

28 April 2015

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

PROPOSED PLACING

AND

NOTICE OF GENERAL MEETING

Pinnacle Technology Group plc (AIM:PINN), the AIM listed IT managed service provider is pleased to announce that it has conditionally raised approximately £0.86 million (before expenses) by way of a placing of 13,164,122 new Ordinary Shares, at a price of 6.5 pence per new Ordinary Share. N+1 Singer is acting as Nominated Adviser and sole broker for the Company in connection with the Placing.

The Issue Price of 6.5 pence per new Ordinary Share represents a 16% per cent. premium to the closing middle market price of 5.625 pence per Existing Ordinary Share on 27 April 2015, being the latest Dealing Day prior to the announcement of the Placing.

The purpose of the Placing is to facilitate a strategic investment by MXC Capital, to provide funds to be used by the Company to implement the Company's growth strategy and to fund the working capital requirements of the Group. The Company has also appointed MXC Capital to provide corporate finance advisory services to the business.

The Placing is conditional, *inter alia*, on the passing of Resolutions by Shareholders at the General Meeting, notice of which is set out in the Circular. If the Resolutions are passed, the new Ordinary Shares will be allotted immediately after the General Meeting and Admission of the New Ordinary Shares is expected to occur at 8.00 a.m. on 15 May 2015. Should Shareholder approval not be obtained at the General Meeting, the Placing will not proceed. The Placing is not being underwritten.

The Circular will be posted to shareholders later today. Copies of the Circular will be available free of charge from the Company's website (www.pinn.uk.com) and at the offices of N+1 Singer, One Bartholomew Lane, London, EC2N 2AX during normal business hours on any weekday (public holidays excepted) up to and including 14 May 2015.

Definitions for all terms defined in this announcement are provided at the end of this announcement.

Nicholas Scallan, CEO of Pinnacle, said: "I am confident that the involvement of MXC Capital, with its powerful network of contacts in our industry, will generate a number of opportunities to grow our business. I look forward to working with them."

Marc Young, CEO of MXC Capital, said: "We have known Pinnacle for some time. We see an opportunity to work with management to drive the Company's strategy, identify acquisition opportunities and accelerate its growth."

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1. Introduction and summary

The Company announced today that it has conditionally raised approximately £0.86 million (before expenses) by way of a placing of 13,164,122 new Ordinary Shares at a price of 6.5 pence per share. The Placing Price represents a 16% per cent. premium to the closing middle market price of 5.625 pence per Existing Ordinary Share on 27 April 2015, being the latest Dealing Day prior to the publication of this announcement.

The Placing has been arranged in order to facilitate a strategic investment in Pinnacle by MXC Capital, the technology focused merchant bank. MXC Capital is subscribing for 5,918,256 Ordinary Shares, which represents 10 per cent. of the Enlarged Share Capital alongside certain institutional investors and the Board.

The Placing is conditional, *inter alia*, upon the Company obtaining approval from its Shareholders to disapply pre-emption rights and to grant the Board authority to allot the Placing Shares: completion of the Placing is therefore conditional upon the passing of all of the Resolutions set out in the Notice of General Meeting at the end of the Circular.

The Placing, which has been arranged by N+1 Singer pursuant to the terms of the Placing Agreement, is also conditional upon Admission and has not been underwritten by N+1 Singer. The Placing proceeds will be used to further implement the Company's growth strategy and to fund the working capital requirements of the Group, further details of which are set out in paragraph 2 below.

2. Background to and reasons for the Placing and use of proceeds

The purpose of the Placing is to facilitate a strategic investment by MXC Capital, to provide funds to be used by the Company to implement the Company's growth strategy and to fund the working capital requirements of the Group.

As noted in the Annual Reports and Accounts for 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. To support the balance sheet and to fund growth plans we successfully raised £560k before expenses in November 2014 and this additional raise will further strengthen the balance sheet.

3. MXC Capital

MXC Capital is an AIM quoted merchant bank specialising in investing in technology companies with a track record of enhancing shareholder value. MXC Capital was founded by Ian Smith and Tony Weaver and has completed 70 technology sector transactions over the last 13 years. MXC Capital will work with the Board of Pinnacle to build upon and augment its strategy for growth. MXC Capital brings a deep knowledge of the technology industry, proven operational skills, and access to significant investment funding.

In consideration of its agreement to cornerstone the Placing to the value of approximately £0.4 million, and conditional upon the subscription by MXC Capital for 5,918,256 Ordinary Shares pursuant to the Placing and the passing of the Resolutions, MXC Capital has been granted warrants over 5 per cent. of the Enlarged Share Capital (the "Warrants"). The Warrant Instrument creating the Warrants contains a further provision to the effect that the number of Warrants created pursuant to the terms of this Instrument shall at all times be equal to 5 per cent. of the issued share capital of the Company and therefore each time that the Company allots and issues new Ordinary Shares it shall be deemed to have created such number of additional warrants which in number are equal to 5 per cent. of the number of new Ordinary Shares allotted and issued. This figure of 5 per cent. will be reduced pro rata by any allotment and issue of new Ordinary Shares pursuant to any partial exercise of Warrants during a 7 year exercise period (including more than one partial exercise of Warrants), for example if the warrant holder exercises 50 per cent. of the Warrants then the figure of 5 per cent. would be reduced to 2.5 per cent.

The Warrants are exercisable at the Placing Price and shall be exercisable over a 7 year period on the following terms:

- (i) the Warrants vesting a third per annum over the first 3 years;
- (ii) 50 per cent. of the Warrants vesting in any year (one third) becoming exercisable immediately and the remaining 50 per cent. of the Warrants only becoming exercisable subject to 12 per cent. per annum compound growth in the Company's share price with respect to the Placing Price having been achieved; and

certain provisions are contained in the warrant instrument to provide for the entire award being exercisable on a takeover of the Company subject to the performance conditions having been met at that time.

Further to an agreement dated 27 April 2015 between the Company and MXC Capital under which corporate finance consultancy services will be provided to the Company, the Company has agreed to pay a fee of £30,000 (plus VAT where applicable) per annum to MXC Capital. In addition a maximum of 2.5 per cent. of the enterprise value of successful transactions consulted upon is payable by the Company.

4. Trading update

On 20 February 2015, the Company released its audited final results for the year ended 30 September 2014. This stated that, whilst the Board has recognised from the outset that turning around Pinnacle Technology will take time, as demonstrated by the results, the Board continues to work to stabilise revenues in the business and to position the company to becoming EBITDA positive. Throughout the past year the business has been addressing loss making lines of business, reducing costs, and management attention is now increasingly focused on profitable revenue growth.

More recently the Board has been pleased to note the announcement of the O2 Mobile Digital Services Agreement and whilst the implementation of the agreement is still being progressed, the business is excited by the opportunity presented by the relationship. The business has also made progress in the current year with the implementation of the Easynet agreement, reducing the access network cost base.

These initiatives, and others that have been embarked upon in the current financial year, are reducing the underlying cost base of the business whilst supporting the generation of new sales opportunities for both new client acquisition and cross-selling to existing clients.

With the progress that has been made in turning around Pinnacle Technology, the Board believes that the time is appropriate to consider reviewing acquisition opportunities that will take advantage of the underlying capabilities of the Group and corporate structure, coupled with the highly fragmented and regionalised market in which the Group operates. To that end, the Board has appointed MXC Capital Advisory LLP as financial adviser to support these activities.

With the opportunities available to Pinnacle Technology and the early signs of progress coming from the initiatives outlined above, albeit noting that further time and efforts are still required to restructure the Group into the appropriate form for its operations, the Board is increasingly confident about the future prospects of the Company.

5. The Placing

The Company has conditionally raised approximately £0.8 million (net of expenses) through the issue of the Placing Shares at the Placing Price, which represents a premium of 16% per cent. to the closing middle market price of 5.625 pence per Existing Ordinary Share on 27 April 2015, being the latest Dealing Day prior to the publication of this announcement. The Placing Shares will represent approximately 22.2 per cent. of the Company's issued ordinary share capital immediately following Admission.

The Placing Agreement

Pursuant to the terms of the Placing Agreement, N+1 Singer has conditionally agreed to use its reasonable endeavours, as agent for the Company, to place the Placing Shares with certain institutional and other investors. The Placing has not been underwritten. The Placing Agreement is conditional upon, inter alia, the Resolutions being duly passed at the General Meeting and Admission becoming effective on or before 8.00 a.m. on 15 May 2015 (or such later time and/or date as the Company and N+1 Singer may agree, but in any event by no later than 8.00 a.m. on 29 May 2015). If any of the conditions are not satisfied, the Placing Shares will not be issued and all monies received from the placees will be returned to them (at the placees' risk and without interest) as soon as possible thereafter.

The Placing Agreement contains warranties from the Company in favour of N+1 Singer in relation to, inter alia, the accuracy of the information in this announcement and other matters relating to the Group and its business. In addition, the Company has agreed to indemnify N+1 Singer in relation to certain liabilities it may incur in respect of the Placing. N+1 Singer has the right to terminate the Placing Agreement in certain circumstances prior to Admission, in particular, in the event of a material breach of the warranties given to N+1 Singer in the Placing Agreement, the failure of the Company to comply with any of its obligations under the Placing Agreement (in such a way that, in the reasonable opinion of N+1 Singer adversely affects, or makes it inadvisable to proceed with the Placing), the occurrence of a force majeure event or a material adverse change in (amongst other things) the financial or political conditions in the United Kingdom (which in the reasonable opinion of N+1 Singer adversely affects, or makes it inadvisable to proceed with the Placing), any circumstance arising giving rise to claim under the corporate finance indemnity or an adverse change affecting the business of the Group (which is material in the context of the Placing).

Settlement and dealings

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. It is expected that Admission will occur and that dealings will commence at 8.00 a.m. on 15 May 2015 on which date it is also expected that the Placing Shares will be enabled for settlement in CREST.

The Placing Shares will, when issued, rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive dividends and other distributions declared following Admission.

6. Enterprise Investment Scheme and Venture Capital Trusts

Investors should not consider that any of the reliefs under the EIS and VCT regimes will be available to them in respect of any new Ordinary Shares to be issued under the Placing.

7. Board Structure

As part of their placing participation of 3,418,256 Placing Shares (amounting to approximately £0.2 million at the Placing Price and resulting in a total holding representing approximately 10 per cent. of the Enlarged Share Capital), and subject to (i) the agreement of the Directors (not to be unreasonably withheld), and (ii) the appointment being approved by the Shareholders at the next following Annual General Meeting of the Company and (iii) subsequently in accordance with the Articles of Association of the Company, Livingbridge VC LLP has been granted the right to appoint a director to the Board of the Company for as long as it retains a minimum interest of 7.5 per cent. of the issued share capital of the Company.

As part of their placing participation of 5,918,256 Placing Shares (amounting to approximately £0.4 million at the Placing Price and resulting in a total holding representing approximately 11.61 per cent. of the Enlarged Share Capital), and subject to (i) the agreement of the Directors (not to be unreasonably withheld), and (ii) the appointment being approved by the Shareholders at the

next following Annual General Meeting of the Company and (iii) subsequently in accordance with the Articles of Association of the Company, MXC Capital has been granted the right to appoint a Director to the Board of the Company for as long as it retains a minimum interest of 7.5 per cent. of the issued share capital of the Company.

8. Director Dealing and Related Party Transaction

Three directors of the Company are participating in the Placing at the Placing Price as described below:

	<i>Amount</i>	<i>Number of</i>	<i>Number of</i>	<i>Percentage</i>
	<i>subscribed</i>	<i>Placing</i>	<i>including</i>	<i>of Enlarged</i>
	<i>(£)</i>	<i>Shares</i>	<i>the Placing</i>	<i>Share</i>
			<i>Shares</i>	<i>Capital</i>
James Dodd	58,785.74	904,396	4,065,935	6.87%
Thomas Black	70,009.03	1,077,062	4,842,199	8.18%
Nicholas Scallan	9,999.99	153,846	684,846	1.16%

The conditional agreements entered into by James Dodd, Thomas Black and Nicholas Scallan to subscribe for Placing Shares are classified as related party transactions for the purposes of the AIM Rules. In the absence of an independent director, N+1 Singer, the Company's Nominated Adviser, considers that the terms of the transaction are fair and reasonable insofar as the Company's shareholders are concerned.

9. The General Meeting

The Company currently does not have sufficient authorities in place under section 551 and section 570 of the Act to allot Ordinary Shares pursuant to the Placing and the Warrants and to disapply pre-emption rights in respect of such allotments. Accordingly, the Directors are seeking authority at the General Meeting to allot Ordinary Shares on a non pre-emptive basis to implement the Placing.

Notice of the General Meeting is set out in the Circular. The General Meeting will be held at the offices of N+1 Singer, 1 Bartholomew Lane, London EC2N 2AX at 10.00 a.m. on 14 May 2015.

Shareholders have the right to attend, speak and vote at the General Meeting (or, if they are not attending the meeting, to appoint someone else as their proxy to vote on their behalf) if they are on the Register at the Voting Record Time (namely 10.00 a.m. on 12 May 2015). Changes to entries in the Register after the Voting Record Time will be disregarded in determining the rights of any person to attend and/or vote at the General Meeting. If the General Meeting is adjourned, only those Shareholders on the Register 48 hours before the time of the adjourned General Meeting (excluding any part of a day that is not a Business Day) will be entitled to attend, speak and vote or to appoint a proxy.

The number of Ordinary Shares a Shareholder holds as at the Voting Record Time will determine how many votes a Shareholder or his proxy will have in the event of a poll.

10. Recommendation

Your Board believes the Placing to be in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors unanimously recommend you to vote in favour of the Resolutions to be proposed at the General Meeting as they intend to do in respect of their holdings, amounting, in aggregate, to 7,457,676 Ordinary Shares, representing approximately 16.2 per cent. of the existing issued share capital of the Company.

The following definitions apply throughout this announcement unless the context otherwise requires:

"Act"	the Companies Act 2006 (as amended)
"Admission"	the admission of the Placing Shares to trading on AIM following completion of the Placing and such admission becoming effective in accordance with Rule 6 of the AIM Rules
"AIM"	the AIM market operated by the London Stock Exchange
"AIM Rules"	the AIM Rules for Companies and guidance notes published by the London Stock Exchange from time to time
"certificated form" or "in certificated form"	an ordinary share recorded on a company's share register as being held in certificated form (namely, not in CREST)
"Circular"	the circular dated 28 April 2015
"Company" or "Pinnacle"	Pinnacle Technology Group plc, a company incorporated and registered in England and Wales under the Companies Act 1985 with registered number 5259846
"CREST"	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in those regulations)
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (S.I. 2001 No. 3755) (as amended)
"Dealing Day"	a day on which the London Stock Exchange is open for business in London
"Directors" or "Board"	the directors of the Company whose names are set out on page 4 of the Circular, or any duly authorised committee thereof
"EIS"	the Enterprise Investment Scheme as set out in Part IV of the Income Tax Act 2007 and Part IV and Schedule 5B of the Taxation of Chargeable Gains Act 1992
"Euroclear"	Euroclear UK & Ireland Limited, the operator of CREST
"Enlarged Share Capital"	the issued share capital of the Company immediately following Admission comprising the Existing Ordinary Shares and the Placing Shares
"Existing Ordinary Shares"	the 46,018,436 ordinary shares of 1 pence each in issue at the date of this announcement, all of which are admitted to trading on AIM and being the entire issued ordinary share capital of the Company
"Form of Proxy"	the form of proxy for use in connection with the General Meeting which accompanies the Circular
"FCA"	the Financial Conduct Authority
"FSMA"	the Financial Services and Markets Act 2000 (as amended)
"General Meeting"	the general meeting of the Company to be held at the offices of N+1 Singer, 1 Bartholomew Lane, London EC2N 2AX at 10.00 a.m. on 14 May 2015, notice of which is set out at the end of the Circular
"Group"	the Company, its subsidiaries and its subsidiary undertakings
"HMRC"	Her Majesty's Revenue & Customs

"London Stock Exchange"	London Stock Exchange plc
"MXC Capital"	MXC Capital Limited (registered in Guernsey with company number 58895 and whose registered office is at 1st and 2nd Floors, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey GY1 1EW) and any subsidiary or holding company from time to time of MXC Capital Limited, and any subsidiary or holding company from time to time of a holding company or subsidiary of MXC Capital Limited, and each company in the MXC Group is a member of the MXC Group;
"Nominated Adviser" or "N+1 Singer"	Nplus1 Singer Advisory LLP, the Company's nominated adviser and broker
"Notice of General Meeting"	the notice convening the General Meeting which is set out at the end of the Circular
"Ordinary Shares"	the ordinary shares of 1 pence each in the capital of the Company
"Placing"	the conditional placing of the Placing Shares by N+1 Singer, as agent on behalf of the Company, pursuant to the Placing Agreement, further details of which are set out in this announcement
"Placing Agreement"	the conditional agreement dated 28 April 2015 made between N+1 Singer and the Company in relation to the Placing, further details of which are set out in this announcement
"Placing Price"	6.5 pence per Placing Share
"Placing Shares"	the 13,164,122 new Ordinary Shares to be issued pursuant to the Placing
"Prospectus Rules"	the prospectus rules made by the FCA pursuant to section 73A of the FSMA
"Resolutions"	the resolutions set out in the Notice of General Meeting
"Shareholders"	holders of Ordinary Shares
"UK"	the United Kingdom of Great Britain and Northern Ireland
"US" or "United States"	the United States of America, each State thereof, its territories and possessions (including the District of Columbia) and all other areas subject to its jurisdiction
"uncertificated" or "in uncertificated form"	an Ordinary Share recorded on a company's share register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
"VCT"	a venture capital trust within the meaning of Chapter 3 of Part 6 of the Income Tax Act 2007
"Warrants"	the warrants referred to in paragraph 3
"Warrant Instrument"	the warrant instrument referred to in paragraph 3

-Ends-

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