



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

	<b>Three months ended October 31</b>	
	<b>2014</b>	<b>2013</b>
Net revenue	\$ 9,112	\$ 8,160
Cost of revenue	1,749	1,560
Gross profit	7,363	6,600
Operating expenses:		
Sales and marketing	2,542	2,457
Customer operations and support	1,690	1,611
Software development and technical support (net of capitalized software product costs)	872	556
General and administrative	1,604	1,488
Depreciation and amortization (exclusive of amortization of software product costs included in cost of revenue)	372	321
Net operating expenses	7,080	6,433
Operating income	283	167
Other income (expense):		
Interest expense	(89)	(70)
Loss on change in fair value of stock warrants	—	(22)
Gain on change in fair value of estimated contingent liabilities	—	26
Other, net	(1)	8
Total other income (expense)	(90)	(58)
Income before provision for income tax	193	109
Income tax expense	(89)	(84)
Net income	\$ 104	\$ 25
Weighted-average common shares outstanding:		
Basic	13,693	12,995
Diluted	14,014	13,758
Net income per common share:		
Basic	\$ 0.01	\$ 0.00
Diluted	\$ 0.01	\$ 0.00



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

	<i>(Unaudited)</i> Oct 31 2014	<i>(Audited)</i> July 31 2014
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,597	\$ 1,808
Trade receivables, less allowance for doubtful accounts of \$521 and \$359 at October 31, 2014 and July 31, 2014, respectively	2,062	1,212
Work in process	316	294
Prepaid expenses and other	877	1,030
Deferred income taxes	2,551	2,655
<i>Total current assets</i>	7,403	6,999
Equipment and leasehold improvements:		
Computer equipment and software for internal use	2,386	2,382
Leasehold improvements	626	626
Furniture and equipment	2,464	2,327
	5,476	5,335
Less accumulated depreciation and amortization	(3,712)	(3,564)
<i>Net equipment and leasehold improvements</i>	1,764	1,771
Capitalized software product costs:		
Amounts capitalized for software product costs	23,797	22,676
Less accumulated amortization	(19,205)	(18,656)
<i>Net capitalized software product costs</i>	4,592	4,020
Deferred income taxes	3,542	3,507
Other long-term assets	102	72
Other intangible assets	7,057	3,612
Goodwill	17,666	12,367
<i>Total non-current assets</i>	34,723	25,349
<b>Total assets</b>	\$ 42,126	\$ 32,348





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

	<i>(Unaudited)</i> Oct 31 2014	<i>(Audited)</i> July 31 2014
<b>LIABILITIES</b>		
Current borrowings on line of credit	\$ 1,000	\$ —
Current portion of long-term debt	605	675
Current portion of contingent liabilities	165	295
Accounts payable	942	656
Deferred revenue	7,631	7,415
Accrued payroll and related liabilities	1,660	1,336
Accrued sales, use and income taxes	132	123
Other accrued liabilities	622	472
Current portion of capital lease obligations	241	195
<i>Total current liabilities</i>	12,998	11,167
Long-term debt	8,445	3,375
Long-term portion of contingent liabilities	761	153
Capital lease obligations	241	233
Other long-term liabilities	208	214
<i>Total non-current liabilities</i>	9,655	3,975
Total liabilities	22,653	15,142
<b>SHAREHOLDERS' EQUITY</b>		
Cumulative preferred stock, par value \$.001 per share, 1,000,000 shares authorized; 0 shares issued and outstanding at October 31, 2014 and July 31, 2014, respectively	—	—
Junior preferred stock, par value \$.001 per share, 100,000 shares authorized; 0 shares issued and outstanding at October 31, 2014 and July 31, 2014, respectively	—	—
Common stock, par value \$.001 per share, 25,000,000 shares authorized; 14,227,257 and 13,506,316 shares issued and outstanding at October 31, 2014 and July 31, 2014, respectively	14	14
Additional paid-in capital	108,231	106,077
Accumulated deficit	(88,760)	(88,864)
Other accumulated comprehensive loss	(12)	(21)
Total shareholders' equity	19,473	17,206
Total liabilities and shareholders' equity	\$ 42,126	\$ 32,348



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

	Three months ended October 31	
	2014	2013
<i>Operating activities:</i>		
Net income	\$ 104	\$ 25
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Amortization of software products	549	444
Amortization of discount related to present value of earnout	(3)	(4)
Amortization of bank loan fees	12	7
Interest expense related to earnout payable	8	24
Depreciation and other amortization	371	321
Loss on change in fair value of stock warrants	-	22
Gain on change in fair value of earnout payable	-	(26)
Provision for bad debt allowance	51	32
Deferred income taxes	69	121
Stock based compensation	68	36
Stock based director fees	35	-
Net change in assets and liabilities:		
Trade receivables	(224)	(453)
Work in process	(22)	37
Prepaid expenses and other	185	115
Other long-term assets	(39)	(17)
Accounts payable	226	(158)
Deferred revenue	(130)	(638)
Accrued payroll and related liabilities	230	(140)
Accrued sales, use and income taxes	-	(43)
Other accrued liabilities	144	269
<i>Net cash provided by (used in) operating activities</i>	\$ 1,634	\$ (26)
<i>Investing activities:</i>		
Purchase of equipment, software and leasehold improvements	(21)	(189)
Cash received on earnout from disposition of a component of the business	-	37
Cash paid for contingent liabilities related to acquisitions	(249)	(252)
Cash paid for net assets related to acquisitions	(4,200)	-
Software development costs capitalized	(341)	(548)
<i>Net cash used in investing activities</i>	\$ (4,811)	\$ (952)
<i>Financing activities:</i>		
Borrowings (repayments) under line of credit, net	\$ 1,000	\$ -
Payments on long-term debt	(168)	(112)
Borrowings under long-term debt	2,168	-
Payments of capital lease obligations	(55)	-
Proceeds from issuance of common stock	16	16
<i>Net cash provided by (used in) financing activities</i>	\$ 2,961	\$ (96)
Effect of foreign currency exchange rate changes on cash	5	-
Net change in cash and cash equivalents	(211)	(1,074)
Cash and cash equivalents at beginning of period	1,808	2,195
Cash and cash equivalents at end of period	\$ 1,597	\$ 1,121
<i>Cash paid for interest</i>	\$ 74	\$ 71
<i>Cash paid for income taxes</i>	\$ 20	\$ 66
<i>Non-cash investing and financing activities</i>		
Issuance of common stock in connection with acquisitions	\$ 1,980	\$ -
Debt issued in connection with acquisitions	3,000	-
Capital leases acquired in connection with acquisitions	109	-
Issuance of common stock related to payment of contingent liabilities	42	-
Issuance of common stock related to payment of director compensation	31	-
Issuance of common stock related to payment of employee compensation	97	-
Contingent liabilities incurred in connection with acquisition	761	-