

**Pinnacle Technology Group plc ("Pinnacle" or the "Company")
Interim Results for the six months ended 31 March 2013**

Pinnacle Technology Group plc (AIM: PINN), the AIM listed, IT Managed Services provider, today announces its unaudited interim results for the six months ended 31 March 2013.

Financial Summary	Unaudited 6 months to 31 Mar 2013	Unaudited 6 months to 31 Mar 2012
	£	£
Revenue	5,364,034	6,383,187
Gross Profit	1,599,449	2,003,151
Adjusted EBITDA*	(84,004)	115,234
Cash	2,134,098	298,727
Net Assets	3,372,718	1,779,581
Exceptional one-off costs relating to acquisitions	(100,623)	(284,416)

Operational Highlights

- Recurring revenues remain high at 87%, providing strong base for the Company (H1 2012: 86%)
- Successful placing in February 2013 raising £2.65m
- Share consolidation of 1 (new share) for 100 (old shares) completed on April 15th 2013
- Investment in sales team begun following the placing
- Appointments to the Board of Dr James Dodd (Non-Executive Chairman) and Dr Tom Black (Non-Executive Director)
- Appointment of a Sales Director and a Customer Experience and Organisational Development Director

Commenting on the results, Alan J Bonner, the Pinnacle CEO stated:

“Pinnacle’s previous eight acquisitions are fast becoming a fully integrated business, with a tightly unified organisation and management structure, a single brand, and a clear strategic focus on delivering sales growth. Challenging trading conditions, a lower level of high-profile event related activity, and a reduction in the number of IT Security projects impacted the results in this half year. However, our high levels of recurring revenue, new, stronger Non-Exec Board, strengthened senior management team, and the financial support in the form of a £2.65m placing from City Institutions, mean we look to the future with great optimism.”

*Adjusted EBITDA is measured as Earnings before interest, taxation, depreciation, amortisation of intangibles, exceptional costs relation to acquisition costs, share of results of associates and the embedded fair value adjustment in the convertible loan.

H1-12 = the half-year ended 31 March 2012, H2-12 = the six months ended 30 September 2012, H1-13 = the half-year ended 31 March 2013

All Company announcements & news can be found on <http://www.pinn.uk.com>

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Notes to editors

About Pinnacle

Pinnacle Technology Group plc (AIM: PINN), is an IT Managed Services Provider, focused on the business market across the UK. Driven by leveraging organic opportunities as well as through targeted acquisitions, Pinnacle provides a wide range of converged managed solutions including Managed IT Support Services, Unified Communications and Collaboration, IT Security Solutions, Connectivity and Mobility, Software as a Service (SaaS) and Infrastructure services.

Broad experience, innovation and impartial expertise put Pinnacle in the best place to design and deliver cost effective new technology solutions for its customers. Pinnacle work with some of the most prestigious organisations in the UK, who rely on us to deliver robust technical solutions that deliver value.

Pinnacle is a fully licensed Public Telephone Operator, has its own telephone network and interconnects with BT, Cable and Wireless and Virgin Media. It has its own hosted voice (VoIP) platforms and engineers and owns Scotland's oldest ISP and a founder member of Nominet, operating from data centres in Edinburgh, Glasgow, London and Brighton.

CHAIRMAN'S STATEMENT

I am delighted to be joining Pinnacle at this key stage in its development as Chair of a recently refreshed Board and newly strengthened management team. Also, I am happy to welcome a select group of City Institutions as new shareholders who have clearly expressed support for the Group, its management and strategy.

After several years of rapid growth, including a number of acquisitions, the Group has established a broad portfolio of offerings. However, figures for the six months to March 2013, reflect the challenging trading environment in several of the Group's divisions. Both the Board and management team are now focused on delivering profitable growth from our expanded platform.

The Group is in a stable financial condition having recently conducted a successful fund raising and is now engaged in a programme of appropriate investments to deliver growth in the future.

I, together with the Board and management team, am fully committed to growing Pinnacle by investing further in delivering innovative solutions and providing an unrivalled customer experience, leading to a growing take up of our extensive product portfolio by our customers.

Dr James Dodd
CHAIRMAN

6 June 2013

BUSINESS REVIEW

Strategy

Prior to Pinnacle's involvement on the AIM Market in June 2007, we had a four-phase plan:

- Phase 1 Join AIM through IPO or other means (we chose Glen Group plc);
- Phase 2 Acquire the companies, vendor agreements, intellectual property and talent, to build our own Managed Services Platform for growth, focusing on the high growth areas of IT security, IT Services, Cloud and Data solutions, Mobility and Telecommunications Connectivity.
- Phase 3 Aggregate our customers' services onto Pinnacle's platform (those services which we offer our customers, but are purchased by our customers from our competitors). This would be delivered as a result of cross-selling the enlarged Group's services to our existing customer base.
- Phase 4 As a result of aggregating all our customers' services onto Pinnacle's Managed Services Platform, deliver new technology-based solutions that drive business transformation, agility, speed to market, and cost reduction for our customers.

We have now entered phase three of our four-phase strategy. The phase three objective is to cross-sell the Group's services into our existing customer base, strengthening our customers' reliance on Pinnacle, increasing our profit per customer and the 'stickiness' of our services. Our strategy is predicated on cross-selling the elements of our converged managed services offering, which, put simply, means selling more services to our existing customers. Currently, on average, our customers buy 1.4 services of the several services available from Pinnacle, which represents a huge growth opportunity for the Company.

Cash

We exited the half year to 31 March 2013 in a very strong financial position, having secured £2.65m of cash following new share issues on 06 February 2013, which saw a Group of leading City institutions, investing in Pinnacle's growth strategy. Our strategy is designed to mitigate customer risk, strengthen customer relationships and ensure continuing high quality and visibility of earnings.

Financial Summary

The 6 month period ended 31 March 2013 has seen stable turnover, but without the additional high-profile revenues of last year's Queen's Diamond Jubilee celebrations and the 2012 London Olympic and Paralympic Games.

Analysis of revenue	6 months to Mar-13 £	6 months to Sep-12 £	6 months to Mar-12 £	12 months to Sep-12 £
By business sector				
IT Services	745,224	731,655	724,408	1,456,063
IT Security Solutions	1,397,246	1,653,204	2,076,436	3,729,640
Cloud Services and Data Connectivity	1,093,475	1,809,374	1,120,962	2,930,336
Telecommunication Services	1,853,285	1,859,832	2,195,873	4,055,705
Mobility Solutions	274,804	273,194	265,508	538,702
Continuing operations	5,364,034	6,327,259	6,383,187	12,710,446

87% of revenues are now recurring and renewable (H1 - 2012 86%).

IT Services

Revenue from IT Services for the 6 months to 31 March 2013 was £745,224 (H1-2012 £724,408), representing 14% of revenues (H1-2012 11%). An increase of £20,816 compared with the equivalent six months. Customers buying IT support services across Scotland increased 8% to 149 in the last 12 months, who are now supported by 16 IT Services staff. The IT Services segment has seen excellent customer retention, with 98% of customers continuing their IT Service support contracts at renewal. This provides us with a solid platform from which to cross-sell our additional services.

IT Security Solutions

Revenue from IT Security Solutions for the 6 months to 31 March 2013 was £1,397,246 (H1-2012 £2,076,436), representing 26% of revenues (H1-2012 33%). A revenue decrease of £679,190 compared with the equivalent six months, which was as a result of headcount reductions and one-off revenues from a large local government project in the comparable period.

After the extensive rationalisation required following the acquisition of RMS Managed IT Security Ltd ("RMS") in October 2011, RMS now provides Pinnacle with a stable platform in this key specialised area and we have made sales to many large customers in the half year, which included multiple large enterprise customers, a high street bank and several public sector organisations.

IT Security has moved beyond the simple provision of Anti-Virus software or Firewall Security and now also caters for the multitude of new tablets and smartphones now being used in the workplace. This sector now encompasses the complex world of mobile device management (MDM) and Bring Your own Device (BYOD). We are working closely in conjunction with some of the major IT Security vendors to develop our cloud-based MDM and BYOD management services, aligned with our vision to migrate as many business services and applications as possible into the cloud, this will help with our objective to cross-sell multiple products and services into our existing customer base.

As a result of the current economic climate, the IT Security segment was impacted during the year by pricing pressure on customer renewals of traditional IT security and reduced budgets for larger IT security projects, in both the private and public sectors. However, the fast moving and multi-faceted nature of this sector continues to offer many opportunities to Pinnacle and whilst we have reduced our short-term revenue forecasts for sales from IT Security projects, we are confident that we have the partners and customer base to be successful in this evolving market.

Cloud Services and Data Connectivity

Revenue from Cloud Services and data Connectivity for the 6 months to 31 March 2013 was £1,093,475 (H1-2012 £1,120,962), representing 20% of revenues (H1-2012 18%) A small decrease in revenue of £27,487 compared with the equivalent six months. We continue to provide data circuits for many international broadcasters and the BBC, which in the half year included events at Twickenham Rugby Stadium 6 Nations, Aintree Race Course, Chelsea Flower Show Showground, Royal Norfolk Showground, Weymouth Pavilion, BBC Bristol, West Ham Utd, Southampton FC, Reading Football Club, Bournemouth Air Show, Royal Albert Hall, The World Snooker Championship at The Crucible, BBC Springwatch, and Eton Dorney Rowing World Cup.

Telecommunications Services

Revenue from Telecommunications Services for the 6 months to 31 March 2013 was £1,853,285 (H1-2012 £2,195,873), representing 35% of revenue (H1-2012 34%). A decrease in revenue of £342,588 compared with the equivalent six months, in part, as a result of the extensive high-profile contracts that we delivered for the Queen's Diamond Jubilee celebrations and the Olympic and Paralympic Games. Regulatory price changes in this sector have also seen call charges from landline to mobile and non-geographic numbers reduce considerably from 2012 to 2013, a regulatory move that we have supported. The major impact of this regulatory cost reduction has been on the underlying mobile and landline network providers, which means that whilst we have seen revenues reduce in this area, we have been able to protect margins in most cases.

Mobility Solutions

Revenue from Mobility Solutions for the 6 months to 31 March 2013 was £274,804 (H1-2012 £265,508), representing 5% of revenue (H1-2012 4%). With the exception of one-off income from mobile devices, the vast majority of mobile revenues recur monthly over the length of a long term customer contract, calculated as a percentage of each customer's spend with the UK networks. We have identified these stable and profitable revenues as an area for future development and growth.

With only around 200 customers currently buying mobile services from the Group, the mobility market offers Pinnacle a very exciting opportunity for growth.

Gross Profit

In the half year we achieved a gross profit of £1,599, 449 (H1- 2012 £2,003,151) and a gross profit percentage of 29.82% (H1-2012 31.38%) this small reduction was as a result of reduced margins in IT Security renewal business and the absence of increased margin business from high-profile global broadcast and event contracts over the six months to 31 March 2013.

EBITDA

Adjusted EBITDA for the period was a loss of £84,004 (H1-2012 £115,234), a movement which, following the recent fund raising activity, reflects the start of our investment in our sales and customer retention strategies. The net loss in the business was generated predominantly by non-cash IFRS accounting items, relating to Amortisation (£205,142), Depreciation (£81,382), Impairment of intangible assets (£603,574) and accruals for share based payments (£6,961).

Costs relating to acquisitions and impairment of intangible assets

The Group announced on October 10th 2011 that it had 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. The acquisition of RMS delivered additional products, services, skills and customers to the group, supplementing our existing organic growth plans. The post-acquisition integration program has resulted in exceptional one-off restructure costs since acquisition of £464,855, including £100,623 in this half-year accounts. Whilst these necessary one-off costs are considerable, they are essential in order to transform RMS from a loss-making business.

In each accounting period, under IFRS, we carry out impairment reviews using multi-year cashflow projections of the acquired businesses. Whilst we currently expect the RMS acquired customer base to generate positive cashflows over the next 8 years, as part of this review and the changing market conditions, our calculations indicate that we should consider the current carrying value of the RMS customer base, resulting in a non-cash impairment of £603,574 in these accounts.

Administration Expenses

The management team continue to focus on ensuring that we see full value from any expenditure that we incur, and whilst the integration of acquisitions nears completion from a staffing perspective, we still have legacy integration challenges from an office and property point of view and will take the opportunity to cease property leases when appropriate. To that end, we have agreed the closure of the Brighton Data Centre, with services being transferred to Paisley and a new partition in a Tier 3 data centre in Edinburgh. The cost of providing dual-site redundancy for client servers will be greatly reduced by hosting secondary servers in Edinburgh, rather than Brighton and London. We have also agreed the closure of our administration centre in Northampton, which will close in July 2013.

In addition to the non-cash IFRS adjustments noted above, included in Administration expenses for the period, we are pleased to note that operational expenses fell by £471,729 (19%) in the half-year, down to £2,025,946 (H1: 2012 £2,497,675) as a result of integration savings generated from sharing centralised functions, such as IT and Accounting, across the Group.

The business now has 68 employees, a net increase of 6 (H1-2012 62), mainly focused in the areas of sales and marketing.

Board Changes

Both Bill Allan and John Anderson decided to retire from the Board and did not seek re-election at the AGM on March 26th 2013. I have had the pleasure of working with John since he joined the Board in 2008, he served us well and his support and counsel will be missed. Bill took the Chair in March 2010 and the last three years working alongside Bill have been inspirational, I wish them both well and would like to take this further opportunity to thank them for their support and all that they have given the Company.

I would also like to take this opportunity to welcome Dr James Dodd to the Board as Non-Executive Chairman and also Dr Tom Black, as Non-Executive Director. I am excited about the prospect of working alongside James and Tom and look forward to the future with great optimism.

Dr James Dodd, Non-Executive Chairman

Dr James Dodd was appointed as Non-Executive Chairman, succeeding Bill Allan.

A member of the Securities Institute and the Institute of Physics, James is currently a member of Oriel Securities' Advisory Board, providing advice and assistance to Oriel on developing its business and relationships. James also serves on the Board of the Apollo Submarine Cable System Ltd, the joint venture between Vodafone Group plc and Alcatel-Lucent SA.

James has over 30 years' experience in both public and private equity markets focusing on telecommunications and related technology industries. He has participated in many of the largest TMT financings including the privatisation of BT and other European PTTs, and the IPOs of a host of new operators such as Telewest, COLT, Orange, Energis etc. and a number of smaller IT IPO and venture fundings.

James was the Founder and Chairman of ETT, a data networking company which he led through several financing rounds and which was successfully acquired by Global Telecom and Technology Inc. (OTC BB: GTLT). From 2002 to 2012, James was Co-founder and a Managing Director of Anthem Corporate Finance, which successfully conducted a variety of M&A, and financing transactions in the TMT and other sectors.

Dr Tom Black, Non-Executive Director

Dr Tom Black was appointed as Non-Executive Director, succeeding John Anderson.

Tom is co-founder and Executive Chairman of Digital Barriers plc, an AIM-listed business focussed on the surveillance sector and which operates in the global Homeland Security Market. Prior to setting-up Digital Barriers in 2009, Tom spent over 20 years with Detica Group plc, following studies at the Universities of Strathclyde and Oxford. He joined the business in 1984 and was appointed Chief Executive in 1995. Tom then led the £12m management buyout of Detica in 1997 and the Group's flotation on the London Stock Exchange in April 2002. He then oversaw the acquisition of Detica by BAE Systems in 2008 for £538m. Tom is also a Non-Executive Director of Herald Investment Trust plc, a Director of Grantdean Ltd and Vantage Racing Ltd, and a trustee of the Black Family Charitable Trust.

Share Consolidation

At the AGM on March 26th 2013, our shareholders voted in favour of a 1 (new share) for 100 (old shares) share consolidation. This was completed on April 15th 2013 resulting in 31,948,077 Ordinary shares of £0.01

Recruitment

We supply services to 2,800 business customers across 14 geographic regions in the UK and we have segmented our customers by geographic region and employee size (Enterprise, Corporate, SMB and five Vertical Sectors). We have now recruited a Sales Director to help deliver our growth strategy, and as non-performing sales people leave the Company, we are replacing them with solution sales people, capable of cross-selling our broad portfolio of services into our clients. Our recruitment activity is likely to continue until the year-end.

We have also recruited a Customer Experience and Organisational Development Director to help ensure that our customer experience is a key differentiator for us and that the organisation's values, people, structures, processes and systems, are fully aligned to the achievement of this.

Summary

Pinnacle's previous eight acquisitions are fast becoming a fully integrated business, with a tightly unified organisation and management structure, a single brand and a clear strategic focus on delivering sales growth. Challenging trading conditions, a lower level of high-profile event related activity and a reduction in the number of IT Security projects has had an impact on results in this half year. However, our high levels of recurring revenue, new, stronger Non-Exec Board, strengthened senior management team, and the financial support from City Institutions in the form of a £2.65m placing, mean we look to the future with great optimism.

Alan J Bonner

Chief Executive Officer

6 June 2013

CONSOLIDATED INCOME STATEMENT
for the six month period ended 31 March 2013

	Note	6 months to March 2013 £	6 months to March 2012 £	Year to Sept 2012 £
Revenue	3	5,364,034	6,383,187	12,710,446
Cost of sales		(3,764,585)	(4,380,036)	(8,750,124)
Gross profit		1,599,449	2,003,151	3,960,322
Operating expenses		(2,681,135)	(2,497,675)	(5,058,014)
Operating loss		(1,081,686)	(494,524)	(1,097,692)
Adjusted EBITDA		(84,004)	115,234	284,554
Profit relating to bargain purchase of OCD		-	-	140,883
Profit relating to contingent consideration		-	-	90,000
EBITDA before exceptional costs and restructure costs		(84,004)	115,234	515,437
Amortisation of Intangible Assets	5	(205,142)	(234,473)	(464,960)
Depreciation		(81,382)	(82,916)	(153,049)
Exceptional costs relating to acquisitions		(100,623)	(284,416)	(564,292)
Impairment of intangible assets	5	(603,574)	-	(410,290)
Share based payments		(6,961)	(6,961)	(13,921)
Embedded fair value in convertible loan		-	(4,900)	(11,229)
Share of profit from associate		-	3,908	4,612
Operating Loss		(1,081,686)	(494,524)	(1,097,692)
Interest receivable		417	1,782	3,257
Interest payable		(14,096)	(5,278)	(21,123)
Net Finance expense		(13,679)	(3,495)	(17,866)
Loss before tax		(1,095,365)	(498,020)	(1,115,558)
Taxation		186,005	-	218,264
Loss for the period from continuing operations	3	(909,360)	(498,020)	(897,294)
Discontinued operations				
Loss for the period from discontinued operations		-	-	-
Loss for the year attributable to the equity holders of the parent		(909,360)	(498,020)	(897,294)
Loss per share				
- basic and fully diluted – continuing	4	(0.04)p	(0.02)p	(0.04)p
- basic and fully diluted – discontinued	4	0.00p	0.00p	0.00p
- basic and fully diluted – total	4	(0.04)p	(0.02)p	(0.04)p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 March 2013

	Note	At March 2013 £	At March 2012 £	At Sept 2012 £
Non-current assets				
Intangible assets	5	2,099,170	3,024,677	2,907,886
Investments in Associated Companies		181,171	180,467	181,171
Development Asset		217,299	224,258	279,818
Property, plant and equipment		260,680	387,028	217,136
Deferred tax asset		508,100	-	508,100
Total non-current assets		3,266,420	3,816,430	4,094,111
Current assets				
Inventories		557,818	379,017	363,167
Trade and other receivables		1,940,484	2,457,891	2,334,145
Cash and cash equivalents		2,134,098	298,727	129,229
Total current assets		4,632,400	3,135,635	2,826,541
Total assets		7,898,820	6,952,065	6,920,652
Liabilities				
Short term borrowings		(112,651)	(9,976)	(261,781)
Trade and other payables		(2,039,545)	(2,351,343)	(2,178,867)
Other taxes and social security costs		(660,901)	(366,130)	(685,449)
Accruals and other payables		(1,195,682)	(2,167,954)	(1,574,251)
Total current liabilities		(4,008,779)	(4,895,403)	(4,700,348)
Non-current liabilities				
Long term borrowings		(82,493)	(277,081)	(211,702)
Deferred tax liability		(435,330)	-	(621,335)
Total liabilities		(4,526,602)	(5,172,484)	(5,533,385)
Net assets		3,372,218	1,779,581	1,387,267
Equity				
Share capital		6,808,388	5,825,055	5,825,055
Share premium account		6,247,570	4,343,553	4,343,553
Merger reserve	7	283,357	283,357	283,357
Other reserve		59,830	45,909	52,869
Fair value adjustment		(1,064,130)	(1,064,130)	(1,064,130)
Retained earnings	6	(8,962,797)	(7,654,163)	(8,053,437)
Total equity		3,372,218	1,779,581	1,387,267

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six month period ended 31 March 2013

	6 months to March 2013 £	6 months to March 2012 £	Year to Sept 2012 £
Loss for the year from total operations	(909,360)	(498,020)	(897,294)
Total comprehensive negative income for the year	(909,360)	(498,020)	(897,294)
Attributable to equity holders of the parent	(909,360)	(498,020)	(897,294)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for six month period ended 31 March 2013

	Share capital	Share premium	Merger Reserve	Other reserve	Fair Value	Retained earnings	Total
At 1 October 2011	5,667,056	4,044,052	283,357	38,948	(1,064,130)	(7,156,143)	1,813,140
Loss and total comprehensive loss for the period and expense for the period	-	-	-	-	-	(897,294)	(897,294)
Transactions with owners							
Share Issue	157,999	-	-	-	-	-	157,999
Share based payments	-	-	-	13,921	-	-	13,921
Premium on Share Issue	-	312,001	-	-	-	-	312,001
Expenses on Share Issue	-	(12,500)	-	-	-	-	(12,500)
Total Transactions with owners	157,999	299,501	-	13,921	-	-	471,421
Total movements	157,999	299,501	-	13,921	-	(897,294)	(425,873)
Equity at 30 September 2012	5,825,055	4,343,553	283,357	52,869	(1,064,130)	(8,053,437)	1,387,267
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 and expense for the period	-	-	-	-	-	(909,360)	(909,360)
Transactions with owners							
Share Issue	983,333	-	-	-	-	-	983,333
Share based payments	-	-	-	6,961	-	-	6,961
Premium on Share Issue	-	1,966,667	-	-	-	-	1,966,667
Expenses on Share Issue	-	(62,650)	-	-	-	-	(62,650)
Total Transactions with owners	983,333	1,904,017	-	6,961	-	-	2,894,311
Total movements	983,334	1,904,017	-	6,961	-	(909,360)	1,984,951
Equity at 31 March 2013	6,808,388	6,247,570	283,357	59,830	(1,064,130)	(8,962,797)	3,372,218

CONSOLIDATED STATEMENT OF CASH FLOWS
for the six month period ended 31 March 2013

	At March 2013 £	At March 2012	At Sept 2012 £
Cash flows from operating activities			
Loss before taxation	(1,095,365)	(498,020)	(1,115,558)
Adjustments for:			
Depreciation	81,382	82,916	153,049
Amortisation	205,142	234,473	464,960
Impairment of intangible assets	603,574		410,290
Share of (profit)/loss from associate	-	(3,908)	(4,612)
Share option charge	6,961	6,961	13,921
Fair value adjustment for convertible loan	-	4,900	11,229
Bargain purchase of subsidiary	-	-	(140,883)
Contingent consideration in relation to acquisitions	-	-	(90,000)
Interest expense	13,679	3,495	17,867
Movements on deferred tax	-	-	(225,403)
(Payment)/Receipt of corporation tax	-	-	(16,956)
Decrease/(increase) in trade and other receivables	393,661	(62,470)	(13,652)
Increase in inventories	(194,651)	(49,100)	(33,250)
Increase/(decrease) in trade payables, accruals and other creditors	(628,821)	(65,998)	294,021
Net cash flow from operating activities	(614,438)	(62,335)	(274,977)
Cash flows from discontinued activities			
Loss of discontinued activities before taxation	-	-	-
Cash flows from investing activities			
Acquisition of business assets, net of cash acquired	(41,277)	(356,943)	(356,943)
Capitalisation of software development costs	(36,000)	(36,000)	(72,000)
Purchase of property, plant and equipment	(30,292)	(54,403)	(60,871)
Interest received	417	1,782	3,257
Net cash used in investing activities	(107,152)	(445,564)	(486,557)
Cash flows from financing activities			
Issue of shares	2,950,000	365,000	365,000
Repayment of convertible loans and bank loans	(7,645)	-	(15,290)
Expenses paid in connection with share issue	(62,650)	(12,500)	(12,500)
Payment of finance lease liabilities	(9,921)	(7,692)	(22,612)
Interest paid	(14,096)	(5,278)	(21,123)
Net cash from financing activities	2,855,688	352,031	293,475
Net (decrease)/increase in cash	2,149,726	(153,704)	(468,059)
Cash at bank and in hand at beginning of period	(15,628)	452,431	452,431
Cash at bank and in hand at end of period	2,134,098	298,727	(15,628)
Comprising:			
Cash at bank and in hand	2,134,098	298,727	129,229
Bank overdrafts	-	-	(144,857)
	2,134,098	298,727	(15,628)

NOTES TO THE FINANCIAL STATEMENTS
for the six month period ended 31 March 2013

1. **Nature of Operations**

The principal activities of Pinnacle Technology Group plc and its subsidiaries are the provision of integrated telecommunications services including IP and cloud solutions, telecommunications calls and access, consultancy, IT support, mobile solutions, both voice and data and hosted broadband voice services to SME business customers in the UK.

2. **Basis of preparation**

This interim financial information has been prepared in accordance with the Company's accounting policies as disclosed in the financial statements for the year ended 30 September 2012. Pinnacle Technology Group plc is a company incorporated in England (registered number 05259846) and trades in the UK from office locations across England and Scotland.

The address of its registered office is 5 Fleet Place, London, EC4M 7RD and its principal place of business is Comphall, Brightons, Falkirk, Stirlingshire, FK2 0RW. The company is listed on the AIM market of the London Stock Exchange under ticker symbol PINN. The interim statements were approved by the Board of Directors on 5th June 2013.

3. **Segmental Reporting**

The segment information is prepared using accounting policies consistent with those of the Group as a whole and all segments are continuing operations.

In addition to the measurement of recurring and non-recurring contracted revenue streams, the group currently recognises five major segments for monitoring and reporting purposes as follows:

- IT services
- IT Security solutions
- Cloud Services and Data Connectivity
- Telecommunications services
- Mobility Solutions

3.1 Analysis of revenue	6 months to March 2013 £	6 months to March 2012 £	12 months to September 2012 £
By business sector			
IT Services	745,224	724,408	1,456,063
IT Security Solutions	1,397,246	2,076,436	3,729,640
Cloud Services and Data Connectivity	1,093,475	1,120,962	2,930,336
Telecommunication Services	1,853,285	2,195,873	4,055,705
Mobility Solutions	274,804	265,508	538,702
Continuing operations	5,364,034	6,383,187	12,710,446
Total revenue	5,364,034	6,383,187	12,710,446
By destination			
United Kingdom	5,364,034	6,383,187	12,710,446
Total revenue	5,364,034	6,383,187	12,710,446

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the six month period ended 31 March 2013

3.1 Analysis of revenue (continued)

By origin	6 months to March 2013 £	6 months to March 2012 £	12 months to September 2012 £
Continuing operations			
Pinnacle Telecom plc	405,481	583,928	1,056,378
Accent Telecom UK Limited	2,090,490	2,196,642	4,234,176
Solwise Telephony Limited	572,912	535,492	1,678,634
Pinnacle Cloud Solutions Limited	925,614	611,033	1,217,211
RMS Managed ICT Security Limited	1,131,450	2,062,699	3,574,547
Other group companies	238,087	393,393	949,500
Total revenue	5,364,034	6,383,187	12,710,446
By recurring nature			
Recurring and Renewable - continuing operations	4,684,495	5,470,968	10,031,303
Non-Recurring - continuing operations	679,539	912,219	2,679,143
Total revenue	5,364,034	6,383,187	12,710,446

3.2 Analysis of net loss after tax

	6 months to March 2013 £	6 months to March 2012 £	12 months to September 2012 £
3.2.1 By business sector			
IT Services			
Profit from operations before amortisation	(57,655)	(79,441)	(196,691)
Amortisation	(58,535)	(38,252)	(102,522)
(Loss) / Profit from operations after amortisation	(116,190)	(117,693)	(299,213)
IT Security Solutions			
Loss from operations before amortisation	(143,298)	(228,166)	(423,976)
Net impairment of Intangible assets	(464,752)	-	-
Amortisation	(95,380)	(83,145)	(160,966)
Loss from operations after amortisation	(703,430)	(311,311)	(584,942)
Cloud Services and Data Connectivity			
Profit / (Loss) from operations before amortisation	(19,798)	(25,470)	131,004
Amortisation	(27,927)	(27,927)	(93,281)
Profit / (Loss) from operations after amortisation	(47,725)	(53,397)	37,723
Telecommunication Services			
Profit from operations before amortisation	170,227	191,579	489,847
Amortisation	(23,300)	(85,149)	(108,191)
Profit from operations after amortisation	146,927	106,430	381,656
Mobility Services			
Profit from operations before amortisation	9,274	17,446	31,189
Head office	(198,216)	(139,495)	(463,707)
Total losses	(909,360)	(498,020)	(897,294)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the six month period ended 31 March 2013

3.2 Analysis of net loss (continued)

3.2.2 By destination

	6 months to March 2013 £	6 months to March 2012 £	12 months to September 2012 £
United Kingdom	(909,360)	(498,020)	(897,294)

3.2.3 By origin

	6 months to March 2013 £	6 months to March 2012 £	12 months to September 2012 £
Pinnacle Telecom plc	12,832	54,311	(170,419)
Accent Telecom UK Limited	209,489	78,466	446,969
Solwise Telephony Limited	(3,496)	(1,072)	33,348
Pinnacle Cloud Solutions Limited	(88,208)	(9,831)	(139,136)
RMS Managed ICT Security Limited	(182,616)	(258,331)	(292,236)
Head Office and other group companies	(187,467)	(127,090)	(310,860)
Profit from continuing operations before exceptional items	(239,466)	(263,547)	(432,334)
Amortisation and Net Impairment of Intangibles	(669,894)	(234,473)	(464,960)
Total losses	(909,360)	(498,020)	(897,294)

3.2.4 By recurring nature

	6 months to March 2013 £	6 months to March 2012 £	12 months to September 2012 £
Recurring - continuing operations	(187,271)	(223,113)	(423,062)
Non-Recurring - continuing operations	(52,195)	9,509	(9,272)
Profit from continuing operations before amortisation and discontinued	(239,466)	(213,604)	(432,334)
Amortisation and Net Impairment of Intangibles	(669,894)	(284,416)	(464,960)
Total losses	(909,360)	(498,020)	(897,294)

4 Loss per share

	6 Months to 31 March 2013 £	6 Months to 31 March 2012 £	Audited 12 Months to 30 September 2012 £
Basic and fully diluted	0.04p	0.02p	0.01p
Loss attributable to ordinary shareholders	909,360	498,020	270,739
Weighted average number of shares in issue: Basic and fully diluted	2,371,281,113	2,074,591,707	1,898,436,808

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the six month period ended 31 March 2013

4. Loss per share (continued)

On 15 April 2013, following an ordinary resolution passed at the AGM on 26 March 2013, the Company successfully completed a share capital reorganisation, in which every one hundred existing ordinary Shares of 0.1p each were consolidated into one new ordinary share of 1p each. All voting and dividend rights attached to the new 1p ordinary Shares remaining the same.

5. Intangible assets

Intangible assets are non-physical assets which have been obtained as part of an acquisition and which have an identifiable future economic benefit to the Group at the point of acquisition. The Group's policy regarding assessing impairment of intangible assets remains the same as disclosed in the financial statements for the year ended 30 September 2012

Prior to 1 October 2010, the Group's policy was for customer lists, IT systems and Maintenance contracts to be amortised over a maximum of 5 years from the date of acquisition. Following a review of this policy and in light of improved actual customer retention rates experienced since 30 September 2008, the Group amended its policy from 1 October 2010 onwards as follows:

	Acquired Prior to 30 September 2008	Acquired 01 October 2008 onwards
- Maintenance contracts to be amortised over a period	5 years	10 years
- Customer lists to be amortised over a period of	5 years	10 years
- Custom Voice over internet systems to be amortised over a period of	5 years	10 years

	6 Months to 31 March 2013 £	6 Months to 31 March 2012 £	Audited 12 months to 30 September 2012 £
Net intangible assets at start of period	2,907,886	1,267,813	1,267,813
Intangible asset additions	-	1,991,337	2,515,323
Impairment in the period	(603,574)	-	(410,290)
Amortisation in the period	(205,142)	(234,473)	(464,960)
Net intangible assets at period end	2,099,170	3,024,677	2,907,886

6. Profit and loss reserve

	6 Months to 31 March 2013 £	6 Months to 31 March 2012 £	Audited 12 months to 30 September 2012 £
Opening deficit	(8,053,437)	(7,156,143)	(7,156,143)
Loss for the period	(909,360)	(498,020)	(897,294)
Closing deficit	(8,962,797)	(7,654,163)	(8,053,437)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the six month period ended 31 March 2013

7. Merger reserve

The Group has taken advantage of the merger relief provisions in relation to the acquisition of Solwise Telephony and its wholly owned subsidiary Sipswitch Limited. The Merger reserve represents the excess over nominal value of the fair value of consideration received for equity shares. In line with International financial reporting standard (IFRS) 3, all costs associated with the acquisition in the period have been expensed to the profit and loss account and shown as an exceptional item.

8. Related Party Transactions

As part of the acquisition of Accent Telecom UK Limited, the Group acquired a 40% share of the equity of an associated company, Stripe21 Limited. During the 6 month period to 31 March 2013, Accent Telecom UK Limited purchased services totalling £164,743 (6 months to 31 March 2012: £116,221 and 12 months to 30 September 2012: £279,336) from Stripe21 Limited, recorded as cost of sales in the consolidated income statement for each period.

9. Contingent liabilities

The company has recently received a claim from a third party in relation to an alleged pre-acquisition liability in RMS Managed ICT Security Limited of £80,000. The Board do not consider this amount to be due but worthy of note in the accounts, whilst the claim remains under investigation.

10. Statutory accounts

These financial statements do not constitute statutory accounts. The information is unaudited and has not been reviewed by the auditors. The statutory accounts for the year ended 30 September 2012, contained an unqualified audit report and are filed with the Registrar of Companies.