FORM 8-K/A

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FILER

ARI NETWORK SERVICES INC /WI

CIK:**879796**| IRS No.: **391388360** | State of Incorp.:**WI** | Fiscal Year End: **0731**
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SIC: **7370** Computer programming, data processing, etc.

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SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K/A
AMENDMENT NO.1
(AMENDING ITEM 7 (a), (b) and (c)

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 13, 1999

ARI NETWORK SERVICES, INC.
(Exact name of registrant as specified in its charter)

Wisconsin	0-19608	39-1388360
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

330 E. Kilbourn Avenue Milwaukee, Wisconsin	53202
(Address of principal executive office)	(Zip Code)

Registrant's telephone number, including area code: (414) 278-7676

This Amendment No. 1 supplements the Current Report on Form 8-K filed on May 28, 1999 (the "Form 8-K") by ARI Network Services, Inc. (the "Company") relating to the acquisition of Network Dynamics, Inc. ("NDI"). At the time of filing the Form 8-K, it was impracticable for the Company to provide the financial statements of NDI and pro forma financial information required by Item 7(a) and (b).

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

(a) 1) Audited Financial Statements of NDI as of and for the year ended December 31, 1998 and

2) Unaudited Condensed Comparative Balance Sheets as of March 31, 1999 and December 31, 1998 and Statements of Operations and Cash Flows for the three months ended March 31, 1999 and 1998 of NDI.

(b) Pro Forma Financial Information.

Included in this Report are the following pro forma financial statements of ARI Network Services, Inc.:

1) ARI Network Services, Inc. unaudited Pro Forma Condensed Balance Sheet as of April 30, 1999.

2) ARI Network Services, Inc. unaudited Pro Forma Condensed Statements of Operations for the year ended July 31, 1998 and the nine months ended April 30, 1999.

3) ARI Network Services, Inc. unaudited Notes to Pro Forma Condensed Financial Statements.

ITEM 7 (a)(1)

NETWORK DYNAMICS, INC.
AND SUBSIDIARY

Consolidated Financial Statements

December 31, 1998

NETWORK DYNAMICS, INC.
AND SUBSIDIARY

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INDEPENDENT AUDITOR'S REPORT

Network Dynamics, Inc.
Williamsburg, Virginia:

We have audited the accompanying consolidated balance sheet of Network Dynamics, Inc. and subsidiary as of December 31, 1998, and the related consolidated statements of operations, shareholders' deficit, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Network Dynamics, Inc. and subsidiary as of December 31, 1998, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As shown in the consolidated financial statements, the Company incurred a net loss of $844,263 during the year ended December 31, 1998, and as of that date, had a working capital deficiency of $2,909,810 and a net worth deficiency of $2,771,851. As described more fully in notes 3 and 9 to the consolidated financial statements, the Company is in default on its loan agreements with a bank and in arrears on accounts with certain vendor creditors which, among other things cause the balances to become due on demand. The Company is not aware of any alternate sources of capital to meet such demands, if made. Those conditions raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Keiter, Stephens, Hurst, Gary & Shreaves, P.C.

March 31, 1999

Exhibit A

NETWORK DYNAMICS, INC.
AND SUBSIDIARY

Consolidated Balance Sheet
December 31, 1998

<TABLE>
<CAPTION>

	Assets
<S>	<C>
Current assets:	
Cash and cash equivalents	$ 114 970
Restricted cash	86 369
Trade receivables	205 507
Other current assets	2 803
Total current assets	409 649
Property and equipment:	
Computer equipment	337 676
Office furniture and equipment	118 713
	456 389
Less accumulated depreciation and amortization	(252 996)
Net property and equipment	203 393
Total assets	$ 613 042

</TABLE>

See accompanying notes to consolidated financial statements.

Exhibit A

NETWORK DYNAMICS, INC.
AND SUBSIDIARY

Consolidated Balance Sheet

December 31, 1998

Liabilities and Shareholders' Deficit	
Current liabilities:	
Notes payable	$ 539 536
Current portion of notes payable to shareholders	44 500
Current portion of capital lease obligations	92 288
Due to related parties	118 296
Accounts payable	521 752
Deferred revenue	1 264 001
Accrued wages and commissions	264 077
Payroll taxes withheld and accrued	401 103
Other accrued expenses	73 906
Total current liabilities	3 319 459
Long-term liabilities:	
Notes payable to shareholders, less current portion	28 377
Capital lease obligations, less current portion	37 057
Total liabilities	3 384 893
Commitments and contingencies	
Shareholders' deficit:	
Common stock, no par value per share, 25,000,000 shares authorized, 13,342,280 shares issued and outstanding	216 814
Accumulated deficit	(2 988 665)
Total shareholders' deficit	(2 771 851)
Total liabilities and shareholders' deficit	$ 613 042

See accompanying notes to consolidated financial statements.

(Report page 4)

Exhibit B

NETWORK DYNAMICS, INC.
AND SUBSIDIARY

Consolidated Statement of Operations
Year ended December 31, 1998

Revenues	$ 2 751 057

Cost of revenues	1 113 295
Gross profit	1 637 762
Selling, general and administrative expenses	2 296 832
Loss from operations	(659 070)
Other income (expense):	
Receivable factoring fees	(42 138)
Interest expense	(161 302)
Interest income	3 556
Other income	14 691
Total other expense	(185 193)
Net loss	$(844 263)

</TABLE>

See accompanying notes to consolidated financial statements.

(Report page 5)

Exhibit C

NETWORK DYNAMICS, INC.
AND SUBSIDIARY

Consolidated Statement of Shareholders' Deficit
Year ended December 31, 1998

<TABLE>
<CAPTION>

	Common Stock Shares	Common Stock Amount	Accumulated Deficit	Unearned Compensation	Total
<S>	<C>	<C>	<C>	<C>	<C>
December 31, 1997	13 337 280	$ 211 814	$(2 144 402)	$(10 000)	$(1 942 588)
Common stock issued	5 000	5 000	-	-	5 000
Amortization of unearned compensation	-	-	-	10 000	10 000
Net loss	-	-	(844 263)	-	(844 263)

December 31, 1998	13 342 280	$ 216 814	$(2 988 665)	$ -	$(2 771 851)

</TABLE>

See accompanying notes to consolidated financial statements.

Exhibit D

NETWORK DYNAMICS, INC.
AND SUBSIDIARY

Consolidated Statement of Cash Flows
Year ended December 31, 1998

<TABLE>

<S>	<C>
Operating activities:	
Net loss	$(844 263)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	117 995
Increase (decrease) in cash from:	
Accounts receivable	(181 610)
Other current assets	(2 803)
Accounts payable and accrued expenses	707 138
Deferred revenue	423 007
Total adjustments	1 063 727
Net cash provided by operating activities	219 464
Investing activities:	
Acquisition of property and equipment	(30 856)
Proceeds from shareholders' loans - net	877
Net cash used in investing activities	(29 979)
Financing activities:	
Proceeds from notes payable	50 733
Principal payments on notes payable	(154 914)
Principal payments on capital lease obligations	(95 575)
Proceeds from sale of common stock	5 000
Net cash used in financing activities	(194 756)
Net decrease in cash and cash equivalents	(5 271)
Cash and cash equivalents, beginning of year	206 610

Cash and cash equivalents, end of year	$	201 339
Supplemental disclosure of cash flow information:		
Cash paid for interest	$	113 061

</TABLE>

See accompanying notes to consolidated financial statements.

(Report page 7)

NETWORK DYNAMICS, INC.
AND SUBSIDIARY

Notes to Consolidated Financial Statements

(1) Description of business and significant accounting policies:

(a) Organization:

Network Dynamics, Inc. and Subsidiary ("the Company") is in the business of providing electronic catalog creation and viewing software and services to several vertical markets within the United States and European manufactured equipment industry ("the Equipment Industry"). The Company is located in Williamsburg, Virginia and substantially all of its sales are to nationally- and internationally-based concerns in the Equipment Industry.

(b) Consolidation:

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Part Smart Europe BV. All material intercompany transactions have been eliminated in consolidation.

(c) Cash and cash equivalents:

For purposes of the consolidated statement of cash flows, the Company considers all instruments with an original maturity of three months or less to be cash equivalents.

(d) Revenue recognition:

Dealer subscriptions revenue is recognized over the period of the subscription. Revenue from bulk licensing arrangements is recognized immediately except for the portion determined to be for post contract support, which is recognized over the period of the license agreement. Each bulk license agreement is evaluated for the amount of post contract support that is estimated to be required over the period of the license and a portion of the revenue from the license is deferred based on this estimate.

Revenue from data conversion projects is recognized on the percentage-of-completion method in accordance with ARB No. 45 using the relevant guidance in Statement of Position 81-1.

NETWORK DYNAMICS, INC.
AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(1) Description of business and significant accounting policies, continued:

(d) Revenue recognition, continued:

Revenue from annual or periodic maintenance fees is recognized over the period the maintenance is provided.

(e) Accounts receivable:

The Company uses the reserve method of accounting for bad debts for financial statement purposes.

Pursuant to a factoring agreement, the Company factors a portion of its receivables, which are assigned on a pre-approved, recourse basis to a bank. The factoring charge amounts to 3.4% of the receivables assigned. The Company's obligations to the bank are collateralized by the factored accounts receivable and personal endorsement of one of the majority shareholders. The bank reserves a portion of the factored receivables and holds it in an interest bearing account. The cash reserve amounted to $86,369 at December 31, 1998.

(f) Property and equipment:

Property and equipment is stated at cost. Depreciation and amortization are computed under the straight-line method for financial reporting purposes and under accelerated methods for income tax purposes. Depreciation and amortization have been provided over the estimated useful lives of the assets as follows:

	Years
Computer equipment	3
Office furniture and equipment	5-7

(g) Income taxes:

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109 (SFAS No. 109), "Accounting for Income Taxes". SFAS No. 109 is an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences attributable to differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, and for operating loss and tax credit carryforwards. In estimating future tax consequences, SFAS No. 109 generally considers all expected future events other than the enactment of changes in tax laws or rates. A valuation allowance is recorded if it is "more likely than not" that some portion or all of a deferred tax asset will not be realized.

NETWORK DYNAMICS, INC.
AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(1) Description of business and significant accounting policies, continued:

(h) Use of estimates:

The preparation of the Company's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(i) Credit risks:

The Company maintains its cash in several financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to $100,000. At December 31, 1998, cash in one financial institution exceeded this amount.

Concentration of credit risk with respect to accounts receivable is limited due to the number and diversity of customers comprising the Company's customer base. During 1998, one customer comprised approximately 19.8% of the Company's sales. The Company maintains reserves for potential credit losses. Historically, such losses, in the aggregate, have not exceeded the reserve.

(j) Software development costs:

Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed", requires the capitalization of certain software development costs incurred subsequent to the date technological feasibility is established and prior to the date the product is generally available for sale. The capitalized cost is then amortized over the estimated product life. The Company defines technological feasibility as being attained at the time a working model is completed. To date, the period between achieving technological feasibility and the general availability of such software has been short and software development costs qualifying for capitalization have been insignificant. Accordingly, the Company has not capitalized any software development costs.

(k) Advertising costs:

Advertising costs are expensed as incurred and included in operating expenses. Advertising costs amounted to approximately $13,000 for the year ended December 31, 1998.

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NETWORK DYNAMICS, INC.
AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(1) Description of business and significant accounting policies, continued:

(l) Foreign currency translation:

Financial statements of Part Smart Europe BV are translated into U.S. dollars using the exchange rate at each balance sheet date for assets and liabilities and a weighted average exchange rate for each period for revenues, expenses, gains and losses. Where the local currency is the functional currency, translation adjustments are recorded as a separate component of shareholders' equity (deficit). During 1998, foreign currency translation adjustments were not material.

(m) Stock-based compensation:

The Financial Accounting Standards Board issued SFAS No. 123, "Accounting for Stock-Based Compensation" in October 1995. SFAS 123 encourages companies to adopt a fair value approach to valuing stock options that would require compensation cost to be recognized based on the fair value of stock options granted. The Company has elected, as permitted by the standard, to follow its intrinsic value-based method of accounting for stock options consistent with Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock issued to Employees." Under the intrinsic method, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the measurement date over the exercise price.

(2) Accounts receivable:

Accounts receivable consists of the following at December 31, 1998:

<TABLE>
<S> <C>

Receivables	$ 578 653
Receivables factored	(338 146)
Allowance for doubtful accounts	(35 000)
	$ 205 507

</TABLE>

(3) Notes payable:

Notes payable at December 31, 1998 consist of term loans and a demand note payable to a bank in the aggregate amount of $539,536. The interest rate for all loans is 9.75%, and they are secured by substantially all assets of the Company, the pledge of the two majority shareholders' stock in the Company and personal endorsement of the two majority shareholders.

(3) Notes payable, continued:

During 1998, the Company defaulted on the terms of these loan agreements. On November 13, 1998, the Company negotiated a new loan modification and security agreement. Under the terms of the new agreement, no payments on the loans shall be due for 150 days from the execution of the agreement. At the end of the 150 day period, the loans shall be repaid in full. In the event that the Company is unable to repay the loans in full within the 150 day period, the Company is to begin making payments of interest only for a period of 150 days. At any time, the bank may call one or more of the loans and, as such, the loans have been classified as a current liability in the accompanying consolidated balance sheet (Note 9).

Interest expense for 1998 amounted to $161,302, of which $61,533 related to bank debt, $40,138 related to capitalized lease obligations, $41,071 related to notes payable from related parties and $18,560 related to vendor and payroll tax payables.

(4) Capital and operating leases:

Property held under capital leases, included with owned property on the consolidated balance sheet at December 31, consists of the following:

<TABLE>
<S> <C>

Computer equipment	$ 260 600
Office furniture and equipment	118 713
	379 313
Less: accumulated amortization	(226 187)
Computer and office equipment under capital leases, net	$ 153 126

</TABLE>

Capital lease obligations at December 31, consist of the following:

<TABLE>
<S> <C>

Non-cancelable equipment leases expiring through December,

2000, payable in monthly installments aggregating $10,340 including imputed interest at various rates ranging from 12.70% to 30.47%, secured by certain computer and office equipment.	$ 129 345
Less: current portion of capital lease obligations	(92 288)
Long-term capital lease obligations, net	$ 37 057

</TABLE>

The Company leases office space for its two locations in Williamsburg, Virginia. One lease is on a month-to-month basis and amounts to $2,250 per month. The other lease is a non-cancelable operating lease. The Company also leases office space and equipment for its Netherlands location on a month-to-month basis. Total rental expense for the operating leases was $113,626 in 1998.

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NETWORK DYNAMICS, INC.
AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(4) Capital and operating leases, continued:

Minimum lease payments under remaining non-cancelable capital and operating leases are as follows:

<TABLE>
<CAPTION>

Year Ending December 31,	Capital Leases	Operating Leases
<S>	<C>	<C>
1999	$ 112 234	$ 37 162
2000	39 164	38 647
2001	-	40 194
2002	-	38 190
Total minimum lease payments	151 398	$ 154 193
Less: interest imputed at various rates	(22 053)	
Present value of minimum capital lease payments	$ 129 345	

</TABLE>

(5) Related party transactions:

As of December 31, 1998, the Company has notes and accounts payable to various officers and an employee of the Company who are also shareholders of the Company. These payables are primarily for reimbursement of Company expenses and commissions earned. The notes payable to shareholders are generally interest bearing at rates ranging from 10% to 12.5%. The following is a summary of the related party transactions and balances.

<TABLE>

<S>	<C>
Related party balances:	
Notes payable	$ 72 877
Accrued interest expense	3 206
Due to related parties	118 296
Related party transactions:	
Interest expense	41 071
Commissions expense	42 907

</TABLE>

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NETWORK DYNAMICS, INC.
AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(6) Shareholders' equity:

Stock incentive plan:

During 1997, the Company adopted a stock incentive plan in which various types of incentives may be granted. These incentives include stock awards, stock options, and stock appreciation rights. At the sole discretion of the Stock Option Committee, which is appointed by the Board of Directors, stock incentives may be granted to any employee, director, officer, consultant, agent, advisor or independent contractor of the Company; provided that only employees of the Company are eligible for stock options. The Stock Option Committee also determines when an incentive vests and expires. 571,428 shares of common stock have been reserved for the plan.

Stock options may be Incentive Stock Options ("ISO") or Non-statutory Stock Options. The exercise price of Incentive Stock Options shall be the fair market value of such shares on the date of grant provided that if an ISO is granted to a participant who, at the time of the grant, is a ten percent shareholder, then the exercise price shall not be less than 110% of the fair market value of such shares on the date of the grant. The exercise price of shares covered by a Non-statutory Stock Option shall not be less than 85% of the fair market value of such shares on the date of the grant.

During 1997, an employee was granted a $25,000 stock option as a performance bonus. The stock option vested $15,000 as of the date of the agreement and $10,000 in May, 1998 and has not been exercised as of December 31, 1998. The stock option was granted at the price of $.50 per share. There were no other stock incentive transactions as of December 31, 1998.

Mandatorily redeemable preferred stock:

The Company is authorized to issue 5,000,000 shares of preferred stock with no par value and no voting rights. At December 31, 1998, 200,000 shares of the preferred stock have been designated Series A Convertible Preferred Stock and 150,000 shares have been designated Series B Convertible Preferred Stock. The remaining shares may be designated at a future date. At December 31, 1998, no shares are issued and outstanding.

Series A Preferred Stock holders are not eligible to receive dividends. Series B Preferred Stock holders are entitled to annual, cumulative dividends at the rate per annum of $.12 per share. Upon liquidation, holders of the Series A and Series B Preferred Stock are entitled to receive $.50 and $1.00 per share plus accrued dividends, respectively.

NETWORK DYNAMICS, INC.

AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(6) Shareholders' equity, continued:

Holders of Series A and Series B Preferred Stock may convert each of their shares of stock into an equal number of Common Stock during the conversion period (February 15, 1999 to February 15, 2003). At the end of business on February 15, 2003, all outstanding shares of Series A and Series B Preferred Stock shall be redeemed by the Company at the price of $.50 per share and $1.00 per share, respectively.

Buy-sell agreement:

The majority shareholders of the Company are party to a buy-sell agreement. Based on the agreement, the majority shareholders shall not be permitted to sell their shares without first offering them to the Company and the other shareholders at the price offered by the proposed purchaser. The Company shall have the first right of refusal.

If for reason other than death a majority shareholder's shares are transferred by operation of law to any person other than the Company (involuntary transfer), the Company within sixty days, or the remaining shareholders within seventy days shall purchase the shares at book value. Upon the death of a majority shareholder, the Company shall purchase such shares at the certificate of value in accordance with generally accepted accounting principles within 90 days. If for any reason the Company is prevented from acquiring the stock or the value of the stock according to the method of valuation provided by the agreement exceeds the insurance proceeds, the remaining majority shareholder shall execute a promissory note in an amount representing the excess. The note shall be paid on or before 36 months from the date of death with interest at 8% per annum.

(7) Income taxes:

During 1998, the Company did not have a current income tax liability due to its net operating losses. The Company has a deferred tax asset resulting from the net operating losses and a deferred tax liability resulting from temporary differences in depreciation. A valuation allowance has been established to fully reserve the excess of the deferred tax asset over the deferred tax liability due to the uncertainty of the utilization of the operating loss carryforward.

As of December 31, 1998, the Company has a net operating loss carryforward of approximately $2.8 million expiring through the year 2013.

NETWORK DYNAMICS, INC.
AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(8) Employee benefit plan:

The Company maintains a 401(k) retirement plan for its employees. Employees are eligible to participate after six months of service and attaining the age of 21. Under the terms of the plan, employees are entitled to contribute from 1% to 15% of their total compensation, within limitations established by the Internal Revenue Code. The Company does not make a matching contribution.

(9) Contingencies:

Going concern:

The Company has suffered recurring operating losses which has caused a working capital deficiency of $2,909,810 and a net worth deficiency of $2,771,851. This working capital deficiency has prevented the Company from meeting its current obligations to make note payments, remit payroll taxes withheld from employee pay and to pay accounts with certain vendor creditors. As more fully described in note 3, the Company is in default on its loan covenants with a bank. These conditions cause the balances to become due upon demand.

The Company is not aware of any alternate sources of capital to meet such demands, if made. Those conditions raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Company's continued ability to operate is dependent on its ability to generate profitable operations, negotiate payment terms with its bank and vendors and raise additional capital. Management has hired consultants to assist in developing a plan to make the Company profitable and negotiate terms with its bank and vendors. Management is also actively trying to raise additional capital and has entered into negotiations with a potential buyer. There can be no assurances that the plan will be implemented in time for the Company to continue its operations in its present form.

(End of Report)

ITEM 7 (a)(2)

Network Dynamics, Inc.
Consolidated Balance Sheets

<TABLE>
<CAPTION>

<S>	3/31/99 (Unaudited) <C>	12/31/98 <C>
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 5,817	$ 114,970
Restricted Cash	44,172	86,369
Trade Receivables	357,294	205,507
Other Current	2,803	2,803
Total Current Assets	410,086	409,649
Property & Equipment:		
Computer Equipment	337,676	337,676
Office Furniture & Equipment	118,713	118,713
	456,389	456,389
Less Accumulated Depreciation	(276,451)	(252,996)
Net Property & Equipment	179,938	203,393
TOTAL ASSETS	$ 590,024	$ 613,042
LIABILITIES		
Current Liabilities		
Notes Payable	$ 539,536	$ 539,536
Current Portion of Notes Payable to Shareholders	31,342	44,500

Current Portion of Capital Lease Obligations	92,886	92,288
Due to Related Parties	71,714	118,296
Accounts Payable	547,840	521,752
Deferred Revenue	1,406,522	1,264,001
Accrued Wages & Commissions	198,372	264,077
Payroll Taxes Withheld & Accrued	386,945	401,103
Other Accrued Expenses	55,803	73,906
Total Current Liabilities	3,330,959	3,319,459
Long Term Liabilities		
Notes Payable to Shareholders	12,899	28,377
Capital Lease Obligations	16,844	37,057
Total Liabilities	3,360,702	3,384,893
Shareholders' Equity		
Common Stock	216,814	216,814
Retained Earnings	(2,987,492)	(2,988,665)
Total Shareholders' Equity	(2,770,678)	(2,771,851)
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	$ 590,024	$ 613,042

</TABLE>

Network Dynamics, Inc.
Consolidated Statements of Operations

<TABLE>
<CAPTION>

<S>	Three months ended 3/31/99 (Unaudited) <C>	Three months ended 3/31/98 (Unaudited) <C>
Revenues	$688,422	$687,764
Cost of Goods Sold	176,654	278,324
Gross Profit	511,768	409,441
Selling, General, & Administrative	477,409	574,208
Operating Income (Loss)	34,360	(164,768)
Other Income/(Expense):		
Receivable Factoring Fees	(3,047)	(10,535)
Interest Expense	(36,562)	(40,326)
Interest Income	383	889
Other Income	6,039	3,673
Net Income (Loss)	$1,173	($211,066)

</TABLE>

Network Dynamics, Inc.
Consolidated Statements of Cash Flows

<TABLE>
<CAPTION>

	Three months ended 3/31/99	Three months ended 3/31/98
	(unaudited)	(unaudited)
<S>	<C>	<C>
Operating Activities:		
Net income/(loss)	$1,173	($211,066)
Depreciation	23,455	29,500
Net change in operating assets	(151,787)	(46,103)
Net change in operating liabilites	11,500	176,785
Net cash used in operating activities	(115,658)	(50,885)
Financing Activities:		
Payments of notes payable	(15,478)	(38,729)
Payments of capital lease obligations	(20,213)	(23,894)
Net cash used in financing activities	(35,691)	(62,622)
Net decrease in cash and cash equivalents	(151,350)	(113,507)
Cash and cash equivalents, beginning of period	201,339	206,610
Cash and cash equivalents, end of period	$49,989	$30,481
Cash paid for interest	($39,609)	($50,860)

</TABLE>

Notes to Condensed Consolidated Financial Statements
(unaudited)

March 31, 1999

Note A: Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the Three month period ended March 31, 1999 are not necessarily indicative of the results that may be expected for the year ended December 31, 1999.

The balance sheet at December 31, 1998 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

For further information, refer to the consolidated financial statements and footnotes thereto included in this report.

ITEM 7(b)

ARI NETWORK SERVICES, INC.
UNAUDITED PRO FORMA CONDENSED FINANCIAL INFORMATION

The following unaudited pro forma financial information relates to the Company's May 13, 1999 acquisition of substantially all of the assets and the assumption of specified liabilities of Network Dynamics, Inc. ("NDI"). The transaction will be accounted for as a purchase business combination. The pro forma amounts have been prepared based on certain purchase accounting and other pro forma adjustments (as described in the accompanying notes) to the historical financial statements of the Company and NDI.

The unaudited pro forma condensed balance sheet at April 30, 1999 reflects the historical financial position of the Company and NDI at April 30, 1999, with pro forma adjustments as if the acquisition had occurred on April 30, 1999. The unaudited pro forma condensed statement of operations for the nine months ended April 30, 1999 reflects the historical results of both companies with pro forma adjustments as if the acquisition had occurred on August 1, 1998. The unaudited pro forma condensed statement of operations for the year ended July 31, 1998 reflects the historical results of operations of the Company for the twelve months ended July, 31, 1998 and NDI for the twelve months ended December 31, 1998, with pro forma adjustments as if the acquisition had occurred on August 1, 1997. The pro forma adjustments are described in the accompanying notes and give effect to events that are (a) directly attributable to the acquisition, (b) factually supportable, and (c) in the case of certain statement of operations adjustments, expected to have a continuing impact. Statement of operations information of NDI for the months of August, September, October, November and December of 1998 are included in both the annual and the interim pro forma consolidated statements of operations.

The unaudited pro forma condensed financial statements should be read in connection with the Company's and NDI's historical financial statements and related footnotes.

The unaudited pro forma financial information presented is for information purposes only and does not purport to represent what the Company's and NDI's financial position or results of operations as of the dates presented would have been had the acquisition in fact occurred on such date or at the beginning of the period indicated or to project the Company's and NDI's financial position or results of operations for any future date or period.

ARI Network Services, Inc.
Unaudited Pro Forma Financial Statements
April 30, 1999
(in thousands)

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<S>	ARI Network Services 4/30/99 <C>	Network Dynamics 4/30/99 <C>	Pro Forma Adjustments <C>		Pro Forma <C>
ASSETS					
Current Assets					
Cash and Cash Equivalents	$32	$39	$0		$71
Trade Receivables	3,078	484	0		3,562
Other Current	282	4	0		286
Total Current	3,392	527	0		3,919
Property, Plant & Equipment, Net	453	162	0		615
Other Assets, Net	2,935	0	5,340	(a)	8,275
Network System:					
Network Platform	11,467	0	0		11,467
Industry Specific Applications	21,779	0	0		21,779
	33,246	0	0		33,246
Less Accumulated Amortization	24,064	0	0		24,064
Network System, Net	9,182	0	0		9,182
TOTAL ASSETS	$15,962	$689	$5,340		$21,991
LIABILITIES					
Current Liabilities					
Accounts Payable	$1,041	$554	$0		$1,595
Accrued Expenses	1,033	608	250	(b)	1,891
Deferred Revenue	3,008	1,525	0		4,533
Current Portion of Debt	28	686	0		714
Total Current	5,110	3,373	250		8,733
Long Term Debt	2,975	0	0		2,975
Shareholders' Equity					
Preferred Stock	0	0	0		0
Common Stock	5	302	(302)	(a)	5
Additional Paid-In-Capital	86,829	0	2,406	(a)	89,235
Retained Earnings	(78,957)	(2,986)	2,986	(a)	(78,957)
Total Shareholders' Equity	7,877	(2,684)	5,090		10,283
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	$15,962	$689	$5,340		$21,991

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ARI Network Services, Inc.
Unaudited Pro Forma Statement of Operations
Nine Months Ended 4/30/99
(in thousands)

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	ARI Network Services	Network Dynamics	Pro Forma Adjustments	Pro Forma
<S>	<C>	<C>	<C>	<C>
Revenues	$8,598	$2,064	($206)(C)	$10,456
Cost of Goods Sold	2,300	699	(126)(d)	2,873
Gross Profit	6,298	1,365	(81)	7,582
Operating Expenses				
Selling, General, & Administrative	5,204	1,513	(272)(e)	6,445
Depreciation & Amortization	2,586	80	801 (f)	3,467
Network Operations	566	0	0	566
Network Construction & Expansion	2,040	0	0	2,040
Sub-Total Operating Expenses	10,396	1,593	529	12,518
less Capitalized Portion	(1,426)	0	0	(1,426)
Total Operating Expenses	8,970	1,593	529	11,092
Operating Loss	(2,672)	(228)	(609)	(3,510)
Other Income/(Expense)	(215)	(121)	0	(336)
Net Loss	($2,887)	($349)	($609)	($3,846)
Average Common Shares Outstanding	4,950		550 (g)	5,500
Net Loss per Share	($0.58)			($0.70)

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ARI Network Services, Inc.
Unaudited Pro Forma Statement of Operations
Twelve Months Ended 7/31/98
(in thousands)

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	ARI Network Services	Network Dynamics	Pro Forma Adjustments	Pro Forma
<S>	<C>	<C>	<C>	<C>
Revenues	$7,964	$2,751	($275)(c)	$10,440
Cost of Goods Sold	1,946	1,113	(200)(d)	2,859
Gross Profit	6,018	1,638	(75)	7,581
Operating Expenses				
Selling, General, & Administrative	4,586	2,179	(392)(e)	6,373
Depreciation & Amortization	2,142	118	1,068 (f)	3,328
Network Operations	708	0	0	708
Network Construction & Expansion	2,198	0	0	2,198
Sub-Total Operating Expenses	9,634	2,297	676	12,607
less Capitalized Portion	(1,546)	0	0	(1,546)
Total Operating Expenses	8,088	2,297	676	11,061
Operating Loss	(2,070)	(659)	(752)	(3,481)
Other Income/(Expense)	(70)	(185)	0	(255)
Net Loss	($2,140)	($844)	($752)	($3,736)
Average Common Shares Outstanding	4,119		550 (g)	4,669
Net Loss per Share	($0.52)			($0.80)

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ARI Network Services Inc.
Notes to Unaudited Pro Forma
Condensed Financial Statements

a.) To record the May 13, 1999 acquisition of Network Dynamics, Inc.(NDI). Purchase accounting adjustments include:
   1) issuance of 550,018 shares of ARI common stock at $4.375 per share as part of the acquisition price;
   2) the elimination of NDI's equity prior to the acquisition including common stock of $302,000 and retained earnings of ($2,986,000); and
   3) the recognition of $5,340,000 of intangible assets.

b.) To record estimated closing costs of $250,000.

c.) To eliminate estimated overlap in revenues.

d.) To eliminate cost of goods sold for reductions in force implemented at closing.

e.) To eliminate selling, general & administrative expense to reflect reductions in force implemented at closing.

f.) To record the increase in amortization of intangible assets of $5,340,000 amortized over 5 years.

g.) The weighted average number of shares of Common Stock outstanding are adjusted for the issuance of 550,018 shares of ARI Common Stock for the acquisition of Network Dynamics, Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: July 27, 1999 ARI NETWORK SERVICES, INC.

By:

Brian E. Dearing, President,
CEO and Acting CFO

ITEM 7(C)

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of ARI Network Services, Inc.

As independent public accountants, we hereby consent to the incorporation by reference of our report on the consolidated financial statements of Dynamics, Inc., dated March 31, 1999 included in this Amendment No. 1 to Form 8-K, in Form S-8 (No. 33-48316) pertaining to the 1991 Stock Option Plan of ARI Network Services, Inc. and the Registration Statement Form S-8 (No. 33-54144) pertaining to the 1992 Employee Stock Purchase Plan of ARI Network Services, Inc.

Keiter, Stephens, Hurst, Gary & Shreaves, P.C.

Richmond, Virginia
July 17, 1999