

Consolidated Balance Sheets

(US Dollars in Thousands)

	June 30, 2006 (Unaudited)	December 31, 2005
Assets		
Current assets		
Cash and cash equivalents	\$9,975	\$9,116
Short term deposits	170	368
Short term marketable securities	4,333	4,381
	14,478	13,865
Accounts receivables		
Trade receivables	13,276	14,572
Other receivables and prepaid expenses	3,262	2,832
Inventory	422	400
Total current assets	31,438	31,669
Severance pay fund	1,981	2,135
Long term deposits	622	805
Investments in affiliated companies	267	198
Fixed assets, net	6,577	6,955
Goodwill	21,800	20,762
Other assets, net	12,089	11,199
Total assets	\$74,774	\$73,723
Liabilities		
Current liabilities		
Short-term bank debt	\$5,064	\$4,183
Trade payables	2,953	3,319
Accrued expenses and other liabilities	13,020	10,696
Total current liabilities	21,037	18,198
Long-term loans	243	165
Accrued severance pay	2,296	2,527
Minority interests	122	528
Shareholders' equity		
Share capital	830	829
Capital surplus	104,835	104,558
Treasury stock	(6,773)	(6,772)
Accumulated deficit	(47,816)	(46,310)
Total shareholders' equity	\$51,076	\$52,305
Total liabilities and shareholders' equity	\$74,774	\$73,723

Unaudited Consolidated Statement of Operations

(US Dollars in Thousands)

	Three Months ended June 30,		Six Months ended June 30,	
	2006	2005	2006	2005
Revenues				
Software sales	\$3,930	\$4,408	\$8,776	\$9,278
Applications	1,776	1,894	3,182	4,101
Maintenance and support	3,848	3,858	7,334	7,404
Consultancy & other services	5,598	5,542	11,126	10,423
Total Revenues	\$15,152	\$15,702	\$30,418	\$31,206
Cost of Revenues				
Software sales	\$988	\$1,273	\$1,810	\$2,034
Applications	742	911	1,618	1,658
Maintenance and support	969	740	1,910	1,613
Consultancy & other services	4,379	3,821	8,531	7,618
Total Cost of Revenues	\$7,078	\$6,745	13,869	12,923
Gross Profit	\$8,074	\$8,957	\$16,549	\$18,283
Research & development, net	911	953	1,777	2,007
Sales, marketing, and general & administrative expenses	8,134	8,551	15,419	16,788
Depreciation	418	458	906	888
Operating loss	(\$1,389)	(\$1,005)	(\$1,553)	(\$1,400)
Financial income (expenses), net	167	(47)	96	(367)
Other income	-	-	-	1,169
Loss before taxes	(1,222)	(1,052)	(1,457)	(598)
Taxes on income	139	54	186	285
Loss before minority interests	(1,361)	(1,106)	(1,643)	(883)
Minority interests in income of subsidiaries	(12)	52	(68)	164
Equity gain (loss)	12	(2)	69	51
Net Loss	(\$1,337)	(\$1,160)	(\$1,506)	(\$996)
Basic and Diluted loss per Share	(\$0.04)	(\$0.04)	(\$0.05)	(\$0.03)
Basic and Diluted Weighted Avg. Shares Outstanding (000)	31,146	31,052	31,120	31,114