

Pinnacle Technology Group plc ("Pinnacle", the "Group" or the "Company") Interim Results for the six months ended 31 March 2015

Pinnacle Technology Group plc (AIM: PINN), the AIM listed IT managed services provider, today announces its unaudited interim results for the six months ended 31 March 2015.

Financial Summary

	Unaudited 6 months to 31 March 2015 £	Unaudited 6 months to 31 March 2014 £
Revenue	3,987,548	4,258,556
Gross Profit	1,242,868	1,271,068
Adjusted EBITDA*	(234,352)	(269,882)
Cash	193,197	575,616
Net Assets	320,793	1,054,030
Earnings/Loss	(521,524)	(1,095,624)
Exceptional one-off costs	-	(294,849)

Operational Highlights

- Revenues of £3.99m for the six month period (H1-2014: £4.26m)
- Recurring revenues remain high at 87.6% providing a strong base for future growth (H1-2014: 88.1%)
- Gross profit percentage maintained at 31.2% (H1-2014: 29.8%).
- Adjusted EBITDA losses of -£0.23m (H1-2014: -£0.27m), representing a decrease of 13%.
- Loss for the period of -£0.52m (H1-2014 loss of £1.10m), representing a 52% reduction.
- Balance sheet strengthened with placing of new shares and open offer raising £0.56 million (before expenses) during the period.
- Further strengthened post period end with the placing of new shares at a 16% premium to the mid-market price on 27th April 2015, raising £0.86million before expenses.

Commenting on the results, Nicholas Scallan, the Pinnacle CEO stated:

“Over the last year we have seen progress in returning the business to health with a much better defined focus, costs reduced and transformational projects underway. We are proud of our recent customer successes and product developments to support the business. We said it would take time to turn the business around, as seen by these results, but we remain confident that the leaner, more focussed organisation will return to profitable revenue growth. This confidence is further supported by the recent funding round that considerably strengthens the Company’s balance sheet, with the substantial investment from two of the company’s existing institutional shareholders”.

*Adjusted EBITDA is measured as Earnings before interest, taxation, depreciation, amortisation of intangibles, exceptional costs relation to acquisition costs, share of results of associates and the embedded fair value adjustment in the convertible loan. H1-2014 = the half-year ended 31 March 2014 and H1-2015 = the half-year ended 31 March 2015

All company announcements can be found at www.pinn.uk.com

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About Pinnacle

Pinnacle Technology Group plc (AIM: PINN) focuses on the business market for IT and communications services across the UK. Having grown since inception both organically and through a series of acquisitions, Pinnacle Technology offers a wide range of IT managed services and solutions including Managed Support Services; Unified Communications and Collaboration; IT Security; Voice, Broadband and Mobile Communications; Hosted Services and Infrastructure services. It operates as a value added reseller and integrator, and is focused on providing these services, both as an integrated offering to the SME market, and more broadly to the mid-market and public sector. Pinnacle works with some of the most prestigious organisations in the UK, who rely on us to deliver robust, bespoke technical solutions that deliver sustained value.

CHAIRMAN'S STATEMENT

These results reflect the work- in-progress status of the Pinnacle Technology turnaround, as the various measures put in place to return the business to profitable revenue growth, reduce costs and sharpen the focus of the business take effect. The Board continues to be focussed on positioning the company to become EBITDA positive and recognises that this will take some time.

However, given the progress that has been made, as detailed below and as outlined in the circular to shareholders dated 28th April 2015, the Board is now of the view that the time is right to consider reviewing acquisition opportunities that will take advantage of the underlying capabilities of the Group, as well as the highly fragmented and regionalised market in which the Group operates. The Board was pleased to appoint MXC Capital Advisory LLP to assist with this process, and to also receive significant shareholder support at the General Meeting of 14th May 2015 at which shareholders voted to approve the placing of new shares in the company, raising £0.86million before expenses for the Group, at a 16 per cent. premium to the prior closing mid-market share price on 27th April 2015.

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

As we continue this journey, we would like to recognise the support and contribution of all of our customers, suppliers, shareholders and particularly our staff in helping us achieve positive change.

Dr James Dodd

CHAIRMAN

26 June 2015

BUSINESS AND OPERATIONAL REVIEW

In the six month period to 31st March 2015, the company has continued to address the issues presented in prior company reports, whilst making considerable progress with turning the business around to achieve profitable revenue growth. Although overall revenues were lower when compared to the same period last year, initiatives undertaken by the new management to restore the health of the business have resulted in a reduction of losses at both an operating and net levels.

Recurring revenues were maintained at a high rate of 87.6%, which provides the Group with a strong platform on which to build. Many of Pinnacle Technology's SME customers rely on the Group for their IT and communications needs, and this loyalty drives not only the opportunity to maintain current revenues but to cross and up-sell to these customers. The sales force has now been operating for over a year with a rebalanced approach towards customer contact between those out visiting customers in person, and those who are 'desk' based sales heads. This approach is proving successful and will continue.

BUSINESS AND OPERATIONAL REVIEW (CONTINUED)

Pinnacle Technology is delighted that post period end, United Utilities plc upgraded their existing services during May 2015; and recent customer project wins include Warner Music Group, Toyota (GB) plc, ACAS, Baxters Food Group and John Clark Motor Group. In addition, the Group is delighted with the re-signing of contracts with valued clients such as Scottish Autism, Amour Construction and Glenalmond College.

The period under review also saw an increased investment in sales and marketing to support new client acquisition in addition to the strategy of cross and up-selling to existing clients. This is a contributor to the EBITDA loss in the period, but we are confident that the overall benefit of this investment will support the return to profitable revenue growth and whilst carefully monitored for results, such investments continue to be made.

In March this year the business signed an exciting O2 Mobile Digital Services agreement. This supports our strategy, of harnessing our strengths in IT services and also results in favourable mobile contractual terms. Whilst this agreement is still being implemented, it is clear from the market as a whole that usage of mobile devices for data connectivity is greatly increasing, and there is a close relationship between the IT applications consumed by SMEs and the way in which they are accessed, via broadband and mobile devices. Providing a one-stop-shop for both clearly fits with Pinnacle's strategy of providing SME clients with all their IT and communications needs. An additional benefit of the arrangement with O2 is being able to access their products approved for use in the public sector on a reseller basis, where HM Government accreditation is required. Previously it was unlikely Pinnacle would have been able to retain or bid for such work.

As part of the operational review announced when the CEO joined, there was to be a continued reduction in costs coupled with a more sharply defined focus for the business. During the period under review, the implementation of the Easynet agreement was completed and since then significant migrations of the access network have been completed, resulting in an improved network cost base.

Costs are also being reduced with the closure of the Pinnacle data centre. Work on this is proceeding with the majority of high availability services being relocated to larger and more secure third party data centres; low availability services will follow. Partial savings are already being realised from this project.

Finally, the investments being made in refreshing group systems and technologies are progressing well. These investments support both an improved customer experience and better integration within the Group.

IT Services

Pinnacle's approach to IT Services is built upon the design, implementation, ongoing support and maintenance of IT solutions to business customers. At an ultimate partnership level, this includes the outsourcing of IT helpdesks to Pinnacle. Pinnacle Technology can also supply cloud services, professional services and hardware/software when required. Where Pinnacle does not have the expertise or capability in-house, partnerships with leading industry players such as Microsoft, Iomart, ScoLocate and Dell are utilised. Pinnacle's approach facilitates cross selling of other products and services, and results in an enduring client relationship.

The majority of clients will enter in to a service level agreement with Pinnacle appropriate for their business IT needs. This approach is supported by the new Customer Relationship Management (CRM) system that has been implemented, initially for IT Services clients and with subsequent services to follow. Revenue from IT Services for the 6 months to 31 March 2015 was £627,867 (H1-2014 £598,061), representing 15.7% of revenues. 64% of the IT Services revenue was recurring in nature.

IT Security Solutions

Revenue from IT Security Solutions for the 6 months to 31 March 2015 was £576,983 (H1-2014 £502,988), an increase from the same period last year of 14.7%. IT Security Solutions represented 14.5% of revenues (H1-2014 11.8%).

The focus of the IT Security Business has traditionally been in areas of the market subject to fierce price competition. Following the reduction in operating costs, this operating segment is now much leaner. The revenues in this segment are cyclical, however the business has also been introducing training and professional services as an addition to the product mix.

Pinnacle Technology sells IT Security Solutions to both SMEs and enterprise clients, and has relationships with some of the leading vendors in the market such as Sophos, Arcserve and McAfee. Pinnacle Technology is pleased to have attained McAfee ACE accreditation partnership status during the period under review.

Cloud Services and Data Connectivity

Revenue from Cloud Services and Data Connectivity for the 6 months to 31 March 2015 was £1,102,110 (H1-2014: £1,163,537), representing 27.6% of revenues (H1-2014: 27.3%).

Data Connectivity, such as the supply of super-fast broadband connections, plays an important role in the overall Pinnacle proposition. As noted above, and announced in September 2014, Pinnacle entered in to a strategic partnership with Easynet, the infrastructure for which is now in live production and on to which access network assets are being migrated resulting in a lower network cost base. In addition to reducing complexity and costs within the business, the arrangement also enables Pinnacle to sell enhanced broadband speeds at greater value.

Post period end, Ofcom (the UK communications regulator) announced a consultation on proposals to reduce the wholesale prices that BT charge for leased lines, covering both traditional technologies and more recent Ethernet-based services. It would be reasonable to assume that, if implemented, the proposals would likely feed through to lower prices in the market as a whole and we continue to monitor developments closely.

Telecommunications Services

Revenue from Telecommunications Services for the 6 months to 31 March 2015 was £1,433,147 (H1-2014: £1,732,561) representing 35.9% of revenue (H1-2014: 40.7%).

Customer retention rates remain strong but the segment reflects a diminishing market. Price changes and regulatory developments impact this market, in particular the simplification of non-geographic numbers being driven by Ofcom. Whilst Pinnacle 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. The recent changes, which have only just come in to effect, are resulting in some disruption to the market and we are monitoring events closely and, where necessary, ensuring that services are sourced at market competitive rates.

Mobile Solutions

Our overall proposition to SMEs - endeavoring to provide all their IT and communications needs- is complemented by offering mobile services.

Revenue from Mobile for the 6 months to 31 March 2015 was £247,440 (H1-2014 £261,409), representing 6.2% of revenue (H1-2014 6.1%). A particular highlight during the period under review was the signing of the O2 Mobile Digital Services agreement, already mentioned within this report. The implementation of this agreement continues and the business expects the benefits of the agreement to start flowing later this year.

FINANCIAL REVIEW

Revenue analysis for the period is as follows: Analysis of revenue	6 months to 31 March 2015 £	6 months to 30 Sept 2014 £	6 months to 31 March 2014 £	12 months to 30 Sept 2014 £
By business sector				
IT Services	627,867	348,899	598,061	946,960
IT Security Solutions	576,983	885,916	502,988	1,388,904
Cloud Services and Data Connectivity	1,102,111	1,022,459	1,163,537	2,185,996
Telecommunication Services	1,433,147	1,617,795	1,732,561	3,350,356
Mobile Solutions	247,440	274,741	261,409	536,150
Continuing operations	3,987,548	4,149,810	4,258,556	8,408,366

87.6% of revenues are recurring and renewable (H1:2014 88.1%).

Gross Profit

In the six months to 31st March 2015, we achieved a gross profit of £1,242,868 (H1- 2014 £1,271,068) and a gross profit percentage of 31.2% (H1-2014: 29.8%).

EBITDA and Net Loss

The adjusted EBITDA for the period was -£234,352 (H1-2014: -£269,882, H2-2014: -£241,929). Whilst we look to minimize the period between investment and payback, it is inevitable that our investment in the sales, marketing and operational development of the business will result in short-term losses, until we recoup the investment from sales of new contracted recurring revenues over time. The net loss in the business is affected by non-cash accounting items representing amortisation of intangible assets (£155,210), depreciation (£105,196), impairment of intangible assets (£46,857) and share based payments (£7,363).

Impairment of intangible assets

Where the expected future cash flows from a customer base are lower than originally expected, we make an additional charge to the income statement in the form of impairment. For the six months to 31st March 2015 we have charged £46,857 to the income statement as an impairment. This charge, whilst non-cash affecting, reflects a reduction in future cashflows expected from the acquired RMS customer base.

Operating Expenses

The six month period to H1-2015, saw Operating expenses reduce by £664,262, down 27% when compared to H1-2014, mainly as a result of the reduction in exceptional costs and impairment of intangible assets, but also as a result of a number of cost saving initiatives undertaken during this half-year period to improve operational efficiency and maximise the funds available for growth initiatives. As a result, Operating expenses in H1-2015 were £1,791,846 (H1-2014: £2,456,108) and represented 44.9% of revenue (H1-2014: 57.7%).

Litigation

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. As part of those proceedings on 4 April 2014 awards of legal costs were made in favour of Pinnacle Technology. These court proceedings continue.

Whilst the matter was an unwelcome distraction for the management team in the short term, the Company and its legal advisors are both confident of success and are working on maximising the return of legal costs arising from this situation.

Issue of Equity and Cash Balance

On 21st November 2014 the Group raised £0.56m before expenses, from the Company's directors, senior management, CEO and certain institutional shareholders through the issue of 8,684,147 new ordinary shares of 1p each ("Ordinary Shares") at 6.5 pence per Ordinary Share, representing a small premium to the closing mid-market price on the day. The funds raised were used for general working capital purposes, supporting the net cash inflow in the period from operating activities of £93,762, including payments of the prior year exceptional one-off costs of the re-structure of the business for profitable growth.

Post Period Balance Sheet Events

On 14 May 2015 shareholders voted to approve resolutions to effect a placing of 13,164,122 new Ordinary Shares at 6.5 pence per Ordinary Share raising gross proceeds of £0.86 million (before expenses) for the Company. The Issue Price of 6.5 pence per new Ordinary Share represents a 16% per cent. premium to the closing middle market price of 5.625 pence per Existing Ordinary Share on 27 April 2015, being the latest Dealing Day prior to the announcement of the Placing. The purpose of the placing was to provide funds to implement the Company's growth strategy as well as to fund the general working capital requirements of the Group.

As outlined in the circular to shareholders on 28th April 2015, in consideration of its agreement to cornerstone the placing and conditional upon its subscription for Ordinary Shares pursuant to the placing, MXC Capital has been granted warrants over 5 per cent. of the enlarged share capital of the company.

CONSOLIDATED INCOME STATEMENT

for the six month period ended 31 March 2015

	Note	6 months to 31 March 2015 £	6 months to 31 March 2014 £	Year to 30 Sept 2014 £
Revenue	3	3,987,548	4,258,556	8,408,366
Cost of sales		(2,744,680)	(2,987,488)	(5,738,428)
Gross profit		1,242,868	1,271,068	2,669,939
Operating expenses		(1,791,846)	(2,456,108)	(4,606,416)
Operating profit/(loss)		(548,978)	(1,185,040)	(1,936,477)
Adjusted EBITDA		(234,352)	(269,882)	(511,811)
Amortisation of Intangible Assets	5	(155,210)	(195,671)	(370,699)
Depreciation		(105,196)	(155,871)	(310,849)
Exceptional costs		-	(294,849)	(280,608)
Impairment of intangible assets	5	(46,857)	(261,806)	(462,522)
Share based payments		(7,363)	(6,961)	34,767
Embedded fair value in convertible loan		-	-	-
Share of profit from associate		-	-	(34,755)
Operating Loss		(548,978)	(1,185,040)	(1,936,477)
Interest receivable		123	615	918
Interest payable		(15,103)	(7,269)	(13,286)
Net Finance expense		(14,980)	(6,654)	(12,368)
Loss before tax		(563,958)	(1,191,694)	(1,948,845)
Taxation		42,434	96,070	174,976
Loss for the period from continuing operations attributable to the equity holders of the parent	3	(521,524)	(1,095,624)	(1,773,870)
Loss per share				
basic and fully diluted – continuing	4	(1.29)p	(3.30)p	(4.98)p

All losses are attributable to continuing operations. Notes 1 to 9 form part of the analysis of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2015

	Note	At 31 March 2015 £	At 31 March 2014 £	At 30 September 2014 £
Non-current assets				
Intangible assets	5	790,029	1,367,841	992,096
Investments in Associated		165,300	200,055	165,300
Property, plant and equipment		170,876	298,188	227,568
Total non-current assets		1,126,205	1,866,084	1,384,965
Current assets				
Inventories		33,118	122,495	46,278
Trade and other receivables		1,565,255	1,470,520	1,297,466
Cash and cash equivalents		193,197	575,616	173,240
Total current assets		1,791,570	2,168,631	1,516,983
Total assets		2,917,775	4,034,715	2,901,948
Liabilities				
Short term borrowings		(64,506)	(114,475)	(143,659)
Trade and other payables		(1,602,817)	(1,369,927)	(1,442,538)
Other taxes and social security costs		(172,369)	(203,134)	(122,942)
Accruals and other payables		(584,254)	(981,658)	(615,599)
Total current liabilities		(2,423,946)	(2,669,194)	(2,324,738)
Non-current liabilities				
Long term borrowings		(7,130)	(24,245)	(17,148)
Deferred tax liability		(165,906)	(287,246)	(208,340)
Total liabilities		(2,596,982)	(2,980,685)	(2,550,226)
Net assets		320,793	1,054,030	351,721
Equity				
Share capital		6,949,092	6,862,250	6,862,250
Share premium account		7,171,261	6,757,206	6,774,870
Merger reserve	7	283,357	283,357	283,357
Other reserve		39,387	73,751	32,024
Fair value adjustment		(1,064,130)	(1,064,130)	(1,064,130)
Retained earnings	6	(13,058,174)	(11,858,404)	(12,536,650)
Total equity		320,793	1,054,030	351,721

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six month period ended 31 March 2015

	6 months to 31 March 2015 £	6 months to 31 March 2014 £	12 months to 30 Sept 2014 £
Loss for the year from total operations	(521,524)	(1,095,624)	(1,773,870)
Total comprehensive negative income for the year	(521,524)	(1,095,624)	(1,773,870)
Attributable to equity holders of the parent	(521,524)	(1,095,624)	(1,773,870)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for six month period ended 31 March 2015

	Share capital	Share premium	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 and expense for the	-	-	-	-	-	(1,095,264)	(1,095,624)
Transactions with owners							
Share Issue	46,084	-	-	-	-	-	46,084
Share based payments	-	-	-	6,961	-	-	6,961
Premium on Share Issue	-	403,238	-	-	-	-	403,238
Expenses on Share Issue	-	(25,825)	-	-	-	-	(25,825)
Total Transactions with owners	46,084	377,413	-	6,961	-	-	430,458
Total movements	46,084	377,413	-	6,961	-	(1,095,624)	(665,166)
Equity at 31 March 2014	6,862,250	6,757,205	283,357	73,752	(1,064,130)	(11,858,404)	1,054,030
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 and expense for the	-	-	-	-	-	(521,524)	(521,524)
Transactions with owners							
Share Issue	86,842	-	-	-	-	-	86,842
Share based payments	-	-	-	7,363	-	-	7,363
Premium on Share Issue	-	477,628	-	-	-	-	477,628
Expenses on Share Issue	-	(81,237)	-	-	-	-	(81,237)
Total Transactions with owners	86,842	396,391	-	7,363	-	-	490,596
Total movements	86,842	396,391	-	7,363	-	(521,524)	(30,928)
Equity at 31 March 2015	6,949,092	7,171,261	283,357	39,387	(1,064,130)	(13,058,174)	320,793

CONSOLIDATED STATEMENT OF CASH FLOWS

for the six month period ended 31 March 2015

	6 months to 31 March 2015 £	6 months to 31 March 2014 £	12 months to 30 September 2014 £
Cash flows from operating activities			
Loss before taxation	(563,958)	(1,191,694)	(1,948,845)
<u>Adjustments for:</u>			
Depreciation	105,196	155,871	310,849
Amortisation	155,210	195,671	370,699
Impairment of intangible assets	46,857	261,806	462,522
Share of (profit)/loss from associate	-	-	34,755
Share option charge	7,363	6,961	(34,767)
Interest expense	14,980	6,654	12,368
Decrease/(increase) in trade and other receivables	(267,789)	449,659	622,713
Decrease/(Increase) in inventories	13,159	(31,273)	44,944
Increase/(decrease) in trade payables, accruals and other creditors	173,382	(271,483)	(626,791)
Net cash flow from operating activities	(315,600)	(417,828)	(751,554)
Cash flows from investing activities			
Purchase of property, plant and equipment	(48,504)	(5,185)	(58,096)
Sale of property, plant and equipment	-	-	(31,352)
Interest received	123	615	918
Net cash used in investing activities	(48,381)	(4,570)	(88,530)
Cash flows from financing activities			
Issue of shares	564,470	449,322	449,322
Receipt of invoice discount finance during the year	637,453	953,977	1,901,371
Repayment of invoice discount finance during the year	(632,473)	(878,083)	(1,827,659)
Repayment of convertible loans and bank loans	(2,186)	(15,096)	(36,436)
Expenses paid in connection with share issue	(81,237)	(25,825)	(8,160)
Payment of finance lease liabilities	(13,181)	(21,419)	(33,484)
Interest paid	(15,103)	(7,269)	(13,286)
Net cash from financing activities	457,743	455,607	431,668
Net (decrease)/increase in cash	93,762	33,209	(408,416)
Cash at bank and in hand at beginning of period	57,102	465,518	465,518
Cash at bank and in hand at end of period	150,864	498,727	57,102
Comprising:			
Cash at bank and in hand	193,197	575,616	173,240
Bank overdrafts	(42,333)	(76,889)	(116,137)
	150,864	498,727	57,103

NOTES TO THE FINANCIAL STATEMENTS

for the six month period ended 31 March 2015

1. General Information

Pinnacle Technology Group plc is a company incorporated in the United Kingdom under the Companies Act 2006. The principal activity of the group is the provision of IT and telecommunications solutions to businesses in the United Kingdom. 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 address of its registered office is 5 Fleet Place, London, EC4M 7RD and its principal place of business is 1 Queenslie Court, Summerlee Street, Glasgow, G33 4DB. The company is listed on the AIM market of the London Stock Exchange under ticker symbol PINN.

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 2014. 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 interim statements were approved by the Board of Directors on 26 June 2015.

3. Segment Reporting

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

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

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

	6 months to 31 March 2015 £	6 months to 31 March 2014 £	12 months to 30 September 2014 £
3.1 Analysis of revenue			
By operating segment			
IT Services	627,867	598,061	946,960
IT Security Solutions	576,983	502,988	1,388,904
Cloud Services and Data Connectivity	1,102,110	1,163,537	2,185,996
Telecommunication Services	1,433,147	1,732,561	3,350,356
Mobility Solutions	247,440	261,409	536,150
Continuing operations	3,987,548	4,258,556	8,408,366
Total revenue	3,987,548	4,258,556	8,408,366
By destination			
United Kingdom	3,987,548	4,258,556	8,408,366
Total revenue	3,987,548	4,258,556	8,408,366

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the six month period ended 31 March 2015

3.1 Analysis of revenue (continued)

By origin	6 months to 31 March 2015 £	6 months to 31 March 2014 £	12 months to 30 September 2014 £
Continuing operations			
Pinnacle Telecom plc	404,787	388,578	694,889
Accent Telecom UK Limited	1,867,114	1,821,049	3,675,017
Solwise Telephony Limited *	-	409,762	911,686
Pinnacle Cloud Solutions Limited	1,143,461	974,652	1,737,871
RMS Managed ICT Security Limited	572,186	636,601	1,354,693
Other group companies	-	27,914	34,210
Total revenue	3,987,548	4,258,556	8,408,366

* All customers and trading assets relating to Solwise Telephony Limited were transferred to Pinnacle Cloud Solutions on 1 October 2014.

By recurring nature	6 months to 31 March 2015 £	6 months to 31 March 2014 £	12 months to 30 September 2014 £
Recurring and Renewable- continuing operations	3,494,786	3,750,787	7,426,231
Non-Recurring - continuing operations	492,762	507,769	981,235
Total revenue	3,987,548	4,258,556	8,408,366

3.2 Analysis of net loss after tax

	6 months to 31 March 2015 £	6 months to 31 March 2014 £	12 months to 30 September 2014 £
3.2.1 By business sector			
IT Services			
Adjusted EBITDA	73,088	138,147	198,503
Depreciation	(25,063)	(22,996)	(39,315)
Amortisation	(12,965)	(61,485)	(59,908)
Impairment	-	(194,698)	(122,831)
Exceptional Items	-	-	(5,910)
Finance Costs	(393)	(667)	(2,785)
(Loss) / Profit from operations before tax	34,667	(141,699)	(32,246)
IT Security Solutions			
Adjusted EBITDA	(234,981)	(247,595)	(466,844)
Depreciation	(14,832)	(16,115)	(26,868)
Amortisation	(88,384)	(94,441)	(179,200)
Impairment	(46,857)	-	(203,213)
Exceptional Items	-	(61,388)	(43,680)
Finance Costs	(10,990)	(989)	(665)
(Loss) / Profit from operations before tax	(396,044)	(420,528)	(920,470)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the six month period ended 31 March 2015

3.2.1 By operating segment (continued)	6 months to 31 March 2015 £	6 months to 31 March 2014 £	12 months to 30 September 2014 £
Cloud Services and Data Connectivity			
Adjusted EBITDA	64,549	(50,190)	225,414
Depreciation	(34,577)	(68,285)	(140,227)
Amortisation	(27,993)	(16,815)	(78,735)
Impairment	-	(67,108)	(109,183)
Exceptional Items	-	(15,115)	(22,829)
Finance Costs	(826)	(1,222)	(3,780)
(Loss) / Profit from operations before tax	1,153	(218,735)	(129,340)
Telecommunication Services			
Adjusted EBITDA	(191,335)	(106,869)	(478,483)
Depreciation	(30,091)	(46,381)	(101,141)
Amortisation	(23,573)	(22,950)	(41,380)
Impairment	-	-	(27,296)
Exceptional Items	-	(204,025)	(186,388)
Finance Costs	(1,887)	(2,874)	(5,549)
(Loss) / Profit from operations before tax	(246,886)	(383,099)	(840,237)
Mobility Services			
Adjusted EBITDA	46,963	(10,316)	45,221
Depreciation	(633)	(2,094)	(4,154)
Amortisation	(2,295)	-	(11,475)
Exceptional Items	-	(14,321)	(21,802)
Finance Costs	(164)	(241)	(498)
(Loss) / Profit from operations before tax	43,871	(26,972)	7,292
Head office	41,715	95,409	141,131
Total losses	(521,524)	(1,095,624)	(1,773,870)
3.2.2 By destination			
United Kingdom	(521,524)	(1,095,624)	(1,773,870)
3.2.3 By origin			
	6 months to 31 March 2015 £	6 months to 31 March 2014 £	12 months to 30 September 2014 £
Pinnacle Telecom plc	(38,606)	(23,724)	(246,891)
Accent Telecom UK Limited	7,490	221,812	508,715
Solwise Telephony Limited *	-	(282,702)	(197,535)
Pinnacle Cloud Solutions Limited	(28,244)	(272,086)	(438,766)
RMS Managed ICT Security Limited	(158,957)	(185,936)	(517,808)
Head Office and other group companies	(147,997)	(357,317)	(510,886)
Loss from continuing operations before amortisation	(366,314)	(899,953)	(1,403,171)
Amortisation and Net Impairment of Intangibles	(155,210)	(195,671)	(370,699)
Total losses	(521,524)	(1,095,624)	(1,773,870)

* All customers and trading assets relating to Solwise Telephony Limited were transferred to Pinnacle Cloud Solutions on 1 October 2014.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the six month period ended 31 March 2015

3.2.4 By recurring nature	6 months to 31 March 2015 £	6 months to 31 March 2014 £	12 months to 30 September 2014 £
Recurring - continuing operations	(319,746)	(729,384)	(1,314,198)
Non-Recurring - continuing operations	(46,568)	(170,569)	(88,973)
Profit from continuing operations before amortisation and discontinued	(366,314)	(899,953)	(1,403,171)
Amortisation and Net Impairment of Intangibles	(155,210)	(195,671)	(370,699)
Total losses	(521,524)	(1,095,624)	(1,773,870)

4. Loss per share	6 Months to 31 March 2015 £	6 Months to 31 March 2014 £	Audited 12 Months to 30 September 2015 £
Basic and fully diluted	1.29	3.30	4.98
Loss attributable to ordinary shareholders	(521,524)	(1,095,624)	(1,773,870)
Weighted average number of shares in issue:			
Basic and fully diluted	40,427,272	33,230,889	35,604,548

5. Intangible assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the six month period ended 31 March 2015

5. Intangible assets (continued)	6 Months to 31 March 2015 £	6 Months to 31 March 2014 £	Audited 12 months to 30 September £
Net intangible assets at start of period	992,096	1,825,317	1,825,317
Intangible asset additions	-	-	-
Impairment in the period	(46,857)	(261,806)	(462,522)
Amortisation in the period	(155,210)	(195,671)	(370,699)
Net intangible assets at period end	790,029	1,367,841	992,096

6. Profit and loss reserve

	6 Months to 31 March 2015 £	6 Months to 31 March 2014 £	Audited 12 months to 30 September 2014 £
Opening deficit	(12,536,650)	(10,762,780)	(10,762,780)
Loss for the period	(521,524)	(1,095,624)	(1,773,870)
Closing deficit	(13,058,173)	(11,858,404)	(12,536,650)

7. Merger reserve

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

8. Post Balance Sheet Events

On 14 May 2015 shareholders voted to approve resolutions to effect a placing of 13,164,122 new Ordinary Shares at 6.5 pence per Ordinary Share raising gross proceeds of £0.86 million (before expenses) for the Company. The Issue Price of 6.5 pence per new Ordinary Share represents a 16% per cent. premium to the closing middle market price of 5.625 pence per Existing Ordinary Share on 27 April 2015, being the latest Dealing Day prior to the announcement of the Placing. The purpose of the placing was to provide funds to implement the Company's growth strategy as well as to fund the general working capital requirements of the Group.

As outlined in the circular to shareholders on 28th April 2015, in consideration of its agreement to cornerstone the placing and conditional upon its subscription for Ordinary Shares pursuant to the placing, MXC Capital has been granted warrants over 5 per cent. of the enlarged share capital of the company.

9. 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 2014, contained an unqualified audit report and are filed with the Registrar of Companies.