

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

	Twelve months ended July 31	
	2013	2012
Net revenue	\$ 30,102	\$ 22,494
Cost of revenue	6,636	5,266
Gross profit	23,466	17,228
Operating expenses:		
Sales and marketing	7,480	4,585
Customer operations and support	5,834	3,213
Software development and technical support (net of capitalized software product costs)	2,648	2,267
General and administrative	6,005	4,454
Depreciation and amortization (exclusive of amortization of software product costs included in cost of revenue)	1,281	1,414
Loss on impairment of long-lived assets	420	-
Net operating expenses	23,668	15,933
Operating income (loss)	(202)	1,295
Other income (expense):		
Interest expense	(626)	(235)
Loss on debt extinguishment	(682)	-
Loss on change in fair value of stock warrants	(635)	-
Gain on change in fair value of estimated contingent liabilities	180	-
Gain on change in fair value of contingent assets	64	70
Other, net	15	152
Total other income (expense)	(1,684)	(13)
Income (loss) before provision for income tax	(1,886)	1,282
Income tax benefit (expense)	1,133	(227)
Net income (loss)	\$ (753)	\$ 1,055
Net income (loss) per common share:		
Basic	\$ (0.08)	\$ 0.13
Diluted	\$ (0.08)	\$ 0.13

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

	July 31 2013	July 31 2012
ASSETS		
Cash and cash equivalents	\$ 2,195	\$ 1,350
Trade receivables, less allowance for doubtful accounts of \$220 and \$215 at July 31, 2013 and 2012, respectively	945	1,187
Work in process	154	151
Prepaid expenses and other	934	766
Deferred income taxes	2,938	2,686
<i>Total current assets</i>	7,166	6,140
Equipment and leasehold improvements:		
Computer equipment and software for internal use	2,641	2,592
Leasehold improvements	609	584
Furniture and equipment	2,561	1,989
	5,811	5,165
Less accumulated depreciation and amortization	3,948	3,214
<i>Net equipment and leasehold improvements</i>	1,863	1,951
Capitalized software product costs:		
Amounts capitalized for software product costs	20,814	18,247
Less accumulated amortization	16,604	15,298
<i>Net capitalized software product costs</i>	4,210	2,949
Deferred income taxes	3,451	2,443
Other long term assets	141	148
Other intangible assets	4,099	1,439
Goodwill	12,198	5,439
Total assets	\$ 33,128	\$ 20,509

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Consolidated Balance Sheets
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	July 31 2013	July 31 2012
LIABILITIES		
Current portion of long-term debt	\$ 450	\$ 1,084
Current portion of contingent liabilities	303	-
Accounts payable	710	725
Deferred revenue	8,571	4,926
Accrued payroll and related liabilities	1,434	758
Accrued sales, use and income taxes	147	216
Other accrued liabilities	316	214
Current portion of capital lease obligations	24	150
<i>Total current liabilities</i>	11,955	8,073
Long-term debt	4,050	2,888
Common stock warrants at fair value	254	-
Long-term portion of contingent liabilities	418	-
Capital lease obligations	169	58
Other long term liabilities	233	274
<i>Total non-current liabilities</i>	5,124	3,220
Total liabilities	17,079	11,293
SHAREHOLDERS' EQUITY		
Cumulative preferred stock, par value \$.001 per share, 1,000,000 shares authorized; 0 shares issued and outstanding at July 31, 2013	-	-
Junior preferred stock, par value \$.001 per share, 100,000 shares authorized; 0 shares issued and outstanding at July 31, 2013 and 2012	-	-
Common stock, par value \$.001 per share, 12,976,588 and 8,037,750 shares issued and outstanding at July 31, 2013 and 2012	13	8
Additional paid-in capital	104,816	97,218
Accumulated deficit	(88,762)	(88,009)
Other accumulated comprehensive loss	(18)	(1)
Total shareholders' equity	16,049	9,216
Total liabilities and shareholders' equity	\$ 33,128	\$ 20,509