

Consolidated Balance Sheets

(US Dollars in Thousands)

	March 31, 2006	December 31, 2005
Assets		
Current assets		
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
Total current assets	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
Total assets	\$76,329	\$73,723
Liabilities		
Current liabilities		
Short-term bank debt	\$4,199	\$4,183
Trade payables	2,387	3,319
Accrued expenses and other liabilities	15,024	10,696
Total current liabilities	21,610	18,198
Long-term loans	220	165
Accrued severance pay	2,100	2,527
Minority interests	134	528
Shareholders' equity		
Share capital	830	829
Capital surplus	104,686	104,558
Treasury stock	(6,772)	(6,772)
Accumulated deficit	(46,479)	(46,310)
Total shareholders' equity	\$52,265	\$52,305
Total liabilities and shareholders' equity	\$76,329	\$73,723

Consolidated Statement of Operations

(US Dollars in Thousands)

	<u>Three months ended</u> March <u>2006</u> (Unaudited)	<u>Three months ended</u> December <u>2005</u> (Unaudited)	<u>Three months ended</u> March <u>2005</u> (Unaudited)
Revenues			
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>
Total revenues	\$15,266	\$15,016	\$15,503
Cost of revenues			
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>
Total cost of revenues	\$6,790	\$7,252	\$6,178
Gross profit	\$8,476	\$7,764	\$9,325
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>
Operating loss	\$(163)	\$(1,644)	\$(396)
Financial expenses, net	72	192	320
Other income	-	-	<u>1,169</u>
Income (loss) before taxes	\$(235)	\$(1,836)	\$453
Taxes on income	<u>47</u>	<u>63</u>	<u>231</u>
Income (loss) before minority interest	\$(282)	\$(1,899)	\$222
Minority interests in (income) losses of subsidiaries	56	(39)	(112)
Equity gain (loss)	<u>57</u>	<u>(53)</u>	<u>53</u>
Net income (loss)	\$(169)	\$(1,991)	\$163
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