Apptix Reports Fourth Quarter and Year End 2014 Results

Herndon, VA and Oslo, Norway – February 11, 2015 – Apptix® (OSE: APP), the premier provider of managed and hosted business communication, collaboration, compliance & security, and infrastructure solutions, today announced its unaudited financial results for the three and twelve months ended December 31, 2014.

Interim Management Report

Overview of the fourth quarter and year to date results:

- Revenue of USD 9.7 million; flat quarter over quarter and down 4.2% year over year
- Net income of USD 272 thousand (before one-time charges and goodwill impairment) compared to net income of USD 155 thousand and USD 58 thousand in Q3-14 and Q4-13 respectively
- Bookings of USD 139 thousand of quarterly recurring revenue (QRR); down from USD 155 thousand in Q3-14 and down from USD 329 thousand in Q4-13
- Announced one-time charge of USD 5.4 million related to consolidation and operational streamlining initiative due to shift in business strategy
- Announced goodwill impairment charge of USD 5.7 million
- Increased Professional Services revenue by 38% quarter over quarter and 132% year over year
- Hired managed service industry veteran Tom Tighe as Chief Revenue Officer
- Launched Microsoft Office 365 for mid-market and enterprise organizations

Highlights

Following a leadership change during the third quarter of 2014, the Company began to implement a new go-to-market growth strategy leveraging many of its existing capabilities and experiences, including its sizable customer base, nearly half a million users under contract, and technical capabilities. The Company recognized the optimal path to long term revenue growth will be a managed service business strategy approach that delivers public, private, and hybrid cloud services to its existing customer base and new customer acquisitions. The Company also recognized the need to provide customized professional services to customers who are looking for more than merely a Hosted Exchange service provider.

As the Company begins to fully transition from a Hosted Exchange company to a Managed Service Provider, the immediate focus continues to be: 1) driving sales and revenues from existing service offerings and customers; 2) expanding the Company's service offering beyond its current public cloud portfolio; and 3) continuing to grow and build upon the Company's existing customer base. The Company made progress in all three areas during the fourth quarter and expects the steps taken during Q4-14 will be a foundation to build upon in FY15.

To lead the Company's sales, marketing, product, and business development teams, Apptix hired Tom Tighe as Chief Revenue Officer. Mr. Tighe is a senior managed services and hosting industry veteran with a proven track record of revenue growth. Working with Apptix's previously announced new product leadership team, Mr. Tighe will drive the development and adoption of an expanded portfolio of customizable private cloud managed services for mid-market and enterprise-level organizations. As such, the Company is adjusting its distribution model to include enterprise direct sales, inside sales and account management teams in addition to its channel sales team. The Company believes the broader distribution approach allows for greater market penetration and ultimately, better top line growth. The Company will begin to aggressively search, recruit, and hire the necessary sales talent, develop the Company's new go-to-market MSP strategy, and broaden its current service offerings in early 2015 in support of this distribution approach. As part of the service offering expansion, the Company has already launched Office 365 tailored for larger organizations through Microsoft's Cloud Solution Provider program.

As a result of its new managed service business strategy, the Company implemented a USD 5.4 million operational streamlining and restructuring initiative ("the Restructuring") during the fourth quarter of 2014. The Restructuring initiative included the consolidation and closure of the Florida office facility and data center operations, the reduction and consolidation of staff in all three Company locations, and the write-down of certain non-performing assets. The Company will utilize the Texas and Virginia data center operations for its backup, disaster recovery and geo-redundancy efforts. As we move to a high touch, managed service customer care organization, the Company's support and technical operations teams will now be consolidated with either the Company's Virginia or Texas based operations, thus allowing for even better operating efficiency, integration and collaboration in support of our customers.

The Company incurred one-time charges for 2014 totaling USD 5.4 million and expects to incur approximately USD 0.8 million of residual, one-time costs related to the 2014 Restructuring during 2015. The total savings associated with the streamlining initiative is approximately USD 2 million and is expected to be fully incorporated into the Company's financial statements by the end of 2015. The 2015 cash implications related to the Restructuring initiative is approximately USD 4.4 million and will be expended over the course of 2015 and 2016.

Following an analysis of the Hosted Exchange and public cloud markets and the Company's resulting strategy shift, the Company also re-evaluated the relative economic value of its existing USD 21 million Goodwill value; which was the result of legacy acquisitions that took place in 2005 and 2006. As a result of its analysis, the Company will take a one-time goodwill impairment charge of USD 5.7 million during the fourth quarter of 2014. (*For more details of the one-time charges and cash effects on the business, please see the accompanying Explanatory Notes.*)

While new quarterly recurring revenue (QRR) bookings totaled USD 139 thousand during the quarter, it was not the Company's sole revenue focus during the fourth quarter of 2014. In addition to QRR bookings, the Company identified, sold and delivered USD 272 thousand in Professional Services during the quarter. Professional Service (or Non-Recurring Revenues) increased 38% quarter over quarter and 132% year over year. The growth in Professional Services is reflection of Apptix's new managed services strategy where the Company will emphasize both recurring technology services along with professional services. The increase in Professional Service revenues was the result of engagements with customers requiring customized service or integration needs where Apptix was able to leverage its strong technical skill expertise.

As a result of the strong Professional Service revenues during the quarter, the Company recorded USD 9.7 million in revenues during the fourth quarter of 2014, flat quarter over quarter and down 4.2% year over year.. For the year, revenues totaled USD 39.3 million down from USD 41.8 million in 2013. Excluding one-time charges and a goodwill impairment charge totaling approximately USD 11.1 million, the Company also recorded Net Income of USD 272 thousand during the fourth quarter as compared to USD 155 in the third quarter of 2014 and USD 58 thousand in the fourth quarter of 2013. Including one-time charges and goodwill impairment, the Company's Net Loss for the fourth quarter of 2014 was USD 10.8 million. For the year, the Company recorded USD 529 thousand of Net Income (excluding the aforementioned one-time charges and goodwill impairment) as compared to USD 781 thousand in 2013. Including one-time charges and goodwill impairment, the Company's Net Loss totaled USD 10.6 million.

The Company exited 2014 with a backlog of USD 0.4 million, down from USD 0.8 million as of September 30, 2014. The Company anticipates a significant portion of the current backlog to begin on-boarding during Q1-15 and early Q2-15 to start contributing to top line revenue.

"2014 was definitely a challenge for the Company. During the fourth quarter though, we began to see positive signs that the foundation for our new managed service strategy is taking hold. Actively engaging our customers and identifying specialized or customized service requirements allows us to leverage one of the Company's strongest assets; *its technical skills expertise*. As we go broader across our customer base, we believe there will be more business opportunities to provide one-time professional services while introducing new, non-Hosted Exchange recurring service offerings. We expect 2015 to be a transitional year for Apptix where we begin laying the foundation for growth in the latter part of 2015 and entering 2016. We are excited about both the challenges and opportunities that lay ahead, especially with Tom Tighe coming on-board to lead our customer facing initiatives", said Johan Lindquist, Interim CEO.

Financial Results – Fourth Quarter and Year to Date 2014

During the fourth quarter of 2014, the Company incurred approximately USD 11.1 million of one-time, non-recurring charges. The table below shows the impact of the one-time charges:

	(Amounts in USD 1 000) Q4 2014		(Amounts in USD 1 000) Year Ended December 31, 2014		
	Including one time adjustments	Excluding one time adjustments	Including one time adjustments	Excluding one time adjustments	One time adjustments
OPERATING REVENUE					
Recurring Revenue	9 454	9 454	38 486	38 486	-
Non Recurring Revenue	272	272	840	840	-
Operating Revenue	**9 726**	**9 726**	**39 326**	**39 326**	-
Cost of Sales	**4 267**	**2 862**	**13 350**	**11 945**	**1 405**
Gross Margin	**5 459**	**6 864**	**25 976**	**27 381**	**(1,405)**
Operating Expenses and Administrative Costs	7 171	5 386	23 291	21 506	1 785
Retructuring Charge	1 955	-	1 955	-	1 955
Goodwill Impairment	5 681	-	5 681	-	5 681
Depreciation and Amortization	1 180	887	4 365	4 072	293
Total Operating Expenses	**15 987**	**6 273**	**35 292**	**25 578**	**9 714**
Operating Income	(10 528)	591	(9 316)	1 803	(11 119)
FINANCIAL INCOME AND EXPENSES					
Interest Expense & Other	(319)	(319)	(1 274)	(1 274)	-
Net Financial Expenses	**(319)**	**(319)**	**(1 274)**	**(1 274)**	-
Income Before Taxes	**(10 847)**	**272**	**(10 590)**	**529**	**(11 119)**
Income Tax Expense	-	-	-	-	-
Net Income for the Period	**(10 847)**	**272**	**(10 590)**	**529**	**(11 119)**
EBITDA for the Period	**(3,667)**	**1,478**	**730**	**5,875**	**(5 145)**

The following commentary is based on the Company's financial statements excluding the one-time charges reflected above. For more information related to the one-time charges, please see the attached Explanatory Footnotes.

Revenues totaled USD 9.7 million for the three months ended December 31, 2014, representing no change from third quarter levels and a 4.2% decrease from the fourth quarter of 2013. During the quarter, the higher professional service revenues offset the normal customer churn to maintain current revenue levels. Revenues for the twelve months ended December 31, 2014 totaled USD 39.3 million down 5.9% from the same period in 2013. The decline in revenues year over year was due to a combination of slower than anticipated on-boarding of the Company's December 31, 2013 backlog and lower bookings levels throughout 2014. Customers and partners both remained measured and cautious throughout the year with their on-boarding schedules as they look to balance migration complexities along other initiatives within their business operations. As a result, the new revenues on-boarded during the first twelve months of 2014 was not sufficient to offset the normal revenue churn within the Company's base business.

ARPU was USD 7.52 flat quarter over quarter and down 10.2% year over year due to a combination of price concessions related to conversions to longer term contracts and the impact of previously sold and implemented channel customers which typically carry a lower ARPU.

Operating expenses (including depreciation and amortization) totaled USD 6.3 million during the fourth quarter of 2014, flat quarter over quarter and down 9.4% year over year. The year over year decrease was primarily due to a combination of lower staffing related costs and lower depreciation & amortization.

Total operating expenses for the twelve months ended December 31, 2014 were USD 25.6 million, down of 8.5% from the same period in 2013.

EBIT for the fourth quarter 2014 was USD 591 thousand, compared to USD 503 thousand in the third quarter of 2014 and USD 351 thousand during the fourth quarter of 2013. EBIT for the twelve months ended December 31, 2014 was USD 1.8 million, compared to USD 2.1 million during the comparable period in 2013, a decrease of 12.5%. The Company recorded Net Income in the fourth quarter of 2014 of USD 272 thousand compared to Net Income of USD 155 thousand in the third quarter of 2014 and USD 58 thousand in the fourth quarter of 2013. The main drivers for the increase in net profit from third quarter were higher gross margins from Professional Services.

For the twelve months ended December 31, 2014, the Company recorded a Net Income of USD 529 thousand as compared to Net Income of USD 781 thousand during the comparable period in 2013. Fluctuations in EBIT and Net Income during 2014 were primarily driven by a combination of user and economic churn impacting revenues in advance of new revenues yet to be realized from the Company's current backlog.

Cash generated by operating activities, including the impact of changes in currency rates, totaled USD 1.2 million during the fourth quarter of 2014 compared to USD 1.0 million during the third quarter of 2014 and USD 1.9 million during the fourth quarter of 2013. For calendar year 2014, cash generated by operating activities, including the impact of changes in currency rates, totaled USD 3.3 million, down from prior year levels of USD 4.8 million. Cash flow fluctuations follow the EBIT and Net Income fluctuations discussed above.

Equipment purchases, net of financings under equipment leases, during the fourth quarter of 2014 were USD 101 thousand compared to USD 70 thousand in the third quarter of 2014 and USD 132 thousand in the fourth quarter of 2013. Equipment purchases, net of financings under equipment leases, during the calendar year of 2014 were USD 234 thousand compared to USD 500 thousand compared to the same period in 2013.

Net cash used to satisfy debt and capital lease obligations (including any proceeds from the Company's working capital facility) was USD 819 thousand in the fourth quarter of 2014, as compared to USD 811 thousand in the third quarter of 2014 and USD 819 thousand in the fourth quarter 2013. Net cash used by financing activities totaled USD 3.6 million relatively consistent with 2013.

The Company closed the fourth quarter of 2014 with USD 2.6 million in cash and USD 4.7 million outstanding on its working capital facility. There has been no change in the amount outstanding on the Company's working capital facility during 2014.

Apptix ASA
Interim Consolidated Income Statement

(Amounts in USD 1,000)	Three Months Ended December 31, 2014 IFRS	Three Months Ended December 31, 2013 IFRS
Operating Revenues		
Recurring Revenues	9,454	10,035
Other Revenues	272	117
Total Operating Revenues	9,726	10,152
Total Cost of Sales	4,267	2,876
Gross Profit	5,459	7,276
Operating Expenses		
Employee Compensation and Benefits	3,596	3,613
Other Operational and Administrative Costs	3,575	2,026
Restructuring Charge	1,955	-
Asset Impairment Charge	5,681	-
Depreciation and Amortization	1,180	1,286
Total Operating Expenses	15,987	6,925
Operating Income	(10,528)	351
Other Expense		
Interest, net	(319)	(252)
Total Other Expense	(319)	(252)
Income Before Income Taxes	(10,847)	99
Income Tax Expense	-	(41)
Net Income for the Period	(10,847)	58
Earnings Per Share: Basic	(0.13)	0.00
Diluted	(0.13)	0.00
Weighted Average Common Shares Outstanding	81,430	81,430

Apptix ASA
Interim Consolidated Income Statement

(Amounts in USD 1,000)		Twelve Months Ended December 31, 2014 IFRS	Twelve Months Ended December 31, 2013 IFRS
Operating Revenues			
Recurring Revenues		38,486	40,955
Other Revenues		840	840
Total Operating Revenues		39,326	41,795
Total Cost of Sales		13,350	11,778
Gross Profit		25,976	30,017
Operating Expenses			
Employee Compensation and Benefits		13,777	14,987
Other Operational and Administrative Costs		9,514	8,580
Restructuring Charge		1,955	-
Asset Impairment Charge		5,681	-
Depreciation and Amortization		4,365	4,388
Total Operating Expenses		35,292	27,955
Operating Income		(9,316)	2,062
Other Expense			
Interest, net		(1,272)	(1,116)
Other Financial Expense		(2)	-
Total Other Expense		(1,274)	(1,116)
Income Before Income Taxes		(10,590)	946
Income Tax Expense		-	(165)
Net Income for the Period		(10,590)	781
Earnings Per Share:	Basic	(0.13)	0.01
	Diluted	(0.13)	0.01
Weighted Average Common Shares Outstanding		81,617	81,468

Apptix ASA
Interim Consolidated Statement of Comprehensive Income

(Amounts in USD 1,000)	Three Months Ended December 31, 2014 IFRS	Three Months Ended December 31, 2013 IFRS
Income for the Period	**(10,847)**	**58**
Exchange Rate Differences on Translation of Foreign Operations	22	5
Items that may be Reclassified Subsequently to Income Statement	**22**	**5**
Items that will not be Reclassified to Income Statement	**-**	**-**
Total Other Comprehensive Income for the Period	**22**	**5**
Total Comprehensive Income (Loss) for the Period	**(10,825)**	**63**
Attributed to Equity Holders of Parent	**(10,825)**	**63**

(Amounts in USD 1,000)	Twelve Months Ended December 31, 2014 IFRS	Twelve Months Ended December 31, 2013 IFRS
Income for the Period	**(10,590)**	**781**
Exchange Rate Differences on Translation of Foreign Operations	32	26
Items that may be Reclassified Subsequently to Income Statement	**32**	**26**
Items that will not be Reclassified to Income Statement	**-**	**-**
Total Other Comprehensive Income / (Loss) for the Period	**32**	**26**
Total Comprehensive Income for the Period	**(10,558)**	**807**
Attributed to Equity Holders of Parent	**(10,558)**	**807**

Apptix ASA

Interim Consolidated Statement of Financial Position

(Amounts in USD 1,000)	December - 31 2014 IFRS	December - 31 2013 IFRS
ASSETS		
Non-Current Assets		
Intangible Assets	16,215	22,246
Total Intangible Assets, net	16,215	22,246
Property, Plant and Equipment, net	9,327	8,534
Total Non-Current Assets	25,542	30,780
Current Assets		
Accounts Receivable	1,988	1,799
Other Current Assets	156	245
Prepaid Expenses	400	937
Cash and Cash Equivalents	2,608	3,124
Total Current Assets	5,152	6,105
TOTAL ASSETS	30,694	36,885
LIABILITIES AND SHAREHOLDERS EQUITY		
Equity Attributed to Equity Holders of the Parent		
Common Stock	4,666	4,666
Paid-in Premium Reserve	73,437	73,437
Other Paid-in Capital	6,175	6,107
Retained Earnings	(73,262)	(62,704)
Total Shareholders Equity	11,016	21,506
Long-Term Debt		
Other Long-Term Debt	3,072	7,582
Total Long-Term Debt	3,072	7,582
Current Liabilities		
Trade Accounts Payable	1,526	1,145
Interest Bearing Short-Term Debt	8,670	2,740
Other Current Liabilities	6,410	3,912
Total Current Liabilities	16,606	7,797
TOTAL LIABILITIES AND EQUITY	30,694	36,885

Apptix ASA

Interim Consolidated Cash Flow Statement

	Twelve Months Ended December 31,	
	2014	**2013**
(Amounts in USD 1,000)	**IFRS**	**IFRS**
Cash Flows from Operating Activities		
Earnings Before Interest and Taxes	(9,316)	2,062
Stock Based Compensation Expense	68	129
Depreciation and Amortization	4,365	4,388
Goodwill Impairment	5,681	-
Loss on Disposal of Asset	2	-
Change in Accounts Receivable	(188)	(154)
Change in Trade Accounts Payable	381	(161)
Change in Other Assets and Liabilities	3,519	(210)
Cash Flows Provided by Operating Activities	4,512	6,054
Interest Paid	(1,272)	(1,116)
Income Tax Paid	-	(157)
Net Cash Flows Provided by Operating Activities	3,240	4,781
Cash Flows from Investing Activities		
Purchases of Intangibles and Property and Equipment	(234)	(500)
Cash Flows Used in Investing Activities	(234)	(500)
Cash Flows from Financing Activities		
Payments on Capital Lease and Debt Obligations	(3,553)	(3,544)
Cash Flows Used in Financing Activities	(3,553)	(3,544)
Effect of Exchange Rates on Cash and Cash Equivalents	32	29
Net Change in Cash and Cash Equivalents	(515)	766
Cash and Cash Equivalents at Beginning of Period	3,124	2,358
Cash and Cash Equivalents at End of Period	2,609	3,124

Apptix ASA

Interim Consolidated Statement of Changes in Equity

	Attributed to Equity Holders of the Parent					
(Amounts in USD 1,000)	**Share Capital**	**Share Premium Reserve**	**Other Paid in Capital**	**Foreign Currency Translation Reserves**	**Retained Earnings**	**Total Equity**
Equity December 31, 2012	**4,666**	**73,437**	**5,978**	**3,927**	**(67,438)**	**20,570**
Net Income for the Period	-	-	-	-	781	781
Other Comprehensive Income	-	-	-	-	26	26
Total Comprehensive Income	-	-	-	-	807	807
Equity Element of Expensed Options	-	-	129	-	-	129
Equity December 31, 2013	**4,666**	**73,437**	**6,107**	**3,927**	**(66,631)**	**21,506**
Net Income for the Period	-	-	-	-	(10,590)	(10,590)
Other Comprehensive Income	-	-	-	-	32	32
Total Comprehensive Income	-	-	-	-	(10,558)	(10,558)
Equity Element of Expensed Options	-	-	68	-	-	68
Equity December 31, 2014	**4,666**	**73,437**	**6,175**	**3,927**	**(77,189)**	**11,016**

About Apptix

Apptix (OSE: APP) is the premier provider of managed and hosted business communication, collaboration, compliance & security, and infrastructure solutions to mid-market and enterprise customers and blue chip channel partners. Apptix is a Cloud services pioneer with nearly 500,000 users under contract around the world. Apptix's comprehensive portfolio of Cloud solutions includes Microsoft Exchange email, VoIP, Microsoft SharePoint, Microsoft Lync, Servers on Demand, and Enterprise Backup. Services are delivered over a highly reliable network leveraging best-in-class technology, housed in SSAE 16-compliant datacenters, and backed by U.S.-based 24/7 support. For more information, visit www.apptix.com.

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Selected Explanatory Footnotes to Apptix ASA Interim Condensed Financial Statements

One Time Charges and Goodwill Impairment

As noted above, the Company recorded one-time charges including Goodwill Impairment totaling USD 11.1 million during the fourth quarter of 2014. The table below reflects the impact of the charges on the components of the Company's income statement.

	(Amounts in USD 1 000) Q4 2014		(Amounts in USD 1 000) Year Ended December 31, 2014		
	Including one time adjustments	Excluding one time adjustments	Including one time adjustments	Excluding one time adjustments	One time adjustments
OPERATING REVENUE					
Recurring Revenue	9 454	9 454	38 486	38 486	-
Non Recurring Revenue	272	272	840	840	-
Operating Revenue	**9 726**	**9 726**	**39 326**	**39 326**	-
Cost of Sales	**4 267**	**2 862**	**13 350**	**11 945**	**1 405**
Gross Margin	**5 459**	**6 864**	**25 976**	**27 381**	**(1,405)**
Operating Expenses and Administrative Costs	7 171	5 386	23 291	21 506	1 785
Retructuring Charge	1 955	-	1 955	-	1 955
Goodwill Impairment	5 681	-	5 681	-	5 681
Depreciation and Amortization	1 180	887	4 365	4 072	293
Total Operating Expenses	**15 987**	**6 273**	**35 292**	**25 578**	**9 714**
Operating Income	(10 528)	591	(9 316)	1 803	(11 119)
FINANCIAL INCOME AND EXPENSES					
Interest Expense & Other	(319)	(319)	(1 274)	(1 274)	-
Net Financial Expenses	**(319)**	**(319)**	**(1 274)**	**(1 274)**	-
Income Before Taxes	**(10 847)**	**272**	**(10 590)**	**529**	**(11 119)**
Income Tax Expense	-	-	-	-	-
Net Income for the Period	**(10 847)**	**272**	**(10 590)**	**529**	**(11 119)**
EBITDA for the Period	**(3,667)**	**1,478**	**730**	**5,875**	**(5 145)**

As a result of its new managed service business strategy, the Company implemented a USD 5.4 million operational streamlining and restructuring initiative ("the Restructuring") during the fourth quarter of 2014. The Restructuring initiative included the consolidation of the Florida office facility and data center operations, the reduction and consolidation of staff in all three Company locations, and the write-down of certain non-performing assets. In total, the one-time charges for 2014 totaled USD 5.4 million. The Company also expects to incur about USD 0.8 million of residual, one-time costs related to the 2014 Restructuring during 2015. The total savings associated with the streamlining initiative is approximately USD 2 million and is expected to be fully incorporated into the Company's financial statements by the end of 2015. The 2015 cash implications related to the Restructuring initiative is approximately USD 4.4 million and will be expended over the course of 2015 and 2016.

The Company currently has data center operations in Texas, Virginia and Florida. With the completion of the legacy Hosted Exchange (HEX) customers now migrated off of legacy HEX environments, the Florida data center operation became redundant. The Company will utilize the Texas and Virginia data center operations for its backup, disaster recovery and geo-redundancy efforts. As we move to a high touch, managed service customer care organization, the

Company’s support and technical operations teams will now be consolidated with either the Company’s Virginia or Texas based operations, thus allowing for even better operating efficiency, integration and collaboration in support of our customers. The one-time charge associated with the data center and office facility consolidations totaled USD 1.5 million during the fourth quarter of 2014. The Company also incurred approximately USD approximately 637 thousand of severance and relocation costs related to impacted staff in its remote locations. The savings associated with the data center and office consolidations (including personnel changes) will provide the Company approximately USD 2 million of annualized savings. The cash impact of the facility consolidations will be USD 1.5 million in 2015 and approximately USD 171 thousand in 2016. The cash impact related to the operational streamlining (excluding facility consolidations) is approximately USD 1.1 million in 2015.

The Company also made a number of personnel related changes during the latter part of 2014 including changes at the executive management level. As such, the Company incurred USD 712 thousand of charges related to severance and personnel exit costs along with recruiting costs associated with new sales leadership. The cash impact of these changes will be approximately USD 359 thousand in 2015.

The Company also identified certain assets, including prepaid licenses and leases during the fourth quarter of 2014. After evaluating the future economic value of these assets, licenses and leases, the Company will take a charge of approximately USD 1.5 million during the fourth quarter of 2014. The cash effect of these charges will impact the Company’s cash flow by approximately USD 232 thousand in 2015 and approximately USD 517 thousand in 2016 with the balance of this one-time charge being non-cash related.

The Company also recorded approximately USD 1.0 million of prepaid assets and other items whereby the Company does not foresee future economic benefit. Of this one-time charge, USD 275 will impact cash in 2015 with USD 250 impacting cash during 2016.

Apptix has historically operated in the highly competitive and very price sensitive Hosted Exchange and public cloud market. With the aggressive expansion efforts of Microsoft, Google and AWS, the Company’s longer term growth potential was at risk. As noted in previous reports, this was a major factor in the Company’s shift in business strategy H2-2014. With the shift in strategy, the Company also re-evaluated the relative economic value of its existing USD 21 million Goodwill value. The previous Goodwill value was the result of legacy acquisitions that took place in 2005 and 2006. As required by IAS 37, the Company analyzes the future economic benefit of its Goodwill values annually. As a result of its analysis, the Company will take a one-time goodwill impairment charge of USD 5.7 million during the fourth quarter of 2014. This one-time, non-cash charge is based on the Company’s financial forecasts over the next 5 years and the discounted cash flow model supporting such financial forecast.

The following table summarizes the income statement impact during the fourth quarter of 2014 as well as the cash impact of the one-time charges during 2015 and 2016.

Detail of One-time Charge Analysis							
Financial Statement Component	**Executive Leadership Changes**	**Facility Consolidations**	**Operations Streamlining**	**Leases & Licenses**	**Under Performing Assets, Other**	**Goodwill**	**Total**
Cost of Goods Sold	-	984	-	384	37	-	**1,405**
Operating Expenses and Administrative Costs	195	-	-	876	714	-	**1,785**
Restructuring Charge	517	551	637	-	250	-	**1,955**
Goodwill Impairment	-	-	-	-	-	5,681	**5,681**
Depreciation and Amortization	-	-	-	293	-	-	**293**
Total FY14 Charges	**712**	**1,535**	**637**	**1,553**	**1,001**	**5,681**	**11,119**
Total FY15 Charges	**-**	**-**	**614**	**159**	**-**	**-**	**773**
Total	**712**	**1,535**	**1,251**	**1,712**	**1,001**	**5,681**	**11,892**

Timing Effect of One-time Charges and Cash Flows							
Description	**FY14 Charge**	**FY15 Charge**	**Total Charge**	**FY15 Cash**	**FY16 Cash**	**Total Cash**	**Total Non-Cash**
Executive Leadership Changes	712	-	712	359	-	359	353
Facility Consolidations	1,535	154	1,689	1,518	171	1,689	-
Operations Streamling Including Staffing	637	460	1,097	1,097	-	1,097	-
Leases and Licenses	1,553	159	1,712	232	517	749	963
Other Assets, Prepaids & Other Items	1,001	-	1,001	275	250	525	476
Total	**5,438**	**773**	**6,211**	**3,481**	**938**	**4,419**	**1,792**

Working Capital Facility

Effective January 31, 2013, the Company entered into a Sixth Loan Modification Agreement with its bank to increase the borrowing limit of the Company's revolving credit facility to USD 7 million. The amounts available under the working capital facility are subject to a borrowing base formula up to 200% of the Company's Monthly Recurring Revenue. The interest charged on the borrowings is subject to the bank's prime interest rate plus two and one-quarter additional percentage points with a minimum rate of five and one-half percent. The term of the working capital facility expires on January 31, 2015 and the current outstanding balance of USD 4.7 million is presented as a short term obligation. The Company will begin discussions with its financial institution regarding a renewal during the fourth quarter of 2014.

In June 2014, the Company entered into a Seventh Loan Modification Agreement which lowered the Company's required Fixed Charge Ratios through the remainder of the existing term (January 31, 2015). No other material changes were made to the revolving credit facility.

On January 31, 2015 the Company entered into a 60 day extension with its financial institution while the Company and the financial institution finalize the new terms related to its working capital facility. The Company is looking at options to downsize its working capital facility and to potentially convert part or all of the current outstanding balance related to the working capital facility to a term note payable. The Company expects to enter into a new working capital agreement with its financial institution over the next 60 days.

Working Capital

The Company is currently operating in a negative working capital position. The negative working capital position is primarily the result of the current obligations related to equipment finance lease agreements, deferred revenues related to annual subscription contracts and Company's working capital facility which expires on March 31, 2015.

As outlined in this report, the Company recorded net income of USD 272 thousand (excluding one-time charges) during the fourth quarter of 2014. Including the effects of exchange rate differences, the Company generated cash of USD 1.2 million during the fourth quarter from operating activities. Since January 2011, the Company has generated sufficient liquidity from operating cash flows in eleven out of fifteen quarters to satisfy the Company's debt and capital lease obligations. The Company believes this positive trend in net income and cash flow from operating activities will continue in the future aside from seasonable working capital fluctuations. Accordingly, with the Company's working capital facility (as noted above) along with current cash reserves, the Company believes it has sufficient liquidity to meet its current and future obligations.

For more information related to this subject, refer to the Company's 2013 Annual Report and Director's Report.

Backlog

The Company estimates Backlog as the value of future billable revenue related to users not currently on-boarded under signed contracts. Realization of Backlog into billable revenue is ultimately dependent upon a number of factors including the timing and availability of Apptix, partner, and/or end customer resources (both technology and labor) required to complete the successful migration of end users from their existing messaging, voice, or collaboration solution. As of December 31, 2014, the Company estimates it has a QRR backlog of USD 0.4 million. During the second quarter of 2014, a partner notified the Company of their intentions to challenge its previously contractual commitments, which accounted for USD 270 thousand of the previously reported Backlog. During the fourth quarter, the Company negotiated a settlement with this partner. As such, the Company will be recording a one-time non-recurring fee of USD 36 thousand during 2015 as settlement payments are made.