

**Consolidated Balance Sheets**  
(US Dollars in Thousands)

	March 31, 2007	December 31, 2006
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$11,782	\$8,162
Short term deposits	68	69
Short term marketable securities	4,613	4,649
	<hr/>	<hr/>
	16,463	12,880
Accounts receivables		
Trade receivables	13,631	12,231
Other receivables and prepaid expenses	3,881	2,853
Inventory	290	328
	<hr/>	<hr/>
	34,265	28,292
<i>Total current assets</i>		
	<hr/>	<hr/>
Severance pay fund	2,078	2,176
Long term deposits	562	566
Investments in affiliated companies	223	223
Fixed assets, net	6,440	6,554
Goodwill	21,654	21,624
Other assets, net	10,775	10,863
	<hr/>	<hr/>
	\$75,997	\$70,298
<i>Total assets</i>		
	<hr/>	<hr/>
<b>Liabilities</b>		
Current liabilities		
Short-term bank credit	\$4,051	\$4,514
Trade payables	3,747	3,491
Accrued expenses and other liabilities	16,066	11,671
<b>Total current liabilities</b>	<hr/>	<hr/>
	23,864	19,676
Long-term loans		
	355	233
Accrued severance pay	2,406	2,499
Minority interests	132	131
Shareholders' equity		
Share capital	835	832
Capital surplus	105,222	105,016
Treasury stock	(6,773)	(6,773)
Accumulated deficit	(50,312)	(51,316)
<b>Total shareholders' equity</b>	<hr/>	<hr/>
	\$48,972	\$47,759
<b>Total liabilities and shareholders' equity</b>	<hr/>	<hr/>
	\$75,729	\$70,298

## Consolidated Statement of Operations

*(US Dollars in Thousands)*

	<u>Three months ended</u> <u>March</u> <u>2007</u>	<u>Three months ended</u> <u>December</u> <u>2006</u>	<u>Three months ended</u> <u>March</u> <u>2006</u>
<b>Revenues</b>			
Software sales	\$3,572	\$3,627	\$4,846
Applications	1,892	1,817	1,406
Maintenance and Support	3,938	3,731	3,486
Consultancy & other services	<u>6,950</u>	<u>7,014</u>	<u>5,528</u>
<b>Total revenues</b>	<b>\$16,352</b>	<b>\$16,189</b>	<b>\$15,266</b>
<b>Cost of revenues</b>			
Software sales	\$970	\$707	822
Applications	779	569	876
Maintenance and Support	681	898	941
Consultancy & other services	<u>5,236</u>	<u>5,129</u>	<u>4,151</u>
<b>Total cost of revenues</b>	<b>\$7,666</b>	<b>\$7,303</b>	<b>\$6,790</b>
<b>Gross profit</b>	<b>\$8,686</b>	<b>\$8,886</b>	<b>\$8,476</b>
Research & development, net	1,067	828	865
Sales, marketing, and general & administrative expenses	6,211	7,617	7,286
Depreciation	355	419	488
<b>Restructuring expenses</b>	<u>=</u>	<u>269</u>	<u>=</u>
<b>Operating profit (loss)</b>	<b>\$1,053</b>	<b>\$(247)</b>	<b>\$(163)</b>
Financial income (expenses), net	128	\$124	(72)
One time gain	-	278	-
<b>Income (loss) before taxes</b>	<b>\$1,181</b>	<b>\$155</b>	<b>\$(235)</b>
Taxes on income	<u>187</u>	<u>84</u>	<u>47</u>
<b>Income (loss) before minority interest</b>	<b>\$994</b>	<b>71</b>	<b>\$(282)</b>
Minority interests in (income) losses of subsidiaries	-	(37)	56
Equity gain (loss)	<u>10</u>	<u>(4)</u>	<u>57</u>
<b>Net income (loss)</b>	<b>\$1,004</b>	<b>\$30</b>	<b>\$(169)</b>
Earnings (loss) per share, basic	\$0.03	\$0.00	\$(0.01)
Earnings (loss) per share, diluted	\$0.03	\$0.00	\$(0.01)
Weighted avg. shares outstanding (000's)	31,306	31,285	31,094
Diluted weighted avg. shares outstanding (000's)	31,990	31,793	31,094