Pinnacle Technology Group plc ("Pinnacle" or the "Company")
Interim Results for the six months ended 31 March 2012

Enhanced services and technology driving growth

Pinnacle Technology Group plc (AIM: PINN), the AIM listed converged managed services provider of cloud based technology solutions, today announces its unaudited interim results for the six months ended 31 March 2012.

Summary	Unaudited 6 months to 31 Mar 2012	Unaudited 6 months to 31 Mar 2011
Revenue	6,383,187	3,821,235
Gross Profit	2,003,151	1,111,352
EBITDA*	107,280	89,673
Operating profit**	25,400	50,787
Cash	298,727	452,040
Total Assets	6,952,065	2,962,355
Exceptional one-off costs relating to acquisitions	(284,416)	(11,500)

Financial Highlights:

- Significant growth in revenue of 67% increasing to £6.4m (H1 11: £3.8m).
    - Improved revenue mix - high margin services such as data & security now account for over 50% of revenue.
    - Recurring revenues remain strong at 86% (H1 11: 84%).
- 80% increase in Gross Profit, rising to £2.0m (H1 11: £1.1m).
- Gross Profit percentage of 31.38%, an increase of 2.46% (H1 11: 29.1%).
- Operating Profit** of £25k (H1 11: £50k).
- £284.4k of one-off exceptional costs relating to acquisitions and subsequent restructure of the business.
- Positive EBITDA* of £107,280 in the half year, after removing the impact of the one-off exceptional costs.

Operational Highlights:

- Name changed to Pinnacle Technology Group plc which reflects the change in our technological advancement.
- Programme of acquisitions has created a business of increased scale and capabilities, operating in high growth markets such as data, multi-site connectivity and security.
- Delivered over 100 contracts for the BBC and secured contracts for the Queens Jubilee & Olympics.
- Implementation of cost rationalisation programme in the latter part of the half, the results of which are anticipated to be seen in the second half of the year.

Acquisitions:

- Strengthened position in the high growth IT security market through two acquisitions in the period:
    - Entire share capital of Online Computer Developments Ltd on October 6th 2011
    - Entire share capital of RMS Managed ICT Security Limited on October 10th 2011

*EBITDA - Earnings before interest, taxation, depreciation, amortisation of intangibles, exceptional acquisition costs, share of results of associates and the embedded fair value adjustment in the convertible loan

**Operating profit – is before amortisation of intangibles, exceptional acquisition costs, share of results of associates and the embedded fair value adjustment in the convertible loan

H1 11 = the half-year ended 31 March 2011, H2 11 = the six months ended 30 September 2011, H1 12 = the half-year ended 31 March 2012

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

“These results demonstrate the increased scale of Pinnacle. Through our programme of targeted acquisitions, we have built an IT services business with a strong base of recurring revenues, operating in niche, high growth markets such as data, multi-site connectivity and security. Our large customer base of over 3,000 businesses across the UK represents a significant platform for future growth and our focus in our traditionally stronger second half of the year will be on further cross-sales of our enlarged product suite into this base. We believe the market conditions for our services, such as the requirement for cost-savings initiatives and the need for increased levels of security, are favourable to us and we therefore have confidence in the continued growth of Pinnacle.”

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) focuses on the business market across the UK. Driven by leveraging organic opportunities as well as through targeted acquisitions. We provide a wide range of converged managed solutions including Managed Support Services, Unified Communications and Collaboration, Communications and Mobility, Software as a Service (SaaS) and Infrastructure services.

Broad experience, innovation and impartial expertise puts Pinnacle in 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.

The Company has very strong capability in advanced IT Security and is the UK and Ireland McAfee Partner of the Year, the EMEA CA Partner of the Year and a Platinum Partner for Sophos.

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 its data centres in Glasgow, London and Brighton.

The Group has grown its revenues by 886% since Pinnacle's involvement on the Alternative Investment Market in 2007 and aims to build a £50m business, by leveraging organic opportunities as well as through targeted acquisitions. We create solutions that join together a company's three core networks (IT network, telephony network and mobile network). Our strategy of cross-selling the five elements of our converged managed services offering is now delivering positive results.

CHAIRMAN'S STATEMENT

The Group has continued its progress of building a business of scale in the UK's converged managed services market. In late 2010 we set a target to enhance our technical expertise and enter the lucrative and increasingly critical IT Security market. We identified target companies to acquire and in October 2011 announced the acquisitions of Online Computer Developments Limited and RMS Managed ICT Security Limited for a maximum total consideration of £578,301.

Both these companies are now being successfully integrated into the Group. Each business has demonstrated ability to attract and maintain a loyal customer base, into which we could cross-sell the Group's converged managed services, and increase our market presence and capability for innovative and creative services and solutions.

The results in this half-year reflect the success of this strategy with strong growth in revenue and EBITDA. Furthermore, the majority of the one-off exceptional costs relating to the acquisitions and integration have been incurred in this six-month period. The Board now looks forward to unlocking the potential from the combined customer base and service portfolio.

In March 2012 we carried out a small fund raising, the proceeds of which have been used to pay for the initial costs of the two acquisitions and provide working capital for the delivery of our part in the London 2012 Olympic and Paralympic Games for BBC International and its world media partners. This program of investment, as expected this half, has seen a slight reduction in operating profits before amortisation of intangibles and exceptional items, although this figure has remained positive in each period since 2010.

As the mix of business changes from traditional telecommunications towards converged managed services, we have seen gross margin increase to 31.4%, up from 28.9% in the full year 2011. The increased administration costs in the period reflect the growth in Group headcount from 27 in the full year 2011 to 62 employees today. From our stronger base we look forward with optimism to the full year results in September 2012.

The results for the first half are more fully explained in the Business Review.

Bill Allan
CHAIRMAN

27 June 2012

BUSINESS REVIEW

OVERVIEW

The 6 month period ended 31 March 2012 has seen the Group continuing to make great progress towards its stated aim to build a converged managed services business of scale.

We now have excellent competencies in security, connectivity, mobility, data centre and IT services. By cross-selling our customers the five elements of our converged managed services proposition, we are now able to offer our clients a complete solution which encompasses connectivity, mobile, firewall, encryption, storage, backup and recovery, hosting, cloud applications, anti-virus, data loss prevention, device and application control. The delivery of all services through just one provider, Pinnacle, all under a single service agreement and on a single bill, strengthens our customers' reliance on the company, increases our profit per customer and dramatically decreases the likelihood of our customers switching to a competitor.

OPERATIONAL REVIEW

The Group now offers a diverse product set to customers, with contribution to Group revenues as follows:

Analysis of revenue	6 months to 31 March 2012		6 months to 31 March 2011	
By business sector	£	% of total	£	% of total
Mobile services	265,508	4%	256,131	7%
IT Managed services	1,002,700	16%	406,648	11%
IT Security services	2,076,436	32%	-	-
Other telecommunication services	3,038,543	48%	3,158,456	82%
Total Revenues	6,383,187	100%	3,821,235	100%

Our revenues continue to increase and we can now demonstrate an improved revenue mix in line with our strategy. Traditional fixed lines and calls now accounts for less than 50% of revenue, largely as a result of integration of the businesses acquired during the previous 12 months, which were acquired in order to help the Group towards its stated aim to build a converged managed services business of scale. Recurring revenues remain strong at 86% for the period (March 2011: 84%, September 2011: 84%)

ACQUISITIONS

The Group announced on October 6th 2011 that it had acquired the entire share capital of Online Computer Developments Ltd ("OCD"), a provider of IT solutions to the SME and mid-market. OCD is a well-established Glasgow business, formed in 1994. The acquisition of OCD forms a key part of Pinnacle's strategy to build out its IT capability - enabling faster delivery of its cloud services proposition. The customer of OCD complements those of Pinnacle and further strengthens our presence in the Scottish market. Strong cross-selling opportunities exist across the combined businesses.

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 brings IT security expertise, a key part of Pinnacle's strategy to build out our cloud services proposition. The Staffordshire base of RMS strengthens Pinnacle's reach across the UK and adds 1700 additional customers from mid-market to public sector. Strong cross-selling opportunities exist across the combined businesses.

These acquisitions delivered additional products, services, skills and customers to the group. They supplemented our existing organic growth plans and we have already seen the benefit of cross-selling opportunities across all divisions of the business. Our post-acquisition integration program allows us to take advantage of synergies across the enlarged Group; this resulted in one-off exceptional restructure costs in this period of £284,416. Whilst these necessary one-off costs are considerable, they were of course taken into account when negotiating the acquisitions and have allowed us to successfully position the Company to generate operating profits going forward.

The Group is focused on driving organic growth through the cross-selling opportunities that exist within the enlarged customer base; however we will continue to seek out strategic acquisitions that provide clear shareholder value.

STRATEGIC PARTNERSHIPS

On 9th November 2011, the Group announced a strategic agreement with CMC Networks ("CMC") for a Global Interconnect into CMC's Global Fibre Network. This Interconnect combined with Pinnacle's data network, enables Pinnacle to offer its customers a direct interconnect to most capital cities across the world over fibre, but also including Vsat, SANet, MENet, AFNet and GLNet.

On 14th November 2011, the Group announced a strategic partnership with Atos, a leading international IT services company generating annual revenues of EUR 8.7 billion, employing 78,500 people in more than 42 countries around the world. ATOS is also the Worldwide IT Partner for the Olympic and Paralympic Games and lead IT consultant for the London Olympic Games, working with the London Organising Committee of the Olympic and Paralympic Games.

HIGH-PROFILE CONTRACTS

We continue to supply the BBC and other International Broadcasters with voice and data services for high-profile and prestigious events. High-profile events have introduced a degree of seasonality to our business, with the festivals and sporting events generating additional revenue growth over the summer months (which is the second half of our financial year), compared to the quieter winter period reported here (which covers the first half of our financial year).

Since the start of the current financial year, we have completed over 150 contracts for the BBC; delivering complex broadcast solutions at significantly reduced costs in comparison to traditional broadcast methods. The events include the Queens Diamond Jubilee Celebrations, Trooping the Colour, Cheltenham Gold Cup, the Grand National, Strictly Come Dancing, the London Marathon, the Scottish and Welsh Elections and the BBC Radio 1's Big Weekend at Hackney Marshes.

We also have confirmed orders in place for the London 2012 Olympic and Paralympic Games, as we support the BBC as the host broadcaster to the world's media. The festival and events work will continue over the 2012 summer period with a number of projects now in hand, and several more expected to be awarded.

FINANCIAL REVIEW

Turnover

The revenue for the Group is both substantial and diverse and has grown considerably over the last 12 months, representing 167% of the same period last year, increasing to £6.4m from £3.8m and an overall increase of 886% since Pinnacle's involvement in AIM, reporting half year figures to 31 March 2008 (H1 08: £720k).

A large percentage of this growth has been generated from managed IT and security revenues. This is an area where we have deliberately sought to increase revenues, embarking on the program in 2009 to transform our business from a traditional telecommunications based business into a converged managed services provider. This objective has been successfully achieved and we now have a business of substance which is capable of being scaled and is currently delivering recurring revenues of 86%.

Administration Expenses

The management team continue to focus on ensuring that we see full value from any expenditure that we incur. We are demanding in terms of short term payback, but will also back specific projects or investment programs that deliver medium terms and long terms gains for the shareholders.

We regularly review our strategic partnerships to ensure that we continue to work with best of breed partners, who demonstrate a high level of support, innovation and value for our customers. This includes regular price reviews and service level reviews, which is important to maintain high levels of service to our customers.

In addition to our data centres in London, Brighton and Paisley, we have offices in several other UK locations with sales and administration functions being spread across our Northampton, Stoke and Scottish offices.

Gross Profit

In the half year we have seen an improvement in our gross margin percentage, which increased by 2.46% to 31.38% (H1 11: 29.1%) this was as a result of taking on more profitable support revenues and replacing some less profitable wholesale telecommunications revenues.

Operating Results

We undertook investment programmes in the half in order to further drive growth in future months, resulting in a decrease in operating profit before amortisation of intangibles and exceptional costs to £25,357 versus £50,787 achieved for the same period last year. We believe this is a good result, given the increased scale we have seen in the business and the investment programs we have undertaken.

Consolidated Statement of Financial Position

The recent acquisitions have increased the asset base of our business, with total fixed and current assets increased by 134% to £6,952,065 from £2,962,355. Cash remains positive at £298,727 in March 2012, which we utilise in addition to £140,000 bank lending facilities to manage the working capital of the business. March 2012 represented a record sales performance in the month, which explains the higher than normal trade and other receivable balances and the increase in inventories and work in progress at the half-year end.

The acquisition of RMS Managed ICT Security Limited brought with it an invoice finance arrangement with ABN-Amro, which the previous management team used to fund the working capital requirements of the business prior to acquisition by Pinnacle. This increases our current liabilities in line with sales but provides the Group quick access to cash as the business grows.

We saw an increase in long term borrowing at the 31st March, that reflects the deferred element of the purchase price of the two acquisitions, with deferred consideration and regular payments agreed up to the end of December 2014, in order to pay the full balance of the acquisitions.

We continued to generate positive cash flow of £15,623 from operating activities excluding exceptional costs during the period, compared to positive £25,752 in the full year 2011. In early March 2012, in addition to the cash balance, we raised £365,000 by way of a private placing to fund the investment in the acquisitions, the subsequent costs of reorganisation and to supplement working capital for the events division. At the half-year we had invested £508,858 in assets, research and development assets, re-organisation costs and acquisitions. We will continue to invest in cash generative projects that will deliver value to the shareholders as opportunities present themselves.

Outlook

Over the last couple of years or so, as technology has grown more complex and expensive to manage, more and more companies have looked outside of their businesses for help in running their data, security, communications, and network infrastructures, a trend which we believe will continue. As the technology landscape continues to rapidly evolve, our customers and businesses at large are facing enormous challenges.

It is estimated that there is now more than a Zettabyte of data globally (1 billion Terabytes) meaning data has become a critical issue for companies desperately trying to deal with vulnerabilities around data loss, integrity and duplication of data, the user requirement of anyplace-anywhere connectivity to data and the everyday threats and attacks from malware and hackers. These issues are causing great confusion for businesses, which means great opportunity for Pinnacle.

We are seeing demand from anxious and confused customers wishing to explore the economic benefits gained by moving from Capex to Opex models. In general customers want to “stick to their knitting” -while they can understand the need for technology re-prioritisation which will quickly enable a mobile workforce and give them advantage over their competitors as cloud and software as a service continues to evolve, they do not have the agility and speed or in-house resource to enable them to move beyond mobile email and calendar. We believe this represents a huge opportunity for Pinnacle.

Forrester predicts that 35% of IT budgets will move to outsourced providers by 2015, Forrester also predicts that the fastest growing category of IT Services is consulting that provides guidance to companies about how to take advantage of new technologies, how to build better analytical models, how to upgrade security for mobile and employee-purchased devices and similar topics. (Source: Forrester Global Tech Market Outlook For 2012 and 2013).

We are seeing increasing pressure on IT security, threats are increasing and constantly changing, data is everywhere, employees are travelling more often and using all kinds of devices and need to be always connected - this is making it very difficult for businesses to cope. Pinnacle in now very well placed to embrace these challenging times as they present for us a great prospect for growth. Through the roll out of our converged managed services offering, we have an opportunity to educate customers and help them address every part of the challenge. There is great confusion in the market coupled with reducing budgets and a shortage of skilled resource. Our plan is fourfold; to take away all the confusion and complexity in the market (SIMPLIFY), utilise our extensive capability in IT and security to create secure client solutions (SECURE), bring our heritage in connectivity to the fore by making sure our secure client solutions have robust connectivity with built in redundancy and failover (CONNECT) and offer these services to our customers on a fully managed services basis (MANAGE).

We now have trusted advisor status with over 3000 customers, manage in excess of 26 million customer telephony calls per annum, over 316,000 IT security licences, more than 2,200 mobile connections and manage over 11,000 telephone numbers on our network. However, we are only scratching the surface as our customers currently only buy an average of 1.3 products from us. We believe that by cross-selling our converged managed services proposition into our existing customers, we now have a business of substantial potential.

Whilst seeking strategic acquisitions that provide clear shareholder value, the Group is focused on driving organic growth through the cross-selling opportunities that exist within the enlarged customer base.

We look forward to the future with great optimism.

Alan J Bonner
Chief Executive Officer
27 June 2012

CONSOLIDATED INTERIM INCOME STATEMENT - UNAUDITED

For the 6 month period ended 31 March 2012

	Note	6 Months to March 2012 £	6 Months to March 2011 £	Year to 2011 £
Revenue		6,383,187	3,821,235	8,522,079
Cost of sales		(4,380,036)	(2,709,883)	(6,057,550)
Gross profit		2,003,151	1,111,352	2,464,529
Administrative expenses		(1,977,794)	(1,060,565)	(2,299,230)
Operating profit before amortisation of intangibles and exceptional costs		25,357	50,787	165,299
Share of Profit from associate		3,908	14	8,684
Embedded fair value adjustment to convertible loan		(4,900)	(4,983)	(10,062)
Exceptional costs relating to acquisitions		(284,416)	(11,500)	(23,031)
Amortisation of intangibles		(234,473)	(155,385)	(239,195)
Operating loss		(494,524)	(121,067)	(98,306)
Interest receivable		1,782	450	349
Interest payable		(5,278)	(9,981)	(19,360)
Finance costs		(3,495)	(9,531)	(19,011)
Loss before tax		(498,020)	(130,598)	(117,316)
Taxation		-	(996)	(997)
Loss for the period from continuing operations		(498,020)	(131,594)	(118,313)
Loss for the period from discontinued operations		-	-	(71,980)
Loss for the period		(498,020)	(131,594)	(190,293)
Loss per share				
- basic and fully diluted - continuing		(0.02) p	(0.01) p	(0.01) p
- basic and fully diluted - discontinued		0.00 p	0.00 p	0.00 p
- basic and fully diluted - total		(0.02) p	(0.01) p	(0.01) p
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)				
Operating loss		(494,524)	(121,067)	(98,305)
Add back amortisation		234,473	155,385	239,195
Add back depreciation		82,916	55,355	108,990
EBITDA for the period		(177,135)	89,673	249,880

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION - UNAUDITED

As at 31 March 2012

	Note	6 months to March 2012 £	6 months to March 2011 £	12 months to Sept 2011 £
Goodwill				
Intangible assets		3,024,677	703,832	1,267,813
Investments in Associated Companies		180,467	167,889	176,559
Research and Development Asset		224,258	206,713	220,544
Property, plant and equipment		387,028	106,130	166,989
Total non-current assets		3,816,430	1,184,564	1,831,905
Current assets				
Inventories		379,017	90,561	97,661
Trade and other receivables		2,457,891	1,235,190	1,576,303
Cash and cash equivalents		298,727	452,040	452,431
Total current assets		3,135,635	1,777,791	2,126,395
Total assets		6,952,065	2,962,355	3,958,300
Liabilities				
Short term borrowings		(9,976)	(18,392)	(9,976)
Trade and other payables		(2,351,343)	(955,726)	(1,092,069)
Other taxes and social security costs		(366,130)	(102,971)	(170,162)
Accruals and other payables		(2,167,954)	(557,873)	(844,071)
Total current liabilities		(4,895,403)	(1,634,962)	(2,116,278)
Non current liabilities				
Long term borrowings		(277,081)	(136,783)	(28,882)
Total liabilities		(5,172,484)	(1,771,745)	(2,145,160)
Net assets		1,779,581	1,190,610	1,813,140
Equity				
Share capital		5,825,055	5,481,009	5,667,056
Share premium account		4,343,553	3,555,831	4,044,052
Merger reserve		283,357	283,357	283,357
Other reserve		45,909	31,987	38,948
Fair value adjustment		(1,064,130)	(1,064,130)	(1,064,130)
Profit and loss reserve		(7,654,163)	(7,097,444)	(7,156,143)
Total equity		1,779,581	1,190,610	1,813,140

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

For the six months ended 31 March 2012	6 Months to 31 March 2012 £	6 Months to 31 March 2011 £	Audited 12 months to 30 September 2011 £
Loss for the year from total operations	(498,020)	(131,594)	(190,293)
Total comprehensive negative income for the year	(498,020)	(131,594)	(190,293)
Attributable to equity shareholders of the parent	(498,020)	(131,594)	(190,293)

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS - UNAUDITED

For the 6 month period ended 31 March 2012

	6 months to 31 March 2012 £	6 months to 31 March 2011 £	Audited 12 months to 30 September 2011 £
Cash flows from operating activities			
Loss before taxation	(498,020)	(138,008)	(117,316)
Adjustments for:			
Depreciation	82,916	55,355	108,990
Amortisation	234,473	155,386	239,195
Exceptional costs relating to acquisition	284,416	-	-
Share of profit from associate	(3,908)	(14)	(8,684)
Share option charge	6,961	6,961	13,922
Fair value adjustment for convertible loan	4,900	4,982	10,062
Interest expense	3,495	9,982	19,011
Payment of corporation tax	-	(996)	(997)
Decrease in trade and other receivables	(62,470)	(14,319)	(318,467)
Decrease in inventories	(49,100)	(17,371)	(24,471)
Increase / (decrease) in trade payables, accruals and other creditors	11,960	(244,782)	104,507
Net cash flow from operating activities	15,623	(182,825)	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	(150,485)	-	(45,000)
Exceptional costs relating to acquisitions	(284,416)	-	-
Capitalisation of Development Costs	(36,000)	(36,000)	(68,000)
Purchase of property, plant and equipment	(54,403)	(120)	(30,274)
Interest received	1,782	450	349
Net cash used in investing activities	(521,358)	(35,670)	(142,925)
Cash flows from financing activities			
Issue of shares	365,000	-	-
Repayment of convertible loans	-	-	(5,000)
Payment of finance lease liabilities	(7,692)	(12,173)	(31,245)
Interest paid	(5,278)	(9,981)	(19,360)
Expenses paid in connection with share issue	(12,500)	(4,500)	-
Net cash from financing activities	352,031	(26,654)	(55,605)
Net decrease in cash	(153,704)	(245,149)	(244,758)
Cash and cash equivalents at beginning of period	452,431	697,189	697,189
Cash and cash equivalents at end of period	298,727	452,040	452,431
Cash and cash equivalents comprise:			
Cash and cash equivalents	298,727	452,040	452,431
Bank overdrafts	-	-	-
	298,727	452,040	452,431

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 31 March 2012

	Share Capital £	Share Premium £	Merger Reserve £	Other Reserve £	Fair Value £	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	-	-	-	-	-	(498,020)	(498,020)
Transactions with owners							
Share Issue	121,667	-	-	-	-	-	121,667
Share Issue on loan conversion	36,332	-	-	-	-	-	36,332
Share based payments	-	-	-	6,961	-	-	6,961
Premium on Share Issue	-	243,333	-	-	-	-	243,333
Premium on loan conversion	-	68,668	-	-	-	-	68,668
Expenses on Share Issue		(12,500)	-	-	-	-	(12,500)
Total Transactions with owners	157,999	299,501	-	6,961	-	-	464,461
Total movements	157,999	299,501	-	6,961	-	(498,020)	(33,559)
Equity at 31 March 2012	5,825,055	4,343,553	283,357	45,909	(1,064,130)	(7,654,163)	1,779,581

NOTES TO THE FINANCIAL STATEMENTS
For the six months ended 31 March 2012

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 2011. 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 Compthall, 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 25 June 2012.

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. The figures shown for Glen Communications Ltd in the six months to 31 March 2011 include revenues transferred from other smaller wholly owned subsidiary companies, whose assets were hived-up into Glen Communications Ltd on 30 September 2010, as disclosed in the financial statements for the same period.

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

- Mobile Services
- IT Managed services
- IT Security services
- Other telecommunications services

3.1 Analysis of revenue

By business sector	6 months to 31 March 2012 £	6 months to 31 March 2011 £	Audited 12 months to 30 September 2011 £
Mobile services	265,508	256,131	565,460
IT Managed services	1,002,700	406,648	1,042,036
IT Security services	2,076,436	-	-
Other telecommunication services	3,038,543	3,158,456	6,914,583
Total revenue	6,383,187	3,821,235	8,522,079
By destination			
United Kingdom	6,383,187	3,821,235	8,522,079
By origin			
Accent Telecom UK Limited	2,196,642	2,304,006	4,890,938
RMS Managed ICT Security Limited	2,062,699	-	-
Pinnacle Cloud Solutions Limited	611,033	579,967	798,625
Pinnacle Telecom Plc	583,928	575,290	1,538,436
Other group companies	928,885	361,972	1,294,080
Total revenue	6,383,187	3,821,235	8,522,079

3.1 Analysis of revenue (continued)

	6 Months to 31 March 2012 £	6 Months to 31 March 2011 £	Audited 12 Months to 30 September 2011 £
By recurring nature			
Recurring - continuing operations	5,470,968	3,208,761	7,142,835
Non-Recurring - continuing operations	912,219	612,474	1,379,244
Total revenue	6,383,187	3,821,235	8,522,079

3.2 Analysis of net loss

By business sector	6 Months to 31 March 2012 £	6 Months to 31 March 2011 £	Audited 12 Months to 30 September 2011 £
a) Mobile services			
Profit from operations before amortisation and exceptional items	17,446	24,094	38,241
b) IT Managed services			
Profit / (loss) from operations before amortisation and	26,174	16,314	(10,613)
Exceptional costs relating to acquisitions	(30,000)	-	-
Amortisation	(66,178)	(36,645)	(54,789)
Loss from operations after amortisation and exceptional	(70,004)	(20,331)	(65,402)
c) IT Security services			
Profit from operations before amortisation and exceptional	26,250	-	-
Exceptional costs relating to acquisitions	(254,416)	-	-
Amortisation	(83,145)	-	-
Profit from operations after amortisation and exceptional	(311,311)	-	-
c) Other telecommunication services			
Profit from operations before amortisation and exceptional	90,345	164,585	487,162
Amortisation	(85,149)	(118,740)	(184,406)
Profit from operations after amortisation and exceptional	5,196	45,845	302,756
d) Head office	(139,345)	(181,202)	(393,908)
Continuing operations	(498,020)	(131,594)	(118,313)
IT - discontinued operations	-	-	(71,980)
Total losses	(498,020)	(131,594)	(190,293)
By destination			
United Kingdom	(498,020)	(131,594)	(190,293)

3.2 Analysis of net loss (continued)	6 Months to 31 March 2012 £	6 Months to 31 March 2011 £	Audited 12 Months to 30 September 2011 £
By origin			
Accent Telecom UK Limited	78,466	87,274	469,557
RMS Managed ICT Security Limited	25,585	-	-
Pinnacle Cloud Solutions Limited	(9,831)	(25,373)	4,462
Pinnacle Telecom Plc	54,311	60,728	127,755
Head office and other group companies	(127,662)	(87,338)	(480,892)
Profit from continuing operations before amortisation and	20,869	35,291	120,882
Amortisation	(234,473)	(155,385)	(239,195)
Exceptional costs relating to reorganisation / acquisition	(284,416)	(11,500)	-
Eclectic and IG - discontinued operations	-	-	(71,980)
Total losses	(498,020)	(131,594)	(190,293)
By recurring nature			
Recurring - continuing operations	11,360	29,541	82,949
Non-Recurring - continuing operations	9,509	5,750	37,933
Profit from continuing operations before amortisation and	20,869	35,291	120,882
Amortisation	(234,473)	(155,385)	(239,195)
Exceptional costs relating to acquisitions	(284,416)	(11,500)	-
Non-Recurring - discontinued operations	-	-	(71,980)
Total losses	(498,020)	(131,594)	(190,293)

4. Loss per share

	6 Months to 31 March 2012 £	6 Months to 31 March 2011 £	Audited 12 Months to 30 September 2011 £
Basic and fully diluted	0.02p	0.01p	0.01p
Loss attributable to ordinary shareholders	498,020	131,594	270,739
Weighted average number of shares in issue: Basic and fully diluted	2,074,591,707	1,867,429,059	1,898,436,808

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 2011

5. Intangibles assets (continued)

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 2012	6 Months to 31 March 2011	Audited 12 months to 30 September 2011
	£	£	£
Net intangible assets at start of period	1,267,813	859,217	859,217
Intangible asset additions	1,991,337	-	647,791
Amortisation in the period	(234,473)	(155,385)	(239,195)
Net intangible assets at period end	3,024,677	703,832	1,267,813

6. Profit and loss reserve

	6 Months to 31 March 2012	6 Months to 31 March 2011	Audited 12 months to 30 September 2011
	£	£	£
Opening deficit	(7,156,143)	(6,965,850)	(6,965,850)
Loss for the period	(498,020)	(131,594)	(190,293)
Closing deficit	(7,654,163)	(7,097,444)	(7,156,143)

7. Contingent Consideration

As part of the acquisition of the entire issued share capital of Online Computer Developments Limited on 6th October 2011, the acquisition agreement allowed for additional contingent consideration to be awarded, with earn out provisions based on performance of the IT Managed services segment above agreed thresholds, for the year ending 30 September 2012. The total contingent consideration equates to £90,000 in total and as at 31 March 2012, for the purposes of calculating the intangible asset under IFRS3, the Group has assumed that the total contingent consideration of £90,000 would be payable.

8. 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.

9. 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 2012, Accent Telecom UK Limited purchased services totalling £116,221 (6 months to 31 March 2011: £135,452 and 12 months to 30 September 2011: £263,773) from Stripe21 Limited, recorded as cost of sales in the consolidated income statement for each period.

In October 2011, in accordance with the terms of his own unsecured convertible loan notes, the company exercised its option to convert £25,000 of loan notes owed to Alan Bonner, the group CEO, into 8,650,519 ordinary shares of 0.10p per share at a rate of 0.289p per share, representing a 15% discount to the closing price on 11th October 2011. As a result, no interest was payable to Alan Bonner during this half year period (6 month period to 31 March 2011: £1,250 and 12 months to 30 September 2011: £2,500). There are no other related party transactions recorded during this half-year to 31 March 2012.

10. Contingent liabilities

There were no contingent liabilities at 31 March 2012, 30 September 2011 or 31 March 2011.

11. 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 2011, contained an unqualified audit report and are filed with the Registrar of Companies.