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Pinnacle Technology Group PLC
20 February 2015

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Pinnacle Technology Group plc
("Pinnacle, the "Group" or the "Company")

FINAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

Pinnacle Technology Group plc (AIM: PINN) the AIM listed provider of converged technology solutions today announces its audited final results for the year ended 30 September 2014

HIGHLIGHTS

The highlights are as follows:-

- Revenues of £8.4m for the year (2013: £10.1m)
- Adjusted EBITDA losses of £512k (2013: loss £769k)
- Gross profit of £2.67m for the year (2013: £3.26m)
- Loss for the period after tax fell to £1.8m (2013: loss £2.7m)
- Recurring and renewable revenues remain high at 88%, providing a strong base for the Company.
- Total liabilities fell £804k to £2.6m (2013: £3.4m)
- Intangible assets revised to £992k (2013: £1.8m)
- New Chief Executive Officer appointed March 2014 with business and operational review announced
- Post period end, successful Placing and Open Offer raising approximately £560,000 (before expenses)

* Note: Recurring and renewable revenues relate to customers who have entered into ongoing or fixed term contracts with the group to supply services for a duration exceeding 1 month.

All Company announcements can be found at:
www.pinn.uk.com

For further information please contact:

Pinnacle Technology Group plc 0208 185 6393

Nicholas Scallan, Chief Executive

James Dodd, Non-Executive Chairman

N+1 Singer 020 7496 3000

Ben Wright / Richard Salmond

Beattie Communications 0844 842 5490
Chris Gilmour / David Walker

CHAIRMAN'S STATEMENT

The year ending 30th September 2014 was one in which we made great progress towards solving the many problems which have been well-documented in the previous annual reports.

The robust actions taken by the Board, including the appointment of a new Chief Executive Officer on the 26th March 2014, are reducing losses and supporting the recovery of the business.

The operational review initiated by the new CEO to sharpen the focus of the business, to accelerate the return to profitable revenue growth and to reduce costs is making positive headway and the business now has a clearer focus and strategy on market positioning, customer base and products to be offered. Progress on each aim is outlined in further detail later in this announcement.

The business was further strengthened in November 2014 with the successful Placing and Open Offer, raising circa £560,000 (before expenses) to support both general working capital and to support investment in the company. It was pleasing that the new shares issued were at a nil discount to the mid-market price of 6.5p pence.

Financial Highlights

The results for the year as a whole, though still unsatisfactory, were a material improvement on the previous year. Losses for the year were £1.8m, including £0.8m of additional amortisation and impairment of intangible assets.

Whilst we experienced a 17% decline in group revenues, this reduction arose from re-focussing away from unprofitable business, from the result of increased competition in the IT Security market, and from the previously reported impact of wilful misconduct. Pleasingly, post period end, Pinnacle Technology was awarded costs with respect to the court actions that subsequently arose and these are now being pursued.

At an operational level, we continued to refocus and simplify the business during the year and to exit from unprofitable revenue streams. This is reflected in the reduction in Adjusted EBITDA losses, down 33% in the year to £512k (2013: £769k) although a further £281k of exceptional items were incurred during this process. All of these steps helped move the business towards an EBITDA positive position, which remains a key focus of the management team.

The loss for the year and the associated exceptional items necessitated £858k of cash during the year, resulting in a further fund raise of £416k (after expenses) in February 2014. The group balance sheet continues to show the impact of a number of poor acquisitions made during 2011, where loss making businesses were acquired for relatively small consideration but with significant liabilities. The acquisitions have not delivered the returns anticipated at the time of purchase and have consumed funds to repay the inherited net liabilities of the businesses. The net asset position of the group at year end was £352k and to support the balance sheet and to fund future growth plans we successfully raised £560k before expenses in November 2014.

People

It has been a time of change for Pinnacle's staff, as they adapt to new management and a renewed focus. The Board recognises the importance of their contribution to the successful turnaround of Pinnacle Technology, and would like to thank them for their commitment to the business and their professionalism during the past year.

Outlook

Whilst the Board has recognised from the outset that turning around Pinnacle Technology will take time, as demonstrated by these results, the Board continues to work to stabilise revenues in the business and to position the company to becoming EBITDA positive. Throughout the year the business has been addressing loss making lines of business, reducing costs, and management attention is now increasingly focussed on profitable revenue growth. Although further time and efforts are still required to restructure the Group into the appropriate form for its operations, the opportunities available to Pinnacle Technology and the early signs of progress coming from the initiatives outlined in more detail later in this report underpin the Board's confidence in the future prospects of the Company.

James Dodd
Chairman
20 February 2015

STRATEGIC REPORT

a) BUSINESS REVIEW

Introduction

The past year has been highly significant for Pinnacle Technology. The business is undergoing a challenging turnaround, as it addresses legacy issues whilst positioning itself for growth in the highly competitive business IT and communications market.

As outlined in the Chairman's statement, Group revenues for the year fell 17% to £8.4m (2013: £10.1m). However adjusted EBITDA losses reduced by 33% to £512k and the loss for the period was £1.77m following an £0.8m non-cash write down of intangible assets. Specifically for the second half of the year to September 2014, operating losses before tax fell 32% to £751k compared to a loss of £1.2m in the six months to March 2014.

Strategy

The Company's strategy is to provide IT and communications services UK wide, principally as a value added reseller and integrator. These services are provided primarily to Small and Medium Enterprise clients ("SME"), to whom the group offers all of their IT and communications needs; with the broader enterprise mid-market and public sector representing opportunity for additional growth. Pinnacle targets these markets with both a direct sales force, and through our partners/resellers.

Pinnacle Technology offers a wide range of IT managed services and communications solutions, represented by five major product lines: IT Services; IT Security; Telecommunications services; Cloud Services and Data Connectivity (including broadband); and Mobile services.

The Board believes that shareholder returns will be maximised in the longer term by growing both organically and through appropriate acquisition, in what is a fragmented market. However, our immediate operational focus remains on returning the business to financial health by ensuring that we exploit the rich product portfolio to generate greater sales volumes, now that unprofitable lines of business are being addressed and costs reduced in the business.

KEY PERFORMANCE INDICATORS

We monitor a number of metrics, both financial and non-financial, on a monthly basis. The most important of these are as follows:

- Revenue: £8.4m for the year to 30 September 2014 (2013: £10.1m)

- Recurring and renewable revenues: 88% for the year to 30 September 2014 (2013: 85%)

- Gross profit: £2.7m for the year to 30 September 2014 (2013: £3.3m)

- Gross margin percentage: 31.8% for the year to 30 September 2014 (2013: 32.1%)

- Adjusted EBITDA: negative £512k for the year to 30 September 2014 (2013: negative £769k)

- Number of employees: 41 for the year to 30 September 2014 (2013: 58)

- Cash at 30th September 2014: £173k for the year to 30 September 2014 (2013: £588k)

STRATEGIC REPORT - BUSINESS REVIEW

The operational review of the business has led to the rationalisation of various activities and products offered by the group, alongside a modified sales approach and selected investment in systems and processes to deliver a superior customer experience.

Approach to the Market

The business has until recently focussed on growth by cross-selling the Group's products and services in to our existing client base, strengthening our enduring relationships with existing clients. This approach to the market has many attractions, and should support our ambition of becoming our customers' trusted advisor for all their IT and communications requirements of particular relevance in the SME market.

Our recurring and renewable revenues, at 88% (2013: 85%), demonstrate the strength of our client proposition and provide a strong platform for the Company to grow.

While cross-selling remains a cornerstone of our sales approach, we recognise that, where commercial returns are attractive, certain market segments must be tackled with a renewed focus on new client acquisition and a sales and marketing effort to drive revenue growth. Furthermore, given the strength of our product offering, many of these new clients- particularly SMEs- will, in turn, provide scope for cross-selling in the future.

In order to deliver our strategic objectives, the Board has overhauled the approach of our sales team, with a geographic restructuring to ensure adequate coverage of our target client base and appropriate oversight from the Senior Management Team. Within each sales function there is a mixture of both field and office-based sales heads, to ensure that the appropriate sales approach can be taken for clients. The sales team has also undergone additional training to heighten the team's effectiveness while our sales data has been overhauled to improve the accuracy and quantity of our sales targets.

In addition to our internal sales and marketing capabilities within the business, the Group has continued to sell via third parties and other ventures, bringing additional scale to the business.

In our work to return the business to profitable revenue growth, we have ensured that funds raised during November 2014 are being used to support growth initiatives, such as the appointment of a specialist B2B IT telemarketing and demand generation company, Astute Limited, to deliver additional revenue.

During the year, we have made several client wins including Abelour Childcare Trust (IT Services), Tesco Mobile (Inbound call services) and United Utilities Plc (IT Security).

Product Portfolio

The business and operational review has resulted in a clearer strategy for the Company, supported by a clearer product portfolio with deepened relationships with key suppliers.

IT Services

Revenue from IT Services for the year to September 2014 was £946,960 (2013: £1,328,978), representing 11% of revenues (2013: 13%).

Pinnacle's approach to IT Services is built upon the design, implementation, ongoing support and maintenance of IT solutions to business customers. Pinnacle Technology also provides cloud services, professional services and hardware/software where required. It therefore provides clients with impartial advice, being neither a cloud-only provider, nor solely basing the proposition on being an 'on premise' supplier. The group has been able to support a number of clients through their technology refresh cycle, providing professional services, equipment and ongoing support contracts.

Whilst Pinnacle has significant expertise and experience in providing IT Services, where Pinnacle does not have infrastructure or capability in-house, partnerships with leading industry players such as Microsoft, Iomart, ScoLocate and HP are used.

It is notable that many IT Services customers trust Pinnacle Technology to deliver all their IT and communications needs, and are loyal. IT Services customers bought an average of 1.6 additional non-IT products from Pinnacle, and in total 64% of the IT Services revenue was recurring in nature.

IT Security

Revenue from IT Security for the year to September 2014 was £1,388,904 (2013: £2,199,986), representing 17% of revenues (2013: 22%).

As noted in the annual results for FY 2013, the IT Security Solutions business has been downsized to improve overall group profitability, including the closure of Aware Distribution Ltd which accounted for £237,931 of the reduction in H1-2014 revenues.

The focus of the IT Security Business has traditionally been in areas of the market subject to fierce competition. Following the reduction in operating costs, this operating segment is now much leaner. The revenues in this segment are cyclical, with customers acquiring software licenses for durations of between 1 and 5 years on a renewals basis. The renewal of these contracts has been maintained at a steady rate, albeit in some cases at lower margin.

Pinnacle Technology sells IT Security solutions to both SMEs and enterprise clients, and has relationships with some of the leading vendors in the market such as Arcserve and McAfee. We maintain Platinum Partner status with Sophos, who are rated by Gartner as Magic Quadrant leaders for Unified Threat Management (UTM), Mobile, Data Protection and Endpoint. Post period end, Pinnacle Technology has attained McAfee ACE accreditation, further strengthening our IT Security credentials.

Cloud Services and Data Connectivity

Revenue from Cloud Services and Data Connectivity for the year to September 2014 was £2,185,996 (2013: £2,394,460), representing 26% of revenues (2013: 24%).

Data connectivity, such as the supply of broadband connections, plays an important role in the overall Pinnacle proposition. For the SME market it is a key component for providing all of a client's IT and communications needs, and for the mid-market enterprise market it is a useful cross-sell opportunity when broadening a relationship or constituting part of a broader solution.

As a reseller of networks rather than an asset owner, Pinnacle partners with a number of industry players to procure at best commercial price. These relationships include BT, Talk Talk, Gamma and Virgin Media. As part of the business and operational review, in September 2014 Pinnacle was pleased to announce a strategic partnership with Easynet that is resulting in the transformation and enhancement of Pinnacle's legacy network estate. In addition to reducing complexity and costs within the business, the arrangement also enables Pinnacle to sell enhanced broadband speeds at greater value.

Pinnacle Technology also supplied infrastructure for a number of major UK sporting events in the summer of 2014. As noted in the half year report, over the years Pinnacle has reported substantial revenues within this segment through supplying broadcasters and event organisers with specialised communication services, however development of this business requires extensive industry knowledge and non-standard delivery channels. In June 2014 Pinnacle announced that it entered into an agreement with Pinnacom Limited to develop opportunities in this sector on commercially attractive terms, retaining core connectivity sales to the media industry and co-marketing rights, without absorbing the costs associated with seasonal business fulfilment. Whilst this arrangement will have initially only a modest but positive cash impact, we are confident Pinnacom's expertise in the sector will produce greater profits for Pinnacle than would otherwise be possible.

Telecommunications Services

Revenue from telecommunications services for the year to September 2014 was £3,350,356 (2013: £3,699,497), representing 40% of revenue (2013: 36%). Customer retention rates remain strong but the segment reflects a diminishing market. Price changes and regulatory developments impact this segment, including in particular the simplification of non-geographic numbers being driven by Ofcom coupled with the implementation of the EU Directive on Consumer Rights implemented in June 2014. Pinnacle is protected at the gross margin level to a degree since, being a reseller of services rather than an infrastructure owner, wholesale prices are reduced commensurately.

Mobile Solutions

Our overall proposition to SMEs - endeavouring to provide all the IT and communications needs - is complemented by offering mobile services. Revenue from Mobile Solutions for the year to September 2014 was £536,150 (2013: £515,760), representing 6% of revenues (2013: 5%). Mobile services are offered on EE, Vodafone UK, Telefonica O2 and via Gamma.

Post period end, Pinnacle entered in to discussions with O2 and other providers of mobile services regarding the ongoing provision of the Company's mobile and digital services offering.

Operational Infrastructure

For some time the business has operated its own datacentre near Glasgow. As part of the business and operational review, it has been decided to exit this facility during 2015 as part of a wider infrastructure refresh and simplification project. The business will locate its core services in data centres operated by dedicated data centre operators, and at the same time refresh networking equipment and virtualise IT infrastructure. The funding for this work was part of the November 2014 raise, and as a result the project is now underway. Savings from not operating our own datacentre are expected to commence later in the 2015 financial year.

The group has also undertaken a number of IT system improvements during the year: as mentioned earlier, the deployment of a new CRM and ticketing system is underway, which in time will replace all the legacy customer management systems. The group has invested in improving critical internal systems, harmonising practices across different locations, and rolling out collaboration tools, such as Microsoft Lync.

People

The importance of the team working at Pinnacle Technology has already been highlighted in the Chairman's statement: the Board is grateful for their hard work and commitment during a difficult turnaround. It is recognised that the future success of the business is substantially dependent on attracting skilled staff to, and motivating those already in, the business. The year saw a renewed focus on people in the organisation with two major foci. Firstly, we set out to improve the integration across the business to foster a culture of collaboration. As the business has come together through acquisition, different businesses contributed different ways of working, and different cultures. Measures have been taken to integrate everyone in Pinnacle as part of one team, under the Pinnacle Technology brand. Secondly, whilst being aware of costs, internal policies have been introduced to support an improved culture within the business.

b) FINANCIAL REVIEW

As noted in the Business Review, revenue declined from £10.1m in 2013 to £8.4m in 2014 due primarily to a 37% fall in revenues in the IT Security segment and a 29% fall in IT Services revenues compared to 2013, although it is recognised that the six months to September 2014 was only 2.6% below the six months figure to March 2014, reflecting some stabilising of revenues over the year.

The Company achieved a gross profit of £2.67m (2013: £3.26m) with the gross margin percentage decreasing slightly to 31.8% of revenue (2013: 32.1%). The table below analyses this further and shows that gross profits increased to £1.40m in the six months to September 2014, up 10.0% on the six months figure to March 2014, mainly as a result of improved buying prices from suppliers.

	6 months to 30 September 2014 Unaudited	6 months to 31 March 2014 Unaudited	Year to 30 September 2014 Audited	Year to 30 September 2013 Audited
Revenue	£4,149,810	£4,258,556	£8,408,366	£10,138,681
Cost of Sales	(£2,750,939)	(£2,987,488)	(£5,738,427)	(£6,882,004)
Gross profit	£1,398,871	£1,271,068	£2,669,939	£3,256,677
	33.7%	29.8%	31.8%	32.1%
Operating Expenses	(£2,150,308)	(£2,456,108)	(£4,606,416)	(£5,692,145)
Operating Loss	(£751,437)	(£1,185,040)	(£1,936,477)	(£2,435,468)
Adjusted EBITDA	(£241,929)	(£269,882)	(£511,811)	(£769,103)

Amortisation of Intangible assets	(£175,028)	(£195,671)	(£370,699)	(£391,165)
Depreciation	(£154,978)	(£155,871)	(£310,849)	(£187,751)
Exceptional costs	£14,241	(£294,849)	(£280,608)	(£419,536)
Impairment of Intangible assets	(£200,716)	(£261,806)	(£462,522)	(£691,404)
Share based payments	£41,728	(£6,961)	£34,767	(£13,922)
Embedded fair value in loans	-	-	-	£18,529
Impairment of Associate	(£34,755)	-	(£34,755)	-
Share of Profit of Associate	-	-	-	£18,884
Operating Loss	(£751,437)	(£1,185,040)	(£1,936,477)	(£2,435,468)

The Income Statement shows that Operating Expenses fell £1.1m during the year to £4.6m (2013: 5.7m) as a result of the cost reduction program implemented in 2013.

Adjusted EBITDA

The Adjusted Earnings before Tax, Interest, Depreciation and Amortisation (Adjusted EBITDA) figure is a key measure for the Directors and closely reflects the cash impact of underlying trade of the business before exceptional costs. The Adjusted EBITDA figure for the year to September 2014 was negative £512k, an improvement of £257k over the same figure for 2013 (negative £769k), a 34% year-on-year improvement.

Amortisation and Impairment of Intangible Assets

Pinnacle has grown mostly as a result of acquisitions and under IFRS accounting rules is required to separately measure the expected future cashflows from the acquired customer bases at the date of acquisition and represent this future value as an intangible asset in the Consolidated Statement of Financial Position. The accounting policy of the Group is to amortise this intangible asset value over a maximum of 10 years from the date of acquisition. This annual non-cash write down is recorded as Amortisation in the Income Statement for the Group and was £371k for 2014, compared to £391k in 2013.

In preparing the expected future cashflows from the acquired customer bases for the purpose of the annual impairment review, the Directors use a customer retention rate of 80% per annum. In preparing the Intangible Asset value each year, we measure the actual retention rate for each customer base acquired and where this is less than the 80% retention figure expected, we use the lower actual figure to calculate the future expected cashflows. Where expected future cashflows from a customer base are higher than originally expected, then we do not adjust the intangible assets upwards, but instead leave this benefit to enhance the future profit performance of the group.

This lower actual customer retention rate generates an additional non-cash Amortisation charge to the Income Statement and is shown as an Impairment of Intangible Assets. This figure for the year to September 2014 is £463k, compared to £691k in the year to September 2013. This charge, whilst non-cash affecting, reflects the lower than originally expected performance from customer bases acquired in the acquisitions of RMS Managed ICT Security Limited and Online Computer Developments Limited.

Depreciation

Historically, the Group has invested in tangible assets such as IT equipment, fixtures and fittings and its own Voice over Internet (VoIP) software platform. Each year, the company makes a charge to the Income Statement representing the diminution in value of these tangible assets during the financial year. The Directors choose an appropriate depreciation policy per individual class of asset, ranging from 33% to 20% of the gross cost of the asset per annum. This charge is shown as Depreciation in the Income Statement.

During the year, The Directors decided to accelerate the depreciation of its own VoIP software platform, Sipswitch, which lacks some of the more advanced features of other "off the shelf" alternatives on the market. The Depreciation charge for the year to September 2014 was £311k, compared to £188k in 2013.

Exceptional Costs

As the Group continues to re-focus and restructure the business it incurs a number of one-off exceptional costs in settling employment contracts and negotiating and recruiting replacements. In addition, the Group has incurred a significant amount of legal fees defending the wilful misconduct by a former vendor and a number of former employees. These costs do not reflect the normal trade of the business and are therefore shown separately on the face of the Income Statement. As noted in the Chairman's statement, post period end Pinnacle Technology was awarded costs with respect to the court actions that subsequently arose and these are now being pursued as far as reasonably possible towards full recovery.

Statement of Financial Position

The Group Statement of Financial Position has been depleted by the losses sustained during the financial years to September 2013 and September 2014. The dominant figure on the Statement of Financial Position remains the Intangible Assets of the customer bases acquired in prior years, which are shown at £992k (2013: £1.8m) which is not uncommon in a business formed as a result of acquisition.

Investment

The Group continues to hold a 40% investment in a private company Stripe21 Limited, which owns and manages a VoIP platform and has a data centre presence in London Telehouse and London RedBus. The Stripe21 business continues to generate profitable revenues as it continues its journey to recover the investments it has made in creating its own VoIP software platform during its set-up phase.

In calculating the fair value of the investment in Stripe21, the Directors consider the financial performance of the company each year but are cognisant of the fact that the Statement of Financial Position dated 30 June 2014 shows that the Stripe21 business is some way away from being able to pay a dividend to Pinnacle. In recognition of this, the Directors have taken the decision to reduce the fair value of the investment in Stripe21 down to cost for the time being. This has resulted in an impairment of the Stripe21 investment by £35k in this financial year.

Cash

The Statement of Financial Position at 30 September 2014 shows a positive cash available balance of £173k at year end. In addition to this, the Group had overdraft facilities available to it of £80k from HSBC Bank Plc. An existing overdraft of £50,000 from the Bank of Scotland was repaid in full on 15th September and the facility closed. The overdraft balance reported on the face of the accounts includes cheques sent but which were un-cleared at the year end. Funds were transferred after year end to cover the cheques as they cleared.

On 21 November 2014, the Group raised £564,470 (before expenses) by way of a placing and open offer to shareholders. This fund raise delivered the cash required to fund the growth initiatives for the 2014/15 financial year and to give additional cover for working capital during the year.

Property Plant and Equipment
The Company has continued to invest and refresh our IT systems and infrastructure to support the business as it grows. As a people based business, the company is not dependent on heavy asset investment to deliver service to our customers. During the year the company invested £89k in additional fixed assets for the group. The company continues to invest in systems and assets to support the growth of the business.

Stock
The Company does not need to carry a large amount of stock and spares to run our business. Given the fast moving nature of hardware and devices, we prefer to buy stock to order to support the IT service side of our business. This ensures best customer value and avoids losses associated with holding obsolete stock.

Board Changes
On 6th December 2013, Alan Bonner, founder and former CEO of Pinnacle Technology Group Plc announced that he was standing down from his position and would not re-apply for re-election at the next AGM on 26th March 2014.

Therefore, following the AGM on 26th March 2014 the Group announced the appointment of Nicholas Scallan as successor. Nicholas Scallan joined Pinnacle as CEO following a number of years in a senior position at Virgin Media Group Plc.

Group Locations
The Group operates from a number of locations across the United Kingdom. The Directors match the length and nature of lease to the particular requirements of the location, giving due regard to planned headcount changes including any future growth plans.

Litigation
On 31 March 2014 Pinnacle Technology became aware that a third party was engaging in business solicitation activity which was in contravention of prior contractual agreements. That activity was immediately addressed by court proceedings which resulted in certain interim orders and undertakings being granted in court on 4 April 2014 to protect Pinnacle Technology's interests. Further detail of these proceedings is given within the Principal Risks and Uncertainties section below.

As a prudent measure, all legal costs to date have been expensed to the income statement and are recorded within the Exceptional Items, even though it is expected that the majority of these costs will be recoverable. The company will continue to monitor legal costs, given the variability dependent on the amount of work undertaken, and expert accountancy advice might additionally be required if damages cannot be resolved. No estimate of the damages payable by the defendants has been taken in to the full year results.

CONSOLIDATED INCOME STATEMENT
for the year ended 30 September 2014

	Year ended	Year ended

	Note	2014 £	2013 £
Revenue	2	8,408,366	10,138,681
Cost of sales		(5,738,427)	(6,882,004)
Gross profit		2,669,939	3,256,677
Operating expenses		(4,606,416)	(5,692,145)
Operating loss		(1,936,477)	(2,435,468)
Adjusted EBITDA		(511,811)	(769,103)
Amortisation of Intangible Assets		(370,699)	(391,165)
Depreciation		(310,849)	(187,751)
Exceptional costs relating to acquisitions and restructure		(280,608)	(419,536)
Impairment of intangible assets		(462,522)	(691,404)
Share based payments		34,767	(13,922)
Embedded fair value in convertible loan		-	18,529
Impairment of investment in associate		(34,755)	-
Share of profit from associate		-	18,884
Operating Loss	3	(1,936,477)	(2,435,468)
Interest receivable		918	9,532
Interest payable		(13,286)	(13,326)
Net Finance expense		(12,368)	(3,794)
Loss before tax		(1,948,845)	(2,439,262)
Taxation		174,975	(270,081)
Loss for the period from continuing operations attributable to the equity holders of the parent	2	(1,773,870)	(2,709,343)
Loss per share - basic and fully diluted	4	(4.98p)	(9.46p)

All losses are attributable to continuing operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2014

	2014	2013
	£	£
Non-current assets		
Intangible assets	992,096	1,825,317
Investments in Associated Companies	165,300	200,055
Property, plant and equipment	227,568	448,969
Deferred tax asset	-	-
Total non-current assets	1,384,964	2,474,341
Current assets		
Inventories	46,278	91,222
Trade and other receivables	1,297,465	1,920,179
Cash and cash equivalents	173,240	587,651
Total current assets	1,516,983	2,599,052
Total assets	2,901,947	5,073,393
Liabilities		
Short term borrowings	(143,659)	(174,719)
Trade and other payables	(1,442,538)	(1,483,256)
Other taxes and social security costs	(122,942)	(266,427)
Accruals and other payables	(615,599)	(999,474)
Total current liabilities	(2,324,738)	(2,923,876)
Non-current liabilities		
Long term borrowings	(17,148)	(47,005)
Deferred tax liability	(208,340)	(383,316)
Total liabilities	(2,550,226)	(3,354,197)
Net assets	351,721	1,719,196
Equity		
Share capital	6,862,250	6,816,166
Share premium account	6,774,870	6,379,792
Merger reserve	283,357	283,357
Other reserve	32,024	66,791
Fair value adjustment	(1,064,130)	(1,064,130)
Retained earnings	(12,536,650)	(10,762,780)
Total equity	351,721	1,719,196

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 September 2014

	Share Capital	Share premium	Merger Reserve	Other reserve	Fair Value	Retained earnings	Total
At 1 October 2012	5,825,055	4,343,553	283,357	52,869	(1,064,130)	(8,053,437)	1,387,267
Loss and total comprehensive loss for the period	-	-	-	-	-	(2,709,343)	(2,709,343)
Transactions with owners							
Share Issue	991,111	-	-	-	-	-	991,111
Share based payments	-	-	-	13,922	-	-	13,922
Premium on Share Issue	-	2,098,889	-	-	-	-	2,098,889
Expenses on Share Issue	-	(62,650)	-	-	-	-	(62,650)
Total Transactions with owners	991,111	2,036,239	-	13,922	-	-	3,041,272
Total movements	991,111	2,036,239	-	13,922	-	(2,709,343)	331,929
Equity at 30 September 2013	6,816,166	6,379,792	283,357	66,791	(1,064,130)	(10,762,780)	1,719,196

At 1 October 2013	6,816,166	6,379,792	283,357	66,791	(1,064,130)	(10,762,780)	1,719,196
Loss and total comprehensive loss for the period	-	-	-	-	-	(1,773,870)	(1,773,870)
Transactions with owners							
Share Issue	46,084	-	-	-	-	-	46,084
Share based payments	-	-	-	(34,767)	-	-	(34,767)
Premium on Share Issue	-	403,238	-	-	-	-	403,238
Expenses on Share Issue	-	(8,160)		-	-	-	(8,160)
Total Transactions with owners	46,084	395,078	-	(34,767)	-	-	406,395

Total movements	46,084	395,078	-	(34,767)	-	(1,773,870)	(1,367,474)
Equity at 30 September 2014	6,862,250	6,774,870	283,357	32,024	(1,064,130)	(12,536,650)	351,721

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 September 2014

	2014 £	2013 £
Cash flows from operating activities		
Loss before taxation	(1,948,845)	(2,439,262)
Adjustments for:		
Depreciation	310,849	187,751
Amortisation	370,699	391,165
Impairment of intangible assets	462,522	691,404
Share of (profit)/loss from associate	34,755	(18,884)
Share option charge	(34,767)	13,922
Fair value adjustment for convertible loan	-	(18,529)
Interest expense	12,368	3,794
(Increase)/Decrease in trade and other receivables	622,713	413,966
Decrease in inventories	44,944	271,946
Decrease in trade payables, accruals and other creditors	(626,791)	(1,449,555)
Net cash flow used in operating activities	(751,553)	(1,952,282)
Cash flows from investing activities		
Purchase of property, plant and equipment	(89,448)	(141,634)
Sale of property, plant and equipment	-	1,821
Interest received	918	9,532
Net cash used in investing activities	(88,530)	(130,281)
Cash flows from financing activities		
Issue of shares	449,322	2,950,000
Receipt of invoice discount finance during the year	1,901,371	2,115,218
Repayment of invoice discount finance during the year	(1,827,659)	(2,389,018)
Repayment of convertible loans and bank loans	(36,436)	(15,096)
Payment of finance lease liabilities	(33,484)	(62,650)
Interest paid	(13,286)	(21,419)
Expenses paid in connection with share issue	(8,160)	(13,326)
Net cash from financing activities	431,668	2,563,709
Net (decrease)/increase in cash	(408,415)	481,146
Cash at bank and in hand at beginning of period	465,518	(15,628)
Cash at bank and in hand at end of period	57,103	465,518
Comprising:	173,240	587,651

Cash at bank and in hand		
Bank overdrafts	(116,137)	(122,133)
	57,103	465,518

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. General information

Pinnacle Technology Group plc is a company incorporated in the United Kingdom under the Act 2006. The principal activity of the group is the provision of IT and telecommunications solutions to businesses in the United Kingdom. The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which each of the Group's subsidiaries operates.

1.1. Basis of preparation

The financial information set out in this announcement does not comprise the Group's statutory accounts for the years ended 30 September 2014 or 30 September 2013.

The financial information has been extracted from the statutory accounts of the Company for the years ended 30 September 2014 or 30 September 2013. The auditors reported on those accounts; their reports were unqualified and did not contain a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under either Section 498 (2) or Section 498 (3) of the Companies Act 2006.

The statutory accounts for the year ended 30 September 2013 have been delivered to the Registrar of Companies, whereas those for the year ended 30 September 2014 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention. The measurement bases and principal accounting policies of the Group are set out below. The principal accounting policies of the Group have remained unchanged from the previous year.

The Board acknowledges the significant cash outflow from operations in the current year and continue to review the markets it operates in and its ongoing cost base. This continued re-focus and restructure of the business has added £281k in restructuring and exceptional costs in the current year. On 21 November 2014 the Directors raised £564,470 (before expenses) by way of a private placing and an open offer to shareholders. The impact of this fund raise on the forecasts of the business, indicate that there is no requirement for additional funds for the group to continue under its core business model. However, the current Board have also committed to investing a minimum of £100,000 should the business require it in the next twelve months and has signed representations confirming this prior to approval and signing of the group accounts.

On the basis of a review of cash balances, banking facilities and the ability to call on certain shareholders to subscribe to an issue of new shares, together with a review of forecasts and sensitised cash flows, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of signing the financial statements. The Directors recognise that the Group must achieve and maintain monthly profitability for the business to cover its cost base and remain within its finance facilities. The accounting policies that have been applied in the opening balance sheet have also been applied throughout all periods presented in these financial statements.

1.2. New standards and interpretations of existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of the financial statements, the following new standards, amendments and interpretations are currently in issue but are not effective except for accounting periods commencing after 30 September 2014. The Group has not adopted these standards early and they are not expected to have a material impact on the Group's consolidated financial statements: New standards and interpretations

- Amendment to IFRS 11: Acquisition of an Interest in a Joint Operation. *
- Amendments to IAS 27 Separate Financial Statements. *
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. *
- IFRS 15 Revenue from Contracts with Customers *

- International Financial Reporting Standard for Small and Medium-sized Entities (cannot yet be adopted in the UK)

2. Segment Reporting

The chief operating decision-maker has been identified as the Chief Executive Officer ("CEO") of the Company. The CEO reviews the Group's internal reporting in order to assess performance and to allocate resources. The Directors present below the results for 2014 and 2013 comparisons, based on the reportable operating segments which remain unchanged from the prior year.

The Group currently has five reportable segments:

· IT Services - this segment provides IT support, consultancy, installation and hardware solutions to SME companies.

· IT Security Solutions - this segment provides a range of IT applications, maintenance, sale and installation of hardware and licenses in addition to consultancy and support services in order to secure data and assets for corporate and enterprise companies.

· Cloud Services and Data Connectivity - this segment provides leased lines, data connectivity, wireless solutions, data centre and hosting services, VoIP and other cloud based applications to business customers.

· Telecommunication Services - this sector covers a range of telecommunications services including calls, line rental and telephone system maintenance.

· Mobility Solutions - this segment provides a range of mobile services and solutions to SME companies.

Information regarding the operation of the reportable segments is included below. The CEO assesses the performance of the operating segments based on revenue and a measure of Earnings before Interest, Depreciation and Amortisation (EBITDA) before any allocation of Group overheads or charges for share based payments. Segments are measured below on this basis.

Recurring and renewable reporting segments refer to customers who have entered into ongoing or fixed term contracts with the group to supply services for a duration exceeding 1 month.

The CEO believes that such information is the most relevant in evaluating the results of the segment. The Group's EBITDA for the year has been calculated after deducting Group overheads from the EBITDA of the five segments as reported internally. The Group overheads include the cost of the Board, the costs of maintaining a listing on AIM, legal and professional fees, and the costs of shareholder communications including the costs of retaining a Nominated Advisor and a Broker.

The segment information is prepared using accounting policies consistent with those of the Group as a whole.

The performance of the Group is reviewed by the Chief Executive Officer on a segment basis and have been disclosed. All segments are continuing operations. No customer accounts for more than 10% of external revenues. Inter-segment transactions are accounted for using an arms-length commercial basis.

The majority of assets and liabilities of the Group are pooled centrally and are shared across all operating segments as required, based on demand over time. For this reason, apportionment of assets and liabilities cannot be measured accurately across segments and are therefore not disclosed.

2.1 Analysis of revenue	2014 £	2013 £
By operating segment		
IT Services	946,960	1,328,978
IT Security Solutions	1,388,904	2,199,986
Cloud Services and Data Connectivity	2,185,996	2,394,460
Telecommunication Services	3,350,356	3,699,497
Mobility Solutions	536,150	515,760
Continuing operations	8,408,366	10,138,681
Total revenue	8,408,366	10,138,681

By destination	2014 £	2013 £
United Kingdom	8,408,366	10,138,681
Total revenue	8,408,366	10,138,681

By origin	2014 £	2013 £
Continuing operations		

Pinnacle Telecom plc	694,889	736,420
Accent Telecom UK Limited	3,675,017	4,019,338
Solwise Telephony Limited	911,686	1,155,210
Pinnacle Cloud Solutions Limited	1,737,871	1,957,890
RMS Managed ICT Security Limited	1,354,693	1,842,644
Other group companies	34,210	427,179
Total revenue	8,408,366	10,138,681

By recurring nature	2014 £	2013 £
Recurring and Renewable - continuing operations	7,427,131	8,658,536
Non-Recurring - continuing operations	981,235	1,480,145
Total revenue	8,408,366	10,138,681

2.2 Analysis of net loss after tax

2.2.1 By business sector	2014 £	2013 £
IT Services		
Adjusted EBITDA	198,503	32,403
Depreciation	(39,315)	(23,619)
Amortisation	(59,908)	(69,118)
Impairment	(122,831)	(75,887)
Exceptional Items	(5,910)	(27,761)
Finance Costs	(2,785)	(951)
(Loss) / Profit from operations before tax	(32,246)	(164,933)
IT Security Solutions		
Adjusted EBITDA	(466,844)	(582,106)
Depreciation	(26,868)	(26,881)
Amortisation	(179,200)	(180,753)
Impairment	(203,213)	(531,198)
Exceptional Items	(43,680)	(100,627)
Finance Costs	(665)	(1,246)
(Loss) / Profit from operations before tax	(920,470)	(1,422,811)
Cloud Services and Data Connectivity		
Adjusted EBITDA	225,414	(67,528)
Depreciation	(140,227)	(74,323)
Amortisation	(78,735)	(86,921)
Impairment	(109,183)	(67,455)
Exceptional Items	(22,829)	(52,902)
Embedded Fair Value in Convertible Loan	-	18,529
Finance Costs	(3,780)	(2,072)
(Loss) / Profit from operations before tax	(129,340)	(332,672)
Telecommunication Services		
Adjusted EBITDA	(478,483)	(184,598)
Depreciation	(101,141)	(58,463)
Amortisation	(41,380)	(42,897)
Impairment	(27,296)	(16,864)

Exceptional Items	(186,388)	(221,669)
Finance Costs	(5,549)	(6,222)
(Loss) / Profit from operations after amortisation	(840,237)	(530,713)
Mobility Solutions		
Adjusted EBITDA	45,221	272
Depreciation	(4,154)	(4,463)
Amortisation	(11,475)	(11,475)
Exceptional Items	(21,802)	(16,579)
Finance Costs	(498)	(608)
(Loss) / Profit from operations after amortisation	7,292	(32,853)
Head office	141,131	(225,361)
Continuing operations	(1,773,870)	(2,709,343)
Total losses	(1,773,870)	(2,709,343)

	2014 £	2013 £
United Kingdom	(1,773,870)	(2,709,343)

2.2.3 By origin

	2014 £	2013 £
Pinnacle Telecom plc	(246,891)	(324,019)
Accent Telecom UK Limited	508,715	48,266
Solwise Telephony Limited	(197,535)	(155,484)
Pinnacle Cloud Solutions Limited	(438,766)	(375,672)
RMS Managed ICT Security Limited	(517,808)	(800,376)
Head Office and other group companies	(510,886)	(710,893)
Loss from continuing operations before exceptional items	(1,403,171)	(2,318,178)
Amortisation	(370,699)	(391,165)
Total losses	(1,773,870)	(2,709,343)

2.2.4 By recurring nature	2014 £	2013 £
Recurring and renewable - continuing operations	(1,314,198)	(2,279,556)

Non-Recurring - continuing operations	(88,973)	(38,622)
Loss from continuing operations before amortisation and discontinued	(1,403,171)	(2,318,178)
Amortisation	(370,699)	(391,165)
Total losses	(1,773,870)	(2,709,343)

2.2.5 Significant customer revenue

Pinnacle has a diverse and broad customer base, incorporating both public and private sector business customers, from a wide range of industry sectors, operating in the enterprise, corporate and SME markets. The group was not reliant upon any one single customer to contribute more than 10% of its revenue in the financial year to September 2014 or to September 2013.

3. Operating loss	2014 £	2013 £
Loss from operations is stated after charging:		
Depreciation of owned assets	(310,849)	(187,751)
Other operating lease rentals:		
- buildings	(82,703)	(141,302)
Auditors' remuneration: - audit of parent company	(15,000)	(10,500)
- audit of subsidiary companies	(30,000)	(36,750)

4. Total and continuing loss per share	2013 £	2012 £
Loss attributable to ordinary shareholders	(1,773,870)	(2,709,343)
	Number	Number
Weighted average number of ordinary shares in issue	35,604,548	28,631,639
Basic and diluted loss per share (pence)	4.98p	9.46p

Both the basic and diluted earnings per share have been calculated using the net loss after taxation attributable to the shareholders of Pinnacle Technology Group plc as the numerator.

5. Post balance sheet events

On 21st November 2014, Pinnacle held a General Meeting at which shareholders were asked to consider resolutions in connection with a Placing and Open Offer, which were subsequently approved, enabling the Group to raise £564,470 through a Placing and Open Offer through the issue of 8,684,147 new Ordinary Shares at a price of 6.5p, to further accelerate the Group's strategy.

N+1 Singer LLP acted as sole broker on the placing and placed 7,461,535 new ordinary shares with Directors and existing institutional shareholders at 6.5p to raise £485,000 before expenses. Further funds were raised via an open offer at 6.5p to qualifying shareholders on the basis of one new ordinary share for every 21 existing shares held. Pinnacle received valid acceptances from qualifying shareholders in respect of 1,222,612 Open Offer Shares - approximately 69 percent of the maximum available, and equal to £79,470. Of the total funds raised, Pinnacle's Board of Directors subscribed for approximately £217,000 of new shares.

6. Dividends

The Directors do not propose a dividend for the year ended 30 September 2014 (2013: £Nil).

7. Annual report and accounts

A copy of the Annual Report and Accounts for the year ended 30 September 2014 will be sent to shareholders at the beginning of March 2014 and copies will be available from the Company's registered office at 5 Fleet Place, London, EC4M 7RD or by visiting our website atwww.pinn.uk.com.

8. Annual General Meeting

The Annual General Meeting of the Company will be held at the offices of N+1 Singer Capital Markets Limited, 1 Bartholomew Lane, London EC2N 2AX on 27th March 2014 at 10:30 AM.

END

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