

## Consolidated Balance Sheets

(US Dollars in Thousands)

	March 31, 2006	December 31, 2005
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$9,850	\$9,116
Short term deposits	68	368
Short term marketable securities	4,326	4,381
	14,244	13,865
Accounts receivables		
Trade receivables	14,785	14,572
Other receivables and prepaid expenses	3,800	2,832
Inventory	467	400
<b>Total current assets</b>	33,296	31,669
Severance pay fund	1,797	2,135
Long term deposits	621	805
Investments in affiliated companies	255	198
Fixed assets, net	6,770	6,955
Goodwill	22,290	20,762
Other assets, net	11,300	11,199
<b>Total assets</b>	\$76,329	\$73,723
<b>Liabilities</b>		
<b>Current liabilities</b>		
Short-term bank debt	\$4,199	\$4,183
Trade payables	2,387	3,319
Accrued expenses and other liabilities	15,024	10,696
<b>Total current liabilities</b>	21,610	18,198
Long-term loans	220	165
Accrued severance pay	2,100	2,527
Minority interests	134	528
<b>Shareholders' equity</b>		
Share capital	830	829
Capital surplus	104,686	104,558
Treasury stock	(6,772)	(6,772)
Accumulated deficit	(46,479)	(46,310)
<b>Total shareholders' equity</b>	\$52,265	\$52,305
<b>Total liabilities and shareholders' equity</b>	\$76,329	\$73,723

## Consolidated Statement of Operations

(US Dollars in Thousands)

	Three months ended March <u>2006</u> (Unaudited)	Three months ended December <u>2005</u> (Unaudited)	Three months ended March <u>2005</u> (Unaudited)
<b>Revenues</b>			
Software sales	\$4,846	\$3,727	\$4,870
Applications	1,406	2,003	2,208
Maintenance and Support	3,486	3,365	3,545
Consultancy & other services	<u>5,528</u>	<u>5,921</u>	<u>4,880</u>
<b>Total revenues</b>	<b>\$15,266</b>	<b>\$15,016</b>	<b>\$15,503</b>
<b>Cost of revenues</b>			
Software sales	1,698	2,604	1,508
Maintenance and Support	941	481	873
Consultancy & other services	<u>4,151</u>	<u>4,167</u>	<u>3,797</u>
<b>Total cost of revenues</b>	<b>\$6,790</b>	<b>\$7,252</b>	<b>\$6,178</b>
<b>Gross profit</b>	<b>\$8,476</b>	<b>\$7,764</b>	<b>\$9,325</b>
Research & development, net	865	900	1,054
Sales, marketing, and general & administrative expenses	7,286	8,106	8,237
Depreciation	<u>488</u>	<u>402</u>	<u>430</u>
<b>Operating loss</b>	<b>\$(163)</b>	<b>\$(1,644)</b>	<b>\$(396)</b>
Financial expenses, net	72	192	320
Other income	-	-	<u>1,169</u>
<b>Income (loss) before taxes</b>	<b>\$(235)</b>	<b>\$(1,836)</b>	<b>\$453</b>
Taxes on income	<u>47</u>	<u>63</u>	<u>231</u>
<b>Income (loss) before minority interest</b>	<b>\$(282)</b>	<b>\$(1,899)</b>	<b>\$222</b>
Minority interests in (income) losses of subsidiaries	56	(39)	(112)
Equity gain (loss)	<u>57</u>	<u>(53)</u>	<u>53</u>
<b>Net income (loss)</b>	<b>\$(169)</b>	<b>\$(1,991)</b>	<b>\$163</b>
Earnings (loss) per share, basic and diluted	\$(0.01)	\$(0.06)	\$0.01
Weighted avg. shares outstanding (000's)	31,094	31,054	31,144
Diluted weighted avg. shares outstanding (000's)	31,094	31,054	31,904