at an annual rate of 15%, which reflects the current market rate in Argentina. At December 31, 2007, there were no outstanding borrowings under this line of credit. Interest expense under this line of credit in 2007 was $36,000. There were no other outstanding foreign currency loans nor were there any outstanding letters of credit at December 31, 2007.

Note 9: ***INCOME TAXES***

The components of income (loss) before income taxes are as follows:

(in thousands)	For the years ended December 31, 2007	2006	2005
Domestic	$(19,355)	$(1,401)	$11,011
Foreign	12,929	20,100	5,297
	$ (6,426)	$18,699	$16,308

The provision for income taxes includes federal, state and foreign taxes payable and deferred taxes related to temporary differences between the financial statements and tax bases of assets and liabilities and operating loss and tax credit carryforwards. The components of the income tax provision are as follows:

(in thousands)	For the years ended December 31, 2007	2006	2005
Current:			
Federal	$1,097	$ (636)	$ 1,736
State	129	(41)	66
Foreign	3,404	3,760	(1,698)
	4,630	3,083	104
Deferred:			
Federal	1,595	(1,224)	3,390
State	—	6	16
Foreign	(842)	23	623
	753	(1,195)	4,029
	$5,383	$ 1,888	$ 4,133

The appropriate income tax effect of each type of temporary difference is as follows:

(in thousands)	December 31, 2007	2006
Deferred tax assets:		
Accruals and reserves not currently deductible for tax	$ 5,804	$ 4,192
Federal tax credits	2,202	2,002
Federal net operating loss carryforwards	1,954	—
State net operating loss carryforwards	5,249	3,194
Foreign net operating loss carryforwards	12,351	10,323
Fixed assets and intangible assets	1,331	—
Other	1,702	873
Total deferred tax assets	30,593	20,584
Valuation allowance	(26,248)	(14,229)
Total deferred tax assets, net of valuation allowance	4,345	6,355
Deferred tax liabilities:		
Prepaid expenses	1,698	2,754
Fixed assets and intangible assets	146	1,598
Total deferred tax liabilities	1,844	4,352
Net deferred tax assets	$ 2,501	$ 2,003

We operate internationally, within various tax jurisdictions, and face examinations from the various tax authorities regarding transfer pricing, the deductibility of certain expenses, intercompany transactions as well as other matters. Our Federal income tax returns are closed to examination by the Internal Revenue Service through the tax year 2003, with the exception of transfer pricing matters, which have a longer statute of limitations. State and other income tax returns are generally subject to examination for a period of three to four years after the filing of the respective returns. The state impact of any amended Federal returns remains subject to examination by various states for a period of up to one year after formal notification of such amendments to the states. We are not currently under any income tax related examinations by the Internal Revenue Service or any state tax authorities, except for the State of New York, which is conducting an audit of our returns filed for fiscal years 2003, 2004 and 2005. During the third quarter of 2007 our Canadian subsidiary was notified by the Canadian tax authorities that it will be examined for the 2003-2006 tax years. As of December 31, 2007, we have not been notified by any of the taxing authorities in whose jurisdictions we operate of any potential adjustments to any of our tax return filings.

FIN 48:

On January 1, 2007, we adopted and applied the provisions of FIN 48 to all tax positions for which the statute of limitations remained open. As a result of the implementation, we recognized an increase in our liability for unrecognized income tax benefits of $594,000, which was accounted for as a reduction to the January 1, 2007 balance of retained earnings. With this adjustment, the total net liability for unrecognized tax benefits related to Federal, state and foreign taxes at January 1, 2007 was approximately $1.9 million, including estimated interest and penalties of $191,000. The amount, at implementation, if subsequently recognized, that would affect the effective tax rate is approximately $1.9 million. The balance at December 31, 2007, if subsequently recognized, that would affect the effective tax rate is $2.9 million.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits ("UTB") is as follows:

Gross unrecognized tax benefits at January 1, 2007	$ 1,733
Increases related to current year tax positions	684
Increases related to prior year tax positions	2,717
Decreases related to prior year tax positions	(89)
Settlements	—
Reductions due to the lapse of the applicable statute of limitations	(11)
Gross unrecognized tax benefits at December 31, 2007	$ 5,034

Our policy is to classify interest and penalties related to unrecognized tax benefits as income tax expense. This liability is included in other liabilities on our consolidated balance sheet. At December 31, 2007, we have recorded $595,000 of estimated interest and penalties, of which $404,000 was recorded during 2007.

Currently, the Company does not expect the liability for unrecognized tax benefits to change by a significant amount during the next 12 months.

Federal Net Operating Losses:

In accordance with SFAS No. 109, we evaluate our deferred income taxes on a quarterly basis to determine if valuation allowances are required. SFAS No. 109 requires that companies assess whether valuation allowances should be established against their deferred tax assets based on the consideration of all available evidence using a "more likely than not" standard. In making such judgments, significant weight is given to evidence that can be objectively verified.

In the third quarter of 2007, we recorded a charge of $6.8 million related to establishing full valuation allowances against our deferred tax assets in the U.S. This charge reflected a valuation allowance recorded against our deferred tax assets as well as the reversal of income tax benefits recorded against current year losses. Through the end of the second quarter of 2007, management believed that it was more likely than not that these deferred tax assets would be recovered through future taxable income. However, based upon changes related to the downturn in the financial credit markets which had a significant impact on our clients in the financial services industry, and increased migration of client programs offshore, it was determined during the third quarter that it was more likely than not the U.S. entity will not generate sufficient taxable income to realize its deferred tax assets. Accordingly, we will continue to provide a valuation allowance against future U.S. losses until we begin generating taxable income to utilize those losses. At December 31, 2007, we have $5.7 million of U.S. net operating loss (NOL) carryforwards which have a full valuation allowance recorded against them.

State Net Operating Losses:

A portion of our deferred tax asset relates to the income tax effect of NOL carryforwards for state tax purposes. Management does not believe it is more likely than not that these assets will be realized. Accordingly, the Company has recorded a valuation allowance of $5.3 million against these assets. This valuation allowance reflects an additional amount of $2.1 million that was recorded in 2007. The state net operating loss carryforwards expire at various dates between 2008 and 2027.

Foreign Net Operating Losses:

At December 31, 2007, we have $41.1 million of NOL carryforwards for tax purposes relating to our subsidiary in Australia and our operation in the United Kingdom, which is a branch of the U.S. entity for tax purposes. The Australian NOLs are $11.9 million and do not expire under Australian tax law and can be carried forward to offset taxable income in future years. Management has evaluated the expected utilization of these carryforwards and determined that it was more likely than not that the Australian carryforwards will not be utilized. Accordingly, we have recorded a full valuation allowance of $3.6 million against these deferred tax assets. Our U.K. branch is part of our U.S. consolidated tax group. Accordingly, we have been able to utilize the NOLs generated by our U.K. branch to offset taxable income in the U.S. At December 31, 2007, the total NOLs accumulated by our U.K. branch were $29.2 million. Management has evaluated the expected utilization of these carryforwards and determined that it was more likely than not that the U.K. carryforwards will not be utilized. Accordingly, we have recorded a full valuation allowance against these deferred tax assets. Our ability to realize any of our NOLs in the future will depend upon the Company's ability to generate profits in the various tax jurisdictions to which they apply.

Federal Tax Credits:

At December 31, 2007, we had $2.2 million of work opportunity tax credits that we earned, which are now considered tax credit carryforwards. Management expects to amend a prior year return and utilize these credits to offset taxable income or will carryforward these credits and apply them to a future taxable year. There is a full valuation allowance placed against these credits.

Also, as of December 31, 2007, we had received payments of $798,000 for federal tax credits relating to research and development efforts for the 2001 and 2002 fiscal periods. We have also filed claims for credits covering 2003 and 2005. During 2005, the Internal Revenue Service denied our claim for the credits associated with our 2000 tax year. While we plan to appeal, we have determined that any cash received from claims filed during the normal course of business should be fully reserved until the claim is either audited or the statute of limitations expires. Therefore, we have not recorded any tax benefits from these claims. These federal tax credits expire between 2022 and 2025.

There are no valuation allowances recorded for any other deferred tax assets. Although realization is not assured, Management believes it is more likely than not that the remaining deferred tax assets will be realized. The amount of the deferred tax asset considered realizable, however, could be reduced in the future, if estimates of future taxable income are reduced.

Foreign Subsidiaries:

At December 31, 2007, there were approximately $52 million of accumulated undistributed earnings of non-U.S. subsidiaries that are considered to be permanently reinvested. A deferred tax liability will be recognized when we are no longer able to demonstrate that we plan to permanently reinvest undistributed earnings. If such earnings were remitted to the parent company, applicable U.S. federal income and foreign withholding taxes may be partially offset by foreign tax credits and U.S. NOL carryforwards.

We have been granted various income tax holidays as an incentive to attract foreign investment by the Governments of the Philippines and Costa Rica. Generally, an income tax holiday is an agreement between the Company and a foreign government under which the Company receives certain tax benefits in that country, such as exemption from taxation on profits derived from export related activities. In the Philippines, we are registered under the Philippines Economic Zone Authority (PEZA) and have been granted three separate agreements. The agreements expire in 2008, 2010 and 2012, respectively. Currently, Philippine law does allow for extensions of the PEZA tax exemptions. Therefore, we intend to apply for those extensions as our current exemptions expire. Our operation in Costa Rica is located in a Free Trade Zone, which provides exemptions from income taxes for an eight-year period, ending in October 2014. We then have a partial tax holiday for an additional four years through October 2016. We do not have any other tax holidays in the jurisdictions in which we operate. The income tax benefit attributable to the tax status of our Philippine subsidiary was approximately $3.8 million or $0.24 per diluted share in 2007 and $5.0 million or $0.33 per diluted share in 2006. The income tax benefit attributable to the tax status of our Costa Rica subsidiary was insignificant.

In 2005, we completed a reorganization of our Philippine operations. The primary purpose of the reorganization was to obtain flexibility with respect to investments in our Philippine operations. From 2003 through the time of the reorganization, the profits earned in the Philippines were considered Subpart F income and were therefore subject to U.S. income taxes. In 2005, approximately $4.7 million of profits in the Philippines was considered Subpart F income.

Tax Benefits Associated with Share-Based Awards:

In 2007 and 2006, we recorded deferred tax benefits of $625,000 and $651,000 associated with share-based compensation recognized for financial reporting purposes. However, as of December 31, 2007, these tax benefits have a full valuation allowance placed against them. Depending on the Company's stock price at the time options are exercised or restricted stock units vest, the actual tax deduction benefit we will receive may be more or less than the carrying amount of the previously recorded deferred tax asset. An increase to the tax benefit (referred to as a windfall tax benefit) is generated when the tax deduction exceeds what we have recorded as a deferred tax asset. This incremental benefit is recorded as an increase to additional paid-in capital. Conversely, a decrease to our tax benefit (referred to as a shortfall tax benefit) is generated when the tax deduction is below what we have recorded as a deferred tax asset. This incremental expense results in additional income tax expense, unless it can be offset by accumulated windfall tax benefits recorded in APIC, in which case we would record the shortfall as a reduction of additional paid-in-capital (APIC) on the consolidated balance sheet. During 2007, we generated $145,000 of windfall tax benefits from stock option exercises and restricted stock units vests, however, because we are not recognizing benefits on deferred tax assets, the windfall tax benefits will not be recorded through equity until we generate taxable income to include them on a future tax return. During 2006, there were no shortfalls recorded as a reduction of APIC. During 2005, $272,000 of shortfalls was recorded as a reduction of APIC.

Effective Rate Reconciliation:

The reconciliation of the statutory federal income tax rate to our effective income tax rate is as follows:

	For the years ended December 31,		
	2007	2006	2005
Federal statutory tax rate	34.0%	34.0%	34.0%
State income taxes, net of federal tax benefit	(1.3)	(0.1)	0.1
Difference between U.S. and non-U.S. rates	56.3	(26.7)	(21.9)
Change in the beginning-of-the-year valuation allowance	(24.8)	—	—
Subpart F income	(1.5)	1.3	9.7
Tax credits and other	(4.8)	(2.2)	(5.0)
Current year changes to valuation allowance	(108.4)	3.3	6.8
Increase related to prior year uncertain tax positions	(22.6)	—	—
Permanent differences	(10.7)	0.5	1.6
	(83.8)%	10.1%	25.3%

Note 10: *PROFIT SHARING PLAN*

We maintain a trusteed profit sharing plan (Section 401(k)) for all qualified employees, as defined. The Company matches 50% of employee contributions, up to a maximum of 6% of the employee's compensation; however, it may also make additional contributions to the plan based upon profit levels and other factors. No such additional contributions were made in 2007, 2006 or 2005. Employees are fully vested in their contributions, while full vesting in the Company's contributions occurs upon death, disability, retirement or completion of five years of service. In 2007, 2006 and 2005, the Company's contributions were $927,000, $993,000 and $811,000, respectively. The plan's trustees are the Management of the Company.

We also maintain a Non-Qualified Deferred Compensation Plan for certain employees. This plan allows certain employees to defer a portion of their compensation on a pre-tax basis. Employees are fully vested in their deferred amounts, but withdrawals are not permitted until the plan is terminated, the employee attains age 65, or the employee terminates, becomes disabled, or dies or upon lapsing of any deferral elections made by the employee. Other withdrawals are permitted for unforeseeable emergencies only. In 2007, 2006 and 2005, the Company matched 10% of employee deferrals, up to certain limits with vesting of Company matching contributions occurring ratably over three years. The amount matched totaled $83,000, $113,000 and $39,000 in 2007, 2006 and 2005, respectively.

Note 11: ***EQUITY PLANS AND SHARE-BASED COMPENSATION***

We have share-based compensation plans covering a variety of employee groups, including executive Management, the Board of Directors and other full-time employees.

Equity Plans:

The ICT Group, Inc. 2006 Equity Compensation Plan (the 2006 Plan) authorized up to 2,220,000 shares of common stock for issuance in connection with the granting to employees and consultants of incentive and nonqualified stock options, restricted stock, restricted stock units (RSU), stock appreciation rights and other awards based on our common stock. The awards are established by the Compensation Committee of the Board of Directors (the Compensation Committee). As of December 31, 2007, 593,394 shares of common stock were available for issuance under the 2006 Plan.

The ICT Group, Inc. 2006 Non-Employee Directors Plan (the 2006 Directors Plan) authorized up to 250,000 shares of common stock for issuances of nonqualified stock options and RSUs to non-employee directors. As of December 31, 2007, 102,500 shares of common stock were available for issuance under the 2006 Directors Plan.

Share-Based Compensation:

The following table summarizes our share-based compensation for 2007 and 2006, by award-type:

(in thousands)	For the years ended December 31, 2007	2006
Share-based compensation:		
Stock Options	$ 127	$ 528
RSUs	1,712	1,421
Total share-based compensation	$1,839	$1,949

The deferred income tax benefit recorded related to share-based compensation expense for the year ended December 31, 2007 and 2006 was $625,000 and $651,000, respectively, although at December 31, 2007, all of our income tax benefits related to stock compensation have a valuation allowance recorded against them.

Long-Term Incentive Plan:

The ICT Group, Inc. Long-Term Incentive Plan ("LTIP"), established in 2006, provides for both a performance-based incentive and an executive retention incentive. The LTIP first establishes a performance-based incentive by requiring achievement of specific annual financial targets over a three-year period in order to determine the ultimate value of an award under the LTIP. The Compensation Committee determines what portion of an award is payable in cash and what portion is payable through an RSU award. Because the number of RSUs to be awarded depends on the price of the Company's stock at the date the performance level is determined and the award, if any, is made by the Compensation Committee, we do not have a grant date for accounting purposes until the number of RSUs is known. Therefore, the LTIP will be liability-classified until the RSUs are awarded and a grant date is established. The Compensation Committee may impose a vesting schedule with respect to any award under the LTIP, which provides an additional executive retention incentive. For the years ended December 31, 2007 and 2006, we recognized no compensation expense pursuant to the LTIP since the minimum incentive targets, as defined by the LTIP, were not achieved. All compensation expense relating to the LTIP is based on Management's best estimate at that time as to what financial targets will be achieved. This estimate is re-evaluated quarterly and adjusted to reflect management's then best estimate. Performance based compensation attributable to incentive awards under the LTIP qualifies for an exemption from the $1.0 million deduction limit under section 162(m) of the Internal Revenue Code of 1986, as amended (the Code).

Stock Option Awards:

Stock option awards are available under our current existing equity plans, which are described above. Stock options are granted with exercise prices not less than the fair market value of the underlying common stock on the date of grant. Options are exercisable for periods not to exceed ten years, as determined by the Compensation Committee, and generally vest over a three- or four-year period. Vesting terms can vary, however, stock option awards typically have a graded vesting schedule, based solely on continued service of the award holder. For these types of awards, we have made an accounting policy decision to recognize compensation expense based on the grant date fair value of the award on a straight-line basis over the requisite service period, which for these awards is the vesting period. None of the stock options granted to date have performance-based or market-based vesting conditions.

The fair value for each option grant is determined on the date of grant using the Black-Scholes option-pricing model. The Black-Scholes valuation model requires the input of various assumptions. We have relied on observations of historical stock prices to calculate our estimate of volatility. The risk free interest rates used were U.S. treasury zero-coupon securities with maturity terms that approximated the expected term of the option as of the date of grant. The expected term of the option represents the period of time the option is expected to be outstanding and is estimated based on our historical exercise patterns. The following assumptions were used for grants made during years ended December 31, 2006 and 2005. There were no stock option grants made during 2007.

	For the years ended December 31,	
	2006	**2005**
Expected dividend yield	0.0%	0.0%
Volatility	68%	67%
Risk free interest rate	5.12%	4.26%
Expected life	6.7 years	7.6 years

The weighted average fair value of the options granted during the years ended December 31, 2006 and 2005 was estimated at $16.25 and $7.03, respectively.

Aggregated information regarding stock options outstanding is summarized below.

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, January 1, 2005	1,219,213	$ 8.78		
Granted	144,000	9.99		
Exercised	(143,650)	1.45		
Canceled/forfeited	(55,275)	13.55		
Outstanding, December 31, 2005	1,164,288	9.61		
Granted	26,000	23.22		
Exercised	(591,038)	8.76		
Canceled/forfeited	(5,505)	17.94		
Outstanding, December 31, 2006	593,745	10.97		
Granted	—	—		
Exercised	(41,195)	10.55		
Canceled/forfeited	(51,535)	11.04		
Outstanding, December 31, 2007	501,015	$10.99	3.9 years	$1,157,643
Vested and exercisable at December 31, 2007	457,565	$10.68	3.6 years	$1,100,776
Expected to vest as of December 31, 2007	498,843	$10.98	3.9 years	

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value that would have been received by the option holders had all the option holders exercised their options on December 31, 2007. The intrinsic value for each stock option is measured as the difference between the closing stock price on the last trading day of the year and the exercise price.

The total aggregate intrinsic value of options exercised during the years ended December 31, 2007, 2006 and 2005 was $556,000, $11.5 million and $188,000, respectively. Cash received from the exercises during the years ended December 31, 2007, 2006 and 2005 was $435,000, $5.2 million and $209,000, respectively.

The following table summarizes information about stock options outstanding as of December 31, 2007.

	Options Outstanding				Options Exercisable	
Range of Exercise Price	Vested	Unvested	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$3.40 to $5.00	74,200	—	0.9	$ 3.73	74,200	$ 3.73
$5.01 to $10.00	111,750	23,950	4.9	8.85	111,750	8.69
$10.01 to $15.00	187,365	5,250	3.9	11.62	187,365	11.61
$15.01 to $20.00	74,000	6,000	4.5	16.72	74,000	16.71
$20.01 to $25.00	7,500	—	4.4	20.27	7,500	20.27
$25.01 to $27.75	2,750	8,250	8.4	27.42	2,750	27.42
$3.40 to $27.75	457,565	43,450	3.9	10.99	457,565	10.68

As of December 31, 2007, there was $215,000 of unrecognized compensation expense related to non-vested stock options that is expected to be recognized over a weighted-average period of 1.6 years.

Restricted Stock Units:

In 2006, we began issuing RSUs for incentive compensation purposes. For RSU awards with a graded–vesting schedule and with only service conditions, we recognize compensation expense based on the grant-date fair value of the award on a straight-line basis over the vesting period. The fair value of an RSU is the fair value of the Company's common stock (closing market price) on the date of grant.

To the extent an RSU award has performance conditions and graded-vesting, we treat each vesting tranche as an individual award and recognize compensation expense on a straight-line basis over the requisite service period for each tranche. The requisite service period over which we will record compensation expense is a combination of the performance period and subsequent vesting period based on continued service.

The following table summarizes the changes in non-vested RSUs that have only service conditions.

	Shares	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Non-vested RSUs at January 1, 2006	—	—	
Granted	161,796	$24.61	
Vested	(4,180)	19.36	
Canceled/forfeited	—	—	
Non-vested RSUs at December 31, 2006	157,616	24.75	
Granted	149,928	20.21	
Vested	(31,522)	24.50	
Canceled/forfeited	(7,241)	26.81	
Non-vested RSUs at December 31, 2007	268,781	$22.19	$3,206,557

We recorded compensation expense of $980,000 and $835,000 for the years ended December 31, 2007 and 2006, respectively, for RSU awards with only service conditions. As of December 31, 2007, all of the above non-vested RSUs are expected to vest. As of December 31, 2007, there was $2.4 million of unrecognized compensation expense related to non-vested RSUs that is expected to be recognized over a weighted average period of 1.8 years. The total aggregate fair value of RSUs that vested and were converted to shares of common stock during the years ended December 31, 2007 and 2006 were $334,000 and $81,000, respectively.

Included in our non-vested RSU total in the above table at December 31, 2007 are 37,500 RSUs granted by the Company with only service conditions that are expected to be cash-settled upon vesting. Accordingly, compensation expense associated with these RSUs is not fixed and is marked-to-market based on the Company's stock price at the end of each reporting period. As of December 31, 2007, $147,000 of our compensation expenses has been recognized for these RSUs, which has been recorded as a liability within accrued expenses and other current liabilities on our consolidated balance sheet.

Included in the vested number of RSUs for the year ended December 31, 2007 were 2,067 RSUs that employees surrendered to the Company for payment of the minimum tax withholding obligations. We valued these RSUs at the closing market price on the date of surrender for an aggregate value of $51,209, or $24.77 per share. Also included in the vested number of RSUs for the year ended December 31, 2007 were 12,500 RSUs that were cash-settled based on the closing market price on the vesting date of $27.53, per share.

We have also granted RSU awards with performance and time-based vesting conditions. There were 83,108 RSUs that were awarded based on the achievement of financial results in 2006, subject to a provision of future service. The grant date fair value of these awards was $24.39 per RSU. For the years ended December 31, 2007 and 2006, we have recorded compensation expense of $732,000 and $586,000 for these RSUs. Since these performance-based RSUs have graded vesting, compensation expense will be recognized over the vesting period of each tranche as if it was a separate award. As of December 31, 2007, there was $709,000 million of unrecognized compensation expense to be recognized over a weighted average period of 1.4 years, assuming all 83,108 RSUs ultimately vest.

Similarly, we had granted RSU awards with performance and time-based vesting conditions relative to the Company's 2007 financial performance. Subject to meeting certain financial criteria, up to 100,000 RSUs could have been issued, subject to the provision of future service. We did not recognize any compensation expense in 2007 associated with these RSUs as the performance conditions were not achieved.

Note 12: *EQUITY OFFERING*

In April 2006, we sold 2,350,000 shares of our common stock in a public offering. The equity offering was registered on our shelf registration statement on Form S-3. The underwriters in the transaction purchased the shares at a price of $22.74 per share, reflecting an underwriting discount of $1.26 per share from the $24.00 per share price to the public. The transaction generated $53.1 million of proceeds for the Company, net of underwriting discounts and offering costs. A portion of the proceeds was used to repay all amounts outstanding under the Credit Facility. The balance of the proceeds, or approximately $19 million, is being used for working capital and other general corporate purposes. The underwriting discount amounted to 5.25% of the gross proceeds. Offering costs totaled $385,000 and were comprised of the incremental costs directly attributable to the offering, including legal fees, accounting fees and printing fees. Both the underwriting discount and the offering costs were netted against the gross proceeds from the offering.

As part of this transaction, certain shareholders sold shares that were beneficially owned by them. These sales were also issued through our shelf registration statement. These shareholders sold 1,272,500 shares at $24.00 per share, less the underwriting discount of $1.26 per share. The Company received no proceeds from the sale of these shares.

Note 13: *COMMITMENTS AND CONTINGENCIES*

Leases

We lease office facilities and certain equipment under operating leases. Rent expense was $28.2 million, $24.4 million and $26.4 million for the years ended December 31, 2007, 2006 and 2005, respectively. Rent expense for 2007 included approximately $3.0 million associated with future lease obligations that were recorded as part of our corporate restructuring (Note 18). For the year ended December 31, 2007, our facilities leases represented 87% of all rent expense, with equipment leases comprising the other 13%. As of December 31, 2007, we did not have any equipment leases for which the term extends beyond 2010. As of December 31, 2007, future minimum rentals for all operating leases are as follows:

(in thousands)	Total	Facilities	Equipment
2008	$22,182	21,432	750
2009	15,510	15,300	210
2010	11,723	11,718	5
2011	10,080	10,080	—
2012	4,190	4,190	—
2013 and thereafter	14,702	14,702	—
	$78,387	$77,422	$965

Telecommunications Contracts

We enter into agreements, ranging from one to three years, with our telephone long-distance carriers, which provide for, among other things, annual minimum purchases based on volume and termination penalties. Currently, we have contractual agreements with eight different carriers. Annual minimum purchases associated with these agreements are $7.7 million, $2.1 million and $547,000 for 2008, 2009 and 2010, respectively. We currently do not have any contracts with long-distance carriers extending into 2011.

Employment Agreements

We have renewable employment agreements with twelve key executives with terms ranging from one to three years. The agreements provide for, among other things, severance payments ranging from six months to three years.

Litigation

On April 28, 2006, a broker with whom we executed an agreement in June 2001 filed a Demand for Arbitration and Statement of Claim against us with the American Arbitration Association. The Demand alleged various contract, quasi-contract and tort claims against us arising out of commissions we allegedly owed this broker pursuant to the June 2001 agreement for work we perform for one of our customers. The June 2001 agreement states that the decision of a majority of the arbitration panel shall be final and binding on the parties. Prior to the scheduled arbitration, which was scheduled for the end of May 2007, the Company agreed on a settlement with the broker for $825,000. We also incurred legal expenses totaling $217,000 related to this matter.

In 1998, William Shingleton filed a class action lawsuit against us in the Circuit Court of Berkeley County, West Virginia. The lawsuit alleged violations of the West Virginia Wage Payment and Collection Act related to employee compensation. On March 1, 2005, we announced a settlement with the plaintiffs to this litigation. Under the terms of the settlement, ICT agreed to pay $14.8 million to the plaintiff class to settle all allegations, including interest. Of the $14.8 million settlement payment that we made, $6.9 million was ultimately recovered from our insurance carriers. Our 2005 results reflect the collection of a portion of these proceeds totaling $4.2 million, partially offset by $604,000 of legal expenses that we incurred to complete the requirements set forth in the settlement. There is no contingent liability remaining for this litigation.

In addition to the above matters, from time to time, we are involved in litigation incidental to our business. Litigation can be expensive and disruptive to normal business operations. Accruals for litigation claims are provided to the extent that any losses are determined to be probable and estimable. Although the ultimate outcome of these claims or lawsuits cannot be ascertained, it is our opinion, based on present information and advice received from counsel, that the disposition or ultimate determination of such claims or lawsuits will not have a material adverse effect on our Company.

Note 14: ***SUPPLEMENTAL CASH FLOW INFORMATION***

For the years ended December 31, 2007, 2006 and 2005, we paid interest of $77,000, $1.1 million and $2.7 million, respectively. For the year ended December 31, 2007 we made income tax payments, net of income tax refunds of $980,000. For the years ended December 31, 2006 and 2005 we received income tax refunds, net of income tax payments of $1.7 million and $1.0 million, respectively.

Note 15: *CUSTOMER CONCENTRATION*

The following table summarizes our revenue by industry. The loss of one or more of our major customers or an economic downturn in the financial services, telecommunications, and healthcare industries could have a material adverse effect on our business.

	For the years ended December 31,		
	2007	2006	2005
Financial services	49%	49%	51%
Telecommunications	26%	19%	19%
Healthcare	13%	20%	13%
Other	12%	12%	17%

For each of the years ended December 31, 2007, 2006 and 2005, there were no customers which comprised more than 10% of our revenue. For the years ended December 31, 2007, 2006 and 2005, our top ten customers accounted for 49%, 48% and 48% of our total revenue, respectively.

Note 16: *OPERATING AND GEOGRAPHIC INFORMATION*

Based on guidance in SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," we believe that we have one reportable segment. Our services are provided through operations centers located throughout the world and include customer care management services as well as telesales, database marketing services, marketing research services, technology hosting services and data management and collection services on behalf of customers operating in our target industries. Technological advancements have allowed us to better control production output at each operations center by routing customer call lists to different centers depending on capacity. An operations center and the technology assets utilized by that operations center may reside in different geographic locations. Accordingly, many of our operations centers are not limited to performing only one of the above-mentioned services; rather, they can perform a variety of different services for different customers in different geographic markets.

The following table shows information by geographic area. For purposes of our disclosure, revenue is attributed to countries based on the location of the customer being served and property and equipment is attributed to countries based on physical location of the asset.

(in thousands)	For the years ended December 31,		
	2007	2006	2005
Revenue:			
United States	$321,171	$347,319	$312,963
Canada	82,993	65,965	47,245
Other foreign countries	49,457	34,628	41,126
	$453,621	$447,912	$401,334

(in thousands)	At December 31,	
	2007	2006
Property and equipment, net:		
United States	$ 28,931	$ 31,653
Philippines	25,680	14,044
Canada	8,239	7,651
Other foreign countries	7,808	8,319
	$ 70,658	$ 61,667

Note 17: *DERIVATIVE INSTRUMENTS*

We have operations in Canada, Ireland, the United Kingdom, Australia, Mexico, Argentina, Costa Rica, India and the Philippines that are subject to foreign currency fluctuations. As currency rates change, translation of the statement of operations from local currencies to U.S. dollars affects period-to-period comparability of operating results.

Our most significant foreign currency exposures occur when revenue and associated accounts receivable are collected in one currency and expenses incurred to generate that revenue are paid in another currency. Our most significant areas of exposure have been with the Canadian and Philippines operations. In Canada, a portion of revenue is generated in U.S. dollars (USD) with the corresponding expenses generated in Canadian dollars (CAD). In the Philippines revenue is typically earned in USD, but operating costs are denominated in Philippine pesos (PHP). During 2007, the PHP has continued to strengthen against the USD. As we continue to increase outsourcing to the Philippines and decrease outsourcing to Canada we will experience a greater degree of foreign currency exposure related to the PHP and reduced exposure related to the CAD. We mitigate a portion of these exposures with foreign currency derivative contracts.

The foreign currency forward contracts and currency options that are used to hedge these exposures are designated as cash flow hedges. The gain or loss from the effective portion of the hedge is reported as a component of accumulated other comprehensive income in shareholders' equity until settlement of the contract occurs or until the hedge is de-designated. Depending on the type of hedge strategy we are using, settlement of the contract occurs in the same period that the hedged item affects earnings or occurs in the same period that hedged item is settled with cash. Gains or losses from the ineffective portion of the hedge that exceeds the cumulative change in the present value of future cash flows of the hedged item, if any, are recognized immediately in the consolidated statement of operations. For accounting purposes, effectiveness refers to the cumulative changes in the fair value of the derivative instrument being highly correlated to the inverse changes in the fair value of the hedged item.

We had derivative assets and liabilities related to outstanding forward exchange contracts and options maturing within 18 months, consisting of CAD and PHP with a notional value of $98.0 million and $84.6 million at December 31, 2007 and 2006, respectively. At December 31, 2007, these derivatives were classified as $6.6 million of prepaid and other current assets and $1.6 million of other assets. At December 31, 2006, these derivatives were classified as other current liabilities of $252,000. We recorded deferred tax assets of $88,000 related to these derivatives at December 31, 2006.

For the years ended December 31, 2007, 2006 and 2005, we realized gains of $3.2 million, $1.7 million and $278,000 on the derivative instruments, respectively. Gains and losses are realized as a component of selling, general and administrative costs. The outstanding derivative instruments at December 31, 2007, serve to hedge a portion of our foreign currency exposure denominated in CAD from January 2008 through September 2008 and the PHP from January 2008 through June 2009.

On a recurring basis, we enter into foreign exchange forward contracts on the Euro to reduce the effects of foreign currency fluctuations related to an intercompany note payable from our Netherlands subsidiary to a U.S. subsidiary. These gains and losses are recognized in earnings as we elected not to designate the contract as an accounting hedge. The gains and losses on this foreign exchange forward contract offset the foreign currency remeasurement gains and losses recorded on the note payable. For the year ended December 31, 2007, we recognized losses on these hedges of $1.0 million, which were offset by $1.1 million of foreign currency remeasurement gains. The fair value of this contract was a liability of $250,000 as of December 31, 2007, and is recorded as a component of accounts payable in the accompanying consolidated balance sheets. The fair value of this contract was an asset of $104,000 as of December 31, 2006, and was recorded as a component of prepaid expenses and other current assets in the accompanying consolidated balance sheets.

Note 18: *CORPORATE RESTRUCTURING*

For the year ended December 31, 2007, we recorded $7.7 million of pre-tax restructuring charges in connection with a plan to reduce our North American cost structure by closing various operating centers prior to the end of their existing lease terms. The restructuring charge included severance of $521,000, site closure costs totaling $6.0 million, which are primarily ongoing lease and other contractual obligations and the write-off of $1.1 million of leasehold improvements and certain fixed assets. At December 31, 2007, the remaining accrual associated with these charges was $3.6 million, representing primarily ongoing lease obligations and facility exit costs. As of December 31, 2007, the expiration dates of the leases associated with this restructuring range from 2008 to 2010.

The following is a rollforward of the accrual associated with our 2007 corporate restructuring:

(in thousands)	Restructuring Charge	Payments	Asset Impairment	Accrual at December 31, 2007
Lease obligations and facility exit costs	$6,009	$(2,376)	—	$3,633
Asset impairments	1,134	—	$(1,134)	—
Severance payments	521	(516)	—	5
	$7,664	$(2,892)	$(1,134)	$3,638

In December 2002, we announced a corporate restructuring and recorded an $8.9 million pre-tax restructuring charge in connection with a plan to reduce our cost structure by closing all or part of ten operations centers prior to the end of their existing lease terms. This charge included severance of $1.1 million, ongoing obligations associated with various real estate and equipment leases of $7.2 million, and the write-off of $573,000 of leasehold improvements, security deposits and certain property and equipment. A rollforward of the restructuring accrual is summarized as follows:

(in thousands)	Lease Obligations and Facility Exit Costs
Accrual at December 31, 2004	$1,835
Cash Payments	(551)
Accrual at December 31, 2005	1,284
Cash Payments	(371)
Accrual at December 31, 2006	913
Cash Payments	(394)
Accrual at December 31, 2007	$ 519

During 2007, 2006 and 2005, we did not enter into any sublease arrangements for the remaining facility associated with the 2002 restructuring. All cash payments made were related to the ongoing lease obligation. We continue to evaluate and update our estimate of the remaining liabilities. The lease associated with the remaining facility expires in 2009.

At December 31, 2007 and 2006, $1.1 million and $594,000, respectively, of the combined restructuring accrual is recorded in other liabilities in the consolidated balance sheets, which represents lease obligation payments and estimated facility exit cost payments to be made beyond one year. The remaining balance is included in accrued expenses and other current liabilities in our consolidated balance sheets at December 31, 2007 and 2006, respectively.

Note 19: *QUARTERLY FINANCIAL DATA (unaudited)*

(In thousands except per share data)

(in thousands)	Quarter Ended March 31, 2007	March 31, 2006	June 30, 2007	June 30, 2006	September 30, 2007	September 30, 2006	December 31, 2007	December 31, 2006
Revenue	$115,177	$113,053	$112,041	$111,339	$113,897	$106,357	$112,506	$117,163
Gross margin	41,553	43,126	41,652	44,490	42,012	43,007	41,137	43,671
Operating income (loss)	375	4,120	(4,207)	4,935	80	4,936	(3,301)	4,868
Income (loss) before income taxes	494	3,496	(3,997)	4,942	221	5,177	(3,144)	5,084
Net income (loss)	410	2,762	(2,088)	3,904	(7,180)	5,043	(2,951)	5,102
Diluted earnings (loss) per share	$ 0.03	$ 0.21	$ (0.13)	$ 0.25	$ (0.45)	$ 0.32	$ (0.19)	$ 0.32

Quarterly Results and Seasonality

We have experienced, and expect to continue to experience, quarterly variations in operating results, principally as a result of the timing of programs conducted by new and existing clients (particularly programs with substantial amounts of upfront project set-up costs), and selling, general and administrative expenses to support the growth and development of existing and new business units.

Our business tends to be strongest in the second half of the year due to higher call volumes and improved financial results of client sales and service activity in anticipation of the holiday season, while the first quarter often reflects a slowdown relating to the cessation of that activity. As we continue to increase the percentage of revenue associated with service programs, we expect these variations to lessen. Our operating margins in the first quarter are typically lower due to higher payroll-related taxes with our workforce.

Our results in the second quarter, third quarter and fourth quarter of 2007 reflect $3.8 million, $807,000 and $3.0 million of restructuring charges recorded during those periods, respectively. Our third quarter results also reflect the impact of a valuation allowance recorded against our U.S. net operating losses. Refer to Note 9 for more information.

Our results in the fourth quarter of 2006 were impacted by certain weather-related events and an earthquake in the Pacific Rim, both of which caused reduction in call center activity and fourth quarter profit. Partially offsetting these events were certain discrete income tax items, which reduced our effective income tax rate. Our results in the third quarter of 2006 benefited from a reduction in our effective tax rate due to certain discrete income tax items.

ICT GROUP, INC. AND SUBSIDIARIES

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

(in thousands) Description	Balance, Beginning of Year (2)	Charged to Expense/ Provision (2)	Deductions / Reversals (1)	Balance, End of Year
Allowance for doubtful accounts:				
2007	$ 489	$ 359	$(511)	$ 337
2006	$ 362	$ 475	$(348)	$ 489
2005	$ 439	$ 150	$(227)	$ 362
Income tax valuation allowance:				
2007	$14,229	$12,019	$ —	$26,248
2006	$10,548	$ 3,681	$ —	$14,229
2005	$ 9,156	$ 1,392	$ —	$10,548

(1) Amounts listed in this column relating to the allowance for doubtful accounts reflect balances that had been fully reserved and were written off during the year.

(2) The amounts in these columns relating to the income tax valuation allowance have been adjusted to reflect valuation allowances that have historically been recorded against net operating losses incurred by ICT Group, Inc.'s U.K. Branch.

EXHIBIT 21

LIST OF SUBSIDIARIES

Name of Subsidiary	State/Country of Incorporation/Organization
ICT Canada Marketing, Inc.	Canada
Eurotel Marketing Limited	Ireland
ICT Resources, Inc.	Delaware
ICT Enterprises, Inc.	Delaware
ICT International, Inc.	Delaware
ICT Accounts Receivable Management, Inc.	Delaware
ICT Australia Pty. Ltd.	Australia
ICT Financial Services Pty. Ltd.	Australia
ICT Barbados, Inc. (no operations)	Barbados
ICT Marketing Services of Mexico, S. de R.L. de C.V.	Mexico
ICT Marketing Services of Asia Pacific Pte. Ltd	Singapore
ICT Marketing Services, Inc.	Philippines
ICT Business Services of India Private Limited	India
ICT Marketing Services of Costa Rica	Costa Rica
ICT Services of Argentina S.A.	Argentina
ICT Group Netherlands B.V.	Netherlands
ICT Group Netherlands Holding B.V.	Netherlands

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm

The Board of Directors
ICT Group, Inc.:

We consent to the incorporation by reference in the registration statements on Form S-8 (Nos. 333-32623, 333-56187, 333-55702, 333-97357 and 333-111531) of ICT Group, Inc. of our reports dated March 14, 2008, with respect to the consolidated balance sheets of ICT Group, Inc. and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of operations, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2007, and the related financial statement schedule and the effectiveness of internal control over financial reporting as of December 31, 2007, which reports appear in the December 31, 2007 annual report on Form 10-K of ICT Group, Inc.

Our report dated March 14, 2008 on the consolidated financial statements refers to the adoption of the provisions of FASB Interpretation No. 48, *Accounting forUncertainty in Income Taxes*, effective January 1, 2007, and the provisions of Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment,* effective January 1, 2006.

/s/ KPMG LLP

Philadelphia, Pennsylvania
March 14, 2008

EXHIBIT 31.1

Rule 13a-14(a)/15d-14(a) Certification

I, John J. Brennan, certify that:

1. I have reviewed this Annual Report on Form 10-K of ICT Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves Management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 14, 2008

/s/ JOHN J. BRENNAN

John J. Brennan
Chairman, President and Chief Executive Officer

EXHIBIT 31.2

Rule 13a-14(a)/15d-14(a) Certification

I, Vincent A. Paccapaniccia, certify that:

1. I have reviewed this Annual Report on Form 10-K of ICT Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves Management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 14, 2008

/s/ VINCENT A. PACCAPANICCIA

Vincent A. Paccapaniccia
Executive Vice President, Corporate
Finance and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Annual Report of ICT Group, Inc. (the "Company") on Form 10-K for the period ended December 31, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John J. Brennan, Chairman, President and Chief Executive Officer of the Company, hereby certify, to the best of my knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 14, 2008

/s/ JOHN J. BRENNAN

John J. Brennan
Chairman, President and Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Annual Report of ICT Group, Inc. (the "Company") on Form 10-K for the period ended December 31, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Vincent A. Paccapaniccia, Executive Vice President, Corporate Finance and Chief Financial Officer of the Company, hereby certify, to the best of my knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 14, 2008

/s/ VINCENT A. PACCAPANICCIA

Vincent A. Paccapaniccia
Executive Vice President, Corporate Finance and Chief Financial Officer

CORPORATE INFORMATION

Directors:

John J. Brennan
Chairman, Chief Executive Officer and President
ICT Group

Donald P. Brennan
Vice Chairman
ICT Group

Gordon Coburn
Chief Financial and Operating Officer
Cognizant Technology Solutions Corporation

Seth Lehr
Partner
LLR Equity Partners, LP

Bernard Somers
Partner
Somers & Associates

John Stoops
Divisional Vice President, Channel Marketing
Encore Marketing International, Inc.

Key Executives:

John J. Brennan
Chairman, Chief Executive Officer and President

John D. Campbell
Executive Vice President
Global Sales

Guy T. Gray
Executive Vice President
President and Chief Operating Officer
International

Timothy F. Kowalski
Executive Vice President
President and Chief Operating Officer
Marketing and Technology Services

John L. Magee
Executive Vice President
President and Chief Operating Officer
North America

Vincent A. Paccapaniccia
Executive Vice President
Chief Financial Officer

Gail A. Lebel
Senior Vice President
Human Resources

Pamela Goyke
Senior Vice President
Chief Information Officer

Janice A. Jones
Senior Vice President
Corporate Support Services

Jeffrey C. Moore
Senior Vice President
General Counsel and Secretary

Corporate Headquarters:

ICT Group, Inc.
ICT World Headquarters
100 Brandywine Boulevard
Newtown, PA 18940-4000
Phone: 267-685-5000
Toll Free: 800-799-6880
www.ictgroup.com

Investor Relations:

Analysts, investors and others seeking financial information should contact:

Vincent A. Paccapaniccia
Chief Financial Officer
investorinfo@ictgroup.com

Transfer Agent and Registrar of Stock:

American Stock Transfer & Trust Company
New York, NY

Independent Registered Public Accounting Firm:

KPMG LLP
Philadelphia, PA

Annual Meeting:

ICT Group, Inc.'s 2008 Annual Meeting of Shareholders will be held on Friday, May 30, 2008, at 9:00 AM (EDT) at the Company's World Headquarters in Newtown, PA.

ICT GROUP OPERATIONS

ICT Canada Marketing, Inc.
720 Coverdale Road
Riverview, New Brunswick
E1B 3L8
Canada

ICT Australia Pty, Ltd.
Building B
1 Homebush Bay Drive
Rhodes, NSW 2138
Australia

ICT Europe
Beaufort House
Cricket Field Road
Uxbridge, London
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