

Consolidated Balance Sheets (US Dollars in Thousands)

	December 31, 2006	December 31, 2005
Assets		
Current assets		
Cash and cash equivalents	\$8,162	\$9,116
Short term deposits	69	368
Short term marketable securities	4,649	4,381
	<u>12,880</u>	<u>13,865</u>
Accounts receivables		
Trade receivables	12,231	14,572
Other receivables and prepaid expenses	2,853	2,832
Inventory	328	400
	<u>28,292</u>	<u>31,669</u>
<i>Total current assets</i>		
Severance pay fund	2,176	2,135
Long term deposits	566	805
Investments in affiliated companies	223	198
Fixed assets, net	6,554	6,955
Goodwill	21,624	20,762
Other assets, net	10,863	11,199
	<u>\$70,298</u>	<u>\$73,723</u>
<i>Total assets</i>		
Liabilities		
Current liabilities		
Short-term bank debt	\$4,514	\$4,183
Trade payables	3,491	3,319
Accrued expenses and other liabilities	11,671	10,696
Total current liabilities	<u>19,676</u>	<u>18,198</u>
Long-term loans	233	165
Accrued severance pay	2,499	2,527
Minority interests	131	528
Shareholders' equity		
Share capital	832	829
Capital surplus	105,016	104,558
Treasury stock	(6,773)	(6,772)
Accumulated deficit	(51,316)	(46,310)
Total shareholders' equity	<u>\$47,759</u>	<u>\$52,305</u>
Total liabilities and shareholders' equity	<u>\$70,298</u>	<u>\$73,723</u>

Unaudited Consolidated Statement of Operations (US Dollars in Thousands)

Three Months ended	Twelve Months
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	Dec 31,		ended Dec 31,	
	2006	2005	2006	2005
Revenues				
Software sales	\$3,627	\$3,727	\$15,853	\$16,803
Applications	1,817	2,003	6,483	8,300
Maintenance and support	3,731	3,365	14,935	14,376
Consultancy & other services	7,014	5,921	24,454	21,511
Total Revenues	\$16,189	\$15,016	\$61,725	\$60,990
Cost of Revenues				
Software sales	\$707	\$1,336	\$3,777	\$4,881
Applications	569	1,268	3,002	3,602
Maintenance and support	898	481	3,615	2,679
Consultancy & other services	5,129	4,167	18,087	15,514
Total Cost of Revenues	\$7,303	\$7,252	\$28,481	\$26,676
Gross Profit	\$8,886	\$7,764	\$33,244	\$34,314
Research & development, net	828	900	3,942	3,733
Sales, marketing, and general & administrative expenses	7,617	8,106	30,569	33,135
Depreciation	419	402	1,780	1,707
Restructuring expenses	269	-	2,394	-
Operating loss	(\$247)	(\$1,644)	(\$5,441)	(\$4,621)
Financial income (expenses), net	124	(192)	410	(81)
One time gain (loss)	278	-	278	1,169
Income (loss) before taxes	155	(1,836)	(4,753)	(3,903)
Taxes on income	84	63	325	491
Income (loss) before minority interests	71	(1,899)	(5,078)	(4,394)
Minority interests in income of subsidiaries	37	39	(57)	232
Equity gain (loss)	4	(53)	(15)	19
Net Profit (loss)	\$30	(\$1,991)	(\$5,006)	(\$4,607)
Basic and Diluted loss per Share	\$0.00	(\$0.06)	(\$0.16)	(\$0.15)
Basic Weighted Avg. Shares Outstanding (000)	31,285	31,054	31,184	31,124
Diluted Weighted Avg. Shares Outstanding (000)	31,793	31,054	31,184	31,124