

18 February 2010

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

**PRELIMINARY RESULTS FOR THE YEAR ENDED 30 SEPTEMBER
2009**

HIGHLIGHTS

Pinnacle Telecom Group plc, (AIM: PINN) the AIM listed provider of integrated telecommunications solutions to the SME market, today announces its preliminary results for the year ended 30 September 2009.

Transforming year with month-on-month operating profits (as defined below) at year end:

- Turnover increased by 113% to £3,192,222 (2008: £1,495,267). Accent Telecom UK Limited, acquired in June 2009, contributed £1,154,067 to the 2009 turnover.
- Gross profit increased by 85% to £991,169 compared to £535,966 in the previous year.
- The year on year operating loss, before non-cash IFRS adjustments and before the share of results of associated companies, materially improved from a loss of £898,150 in 2008 to a loss of £582,816 in 2009, a reduction of 35%. Second half-year operating losses, before IFRS adjustments and the share of results of associated companies, reduced by 64% compared to the first half-year. The 2009 operating loss of £582,816 can be broken down into a first half-year operating loss of £413,695, as reported in the half-year statement, and a second half-year operating loss of £169,121, a significant improvement.
- The loss retained for full year amounts to £897,063 (2008: £1,630,930), a reduction of 45% compared to 2008.
- Unaudited management accounts, in the four months from 1 September 2009 to 31 December 2009 (the latest information available) show that the group has been operating at a modest month-on-month profit (measured as the consolidated profit before interest and taxation but before non-cash IFRS adjustments and the share of results of associated companies). During the same period, the group has also been producing positive operating cash flow as measured by positive consolidated earnings before interest, taxation, depreciation and amortisation ("EBITDA").
- Consolidation and integration of group businesses included closing the group's Edinburgh offices after the year end.

Group name change:

- Name changed from Glen Group plc to Pinnacle Telecom Group plc which more clearly reflects the current business emphasis.

Non-Executive Chairman:

- Bill Allan, former CEO of Thus Group plc, appointed Non-Executive Chairman with effect from the conclusion of the Annual General Meeting.

Major acquisitions completed:

- Acquisition of Accent Telecom UK Ltd in June 2009 was fully integrated into Pinnacle within 90 days. Since the year end, a second important acquisition of Solwise Telephony Limited and its wholly owned subsidiary Sipswitch Limited was brought to a successful completion. In both cases, the acquisitions were all-share transactions, satisfied by the issue of shares at the relevant mid-market price.

Cash:

- Cash at year end stood at £586,222 (2008: £545,521) helped by the issue of a loan note for £125,000 and the micro management of cash during the year, and particularly at the year end.

Issue of convertible loan notes of £125,000 at year end, with further commitment in place:

- Successful issue of Convertible Loan Notes (“the Notes”), at the end of the financial year, raising £125,000 for working capital. Other than the Notes, the group remains debt free. Certain shareholders have agreed to subscribe to additional loan notes to the value of £125,000 if the group requires additional funding within the next 12 months.

Successful delivery of group strategy:

- The recent acquisitions demonstrate the execution of the group strategy to seek out well-priced and timely acquisitions of telecommunications resellers and dealers which are capable of adding value to the group, with emphasis in the deployment of next generation Internet Protocol (“IP”) based technologies. We intend to exploit the IP technology acquired through the acquisition of Sipswitch Ltd in January 2010.

Alan J Bonner, CEO, commented:

“2009 has been a transforming year that saw us build solid foundations. From this base we will follow our defined growth strategy to seek out well-priced and timely acquisitions. We aim to develop a wide range of next generation communications services, where the emphasis is on IP based technologies, delivering to our customers, solutions that improve productivity, lower costs and save money, particularly for businesses that have more than one location.”

For further information please contact:

Pinnacle Telecom Group plc

Alan J Bonner, Chief Executive 0845 119 2100

Zeus Capital Limited

Ross Andrews
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CHAIRMAN'S STATEMENT

Despite difficult economic conditions, the group has had a transforming year.

A key objective of the Board has been to change the group's revenue dynamics from non-recurring project based revenues to recurring revenues. This strategy has taken two years to play out, but has been successful with 88% (2008: 33%) of revenues now recurring and turnover back at the levels it was at approximately two years ago, just before the sale of our project based IT businesses.

A further major objective has been to bring the group to an overall profit. I am delighted that this has been achieved and in the four months from 1 September 2009 to 31 December 2009 (the latest information available) the unaudited management accounts of the group show that the group is operating at a modest profit (measured as the consolidated profit before interest and taxation but before non-cash IFRS adjustments and associated company results). During the same period, the group has also been producing positive operating cash flow as measured by positive consolidated earnings before interest, taxation, depreciation and amortisation ("EBITDA"). It has achieved this within its existing cash resources and, other than convertible loan notes issued at the very end of the financial year and more fully explained in the Business Review, the group has no debt.

A major highlight of this year has been the acquisition of Accent Telecom UK Ltd and its associated companies, acquired during June 2009. With a turnover more than double that of Pinnacle, this acquisition delivered scale to the business. The results for the full year reflect only four months contribution from Accent. Scale through acquisition gives the group better pricing with its key suppliers, and also allows duplicated activities to be removed, resulting in cost savings.

Since the year end, we were pleased to be able to acquire Solwise Telephony Ltd and Sipswitch Ltd, a wholly owned subsidiary. Although Pinnacle has been delivering IP based voice solutions to its customers for over two years, further significant development costs to enhance the functionality of the existing system have been saved as a direct result of this acquisition. By acquiring Sipswitch, the group has acquired a fully functioning Internet Protocol ("IP") based set of customer solutions, including sophisticated hosted solutions. This avoids the group from paying out royalties to third parties, which could become significant as IP solutions take hold in the market, as they undoubtedly will. As an important reseller, Solwise also added approximately 600 business customers to the approximately 1,000 business customers, mainly SME, within the group.

Our strategy is focused on seeking out well-priced and timely acquisitions of telecommunications resellers and dealers which are capable of adding value to the group. Emphasis in the deployment of next generation IP based technologies, particularly in exploiting the technology acquired through the acquisition of Sipswitch Ltd in January 2010, will continue to be an important focus, particularly as BT drives to deliver all its customer solutions in an IP environment. In this respect, change is inevitable.

The group will also continue to expand its operations organically. As the customer base grows, through both acquisition and organic growth, the increasing number of services available to the operating companies coupled with an increasing customer base, gives us the opportunity to cross-sell our various services. It is a well known fact that the more services that a customer takes from a single supplier, the more loyal they are to that supplier.

It is interesting to reflect on one of the comments that I made in my statement last year. I stated that for 2009, our first priority had to be organic growth and tight cash management. We have achieved both, but we have also seen a recovering share price, up over 300% in the year, which has opened a door to acquisitions where we can use our equity, rather than our cash. As we move forward, we shall continue to seek out acquisitions where we can use our shares as currency, always remembering that we have a need to add value to our business.

A great deal has been achieved in 2009, and I believe that, on a personal front, it is also time for change particularly as the group has now reached month-on-month profitability. I have therefore decided to step down from the Chair and from the Board and I will not be seeking re-election at the forthcoming AGM.

I set up the original business as a private company start-up in early 2002. In late 2004 I put the company onto the AIM market and I have spent the last five years developing the business and building the executive team. I am pleased to announce that William Allan has agreed to join the board as Non-Executive Chairman with effect from the conclusion of the AGM. Bill, aged 56, was the former CEO of Thus Group plc from February 1999 to September 2008. Thus was one of the largest independent alternative network carriers in the UK until it was acquired by Cable and Wireless plc in September 2008. Prior to his role at Thus, Bill also worked for Cable and Wireless for 26 years and he has significant experience in the telecom space. I wish him well.

I will not be losing touch with Pinnacle, as I will continue to provide consulting services and mentoring advice to the group until at least 31 May 2011 under the terms of my existing consulting agreement. I would like to thank Alan Bonner, the CEO, and his team for the important contribution that they have made to the 2009 results and I wish them well as we move into the new decade.

Graham J Duncan MA CA

Chairman

18 February 2010

BUSINESS REVIEW

Introduction

Pinnacle has made strong progress in 2009. This can be confirmed by looking at the key objectives we set out at the beginning of the 2009 financial year, which were to reduce costs, conserve our cash resources, increase our turnover, and turn the business profitable on a month-on-month basis. I am pleased to report that we have achieved all these objectives. According to our unaudited management accounts, profitability was recorded in the month of September 2009, and through to 31 December 2009 (the latest information available) the group continues to show a modest profit (measured as profit before interest and taxation but before the impact of non-cash IFRS adjustments and the results of associated companies).

The group has no bank debt, but also has limited borrowing facilities, the effects of which made operating the business with limited cash reserves a challenging experience, exacerbated by the economic conditions as a result of the credit crunch. However, we have successfully delivered organic growth during the year, although growth from the all-share acquisition of Accent Telecom UK Ltd ("Accent") in June 2009 has been a key highlight, bringing the group 250 new business customers and 40% ownership of Stripe 21 Ltd ("Stripe"), a next generation IP network provider based in Dorking. In the financial statements Stripe has been treated as an associated company with 40% of its relevant results included in the group income statement covering the period since it was acquired by Pinnacle as a result of the acquisition of Accent.

Since the year end, in another all-share transaction, we acquired Solwise Telephony Ltd and its wholly owned subsidiary Sipswitch Ltd, which will be of major importance to the group as we continue to evolve our business away from traditional telephony onto next generation IP telephony. As BT roll out their IP network across the UK, it is inevitable that IP based solutions will become the universal standard for delivering converged services to customers both in the UK and worldwide. The push to deliver voice over IP (commonly known as VoIP, broadband voice or hosted telephony) will be relentless. Sipswitch has developed its own proprietary VoIP system based on open standards, and the acquisition of this business also includes the intellectual property rights to the proprietary aspects of this technology solution. 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 platform, the costs of which could become material over time. Solwise Telephony and Sipswitch added an additional 600 business customers and we look forward to further deployments of the Sipswitch technology throughout the course of 2010.

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. Since the year end, we have successfully migrated our IT business to Paisley, near Glasgow and finance functions have moved to Northampton. This has enabled us to close our Edinburgh office, which means our Scottish presence is now concentrated in Paisley, which is the home of our Scottish based ISP, Colloquium Ltd, acquired by Pinnacle in June 2008. The acquisitions both during the 2009 financial year and after the year end have given us good coverage across England, and we would expect future acquisitions to enhance that coverage, as well as add value to the group as a whole.

Key Performance Indicators

1) Turnover

Turnover more than doubled over the year from £1,495,267 to £3,192,222. This was helped significantly by the acquisition of Accent in June 2009 which has contributed £1,154,067 to the 2009 turnover. Approximately 88% of turnover is recurring income from a customer base of approximately 1,000 SMEs at the year end.

2) Gross Profit

The overall gross profit for the full year was £991,169 (2008: £535,966) representing a gross profit to sales percentage of 31.0% (2008: 35.8%). The drop in gross margin was fully predicted and outlined to shareholders in our half-yearly report. Our margins 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,

although we continue to believe that the more traditional “calls and access” business will remain important for some time.

3) Operating Loss

In the full year we have incurred an operating loss of £890,856 (2008: £1,068,394), after amortisation of intangibles and the results of associated companies. In 2009, we decided to accelerate the write down of our billing system, an intangible asset, and we have fully written off the carrying cost of the current billing system amounting to a write down of £110,000 during the year, most of which came in the second half.

Following the acquisition of Accent, it became clear that the existing billing system needed overhaul, and the most cost effective way of delivering the enhanced functionality we required was to use a new system from a third party vendor. The new system, which will be installed across all relevant companies during 2010, also incorporates certain interfaces required by our network suppliers which, when operational, will give the group wider access to their services portfolios. The total amortisation cost for 2009 is £312,445, including the billing system write down, (2008: £170,244) and this has had a significant bearing on the overall result for the year.

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. An acquisition led strategy only goes to exacerbate the issue as acquisitions, in our experience, are always above the underlying net assets acquired.

We view these adjustments as technical, and they have no bearing on cash. Accordingly, we believe that the best measure of operating profit or loss should be before striking the amortisation charge.

For the year, the operating loss before intangibles and the results of associated companies is £582,816 (2008: £898,150). Very importantly, the operating loss in 2009 can be broken down into a first half operating loss of £413,695, as reported in our half year statement, and a second half operating loss of £169,121, a material improvement. The second half has been helped by the acquisition, during June 2009, of Accent and its subsequent integration into Pinnacle.

4) Administration Expenses

Our administration expenses remain carefully controlled, but will increase with acquisitions. For 2009 the administration expenses were £1,573,985 (2008: £1,434,116). It is pleasing to note that the head office losses have been reduced from £715,419 in 2008 to £394,452 in 2009.

5) EBITDA (Earnings before interest, taxation, depreciation and amortisation)

EBITDA (earnings before interest, taxation, depreciation and amortisation) is often taken as an important performance measurement, and we regard EBITDA as a key performance indicator. Although there is no requirement to disclose EBITDA, we believe that, because of its importance, it should be part of our disclosure. For 2009, EBITDA was negative £499,429, which compares favourably with the 2008 figure which stood at negative £838,790. Importantly, EBITDA for the second half of 2009 was negative £121,150 compared to first half EBITDA of negative £378,279, a meaningful improvement.

6) Balance Sheet

At 30 September 2009, the group had net assets of £921,645 (2008: £1,155,947). Included in this figure are intangible assets, being the written down value of customer bases and maintenance contracts acquired, of £864,123 (2008: £717,568). During the year we added £459,000 to the intangible balance, allocated to the value of customer bases, relating to the acquisition of Accent.

Following due consideration, we have recognised a balance sheet carrying value of £165,300 relating to Accent's 40% investment in Stripe 21 Ltd, which has been recognised in the financial statements as an associated company. Since its acquisition, the relevant share of the profits of Stripe amounts to £4,405, which are included in the group income statement.

We are writing down the value of the customer bases and maintenance contracts over five years, from the relevant acquisition date. As already stated, we have expensed the entire carrying value of our current billing system.

7) Cash

Cash balances at the year end stood at £586,222 (2008: £545,521). This figure has been helped by 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, and checks are in place to bring any costs of significance, including capital projects, to the Board ahead of any commitments being incurred.

8) Capital Expenditure

The capital expenditure requirements of the group are modest. Excluding assets acquired through acquisitions, in the year to 30 September 2009 total capital expenditure amounted to £33,432 (2008: £9,850).

Risks

Like all businesses, the group is exposed to risk. Undernoted are the key risks which are considered by the Board. This list is not exhaustive, and should not be taken as being the only risks attached to the business going forward.

- *Working capital*

The group's cash resources are finite and its borrowing facilities are limited. Although the group has achieved monthly profitability (before the amortisation of intangibles), there is no guarantee that it will remain in profit. The directors recognise that the group must remain profitable for the business to cover its cost base and remain within its finance resources.

The Board seeks to mitigate this risk by carefully managing the cash resources of the group.

- *People*

As in many businesses, the ability to hire and retain good people is fundamental to the success of the business. Given the current economic climate, such individuals may be less willing to move to a small business than might otherwise be the case in times of prosperity. This includes quality sales personnel. The Board uses its contacts and significant experience in the recruitment and selection of employees. Acquisitions also bring people and talent which we can utilise.

- *Bad debts*

The customer base is mainly made up of SME customers, who are one of the groups feeling the effects of the economic downturn. Although we have not yet experienced any material lift in bad debt, that does not mean to say that there will not be an increase in 2010 as companies continue to realign their cost base. A majority of customers are signed on direct debit which allows us very quickly to know when a customer defaults, and so take appropriate action.

We are particularly exposed to a dealer or reseller running into difficulties as suppliers would require to be paid irrespective of the status of the dealer or reseller. On a positive note, we have reduced debtor days from 78 in 2008 to 56 in 2009 which, given the current climate, is a very satisfactory achievement.

- *Competition*

We pride ourselves in being competitive coupled with having the ability to deliver a solutions based service that enhances the customer's business. The deteriorating climate might cause buying decisions to move more in the direction of a price based sale compared to a value based sale. Although we have not experienced this, we may do so in the future.

All businesses carry technology risks, the risks of business interruption, the ability to get credit from suppliers on suitable terms and so on. The above is not an exhaustive list, and it should not be taken as such, but it does cover certain key areas which the Board continues to focus on.

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 on the banking market and is therefore somewhat shielded from the difficulties associated with overdraft and other loan facilities. From time to time, the group has taken out leasing for plant and vehicles and will continue to do so when required. The group owns no property.

On 30 September 2009, Pinnacle created £250,000 unsecured convertible loan notes in units of £5,000. On 30 September 2009, notes for a nominal value of £125,000 were issued at par. The loan notes are not transferrable and may be redeemed (in whole or in part) by Pinnacle, at its sole discretion, at any time. The loan notes will become repayable on demand in the event of a specified default by Pinnacle.

The loan notes are convertible into ordinary shares by Pinnacle at any time after 30 September 2011, or by the holders of the loan notes at any time following the period of thirty days after 30 September 2011. The conversion price is at a discount of 15% to the mid-market price per ordinary share as at close of business on the date five days after service of the relevant conversion notice, subject to a minimum of nominal value. The ordinary shares to be issued will rank *pari passu* in all respects with the ordinary shares in issue.

Certain shareholders have agreed to subscribe to additional loan notes to the value of £125,000 if the group requires additional funding within the next 12 months.

Interest accrues on the loan notes at 10% per annum, from 30 September 2009 to the earlier of the date of redemption and the date of conversion. The interest accrues on a day to day basis and is payable monthly in arrears. The group's main credit exposure lies with sums due from customers. Where at all possible, the main telecom operating companies within the group seek to sign customers up on direct debit, which provides tighter control over cash flow.

Non-Executive Chairman

As stated in the Chairman's Statement, Graham is stepping down from the Non-Executive Chairman role in favour of Bill Allan. I would like to thank Graham for his invaluable assistance and his wise counsel since I became CEO in May 2008. Before that, Graham built the Company from a start-up and his determination to create a telecommunications and IT services business which was capable of being scaled has created the foundation upon which we can now move forward. I am very glad that I will continue to be able to access his services as an important consultant and mentor to the group, under the terms of his existing consulting agreement, until at least 31 May 2011. I believe the combination of Graham and Bill will be of tremendous value to the business and I look to the future with great optimism.

Summary

2009 has been a transforming year that saw us build solid foundations. From this base we will follow our defined growth strategy to seek out well-priced and timely acquisitions. We aim to develop a wide range of next generation communications services, where the emphasis is on IP based technologies, delivering to our customers, solutions that improve productivity, lower costs and save money, particularly for businesses that have more than one location.

Alan J Bonner

Chief Executive Officer
18 February 2010

CONSOLIDATED INCOME STATEMENT
for the year ended 30 September 2009

	Note	Year ended 2009 £	Year ended 2008 £
Revenue	3	3,192,222	1,495,267
Cost of sales		(2,201,053)	(959,301)
Gross profit		991,169	535,966
Administrative expenses		(1,573,985)	(1,434,116)
Operating loss before amortisation of intangibles and share of profit from associated company		(582,816)	(898,150)
Share of profit from associate		4,405	-
Amortisation of intangibles		(312,445)	(170,244)
Operating loss	4	(890,856)	(1,068,394)
Interest receivable		618	4,150
Interest payable		(4,927)	(2,761)
Finance costs		(4,309)	1,389
Loss before tax		(895,165)	(1,067,005)
Taxation		462	2,183
Loss for the period from continuing operations		(894,703)	(1,064,822)
Discontinued operations			
Loss for the period from discontinued operations		(2,360)	(566,108)
Loss for the year		(897,063)	(1,630,930)
Loss per share			
- basic and fully diluted - continuing	5	(0.07)p	(0.09)p
- basic and fully diluted - discontinued	5	0.00p	(0.05)p
- basic and fully diluted - total	5	(0.07)p	(0.14)p

CONSOLIDATED INCOME STATEMENT (continued)
for the year ended 30 September 2009

	Year ended 2009	Year ended 2008
Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)		
	£	£
Operating loss	(890,856)	(1,068,394)
Add back amortisation	312,445	170,244
Add back depreciation	78,982	59,360
EBITDA for the year	(499,429)	(838,790)

CONSOLIDATED BALANCE SHEET
for the year ended 30 September 2009

	2009 £	2008 £
Assets		
Intangible assets	864,123	717,568
Investments in Associated Companies	169,705	-
Property, plant and equipment	134,332	134,012
Total non-current assets	1,168,160	851,580
Current assets		
Inventories	25,745	344
Trade and other receivables	929,848	333,372
Cash and cash equivalents	586,222	545,521
Total current assets	1,541,815	879,237
Total assets	2,709,975	1,730,817
Liabilities		
Short term borrowings	(3,480)	(6,936)
Trade and other payables	(882,854)	(353,698)
Other taxes and social security costs	(93,996)	(22,759)
Accruals and other payables	(644,242)	(191,477)
Total current liabilities	(1,624,572)	(574,870)
Non-current liabilities		
Long term borrowings	(163,758)	-
Total liabilities	(1,788,330)	(574,870)
Net assets	921,645	1,155,947
Equity		
Share capital	5,316,488	4,807,680
Share premium account	3,238,902	3,207,593
Merger reserve	114,392	-
Other reserve	11,104	2,852
Fair value adjustment	(1,064,130)	(1,064,130)
Profit and loss reserve	(6,695,111)	(5,798,048)
Total equity	921,645	1,155,947

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 September 2009

	Share capital	Share premium	Merger reserve	Other reserve	Fair value	Retained earnings	Total
At 1 October 2007	4,807,680	3,207,593	-	16,544	(1,064,130)	(4,167,118)	2,800,569
Loss and total recognised income and expense for the period	-	-	-	-	-	(1,630,930)	(1,630,930)
Recognised directly in equity							
Share based payments	-	-	-	2,852	-	-	2,852
Lapse of share options	-	-	-	(16,544)	-	-	(16,544)
Net change directly in equity	-	-	-	(13,692)	-	-	(13,692)
Total movements	-	-	-	(13,692)	-	(1,630,930)	(1,644,622)
Equity at 30 September 2008	4,807,680	3,207,593	-	2,852	(1,064,130)	(5,798,048)	1,155,947
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 prior year 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)	(234,302)
Equity at 30 September 2009	5,316,488	3,238,902	114,392	11,104	(1,064,130)	(6,695,111)	921,645

Note

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

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 30 September 2009

	2009	2008
	£	£
Cash flows from operating activities		
Operating loss (including discontinued operations)	(893,216)	(1,643,269)
Adjustments for:		
Depreciation	78,982	59,360
Amortisation	312,445	170,244
Share of profit from associate	(4,405)	-
Other non-cash items	-	19,396
Payment / (receipt) of corporation tax	10,421	(3,253)
(Increase) / decrease in inventories	(25,401)	22,180
(Increase) / decrease in trade and other receivables	(596,476)	1,396,227
(Decrease) / increase in trade payables, accruals and other creditors	1,032,851	(1,494,631)
Net cash flow from operating activities	(84,799)	(1,473,746)
Cash flows from investing activities		
Purchase of property, plant and equipment	(18,432)	(9,850)
Sale of property, plant and equipment	-	2,360
Disposal of subsidiary company	-	2,635,857
Acquisition of subsidiaries, net of cash acquired	46,586	(130,400)
Net cash used in investing activities	28,154	2,497,967
Cash flows from financing activities		
Interest paid	(4,927)	(10,821)
Interest received	618	20,287
Receipt of convertible loans	125,000	-
Repayment of borrowing	-	(101,403)
Receipt from finance leases less repayment	(19,889)	(44,242)
Net cash from / (used in) financing activities	100,802	(136,179)
Net increase in cash	44,157	888,042
Cash and cash equivalents at beginning of period	538,585	(349,457)
Cash and cash equivalents at end of period	582,742	538,585
Cash and cash equivalents comprise:		
Cash and cash equivalents	586,222	545,521
Bank overdrafts	(3,480)	(6,936)
	582,742	538,585

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

The accounting policies set out in the consolidated financial statements of the Group for the year ended 30 September 2009 have been followed in all respects.

Pinnacle Telecom Group plc, a public limited company, is the Group's Ultimate Parent Company. It is incorporated in England and Wales. The address of Pinnacle Telecom Group plc's registered office is 5 Fleet Place, London EC4M 7RD. Its principal place of business is Compthall, Brightons, Falkirk, FK2 0RW.

The financial statements for the year ended 30 September 2009 were approved by the Board of Directors on 18 February 2010.

The financial information set out above does not constitute the company's statutory consolidated financial statements for the year ended 30 September 2009 but is derived from those financial statements. The comparative figures are those of the consolidated financial statements for the year ended 30 September 2008. The report of the auditors was unqualified and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006. The statutory financial statements for the year ended 30 September 2009 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The information contained in this Preliminary Statement does not constitute statutory accounts as defined by Section 434 of the Companies Act 2006.

2. Acquisitions

2.1. Acquisition of Accent Telecom UK Limited

On 11 June 2009, Pinnacle Telecom plc acquired 100% of the share capital of Accent Telecom UK Limited, a company registered in England and Wales. The total cost of acquisition includes the components stated below. The purchase price of £661,450 was satisfied by the issue of 508,807,826 shares at 0.13 pence per share, being the mid-market price at the close of business on 9 June 2009. With the exception of intangible assets and the investment in associated company, no adjustments have been made to the book values of the assets and liabilities at acquisition. The book value of intangible assets in Accent Telecom UK Limited at acquisition was nil. This can be analysed as follows:

	Book Cost £	Fair Value £
Assets		
Non-current assets		
Investment in associated company	220,000	165,300
Property, plant and equipment	45,871	45,871
	265,871	211,171
Intangible assets	-	459,000
	265,871	670,171
Current assets		
Inventories	14,008	14,008
Trade and other receivables	439,622	439,622
Cash and cash equivalents	86,389	86,389
Total current assets	540,019	540,019
Total assets	805,890	1,210,190
Current liabilities		
Trade and other payables	290,414	290,414
Other taxes and social security costs	1,227	1,227
Other creditors and accruals	233,750	233,750

Total current liabilities	525,391	525,391
Total non-current liabilities	23,349	23,349
Total liabilities	548,740	548,740
Net assets	257,150	661,450

Turnover and operating loss of the company acquired for the post acquisition period was £1,154,067 and £25,655, respectively.

3. Segment Reporting

3.1 Analysis of revenue

	2009 £	2008 £
By business sector		
Mobile services	332,249	168,227
IT	571,270	126,546
Other communication services	2,288,703	1,200,494
Continuing operations	3,192,222	1,495,267
IT - discontinued operations	-	1,686,652
Total revenue	3,192,222	3,181,919
By destination		
United Kingdom	3,192,222	3,181,919
Total revenue	3,192,222	3,181,919
By origin		
Continuing operations		
Pinnacle Telecom plc	1,177,169	811,281
Accent Telecom UK Limited (11 June to 30 September)	1,154,067	-
Colloquium Limited	396,253	88,304
Sports Club Telecom Limited	274,026	300,909
Explore IT Limited	104,684	126,545
Other group companies	86,023	168,228
	3,192,222	1,495,267
Discontinued operations		
Eclectic Group Limited and I G Software Limited - discontinued operations	-	1,686,652
Total revenue	3,192,222	3,181,919
By recurring nature		
Recurring - continuing operations	2,811,137	1,039,157
Non-Recurring - continuing operations	381,085	456,110
	3,192,222	1,495,267
Non-Recurring - discontinued operations	-	1,686,652
Total revenue	3,192,222	3,181,919

3.2 Analysis of net loss after tax

	2009	2008
	£	£
3.2.1 By business sector		
Mobile services		
Loss from operations before amortisation	(17,842)	(81,502)
IT		
Loss from operations before amortisation	(151,978)	(33,890)
Amortisation	(47,289)	(20,000)
Loss from operations after amortisation	(199,267)	(53,890)
Other communication services		
Loss from operations before amortisation	(56,020)	(213,202)
Amortisation	(265,156)	(150,244)
Loss from operations after amortisation	(321,176)	(363,446)
Head office	(356,418)	(565,984)
Continuing operations	(894,703)	(1,064,822)
IT - discontinued operations	(2,360)	(566,108)
Total losses	(897,063)	(1,630,930)
3.2.2 By destination		
United Kingdom	(897,063)	(1,630,930)
3.2.3 By origin		
Pinnacle Telecom plc	12,555	(96,347)
Accent Telecom UK Limited	(25,654)	-
Colloquium Limited	(116,443)	(43,251)
Sports Club Telecom Limited	(8,662)	33,169
Explore IT Limited	(49,602)	(36,730)
Head Office and other group companies	(394,452)	(751,419)
Loss from continuing operations before exceptional items	(582,258)	(894,578)
Amortisation	(312,445)	(170,244)
Eclectic Group Limited and I G Software Limited - discontinued operations	(2,360)	(566,108)
Total losses	(897,063)	(1,630,930)
	2009	2008
	£	£
3.2.4 By recurring nature		
Recurring - continuing operations	(573,096)	(429,690)
Non-Recurring - continuing operations	(9,162)	(464,888)
Loss from continuing operations before exceptional items	(582,258)	(894,578)
Amortisation	(312,445)	(170,244)
Non-Recurring - discontinued operations	(2,360)	(566,108)
Total losses	(897,063)	(1,630,930)

3.3 Analysis of assets and liabilities

	Mobile	IT	Other telecommunications services	Discontinued operations	Total
Assets					
Intangible assets	-	142,333	721,790	-	864,123
Investments in Associated Companies	-	169,705	-	-	169,705
Property, plant and equipment	3,447	68,194	62,691	-	134,332
Total non-current assets	3,447	380,232	784,481	-	1,168,160
Current assets					
Inventories	-	4,456	21,289	-	25,745
Trade and other receivables	16,219	63,710	847,278	2,641	929,848
Cash and cash equivalents	29,521	61,178	492,630	2,893	586,222
Total current assets	45,740	129,344	1,361,197	5,534	1,541,815
Total assets	49,187	509,576	2,145,678	5,534	2,709,975
Liabilities					
Short term borrowings	-	(473)	(3,007)	-	(3,480)
Trade and other payables	(30,198)	(121,288)	(713,662)	(17,707)	(882,855)
Other taxes and social security costs	(385)	(18,384)	(75,002)	(224)	(93,995)
Accruals and other payables	(2,220)	(67,384)	(574,384)	(254)	(644,242)
Total current liabilities	(32,803)	(207,529)	(1,366,055)	(18,185)	(1,624,572)
Total non-current liabilities	-	-	(163,758)	-	(163,758)
Total liabilities	(32,803)	(207,529)	(1,529,813)	(18,185)	(1,788,330)
Net assets	16,384	302,047	615,865	(12,651)	921,645

4. Operating loss

	2009 £	2008 £
Loss from operations is stated after charging:		
Depreciation of owned fixed assets	78,415	59,360
Other operating lease rentals:		
– buildings	48,391	70,953
– office equipment	1,413	1,413
Auditors' remuneration: - audit fee	29,000	47,100

5. Total and continuing loss per share

	2009 £	2008 £
Loss attributable to ordinary shareholders – continuing operations	894,703	1,064,822
Loss attributable to ordinary shareholders – discontinued operations	2,360	566,108
Loss attributable to ordinary shareholders	897,063	1,630,930

	Number	Number
Weighted average number of ordinary shares in issue	1,363,702,413	1,194,099,084
Loss per share (pence) – continuing operations	0.07	0.09
Loss per share (pence) – discontinued operations	0	0.05
Loss per share (pence) – total	0.07	0.14

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 1,363,702,413 shares (2008: 1,194,099,804) following the issue of 508,807,806 shares as part of the acquisition of Accent Telecom UK Limited on 11 June 2009. Due to the losses incurred by the Group the share options are anti-dilutive.

6. Post Balance Sheet Event

On 12 January 2010, the Company acquired the entire issued share capital of Solwise Telephony Limited, and its wholly owned subsidiary Sipswitch Limited. Solwise Telephony Limited is an OFCOM registered switchless telecom reseller of line rentals and calls. 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 to initial consideration and loan shares as follows:

- 31,746,843 of ordinary shares were issued as initial consideration.
- A further 4,203,157 ordinary shares ("the loan 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 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.

Due to the proximity of this acquisition to the date of the financial statements, it is not practical to determine the fair value of identifiable assets acquired. These values will be considered in due course.

7. Dividends

The Directors do not propose a dividend for the year ended 30 September 2009 (2008: £Nil)

8. Annual report and accounts

A copy of the Annual Report and Accounts for the year ended 30 September 2009 will be sent to shareholders at the beginning of March 2010 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 29 March 2009 at 2.30 p.m.