



Interim Report for the six months ended 31 March 2010

Pinnacle Telecom Group plc is a value added, solutions based provider of integrated telecommunications services including IP solutions. It focuses on the SME market across the UK, where it provides a wide range of communications solutions including telecommunications calls, access and consultancy, IT support, mobile solutions both voice and data and hosted broadband voice services.

Pinnacle's strategy is to be a SME focused, value added, solutions based provider of converged communications services, driven by leveraging organic opportunities as well as through targeted acquisitions.

Contents

- 3** Highlights
- 4** Chairman's Statement
- 5** Business Review
- 7** Consolidated Interim Income Statement - Unaudited
- 8** Consolidated Interim Balance Sheet – Unaudited
- 9** Consolidated Interim Cash Flow Statement - Unaudited
- 10** Consolidated Interim Statement of Changes in Equity - Unaudited
- 11** Notes to the Financial Statements
- 15** Directors, Secretary and Advisers

HIGHLIGHTS

Key points:

- Positive EBITDA of £67,966 in H1 10 compared to an EBITDA loss of £378,279 in H1 09.
- Maiden operating profit of £40,841 in H1 10 compared to an operating loss of £413,695 in H1 09.
- Turnover increased 288% to £3,101,747 in H1 10 compared with £1,076,944 in H1 09. 94% of turnover in H1 10 comes from recurring revenues (H1 09: 86%).
- The overall gross profit for H1 10 increased 322% to £1,042,338 (H1 09: £324,179) representing a gross profit to sales percentage of 33.6% (H1 09: 30.1%).
- 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 plus the assumption of debt of £23,958. This acquisition brings additional proprietary VoIP capability and strengthens the Group's data solutions capabilities.

Definitions:

1. EBITDA - Earnings before interest, taxation, depreciation and amortisation
2. Maiden operating profit – is before amortisation of intangibles, exceptional costs and the share of profit from an associated company
3. H1 10 – The half-year ended 31 March 2010
4. H1 09 – The half-year ended 31 March 2009



CHAIRMAN'S STATEMENT

This is an exciting time for Pinnacle Telecom as it consolidates its recent acquisitions and focuses its business into new areas of growth. The company's strategy to offer increased value to its SME customers from Internet Protocol technology and services is sound and correctly positioned.

Although I have been Chairman for only three months, I have been impressed by the Pinnacle team's commitment to the company and its customers. The recent focus on integrating the two major acquisitions of Accent Telecom and Solwise has consumed management time and focus to deliver value. Acquisition led growth will continue to take precedence over short-term organic growth as synergies are delivered to drive improved productivity, profitability and cash management. It is encouraging and pleasing to note the success so far from the rapid first-half turnaround of EBITDA into positive territory and the Group's first operating profit.

In addition to the acquisition activity, the Group successfully managed a major contract for the BBC to time and budget. Although this was a contract of relatively short duration, it demonstrated Pinnacle's ability to offer a bespoke solution to a major UK corporation. The success of this project, and the enhanced IP capability Pinnacle now offers, will allow the company to offer better packaged services to its customers, from direct sales and an improved web-site which is under development.

Although our markets are very competitive, they are markets of significant size and opportunity. There remains a very large niche in the UK SME marketplace which has been poorly served in the past, where Pinnacle's strengths of service quality and responsiveness, coupled to its enhanced IP based services, offer considerable scope for growth. In this market we are still at the early stages of the transition from conventional telecommunications to a fully integrated basket of IP services.

Pinnacle now has a stronger base financially and operationally from which to expand and grow. I look forward to working with Alan and his team in the years ahead.

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

Bill Allan
CHAIRMAN
24 June 2010

BUSINESS REVIEW

Introduction

We have delivered a maiden operating profit for the first half along with a strong EBITDA performance, which has been a milestone in the history of the Group, particularly when compared against where we have come from. The result has been largely achieved from our successful acquisition activity over the last twelve months, which gave the Group greater scale and service capability. Our objectives remain focused growth on our key market segments in the small medium enterprise markets, with selective acquisitions at the right price to continue to scale the business and position it as a provider of IP solutions to the UK business services market.

We have again delivered all our key objectives, the most important of which was to turn the Group profitable. In the first half we have achieved a maiden operating profit of £40,841 (before amortisation of intangibles, exceptional costs and the share of profit from an associated company). This compares to an operating loss of £413,695, measured on the same basis, in the first half of 2009, a very significant turnaround and a credit to all the staff and management of the company. Our recent acquisitions have been strategic in nature, bringing us highly skilled staff, additional locations, new products and future technology. We have also achieved our goals of cost reductions and cash conservation, and I believe the Group now has a much better base of operations from which to grow the business.

In the first half, we completed an all-share acquisition of Solwise Telephony Ltd and its wholly owned subsidiary Sipswitch Ltd. Sipswitch has developed its own proprietary VoIP system based on open standards, and the acquisition of this business included the intellectual property rights to the proprietary aspects of this technology. Owning the rights to the IPR avoids us having to pay royalties to third party vendors, or continue the development of Pinnacle's existing VoIP platforms, the costs of which could become material over time. Solwise Telephony and Sipswitch added an additional 600 business customers to the Group. Together with customer integration, our focus for the second half is to successfully integrate the back office systems and functions to enable us to offer new services to our customers for the next financial year.

Although acquisition growth is fundamental to the philosophy of the Group, seeking growth organically remains a key objective. Organic growth does, however, take time and has cost implications. We will remain measured in our approach to organic growth, the costs of which we see as an investment for the future. Cross-selling our services to existing customers is also a core objective and we are working on a new web site for our operating businesses to provide a clearer explanation of our service portfolio and enhanced capabilities. We are also working to make sure our existing customers, that now total approximately 1,500 UK SME businesses, are fully aware of our enhanced capabilities following our recent acquisitions.

Taking our existing heritage in traditional voice networks, coupled with the acquired expertise in next generation voice and data networks, has allowed us to create bespoke solutions for clients, in particular, clients that need to deploy voice and data to remote locations, such as festivals like Glastonbury where we are currently providing the voice and data network, or large outdoor events like the Chelsea Flower Show where we supplied all the lines and data connections. In February 2010, we tested our hosted voice (VoIP) application for the BBC in London, with the aim of delivering the voice and data network for the BBC's coverage of the UK General Election. We were delighted to announce at the end of May 2010 that Pinnacle had successfully completed the contract to provide a national, temporary, voice and data network for the BBC. The Pinnacle network was used for the BBC Election Special TV coverage on the 6th and 7th of May, and comprised of 550 voice and data circuits, which extended to 198 locations across the UK. The success of this contract has demonstrated our capability to handle larger and more complex contracts and raised our profile in the UK corporate market. We continue to obtain short-term contracts of this type, a specialist area that we intend to develop.

A key part of our integration strategy is to look for cost savings and margin enhancements across the enlarged Group. Acquisitions unavoidably add costs to our operating expenses post acquisition, but one of our objectives is to be able to take costs out of the combined businesses by removing duplicative costs. Accounting for acquisition costs, which historically were deducted from either the share premium account or accounted for as a reduction in merger reserves, now have to be expensed to the income statement under updated IFRS 3. This new treatment applied to the acquisition in January 2010 of Solwise Telephony and Sipswitch. These costs, totalling £18,216, are shown as exceptional items in the income statement. Reporting our results under IFRS is a regulatory requirement.

Operational Commentary

Turnover

Turnover for the first half increased 288% compared to the turnover for the first-half of last year to reach £3,101,747 (H1 09: £1,076,944). This was helped significantly by the acquisition of Accent Telecom UK Limited in June 2009 which has contributed fully to the six-month results.

BUSINESS REVIEW (CONTINUED)

94% of turnover is now recurring income and is generated from a customer base of approximately 1,500 SMEs.

Gross Profit

The overall gross profit for the first half increased 322% to £1,042,338 (H1 09: £324,179) representing a gross profit to sales percentage of 33.6% (H1 09: 30.1%). Our gross margins continue to vary considerably depending on both the service delivered and the channel that service is delivered through. At one end of the market, usually found in the delivery of services to sizeable resellers, the gross margin can drop to single figures usually in a range 5% to 10%. However, delivering a complex IP based solution, where we can add significant value to the customer, can deliver gross margins in excess of 50%. Increasingly, we are focusing our sales efforts in this more complex area.

Operating Result

In the first half, after amortisation of intangibles, exceptional items and the results of an associated company, we have incurred an operating loss of £125,404 (H1 09: loss £509,242). Prior to these adjustments, which are mainly non-cash based and a requirement of International Financial Reporting Standards (IFRS), the Group returned a maiden operating profit of £40,841 (H1 09: loss £413,695). We continue to view IFRS adjustments as technical, and they have no bearing on cash (other than the expensed acquisition costs). Accordingly, we believe that the best measure of operating profit or loss should be before striking these costs.

EBITDA (earnings before interest, taxation, depreciation and amortisation) is often taken as an important performance measurement, and we regard EBITDA as the key performance indicator in terms of the operating result. Although there is no requirement to disclose EBITDA, we believe that, because of its importance, it should be part of our disclosure. For the first half, EBITDA was positive at £67,966, which compares very favourably with the H1 09 equivalent figure which stood at negative £378,279.

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 accounts 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 first half and shown as an exceptional item in the income statement. Overall, the loss carried forward for the first half was £166,005 compared to a loss of £512,861 for the equivalent period last year.

Administration Expenses

Our administration expenses remain carefully controlled. For the half-year administration expenses were £1,001,497 (H1 09: £737,874). The increase has, in the main, been caused by acquisitions, but overheads are now much healthier at 32.3% (H1 09: 68.5%) of revenues, giving us a sustainable base from which to grow the business.

Balance Sheet

At 31 March 2010, the Group had net assets of £967,516 (H1 09: £643,086). Included in this figure are intangible assets, being the written down value of customer bases and maintenance contracts acquired, of £908,251 (H1 09: £632,940).

The major difference at 31 March 2010 compared to 31 March 2009 is due to the acquisition in June 2009 of Accent Telecom UK and the acquisition in January 2010 of Solwise Telephony and Sipswitch. In the current first half, the Solwise Telephony and Sipswitch acquisitions added £196,751 (before amortisation) to the carrying value of intangibles. We are writing down the value of the customer bases and maintenance contracts over five years, from the relevant acquisition date.

Financing

The Group relies on credit from suppliers on reasonable commercial terms. The main creditors tend to be significant companies. The Group does not, at this time, rely heavily on the banking market and is therefore somewhat shielded from the recent difficulties associated with reduced overdraft and other loan facilities. However, we are not averse to leveraging our assets, if we feel that we can deliver increased shareholder value through investment. From time to time, the Group has taken out leasing for plant and vehicles and will continue to do so when required. The Group currently owns no property. The Group's main credit exposure lies with sums due from customers. Where at all possible, the main operating companies within the Group seek to sign customers up on direct debit, which provides tighter control over cash flow.

Cash

Net cash balances at 31 March 2010 stood at £327,725 (30 September 2009: £582,742 and at 31 March 2009: £174,755). The cash balances remain a key performance indicator of the Board, and checks are in place to bring any costs of significance, including capital projects, to the Board ahead of any commitments being incurred. The Group may seek additional funding within the next 12 months to allow additional investment for distribution of new products.

Alan J Bonner
Chief Executive Officer
24 June 2010

CONSOLIDATED INTERIM INCOME STATEMENT – UNAUDITED

For the six months ended 31 March 2010

	Note	6 Months to 31 March 2010 £	6 Months to 31 March 2009 £	Audited 12 months to 30 September 2009 £
Revenue	3	3,101,747	1,076,944	3,192,222
Cost of sales		(2,059,409)	(752,765)	(2,201,053)
Gross profit		1,042,338	324,179	991,169
Administrative expenses		(1,001,497)	(737,874)	(1,573,985)
Operating profit / (loss) before amortisation, impairment of goodwill and exceptional costs		40,841	(413,695)	(582,816)
Share of Profit from associate accounted using the equity method		4,594	-	4,405
Amortisation of intangibles		(152,623)	(95,547)	(312,445)
Exceptional costs relating to acquisition		(18,216)	-	-
Operating loss		(125,404)	(509,242)	(890,856)
Interest receivable	2	671	671	618
Interest payable		(10,603)	(1,103)	(4,927)
Finance costs		(10,601)	(432)	(4,309)
Loss before tax	5	(136,005)	(509,674)	(895,165)
Taxation		0	463	462
Loss for the period from continuing operations		(136,005)	(509,211)	(894,703)
Discontinued operations				
(Loss) / profit for the period from discontinued operations	5	(30,000)	(3,650)	(2,360)
Loss for the period	5	(166,005)	(512,861)	(897,063)
Loss per share				
- basic and fully diluted – continuing	4	(0.01)p	(0.04) p	(0.07) p
- basic and fully diluted – discontinued	4	0.00 p	0.00 p	0.00 p
- basic and fully diluted – total	4	(0.01)p	(0.04) p	(0.07) p
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)				
Operating loss		(125,404)	(509,242)	(890,856)
Add back amortisation		152,623	95,547	312,445
Add back depreciation		40,747	35,416	78,982
EBITDA for the period		67,966	(378,279)	(499,429)

CONSOLIDATED INTERIM BALANCE SHEET – UNAUDITED

As at 31 March 2010

	Note	31 March 2010 £	31 March 2009 £	Audited 30 Sept 2009 £
Assets				
Intangible assets		908,251	623,940	864,123
Investments in Associated Companies		174,299	-	169,705
Property, plant and equipment		262,059	115,393	134,332
Total non-current assets		1,344,609	739,333	1,168,160
Current assets				
Inventories		44,058	-	25,745
Trade and other receivables		767,645	280,951	929,848
Cash and cash equivalents		327,725	175,490	586,222
Total current assets		1,139,428	456,441	1,541,815
Total assets		2,484,037	1,195,774	2,709,975
Liabilities				
Short term borrowings		-	(735)	(3,480)
Trade and other payables		(752,964)	(336,225)	(882,854)
Other taxes and social security costs		(153,252)	(37,353)	(93,996)
Accruals and other payables		(436,081)	(170,458)	(644,242)
Total current liabilities		(1,342,297)	(544,771)	(1,624,572)
Non-current liabilities				
Long term borrowings		(174,224)	(7,917)	(163,758)
Total liabilities		(1,516,522)	(552,688)	(1,788,330)
Net Assets		967,516	643,086	921,645
Equity				
Share capital		5,352,438	4,807,680	5,316,488
Share premium account		3,238,902	3,207,593	3,238,902
Merger Reserve		283,357	-	114,392
Other reserve		18,065	2,852	11,104
Fair value adjustment		(1,064,130)	(1,064,130)	(1,064,130)
Profit and loss reserve	5	(6,861,116)	(6,310,909)	(6,695,111)
Total equity		967,516	643,086	921,645

CONSOLIDATED INTERIM CASH FLOW STATEMENT – UNAUDITED
For the six months ended 31 March 2010

	6 months to 31 March 2010 £	6 months to 31 March 2009 £	Audited 12 months to 30 September 2009 £
Cash flows from operating activities			
Operating loss (including discontinued operations)	(155,404)	(511,305)	(893,216)
Adjustments for:			
Depreciation	40,747	35,416	78,982
Amortisation	152,623	95,547	312,445
Share of profit from associate	(4,594)	-	(4,405)
Payment / (receipt) of corporation tax	-	10,421	10,421
Decrease / (increase) in inventories	(18,313)	344	(25,401)
Decrease / (increase) in trade and other receivables	162,203	52,421	(596,476)
(Decrease) / increase in trade payables, accruals and other creditors	(299,099)	(38,856)	1,032,851
Net cash flow from operating activities	(121,837)	(356,012)	(84,799)
Cash flows from investing activities			
Purchase of property, plant and equipment	(34,113)	(16,797)	(18,432)
Acquisition of subsidiaries, net of cash acquired	(78,624)	(1,919)	46,586
Net cash used in investing activities	(112,737)	(18,716)	28,154
Cash flows from financing activities			
Interest paid	(10,603)	(2,690)	(4,927)
Interest received	2	671	618
Receipt of Convertible Loans	-	-	125,000
Receipt from finance leases less repayment	(9,842)	12,917	(19,889)
Net cash used in / (received from) financing activities	(20,443)	10,898	100,802
Net (decrease) / increase in cash	(255,017)	(363,830)	44,157
Cash and cash equivalents at beginning of period	582,742	538,585	538,585
Cash and cash equivalents at end of period	327,725	174,755	582,742
Cash and cash equivalents comprise:			
Cash and cash equivalents	382,981	175,490	586,222
Bank overdrafts	(55,256)	(735)	(3,480)
	327,725	174,755	582,742

CONSOLIDATED INTERIM STATEMENT IN CHANGES IN EQUITY – UNAUDITED

For the six months ended 31 March 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 recognised income and expense for the period	-	-	-	-	-	(897,063)	(897,063)
Recognised directly in equity							
Share Issue	508,808	-	-	-	-	-	508,808
Premium on Share Issue	-	-	152,642	-	-	-	152,642
Expenses recovered on disposal		31,309					31,309
Expenses incurred on acquisition			(38,250)				(38,250)
Share based payments				8,252			8,252
Net change directly in equity	508,808	31,309	114,392	8,252	-	-	662,761
Total movements	508,808	31,309	114,392	8,252	-	(897,063)	(234,301)
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 recognised income and expense for the Period	-	-	-	-	-	(166,005)	(166,005)
Recognised directly in equity							
Share Issue	35,950	-	-	-	-	-	35,950
Premium on Share Issue			168,965	-	-	-	168,965
Share based payments	-	-	-	6,961	-	-	6,961
Equity at 31 March 2010	5,352,438	3,238,902	283,357	18,065	(1,064,130)	(6,861,116)	967,516

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 31 March 2010

1. 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 2009. The interim statements were approved by the Board of Directors on 24 June 2010.

2. Acquisitions

2.1 Acquisition of Solwise Telephony Limited and its wholly owned subsidiary, Sipswitch Limited

On 12 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 deferred 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. The total deferred consideration cannot exceed £295,085 in total over the two year end periods. 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		
Non-current Assets		
Software development costs	£140,090	£140,090
Property, plant and equipment	£18,537	£18,537
	£158,627	£158,627
Intangible assets	-	£196,751
	£158,627	£355,378
Current assets		
Inventories	£5,000	£5,000
Trade and other receivables	£87,881	£87,881
Cash and cash equivalents	(£21,203)	(£21,203)
Total current assets	£71,678	£71,678
Total assets	£230,305	£427,056
Current liabilities		
Trade and other payables	£161,962	£161,962
Other taxes and social security costs	£34,809	£34,809
Other creditors and accruals	£25,370	£25,370
Total current liabilities	£222,141	£222,141
Total non-current liabilities	£23,958	£23,958
Total liabilities	£246,099	£246,099
Net Assets	(£15,794)	£180,957

The turnover and operating loss of the consolidated results of Solwise Telephony Limited and Sipswitch Limited for the post acquisition period to 31 March 2010, was £222,088 and £25,426, respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 March 2010

3. Segmental Reporting

	6 Months to 31 March 2010 £	6 Months to 31 March 2009 £	Audited 12 Months to 30 September 2009 £
3.1 Analysis of revenue			
By business sector			
Mobile services	332,308	59,137	332,249
IT	327,079	48,325	571,270
Other communication services	2,442,360	969,482	2,288,703
Total revenue	3,101,747	1,076,944	3,192,222
By destination			
United Kingdom	3,101,747	1,076,944	3,192,222
Total revenue	3,101,747	1,076,944	3,192,222
By origin			
Accent Telecom UK Limited	1,797,766	-	1,154,067
Pinnacle Telecom plc	708,651	611,045	1,177,169
Solwise Telephony Limited (12 January to 31 March)	222,088	-	-
Colloquium Limited	161,557	220,267	396,253
Sports Club Telecom Limited	128,795	138,169	274,026
Explore IT Limited	52,023	48,325	104,684
Other group companies	30,868	59,138	86,023
Total revenue	3,101,747	1,076,944	3,192,222
By recurring nature			
Recurring - continuing operations	2,921,186	922,018	2,811,137
Non-Recurring - continuing operations	180,561	154,926	381,085
Total revenue	3,101,747	1,076,944	3,192,222
3.2 Analysis of net loss after tax			
	6 Months to 31 March 2010 £	6 Months to 31 March 2009 £	Audited 12 Months to 30 September 2009 £
By business sector			
a) Mobile services			
Profit / (loss) from operations before amortisation and exceptional items	27,965	(30,597)	(17,842)
b) IT			
Loss from operations before amortisation and exceptional items	(29,879)	(44,340)	(151,978)
Amortisation	(23,644)	(10,000)	(47,289)
Loss from operations after amortisation and exceptional items	(53,523)	(54,340)	(199,267)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 March 2010

3.2 Analysis of net loss after tax (continued)

	6 Months to 31 March 2010 £	6 Months to 31 March 2009 £	Audited 12 Months to 30 September 2009 £
c) Other communication services			
Profit from operations before amortisation and exceptional items	249,007	(88,758)	(56,020)
Amortisation	(128,979)	(85,547)	(265,156)
Profit / (loss) from operations after amortisation and exceptional items	120,028	(174,305)	(321,176)
d) Head office	(230,474)	(249,969)	(356,418)
Continuing operations	(136,005)	(509,211)	(894,703)
IT - discontinued operations	(30,000)	(3,650)	(2,360)
Total losses	(166,005)	(512,861)	(897,063)
By destination			
United Kingdom	(166,005)	(512,861)	(897,063)
Total losses	(166,005)	(512,861)	(897,063)
By origin			
Accent Telecom UK Limited	85,538	-	(25,654)
Pinnacle Telecom plc	190,432	43,145	12,555
Solwise Telephony Limited (12 January to 31 March)	(25,426)	-	-
Colloquium Limited	(35,905)	(81,812)	(116,443)
Sports Club Telecom Limited	4,660	(6,865)	(8,662)
Explore IT Limited	(2,872)	(44,507)	(49,602)
Head office and other group companies	(96,054)	(323,625)	(394,451)
Profit / (loss) from continuing operations before amortisation and exceptional items	34,834	(413,664)	(582,258)
Amortisation	(152,623)	(95,547)	(312,445)
Exceptional costs relating to acquisition	(18,216)	-	-
Eclectic and IG - discontinued operations	(30,000)	(3,650)	(2,360)
Total losses	(166,005)	(512,861)	(897,063)
By recurring nature			
Recurring - continuing operations	30,170	(317,140)	(573,096)
Non-Recurring - continuing operations	4,664	(96,524)	(9,162)
Loss from continuing operations before amortisation and exceptional items	34,834	(413,664)	(582,258)
Amortisation	(152,623)	(95,547)	(312,445)
Exceptional costs relating to acquisition	(18,216)	-	-
Non-Recurring - discontinued operations	(30,000)	(3,650)	(2,360)
Total losses	(166,005)	(512,861)	(897,063)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 March 2010

4. Loss per share

	6 Months to 31 March 2010 £	6 Months to 31 March 2009 £	Audited 12 months to 30 September 2009 £
Basic and fully diluted	(0.01)p	(0.04) p	(0.07) p
Loss for the period attributable to shareholders: Losses basic and fully diluted	(166,005)	(512,861)	(897,063)
Weighted average number of shares in issue:			
Basic and fully diluted	1,381,677,413	1,194,099,804	1,363,702,413

5. Profit and loss reserve

	6 Months to 31 March 2010 £	6 Months to 31 March 2009 £	Audited 12 months to 30 September 2009 £
Opening deficit	(6,695,111)	(5,798,048)	(5,798,048)
Loss for the period	(166,005)	(512,861)	(897,063)
Closing deficit	(6,861,116)	(6,310,909)	(6,695,111)

6. 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.

7. 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 2009, contained an unqualified audit report and are filed with the Registrar of Companies.

All Company announcements & news can be found at

<http://www.pinnacletelecomgroup.co.uk>

DIRECTORS, SECRETARY AND ADVISERS

Directors

William Allan, Non-Executive Chairman
Alan J Bonner, Chief Executive Officer
John C Anderson, Non-Executive Director

Secretary

WJM Secretaries Limited
302 St Vincent Street
Glasgow
G2 5RZ

Solicitors

Wright, Johnston & Mackenzie LLP
18 Charlotte Square
Edinburgh
EH2 4DF

Charles Russell LLP
5 Fleet Place
London
EC4M 7RD

Broker

Rivington Street Corporate Finance Ltd
3rd Floor
Henry Thomas House
5-11 Worship Street
London
EC2A 2BH

Registered Auditors

Grant Thornton UK LLP
1-4 Atholl Crescent
Edinburgh EH3 8LQ

Company Number

05259846

Registered Office

5 Fleet Place
London EC4M 7RD

Bankers

The Royal Bank of Scotland plc
Commercial Centre
100 West George Street
Glasgow G2 1PP

Bank of Scotland plc
47 High Street
Dalkeith
Midlothian EH22 1JA

Registrars

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

Nominated Adviser

Zeus Capital Limited
3 Ralli Courts
West Riverside
Manchester M3 5FT



Save us money and help save the trees!

If you would prefer to receive your company reports via email, please let me know.

alan.bonner@pinnacle-telecom.net

Pinnacle Telecom Group plc
Compthall
Brightons
Stirlingshire
FK2 0RW

T. 0845 119 2100
F. 0845 433 4333
www.pinnacletelecomgroup.co.uk

