

21 February 2011

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

PRELIMINARY RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

Pinnacle Telecom Group plc, (AIM: PINN) the AIM listed provider of integrated telecommunications solutions to the business market, today announces its preliminary results for the year ended 30 September 2010.

HIGHLIGHTS

Financial benchmarks

- Turnover more than doubled, ahead of expectations, up 107% to £6,608,533 (2009: £3,192,222).
- Gross profit more than doubled, up 111% to £2,089,457 (2009: £991,169).
- Positive EBITDA ⁽¹⁾ of £149,378 (2009: EBITDA loss of £499,429).
- Maiden operating profit ⁽²⁾ of £78,647 (2009: loss of £582,816).
- The loss retained for the full year ⁽³⁾ after all costs, reduced by £626,324, down 70% to £270,379 (2009: £897,063).

Acquisitions

- All share acquisition of Solwise Telephony Limited and its wholly owned subsidiary Sipswitch Limited completed on 13 January 2010 for an initial consideration of £180,957 in shares plus the assumption of debt of £23,958 also satisfied in shares.

Balance sheet highlights

- Cash at the year end amounted to £697,189 compared to the previous year of £586,222, a 19% increase
- A placing on 22 September 2010 by way of an issue of 128,571,429 new Ordinary Shares at 0.35p per share, raised £450,000. The placing was at a premium of approximately 18.64% over the closing mid-market price of 0.295p on 21 September 2010.
- Group net assets increased to £1,319,743 (2009: £921,645)

Reduction in group subsidiary operating companies

- During the year, the group completed a reduction in the number of operating group subsidiary entities, which had expanded following a series of acquisitions over the years, and there are now only three main operating units. We expect to see some modest reductions in administration costs in the future as a result of the consolidation.

BBC high-profile contracts

- Delivering certain high-profile voice and data requirements of the BBC has been a significant success this year. We expect to be able to service high-profile contracts of this nature again in 2011.

Alan J Bonner, the Group CEO commented:

"We have made excellent progress this year, diligently managing our cash resources, strengthening our balance sheet and remaining free of bank debt. We assiduously centralised our operations into Northampton and successfully delivered voice and data

107%
Increase
In Turnover

111%
Increase
In Gross Profit

Positive
EBITDA

Maiden
Operating
Profit

19%
Increase
In Cash

networks for some of the UK's largest high-profile events, including the UK General Election for the BBC. We have delivered triple-digit growth in turnover and gross margin, produced our maiden operating profit, and delivered positive EBITDA. Notwithstanding the difficulties of the economic climate, we aim to search out earning-enhancing bolt-on acquisitions, with a focus on delivering cloud based IP solutions, and we look forward to moving the business forward during 2011."

Notes:

1. EBITDA is defined as 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.
2. Operating profit is measured before amortisation of intangibles, exceptional acquisition costs, share of results of associates and the embedded fair value adjustment in the convertible loan.
3. Loss for the year is measured after all costs, including the costs of discontinued operations relating to previous years.

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All Company announcements & news can be found at:

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CHAIRMAN'S STATEMENT

“It has been a tough year for the UK economy, but it has been a rewarding and successful year for Pinnacle.”



Bill Allan, Chairman

This has been my first year as your Chairman. It has been a tough year for the UK economy, but it has been a rewarding and successful year for Pinnacle. Over the year your company has continued to improve its financial and operational performance from organic growth and a successful acquisition strategy.

The acquisition of Solwise Telephony Limited and its subsidiary Sipswitch Limited, in January 2010, have been successfully integrated. Back office systems and processes have been simplified, with billing rationalised into a single platform. The legal organisational structures from the various entities acquired or merged into Pinnacle over the years have also been rationalised, simplifying accounting and administration. For a small company, these were two major accomplishments this year that absorbed a considerable amount of management time and focus. Nevertheless, they provide a more robust and efficient operating platform for future growth and expansion.

In addition to the above, Pinnacle has continued to win new contracts and seek new areas for organic growth. Your company's success in providing bespoke solutions to its customers is an area we seek to leverage this year. The short-term contracts with the BBC mentioned at the half-year resulted in further business including supporting the telecommunications for Pope Benedict XVI's visit to the U.K. These were high profile events that demonstrated confidence in Pinnacle's systems and people.

The successful share placing in September 2010 has improved your company's financial standing and working capital needs for organic growth. As a Board we are also conscious that value enhancing opportunities for growth by acquisition involve considerable resource and time commitments. However, we will continue to be prudent as we seek new growth to enhance your company's capability as a provider of IP and bespoke services and solutions into the UK SME market..

Finally, my thanks to Alan Bonner and all his staff for their enthusiasm and hard work this year. Further detail and comment on the results for the full year are contained in the Chief Executive's Review. I look forward to the year ahead.

Bill Allan
CHAIRMAN
21 February 2011

**“Pinnacle
has
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CHIEF EXECUTIVE'S REVIEW

“2010 has been a very successful year.”

“We have delivered record results for the Group which has included a year of triple-digit growth in both turnover and gross profit.”



Alan Bonner, Chief Executive Officer

Introduction

2010 has been a very successful year, as we have returned a maiden operating profit of £78,647 compared to a 2009 operating loss of £582,816. This result is measured before amortisation of intangibles, exceptional acquisition costs, share of results of associates and the embedded fair value adjustment in the convertible loan. After these adjustments, which are mainly non-cash based and a requirement of International Financial Reporting Standards (IFRS), the Group returned an operating loss of £236,572 (2009: loss £890,856). We continue to view IFRS adjustments as technical, and they have little bearing on cash. Accordingly, we believe that the best measure of operating profit or loss should be before striking these costs.

Adjusted 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) is an important performance measurement, and we regard EBITDA as a key performance indicator in terms of our operating result. Although there is no requirement to disclose EBITDA, we believe that, because of its importance, it should be part of our disclosure.

IFRS accounting requires us to carefully consider the carrying value of our intangible assets and forces amortisation of these assets. Acquisitions also require us to consider whether the goodwill that we have acquired (basically the difference between the net assets of the business acquired and the price paid) should be recognised and allocated in our financial statements as other intangible assets, such as a customer base, billing system and so on which would not necessarily be recognised in the financial statements of the acquired business. For the first time, we are required to expense the costs of acquisitions, and £18,216 has been expensed in the year and shown as an exceptional item in the income statement. Overall, the loss carried forward for the year was £261,239 compared to a loss of £897,063 in 2009.

These are record results for the Group which has included a year of triple-digit growth in both turnover and gross profit. 2010 has also been a year of consolidation. For the second year running, turnover more than doubled, up 107% to £6,608,533. We have managed and enhanced our cash resources whilst remaining free of bank debt. With a view to streamlining our operations, we have taken time to considerably reduce the number of operating subsidiaries and have successfully closed some of our office locations, which has enabled us to centralise a number of our core functions into new larger offices on the outskirts of Northampton.

As we continue to move our business away from traditional telephony onto next

“For the second year running, turnover more than doubled, up 107%.”

generation IP telephony, the acquisition of Solwise Telephony Limited and its subsidiary Sipswitch Limited in January 2010 was of major importance to the group. Sipswitch has developed its own proprietary next generation VoIP system, which we have continued to develop in-house. Our balance sheet shows that the carrying value of our investment in this technology to 30 September 2010 amounted to £195,834. The Sipswitch acquisition was timely as it was fundamental to Pinnacle being awarded, and successfully delivering, voice and data services to a significant number of the UK's biggest high-profile events, which included voice and data networks for the BBC's coverage of the UK General Election and the BBC's coverage of the Pope's first ever State visit. We expect to be able to win high-profile events of this nature again in 2011. As we focus our sales efforts on the roll out of cloud based IP solutions, we also look forward in 2011 to further deployments by leveraging the intellectual property that is embedded in our award winning VoIP platform.

On 22 September 2010, I was pleased to welcome Dr Tom Black as a shareholder; as a result of an issue of new ordinary shares. The Company raised £450,000 through the issue of 128,571,429 new Ordinary Shares at 0.35p per share. Tom, the former CEO of Detica plc, a major provider of security, intelligence and analysis solutions and current Executive Chairman of AIM listed Digital Barriers plc, subscribed personally for 57,142,857 shares in the placing, representing 3.06% of the enlarged share capital of the Company. The Board and the senior management team also subscribed for new shares in the placing. The placing price represented a premium of approximately 18.64% over the mid-market closing price of 0.295p on 21 September 2010.

The consolidation within our market is moving at a rapid pace and we aim to search out earning-enhancing bolt-on acquisitions, with a focus on delivering cloud based IP solutions. I believe our actions this year will provide us with a solid foundation on which we can build.

Results

Compared against our 2009 results, our 2010 performance shows a significant turnaround.

- **Turnover**

For the second year running, turnover more than doubled over the year, an increase of 107% from £3,192,222 in 2009 to £6,608,533 in 2010. Approximately 81% (2009: 88%) of turnover is recurring income.

- **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)**

We regard EBITDA, as defined, as a key performance indicator and a figure that the Board considers on a regular basis. For 2010, we achieved positive annual EBITDA for the first time of £158,878 which compares very favourably with the 2009 figure which stood at negative £499,429. Importantly, EBITDA has remained positive throughout the year, representing a significant turnaround and a milestone in the history of the group.

- **Gross Profit**

The overall gross profit for the full year was £2,089,457 (2009: £991,169) representing a gross profit to sales percentage of 31.6% (2009: 31.0%), a pleasing increase. Delivering a complex IP based solution, where we can add significant value to the customer, can deliver gross margins in excess of 50%. This complex area is now the focus of our business, as we see significant expansion opportunities, not just in the SME market but also in multi-sited smaller corporates, where significant cost savings are achievable compared to traditional telecom deployments.

- **Operating Profit (before amortisation of intangibles, exceptional acquisition costs, share of results of associates and the embedded fair value adjustment in the convertible loan)**

We have achieved a maiden operating profit, as defined, of £78,647 in the full year compared to an operating loss of £582,816 in 2009. This has been achieved through the results from acquisitions and from organic growth coupled with tight control of the operating costs of the business.

- **Loss for the year**

The overall loss for the year, after all costs, reduced by £635,824, down 71% to £261,239 compared to £897,063 in the previous year, a significant reduction.

- **Debt**

The group has no debt other than a loan note which is carried at fair value on the balance sheet of £123,967.

- **Cash**

At the year end the group had £697,189 (2009: £586,222) of cash available to fund working capital as the business continues to grow. The year-end figure has been helped by the share issue noted above and the micro management of cash during the year, and particularly at the year end. The cash balances remain a key performance indicator of the Board.

- **Administration Expenses**

Our administration expenses remain carefully controlled. Acquisitions, however, tend to mask the trend. For 2010 the administration expenses were £2,010,810 (2009: £1,573,985).

- **Balance Sheet**

At 30 September 2010, the group had net assets of £1,329,243 (2009: £921,645). Included in this figure are intangible assets, being the written down value of customer bases and maintenance contracts acquired, of £859,217 (2009: £864,123). Also included, as a result of the acquisition of Sipswitch Limited, are capitalised development costs of £195,834, being the costs less depreciation to 30 September 2010 of developing the VoIP platform now at the heart of the group's strategy. This is being depreciated over a period of 5 years.

The group keeps tight control over receivables and at the year end they represented 25 days of turnover (2009: 56 days). Considering the current economic climate, we are very satisfied with this result. 65% of our customers pay by direct debit which helps the profile.

Strategy

The Group has continued its successful strategy to seek out well-priced and timely acquisitions, deliver organic growth and develop a wide range of next generation communications services, where the emphasis is on IP based cloud technologies. We will deliver to our customers, solutions that improve productivity, lower costs and save money, particularly for businesses that have more than one location.

Future Developments

We are undertaking a number of initiatives in 2011:

- We continue the migration of all group customers onto a single billing system, which we expect to complete before the end of the first half of 2011.
- We plan to build an online customer-ordering portal that will allow customers to order and provision new services over the Internet.
- We aim to roll out a remote on-line backup service for businesses, which will provide customers with an online system for backing up, storing and restoring computer files.
- We expect to complete a major overhaul of our websites by the end of the 2011 half-year.

Acquisitions

On 13 January 2010, the Company acquired the entire issued share capital of Solwise Telephony Limited, and its wholly owned subsidiary Sipswitch Limited. The initial consideration was £204,915, satisfied by the issue of 35,950,000 ordinary shares in Pinnacle Telecom Group plc at a price of 0.57 pence per share.

The total consideration was apportioned to initial consideration, loan shares and contingent consideration as follows:

- 31,746,843 of ordinary shares were issued as initial consideration.
- A further 4,203,157 ordinary shares were issued in connection with loans owed by Solwise to certain vendors, amounting to £23,958 in aggregate. The loans were assigned from Solwise to the Company and were capitalised through the issue to the lenders of ordinary shares in the capital of the Company.

The acquisition agreement allows for contingent consideration with earn out provisions to be awarded, based on earnings before interest and taxation ("EBIT") for the years ending 30 September 2010 and 30 September 2011. For the year ending 2010, additional consideration of £15,000 will be payable in ordinary shares for every £10,000 of EBIT above £40,000. For the year ending 2011, additional consideration of £15,000 will be payable in ordinary shares for every £10,000 of EBIT above £60,000. In accordance with IFRS3, we have accrued additional consideration of £80,000 in the financial statements, when calculating the intangible asset on acquisition. The total contingent consideration cannot exceed £295,085 in total over the two year end periods.

At 30 September 2010, the EBIT for Solwise was £65,282 which means that £30,000 of new ordinary shares will be issued to the vendors represented by a price per share equal to the middle market closing price for an ordinary share in the Company on the day of the announcement of the preliminary results for the year ended 30 September 2010.

Organic Growth

Once again, we have successfully delivered organic growth during the year; one notable contract was 30 million voice call minutes per annum for Grass Roots plc, a marketing, research and HR services business, operating in 16 countries and employing over 1,000 people. Won against much larger competitors, this deal demonstrates our capability to handle larger and more complex contracts.

Contract Wins

We were delighted to win contracts to deliver voice and data connectivity for many of the UK's largest high-profile, short term events, which further demonstrates the group's ability in this specialist area, and shows good continuation of Pinnacle's skill to offer bespoke capability and build new sources of revenue growth. Some of the successfully completed high-profile events are listed below:

Alton Towers - Pink Concert	Chelsea Flower Show	Millennium Stadium - Various
BBC Question Time – Various locations	Donington Download Festival	Milton Keynes Bowl - Various
BBC UK General Election	Edinburgh Festival - Various	Notting Hill Carnival
BBC Home Broadcast - Chris Evans	Evolution Festival, Gateshead	Religious Broadcasts - Various
BBC Radio1 Big Weekend	Finsbury Park - concert	Reading Festival
BBC Radio1 Chris Moyles OB	Glastonbury Festival	Stadium of Light Concerts
BBC Lib-Dem Party Conference	Gloucester Cricket Ground	Shambala Festival
BBC TUC Conference	Hampden Park –Various concerts	Start Project, London
BBC Great North Run	Harvest at Jimmy's Festival	Swansea Proms in the park
BBC Radio 1Xtra Live	Holland Park Opera	T4 Festival
BBC & others Pope's State Visit	Hyde Park Festival	Theatre Royal, Drury Lane
Ben and Jerry's Festival	Latitude Festival	T-in-the-Park Festival
Birmingham Symphony Orchestra	Leeds Festival	V Festival Hylands Park
Bournemouth Air Show	London Eye New Year Fireworks	V Festival Weston Park

Operations

During the year, the group completed a reduction in the number of operating companies, which had expanded following a series of acquisitions over the years. There are now three main operating units. We expect to see some modest reductions in administration costs in the future as a result of the group structure consolidation.

We also managed to successfully close our office locations in Edinburgh, Hinckley, and central Northampton, which has allowed us to centralise a number of our core functions into new larger offices on the outskirts of Northampton.

We have successfully migrated customers' analogue fixed-lines and ISDN channels onto a new BT WLR3 service. Our systems connect to the BT WLR3 gateway, which gives us access to a wide range of products from BT Openreach, including resilience solutions and temporary lines.

As a result of the acquisition of Solwise, we acquired a data centre in Brighton, which has allowed us to better utilise our connectivity between our data centre in Glasgow and our network located in Telehouse North in London. Our network now has resilience in Glasgow, London and Brighton.

Summary

We have made excellent progress this year, diligently managing our cash resources, strengthening our balance sheet and remaining free of bank debt. We assiduously centralised our operations into Northampton and successfully delivered voice and data networks for some of the UK's largest high-profile events, including the UK General Election for the BBC. We have delivered triple-digit growth in turnover and gross margin, produced our maiden operating profit, and delivered positive EBITDA. Notwithstanding the difficulties of the economic climate, we aim to search out earning-enhancing bolt-on acquisitions, with a focus on delivering cloud based IP solutions, and we look forward to moving the business forward during 2011.

Alan J Bonner
CHIEF EXECUTIVE OFFICER
21 February 2011

CONSOLIDATED INCOME STATEMENT
for the year ended 30 September 2010

	Note	Year ended 2010 £	Year ended 2009 £
Revenue	3	6,608,533	3,192,222
Cost of sales		(4,519,076)	(2,201,053)
Gross profit		2,089,457	991,169
Administrative expenses		(2,010,810)	(1,573,985)
Operating profit/(loss) before amortisation of intangibles and exceptional costs.		78,647	(582,816)
Share of (loss)/profit from associate		(1,830)	4,405
Exceptional costs relating to acquisition		(18,216)	-
Embedded fair value adjustment in convertible loan		(8,467)	-
Amortisation of intangibles		(296,206)	(312,445)
Operating loss	4	(246,072)	(890,856)
Interest receivable		3	618
Interest payable		(22,495)	(4,927)
Finance costs		(22,492)	(4,309)
Loss before tax		(268,564)	(895,165)
Taxation		18,904	462
Loss for the period from continuing operations		(249,660)	(894,703)
Discontinued operations			
Loss for the period from discontinued operations		(21,079)	(2,360)
Loss for the year		(270,739)	(897,063)
Loss per share			
- basic and fully diluted - continuing	5	(0.01)p	(0.07)p
- basic and fully diluted - discontinued	5	0.00p	0.00p
- basic and fully diluted - total	5	(0.01)p	(0.07)p

CONSOLIDATED INCOME STATEMENT (continued)
for the year ended 30 September 2010

	Year ended 2010	Year ended 2009
Earnings before interest, taxation, depreciation, amortisation and exceptional items (EBITDA)		
	£	£
Operating loss	(246,072)	(890,856)
Add back amortisation	296,206	312,445
Add back depreciation	99,244	78,982
EBITDA for the year	149,378	(499,429)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 September 2010

	Year ended 2010	Year ended 2009
	£	£
Loss for the year from total operations	(270,739)	(897,063)
Total comprehensive negative income for the year	(270,739)	(897,063)
Attributable to equity holders of the parent	(270,739)	(897,063)

CONSOLIDATED BALANCE SHEET

as at 30 September 2010

	2010 £	2009 £
Assets		
Intangible assets	859,217	864,123
Investments in associated companies	167,875	169,705
Research and development asset	195,834	-
Property, plant and equipment	136,244	134,332
Total non-current assets	1,359,170	1,168,160
Current assets		
Inventories	73,190	25,745
Trade and other receivables	1,220,871	929,848
Cash and cash equivalents	697,189	586,222
Total current assets	1,991,250	1,541,815
Total assets	3,350,420	2,709,975
Liabilities		
Short term borrowings	(27,115)	(3,480)
Trade and other payables	(968,006)	(882,854)
Other taxes and social security costs	(176,814)	(93,996)
Accruals and other payables	(649,614)	(644,242)
Total current liabilities	(1,821,549)	(1,624,572)
Non-current liabilities		
Long term borrowings	(209,128)	(163,758)
Total liabilities	(2,030,677)	(1,788,330)
Net assets	1,319,743	921,645
Equity		
Share capital	5,481,009	5,316,488
Share premium account	3,560,331	3,238,902
Merger reserve	283,357	114,392
Other reserve	25,026	11,104
Fair value adjustment	(1,064,130)	(1,064,130)
Profit and loss reserve	(6,965,850)	(6,695,111)
Total equity	1,319,743	921,645

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 September 2010

	Share capital	Share premium	Merger reserve	Other reserve	Fair value	Retained earnings	Total
At 1 October 2008	4,807,680	3,207,593	-	2,852	(1,064,130)	(5,798,048)	1,155,947
Loss and total comprehensive loss for the period	-	-	-	-	-	(897,063)	(897,063)
Transactions with owners							
Share Issue	508,808	-	-	-	-	-	508,808
Premium on Share Issue	-	-	152,642	-	-	-	152,642
Share based payments	-	-	-	8,252	-	-	8,252
Expenses recovered on prior year disposal *	-	31,309	-	-	-	-	31,309
Expenses incurred on acquisition	-	-	(38,250)	-	-	-	(38,250)
Total Transactions with owners	508,808	31,309	114,392	8,252	-	-	662,761
Total movements	508,808	31,309	114,392	8,252	-	(897,063)	(234,302)
Equity at 30 September 2009	5,316,488	3,238,902	114,392	11,104	(1,064,130)	(6,695,111)	921,645
At 1 October 2009	5,316,488	3,238,902	114,392	11,104	(1,064,130)	(6,695,111)	921,645
Loss and total comprehensive loss for the period and expense for the period	-	-	-	-	-	(270,739)	(270,739)
Transactions with owners							
Share Issue	164,521	-	-	-	-	-	164,521
Share based payments	-	-	-	13,922	-	-	13,922
Premium on Share Issue	-	321,429	168,965	-	-	-	490,394
Total Transactions with owners	164,521	321,429	168,965	13,922	-	-	668,837
Total movements	164,521	321,429	168,965	13,922	-	(270,739)	398,098
Equity at 30 September 2010	5,481,009	3,560,331	283,357	25,026	(1,064,130)	(6,965,850)	1,319,743

Note

* Relates to VAT recovered on expenses on prior year disposal group

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 30 September 2010

	2010	2009
	£	£
Cash flows from operating activities		
Loss before taxation	(289,643)	(897,525)
Adjustments for:		
Depreciation	99,244	78,982
Amortisation	296,206	312,445
Share of profit/(loss) from associate	1,830	(4,405)
Share option charge	13,922	8,252
Fair value adjustment for convertible loan	8,467	-
Interest expense	22,492	4,309
Receipt of corporation tax	-	-
(Increase)/decrease in trade and other receivables	(216,973)	(156,874)
(Increase)/decrease in inventories	(42,445)	(11,393)
(Decrease)/increase in trade payables, accruals and other creditors	(68,556)	541,607
Net cash flow from operating activities	(175,456)	(124,602)
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	(20,525)	86,389
Purchase of property, plant and equipment	(93,377)	(18,432)
Interest received	3	618
Net cash (used in)/generated from investing activities	(113,899)	68,575
Cash flows from financing activities		
Issue of shares	450,000	-
Receipt from convertible loans	-	125,000
Payments of finance lease liabilities	(23,703)	(19,889)
Interest paid	(22,495)	(4,927)
Net cash from financing activities	403,802	100,184
Net increase in cash	114,447	44,157
Cash and cash equivalents at beginning of period	582,742	538,585
Cash and cash equivalents at end of period	697,189	582,742
Cash and cash equivalents comprise:		
Cash and cash equivalents	697,189	586,222
Bank overdrafts	-	(3,480)
	697,189	582,742

NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS

1. General information

Pinnacle Telecom Group plc ("the Company") and its subsidiaries (together "the Group") provide telecommunications and IT solutions to businesses within the United Kingdom. The Company is a public limited company which is listed on the AIM market of the London Stock Exchange and is incorporated in the United Kingdom under the Companies Act 2006. The address of its registered office is 5 Fleet Place, London, EC4M 7RD.

The financial information presented in this preliminary announcement is extracted from, and is consistent with, the Group's audited financial statements for the year ended 30 September 2010. The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

The financial information set out above does not constitute the Company's statutory financial statements for the period ended 30 September 2010 or 30 September 2009 but is derived from those financial statements. Statutory financial statements for 2010 will be delivered following the Company's annual general meeting. The auditors have reported on those financial statements; their report was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The Group's results have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

2. Acquisitions

2.1. Acquisition of Solwise Telephony Limited

On 13 January 2010, the Company acquired the entire issued share capital of Solwise Telephony Limited, and its wholly owned subsidiary Sipswitch Limited. The total consideration was £204,915, satisfied by the issue of 35,950,000 ordinary shares in Pinnacle Telecom Group plc at a price of 0.57 pence per share. The total consideration was apportioned as 31,746,843 of ordinary shares, issued as initial consideration, amounting to £180,957 plus a further 4,203,157 ordinary shares ("loan shares") issued in connection with loans owed by Solwise to certain vendors, amounting to £23,958 in aggregate.

The acquisition agreement allows for additional contingent consideration to be awarded, with earn out provisions based on earnings before interest and taxation ("EBIT") for the years ending 30 September 2010 and 30 September 2011. For the year ending 2010, additional consideration of £15,000 will be payable in ordinary shares for every £10,000 of EBIT above £40,000. For the year ending 2011, additional consideration of £15,000 will be payable in ordinary shares for every £10,000 of EBIT above £60,000. The total contingent consideration cannot exceed £295,085 in total over the two year end periods. For the purpose of calculating the intangible asset under IFRS3, contingent consideration of £80,000 has been assumed over the two year end periods.

Prior to the acquisition, Solwise Telephony Limited was an existing customer of Pinnacle Telecom plc for the supply of wholesale telecommunications services. For the period 1 October 2009 to 12 January 2010, Solwise Telephony Limited purchased services to the value of £33,930 on normal commercial terms and on an arms length basis. On the date of acquisition, Solwise Telephony Limited owed Pinnacle Telecom plc £61,563 in unpaid invoices. All transactions were carried out under normal market conditions and subsequently paid after 13 January 2010.

The loan shares above, amounting to £23,958, were issued in full settlement of a number of commercial loans made to Solwise Telephony Limited by certain minority shareholders prior to acquisition. The commercial loans were issued for cash and under normal commercial terms. The loans were settled at par value and included any interest accrued at the acquisition date.

With the exception of intangible assets no adjustments have been made to the book values of the assets and liabilities at acquisition. The book value of intangible assets in Solwise Telephony Limited and Sipswitch Limited at acquisition was nil. The consolidated accounts of both companies can be analysed as follows:

	Book Cost £	Fair Value £
Assets		
Software development costs	154,973	154,973
Property, plant and equipment	18,732	18,732
Total non-current assets	173,705	173,705
Current assets		
Inventories	5,000	5,000
Trade and other receivables	74,049	74,049
Cash and cash equivalents	(20,525)	(20,525)
Total current assets	58,524	58,524
Total assets	232,229	232,229
Current liabilities		
Trade and other payables	160,962	160,962
Other taxes and social security costs	34,782	34,782
Other creditors and accruals	42,102	42,102
Total current liabilities	237,846	237,846
Total non-current liabilities	24,726	24,726
Total liabilities	262,572	262,572
Net liabilities	(30,343)	(30,343)
- initial consideration		180,957
- contingent consideration		80,000
Fair value of cost of acquisition		260,957
Intangible asset		291,300

Turnover and operating profit of the company acquired for the post acquisition period was £1,008,372 and £60,754, respectively. Pre-acquisition turnover and operating losses for the period 1 October 2009 to 12 January 2011 were £170,214 and £53,807 respectively and are not included in the Group consolidated financial statements.

Exceptional costs incurred in relation to the acquisition were £18,216 and in accordance with IFRS3 have been expensed in the income statement for the Group.

3. Segment Reporting

The chief operating decision-maker has been identified as the Chief Executive Officer ("CEO") of the Company. The CEO reviews the Group's internal reporting in order to assess performance and to allocate resources. The Company has determined its operating segments based on these reports.

The Group currently has three reportable segments:

- Mobile services – this segment provides a range of mobile services and solutions to micro and SME companies.
- IT – this segment provides a wide range of IT focused solutions to both SME and middle market companies, including Voice over IP ("VoIP") implementations.
- Other – this sector covers a range of telecommunications services including calls and line rental.

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. Segment EBITDA is used to measure performance as the CEO believes that such information is the most relevant in evaluating the results of the segment.

The Group's EBITDA for the year has been calculated after deducting Group overheads from the EBITDA of the three segments as reported internally. The Group overheads include the cost of the Board, the costs of maintaining a listing on AIM, legal and professional fees, and the costs of shareholder communications including the costs of retaining a Nominated Advisor and a Broker.

The segment information is prepared using accounting policies consistent with those of the Group as a whole. The assets and liabilities of the Group are also reviewed by the chief operating decision-maker on a segment basis and have been disclosed.

All segments are continuing operations. No customer accounts for more than 10% of external revenues. Inter-segment transactions are accounted for using an arms-length commercial basis.

3.1 Analysis of revenue	2010	2009
	£	£
By business sector		
Mobile services	663,551	332,249
IT	742,070	571,270
Other telecommunications services	5,202,912	2,288,703
Continuing operations	6,608,533	3,192,222
Total revenue	6,608,533	3,192,222
By destination		
United Kingdom	6,608,533	3,192,222
Total revenue	6,608,533	3,192,222
	2010	2009
	£	£
By origin		
Continuing operations		
Pinnacle Telecom plc	1,327,003	1,177,169
Accent Telecom UK Limited	3,504,104	1,154,067
Solwise Telephony Limited (13 January to 30 September)	1,008,372	-
Colloquium Limited	315,486	396,253
Sports Club Telecom Limited	265,528	274,026
Explore IT Limited	114,246	104,684
Other group companies	73,794	86,023
	6,608,533	3,192,222
Total revenue	6,608,533	3,192,222
By recurring nature		
Recurring - continuing operations	5,343,492	2,811,137
Non-Recurring - continuing operations	1,265,041	381,085
	6,608,533	3,192,222
Total revenue	6,608,533	3,192,222

3.2 Analysis of net loss after tax

	2010	2009
	£	£
3.2.1 By business sector		
Mobile services		
Profit/(loss) from operations before amortisation	46,083	(17,842)
IT		
Loss from operations before amortisation	(55,379)	(151,978)
Amortisation	(54,789)	(47,289)
Loss from operations after amortisation	(110,168)	(199,267)
Other telecommunications services		
Profit/(loss) from operations before amortisation	372,788	(56,020)
Amortisation	(241,417)	(265,156)
Profit/(loss) from operations after amortisation	131,371	(321,176)
Head office	(316,946)	(356,418)
Continuing operations	(249,660)	(894,703)
IT - discontinued operations	(21,079)	(2,360)
Total losses	(270,739)	(897,063)
	2010	2009
	£	£
3.2.2 By destination		
United Kingdom	(270,739)	(897,063)
	2010	2009
	£	£
3.2.3 By origin		
Pinnacle Telecom plc	163,897	12,555
Accent Telecom UK Limited	155,529	(25,654)
Colloquium Limited	(54,219)	(116,443)
Sports Club Telecom Limited	14,983	(8,662)
Solwise Telephony Limited (13 January to 30 September)	60,754	-
Explore IT Limited	(3,363)	(49,602)
Head Office and other group companies	(291,035)	(394,452)
Profit/(loss) from continuing operations before exceptional items	46,546	(582,258)
Amortisation	(296,206)	(312,445)
Eclectic Group Limited and I G Software Limited - discontinued operations	(21,079)	(2,360)
Total losses	(270,739)	(897,063)
3.2.4 By recurring nature	2010	2009
	£	£
Recurring - continuing operations	94,146	(573,096)
Non-Recurring - continuing operations	(47,600)	(9,162)
Loss from continuing operations before exceptional items	46,546	(582,258)
Amortisation	(296,206)	(312,445)
Non-Recurring - discontinued operations	(21,079)	(2,360)
Total losses	(270,739)	(897,063)

3.3 Analysis of assets and liabilities

	Mobile	IT	Other telecom services	Discontinued operations	Total
Assets					
Intangible assets	-	205,544	653,673	-	859,217
Investments in Associated Companies	-	167,875	-	-	167,875
Property, plant and equipment	324	282,967	48,787	-	332,078
Total non-current assets	324	656,386	702,460	-	1,359,170
Current assets					
Inventories	-	7,353	65,837	-	73,190
Trade and other receivables	78,557	33,067	1,108,039	1,208	1,220,871
Cash and cash equivalents	11,263	8,610	674,506	2,810	697,189
Total current assets	89,820	49,030	1,848,382	4,018	1,991,250
Total assets	90,144	705,416	2,550,842	4,018	3,350,420
Liabilities					
Short term borrowings	-	-	(27,115)	-	(27,115)
Trade and other payables	(29,943)	(36,180)	(883,797)	(18,086)	(968,006)
Other taxes and social security costs	(2,925)	(14,608)	(159,091)	(190)	(176,814)
Accruals and other payables	(36,532)	(14,773)	(598,055)	(254)	(649,614)
Total current liabilities	(69,400)	(65,561)	(1,668,058)	(18,530)	(1,821,549)
Total non-current liabilities	-	-	(209,128)	-	(209,128)
Total liabilities	(69,400)	(65,561)	(1,877,186)	(18,530)	(2,030,677)
Net assets	20,744	639,855	673,656	(14,512)	1,319,743

4. Operating loss

	2010 £	2009 £
Loss from operations is stated after charging:		
Depreciation of owned fixed assets	99,244	78,415
Other operating lease rentals:		
– buildings	57,837	48,391
– office equipment	-	1,413
Auditors' remuneration: - audit of parent company	7,000	7,000
- audit of subsidiary companies	23,000	22,000

5. Total and continuing loss per share

	2010 £	2009 £
Loss attributable to ordinary shareholders – continuing operations	249,660	894,703
Loss attributable to ordinary shareholders – discontinued operations	21,079	2,360
Loss attributable to ordinary shareholders	270,739	897,063
	Number	Number
Weighted average number of ordinary shares in issue	1,732,688,226	1,363,702,413
Loss per share (pence) – continuing operations	0.01	0.07
Loss per share (pence) – discontinued operations	0	0
Loss per share (pence) – total	0.01	0.07

Both the basic and diluted earnings per share have been calculated using the net loss after taxation attributable to the shareholders of Pinnacle Telecom Group plc as the numerator.

The weighted average number of outstanding shares used for basic earnings per share amounted to 1,732,688,226 shares (2009: 1,363,702,413) following the issue of 35,950,000 shares as part of the acquisition of Solwise Telephony Limited on 13 January 2010 and the issue of 128,571,429 shares as part of the private placing on 22 September 2010. Due to the losses incurred by the Group the share options are anti-dilutive.

6. Dividends

The Directors do not propose a dividend for the year ended 30 September 2010 (2009: £Nil)

7. Annual report and accounts

A copy of the Annual Report and Accounts for the year ended 30 September 2010 will be sent to shareholders at the beginning of March 2011 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.pinnacletelecomgroup.co.uk

The annual general meeting of the Company will be held at the offices of Wright, Johnston & Mackenzie LLP, 18 Charlotte Square, Edinburgh, EH2 4DF on Monday 28 March 2011 at 10.30 a.m.