22 January 2016 **Company Registered No: 05259846**

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

FINAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2015

Pinnacle Technology Group plc (AIM: PINN) the AIM listed provider of converged technology solutions today announces its audited final results for the year ended 30 September 2015

HIGHLIGHTS

The highlights are as follows:-

The key measures for the year to 30th September 2015 are as follows:

- Revenues of £7.9m for the year (2014: £8.4m)
- EBITDA losses of £572k (2014: loss £512k)
- Gross profit of £2.32m for the year (2014: £2.67m)
- Loss for the period after tax fell to £1.3m (2014: loss £1.8m)
- Recurring and renewable revenues remain high at 85% of Revenue, providing a strong base for the Company*
- Total liabilities fell £126k to £2.42m (2014: £2.55m)
- Intangible assets reduced to £491k (2014: £992k)
- Balance sheet strengthened with two successful capital raises totalling £1.3m during the year (net of fees), the second of which facilitated a strategic investment from MXC Capital
- MXC Capital Advisory LLP appointed as financial adviser to support acquisition activities
- Post Period End, appointment of Gavin Lyons as Executive Chairman
- Advanced stage of negotiations to acquire complementary businesses funded by a Placing to raise approximately £4.5m due to be announced today.

* Note: Recurring and renewable revenues relate to customers who have entered into ongoing or fixed term contracts with the Group to supply services for a duration exceeding 1 month.

All Company announcements can be found at: **www.pinnacletechnology.co.uk**

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CHAIRMANS STATEMENT

The year ending 30th September 2015 was one of transition for Pinnacle Technology, as we continued to expend considerable effort in resolving many of the problems which have been well documented in previous annual reports, and announced both a strategic investment from MXC and their appointment as M&A advisers.

Operational costs have continued to be reduced and legacy issues addressed, resulting in the business being in a cleaner state. The impact of the previously reported acts of irregular behaviour has been worked through. Poor performing areas of the business have been reduced or exited, whilst we have invested in stronger areas of growth. There are signs of encouragement on account management, sales and marketing, and it is particularly pleasing to note the calibre of some of the recent customer wins and renewals. However, this progress will take time to flow through to the financial results and the legacy problems which have beset the Group continue to act as a drag on overall performance, resulting in an EBITDA loss for the year as a whole.

In May of this financial year the business raised £0.86m before expenses to facilitate a strategic investment by MXC, coupled with an increase by Livingbridge of their holding in the business to 10% of issued equity, and with welcome participation from Hargreave Hale and the Board of Directors. MXC was also appointed financial adviser to the Group at the same time, to act as adviser for acquisition activity.

The results for the year show losses being reduced to £1.3m (2014: loss of £1.8m) and there was a positive cash balance at year end of £641k.

Group revenues fell overall by 6% compared to the prior year, and these reductions mainly arose in fixed line telecommunications, in the less attractive areas of the IT Security market, and from the previously reported acts of wilful misconduct. However our strategy of focusing on IT and Cloud based services saw both enjoying strong growth in the year, coupled with an increased rate at which professional services are being sold alongside IT-based solutions.

The overall loss from operating activities of £1.3m resulted in net cash outflow of £747k during the year. The Group balance sheet continues to show the impact of a number of poor acquisitions made in prior years, where loss making businesses were acquired for relatively small consideration but with significant liabilities. The acquisitions have not delivered the returns anticipated at the time of purchase and have consumed funds to repay the inherited net liabilities of the businesses. The work undertaken to rectify these problems has produced a much cleaner and more stable business but one which is below critical mass for profitability. Therefore, the Board is firmly of the view that growth by acquisition on this now more stable platform is the correct course of action going forward and the appointment of MXC as adviser is an integral component of that strategy.

People

Colleagues within the business have adapted well to a challenging year. The Board recognises the importance of their contribution engaging with restoring Pinnacle Technology to health, and would like to thank them for their commitment to the business, their sense of responsibility and their professionalism during the past year.

We also wish to welcome Gavin Lyons, who was appointed post year end as Executive Chairman. Gavin joins the business from MXC after a distinguished career in the TMT sector, most recently as CEO of Accumuli PLC, a successful buy and build in the IT security sector sold to NCC Group plc for £55m. After standing down from the Chair, I am continuing to support Gavin as we transition responsibilities following which it is my intention to retire from the Board at the forthcoming AGM.

Outlook

The Board has said repeatedly that turning around Pinnacle Technology will take time, as demonstrated by these results. However the reduction in operating costs, the efforts expended in resolving legacy issues, the investments in account management, sales and marketing within the business, and the resulting growth in the strategically important IT and Cloud based revenues all result in the business being on a cleaner and more stable foundation on which to undertake acquisition activity.

Therefore, with value creation in mind, the Board could look to the longer term future of the business, particularly given Pinnacle's corporate structure and the opportunity presented by being a listed business. It is notable that the Group operates in a highly fragmented and regionalised market which presents an obvious opportunity to consolidate similar businesses. With the support of MXC, Pinnacle Technology is now in a very advanced stage of negotiation to acquire complementary businesses which are due to be announced today in conjunction with a proposed Placing (subject to shareholder approval). These significant steps forward underpin the Board's confidence in the future prospects of the Company.

Dr James Dodd
Chairman

STRATEGIC REPORT

a) BUSINESS REVIEW

Introduction

Pinnacle Technology has had a challenging year, as we have worked to reduce the cost base of the business, address legacy issues, and tidy up the balance sheet - whilst also structuring the business for growth in the highly competitive business IT and communications market, deliver an improved customer proposition, retain and attract valued clients, and motivate our most important asset: our colleagues.

As outlined in the Chairman's statement, Group revenues for the year fell 6% to £7.9m (2014: £8.4m), following a reduction the year before of 17%. These revenue reductions arise primarily in our fixed line telecommunications services, where, like many in the industry Pinnacle Technology suffers from a declining market in fixed line voice and telephony calls; the less attractive aspects of our IT Security services; and the previously reported acts of wilful misconduct.

The reductions in the cost base resulted in the loss after tax for the period being £1.3m (2014: £1.8m).

During the year investments were however made in account management, sales & marketing and, whilst not offsetting the headline revenue loss, have shown good progress in growing IT Services revenues and Cloud Services. We have also reduced the rate of decline in IT Security whilst improving the mix of services provided to include professional services and training, so that overall margins associated with new business is higher.

Strategy

The Company's strategy is to provide IT and communications services UK wide, principally as a value added reseller and integrator. These services are provided primarily to Small and Medium Enterprise clients ("SME"), to whom the Group offers all of their IT and communications needs; with the broader enterprise mid-market and public sector representing opportunity for additional growth. Pinnacle Technology targets these markets with both a direct sales force, and through our partners/resellers.

Pinnacle Technology offers a wide range of IT managed services and communications solutions, and whilst we recognise that clients use technology to fundamentally improve or simplify their own activities, internally we represent these services by five major product lines: IT Services, IT Security, Telecommunications services, Cloud Services and Data Connectivity (including broadband) and Mobile solutions.

The Board believes that shareholder returns will be maximised in the longer term by both recovery in the current Pinnacle business and through appropriate acquisition in what is a fragmented market in the UK. In the course of the year time has been spent pursuing acquisition activities - now at a very advanced stage - balanced with an operational focus of returning the business to financial health by ensuring that we exploit the broad product portfolio to generate sales volumes, and continuing to reduce costs in the business.

Key Performance Indicators

We monitor a number of metrics, both financial and non-financial, on a monthly basis. The most important of these are as follows:

- Revenue: £7.9m for the year to 30 September 2015 (2014: £8.4m)
- Recurring and renewable revenues: 85% for the year to 30 September 2015 (2014: 88%)
- Gross profit: £2.32m for the year to 30 September 2015 (2014: £2.67m)
- Gross margin percentage: 29.4% for the year to 30 September 2015 (2014: 31.8%)
- EBITDA: negative £572k for the year to 30 September 2015 (2014: negative £512k)
- Percentage of heads in sales and marketing versus rest of business: 38.5% (2014: 17.1%)
- Positive cash balances at 30 September 2015 £641k (2014: £173k)

The operational review of the business has led to the continued rationalisation of various activities and products offered by the Group, alongside a modified sales approach; a focus on our core value proposition to clients; investments in account management/sales and marketing headcount; and selected investment in systems and processes to deliver a superior customer experience.

Approach to the Market

Throughout the year the business has continued to focus on sales achieved by cross-selling the Group's products and services into our existing client base, strengthening our enduring relationships with existing clients. This nurturing of our existing clients supports our ambition of becoming our customers' trusted adviser for all their IT and communications requirements which is of particular relevance in the SME market.

Our recurring and renewable revenues, at 85% (2014: 88%), demonstrate the strength of our client proposition and provide a strong ongoing basis for Pinnacle Technology.

While cross-selling remains a cornerstone of our sales approach, we have recognised that, where commercial returns are attractive, certain market segments must be tackled with a renewed focus on new client acquisition to drive revenue growth. Furthermore, given the breadth of our product offering, many of these new clients will, in turn, provide scope for cross-selling in the future.

The reorganisation of our sales team, as reported last year, has been undertaken and is delivering improved sales performance. Within each sales and account management function there is a mixture of both field and office-based heads, to ensure that the appropriate approach can be taken for clients. Sales in IT Security have also been refocused on higher margin activities.

Marketing has also been revitalised during the year, including a new company website. Various marketing activities were undertaken during the year, raising the awareness of Pinnacle Technology in our selected markets. All significant marketing activities supported either sales lead generation, or strengthening our relationship with existing clients.

38.5% of heads within the business are now employed in account management/sales and marketing activities, post year end compared to 17.1% at September 2014. In addition to our internal sales and marketing capabilities within the business, the Group has continued to sell via third parties and other ventures, bringing additional scale to the business.

Product Portfolio

The business and operational review has resulted in a clearer product portfolio and deepened relationships with key suppliers.

Without material revenue impact, the Group has exited from a project started in 2012, to provide Wifi connectivity in the Cheltenham area with associated systems and operational overhead. The systems have been taken on by a local business and the Group is now a supplier of underlying connectivity to this local business.

IT Services

Revenue from IT Services for the year to September 2015 was £1,214,851 (2014: £946,960), representing 15% of revenues (2014: 11%) and an impressive 28% increase year-on-year.

The 28% increase in IT Services revenues was the highlight of the year. Furthermore, both revenues derived from projects associated with clients' IT requirements, and recurring IT support revenues, increased.

Pinnacle Technology's approach to IT Services is built upon the design, implementation, ongoing support and maintenance of IT solutions to business customers, up to and including running their outsourced IT helpdesks. Working with industry leading software and service providers, Pinnacle Technology also provides cloud services and professional services. It therefore provides clients with impartial advice, advising appropriately on cloud, hybrid cloud and on-premise solutions, as most appropriate for the client.

There is a broad trend in the IT market as expenditure is shifted from one-off to monthly billing. Pinnacle Technology is embracing this change, as the Group has many years of experience gained from the telecoms and connectivity services where this is the norm. It is also notable that many IT Services customers trust Pinnacle Technology to deliver all their IT and communications needs, and are loyal. IT Services customers bought an average of 1.6 additional non-IT products from Pinnacle Technology (2014: 1.6).

We are delighted that we continue to win new clients such as Harper Macleod LLP, and support such prestigious existing clients as Scottish Autism, Benriach Distillers, Hadden Construction, GCC, and many others.

The business has also gained a number of clients from one of our key suppliers, at no cost, who took the decision that Pinnacle Technology was better able to service their clients directly with our locally available team.

IT Security

Revenue from IT Security for the year to September 2015 was £1,043,085 (2014: £1,388,904), representing 13% of revenues (2014: 17%).

As noted in prior annual results, the IT Security Solutions business has been downsized to improve overall Group profitability. The revenues in the IT Security segment are cyclical, with customers acquiring software licenses for durations of between 1 and 5 years on a renewals basis. The renewal of these contracts has been maintained at a steady rate, albeit in some cases at lower margin. The rate of revenue decline is now slower than in prior years, and the decision to invest in higher margin activities such as professional services, including training, is yielding results. Whilst this drives lower overall revenue as the Group focuses away from lower margin endpoint security software, the mix of services being supplied, in particular to new clients, is at more attractive margins.

Pinnacle Technology was pleased to announce the cloud security agreement with Baxters Food Group during the year. The business is also pleased that a number of prestigious clients renewed their contracts with Pinnacle Technology at anniversary, including Toyota (GB).

Cloud Services and Data Connectivity

Revenue from Cloud Services and Data Connectivity for the year to September 2015 was £2,263,685 (2014: £2,185,996), representing 29% of revenues (2014: 26%).

These figures include an increase in revenues associated with both the supply of data connectivity (6%), and with the supply of hosted cloud services. However they also incorporate a full year's impact of the revenues lost on account of the previously reported wilful misconduct resulting in the overall increase in the segment being reduced to a 1% increase year-on-year.

Data connectivity, such as the supply of broadband connections, plays an important role in the overall Pinnacle Technology proposition. For the SME market it is a key component for providing all of a client's IT and communications needs, and for the mid-market enterprise market it is a useful cross-sell opportunity when broadening a relationship or constituting part of a broader solution. Within this segment we saw a 6% increase in data connectivity revenues during the year, offset by a reduction in web-hosting and broadcasting event revenues.

As a reseller of networks rather than an asset owner, Pinnacle Technology partners with a number of industry players to procure at best commercial price. These relationships include BT, Talk Talk, Gamma and Virgin Media. As part of the business and operational review, in September 2014 Pinnacle Technology was pleased to announce a strategic partnership with Easynet that resulted during the year under review in the transformation and enhancement of the vast majority of Pinnacle Technology's legacy network estate. In addition to reducing complexity and costs within the business, the arrangement also enables Pinnacle to sell enhanced broadband speeds at greater value.

Easynet has recently been acquired by Interoute, the operator of the largest pan-European fibre network, and we believe the combined group will have enhanced scale and expertise to better serve our customers.

The largest area of increase in this segment relates to Cloud based services, including the secure backup of clients' data. Revenues increased significantly from a low base, as customers look to Cloud based solutions to increase the scalability and robustness of their IT infrastructure, whilst protecting their perimeter security and critical data. The provision of Cloud and hybrid Cloud services is complementary to the selling of IT infrastructure projects, IT support services and IT security, underpinning the Group's approach to the market.

Telecommunications Services

Revenue from telecommunications services for the year to September 2015 was £2,885,404 (2014: £3,350,356), representing 37% of revenue (2014: 40%). Customer retention rates continue to fall amongst our smaller SME customers but the segment also reflects a diminishing market. Pinnacle Technology is protected at the gross margin level to a degree since, being a reseller of services rather than an infrastructure owner, wholesale prices are reduced commensurately. However there have been significant price changes and regulatory developments driven by both Ofcom and the EU in this market, including the simplification of non-geographic numbers implemented during the year.

This market is also seeing a significant shift in terms of mobile calls being considered part of the typical telephony bundle, as opposed to being something additional, and this convergence of fixed and mobile is compounded with the use of differing methods of communication - instant messaging, for instance - resulting in a decline in the overall value of telecommunications services.

This segment is also being impacted by the continued growth of voice calls over the Internet, such as Skype for Business, which sees customers migrate away from traditional on-premise telephony solutions and moving their services into the Cloud. Voice is increasingly becoming an application managed within the network, as opposed to a standalone function within a business as technologies converge within the IT and communications market. Therefore the growth of the revenues associated with these applications and systems will be reflected in the IT Services and Cloud segments, at the expense of traditional telecommunications.

Mobile Solutions

Our overall proposition to SMEs - endeavouring to provide all the IT and communications needs - is complemented by offering mobile services. Revenue from Mobile Services for the year to September 2015 was £476,615 (2014: £536,150), representing 6% of revenues (2014: 6%).

The business was pleased to announce in May 2015 a new digital agreement with O2, as part of O2's exclusive partner network. This agreement helps Pinnacle Technology provide tailored solution bundles for SMEs, spanning commercially attractive mobile services and digital applications, including security software. The business spent several months implementing the product developments required for driving growth in this area, culminating in the announcement post period end in October of the creation of the mobile sales centre in Glasgow and the recruitment of five experienced sales staff.

Operational Infrastructure

It was previously announced as part of the business and operational review that the business would exit its own datacentre, located near Glasgow. During the year the vast majority of this work has been completed, with the services relocated to dedicated datacentre operators. Over 50% of the floorspace in the datacentre has been handed back to the landlord, and greater savings are flowing in terms of electricity and other building services.

At the same time the Group has undertaken a substantial investment in refreshing networking equipment and virtualising IT infrastructure, the benefits of which are now being seen within the operations of the business. The Group has also undertaken a number of IT system improvements during the year. The deployment of the strategic Customer Relationship Management system (providing ticketing and customer reporting) was implemented and, post year end, is now fully implemented.

The Group has invested in improving critical internal systems, harmonising practices across different locations, updating software and rolling out collaboration tools to all colleagues.

People

The importance of the team working, cross-functional working and collaboration at Pinnacle Technology has already been highlighted and we are very grateful for colleagues' hard work, loyalty and commitment during a difficult period. It is also recognised that the future success of the business is substantially dependent on attracting skilled staff to, and motivating those already in, the business.

The year saw a rebalance of headcount, continued post year end, towards sales and marketing roles - however the importance of delivering a good customer service is paramount and specific activities continue to support the importance of putting the customer first.

b) FINANCIAL REVIEW

Income Statement

As noted in the Business Review, revenue declined from £8.4m in 2014 to £7.9m in 2015 due primarily to a 25% fall in revenues in the IT Security segment, the previously reported acts of wilful misconduct, and a 14% fall in traditional

Telecommunication services revenues compared to 2014, although it is recognised that revenue for the six months to September 2015 was only 2% below the six months figure to March 2015, reflecting some stabilising of revenues over the year.

The Company achieved a gross profit of £2.32m (2014: £2.67m) with the gross margin percentage decreasing to 29.4% of revenue (2014: 31.75%). The table below analyses this further and shows that gross profits reduced to £1.1m in the six months to September 2015, down 14% on the six months figure to March 2015, mainly as a result of higher levels of lower margin hardware revenues in the second half of the year.

	6 months to 30 September 2015	**6 months to 31 March 2015**	**Year to 30 September 2015**	**Year to 30 September 2014**
	Unaudited	*Unaudited*	*Audited*	*Audited*
Revenue	**£3,896,092**	**£3,987,548**	**£7,883,640**	**£8,408,366**
Cost of Sales	(£2,821,170)	(£2,744,680)	(£5,565,850)	(£5,738,427)
Gross profit	£1,074,922	£1,242,868	£2,317,790	£2,669,939
	27.6%	31.1%	29.4%	31.8%
Operating Expenses	(£1,881,375)	(£1,791,846)	(£3,673,221)	(£4,606,416)
Operating Loss	**(£806,453)**	**(£548,978)**	**(£1,355,431)**	**(£1,936,477)**

EBITDA	**(£338,075)**	**(£234,352)**	**(£572,427)**	**(£511,811)**
Amortisation of Intangible assets	(£155,210)	(£155,210)	(£310,420)	(£370,699)
Depreciation	(£92,577)	(£105,196)	(£197,773)	(£310,849)
Exceptional costs	-	-	-	(£280,608)
Impairment of Intangible assets	(£144,046)	(£46,857)	(£190,903)	(£462,522)
Share based payments	(£11,653)	(£7,363)	(£19,016)	£34,767
Impairment of Associate	(£64,892)	-	(£64,892)	(£34,755)
Operating Loss	(£806,453)	(£548,978)	(£1,355,431)	(£1,936,477)

The Income Statement shows that Operating Expenses fell £0.9m during the year to £3.7m (2014: 4.6m) as a result of the cost reduction program implemented in 2014 and in early 2015.

EBITDA

The Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) figure is a key measure for the Directors and closely reflects the cash impact of underlying trade of the business before exceptional costs. Disappointingly, the EBITDA figure for the year to September 2015 was - £572k, (2014: - £512k).

Amortisation and Impairment of Intangible Assets

Pinnacle Technology has grown mostly as a result of acquisitions and under IFRS accounting rules is required to separately measure the expected future cashflows from the acquired customer bases at the date of acquisition and represent this future value as an intangible asset in the Consolidated Statement of Financial Position. The accounting policy of the Group is to amortise this intangible asset value over a maximum of 10 years from the date of acquisition. This annual non-cash write down is recorded as Amortisation in the Income Statement for the Group and was £310k for 2015, compared to £371k in 2014.

In preparing the expected future cashflows from the acquired customer bases for the purpose of the annual impairment review, the Directors use a customer retention rate of 80% per annum. In preparing the Intangible Asset value each year, we measure the actual retention rate for each customer base acquired and where this is less than the 80% retention figure expected, we use the lower actual figure to calculate the future expected cashflows. Where expected future cashflows from a customer base are higher than originally expected, then we do not adjust the intangible assets upwards, but instead leave this benefit to enhance the future profit performance of the Group.

This lower actual customer retention rate generates an additional non-cash Amortisation charge to the Income Statement and is shown as an Impairment of Intangible Assets. This figure for the year to September 2015 is £191k, compared to £463k in the year to September 2014. This charge, whilst non-cash affecting, reflects the lower than originally expected performance from customer bases acquired in the acquisitions of RMS Managed ICT Security Limited and Online Computer Developments Limited, in addition to the full write-down of the carrying value of Sipswitch, the Voice over IP (VoIP) platform acquired with Solwise Telephony Limited in 2010.

Depreciation
Historically, the Group has invested in tangible assets such as IT equipment, fixtures and fittings and its own VoIP software platform. Each year, the company makes a charge to the Income Statement representing the diminution in value of these tangible assets during the financial year. The Directors choose an appropriate depreciation policy per individual class of asset, ranging from 33% to 20% of the gross cost of the asset per annum. This charge is shown as Depreciation in the Income Statement.

During last year, the Directors decided to accelerate the depreciation of its own VoIP software platform, Sipswitch, which lacks some of the more advanced features of other “off the shelf” alternatives on the market. The Depreciation charge for the year to September 2015 was £198k, compared to £311k in 2014 and we no longer record the platform amongst our Intangible assets, although we continue to generate revenue from Sipswitch.

Exceptional Costs
As the Group continued to re-focus and restructure the business it incurred a number of one-off exceptional costs in settling employment contracts and negotiating and recruiting replacements in 2014. In addition, during 2014, the Group incurred a significant amount of legal fees defending the wilful misconduct by a former vendor and a number of former employees. These costs did not reflect the normal trade of the business and were therefore shown separately on the face of the Income Statement. As has been stated previously, Pinnacle Technology was awarded costs with respect to the court actions that subsequently arose and these are now being pursued as far as reasonably possible towards full recovery.

Statement of Financial Position
The Group Statement of Financial Position has been depleted by the losses sustained during the financial years to September 2014 and September 2015. Outside of current assets and liabilities, then Intangible Assets remain dominant as a percentage of Net Assets, shown in the Statement of Financial Position. These Intangible Assets reflect the remaining value of the of the customer bases acquired in prior years, which are shown at £491k (2014: £992k). This is not uncommon in a business formed as a result of acquisition.

Investment
The Group continues to hold a 40% investment in a private company Stripe21 Limited, which owns and manages a VoIP platform and has a data centre presence in London Telehouse and London RedBus. The Stripe21 business continues to generate profitable revenues as it continues its journey to recover the investments it has made in creating its own VoIP software platform during its set-up phase.

In calculating the carrying value of the investment in Stripe21, the Directors consider the financial performance of the company each year but are cognisant of the fact that the Statement of Financial Position dated 30 June 2015 shows that the Stripe21 business is some way away from being able to pay a dividend to Pinnacle Technology. In recognition of this, the Directors took the decision to reduce the fair value of the investment in Stripe21 down to an expected realisable balance. This resulted in an impairment of the Stripe21 investment by £65k in the year to 30 September 2015 (2014: £35k).

Cash
The Statement of Financial Position at 30 September 2015 shows a positive cash available balance of £641k at year end. In addition to this, the Group had overdraft facilities available to it of £80k from HSBC Bank Plc.

In November 2014, the Group raised £0.56m (before expenses) by way of a placing and open offer to shareholders, to fund working capital and growth initiatives. This placing and open offer was made at nil discount to the prevailing share price.

The Group also raised £0.86m in April 2015 to facilitate a strategic investment by MXC via a placing to Institutions and Directors. This placing was made at a 16% premium to the prevailing share price.

Property, plant and equipment
The Company has continued to invest and refresh our IT systems and infrastructure to support the business. As a people based business, the company is not dependent on heavy asset investment to deliver service to our customers. During the year the company invested £120k in additional fixed assets for the Group. The Company continues to invest in systems and assets to support the growth of the business, and the benefits of operating contemporary technology is reflected in an improved quality of customer service.

Stock
The Company does not need to carry a large amount of stock and spares to run our business. Given the fast moving nature of hardware and devices, stock is generally bought to order to support the IT service side of our business. This ensures best customer value and avoids losses associated with holding obsolete stock.

Board Changes
On the 29th June 2015 Simon Duckworth was appointed to the Board. Simon holds a number of Non-Executive positions in the public and private sectors, and most recently was a Non-Executive Director of Accumuli plc from 2010 until its sale to NCC plc in 2015.

Post year end, on 7th December 2015, James Dodd announced that he was standing down from his position as Chairman and would not re-apply for re-election at the next AGM, to be held before the end of March 2016.
The Board announced on the same day the appointment of Gavin Lyons as Executive Chairman. He joins Pinnacle Technology as a Partner in MXC Capital Ltd. Gavin Lyons has held a number of senior appointments, most recently as CEO of Accumuli plc, acquired by the NCC Group for £55m in May 2015.

In accordance with the Articles of the Company, both Simon and Gavin will stand for election at the next AGM.

Nomad and Broker
The Company's nominated adviser and broker is N+1 Singer Advisory LLP.

Group Locations
The Group operates from a number of locations across the United Kingdom. The Directors match the length and nature of lease to the particular requirements of the location, giving due regard to planned headcount changes including any future growth plans.

Litigation

As reported previously, on 31 March 2014 Pinnacle Technology became aware that a third party was engaging in business solicitation activity which was in contravention of prior contractual agreements. That activity was immediately addressed by court proceedings which resulted in certain interim orders and undertakings being granted in court on 4 April 2014 to protect Pinnacle Technology's interests.

These acts impacted primarily a hotel management software application previously supplied by the Group, and have resulted in revenue loss in the full year of in excess of £300,000. Action was taken as expediently as possible to minimise the impact on the resulting cost base. During the year the Group exited the supply and support of this application, via an arrangement with Powersoft Ltd., a firm specialising in the development and support of travel software.

As has been stated previously, Pinnacle Technology was awarded costs with respect to the court actions that subsequently arose and these are now being pursued as far as reasonably possible towards full recovery. No estimate of the damages payable by the defendants has been taken in to the full year results.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 September 2015

	Note	Year ended 2015 £	Year ended 2014 £
Revenue	2	**7,883,640**	**8,408,366**
Cost of sales		**(5,565,850)**	**(5,738,427)**
Gross profit		**2,317,790**	**2,669,939**
Operating expenses		**(3,673,221)**	**(4,606,416)**
Operating loss	3	**(1,355,431)**	**(1,936,477)**
EBITDA		**(572,427)**	**(511,811)**
Amortisation of Intangible Assets		(310,420)	(370,699)
Depreciation		(197,773)	(310,849)
Exceptional costs relating to acquisitions and restructure		-	(280,608)
Impairment of Intangible assets		(190,903)	(462,522)
Share based payments		(19,016)	34,767
Impairment of investment in associate		(64,892)	(34,755)
Operating Loss		**(1,355,431)**	**(1,936,477)**
Interest receivable		**96**	**918**
Interest payable		**(6,891)**	**(13,286)**
Net Finance expense		**(6,795)**	**(12,368)**
Loss before tax		**(1,362,226)**	**(1,948,845)**
Taxation		**110,184**	**174,975**
Loss for the period and total comprehensive loss from continuing operations attributable to the equity holders of the parent		**(1,252,042)**	**(1,773,870)**
Loss per share			
- basic and fully diluted	4	**(2.51p)**	**(4.98p)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2015

	Note	2015 £	2014 £
Non-current assets			
Intangible assets		490,773	992,096
Investments in Associates		100,408	165,300
Property, plant and equipment		125,664	227,568
Total non-current assets		716,845	1,384,964
Current assets			
Inventories		7,365	46,278
Trade and other receivables		1,461,011	1,297,465
Cash and cash equivalents		640,838	173,240
Total current assets		2,109,214	1,516,983
Total assets		2,826,059	2,901,947
Liabilities			
Short term borrowings		(65,881)	(143,659)
Trade and other payables		(1,486,429)	(1,442,538)
Other taxes and social security costs		(158,910)	(122,942)
Accruals and other payables		(604,822)	(615,599)
Total current liabilities		(2,316,042)	(2,324,738)
Non-current liabilities			
Long term borrowings		(10,079)	(17,148)
Deferred tax liability		(98,155)	(208,340)
Total liabilities		(2,424,276)	(2,550,226)
Net assets		401,783	351,721
Equity			
Share capital		591,826	6,862,250
Share premium account		7,839,475	6,774,870
Capital Redemption Reserve		6,488,907	-
Merger reserve		283,357	283,357
Other reserve		51,040	32,024
Fair value adjustment		(1,064,130)	(1,064,130)
Retained earnings		(13,788,692)	(12,536,650)
Total equity		401,783	351,721

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 September 2015

	Share Capital £	Share Premium £	Capital Redemption Reserve £	Merger Reserve £	Other Reserve £	Fair Value £	Retained Earnings £	Total £
At 1 October 2013	6,816,166	6,379,792	-	283,357	66,791	(1,064,130)	(10,762,780)	1,719,196
Loss and total comprehensive loss for the period	-	-	-	-	-	-	(1,773,870)	(1,773,870)
Transactions with owners								
Share Issue	46,084	403,238	-	-	-	-	-	449,322
Share based payments	-	-	-	-	(34,767)	-	-	(34,767)
Expenses on Share Issue	-	(8,160)	-	-	-	-	-	(8,160)
Total Transactions with owners	46,084	395,078	-	-	(34,767)	-	-	406,395
Total movements	46,084	395,078	-	-	(34,767)	-	(1,773,870)	(1,367,475)
Equity at 30 September 2014	6,862,250	6,774,870	-	283,357	32,024	(1,064,130)	(12,536,650)	351,721

	Share Capital £	Share Premium £	Capital Redemption Reserve £	Merger Reserve £	Other Reserve £	Fair Value £	Retained Earnings £	Total £
At 1 October 2014	6,862,250	6,774,870	-	283,357	32,024	(1,064,130)	(12,536,650)	351,721
Loss and total comprehensive loss for the period	-	-	-	-	-	-	(1,252,042)	(1,252,042)
Transactions with owners								
Share Issue	218,483	1,201,655	-	-	-	-	-	1,420,138
Cancellation of Deferred Shares	(6,488,907)	-	6,488,907	-	-	-	-	-
Share based payments	-	-	-	-	19,016	-	-	19,016
Expenses on Share Issue	-	(137,050)	-	-	-	-	-	(137,050)
Total Transactions with owners	(6,270,424)	1,064,605	6,488,907	-	19,016	-	-	1,302,104
Total movements	(6,270,424)	1,064,605	6,488,907	-	19,016	-	(1,252,042)	50,062
Equity at 30 September 2015	591,826	7,839,475	6,488,907	283,357	51,040	(1,064,130)	(13,788,692)	401,783

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 September 2015

	2015 £	2014 £
Cash flows from operating activities		
Loss before taxation	(1,362,226)	(1,948,845)
Adjustments for:		
Depreciation	197,773	310,849
Amortisation	310,420	370,699
Impairment of Intangible assets	190,903	462,522
Share of Loss from Associate	64,892	34,755
Share option charge / (credit)	19,016	(34,767)
Loss on disposal of fixed assets	23,933	-
Interest expense	6,795	12,368
(Increase) / Decrease in trade and other receivables	(163,546)	622,713
Decrease in inventories	38,913	44,944
(Decrease) / Increase in trade payables, accruals and other creditors	110,649	(626,791)
Net cash flow used in operating activities	(562,477)	(751,553)
Cash flows from investing activities		
Purchase of property, plant and equipment	(119,802)	(89,448)
Interest received	96	918
Net cash used in investing activities	(119,706)	(88,530)
Cash flows from financing activities		
Issue of shares	1,420,138	449,322
Receipt of invoice discount finance during the year	1,358,282	1,901,371
Repayment of invoice discount finance during the year	(1,399,672)	(1,827,659)
Repayment of bank loans	(5,246)	(36,436)
Payment of finance lease liabilities	(11,177)	(33,484)
Interest paid	(6,891)	(13,286)
Expenses paid in connection with share issue	(137,050)	(8,160)
Net cash from financing activities	1,218,384	431,668
Net increase / (decrease) in cash	536,201	(408,415)
Cash at bank and in hand at beginning of period	57,103	465,518
Cash at bank and in hand at end of period	593,304	57,103
Comprising:		
Cash at bank and in hand	640,838	173,240
Bank overdrafts	(47,534)	(116,137)
	593,304	57,103

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

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 5 Fleet Place, London, EC4M 7RD.

The Board of Directors approved this preliminary announcement on 21 January 2016. Whilst the financial information included in the preliminary announcement has been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union, this announcement does not itself contain sufficient information to comply with all the disclosure requirements of IFRS and does not constitute statutory accounts of the Company for the years ended September 2014 and September 2015.

The financial information has been extracted from the statutory accounts of the Company for the years ended September 2014 and September 2015. The auditors reported on those accounts; their reports were unqualified and did not contain a statement under either Section 498 (2) or Section 498 (3) of the Companies Act 2006 and did not include references to any matters to which the auditor drew attention by way of emphasis.

1.1. Basis of preparation

This financial information has been prepared in accordance with the principles of International Financial Reporting Standards ("IFRS") as adopted by the European Union and International Financial Reporting Interpretations Committee ("IFRIC") recommendations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. For the purposes of the preparation of the consolidated financial information, the Group has applied all standards and interpretations that are effective for accounting periods beginning on or after 1 October 2014. There have been no changes in accounting policies during the year. The financial information has been prepared under the historical cost convention unless otherwise stated.

2. Segment Reporting

The chief operating decision-maker has been identified as the Chief Executive Officer ("CEO") of the Company. The CEO reviews the Group's internal reporting in order to assess performance and to allocate resources. The Directors present below the results for 2015 and 2014 comparisons, based on the reportable operating segments which remain unchanged from the prior year.

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, maintenance, sale and installation of hardware and licenses in addition to consultancy and support 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.
- Mobile 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.

Recurring and renewable reporting segments refer to customers who have entered into ongoing or fixed term contracts with the group to supply services for a duration exceeding 1 month.

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 five 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 Adviser and a Broker.

The segment information is prepared using accounting policies consistent with those of the Group as a whole. The performance of the Group is reviewed by the Chief Executive Officer 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.

The majority of assets and liabilities of the Group are pooled centrally and are shared across all operating segments as required, based on demand over time. For this reason, apportionment of assets and liabilities cannot be measured accurately across segments and are therefore not disclosed.

2.1 Analysis of revenue

	2015	2014
	£	£
2.1.1 By operating segment		
IT Services	1,214,851	946,960
IT Security Solutions	1,043,085	1,388,904
Cloud Services and Data Connectivity	2,263,685	2,185,996
Telecommunication Services	2,885,404	3,350,356
Mobile Solutions	476,615	536,150
Total Revenue	7,883,640	8,408,366

2.1.2 Continuing operations

	2015	2014
	£	£
Continuing Operations	7,883,640	8,408,366
Total revenue	7,883,640	8,408,366

2.1.3 By destination

	2015	2014
	£	£
United Kingdom	7,883,640	8,408,366
Total revenue	7,883,640	8,408,366

2.1.4 By origin

	2015	2014
	£	£
Continuing operations		
Pinnacle Telecom plc	1,873,208	694,889
Accent Telecom UK Limited	2,832,967	3,675,017
Solwise Telephony Limited	-	911,686
Pinnacle Cloud Solutions Limited	2,037,066	1,737,871
RMS Managed ICT Security Limited	1,129,250	1,354,693
Other group companies	11,149	34,210
Total revenue	7,883,640	8,408,366

2.1.5 By recurring nature

	2015	2014
	£	£
Recurring and Renewable - continuing operations	6,688,281	7,427,131
Non-Recurring - continuing operations	1,195,359	981,235
Total revenue	7,883,640	8,408,366

2.2 Analysis of Operating Loss

2.2.1 By business sector

	2015 £	2014 £
IT Services		
EBITDA	(11,095)	198,503
Depreciation	(67,548)	(39,315)
Amortisation	(40,041)	(59,908)
Impairment	(34,126)	(122,831)
Exceptional Items	-	(5,910)
Finance Costs	(1,027)	(2,785)
Loss from operations before tax	(153,837)	(32,246)
IT Security Solutions		
EBITDA	(265,866)	(466,844)
Depreciation	(27,441)	(26,868)
Amortisation	(172,178)	(179,200)
Impairment	(118,860)	(203,213)
Exceptional Items	-	(43,680)
Finance Costs	(227)	(665)
Loss from operations before tax	(584,572)	(920,470)
Cloud Services and Data Connectivity		
EBITDA	204,079	225,414
Depreciation	(61,218)	(140,227)
Amortisation	(51,397)	(78,735)
Impairment	(30,334)	(109,183)
Exceptional Items	-	(22,829)
Finance Costs	(1,042)	(3,780)
Profit/(Loss) from operations before tax	60,088	(129,340)
Telecommunication Services		
EBITDA	(94,768)	(478,483)
Depreciation	(36,759)	(101,141)
Amortisation	(35,328)	(41,380)
Impairment	(7,584)	(27,296)
Exceptional Items	-	(186,388)
Finance Costs	(4,130)	(5,549)
Loss from operations after amortisation	(178,569)	(840,237)
Mobile Solutions		
EBITDA	98,377	45,221
Depreciation	(4,807)	(4,154)
Amortisation	(11,475)	(11,475)
Exceptional Items	-	(21,802)
Finance Costs	(527)	(498)
Profit from operations after amortisation	81,568	7,292
Head office	(476,720)	141,131
Continuing operations	(1,252,042)	(1,773,870)
Total losses	(1,252,042)	(1,773,870)

2.2.2 By destination

	2015 £	2014 £
United Kingdom	(1,252,042)	(1,773,870)

2.2.3 By origin

	2015 £	2014 £
Pinnacle Telecom plc	(290,946)	(246,891)
Accent Telecom UK Limited	298,158	508,715
Solwise Telephony Limited	-	(197,535)
Pinnacle Cloud Solutions Limited	(152,269)	(438,766)
RMS Managed ICT Security Limited	(286,081)	(517,808)
Head Office and other group companies	(510,484)	(510,886)
Loss from continuing operations before exceptional items	(941,622)	(1,403,171)
Amortisation	(310,420)	(370,699)
Total losses	(1,252,042)	(1,773,870)

2.2.4 By recurring nature

	2015 £	2014 £
Recurring and renewable - continuing operations	(869,453)	(1,314,198)
Non-Recurring - continuing operations	(72,169)	(88,973)
Loss from continuing operations before amortisation and discontinued operations.	(941,622)	(1,403,171)
Amortisation	(310,420)	(370,699)
Total losses	(1,252,042)	(1,773,870)

2.2.5 Significant customer revenue

Pinnacle Technology has a diverse and broad customer base, incorporating both public and private sector business customers, from a wide range of industry sectors, operating in the enterprise, corporate and SME markets. The Group was not reliant upon any one single customer to contribute more than 10% of its revenue in the financial year to September 2015 or to September 2014.

3. Operating loss

	2015 £	2014 £
Loss from operations is stated after charging:		
Depreciation of owned assets	(197,773)	(310,849)
Other operating lease rentals:		
– buildings	(81,580)	(82,703)
Auditor's remuneration: - audit of parent company	(16,500)	(15,000)
- audit of subsidiary companies	(47,500)	(30,000)

4. Total and continuing loss per share

	2015 £	2014 £
Loss attributable to ordinary shareholders	(1,252,042)	(1,773,870)
	Number	Number
Weighted average number of ordinary shares in issue	49,924,907	35,604,548
Basic and diluted loss per share (pence)	2.51p	4.98p

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.

5. Post balance sheet events

On 7th December 2015 the company announced that Dr. James Dodd would be stepping down from Chairman, on the same day with immediate effect appointed Gavin Lyons as Executive Chairman.

6. Dividends

The Directors do not propose a dividend for the year ended 30 September 2015 (2014: £Nil).

7. Annual report and accounts

A copy of the Annual Report and Accounts for the year ended 30 September 2015 will be sent to shareholders at the beginning of March 2015 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.pinnacletechnology.co.uk.

8. Annual General Meeting

Notice of the Annual General Meeting will be sent to shareholders in due course.