



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

	Three months ended April 30		Nine months ended April 30	
	2014	2013	2014	2013
Net revenue	\$ 8,176	\$ 8,228	\$ 24,471	\$ 21,648
Cost of revenue	1,560	1,885	4,806	5,014
Gross profit	6,616	6,343	19,665	16,634
Operating expenses:				
Sales and marketing	2,291	2,324	7,190	5,459
Customer operations and support	1,638	1,545	5,029	4,106
Software development and technical support (net of capitalized software product costs)	679	672	2,016	1,995
General and administrative	1,289	1,541	4,490	4,457
Depreciation and amortization (exclusive of amortization of software product costs included in cost of revenue)	354	334	1,014	953
Loss on impairment of long-lived assets	-	420	-	420
Net operating expenses	6,251	6,836	19,739	17,390
Operating income (loss)	365	(493)	(74)	(756)
Other income (expense):				
Interest expense	(68)	(197)	(216)	(534)
Loss on debt extinguishment	-	(682)	-	(682)
(Gain) loss on change in fair value of stock warrants	4	-	(28)	-
Gain on change in fair value of earn-out payable	-	-	26	-
Gain on change in fair value of contingent assets	-	64	-	64
Other income (expense), net	12	(1)	27	7
Total other income (expense)	(52)	(816)	(191)	(1,145)
Income (loss) before provision for income tax	313	(1,309)	(265)	(1,901)
Income tax benefit (expense)	(153)	738	(11)	1,447
Net income (loss)	\$ 160	\$ (571)	\$ (276)	\$ (454)
Weighted average common shares outstanding:				
Basic	13,394	10,548	13,235	9,055
Diluted	13,790	10,548	13,235	9,055
Net income (loss) per common share:				
Basic	\$ 0.01	\$ (0.05)	\$ (0.02)	\$ (0.05)
Diluted	\$ 0.01	\$ (0.05)	\$ (0.02)	\$ (0.05)

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

	<i>(Unaudited)</i> April 30 2014	<i>(Audited)</i> July 31 2013
ASSETS		
Cash and cash equivalents	\$ 1,034	\$ 2,195
Trade receivables, less allowance for doubtful accounts of \$427 and \$220 at April 30, 2014 and July 31, 2013, respectively	1,840	945
Work in process	161	154
Prepaid expenses and other	1,080	934
Deferred income taxes	2,896	2,938
<i>Total current assets</i>	7,011	7,166
Equipment and leasehold improvements:		
Computer equipment and software for internal use	2,523	2,641
Leasehold improvements	671	609
Furniture and equipment	3,256	2,561
	6,450	5,811
Less accumulated depreciation and amortization	(4,502)	(3,948)
<i>Net equipment and leasehold improvements</i>	1,948	1,863
Capitalized software product costs:		
Amounts capitalized for software product costs	22,298	20,814
Less accumulated amortization	(18,098)	(16,604)
<i>Net capitalized software product costs</i>	4,200	4,210
Deferred income taxes	3,496	3,451
Other long term assets	78	141
Other intangible assets	3,744	4,099
Goodwill	12,326	12,198
Total assets	\$ 32,803	\$ 33,128



ARI Network Services, Inc.
Consolidated Balance Sheets
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	<i>(Unaudited)</i> April 30 2014	<i>(Audited)</i> July 31 2013
LIABILITIES		
Current borrowings on line of credit	\$ -	\$ -
Current portion of long-term debt	619	450
Current portion of earn-out payable	301	303
Accounts payable	554	710
Deferred revenue	7,849	8,571
Accrued payroll and related liabilities	1,425	1,434
Accrued sales, use and income taxes	132	147
Other accrued liabilities	504	316
Current portion of capital lease obligations	200	24
<i>Total current liabilities</i>	<u>11,584</u>	<u>11,955</u>
Long-term debt	3,544	4,050
Common stock warrants at fair value	282	254
Long-term portion of earn-out payable	171	418
Capital lease obligations	279	169
Other long term liabilities	217	233
<i>Total non-current liabilities</i>	<u>4,493</u>	<u>5,124</u>
Total liabilities	<u>16,077</u>	<u>17,079</u>
SHAREHOLDERS' EQUITY		
Cumulative preferred stock, par value \$.001 per share, 1,000,000 shares authorized; 0 shares issued and outstanding at April 30, 2014 and July 31, 2013, respectively	-	-
Junior preferred stock, par value \$.001 per share, 100,000 shares authorized; 0 shares issued and outstanding at April 30, 2014 and July 31, 2013, respectively	-	-
Common stock, par value \$.001 per share, 25,000,000 shares authorized; 13,440,141 and 12,976,588 shares issued and outstanding at April 30, 2014 and July 31, 2013, respectively	13	13
Additional paid-in capital	105,784	104,816
Accumulated deficit	(89,038)	(88,762)
Other accumulated comprehensive loss	(33)	(18)
Total shareholders' equity	<u>16,726</u>	<u>16,049</u>
Total liabilities and shareholders' equity	<u>\$ 32,803</u>	<u>\$ 33,128</u>