



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

	Three months ended July 31		Twelve months ended July 31	
	2015 <i>(Unaudited)</i>	2014 <i>(Unaudited)</i>	2015 <i>(Unaudited)</i>	2014 <i>(Audited)</i>
Net revenue	\$ 10,912	\$ 8,548	\$ 40,443	\$ 33,019
Cost of revenue	1,911	1,572	7,302	6,378
Gross profit	9,001	6,976	33,141	26,641
Operating expenses:				
Sales and marketing	2,499	2,154	10,427	9,344
Customer operations and support	2,419	1,616	7,811	6,645
Software development and technical support (net of capitalized software product costs)	1,153	701	4,199	2,717
General and administrative	1,731	1,732	6,634	6,222
Depreciation and amortization (exclusive of amortization of software product costs included in cost of revenue)	513	308	1,756	1,322
Loss on impairment of long-lived assets	-	35	-	35
Net operating expenses	8,315	6,546	30,827	26,285
Operating income	686	430	2,314	356
Other income (expense):				
Interest expense	(113)	(70)	(465)	(286)
Loss on change in fair value of stock warrants	-	-	-	(28)
Gain on change in fair value of contingent liabilities	-	41	-	67
Gain on change in fair value of contingent assets	-	-	28	-
Other, net	-	3	5	30
Total other income (expense)	(113)	(26)	(432)	(217)
Income before provision for income tax	573	404	1,882	139
Income tax expense	(205)	(230)	(811)	(241)
Net income (loss)	\$ 368	\$ 174	\$ 1,071	\$ (102)
Weighted average common shares outstanding:				
Basic	16,721	13,455	14,849	13,290
Diluted	17,117	13,786	15,279	13,290
Net income (loss) per common share:				
Basic	\$ 0.02	\$ 0.01	\$ 0.07	\$ (0.01)
Diluted	\$ 0.02	\$ 0.01	\$ 0.07	\$ (0.01)



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

	July 31 2015	July 31 2014
	<i>(Unaudited)</i>	<i>(Audited)</i>
ASSETS		
Cash and cash equivalents	\$ 2,284	\$ 1,808
Trade receivables, less allowance for doubtful accounts of \$372 and \$359 at July 31, 2015 and 2014	2,046	1,212
Work in process	165	294
Prepaid expenses and other	848	1,030
Deferred income taxes	3,092	2,655
<i>Total current assets</i>	8,435	6,999
Equipment and leasehold improvements:		
Computer equipment and software for internal use	2,800	2,382
Leasehold improvements	629	626
Furniture and equipment	2,981	2,327
<i>Total equipment and leasehold improvements</i>	6,410	5,335
Less accumulated depreciation and amortization	(3,989)	(3,564)
<i>Net equipment and leasehold improvements</i>	2,421	1,771
Capitalized software product costs:		
Amounts capitalized for software product costs	25,463	22,676
Less accumulated amortization	(20,337)	(18,656)
<i>Net capitalized software product costs</i>	5,126	4,020
Deferred income taxes	2,398	3,507
Other long-term assets	84	72
Other intangible assets	10,116	3,612
Goodwill	21,168	12,367
<i>Total non-current assets</i>	41,313	25,349
Total assets	\$ 49,748	\$ 32,348



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

	<u>July 31</u> <u>2015</u> <i>(Unaudited)</i>	<u>July 31</u> <u>2014</u> <i>(Audited)</i>
LIABILITIES		
Current portion of long-term debt	\$ 1,338	\$ 675
Current portion of contingent liabilities	754	295
Accounts payable	708	656
Deferred revenue	7,327	7,415
Accrued payroll and related liabilities	1,752	1,336
Accrued sales, use and income taxes	140	123
Other accrued liabilities	748	472
Current portion of capital lease obligations	174	195
<i>Total current liabilities</i>	<u>12,941</u>	<u>11,167</u>
Long-term debt	9,191	3,375
Long-term portion of contingent liabilities	362	153
Capital lease obligations	106	233
Other long-term liabilities	199	214
<i>Total non-current liabilities</i>	<u>9,858</u>	<u>3,975</u>
Total liabilities	22,799	15,142
SHAREHOLDERS' EQUITY		
Cumulative preferred stock, par value \$.001 per share, 1,000,000 shares authorized; 0 shares issued and outstanding at July 31, 2015 and 2014	—	—
Junior preferred stock, par value \$.001 per share, 100,000 shares authorized; 0 shares issued and outstanding at July 31, 2015 and 2014	—	—
Common stock, par value \$.001 per share, 25,000,000 shares authorized; 17,097,426 and 13,506,316 shares issued and outstanding at July 31, 2015 and 2014	17	14
Additional paid-in capital	114,700	106,077
Accumulated deficit	(87,793)	(88,864)
Other accumulated comprehensive income (loss)	25	(21)
Total shareholders' equity	<u>26,949</u>	<u>17,206</u>
Total liabilities and shareholders' equity	<u>\$ 49,748</u>	<u>\$ 32,348</u>



ARI Network Services, Inc.
Consolidated Statements of Cash Flows
(Dollars in Thousands)

	Twelve months ended July 31	
	2015	2014
	(Unaudited)	(Audited)
<i>Operating activities:</i>		
Net income (loss)	\$ 1,071	\$ (102)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization of software products	2,023	2,052
Amortization of discount related to present value of earn-out	(10)	(15)
Amortization of bank loan fees	38	26
Interest expense related to earn-out payable	49	76
Depreciation and other amortization	1,756	1,322
Loss on impairment of long-lived assets	-	35
Gain on change in fair value of earn-out receivable	(28)	-
Loss on change in fair value of stock warrants	-	28
Gain on change in fair value of earn-out payable	-	(67)
Provision for bad debt allowance	168	279
Deferred income taxes	720	227
Stock based compensation	301	340
Stock based director fees	145	220
<i>Net change in assets and liabilities:</i>		
Trade receivables	114	(545)
Work in process	129	(140)
Prepaid expenses and other	24	(41)
Other long-term assets	(50)	-
Accounts payable	(75)	(40)
Deferred revenue	(584)	(1,156)
Accrued payroll and related liabilities	266	(229)
Accrued sales, use and income taxes	8	(24)
Other accrued liabilities	248	137
<i>Net cash provided by operating activities</i>	\$ 6,313	\$ 2,383
<i>Investing activities:</i>		
Purchase of equipment, software and leasehold improvements	(692)	(631)
Cash received on earn-out from disposition of a component of the business	111	101
Cash paid for contingent liabilities related to acquisitions	(250)	(249)
Cash paid for net assets related to acquisitions	(9,700)	(241)
Software developed for internal use	-	(29)
Software development costs capitalized	(1,411)	(1,769)
<i>Net cash used in investing activities</i>	\$ (11,942)	\$ (2,818)
<i>Financing activities:</i>		
Payments on long-term debt	\$ (622)	\$ (450)
Borrowings under long-term debt	2,168	-
Proceeds from capital lease obligations incurred	-	312
Payments of capital lease obligations	(253)	(100)
Proceeds from issuance of common stock	4,834	289
<i>Net cash provided by financing activities</i>	\$ 6,127	\$ 51
Effect of foreign currency exchange rate changes on cash	(22)	(3)
Net change in cash and cash equivalents	476	(387)
Cash and cash equivalents at beginning of period	1,808	2,195
Cash and cash equivalents at end of period	\$ 2,284	\$ 1,808
<i>Cash paid for interest</i>	\$ 350	\$ 292
<i>Cash paid for income taxes</i>	\$ 64	\$ 106