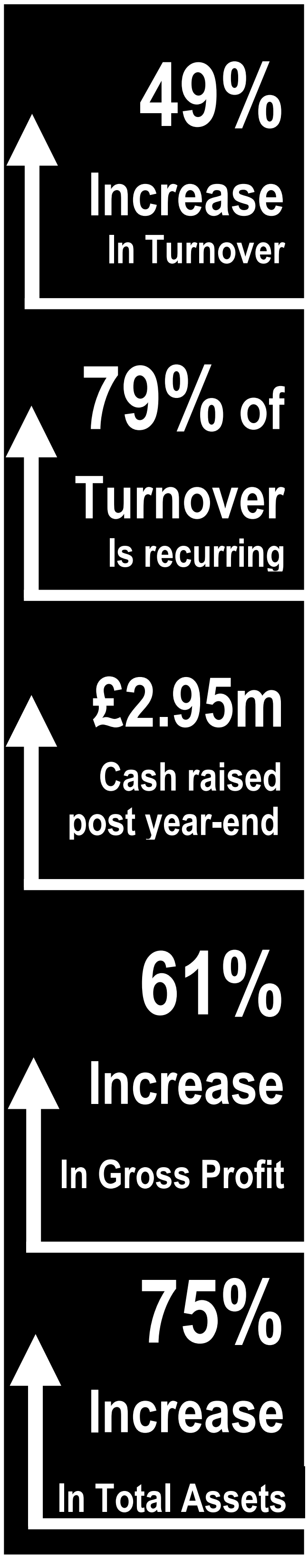
20 February 2013

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

PRELIMINARY RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

Pinnacle Technology Group plc (AIM: PINN) the AIM listed provider of cloud based technology solutions today announces its preliminary results for the year ended 30 September 2012.



HIGHLIGHTS

Financial

- 49% increase in turnover to £12,710,446 (2011: £8,522,079).
  - 79% of turnover now relates to recurring and contracted revenues.
- 61% increase in Gross Profit to £3,960,322 (2011: £2,464,529).
  - Gross Profit increased to 31.1% (2011: 28.9%).
- £515,437 of adjusted EBITDA (1).
- 75% increase in total assets to £6,920,652 (2011: £3,958,300).
- Placing of £365,000 completed during the year (2011: Nil).
- Invested £766,846 of cash (2) in one-off costs associated with acquisitions.
- Post year-end, successful Placings of £2.95m.

Operational

- Fifth consecutive year of growth.
- Acquired RMS Managed IT Security Limited ("RMS") and Online Computer Developments Limited ("OCD").
- Completion of first two phases of strategic growth plan, building a strong portfolio of IT managed services.
- Focus now on cross-sales of the Group's services into existing extensive customer base.

Alan J Bonner, the Group CEO commented:

"As we continue to invest to reposition the business for the future, the Group has made good progress and performance in the current economic climate. Our commitment to investment in people will continue and we are well positioned to deliver value to shareholders through the achievement of our stated strategy. After carefully considering Pinnacle's growth and strategic objectives, we believe that a share consolidation could prove beneficial to the company and its shareholders, as a result, we will be seeking approval for a 1-for-100 share consolidation at the forthcoming AGM on 26 March 2013.

"There are good reasons to be optimistic; the business has invested £766,846 of cash this year in one-off acquisition costs, produced record sales of £12.7m and adjusted EBITDA including profit from acquisitions of £515,437, despite one of the most challenging trading environments. We've also grown our acquired revenues by 51% and grown our acquired gross profit by 48%. We enter the new financial year in a strong position, having secured £2.95m of cash following new share issues post year-end. Our financial strength will enable us to continue to invest and reposition the business, and despite the current economic conditions, we intend to make further investment in our sales teams to take advantage of the opportunities we have to increase our market share. Whilst the results of our cross-selling strategy may take some time to deliver, we are confident that the actions we have taken to date and the strategy we are pursuing will ensure the Group continues to prosper."

Notes:

1. Adjusted EBITDA is defined as Earnings before interest, taxation, depreciation, amortisation and impairment of intangibles, exceptional acquisition costs, share of results of associates, the embedded fair value adjustment in the convertible loan and £230,883 profit related to acquisitions (£140,883 from the bargain purchase of OCD, plus £90,000 of profit from contingent consideration of OCD).

2. One-off costs associated with acquisitions in the year amounted to £766,846, which was made up of £564,292 of cash relating to severance and redundancy costs and £202,554 of cash relating to purchase consideration.

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

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CHAIRMAN'S STATEMENT

"Another very strong year of integration"

Bill Allan, Chairman

It gives me great pleasure to be able to report on another strong year for Pinnacle. For the fifth consecutive year as a public company Pinnacle has delivered growth whilst successfully integrating its acquired businesses into the Group. These achievements demonstrate the strength and resilience of the Company's staff and core business.

The outlook for Pinnacle is positive. I am delighted that post year-end we successfully raised £2.95m before expenses, ensuring that the Company has a strong balance sheet, with the financial and operational flexibility to deliver its stated strategy. I am confident that Pinnacle is more strongly positioned today, with greater opportunities for increased growth and shareholder value.

A great deal has been achieved since I joined the Board as Chairman in March 2010. The last three years have been a period of growth in a challenging market. Pinnacle has been bold in building a business from core strength and acquisitions to compete more effectively in a changing telecommunications market, where business customers require a more sophisticated portfolio of services. Pinnacle now has the building blocks to compete and win. New skills are being added from staff recruitment, and previously independent companies are cooperating to build new services and cross-sell into new markets.

This is also a time for change, to add new strength and expertise to the Board. In this respect I am delighted to announce that Dr James Dodd will replace me as Chairman following the Annual General Meeting on March 26th, and Dr Tom Black will replace John Anderson as a Non-Executive Director. These are strong appointments, which reflect well on our company's ability to attract skilled and experienced practitioners to the Board.

Dr James Dodd has over 30 years experience in the public and private equity markets, focusing on telecommunications and related technology industries. A member of the Securities Institute and the Institute of Physics, James is currently a member of Oriel Securities' Advisory Board, and serves on the Board of Apollo Submarine Cable System Limited, the joint venture between Vodafone Group plc and Alcatel-Lucent SA.

Dr Tom Black is co-founder and Executive Chairman of Digital Barriers plc, an AIM-listed business focussed on the surveillance sector. Prior to setting-up Digital Barriers in 2009, Tom spent over 20 years with Detica Group plc. He joined the business in 1984 and was appointed Chief Executive in 1995. Tom 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.

These are two exciting appointments for Pinnacle and John and I wish them well in the years ahead. Being part of Pinnacle has been very rewarding. The telecommunications and technology markets are very demanding and require particular strength, perseverance and persistence from the Board and management to succeed. Alan Bonner and his team have achieved remarkable results over the past three years. The Company is now stronger today in its staff and services to continue to prosper. I look forward to Pinnacle's continued success.

Bill Allan
CHAIRMAN
20 February 2013

CHIEF EXECUTIVE OFFICER'S REVIEW

"2012 has been another solid performance."

"We are performing very well"

Alan Bonner, Chief Executive Officer

Introduction

I am pleased to report that the Group has made significant progress in the last twelve months; once again, we have delivered a consistently strong performance and ongoing success in repositioning the business away from commoditised telecommunications markets towards the higher growth and higher margin IT managed services market.

Despite the challenges of post-acquisition integration and difficult macro-economic market conditions, we are pleased to report material financial progress has been achieved in the year, delivering adjusted EBITDA including profit from acquisitions of £515,437, record sales of £12.7m, which is a 49% increase over last year, and a 61% increase in gross profit to £4m.

Whilst the key focus of 2012 has been on consolidating our last four acquisitions, as with prior years, we have enjoyed a substantial increase in revenues over the year, which have been boosted as a result of driving organic growth from the acquired businesses. During the year we welcomed RMS Managed IT Security Limited and Online Computer Developments Limited into the Group and I am pleased to report that both businesses have now been fully integrated into Pinnacle's operations.

It should be noted that our continuing success is as a result of a great deal of hard work, our team have done exceptionally well this year and I am extremely proud of the commitment and determination shown by all staff members.

Strategy

Background

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

1) Join AIM through IPO or other means (we chose Glen Group plc);

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.

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.

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 plan for growth. 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 is already delivering positive results.

Name Change

On 29th March 2012, shareholders agreed to the Company's change of name from Pinnacle Telecom Group plc, to Pinnacle Technology Group plc. The change of name was effective from the 4th April 2012. We also intend to change the FTSE sector from Fixed Line Communications to Software and Computer Services, which the Board believe better reflects the Group's strategy.

Growth

Background

Pinnacle had a single service offering (fixed line telephony) when we joined AIM in 2007. In 2008, we acquired Scotland's oldest Internet Service Provider ("ISP"), which gave us Internet and core data network skills, and a public telecom operator's license. In 2009, we acquired a mobile and inbound calls business. In 2010, we acquired a Voice over IP (VoIP) platform and another ISP (in Brighton). In 2011, we acquired two IT support businesses, an IP CCTV business and an IT Security business.

By October 2011, we had invested £2.4m (£0.7m cash - £1.7m shares) amassed 2,800 business customers and posted £8.5m of annual revenues and £2.6m of gross profit. By the beginning of October 2012, we had completed phase-two of our growth plan and developed our Managed Services Platform. We had also grown the acquired revenues by 51%, delivering combined revenues of £12.7m and grown the acquired gross profit by 48% to £4m, in the year to 30 September 2012.

Market Segments

IT Services

Revenue grew 69% to £1,456,063 (2011: £863,464) representing 11% of group revenues at FY 30 Sept 2012 (2011: 10%).

This area of the businesses provides expert advice and assistance to business customers in planning and designing computer solutions that integrate computer hardware, software, data and communication technologies. The emergence of new virtualised technologies, such as cloud computing, increases the requirement for internal IT support to be outsourced to third-party specialists, such as Pinnacle, and we are seeing good recurring revenue growth helping our customers to embrace new technologies, as well as being on hand to maintain, repair or replace internally managed hardware as part of the solution.

The industry is rapidly moving towards providing managed services, which includes a combination of hardware provision, software development, installation and overseeing customers 'technology hardware estate'. Whilst this segment is labour intensive, it recognises the service-orientated nature of the sector and the relatively high level of education and training that is required.

IT Security Solutions

Revenue grew 65,000% to £3,729,640 (2011: £5,712) representing 29% of group revenues at FY 30 Sept 2012 (2011: 0.07%).

IT security was almost non-existent in our portfolio prior to 2012, however, through the acquisition of RMS Managed ICT Security Limited in October 2011, Pinnacle acquired one of the most respected and knowledgeable UK based organisations in this field. Combined with our experience in IT Services, voice and data networks, we specialise in providing testing, hardware, consultancy and application support to some of the most prestigious organisations in the UK.

Over the past 6 years, business customers have witnessed an unprecedented number of IT intrusions or attempts to transfer data, national secrets, source code, databases, email archives, document stores, legal contracts, design schematics, and much more into the wrong hands. Unsolicited IT hacking is a risk to every company in every conceivable industry, with significant size or valuable intellectual property and trade secrets at risk. The great majority of the victims rarely discover the intrusion or its impact until it is too late.

Cloud Services and Data Connectivity

Revenue grew 25% to £2,930,336 (2011: £2,342,115) representing 23% of group revenues at FY 30 Sept 2012 (2011: 27%).

In recent years, in order to maximise security and work efficiencies, the IT industry has driven change within the business community, encouraging customers to move their internally housed IT equipment and applications, out of the office and into a specialised virtual environment. As a host provider of cloud solutions, Pinnacle hosts and manages a variety of business software applications on servers that sit in the cloud, so that our customers, who use them as resources, can access them easily, paying for what they use, when they use it. This drives down the requirement for large capital expenditure projects and allows enterprises to concentrate their expenditure on key business activities. To facilitate fast access to these cloud services from customer sites, Pinnacle provides a full range of secure data connectivity solutions for business customers.

As a fully licensed network provider, Pinnacle owns and manages its own core UK network infrastructure. By connecting customers to our core network using local tail connections from BT, TalkTalk or Virgin Media, we provide business customers with a private, managed and fully secure data network in order to run Internet, IP CCTV, video and voice applications. In recent years, this has expanded into other niche areas and we have also developed core skills in providing short-term voice, cloud and data solutions to event and media broadcasters, such as the BBC and CNN.

Mobility Solutions

Revenue reduced 5% to £538,702 (2011: £565,460) representing 4% of group revenues at FY 30 Sept 2012 (2011: 7%).

Mobile phones, smartphones, tablets and mobile data devices are an integral part of how organisations now run their business. Many companies now have more mobile devices than PCs, all accessing valuable corporate resources. The ease with which a mobile device can be lost or stolen, and the inconsistent security policies that are applied to mobile devices means that there is significant demand to lock down and secure mobile devices and the applications running on them. Pinnacle provides a full range of mobile and mobile solutions from the main business mobile networks and hardware manufacturers.

The rise in popularity of personal smartphone devices in the workplace is changing the way companies manage mobile devices in the office environment. The increased use of Non-IT managed, or supported mobile devices accessing corporate resources is known as a bring-your-own-device (BYOD) culture. Allowing personal devices to access corporate data in this way introduces new problems to the business. Pinnacle work with our business customers to ensure that all devices attached to the corporate network are identified, registered and managed, so that IT managers can securely control network and data access.

The reduction in revenues in the year reflects the reduced commissions on offer from the major UK mobile networks, who have moved away from a fixed commission model to a commission based on share of spend. We expect mobile revenues to increase in future years as we look to cross-sell additional services in to our existing customer base.

Telecommunications

Revenue reduced 15% to £4,055,705 (2011: £4,745,328) representing 32% of group revenues at FY 30 Sept 2012 (2011: 56%).

No other industry touches as many technology-related business sectors as telecommunications, which, by definition, encompasses not only the traditional areas of telephone services, but also advanced technology-based services including wireless communications, the Internet, fibre-optics and satellites. Whilst there is little sign that revenues in the telecommunications sector will disappear altogether, our focus here has been two-fold. Firstly, on IP cloud based telephony, particularly Session Initiation Protocol (“SIP”) as clients begin to migrate to SIP from ISDN30 and secondly, on Voice over IP (“VoIP”).

Fixed-line telecommunications are vital to most of our customers. Mobile phones, though extremely convenient, are still quite unreliable in terms of service and are therefore not a complete alternative for many customers. VoIP, though inexpensive when compared to fixed-line telephony, has not yet gained full confidence from the customer. Nonetheless, customers will continue to adopt new telephony technologies at a steady rate over time, in the same way that they adopted new Internet services like online banking and shopping via e-commerce websites over a relatively short time period.

The reduction in revenues this year is a reflection of the industry move towards an overall reduction in call tariffs to end users, mainly in the cost of calls from landlines to mobiles, which we welcome. These regulatory changes reduce the wholesale price that the major mobile providers charge us for using their networks. In turn, these savings are passed on to our customers in the form of lower call tariffs. Given the general move towards lowering margins, the reduction in revenues also reflects the impact of the decision in 2011 by the Group, to withdraw our own wholesale product from sale to other telecommunications resellers.

For Pinnacle, telecommunications is a cash cow, however, over the next ten years, we do see most companies moving from traditional voice to VoIP solutions.

Future Growth

Cross-selling

As mentioned above, our strategy is predicated on cross-selling the elements of our converged managed services offering. Put simply, this means selling more services to our existing customers. Currently, on average, our customers buy 1.4 services from Pinnacle; our short-term aim is to increase that average to 3. In percentage terms, our target is to achieve 60% of our customers buying more than one service from Pinnacle; achieving this goal will have a significant positive impact on our business. Currently, as a result of strategically acquiring single service companies, only 23% of our customers are buying more than one service from us. This represents a huge growth opportunity for the Company.

Recruitment

We have segmented our customers by geographic region and employee size (Enterprise, Corporate, SMB and 5 Vertical Sectors). We now supply services to 2,800 customers across 14 geographic regions in the UK. We currently have 15 sales people across the business, however, to achieve our target of supplying 3 Pinnacle services per customer, and to help us better account manage our customers across the regions, we need to recruit additional Enterprise and Corporate facing account managers. For SMB and Vertical Sector clients, we need to recruit additional internal based account managers. We hope to have completed the recruitment by the summer of 2013.

Acquisitions

On the 5th October 2011 we completed the acquisition of Online Computer Developments Limited ("OCD"). OCD, an IT Support Company based in Glasgow, brought us an additional team 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, OCD gave us a stronger foothold in the IT services market as we look to expand this offering across the UK in 2013.

On the 9th October 2011, we completed the acquisition of RMS Managed ICT Security Limited ("RMS"). RMS, a specialist IT Security Company based in Stoke-on-Trent, had at the time of acquisition, been voted McAfee Partner of the Year and boasts a customer base of some of the most prestigious and well-respected organisations in the UK. These larger enterprise and corporate customers trust and rely on RMS to deliver and manage their IT security solutions and lock down their networks from attack and vulnerability. 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 IT 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 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.

Since our involvement on AIM in 2007, we have invested a total of £2.4m over nine acquisitions (£0.7m cash & £1.7m shares), acquiring £8.4m of revenue and £2.7m of gross profit. This was phase-two, of our four-phase plan as described above. All acquisitions were strategic in nature, component parts as we built our Managed Service Platform. As phase-two is now complete, we can financially demonstrate the value of these acquisitions, having organically grown the acquired revenues by 51%, from £8.4m to £12.7m. In line with revenue growth, the acquired gross profit has increased by 48%, from £2.6m to £4m.

Exceptional costs relating to acquisitions

In this financial year, £766,846 of cash was invested in one-off acquisition costs (made up of £564,292 of cash relating to severance and redundancy costs and £202,554 of cash relating to purchase consideration). It should be emphasised that these are one-off costs that will not occur again.

It is also worth noting that acquisitions require us to consider whether the goodwill that we have acquired (basically the difference between the net assets of the business acquired and the price paid) should be recognised and allocated in our financial statements as other intangible assets, such as a customer base, billing system and so on, which would not necessarily be recognised in the accounts of the acquired business. Also, IFRS accounting requires us to carefully consider the carrying value of our intangible assets and forces amortisation of these assets. We view these adjustments as technical, and they have no bearing on cash.

Accordingly, we believe that the best measure of operating profit or loss should be adjusted EBITDA plus the profit from the acquisition of OCD. IFRS operating profit or loss forces charges in the year for Amortisation of Intangible Assets (£464,960), Depreciation (£153,049), Impairment of intangible assets (£410,290), Exceptional costs relating to acquisitions (£564,292), Share based payments (£13,921) and embedded fair value in convertible loans (£11,229).

	Adjusted EBITDA
	£284,554
Add Back	
Profit relating to bargain purchase of OCD	£140,883
Profit from contingent consideration of OCD	£90,000
EBITDA plus profit from acquisition of OCD	**£515,437**

High-Profile Contracts

This year, once again, saw us deliver connectivity solutions to numerous media events across the UK, supporting multimedia broadcasts to countries all over the world.

Queen's Jubilee Celebrations and the Olympic and Paralympic Games

For the Queen's Diamond Jubilee celebrations, Pinnacle successfully supplied secure data network services for BBC news, BBC International and BBC Events, CNN and Globecast. These organisations in turn supplied broadcasters from France, Germany and Australia using Pinnacle's services. Over 120 data circuits were installed at Buckingham Palace, Canada Gate, Green Park, Tower Bridge, Victoria Embankment, The Mall, Battersea Park, Tate Modern, Wellington Barracks, Knightsbridge Barracks, Billingsgate, Whitehall, The Palace of Westminster, St Paul's, Convoys Wharf and Trafalgar Square.

2012 will also be remembered as the year London hosted the Olympic and Paralympic Games, and it was with great excitement that the Group announced that it had entered into a supply agreement with the BBC to provide data, connectivity and voice services to BBC International and its world media partners, enabling worldwide broadcast coverage of the 2012 Olympic and Paralympic Games.

The London 2012 Olympic Games delivered the biggest national television event since current measuring systems began, with 51.9m (90% of the UK population) watching at least 15 minutes of coverage. 24.2m (42% of the UK population) also watched at least 15 minutes of coverage on the BBC Red Button.

Under the terms of this agreement, the BBC offered international broadcasters from around the world the ability to broadcast from the Stratford Broadcast Tower; a 22-storey building situated at the edge of the Olympic Park with commanding views overlooking the Olympic Stadium, the Aquatics Centre and the Orbit Tower. Pinnacle supplied BBC International with the resilient fibre connections; microwave back-up links, analogue and ISDN connectivity. Pinnacle also supplied IP telephone switchboards, telephone handsets and data connections to Stratford Broadcast Tower's offices, studios and production crews for the world's media. In addition to TV broadcasts, the BBC delivered its most successful online event ever, attracting a record-breaking 55m global browsers to BBC Sport online (cumulative reach) throughout the course of the Games, and marking London 2012 as the first truly digital Games. This mirrored the BBC's record Olympic TV reach, across both linear TV channels and Red Button, with over 51.9m viewers in the UK - the largest TV audience reach for a major event for at least 10 years.

Through our agreement with Atos, our interconnect agreements with CMC, both signed during this year, and other international data carriers, Pinnacle enabled the BBC and its international broadcast partners at the London Olympics Stratford Broadcast Tower, to have direct point-to-point fibre connections to most capital cities around the world. Pinnacle delivered the transmission of Olympic and Paralympic Games broadcast images and sound, direct to the broadcaster's own country for editing and re-transmission around the world.

We expect to continue to win future contracts of this nature and we are delighted to have fostered such a strong relationship with the BBC.

Board Changes

As reported in the Chairman's Statement, both Bill Allan and John Anderson have decided to retire from the Board and will not be seeking re-election at the forthcoming AGM. I have had the pleasure of working with John since he joined the Board in 2008, he has 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 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.

Summary

"As we continue to invest to reposition the business for the future, the Group has made good progress and performance in the current economic climate. Our commitment to investment in people will continue and we are well positioned to deliver value to shareholders through the achievement of our stated strategy. After carefully considering Pinnacle's growth and strategic objectives, we believe that a share consolidation could prove beneficial to the company and its shareholders, as a result, we will be seeking approval for a 1-for-100 share consolidation at the forthcoming AGM on 26 March 2013.

"There are good reasons to be optimistic; the business has invested £766,846 of cash this year in one-off acquisition costs, produced record sales of £12.7m and adjusted EBITDA including profit from acquisitions of £515,437, despite one of the most challenging trading environments. We've also grown our acquired revenues by 51% and grown our acquired gross profit by 48%. We enter the new financial year in a strong position, having secured £2.95m of cash following new share issues post year-end. Our financial strength will enable us to continue to invest and reposition the business, and despite the current economic conditions, we intend to make further investment in our sales teams to take advantage of the opportunities we have to increase our market share. Whilst the results of our cross-selling strategy may take some time to deliver, we are confident that the actions we have taken to date and the strategy we are pursuing will ensure the Group continues to prosper."

Alan J Bonner
CHIEF EXECUTIVE OFFICER
20 February 2013

CONSOLIDATED INCOME STATEMENT
for the year ended 30 September 2012

	Note	Year ended 2012 £	Year ended 2011 £
Revenue	3	**12,710,446**	8,522,079
Cost of sales		**(8,750,124)**	(6,057,550)
Gross profit		**3,960,322**	2,464,529
Operating expenses		**(5,058,014)**	(2,562,834)
Operating loss	4	**(1,097,692)**	**(98,305)**
Adjusted EBITDA		**284,554**	**208,211**
Profit relating to bargain purchase of OCD	2	140,883	-
Profit relating to contingent consideration	2	90,000	80,000
EBITDA before exceptional costs and restructure costs		**515,437**	**288,211**
Amortisation of Intangible Assets		(464,960)	(239,195)
Depreciation		(153,049)	(108,990)
Exceptional costs relating to acquisitions	2	(564,292)	(23,031)
Impairment of intangible assets		(410,290)	-
Share based payments		(13,921)	(13,922)
Embedded fair value in convertible loan		(11,229)	(10,062)
Share of profit from associate		4,612	8,684
Operating Loss		**(1,097,692)**	**(98,305)**
Interest receivable		**3,257**	349
Interest payable		**(21,123)**	(19,360)
Net Finance expense		**(17,866)**	(19,011)
Loss before tax		**(1,115,558)**	(117,316)
Taxation		**218,264**	(997)
Loss for the period from continuing operations		**(897,294)**	(118,313)
Discontinued operations			
Loss for the period from discontinued operations		**-**	(71,980)
Loss for the year attributable to the equity holders of the parent		**(897,294)**	(190,293)
Loss per share			
- basic and fully diluted – continuing	5	**(0.04)p**	(0.01)p
- basic and fully diluted – discontinued	5	**0.00p**	0.00p
- basic and fully diluted – total	5	**(0.04)p**	(0.01)p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2012

	Note	2012 £	2011 £
Non-current assets			
Intangible assets		2,907,886	1,267,813
Investments in Associated Companies		181,171	176,559
Development Asset		279,818	279,818
Property, plant and equipment		217,136	107,715
Deferred tax asset		508,100	-
Total non-current assets		4,094,111	1,831,905
Current assets			
Inventories		363,167	97,661
Trade and other receivables		2,334,145	1,576,303
Cash and cash equivalents		129,229	452,431
Total current assets		2,826,541	2,126,395
Total assets		6,920,652	3,958,300
Liabilities			
Short term borrowings		(261,781)	(9,976)
Trade and other payables		(2,178,867)	(1,092,069)
Other taxes and social security costs		(685,449)	(170,162)
Accruals and other payables		(1,574,251)	(844,071)
Total current liabilities		(4,700,348)	(2,116,278)
Non-current liabilities			
Long term borrowings		(211,702)	(28,882)
Deferred tax liability		(621,335)	-
Total liabilities		(5,533,385)	(2,145,160)
Net assets		1,387,267	1,813,140
Equity			
Share capital		5,825,055	5,667,056
Share premium account		4,343,553	4,044,052
Merger reserve		283,357	283,357
Other reserve		52,869	38,948
Fair value adjustment		(1,064,130)	(1,064,130)
Retained earnings		(8,053,437)	(7,156,143)
Total equity		1,387,267	1,813,140

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 September 2012

	Share capital	Share premium	Merger Reserve	Other reserve	Fair Value (1)	Retained earnings	Total
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	-	-	683,690
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
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

(1) *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 2012

	2012 £	2011 £
Cash flows from operating activities		
Loss before taxation	(1,115,558)	(117,316)
Adjustments for:		
Depreciation	153,049	108,990
Amortisation	464,960	239,195
Impairment of intangible assets	410,290	-
Share of (profit)/loss from associate	(4,612)	(8,684)
Share option charge	13,921	13,922
Fair value adjustment for convertible loan	11,229	10,062
Bargain purchase of subsidiary	(140,883)	-
Contingent consideration in relation to acquisitions	(90,000)	-
Interest expense	17,867	19,011
Movements on deferred tax	(225,403)	-
(Payment)/Receipt of corporation tax	(16,956)	(997)
Increase in trade and other receivables	(13,652)	(318,467)
Increase in inventories	(33,250)	(24,471)
Increase/(decrease) in trade payables, accruals and other creditors	294,021	104,507
Net cash flow from operating activities	(274,977)	25,752
Cash flows from discontinued activities		
Loss of discontinued activities before taxation	-	(71,980)
Cash flows from investing activities		
Acquisition of business assets, net of cash acquired	(356,943)	(45,000)
Capitalisation of software development costs	(72,000)	(68,000)
Purchase of property, plant and equipment	(60,871)	(30,274)
Interest received	3,257	349
Net cash used in investing activities	(486,557)	(142,925)
Cash flows from financing activities		
Issue of shares	365,000	-
Repayment of convertible loans and bank loans	(15,290)	(5,000)
Expenses paid in connection with share issue	(12,500)	-
Payment of finance lease liabilities	(22,612)	(31,245)
Interest paid	(21,123)	(19,360)
Net cash from financing activities	293,475	(55,605)
Net (decrease)/increase in cash	(468,059)	(244,758)
Cash at bank and in hand at beginning of period	452,431	697,189
Cash at bank and in hand at end of period	(15,628)	452,431
Comprising:		
Cash at bank and in hand	129,229	452,431
Bank overdrafts	(144,857)	-
	(15,628)	452,431

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Pinnacle Technology Group plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on the inside back cover of this report. The nature of the Group's operations and its principal activities are set out in the Chief Executive's Review and Directors' report. The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which each of the Group's subsidiaries operates.

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 2012. 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 2012 or 30 September 2011 but is derived from those financial statements. Statutory financial statements for 2012 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.

This preliminary announcement has been agreed with the company's auditors for release.

2. Acquisitions

2.1. Acquisition of Online Computer Developments Limited

On 6th October 2011, Pinnacle Technology Group acquired the entire share capital of Online Computer Developments Limited ("OCD") for a total consideration of up to £110,000.

Online Computer Developments Limited, based in Glasgow, focus on the design, implementation and ongoing maintenance of IT solutions to business customers based in Scotland. The acquisition formed a key part of Pinnacle's strategy to build out its IT capability - enabling faster delivery of its cloud services proposition. The acquired customer base complements that of Pinnacle and further strengthens its presence in the Scottish SME market and allows for strong cross-selling opportunities across the combined businesses.

The consideration was satisfied through a combination of cash, convertible loan note and deferred consideration shares at 0.57p.
At completion, Pinnacle paid initial consideration of £2,000 in cash and issued a two-year convertible loan note to the value of £18,000. In addition, contingent consideration, calculated in accordance with specific growth performance earn-out provisions for the year ending 30th September 2012, allowed the vendors to earn additional consideration of £90,000 of Pinnacle Technology Group plc ordinary shares.

In accordance with IFRS3 (revised) Section 39-40, for the purpose of calculating the intangible asset, contingent consideration of £90,000 was assumed on acquisition, relating to the financial performance of the subsidiary in the year to 30 September 2012. On acquisition, this was deemed to be a reasonable and probable achievement target for the year. The contingent consideration of £90,000 was payable provided only that the combined IT Services revenues for the acquired companies in the year to 30 September 2012, exceeded their prior year revenues by more than £500,000. No pro-rata performance criteria was agreed. Upon reviewing the actual results for the year, the performance criteria for payment of the contingent consideration was not met, and consequently this amount has been recorded in the consolidated income statement for Group for the year to 30 September 2012.

	Book Cost	Fair Value
Non-current assets		
Intangible Asset	-	626,506
Property, plant and equipment	11,611	11,611
Deferred tax asset	-	35,978
	11,611	674,095
Current assets		

Trade and other receivables	47,520	47,520
Cash at bank and in hand	450	450
Total current assets	47,970	47,970
Total assets	**59,581**	**722,065**
Non-current liabilities - Deferred tax liability		(144,096)
Current liabilities		
Trade and other payables	(38,146)	(38,146)
Other taxes and social security costs	(55,160)	(55,160)
Other creditors and accruals	(233,780)	(233,780)
Total liabilities	(327,086)	(471,182)
Net (Liabilities) / Assets	**(267,505)**	**250,883**
- initial consideration		(20,000)
- contingent consideration		(90,000)
Fair value of cost of acquisition		**(110,000)**
Gain on bargain purchase		**140,883**

In assessing the fair value of Trade and other receivables as part of the acquisition, the Group considered the contractual values of Trade Debtors of £59,496 and the bad debt provision of £11,976. The Group concluded the fair value to be equivalent to the book value on acquisition.

Included in the fair value calculations above is an intangible asset, representing the future cash flows of the acquired customer base in the hands of the Group, calculated in accordance with the provisions of IFRS3. The increase in fair value of assets acquired over book value resulted in a gain on acquisition of £140,883, which has been offset against operating costs in the Income Statement for the year to 30 September 2012.

Since the acquisition, equivalent to almost the full financial year, Online Computer Developments Limited, contributed £808,110 of revenue and £43,332 of operating profit before tax towards the performance in the year to 30 September 2012. Costs incurred during the year associated with the acquisition were legal fees of £10,735 and exceptional costs in relation to redundancy and severance payments of £166,791. Due to the acquisition taking place on 6th October 2011, results for the entire year would be insignificantly different to those stated.

2.2. Acquisition of RMS Managed ICT Security Limited

On 10th October 2011, Pinnacle Technology Group plc was pleased to announce the acquisition of the entire share capital of RMS Managed ICT Security Limited ("RMS"), a leading provider of IT security software and consultancy solutions to mid-market, enterprise and public sector business customers.

The acquisition of RMS provides IT security expertise, a key part of Pinnacle's strategy to build out its of its cloud services proposition. The Staffordshire business further strengthened Pinnacle's reach across the UK and delivered an additional 1,700 additional business customers to the group. The resulting customer base delivers strong cross-selling opportunities to the Group, across the combined businesses. The acquisition of RMS was completed for a total consideration, including brokers fees, of £468,301. RMS was formed in November 2010, following the successful management buyout and subsequent separation of the IT Security element of Redstone Managed Solutions Plc. At completion, initial consideration of £25,000 was satisfied in cash and in addition, further deferred cash payments of £343,301 were agreed, between 31st October 2011 and 25th December 2014.

At completion, the group also created a two-year interest bearing convertible loan notes for the value of £100,000 of ordinary shares of Pinnacle Technology Group plc. Included in the fair value calculations below is an intangible asset, representing the future cash flows of the acquired customer base, calculated in accordance with the provisions of IFRS3. Since the acquisition, results from RMS Managed ICT Security Limited, which spanned the majority of the financial year, contributed £3,574,547 of revenue and generated £64,531 of operating profit before exceptional costs. Exceptional costs incurred during the year associated with the acquisition were £356,766 in respect of redundancy and severance payments.

	Book Cost £	Fair Value £
Non-current assets		
Intangible Asset	-	1,682,392
Deferred Tax Asset	-	180,525
Property, plant and equipment	85,874	85,874
Total non-current assets	85,874	1,948,791
Current assets		
Inventories	232,256	232,256
Trade and other receivables	740,581	740,581
Total current assets	972,837	972,837
Total assets	**1,058,711**	**2,921,628**

	Book Cost £	Fair Value £
Non Current Liabilities – Deferred Tax liability	-	(386,950)
Current liabilities		
Trade and other payables	(1,116,395)	(1,116,395)
Deferred Income and accruals	(1,683,271)	(1,156,407)
Total non-current liabilities	(2,799,666)	(2,659,752)
Net (Liabilities) / Assets	**(1,740,955)**	**261,876**
- initial consideration		(182,554)
- deferred consideration		(285,747)
Fair value of cost of acquisition		**(468,301)**
Goodwill Note 9		**(206,425)**

In assessing the fair value of Trade and other receivables as part of the acquisition, the Group considered the contractual values of Trade Debtors of £790,599 and the bad debt provision of £110,215. The Group concluded the fair value of these debts to be equivalent to the book value on acquisition.

2.3 Restructure costs

Restructure costs for the year totalled £564,292 of which £177,526 related to Online Computer Developments Limited, £356,766 related to RMS Managed ICT Security Limited and £30,000 related to the acquisition of MacLellan IT in 2011.

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. Following further diversification of the group offering during 2012, the Company has revised its operating segments based on these reports. The Directors present below the results for 2012 and revised 2011 comparisons, based on the new reportable operating segments.

The Group currently has five reportable segments:

- IT Services – this segment provides IT support, consultancy, installation and hardware solutions to SME companies.
- IT Security Solutions – this segment provides a range of IT applications and consultancy services in order to secure data and assets for corporate and enterprise companies.
- Cloud Services and Data Connectivity – this segment provides leased lines, data connectivity, wireless solutions, data centre and hosting services, VoIP and other cloud based applications to business customers.
- Telecommunication Services – this sector covers a range of telecommunications services including calls, line rental and telephone system maintenance.
- Mobility Solutions – this segment provides a range of mobile services and solutions to SME companies.

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

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	2012 £	2011 £
By business sector		
IT Services	1,456,063	863,464
IT Security Solutions	3,729,640	5,712
Cloud Services and Data Connectivity	2,930,336	2,342,115
Telecommunication Services	4,055,705	4,745,328
Mobility Solutions	538,702	565,460
Continuing operations	12,710,446	8,522,079
Total revenue	12,710,446	8,522,079
By destination		
United Kingdom	12,710,446	8.522,079
Total revenue	12,710,446	8,522,079
By recurring nature		
Recurring and Renewable - continuing operations	10,031,303	7,142,835
Non-Recurring - continuing operations	2,679,143	1,379,244
Total revenue	12,710,446	8,522,079

3.2 Analysis of net loss after tax

	2012	2011
3.2.1 By business sector	£	£
IT Services		
Profit from operations before amortisation	(196,691)	59,541
Amortisation	(102,522)	(34,038)
(Loss) / Profit from operations after amortisation	(299,213)	25,503
IT Security Solutions		
Loss from operations before amortisation	(423,976)	2,000
Amortisation	(160,966)	-
Loss from operations after amortisation	(584,942)	2,000
Cloud Services and Data Connectivity		
Profit / (Loss) from operations before amortisation	131,004	(35,848)
Amortisation	(93,281)	(80,656)
Profit / (Loss) from operations after amortisation	37,723	(116,504)
Telecommunication Services		
Profit from operations before amortisation	489,847	450,846
Amortisation	(108,191)	(124,492)
Profit from operations after amortisation	381,656	326,354
Mobility Services		
Profit from operations before amortisation	31,189	38,242
Head office	(463,707)	(393,908)
Continuing operations	(897,294)	(118,313)
IT - discontinued operations	-	(71,980)
Total losses	(897,294)	(190,293)

	2012	2011
	£	£
3.2.2 By destination		
United Kingdom	(897,294)	(190,293)

3.2.3 By recurring nature	2012	2011
	£	£
Recurring - continuing operations	(423,062)	82,949
Non-Recurring - continuing operations	(9,272)	37,933
Profit from continuing operations before amortisation and discontinued	(432,334)	120,882
Amortisation	(464,960)	(239,195)
Non-Recurring - discontinued operations	-	(71,980)
Total losses	(897,294)	(190,293)

4. Operating loss	2012 £	2011 £
Loss from operations is stated after charging:		
Depreciation of owned assets	(153,049)	(108,990)
Other operating lease rentals:		
– buildings	(133,246)	(52,440)
Auditors' remuneration: - audit of parent company	(10,200)	(10,000)
- audit of subsidiary companies	(35,600)	(24,650)

5. Total and continuing loss per share	2012 £	2011 £
Loss attributable to ordinary shareholders – continuing operations	(897,294)	(118,313)
Loss attributable to ordinary shareholders – discontinued operations	-	(71,980)
Loss attributable to ordinary shareholders	(897,294)	(190,293)
	Number	Number
Weighted average number of ordinary shares in issue	2,148,696,417	1,898,436,808
Loss per share (pence) – continuing operations	0.04	0.01
Loss per share (pence) – discontinued operations	0.00	0.00
Loss per share (pence) – total	0.04	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 Technology Group plc as the numerator. The weighted average number of outstanding shares used for basic earnings per share amounted to 2,148,696,417 shares (2011: 1,898,436,808). Due to the losses incurred by the Group the share options are anti-dilutive.

6. Post balance sheet events

6.1 On 10th December 2012, the Group announced that it had issued 100,000,000 of new ordinary shares of 0.1p each to raise £300,000 before expenses, by way of a placing. The funds were raised from both existing and new investors with the net proceeds of the Placing used primarily for working capital purposes.

6.2 On 6th February 2013, the Group announced that it had issued 883,333,333 of new ordinary shares of 0.1p each to raise £2.65 million before expenses, by way of a placing that was oversubscribed. The funds were raised from both existing and new investors.

The net proceeds of the Placing will be used primarily for working capital purposes, to bring forward the implementation of the Company's growth strategy through the hiring of additional sales expertise to capitalise on the cross selling of the enlarged product suite into an already extensive base of around 3,000 customers. This strategy is designed to mitigate customer risk, strengthen customer relationships and ensure continuing high quality and visibility of earnings.

6.3 The Board has proposed the Share Capital Reorganisation, pursuant to which every 100 existing Ordinary Shares will be consolidated into 1 ordinary share of £0.1 each and, following this consolidation, each of the resulting ordinary shares of £0.1p each in the capital of the Company will be sub-divided into 1 ordinary share of £0.01 and 1 deferred share of £0.09. The value of the Deferred Shares will effectively be zero. To the extent that the number of Existing Ordinary Shares held by a Shareholder is not a multiple of 100, each such Existing Ordinary Share will not be consolidated as set out above, but will instead be redesignated as a new Deferred Share. The maximum potential loss by each Shareholder as a result of the consolidation element of the Share Capital Reorganisation is up to 99 Existing Ordinary Shares, with an aggregate value of 41.58p, based on a share price of 0.42p per Existing Ordinary Share.

Any fractional entitlements will be sold in the market for the benefit of the Company.

An example is set out below to demonstrate the effect on a Shareholder's holding of Existing Ordinary Shares in the Company if the Share Capital Reorganisation is implemented:

Number of Existing Ordinary Shares held prior to the Share Capital Reorganisation	Number of Existing Ordinary Shares held immediately after the Share Capital Reorganisation	Number of Deferred Shares held immediately after the Share Capital Reorganisation
100 ordinary shares of	1 ordinary share of	1 deferred shares of
£0.001 each	£0.01p each	£0.09p each

Note: Shareholders can still buy or sell Existing Ordinary Shares in order to minimise any potential losses due to the Share Capital Reorganisation up until 4.30pm on 28 March 2013. The Share Capital is expected to become effective at 8.00am on 2 April 2013. Application will be been made for the entire issued new Ordinary Share Capital of £0.01 to be admitted to AIM and dealings are expected to commence in the New Ordinary Shares of £0.01p at 8.00am on 2 April 2013.

The rights attaching to the Ordinary Shares, following the Share Capital Reorganisation, including voting and dividend rights will be the same as those attaching to the Existing Ordinary Shares. The Deferred Shares created pursuant to the Share Capital Reorganisation will have no voting rights or rights to receive a dividend and will only have a very limited right to any distribution on a return of capital. Shareholders will not be issued with a share certificate in respect of the Deferred Shares and should consider them worthless. The Company will also have the right to acquire all the Deferred Shares for an aggregate nominal sum of up to £1 in aggregate from all Shareholders.

No application will be made for the Deferred Shares to be admitted to trading on AIM or any other stock exchange. There are no immediate plans to purchase or cancel the Deferred Shares.

If you are in doubt with regard to your current shareholding or the number of Ordinary Shares which you will hold following implementation of the Share Capital Reorganisation, or if you have any queries on the Share Capital Reorganisation you should contact the Company's registrars;

Computershare Investor Services plc. The Pavilions Bridgwater Road Bristol BS99 6ZZ. Tel: 0870 707 1017

No new share certificates will be issued in respect of deferred shares, or the ordinary shares of £0.1 and existing share certificates will remain valid. The ordinary shares of £0.1 each will trade on AIM and, will be identical in number to the existing ordinary shares of £0.001 each in issue as at the date of this circular, which are as follows:

Class	Nominal Value per share	Number in issue	Voting rights attached
Ordinary	£0.001	3,194,807,730	3,194,807,730

7. Dividends

The Directors do not propose a dividend for the year ended 30 September 2012 (2011: £Nil).

8. Annual report and accounts

A copy of the Annual Report and Accounts for the year ended 30 September 2012 will be sent to shareholders at the beginning of March 2013 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.pinn.uk.com

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 Tuesday 26 March 2013 at 11:30 am.