



ARI Network Services, Inc.
Consolidated Statements of Income
(Dollars in Thousands, Except per Share Data)

	<i>(Unaudited)</i>	
	Three months ended October 31	
	2012	2011
Net revenue	\$ 5,942	\$ 5,410
Cost of revenue	1,408	1,136
Gross profit	4,534	4,274
Operating expenses:		
Sales and marketing	1,046	1,033
Customer operations and support	1,008	846
Software development and technical support (net of capitalized software product costs)	577	388
General and administrative	1,320	1,108
Depreciation and amortization (exclusive of amortization of software product costs included in cost of revenue)	280	403
Net operating expenses	4,231	3,778
Operating income	303	496
Other income (expense):		
Interest expense	(68)	(62)
Other, net	4	6
Total other income (expense)	(64)	(56)
Income before provision for income tax	239	440
Income tax benefit (expense)	(126)	(168)
Net income	\$ 113	\$ 272
Net income per common share:		
Basic	\$ 0.01	\$ 0.03
Diluted	\$ 0.01	\$ 0.03



ARI Network Services, Inc.
Consolidated Balance Sheets
(Dollars in Thousands, Except per Share Data)

	<i>(Unaudited)</i> October 31 2012	<i>(Audited)</i> July 31 2012
ASSETS		
Cash and cash equivalents	\$ 261	\$ 1,350
Trade receivables, less allowance for doubtful accounts of \$251 and \$215 at October 31, 2012 and July 31, 2012, respectively	1,364	1,187
Work in process	270	151
Prepaid expenses and other	768	766
Deferred income taxes	<u>2,632</u>	<u>2,686</u>
<i>Total current assets</i>	5,295	6,140
Equipment and leasehold improvements:		
Computer equipment and software for internal use	2,645	2,592
Leasehold improvements	609	584
Furniture and equipment	<u>2,304</u>	<u>1,989</u>
	5,558	5,165
Less accumulated depreciation and amortization	<u>3,408</u>	<u>3,214</u>
<i>Net equipment and leasehold improvements</i>	2,150	1,951
Capitalized software product costs:		
Amounts capitalized for software product costs	19,009	18,247
Less accumulated amortization	<u>15,694</u>	<u>15,298</u>
<i>Net capitalized software product costs</i>	3,315	2,949
Deferred income taxes	2,392	2,443
Other long term assets	1,032	148
Other intangible assets	2,224	1,439
Goodwill	<u>5,972</u>	<u>5,439</u>
Total assets	<u>\$ 22,380</u>	<u>\$ 20,509</u>



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Consolidated Balance Sheets
(Dollars in Thousands, Except per Share Data)

	<i>(Unaudited)</i> October 31 2012	<i>(Audited)</i> July 31 2012
LIABILITIES		
Current borrowings on line of credit	\$ 220	\$ -
Current portion of long-term debt	1,085	1,084
Current portion of contingent liabilities	331	
Accounts payable	530	725
Deferred revenue	4,717	4,926
Accrued payroll and related liabilities	845	758
Accrued sales, use and income taxes	119	216
Other accrued liabilities	574	214
Current portion of capital lease obligations	118	150
<i>Total current liabilities</i>	<u>8,539</u>	<u>8,073</u>
Long-term debt	3,640	2,888
Long-term portion of contingent liabilities	418	-
Capital lease obligations	41	58
Other long term liabilities	255	274
<i>Total non-current liabilities</i>	<u>4,354</u>	<u>3,220</u>
Total liabilities	12,893	11,293
SHAREHOLDERS' EQUITY		
Cumulative preferred stock, par value \$.001 per share, 1,000,000 shares authorized; 0 shares issued and outstanding at October 31, 2012 and July 31, 2012, respectively	-	-
Junior preferred stock, par value \$.001 per share, 100,000 shares authorized; 0 shares issued and outstanding at October 31, 2012 and July 31, 2012, respectively	-	-
Common stock, par value \$.001 per share, 25,000,000 shares authorized; 8,169,550 and 8,037,750 shares issued and outstanding at October 31, 2012 and July 31, 2012, respectively	8	8
Common stock warrants and options	1,324	1,287
Additional paid-in capital	96,062	95,931
Accumulated deficit	(87,896)	(88,009)
Other accumulated comprehensive loss	(11)	(1)
Total shareholders' equity	<u>9,487</u>	<u>9,216</u>
Total liabilities and shareholders' equity	<u>\$ 22,380</u>	<u>\$ 20,509</u>