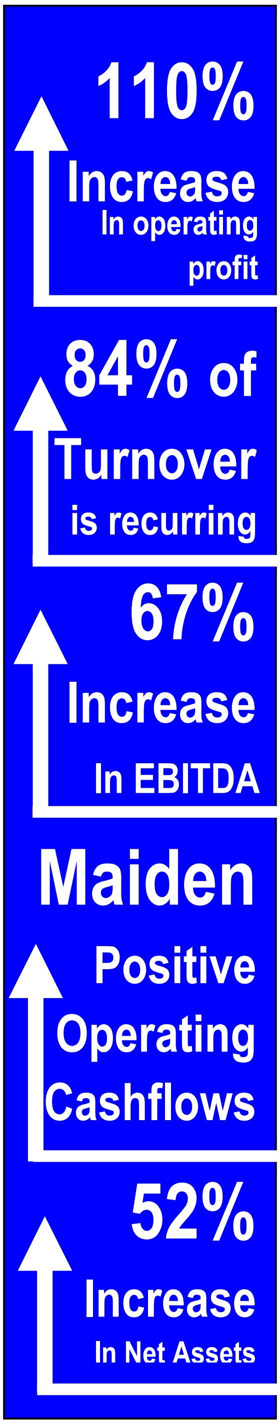
20th February 2012

Pinnacle Telecom Group plc
(“Pinnacle” or the “Company”)

PRELIMINARY RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2011

Pinnacle Telecom Group plc (AIM: PINN) the AIM listed provider of integrated telecommunications solutions to the business market, today announces its preliminary results for the year ended 30 September 2011.



HIGHLIGHTS

Financial benchmarks

- 110% increase in operating profit (2) to £165,299 (2010: £78,647).
- 67% increase in positive EBITDA (1) to £249,880 (2010: £149,379).
- 18% increase in gross profit to £2,464,529 (2010: £2,089,457) a rise of £375,072.
- 60% decrease in the loss for the year (3), falling to £98,305 (2010: £246,072).
- 29% increase in turnover of £1,913,546 to £8,522,079 (2010: £6,608,533).
- 740% combined turnover growth since 2007.
- 84% of turnover now relates to recurring and contracted revenues (2010: 81%).

Acquisitions

- Acquired the Business and Assets of an IP CCTV business, delivering combined resilient and "always on" 3G and IP connectivity, for high-profile CCTV monitoring to companies such as Sotheby’s, Unipart and Hilton Hotels.
- Acquired the Business and Assets of MacLellan IT Limited, a well established profitable IT company for 186,046,491 shares at a premium of 58% per share, equivalent to £669,767. MacLellan are delivering increased IT consultancy and support revenues in Scotland.

Balance sheet highlights

- Positive cash at the year-end of £452,431 (2010: £697,189).
- Maiden positive operating cash flows from operating activities of £25,752 compared to negative £154,377 in 2010.
- Added £647,791 of intangible assets, following on from the addition of £205,567 in 2010, which helps strengthen the group's IT asset base.
- 52% increase in group net assets to £1,813,140 (2010: £1,319,743), an increase of £493,397.

BBC high-profile contracts

We continue to supply the BBC with voice and data services for high-profile and prestigious events, which included the Royal Wedding during 2011. We also have confirmed orders in place for London Olympics 2012 as we support the BBC as the host broadcaster to the world’s media.

Strategy

Our strategy of cross-selling the five elements of our converged managed services offering is now delivering positive results. The objective is to cross-sell all the group’s services into our existing customer base, which strengthens our customer's reliance on the company, increases our profit per customer and dramatically decreases the likelihood of our customer s’ switching to a competitor.

Alan J Bonner, the Group CEO commented:

"In summary, 2011 has been another very successful year. We have progressed with our strategy to build a converged managed services business of scale, by cross-selling our customers the five elements of our converged managed services proposition and we are now starting to see positive results coming through. In the year ended 30 September 2011, we increased our operating profit by 110%, EBITDA by 67%, gross profit by 18% and turnover by 29%. We have now delivered 740% growth in turnover since 2007 and at the same time enhanced shareholder value.

In July we acquired the Business and Assets of an IP CCTV business delivering combined resilient and "always on" IP and 3G connectivity, for high-profile IP CCTV monitoring. We now supply companies such as Sotheby's, Unipart and Hilton Hotels. In August we acquired the Business and Assets of MacLellan IT Limited, a well established profitable IT company for 186,046,491 shares at a premium of 58% per share, equivalent to £669,767. MacLellan are delivering increased IT consultancy and support revenues in Scotland.

We continue to supply the BBC with voice and data services for high-profile and prestigious events, delivering solutions to over 170 media events in 2011, which included the Royal Wedding. We also have confirmed orders in place for the London 2012 Olympic and Paralympic Games, supporting the BBC as the host broadcaster to the world's media.

As a small company surrounded by industry giants, we continually punch above our weight. We can be extremely proud of the solutions that have been deployed and the service we deliver to our customers. Importantly however, whilst the period to 30th September 2011 has been a very successful year, we have made significant progress post year-end. Our strategy is working and I look forward to further updating you of our progress as the year unfolds."

Notes:

1. EBITDA is defined as Earnings before interest, taxation, depreciation, amortisation of intangibles, exceptional acquisition costs, share of results of associates and the embedded fair value adjustment in the convertible loan.
2. Operating profit is measured before amortisation of intangibles, exceptional acquisition costs, share of results of associates and the embedded fair value adjustment in the convertible loan.
3. Loss for the year is measured after all costs, including the costs of discontinued operations relating to previous years.

For further information please contact:

Pinnacle Telecom Group plc Alan J Bonner, Chief Executive	0845 180 74 74
Zeus Capital Ross Andrews	0161 831 15 12
Rivington Street Corporate Finance Limited Jon Levinson & Peter Greensmith	0207 562 33 89
All Company announcements and news can be found at:	www.pinnacletelecomgroup.co.uk

CHAIRMAN'S STATEMENT

"The Group has acquired additional core skills and continued to innovative. We are proud of the solutions we offer and of the progress we have made."

Bill Allan, Chairman

This is my second year as Chairman of your company, and I am pleased to announce rapid growth and focused determination in the pursuit of our goals. We set objectives in 2010 to build a value added solutions based business of substance through the leverage of organic opportunities and targeted acquisitions. Since the beginning of that year your company has grown revenues by over 266% and broadened its appeal to a larger segment of the UK telecommunications market. More importantly, the transformation of Pinnacle from traditional telephony into a provider of IP and bespoke services has been successful and winning new business.

This year the Group acquired MacLellan IT Limited and Multilayer Limited to complement our existing product set and skills. This activity was closely followed in October 2011 by the acquisitions of Online Computer Developments Limited and RMS Managed ICT Security Limited. We expect these acquisitions alone to add revenues of about £5 million during 2012.

Although growth by acquisition consumes management time and focus, our organic growth and ability to innovate has not been neglected. This financial year we were proud to participate in some high profile and prestigious events where we provided voice and data solutions for the General Election, the Papal Visit to the UK, and the Royal Wedding. These events reinforce our ability to operate under pressure and to high levels of quality customer service.

The Group continues to carefully manage its balance sheet and cash resources. Our maiden operating profit from last year more than doubled to £165,299, and positive net cashflow from operating activities was achieved for the first time. These were notable achievements.

Our focus for this year is to integrate the acquisitions and build on our core strengths. We now have a product set that gives us additional profile in the market, with additional skills to enhance and develop our services for the years ahead. I have been greatly impressed by Alan Bonner and his team for their hard work and dedication. This has been a tough year for the UK - but a tough year in which your company became more strongly positioned to compete and grow its business in the UK telecommunication market. I look forward with optimism to the year ahead.

Further detail and comment on the results for the full year are contained in the Chief Executive's Review.

Bill Allan
CHAIRMAN
20 February 2012

"2011 has been another very successful year."

"Our strategy is working"

Alan Bonner, Chief Executive Officer

Introduction

I am delighted to report that our strategy is working and 2011 has been another very successful year.

Over the last few years, we have seen a convergence of technologies from the IT, data, telecoms and mobile industries, and in 2010, through the leverage of organic opportunities and targeted acquisitions, we set about transforming Pinnacle Telecom Group Plc from a well respected telecommunications service provider, into a converged managed services provider. Convergence in our space is where a combination of multiple technologies comes together in a new form; to create secure, next generation IP based solutions. Where previously separate IT, telecoms, connectivity, mobile, and data services have been merged into a single multi-media solution, we have seen that customers have been able to deliver increased productivity at a much lower cost, which enables them to differentiate themselves from their competitors in their chosen market. The delivery of a single multi-media solution allows us to deliver converged managed services for our customers, specifically tailored to their business needs across their whole organisation.

We are convinced that Pinnacle will continue to differentiate itself through the delivery of our converged managed services strategy and by cross-selling solutions to our customers. In our view, it is not acceptable to promote a single product alone; today's customers demand value for money and search out suppliers who can deliver flexible solutions. Customers are busy and know what they want – namely a supplier who can understand their needs, will evaluate the technology, design, implement and manage a solution that delivers against their objectives.

Strategy

Our strategy is predicated on cross-selling the five elements of our converged managed services offering (as detailed below), and is now delivering positive results. The objective is to cross-sell all of the group's services into our existing customer base, which strengthens our customer's reliance on the company, increases our profit per customer and dramatically decreases the likelihood of our customer's switching to a competitor.

Converged managed services offering

1) Managed Support Services

2) Unified Communications and Collaboration

3) Communications and Mobility

4) Software as a Service (SaaS)

5) Infrastructure services

1) Managed Support Services

Managed Support Services focuses on IT support and consists of five revenue streams, 1) installation and deployment, 2) desktop support, 3) server support, 4) network support and 5) break/fix

We realised that in order to roll out our converged managed services strategy; we needed to increase our IT capability across the group. To this end, we successfully acquired MacLellan IT in August 2011 and followed that with the acquisition of Online Computer Developments in October 2011, these two acquisitions have been integrated into our previous IT business of Explore IT Ltd.

With these recent acquisitions, we have set about increasing our overall IT revenues from the group's customers, and in line with our objectives to move our revenues from being almost exclusively generated from traditional telephony, into revenues generated from a converged managed service offering, 2011 certainly signals a shift in the allocation of business resources to this objective. At 30 September 2011, we have seen a quantum shift in the cost of group resources dedicated to our IT offerings, increasing from £639,855 in 2010 to £1,542,881 in September 2011 and further demonstrates our commitment in this regard. We hope that in 2012, revenues from Managed Support Services will be much closer to the combined revenues from Mobile and Telecoms.

2) Unified communications & collaboration

Unified communications and collaboration consists of six revenue streams, 1) hosted voice (VoIP), 2) conferencing services, 3) call centre applications, 4) inbound call services, 5) mobility solutions, 6) call recording solutions.

In order to deploy our unified communications offering, we acquired Solwise Telephony and Sipswitch in January 2010.

Through successful delivery of our unified communications and collaboration solutions, we earn trust from our customers, which in turn leads to new opportunities for us to supply additional services or bid for new contracts. It is through this cycle that we earn our status as a Trusted Advisor to our customers. We have seen the results of this approach by building solutions for some high profile and prestigious events, including voice and data solutions for the UK General Election and Papal Visit in 2010 and of course the Royal Wedding in 2011.

3) Connectivity and mobility

Pinnacle's heritage is in connectivity and mobility, which consists of seven revenue streams. 1) Broadband services, 2) MPLS, 3) Ethernet, 4) SIP Trunks, 5) Voice minutes, 6) fixed line rental, 7) mobile services

Whilst on the face of it there seems little to measure between competing offerings in a crowded market, in the area of connectivity and mobility, we challenge the bigger players through our value proposition and have increased revenues whilst maintaining margins. For us to deliver solutions in this way, we need exceptional people and robust vendor relationships. We also need a deep understanding and control of the underlying technologies that come together to make the connectivity solution. Our preference is to own the solution from end-to-end, but where we do have to partner; we make sure that we select only the best vendors, those who can support us to deliver a seamless service to the customer.

4) Software as a Service (Saas)

SaaS is the new world of cloud computing, it allows us to leverage our data centre assets and deliver recurring revenue, which is derived from monthly subscriptions by customers having access to software applications that are hosted in the cloud and residing in our data centres. There are eight revenue streams to our Saas offering; 1) Security, 2) Digital content; 3) Vertical markets, 4) CRM, 5) Business process, 6) Supply chain, 7) Business intelligence, 8) Business productivity suites.

Buoyed by lower start-up and maintenance costs compared to on-premises application deployments, as well as the ability to distribute and share applications and documents through the cloud, businesses appetite for SaaS applications is increasing and will become a large percentage of the group's turnover over time, particularly in the hosted desktop and CRM space.

5) Infrastructure Services

Infrastructure services are another opportunity for us to leverage our data centre assets. Consisting of the following four revenue streams; 1) Colocation and hosting, 2) Platforms as a service (PaaS), 3) Infrastructure as a Service (IaaS), 4, Data security – data backup, disaster recovery, business continuity.

A good example of leveraging our data centre assets is the acquisition of an IP CCTV business we made in July 2011. The UK CCTV market was an area that we felt we needed to break into because we see it as essentially an ISP business, this allows us to host the required IP CCTV hardware in our data centres at no extra cost to the company.

Most businesses demand round the clock CCTV surveillance from external monitoring companies and it was these monitoring companies that we sought to target as we entered this new service area. However, the key differentiator for us was service resilience. By offering a reliable IP connection with failsafe technology to 2G and 3G as a backup, we have developed a unique and innovative solution, combining IP and 2G/3G data into a single solution with seamless automatic failover. We now deliver a completely outsourced remote security and surveillance service, sending threat alerts back to the control centre. With this offering, we now supply Sotheby's, Unipart and Hilton Hotels to name but a few and look to develop these services further during the coming months and years.

Our strategy of cross-selling our customers the five elements of our converged managed services, differentiates us from our competitors who in the main only sell products. We sell solutions, a mutually agreed-upon answer to a customers' problem with measurable, often transformational improvements.

Growth

By effectively executing our strategy, we managed to follow up on the success of last year and more than doubled the maiden operating profit we achieved in 2010 (before amortisation and exceptional costs), delivering £165,299 for the year to 2011 (2010: £78,647). There is often a balance for a growing company like ours, between profit preservation and investment in growth, but I am satisfied that we have achieved a good mix and believe we have given ourselves a solid base on which to grow in 2012.

In 2011 we achieved revenue growth of 29% over the previous year, delivering £8,522,079 of sales for the period. With 84% of turnover now coming from monthly recurring contracts, this stable and recurring revenue base allows us to grow the business in other more opportunistic and one-off areas, such a government contracts, education, health and the financial and professional service sectors. Of course, we always look to supplement one-off sales with new and ongoing contracts for support, maintenance and professional services, however, as we execute our plan to cross-sell converged managed services for our customers, I would expect to see the volume of recurring revenues grow overall, but I also expect to see the percentage of non-recurring revenues increase in 2012.

2011 has also been another very successful year from our telecommunications revenues, which grew by a further 33% over 2010 levels to just under £7m. Much of this increase in turnover was as a result of further developing our partnership with the BBC, other world broadcasters, media and event companies.

2011 year saw our revenues from mobile sales fall 15% on 2010 levels, down to £565,460 from £663,551 in 2010. This reflects the overall reduction seen in the commercial terms being offered to business partners from the mobile networks, plus a general fall in mobile hardware refresh rates from our customers. Mobile network providers have also moved away from connection bonuses, onto a longer-term revenue share model, which realigns our sales efforts and rewards high retention rates.

Gross margin from revenues fell from 30.4% in 2010, to 28.9% in 2011, in the main; this was due to lower margins from inbound non-geographic numbers, which followed a reduction in call rates to 0845 and 0870 numbers. Overall though, with the introduction of higher margin professional service revenues towards the later part of 2011 and continuing into 2012, we expect to be able to maintain regular margins in excess of 30% on an ongoing basis.

In 2011, due to an increase in headcount as a result of recent acquisitions, we saw a 14% increase in Administration Expenses of £288,420 over 2010. As business customers increasingly adopt converged technologies, combining telephony and IT into a single managed solution, we recognise the importance of increasing our intellectual capital as an organisation. Our sales effort stretches across the UK and we increasingly need technical staff to support our customer solutions across the country. We have seen that the SME market prefers to outsource IT and technical development of their business systems to specialist managed service providers such as Pinnacle and it is this space that we seek to develop further.

It is a testimony to the staff within Pinnacle that since September 2009, we have achieved 266% increase in revenues with only a 52% increase in Administration Expenses over the same period.

We still strive to achieve our first overall positive profit before tax, but the amortisation of acquired intangible assets as a result of growing partly through acquisition, creates a challenge in that respect. Nonetheless, we remain convinced that a strategy of acquiring complementary products, people and innovation into the group at the right price delivers enhanced shareholder value.

Customer Retention

We strive for excellence in our service delivery whilst constantly looking to improve the way we do business; this approach enables us to increase the value in our service offering, and in this way, we successfully punch above our weight and win business from much larger competitors. However, we never underestimate the importance of excellent customer account management, and retention is a key area of focus within a service sector like ours. We regularly monitor the retention of customers on a monthly basis. For a business like ours, where we always look to cross-sell multiple product solutions to our customers, this is an important measure of our success and client surveys give us valuable insight into our customer experience.

Each year as part of the audit, we are required to look in detail at the performance of acquired customers who have come into the group. This year and for the second year running, as a result of buying additional products and services from other group companies, we have seen that customer bases acquired in 2009 and 2010 have actually increased their overall revenue with the group. This most recent customer retention review prompted us to amend our intangible asset amortisation policy for acquired customer bases post September 2008, as the Directors felt that writing the value of these customer bases down to the profit and loss account over a period of five years was too aggressive, given the actual positive retention rates seen. We have therefore, chosen to amortise the remaining value of customer bases and intellectual property acquired since September 2008 over the maximum allowed of ten years. This change reduced the amortisation charge in the period by £82,702.

As our strategy of cross-selling the five elements of our converged managed services proposition takes hold, it is becoming more and more common for customers to take service from many areas of our offering within three years of joining us. This is testimony to our account management and customer service efforts. Cross-selling increases our profit per customer and dramatically decreases the likelihood of our customer's switching to a competitor, thereby improving our customer retention.

Acquisitions

It has been a successful year on the acquisition front, the range of products and services that we now have in our portfolio allows us to offer converged managed solutions, covering all areas of design, implementation, training and ongoing management. We have a track record of successfully integrating acquisitions into the group and these additions further increased the group's intellectual capital and technical service offering. We are fortunate to have assembled such a great team of skilled and motivated individuals.

The acquisition of an IP CCTV business in July 2011 allowed us to break into the CCTV market. In 2010, the value of the CCTV market is believed to have increased by an estimated 3% to £1.2bn. We see IP CCTV as essentially an ISP business; this allows us to host the required IP CCTV hardware in our data centres at no extra cost to the company.

The acquisitions of MacLellan IT Limited and Online Computer Developments Limited in August 2011 and October 2011 respectively, were important milestones. It is one thing to develop and sell innovative technical solutions to our customers, but the implementation and post-sales support of these solutions is arguably the most important value added service. These acquisitions brought us a solid base of technical staff with a wide range of desktop, server and virtualisation experience. All our research shows that these are the areas where customers will increase spend over the next five years. Equally important, these acquisitions give us a strong foothold in the IT services market in Scotland, expanding our reach across Glasgow, Edinburgh and Fife, from our offices in Paisley, Glasgow and Dunfermline. This puts us in the right place, working hand in hand with our customers to deliver new technologies into their business as they grow and granting us trusted advisor status with all of our customers.

This move to develop IT revenues by your Company does not mean that we have forsaken our traditional telephony background. We are experts in connectivity and voice solutions. It is this experience gained over many years, which when coupled with our IT expertise, puts us in first place to cross-sell converged managed solutions to the UK business community. There is no sign that revenues in the telephony sector will disappear, although ultimately, over the next ten years, we do see most companies moving from traditional voice, to voice over IP solutions. For us, traditional telephony is the cash generative elder in our portfolio of services and gives us the free cash flow to invest in new and emerging solution based revenues.

On the 9th October 2011, we successfully completed the acquisition of RMS Managed ICT Security Limited ("RMS"), which was recently voted McAfee Partner of the Year and can boast a customer base of some of the most prestigious and well-respected organisations in the world. These larger corporate customers trust and rely on RMS to deliver and manage their security solutions and lock down their networks from attack. We are truly delighted to have secured this acquisition, RMS has a very different customer profile to the rest of the group companies and we see this as an opportunity to develop high-end cross-selling opportunities of the enlarged customer portfolio into this sector.

Whilst a large percentage of the RMS revenues come from recurring security software solutions, our value-add in this growing market is professional services. We differentiate in this area through our expertise from pre-sale design, through to regular health-checks, audits, stress testing, ongoing training and service management. We invest a lot of business resources to ensure sure that our engineers are fully accredited and trained in all current and developing technologies, and our relationship with our Vendor partners is key in this respect.

Whilst I expect to grow revenues organically, we will continue to seek out well-priced and timely acquisitions in synergistic markets to help underpin our organic growth efforts.

High-Profile Contracts

This year saw us deliver connectivity solutions to over 170 media events across the UK, supporting broadcasts to countries all over the world. None were more memorable than the voice and data broadcasting solutions we supplied for the Royal Wedding in April 2011. This event captured the hearts of the nation and enthralled the rest of the world in a display of true British ceremony. It was a major contract win for us and whilst it was extremely high-profile, it came with no margin for error. For the BBC, CNN (USA), Seven Network (Australia) and Global Television Network (Canada), we supplied services opposite Buckingham Palace at Canada Gate, the Mall and Horse Guards Road, along Whitehall and Downing Street and opposite Westminster Abbey. I am extremely proud of the solution that we delivered at this historic event. I am delighted to report that the solutions we deployed were delivered without a glitch.

This year also saw us move into data and connectivity market for UK sporting events with the development of a new relationship with IMG Media ("IMG"). IMG is the world's largest independent producer and distributor of sports programming. For IMG in 2011 we delivered for voice and data networks for The Women's Golf Open at Carnoustie, the Dunhill Links Championship at Carnoustie, St Andrews and Kingsbarns, and the Johnnie Walker Classic Championship held at Gleneagles.

We expect to continue to win contracts of this nature and were delighted to announce (post year-end) our involvement in the London 2012 Olympic and Paralympic Games.

Summary

In summary, 2011 has been another very successful year.

We have progressed with our strategy to build a converged managed services business of scale, by cross-selling our customers the five elements of our converged managed services proposition and we are now starting to see positive results coming through.

In the year ended 30 September 2011, we increased our operating profit by 110%, EBITDA by 67%, gross profit by 18% and turnover by 29%. We have now delivered 740% growth in turnover since 2007 and at the same time enhanced shareholder value.

In July we acquired the Business and Assets of an IP CCTV business delivering combined resilient and "always on" IP and 3G connectivity, for high-profile IP CCTV monitoring. We now supply companies such as Sotheby's, Unipart and Hilton Hotels. In August we acquired the Business and Assets of MacLellan IT Limited, a well established profitable IT company for 186,046,491 shares at a premium of 58% per share, equivalent to £669,767. MacLellan are delivering increased IT consultancy and support revenues in Scotland.

We continue to supply the BBC with voice and data services for high-profile and prestigious events, delivering solutions to over 170 media events in 2011, which included the Royal Wedding. We also have confirmed orders in place for the London 2012 Olympic and Paralympic Games, supporting the BBC as the host broadcaster to the world's media.

As a small company surrounded by industry giants, we continually punch above our weight and I would like to take this opportunity to thank each and everyone who contributed to the result in 2011. We can be extremely proud of the solutions that have been deployed and the service we deliver to our customers.

Importantly however, whilst the period to 30th September 2011 has been a very successful year, we have made significant progress post year-end. Our strategy is working and I look forward to further updating you of our progress as the year unfolds.

Alan J Bonner
CHIEF EXECUTIVE OFFICER
20 February 2012

CONSOLIDATED INCOME STATEMENT

for the year ended 30 September 2011

	Note	Year ended 2011 £	Year ended 2010 £
Revenue	3	8,522,079	6,608,533
Cost of sales		(6,057,550)	(4,519,076)
Gross profit		2,464,529	2,089,457
Administrative expenses		(2,299,230)	(2,010,810)
Operating profit before amortisation of intangibles and exceptional costs.		165,299	78,647
Share of profit/(loss) from associate		8,684	(1,830)
Exceptional costs relating to acquisition		(23,031)	(18,216)
Embedded fair value adjustment in convertible loan		(10,062)	(8,467)
Amortisation of intangibles		(239,195)	(296,206)
Operating loss	4	(98,305)	(246,072)
Interest receivable		349	3
Interest payable		(19,360)	(22,495)
Finance costs		(19,011)	(22,492)
Loss before tax		(117,316)	(268,564)
Taxation		(997)	18,904
Loss for the period from continuing operations		(118,313)	(249,660)
Discontinued operations			
Loss for the period from discontinued operations		(71,980)	(21,079)
Loss for the year		(190,293)	(270,739)
Loss per share			
- basic and fully diluted - continuing		(0.01)p	(0.01)p
- basic and fully diluted - discontinued		0.00p	0.00p
- basic and fully diluted - total		(0.01)p	(0.01)p

CONSOLIDATED INCOME STATEMENT (CONTINUED)

for the year ended 30 September 2011

Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)	Year ended 2011	Year ended 2010
	£	£
Operating loss	(98,305)	(246,072)
Add back amortisation	239,195	296,206
Add back depreciation	108,990	99,244
EBITDA for the year	249,880	149,379

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September 2011

	Year ended 2011	Year ended 2010
	£	£
Loss for the year from total operations	(190,293)	(270,739)
Total comprehensive negative income for the year	(190,293)	(270,739)
Attributable to equity holders of the parent	(190,293)	(270,739)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2011

	Note	2011 £	2010 £
Non-current assets			
Intangible assets		1,267,813	859,217
Investments in Associated Companies		176,559	167,875
Research and Development Asset		220,544	195,834
Property, plant and equipment		166,989	136,244
Total non-current assets		1,831,905	1,359,170
Current assets			
Inventories		97,661	73,190
Trade and other receivables		1,576,303	1,220,871
Cash and cash equivalents		452,431	697,189
Total current assets		2,126,395	1,991,250
Total assets		3,958,300	3,350,420
Liabilities			
Short term borrowings		(9,976)	(27,115)
Trade and other payables		(1,092,069)	(968,006)
Other taxes and social security costs		(170,162)	(176,814)
Accruals and other payables		(844,071)	(649,614)
Total current liabilities		(2,116,278)	(1,821,549)
Non-current liabilities			
Long term borrowings		(28,882)	(209,128)
Total liabilities		(2,145,160)	(2,030,677)
Net assets		1,813,140	1,319,743
Equity			
Share capital		5,667,056	5,481,009
Share premium account		4,044,052	3,560,331
Merger reserve		283,357	283,357
Other reserve		38,948	25,026
Fair value adjustment		(1,064,130)	(1,064,130)
Profit and loss reserve		(7,156,143)	(6,965,850)
Total equity		1,813,140	1,319,743

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2011

	Share capital	Share premium	Merger Reserve	Other reserve	Fair value	Retained earnings	Total
At 1 October 2009	5,316,488	3,238,902	114,392	11,104	(1,064,130)	(6,695,111)	921,645
Loss and total comprehensive loss for the period and expense for the period	-	-	-	-	-	(270,739)	(270,739)
Transactions with owners							
Share Issue	164,521	-	-	-	-	-	164,521
Share based payments	-	-	-	13,922	-	-	13,922
Premium on Share Issue	-	321,429	168,965	-	-	-	490,394
Total Transactions with owners	164,521	321,429	168,965	13,922	-	-	668,837
Total movements	164,521	321,429	168,965	13,922	-	(270,739)	398,098
Equity at 30 September 2010	5,481,009	3,560,331	283,357	25,026	(1,064,130)	(6,965,850)	1,319,743
At 1 October 2010	5,481,009	3,560,331	283,357	25,026	(1,064,130)	(6,965,850)	1,319,743
Loss and total comprehensive loss for the period and expense for the period	-	-	-	-	-	(190,293)	(190,293)
Transactions with owners							
Share Issue	186,047	-	-	-	-	-	186,047
Share based payments	-	-	-	13,922	-	-	13,922
Premium on Share Issue	-	483,721	-	-	-	-	483,721
Total Transactions with owners	186,047	483,721	-	13,922	-	-	874,199
Total movements	186,047	483,721	-	13,922	-	(190,293)	493,397
Equity at 30 September 2011	5,667,056	4,044,052	283,357	38,948	(1,064,130)	(7,156,143)	1,813,140

Note

* *Represents the difference between the fair value of the customer base measured using IFRS2 and the actual consideration paid for the assets of the business.*

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 September 2011

	2011 £	2010 £
Cash flows from operating activities		
Loss before taxation	(117,316)	(268,564)
Adjustments for:		
Depreciation	108,990	99,244
Amortisation	239,195	296,206
Share of (profit)/loss from associate	(8,684)	1,830
Share option charge	13,922	13,922
Fair value adjustment for convertible loan	10,062	8,467
Interest expense	19,011	22,492
Payment of corporation tax	(997)	-
Increase in trade and other receivables	(318,467)	(216,973)
Increase in inventories	(24,471)	(42,445)
Increase/(decrease) in trade payables, accruals and other creditors	104,507	(68,556)
Net cash flow from operating activities	25,752	(154,377)
Cash flows from discontinued activities		
Loss of discontinued activities before taxation	(71,980)	(21,079)
Cash flows from investing activities		
Acquisition of business assets, net of cash acquired	(45,000)	(20,525)
Capitalisation of Software Development costs	(68,000)	
Purchase of property, plant and equipment	(30,274)	(93,377)
Interest received	349	3
Net cash used in investing activities	(142,925)	(113,899)
Cash flows from financing activities		
Issue of shares	-	450,000
Repayment of convertible loans	(5,000)	-
Payment of finance lease liabilities	(31,245)	(23,703)
Interest paid	(19,360)	(22,495)
Net cash from financing activities	(55,605)	403,802
Net (decrease)/increase in cash	(244,758)	114,447
Cash and cash equivalents at beginning of period	697,189	582,742
Cash and cash equivalents at end of period	452,431	697,189
Cash and cash equivalents comprise:		
Cash and cash equivalents	452,431	697,189
Bank overdrafts	-	-
	452,431	697,189

NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS

1. General information

Pinnacle Telecom Group plc ("the Company") and its subsidiaries (together "the Group") provide telecommunications and IT Solutions to businesses within the United Kingdom. The Company is a public limited company which is listed on the AIM market of the London Stock Exchange and is incorporated in the United Kingdom under the Companies Act 2006. The address of its registered office is 5 Fleet Place, London, EC4M 7RD.

The financial information presented in this preliminary announcement is extracted from, and is consistent with, the Group's audited financial statements for the year ended 30 September 2010. The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

The financial information set out above does not constitute the Company's statutory financial statements for the period ended 30 September 2011 or 30 September 2010 but is derived from those financial statements. Statutory financial statements for 2010 will be delivered following the Company's annual general meeting. The auditors have reported on those financial statements; their report was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The Group's results have been prepared in accordance with International Financial Reporting Standards (IFRS) 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 preliminary announcement has been agreed with the company's auditors for release.

2. Acquisitions

2.1. Acquisition of Multilayer Limited

On 7 July 2011, Pinnacle Telecom Plc acquired the customer agreements and intellectual property rights residing in Multilayer Limited for a total consideration of £45,000 in cash. The acquisition of this IP CCTV business allowed the Group to enter the CCTV market at low cost and enhances the offering to Group customers. 100% of the consideration relates to the customer base and was satisfied in full prior to 30 September 2011. Exceptional costs in relation to the transaction were £3,081.

In the twelve months prior to acquisition, Multilayer Limited generated IP CCTV revenues of £106,957, but was loss making. Following the successful integration of the core IP technology into the Paisley Data Centre, this business is cash generative. As a result of this acquisition, the IP CCTV customer base generated revenues of £26,529 between 7 July 2011 and 30 September 2011.

It is not possible to separately identify the revenues, costs and operating profits of the assets acquired with any degree of certainty, for the period 1 October 2010 to 6 July 2011 for disclosure under IFRS3(R) as only part of the trading assets of Multilayer Limited were acquired by the Group.

2.2. Acquisition of MacLellan IT Limited

On 1 August 2011, the Group acquired the business and assets of MacLellan IT Security Limited for a total consideration of £669,767 satisfied by the issue of 186,041,491 ordinary shares at a price of 0.36p per share, being the mid-market price per share at the close of business on 29 July 2011. The sellers are unable to dispose of any shares, subject to certain exceptions, until a 20 month period has elapsed after completion.

The acquisition delivered a solid base of technical staff with a wide range of desktop, server and virtualisation experience to allow the Group's to further develop its plan of cross-selling reciprocal business into the customer base.

The total purchase price of £669,767 was allocated as £602,791 for the intangible asset relating to the customer base, £60,279 for the intellectual property rights relating to the Mainstay leisure management application, £5,893 relating to tangible fixed assets and £804 to stock items. Exceptional costs in relation to the transaction were £12,450.

As a result of this acquisition, the MacLellan IT customer base generated revenues of £132,214 between 1 August 2011 and 30 September 2011. It is not possible to separately identify the revenues, costs and operating profits of the assets acquired with any degree of certainty, for the period 1 October 2010 to 31 July 2011 for disclosure under IFRS3(R) as only part of the trading assets of MacLellan IT Limited were acquired by the Group.

3. 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 Company has determined its operating segments based on these reports.

The Group currently has three reportable segments:

- Mobile services – this segment provides a range of mobile services and solutions to micro and SME companies.
- IT – this segment provides a wide range of IT focused solutions to both SME and middle market companies, including Voice over IP ('VoIP') implementations.
- Other – this sector covers a range of telecommunications services including calls and line rental.

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. Segment EBITDA is used to measure performance as 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 three 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 assets and liabilities of the Group are also reviewed by the chief operating decision-maker 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.

3.1 Analysis of revenue

	2011	2010
	£	£
By business sector		
Mobile services	565,460	663,551
IT	1,042,036	742,070
Other telecommunications services	6,914,583	5,202,912
Continuing operations	8,522,079	6,608,533
Total revenue	8,522,079	6,608,533
By destination		
United Kingdom	8,522,079	6,608,533
Total revenue	8,522,079	6,608,533

	2011	2010
By origin	£	£
Continuing operations		
Pinnacle Telecom plc	1,538,436	1,327,003
Accent Telecom UK Limited	4,890,938	3,504,104
Solwise Telephony Limited	1,294,080	1,008,372
Pinnacle Cloud Solutions Limited (formerly Glen Communications Limited)	798,625	48,295
Other group companies	-	720,759
	8,522,079	6,608,533
Total revenue	8,522,079	6,608,533

	2011	2010
By recurring nature		
Recurring - continuing operations	7,142,835	5,343,492
Non-Recurring - continuing operations	1,379,244	1,265,041
	8,522,079	6,608,533
Total revenue	8,522,079	6,608,533

3.2 Analysis of net loss after tax

	2011	2010
3.2.1 By business sector	£	£
Mobile services		
Profit from operations before amortisation	38,241	46,083
IT		
Loss from operations before amortisation	(10,613)	(55,379)
Amortisation	(54,789)	(54,789)
Loss from operations after amortisation	(65,402)	(110,168)
Other telecommunications services		
Profit from operations before amortisation	487,162	372,788
Amortisation	(184,406)	(241,417)
Profit from operations after amortisation	302,756	131,371
Head office	(393,908)	(316,946)
Continuing operations	(118,313)	(249,660)
IT - discontinued operations	(71,980)	(21,079)
Total losses	(190,293)	(270,739)

	2011	2010
	£	£
3.2.2 By destination		
United Kingdom	(190,293)	(270,739)

	2011	2010
	£	£
3.2.3 By origin		
Pinnacle Telecom plc	127,755	163,897
Accent Telecom UK Limited	469,557	155,529
Solwise Telephony Limited (13 January to 30 September)	(84,143)	60,754
Pinnacle Cloud Solutions Limited (formerly Glen Communications Limited)	4,462	(34,866)
Head Office and other group companies	(396,749)	(372,765)
Profit from continuing operations before exceptional items	120,882	46,546
Amortisation	(239,195)	(296,206)
Eclectic Group Limited and I G Software Limited - discontinued operations	(71,980)	(21,079)

Total losses	(190,293)	(270,739)

3.2.4 By recurring nature	2011 £	2010 £
Recurring - continuing operations	82,949	94,146
Non-Recurring - continuing operations	37,933	(47,600)
Profit from continuing operations before exceptional items	120,882	46,546
Amortisation	(239,195)	(296,206)
Non-Recurring - discontinued operations	(71,980)	(21,079)
Total losses	(190,293)	(270,739)

3.3 Analysis of assets and liabilities

	Mobile	IT	Other telecommunications services	Discontinued operations	Total
Assets					
Intangible assets	-	783,085	484,728	-	1,267,813
Investments in Associated Companies	-	176,559	-	-	176,559
Property, plant and equipment	-	329,074	58,459	-	387,533
Total non-current assets	-	1,288,718	543,187	-	1,831,905

	Mobile	IT	Other telecommunications services	Discontinued operations	Total
Current assets					
Inventories	-	34,653	63,008	-	97,661
Trade and other receivables	52,053	386,431	1,137,819	-	1,576,303
Cash and cash equivalents	33,503	53,219	365,469	240	452,431
Total current assets	85,556	474,303	1,566,296	240	2,126,395
Total assets	85,556	1,763,021	2,109,483	240	3,958,300
Liabilities					
Short term borrowings	-	-	(9,976)	-	(9,976)
Trade and other payables	-	(240,325)	(833,659)	(18,085)	(1,092,069)
Other taxes and social security costs	-	(56,844)	(113,128)	(190)	(170,162)
Accruals and other payables	(9,032)	(113,480)	(589,306)	(132,253)	(844,071)
Total current liabilities	(9,032)	(410,649)	(1,546,069)	(150,528)	(2,116,278)
Total non-current liabilities	-	-	(28,882)	-	(28,882)
Total liabilities	(9,032)	(410,649)	(1,574,951)	(150,528)	(2,145,160)
Net assets / (liabilities)	76,524	1,352,372	534,532	(150,288)	1,813,140

4. Operating loss

	2011 £	2010 £
Loss from operations is stated after charging:		
Depreciation of owned fixed assets	108,990	99,244
Other operating lease rentals:		
– buildings	52,440	57,837
Auditors' remuneration: - audit of parent company	10,000	7,000
- audit of subsidiary companies	24,650	23,000

5. Total and continuing loss per share

	2011 £	2010 £
Loss attributable to ordinary shareholders – continuing operations	109,657	249,660
Loss attributable to ordinary shareholders – discontinued operations	71,980	21,079
Loss attributable to ordinary shareholders	181,637	270,739
	Number	Number
Weighted average number of ordinary shares in issue	1,898,436,808	1,732,688,226
Loss per share (pence) – continuing operations	0.01	0.01
Loss per share (pence) – discontinued operations	0.00	0.00
Loss per share (pence) – total	0.01	0.01

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

The weighted average number of outstanding shares used for basic earnings per share amounted to 1,898,436,808 shares (2010: 1,732,688,226) following the issue of 186,046,491 shares as part of the acquisition of MacLellan IT Limited on 1 August 2011. Due to the losses incurred by the Group the share options are anti-dilutive.

6. Post balance sheet events

6.1 Acquisition of Online Computer Developments Limited

On 6 October 2011, the Company acquired the entire share capital of Online Computer Developments Ltd ("OCD"), a provider of IT solutions to SME and mid-market customers in Scotland. The business was formed in 1994, and forms a key part of Pinnacle's strategy to build out its IT capability, enabling faster delivery of its cloud services proposition. The initial consideration of £20,000 was satisfied as £2,000 in cash on completion and £18,000 in convertible loan notes. In accordance with the provisions of the loan notes, the full loan note holdings were subsequently redeemed for cash at par value on 31 October 2011 and the loan notes cancelled.

The sale and purchase agreement allowed for further deferred consideration to be paid, calculated in accordance with certain growth performance provisions for OCD for the year ending 30 September 2012, which allows the vendors to receive additional consideration of £90,000 of the Group's ordinary shares. Deferred consideration will be satisfied by the issue to the Vendors of 15,789,474 Ordinary Shares in the Group at a price per share equal to 0.57p, credited as fully paid and ranking pari passu with the ordinary shares in existence at completion of the acquisition. Any shares issued pursuant to the Deferred Consideration may not be sold within 24 months of those shares being issued to the seller.

In the year ended 28 February 2011, OCD achieved unaudited IT support and hardware revenues of £627,215 with gross profit of £438,751 and a net profit after tax and before dividends of £68,840. On 28 February 2011, the company had net assets of £437.

Due to the proximity of this acquisition to the date of the financial statements, it is not practical to accurately determine the fair value of the identifiable assets acquired at this stage. These values will be considered in due course.

6.2 Acquisition of RMS Managed ICT Security Limited

On 10 October 2011, the Company acquired the entire share capital of RMS Managed ICT Security Limited ("RMS"), a leading provider of IT security software and consultancy solutions to the mid-market and public sector markets, for a total consideration of £468,301. The acquisition of RMS provides the Group with IT security expertise, a key part of the Group's strategy to build out its cloud services proposition.

At completion initial consideration of £25,000 was satisfied in cash along with the issue of a two year interest bearing convertible loan note for the value of £100,000. In addition, the agreement provided for additional deferred payments totaling £343,301in cash to be satisfied between 31 October 2011 and 25 December 2014.

RMS was incorporated in November 2010, following the management buyout of the IT Security element of Redstone Managed Services Solutions Limited, and has subsequently not yet prepared full financial statements. The unaudited management accounts for the nine-month period ending 31 August 2011, shows revenues of £2,873,235 with a gross profit of £885,706 and a net loss before tax of £577,939. The unaudited management accounts for the nine month period ended 31 August 2011 show that RMS had negative net assets of £567,939 including non-current liabilities greater than 12 months totaling £526,864. Due to the proximity of this acquisition to the date of the financial statements, it is not practical to accurately determine the fair value of the identifiable assets acquired at this stage. These values will be considered in due course.

7. Dividends

The Directors do not propose a dividend for the year ended 30 September 2011 (2010: £Nil)

8. Annual report and accounts

A copy of the Annual Report and Accounts for the year ended 30 September 2011 will be sent to shareholders at the beginning of March 2012 and copies will be available from the Company's registered office at 5 Fleet Place, London, EC4M 7RD or by visiting our website at www.pinnacletelecomgroup.co.uk

The annual general meeting of the Company will be held at the offices of Wright, Johnston & MacKenzie LLP, 18 Charlotte Square, Edinburgh, EH2 4DF on Thursday 29 March 2012 at 11:30 am.