UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended April 30, 2004

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________ to __________

Commission file number: 0-26277

WPCS INTERNATIONAL INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware	98-0204758
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

140 South Village Avenue
Suite 20
Exton, Pennsylvania 19341
(Address of principal executive offices)

(610) 903-0400
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 after the distribution of securities under a plan confirmed by a court. Yes [ ] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS:

State the number of shares outstanding of each of the registrant's classes of common equity, as of the latest practicable date: 20,849,976 shares issued and outstanding as of July 15, 2004.

PART I

ITEM 1. - BUSINESS

This Annual Report on Form 10-KSB (including the section regarding Management's Discussion and Analysis of Financial Condition and Results of Operations) contains forward-looking statements regarding our business, financial condition, results of operations and prospects. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions or variations of such words are intended to identify forward-looking statements, but are not deemed to represent an all-inclusive means of identifying forward-looking statements as denoted in this Annual Report on Form 10-KSB. Additionally, statements concerning future matters are forward-looking statements.

Although forward-looking statements in this Annual Report on Form 10-KSB reflect the good faith judgment of our Management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include, without limitation, those specifically addressed under the heading "Risks Related to Our Business" below, as well as those discussed elsewhere in this Annual Report on Form 10-KSB. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual

Report on Form 10-KSB. We file reports with the Securities and Exchange Commission ("SEC"). We make available on our website under "Investor Relations/SEC Filings," free of charge, our annual reports on Form 10-KSB, quarterly reports on Form 10-QSB, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file such materials with or furnish them to the SEC. Our website address is www.wpcs.com. You can also read and copy any materials we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. You can obtain additional information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us.

We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this Annual Report on Form 10-KSB. Readers are urged to carefully review and consider the various disclosures made throughout the entirety of this annual Report, which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

Description of the Business

Overview

WPCS International Incorporated is a project engineering company that focuses on the implementation requirements of specialty communication systems, wireless fidelity (WiFi) deployment and fixed wireless deployment. We provide a range of specialty communication services including project management, site design, structured cabling, product integration, network security, and technical support. These projects may require the integration of multiple communication components and engineering services in order to complete the customer's requirements for the deployment of a specialty communication system, a WiFi or fixed wireless system.

On May 17, 2002, pursuant to an agreement and plan of merger, Phoenix Star Ventures Inc., a publicly held Delaware corporation, through its wholly owned subsidiary WPCS Acquisition Corp., acquired WPCS Holdings Inc., a Delaware corporation by issuing 5,500,000 shares of its common stock to shareholders of WPCS Holdings, Inc. in exchange of all the outstanding shares of WPCS Holdings, Inc. Concurrently with the acquisition, Phoenix Star Ventures Inc. changed its name to WPCS International Incorporated.

On November 13, 2002, we entered into an agreement and completed a merger with Invisinet, Inc. ("Invisinet"). Invisinet provides wireless infrastructure services for both WiFi applications and fixed wireless technology services to its customers. The acquisition of Invisinet broadens our customer base and expands our technical resources capable of deploying wireless systems. For the year ended April 30, 2004, the acquisition of Invisinet increased sales by approximately $2.5 million as compared to the same period in the prior year. To complete the merger, we acquired 100% of the common stock of Invisinet by issuing 1,000,000 shares of our common stock with a fair value of $1,750,000,

based on the average value of our common stock as of a few days before and after the merger was announced. Based on the net assets acquired of Invisinet, we have recognized goodwill of approximately $1.6 million.

On December 30, 2002, we acquired all of the outstanding common stock of Walker Comm, Inc. ("Walker"). The acquisition of Walker gives us the ability to provide specialty communication systems to our customers along with strengthening our project management capabilities. For the year ended April 30, 2004, the acquisition of Walker increased sales by approximately $9.7 million as compared to the same period in the prior year. The aggregate consideration we paid for Walker was approximately $5,113,000. To complete the merger, all of the issued and outstanding shares of common stock of Walker were exchanged for aggregate merger consideration consisting of $500,000 in cash and our common stock with a value of approximately $4,574,000, or 2,486,000 shares valued at $1.84 per share based on the average value of our common stock as of a few days before and after the merger was announced. Based on the net assets acquired of Walker, we recognized goodwill of approximately $4.2 million.

On August 22, 2003, we acquired all of the outstanding common stock of Clayborn Contracting Group, Inc. ("Clayborn"). The acquisition of Clayborn gives us additional expertise in engineering and deployment services for specialty communication systems and additional wireless opportunities to pursue. For the year ended April 30, 2004, the acquisition of Clayborn increased our revenue approximately $4.3 million as compared to the same period in the prior year. The aggregate consideration we paid for Clayborn was approximately $2,929,000. We acquired all of the issued and outstanding shares of Clayborn in exchange for $900,000 cash consideration and $61,000 in transaction costs, and 826,446 newly issued shares of our common stock with a fair value of approximately $868,000 based on the average value of our common stock as of a few days before and after the merger terms were agreed to and announced. An additional $1,100,000 is due by September 30, 2007, payable in quarterly distributions, by payment to the

Clayborn shareholders of 50% of the quarterly post tax profits of Clayborn. Based on the net assets acquired of Clayborn, we recognized goodwill of approximately $1.8 million.

On April 2, 2004, we acquired all of the issued and outstanding common stock of Heinz Corporation ("Heinz"). Heinz is a St. Louis, Missouri based provider of in-building wireless infrastructure services for both cellular and WiFi applications including consulting, integration and installation services for wireless infrastructure. The acquisition of Heinz gives us additional project engineering expertise for wireless infrastructure services, broadens our customer base, and expands our geographical presence in the Midwest. We acquired all of the issued and outstanding shares of Heinz for $1,000,000, as follows: (1) $700,000 of our common stock, based on the closing price of our common stock on March 30, 2004 of $0.98 per share, for an aggregate of 714,286 newly issued shares of our common stock and (2) $300,000 total cash consideration, of which $100,000 was paid at closing and a $200,000 non-interest bearing promissory note. Of the $200,000, $75,000 is payable on the first and second anniversaries of the closing date and $50,000 is payable on the third anniversary of the closing date. Based on the preliminary information currently available, we expect to recognize goodwill of approximately $1,000,000. Upon completion of a formal purchase price allocation there may be a decrease in the amount assigned to goodwill and a corresponding increase in tangible or other intangible assets.

Our Business

We generate our revenue by providing project engineering and deployment services for specialty communication systems, wireless fidelity (WiFi) and fixed wireless systems. We have two reportable segments, specialty communication systems and wireless infrastructure services.

Specialty Communication Systems

As a complete project engineering company, we focus on the implementation requirements of specialty communication systems. We are a certified design and installation company for several manufacturers offering a wide range of products and services. Specialty communication services include project management, installation, wireless distribution systems, registered communications distribution design, and network integration of voice, data, MATV, CATV, video and security systems, including fiber optic cabling and outside plant trenching. Cabling systems are designed, installed and tested to industry standards. Our installers are members of the IBEW union, and are trained and certified in the latest technologies and safety to adhere to general OSHA guidelines, as well as union and industry rules and regulations pertaining to areas associated with communications. Technicians are also trained and certified in installing copper and fiber optic networks to support Ethernet, Token-Ring, CAT 5, CAT 6, voice and video conferencing. We can also provide in-house CAD specialists to diagram

changes or modifications to customer specifications. The specialty communication segment represents approximately 79% of total sales.

Wireless Infrastructure Services

Connecting a company's network is critical in achieving the timely flow of information. Today, a company's network expands beyond its existing headquarters to remote offices and remote users. The networking applications are larger and the demand for high-speed connectivity to move data back and forth is growing dramatically. Until recently, a company's only alternative in obtaining high-speed connectivity was to contact the telephone company and have a high-speed landline service installed so that connectivity could be achieved between its locations. The issue today is that these high-speed landlines take too much time to install, are not available in all locations, do not solve remote application usage and are costly to use on a monthly basis. Expensive and inflexible land line services are moving users toward cost effective high-speed broadband wireless infrastructure services.

Wireless infrastructure services include the internal and external design and installation of a fixed wireless solution to support data, voice or video transmission between two or more points without the utilization of landline infrastructure. Wireless infrastructure services includes radio frequency engineering, site survey, which determines "line of sight" issues, site design that determines terrain status and where mounting and alignment will occur and spectrum analysis to study the performance of licensed and unlicensed frequencies for a specific area. Also, we will mount and align equipment and integrate the products into one system, and finally test, document and support the installation. We also provide network security, training and technical support. Wireless infrastructure services offer the user lower costs compared to landline, high-speed connectivity, immediate installation and network ownership.

The products offered as part of the system include microwave radios, repeaters, amplifiers, antennas, cables and specialty components. The specific products used and serviced vary depending on the connection speed required and distances between points, accordingly, we are technology and vendor independent. We believe that this aligns our goals with those of the customers and enables us to objectively evaluate and recommend specific component products or technologies.

The wireless infrastructure segment represents approximately 21% of total sales.

Sales and Marketing

In both segments, we primarily service major corporations, government entities and educational institutions in the United States. We also perform limited services internationally, which account for less than 1% of total sales. We market and sell services through a direct sales team of sales and project engineering professionals. Sales personnel work collaboratively with senior management, project managers and project engineers to develop new sales leads and procure new contracts. We generate revenue opportunities through formal bid responses, end user referrals, contracting assignments from technology providers and subcontracting assignments from general infrastructure providers. We also, through our subsidiaries, are listed on the Federal GSA schedule for government contracts.

Customers

We provide specialty communication systems, wireless fidelity (WiFi) deployment and fixed wireless deployment to many major corporations, government entities and educational institutions. At April 30, 2004, we had a backlog of unfilled orders believed to be firm of approximately $16.5 million, representing the uncompleted portion of services to be performed under job-specific contracts or purchase orders. We expect these projects to be completed and the backlog fully converted to revenue within the next twelve months.

Competition

The markets in the specialty communication systems and wireless infrastructure services segments are relatively competitive and fragmented and are represented typically by numerous service providers, ranging from small independent firms servicing local markets to larger firms servicing regional and national markets. We also face competition from existing or prospective clients which employ in-house personnel to perform some of the same types of services we provide. Historically, there have been relatively few significant barriers to entry into the markets in which we operate, and, as a result, any organization that has adequate financial resources and access to technical expertise may become one of our competitors. Overall, we believe that there are no dominant competitors in either of the segments that we provide products and services.

We believe that the principal competitive factors in our markets include the ability to deliver results within budget (time and cost), reputation, accountability, staffing flexibility, project management expertise, industry experience and competitive pricing. In addition, expertise in new and evolving technologies has become increasingly important. We believe that the ability to integrate these technologies from multiple vendors gives us a competitive advantage. Our ability to compete also depends on a number of additional factors which are outside of our control, including:

- competitive pricing for similar services;
- the ability and willingness of our competitors to finance customers' projects on favorable terms;
- the ability of our customers to perform the services themselves; and
- the responsiveness of our competitors to customer needs.

We believe that our principal competitive advantage is the ability to integrate multiple component products and services across the vast majority of wireless infrastructure services and specialty communication systems. We have a trained and certified staff, the ability to provide national coverage and a strong customer base. We use proven methodologies to rapidly design, install, integrate and manage a communications deployment.

Acquisition Strategy

The primary goal is to build us into a recognized leader in specialty communication systems, wireless fidelity (WiFi) deployment and fixed wireless deployment. To meet this challenge, we are planning to make acquisitions of companies familiar with the deployment of these products and services. The goal for each acquisition will be to expand the product and services offering, strengthen our project services capabilities, expand the customer base and add accretive revenue and earnings.

Management Strategy

In anticipation of internal growth and future acquisitions, we will organize resources to manage our development effectively. Our Chief Executive Officer is responsible for strategic direction, operations, corporate governance and building shareholder value.

Our Chief Financial Officer is responsible for overall financial management, financial reporting and corporate administration. An Executive VP, who is also the strategic development officer, is focused on strategic issues such as acquisition candidates, investor relations, corporate marketing and major

account opportunities.

Our other Executive VP's are tasked with business integration, creating operational efficiencies and operations management for a set number of acquired companies. As each acquisition occurs, personnel will increase in a variety of capacities.

Employees

As of April 30, 2004, we employed 175 full time employees, of whom 135 are project engineers, 16 are project managers, 19 are in administration and 5 are executives. A majority of the project engineers are represented by the International Brotherhood of Electrical Workers. We also have non-union employees. We believe our relations with all of our employees are good.

Risk Related to Business

You should carefully consider the following risk factors and all other information contained herein as well as the information included in this Annual Report in evaluating our business and prospects. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties, other than those we describe below, that are not presently known to us or that we currently believe are immaterial, may also impair our business operations. If any of the following risks occur, our business and financial results could be harmed. You should refer to the other information contained in this Annual Report, including our consolidated financial statements and the related notes.

We have a history of operating losses and may never become profitable.

We incurred a net loss of approximately $124,000 for the year ended April 30, 2004. There can be no assurance that we will achieve or sustain profitability or positive cash flow from operating activities in the future. If we cannot achieve operating profitability or positive cash flow from operating activities, we may not be able to meet our working capital requirements. If we are unable to meet our working capital requirements, we are likely to reduce or cease all or part of our operations.

We may be unable to obtain the additional capital required to grow our business. We may have to curtail our business if we cannot find adequate funding.

Our ability to grow depends significantly on our ability to expand our operations through internal growth and by acquiring other companies or assets that require significant capital resources. We may need to seek additional capital from public or private equity or debt sources to fund our growth and operating plans and respond to other contingencies such as:

- shortfalls in anticipated revenues or increases in expenses;
- the development of new services; or
- the expansion of our operations, including the recruitment of additional personnel.

We cannot be certain that we will be able to raise additional capital in the future on terms acceptable to us or at all. If alternative sources of financing are insufficient or unavailable, we may be required to modify our growth and operating plans in accordance with the extent of available financing.

Our success is dependent on growth in the deployment of wireless networks, and to the extent that such growth slows down, our business may be harmed.

The wireless industry has historically experienced a dramatic rate of growth both in the United States and internationally. Recently, however, many end users have been re-evaluating their network deployment plans in response to downturns in the capital markets, changing perceptions regarding industry growth, the adoption of new wireless technologies, increased price competition and a general economic slowdown in the United States and internationally. It is difficult to predict whether these changes will result in a downturn in the wireless industry. If the rate of growth should slow down and end users continue to reduce their capital investments in wireless infrastructure or fail to expand their networks, our operating results may decline which could cause a decline in our profits.

The uncertainty associated with rapidly changing wireless technologies may also continue to negatively impact the rate of deployment of wireless networks and the demand for our services. End users face significant challenges in assessing their bandwidth demands and in acceptance of rapidly changing enhanced wireless capabilities. If end users continue to perceive that the rate of acceptance of next generation wireless products will grow more slowly than previously expected, they may, as a result, continue to slow their deployment of next generation wireless technologies. Any significant slowdown will reduce the demand for our services and would result in negative net growth, net losses, and potentially a reduction in our business operations.

The increase of services offered by equipment vendors could cause a reduction in

demand for our services.

Recently, the wireless equipment vendors have increased the services they offer for their technology. This activity and the potential continuing trend towards offering services may lead to a greater ability among equipment vendors to provide a comprehensive range of wireless services, and may simplify integration and installation, which could lead to a reduction in demand for our services. Moreover, by offering certain services to end users, equipment vendors could reduce the number of our current or potential customers and increase the bargaining power of our remaining customers, which may result in a decline in our net revenue and profits.

Our quarterly results fluctuate and may cause our stock price to decline.

Our quarterly operating results have fluctuated in the past and will likely fluctuate in the future. As a result, we believe that period to period comparisons of our results of operations are not a good indication of our future performance. A number of factors, many of which are outside of our control, are likely to cause these fluctuations.

The factors outside of our control include:

- Wireless market conditions and economic conditions generally;
- Timing and volume of customers' specialty communication projects;
- The timing and size of wireless deployments by end users;
- Fluctuations in demand for our services;
- Changes in our mix of customers' projects and business activities;
- The length of sales cycles;
- Adverse weather conditions, particularly during the winter season, could effect our ability to render specialty communication services in certain regions of the United States;
- The ability of certain customers to sustain capital resources to pay their trade accounts receivable balances;
- Reductions in the prices of services offered by our competitors; and
- Costs of integrating technologies or businesses that we add.

The factors substantially within our control include:

- Changes in the actual and estimated costs and time to complete fixed-price, time-certain projects that may result in revenue adjustments for contracts where revenue is recognized under the percentage of completion method;
- The timing of expansion into new markets, both domestically and internationally;
- Costs incurred to support internal growth and acquisitions;
- Fluctuations in operating results caused by acquisitions; and
- The timing and payments associated with possible acquisitions.

Because our operating results may vary significantly from quarter to quarter, our operating results may not meet the expectations of securities analysts and investors, and our common stock could decline significantly which may expose us to risks of securities litigation, impair our ability to attract and retain qualified individuals using equity incentives and make it more difficult to complete acquisitions using equity as consideration.

Failure to keep pace with the latest technological changes could result in decreased revenues.

The market for our services is characterized by rapid change and technological improvements. Failure to respond in a timely and cost-effective way to these technological developments could result in serious harm to our business and operating results. We have derived, and we expect to continue to derive, a substantial portion of our revenues from creating wireless networks that are based upon today's leading technologies and that are capable of adapting to future technologies. As a result, our success will depend, in part, on our ability to develop and market service offerings that respond in a timely manner to the technological advances of our customers, evolving industry standards and changing client preferences.

Failure to properly manage projects may result in costs or claims.

Our engagements often involve large scale, highly complex projects involving wireless networks and specialty communication systems utilizing leading technology. The quality of our performance on such projects depends in large part upon our ability to manage the relationship with our customers, and to effectively manage the project and deploy appropriate resources, including third-party contractors, and our own personnel, in a timely manner. Any defects or errors or failure to meet clients' expectations could result in claims for substantial damages against us. Our contracts generally limit our liability for damages that arise from negligent acts, error, mistakes or omissions in rendering services to our clients. However, we cannot be sure that these contractual provisions will protect us from liability for damages in the event we are sued. In addition, in certain instances, we guarantee customers that we will complete a project by a scheduled date or that the network will achieve

certain performance standards. As a result, we often have to make judgments concerning time and labor costs. If the project

or network experiences a performance problem, we may not be able to recover the additional costs we will incur, which could exceed revenues realized from a project. Finally, if we miscalculate the resources or time we need to complete a project with capped or fixed fees, our operating results could seriously decline.

Potential future acquisitions could be difficult to integrate, disrupt our business, dilute stockholder value and adversely affect our operating results.

Since November 1, 2002, we have acquired four companies and we intend to further expand our operations through acquisitions over time. This may require significant management time and financial resources because we may need to integrate widely dispersed operations with distinct corporate cultures. Our failure to manage future acquisitions successfully could seriously harm our operating results. Also, acquisition costs could cause our quarterly operating results to vary significantly. Furthermore, our stockholders would be diluted if we financed the acquisitions by incurring convertible debt or issuing securities. Although we currently only have operations within the United States, if we were to acquire an international operation; we will face additional risks, including:

- difficulties in staffing, managing and integrating international operations due to language, cultural or other differences;
- different or conflicting regulatory or legal requirements;
- foreign currency fluctuations; and
- diversion of significant time and attention of our management.

Our principal officers and directors own a controlling interest in our voting stock and investors will not have any voice in our management.

Our officers and directors, in the aggregate, beneficially own approximately 48.2% of our outstanding common stock. As a result, these stockholders, acting together, will have the ability to control substantially all matters submitted to our stockholders for approval, including:

- election of our board of directors;
- removal of any of our directors;
- amendment of our certificate of incorporation or bylaws; and
- adoption of measures that could delay or prevent a change in control or impede a merger, takeover or other business combination involving us.

As a result of their ownership and positions, our directors and executive officers collectively are able to influence all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. In addition, sales of significant amounts of shares held by our directors and executive officers, or the prospect of these sales, could adversely affect the market price of our common stock. Management's stock ownership may discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, which in turn could reduce our stock price or prevent our stockholders from realizing a premium over our stock price.

Our Common Stock is Subject to the "Penny Stock" Rules of the SEC and the Trading Market in our Securities is Limited, Which Makes Transactions in our Stock Cumbersome and May Reduce the Value of an Investment in our Stock.

Since our common stock is not listed or quoted on any exchange or on NASDAQ, and no other exemptions currently apply, trading in our common stock on the Over-The-Counter Bulletin Board is subject to the "penny stock" rules of the SEC. These rules require, among other things, that any broker engaging in a transaction in our securities provide its customers with a risk disclosure document, disclosure of market quotations, if any, disclosure of the compensation of the broker and its salespersons in the transaction, and monthly account statements showing the market values of our securities held in the customer's accounts. The brokers must provide bid and offer quotations and compensation information before making any purchase or sale of a penny stock and also provide this information in the customer's confirmation. Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in the market value of our stock.

ITEM 2 - PROPERTIES

Our principal executive offices are located in approximately 2,000 square feet of office space in Exton, Pennsylvania. The lease for such space expires in November 2004. The aggregate annual base rental for this space is $28,000.

In conjunction with acquisitions that occurred in fiscal 2003 and 2004, we assumed the operating leases of additional office space in the following

locations:

Location	Lease Expiration Date	Minimum Annual Rental
Fairfield, California (a)	February 28, 2011	$56,000
Rocklin, California	January 31, 2006	$13,000
San Leandro, California	July 31, 2006	$13,000
Denville, New Jersey (b)	Month-to-month	$11,000
Auburn, California (b)	Month-to-month	$64,440
St. Louis, Missouri (c)	August 31, 2004	$49,124

(a) The leases for our Fairfield, California location is with trusts, of which certain officers and shareholders are the trustees.

(b) The leases for our Denville, New Jersey and Auburn, California locations are month to month; therefore the minimum annual rental price assumes we rent the property for the entire year.

(c) The lease for our St. Louis, Missouri location expires within the fiscal year; therefore the minimum annual rental price assumes we rent the property for the entire year.

We believe that our existing facilities are suitable and adequate to meet our current business requirements.

ITEM 3 - LEGAL PROCEEDINGS

From time to time, the Company may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm the Company's business. The Company is currently not aware of any such legal proceedings or claims that we believe will have, individually or in the aggregate, a material adverse affect on our business, financial condition or operating results.

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

On April 21, 2004, a majority of the shareholders of the Company approved an increase in the total number of authorized common shares from 30,000,000 to 75,000,000.

PART II

ITEM 5 - MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

During the fiscal year ended April 30, 2004, our common stock was quoted on the over-the-counter bulletin board under the symbol "WPCS". The following table sets forth the range of the high and low bid quotations for our common stock for the periods indicated. Such market quotations reflect inter-dealer prices, without mark-up, mark-down or commission and may not necessarily represent actual transactions.

2004	High	Low
First Quarter	$1.88	$.39
Second Quarter	1.73	1.02
Third Quarter	1.70	.91
Fourth Quarter	1.44	.90

As of July 15, 2004, there were approximately 85 holders of record of our common stock and the closing bid quotation of our common stock was $0.80 per share.

Dividend Policy

We have never paid any cash dividends on our capital stock and do not anticipate paying any cash dividends on the Common Shares in the foreseeable future. We intend to retain future earnings to fund ongoing operations and future capital requirements of our business. Any future determination to pay cash dividends will be at the discretion of the Board and will be dependent upon our financial condition, results of operations, capital requirements and such other factors as the Board deems relevant.

Issuance of Securities

On April 1, 2004, we issued 714,286 newly issued shares of common stock to one individual in connection with our acquisition of Heinz Corporation. The issuance was exempt pursuant to Section 4(2) of the Securities Act of 1933.

ITEM 6 - MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Overview

WPCS International Incorporated is a project engineering company that focuses on the implementation requirements of specialty communication systems, wireless fidelity (WiFi) deployment and fixed wireless deployment. We provide a range of specialty communication services including project management, site design, structured cabling, product integration, network security, and technical support. These projects may require the integration of multiple communication components and engineering services in order to complete the customer's requirements.

Significant Transactions and Events

On May 17, 2002, pursuant to the agreement and plan of merger, Phoenix Star Ventures Inc., a publicly held corporation, acquired WPCS Holdings Inc., a Delaware corporation, by issuing 5,500,000 shares of its common stock to shareholders of WPCS Holdings in exchange of all the outstanding shares of WPCS Holdings. The shareholders of WPCS Holdings, after the acquisition, owned the majority of the combined company. Accordingly, the combination has been accounted for as a reverse acquisition, whereby, for accounting purposes, WPCS Holdings is the accounting acquirer and Phoenix Star Ventures is the accounting acquiree. Concurrently with the acquisition, Phoenix Star Ventures, the parent company, changed its name to WPCS International Incorporated.

On November 13, 2002, we entered into an agreement and completed a merger with Invisinet, Inc. Invisinet provides wireless infrastructure services for both WiFi applications and fixed wireless technology services to its customers. The acquisition of Invisinet broadens our customer base and expands our technical resources capable of deploying wireless systems. For the year ended April 30, 2004, the acquisition of Invisinet increased our revenue by approximately $2.5 million as compared to the same period in the prior year. To complete the merger, we acquired 100% of the common stock of Invisinet by issuing 1,000,000 shares of our common stock with a fair value of $1,750,000, based on the average value of our common stock as of a few days before and after the merger was announced. Based on the net assets acquired of Invisinet, we have recognized goodwill of approximately $1.6 million.

On December 30, 2002, we acquired all of the outstanding common stock of Walker Comm, Inc. The acquisition of Walker gives us the ability to provide specialty communication systems to our customers along with strengthening our project management capabilities. For the year ended April 30, 2004, the acquisition of Walker increased our revenue approximately $9.7 million as compared to the same period in the prior year. The aggregate consideration we paid for Walker was approximately $5,113,000. To complete the merger, all of the issued and outstanding shares of common stock of Walker were exchanged for aggregate merger consideration consisting of $500,000 in cash and our common stock with a value of approximately $4,574,000, or 2,486,000 shares valued at $1.84 per share based on the average value of our common stock as of a few days before and after the merger was announced. Based on the net assets acquired of Walker, we recognized goodwill of approximately $4.2 million.

On August 22, 2003, we acquired all of the outstanding common stock of Clayborn Contracting Group, Inc. ("Clayborn"). The acquisition of Clayborn gives us additional expertise in engineering and deployment services for specialty communication systems and additional wireless opportunities to pursue. For the year ended April 30, 2004, the acquisition of Clayborn increased our revenue approximately $4.3 million as compared to the same period in the prior year. The aggregate consideration we paid for Clayborn was approximately $2,929,000. We acquired all of the issued and outstanding shares of Clayborn in exchange for $900,000 cash consideration and $61,000 in transaction costs, and 826,446 newly issued shares of our common stock with a fair value of approximately $868,000 based on the average value of our common stock as of a few days before and after the merger terms were agreed to and announced. An additional $1,100,000 is due by September 30, 2007, payable in quarterly distributions, by payment to the Clayborn shareholders of 50% of the quarterly post tax profits of Clayborn. Based on the net assets acquired of Clayborn, we recognized goodwill of approximately $1.8 million.

On April 2, 2004, we acquired all of the issued and outstanding common stock of Heinz Corporation ("Heinz"). Heinz is a St. Louis, Missouri based provider of in-building wireless infrastructure services for both cellular and WiFi applications including consulting, integration and installation services for wireless infrastructure. The acquisition of Heinz gives us additional project engineering expertise for wireless infrastructure services, broadens our customer base, and expands our geographical presence in the Midwest. We acquired all of the issued and outstanding shares of Heinz for $1,000,000, as follows:

(1) $700,000 of our common stock, based on the closing price of our common stock on March 30, 2004 of $0.98 per share, for an aggregate of 714,286 newly issued shares of our common stock and (2) $300,000 total cash consideration, of which $100,000 was paid at closing and a $200,000 non-interest bearing promissory note. Of the $200,000, $75,000 is payable on the first and second anniversaries of the closing date and $50,000 is payable on the third anniversary of the

closing date. Based on the preliminary information currently available, we expect to recognize goodwill of approximately $1,000,000. Upon completion of a formal purchase price allocation there may be a decrease in the amount assigned to goodwill and a corresponding increase in tangible or other intangible assets.

Results of Operations

Management currently considers the following events, trends and uncertainties to be important to understand its results of operations and financial condition:

- o For the year ended April 30, 2004, revenue was approximately $22.1 million compared to $5.4 million for the same period a year ago. The increase in revenue for the year was primarily attributed to strategic acquisitions of approximately $13.6 million and secondarily from organic growth of approximately $3.1 million.

- o As a result of the acquisitions of Invisinet on November 13, 2002 and Walker on December 30, 2002, we experienced significant growth in our overall business and commenced operations in two segments, wireless infrastructure services and specialty communication systems.

- o With the acquisition of Clayborn in the second quarter of fiscal 2004, and Heinz in the fourth quarter of fiscal 2004, we experienced additional expansion of the specialty communication and wireless infrastructure segments, respectively.

- o As of April 30, 2004, the specialty communication segment represents approximately 79% of total revenue, and wireless infrastructure services represent approximately 21% of total revenue.

- o Furthermore, we plan to evaluate additional acquisition opportunities in fiscal 2005 in an attempt to build out a national, strategically located workforce that will allow our segments to leverage, to the extent feasible, related internal synergies, and to take advantage of expected growth in the wireless infrastructure and specialty communication markets.

- o As of April 30, 2004, our backlog has increased to approximately $16.5 million. Our backlog is comprised of the uncompleted portion of services to be performed under job-specific contracts or purchase orders. The increase in backlog is the result of new contracts awarded to us by our customers. We expect this backlog to be fully recognized as revenue within the next twelve months.

- o Our selling, general and administrative expenses decreased as a percentage of revenue for the year ended April 30, 2004, as compared to the same period in the prior year.

Fiscal Year ended April 30, 2004 Compared to Fiscal Year Ended April 30, 2003

Consolidated results for the year ended April 30, 2004 and 2003 were as follows.

<TABLE>
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	Year Ended April 30,			
	2004		2003	
<S>	<C>		<C>	
REVENUE	$22,076,246		$5,422,858	
COSTS AND EXPENSES:				
Cost of revenue	16,076,155	73%	3,768,495	70%
Selling, general and administrative expenses	5,560,583	25%	1,860,827	34%
Provision for doubtful accounts	91,137	0%	38,779	1%
Depreciation and amortization	382,510	2%	116,501	2%
Total costs and expense	22,110,385	100%	5,784,602	107%
OPERATING LOSS	(34,139)	0%	(361,744)	-7%
OTHER (INCOME) EXPENSE:				
Interest expense, net	14,048	0%	-	0%
LOSS BEFORE PROVISION FOR INCOME TAXES	(48,187)	0%	(361,744)	-7%
Income tax provision	(76,000)	0%	(19,550)	0%

NET LOSS	(124,187)	-1%	(381,294)	-7%
Imputed dividends accreted on Convertible Series B Preferred stock	-	0%	(173,000)	-3%
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	($124,187)	-1%	($554,294)	-10%

</TABLE>

Revenue

We generate our revenue by providing project engineering and deployment services for specialty communication systems, wireless fidelity (WiFi) and fixed wireless systems. These projects may require the integration of multiple communication components and engineering services in order to complete the customer's requirements. We record profits on these projects on a percentage-of-completion basis on the cost-to-cost method. Contracts in process are valued at cost plus accrued profits less earned revenues and progress payments on uncompleted contracts.

Revenue was approximately $22,076,000 and $5,423,000 for the years ended April 30, 2004 and 2003, respectively. The primary reasons for the increase in revenue comparing 2004 to 2003 are attributable to the full year effect of the Invisinet and Walker acquisitions and the two acquisitions we made in August 2003 of Clayborn and April 2004 of Heinz. These four acquisitions in the aggregate accounted for approximately $13.6 million of the increase in revenue over the prior year. Approximately $3.1 million of the increase in revenue over the prior year was due to internal growth.

Total revenue from the specialty communication segment for the year ended April 30, 2004 was approximately $17.5 million or 79% of total revenue. Wireless infrastructure segment revenue for the year ended April 30, 2004 was approximately $4.6 million or 21% of total revenue for the year.

Cost of Revenue

In the case of the wireless infrastructure segment, cost of revenue consists of component material costs, direct labor costs and costs incurred for third party sub-contractor services. For the specialty communication segment, cost of sales consists of direct costs on contracts, including materials, labor, and other overhead costs. Our cost of revenue was $16.1 million or 72.8% of revenue for the year ended April 30, 2004, compared to $3.8 million or 69.5% for the year ended April 30, 2003. The dollar increase in our total cost of revenue is due to the corresponding increase in revenue as a result of the acquisitions of Invisinet, Walker, Clayborn and Heinz. The increase in cost of revenue as a percentage of revenue is due to the revenue mix of the recent acquisitions.

Selling, general and administrative expenses

For the year ended April 30, 2004, selling, general and administrative expenses were $5.6 million, or 25.2% of revenue, compared to $1.9 million, or 34.3% of revenue for the year ended April 30, 2003. The percentage decrease is due to the management of our cost structure as we leverage our incremental revenue dollars in fiscal 2004. For the year ended April 30, 2004, included in selling, general and administrative expenses are $2.1 million for salaries, commissions and payroll taxes. The increase in salaries and payroll taxes is due to the increase in headcount as a result of the acquisition of Invisinet, Walker, Clayborn and Heinz. In addition, Walker employs union employees for whom it incurred $1.2 million in union benefits during the year. Professional fees were $566,000, with the increase due primarily to an increase in investor relations, accounting and legal fees and also includes $209,000 of non-cash charges for the grant of stock options to non-employees. Insurance costs were $730,000 and rent for office facilities was $250,000. Other selling, general and administrative expenses totaled $792,000. For the year ended April 30, 2004, total selling, general and administrative expenses for the specialty communication segment were $3.9 million and $944,000 for the wireless infrastructure segment.

For the year ended April 30, 2003, included in the selling, general and administrative expenses are $714,000 paid for salaries, commissions and payroll taxes, $374,000 for professional fees and $239,000 in union benefits. Insurance costs amounted to $146,000 and rent for our office facilities amounted to $100,000. Other selling, general and administrative expenses amounted to $288,000. For the year ended April 30, 2003, total selling, general and administrative expenses for the specialty communication segment were $967,000 and $651,000 for the wireless infrastructure segment.

For the years ended April 30, 2004 and 2003, the provision for doubtful accounts was approximately $91,000 and $39,000, respectively. The increase in the provision is due to the internal growth in accounts receivable between fiscal years. The provision represents accounts receivable which we consider uncollectible, based on a number of factors, including length of time a customer

account is past due, previous loss history, and the customer's ability to pay its obligations.

Depreciation and amortization

Depreciation for the year ended April 30, 2004 was $228,000 as compared to $75,000 for the prior year. The increase is due to the acquisition of fixed assets on acquiring Invisinet, Walker, Clayborn and Heinz. The amortization expense for the year ended April 30, 2004 was $154,000 as compared to $41,000 in the prior year. We acquired customer lists from Invisinet, Walker and Clayborn which are being amortized over a period of five years from the date of their acquisition.

Net loss

We incurred a net loss of approximately $124,000 for the year ended April 30, 2004. The net loss included a non-recurring non-cash charge of approximately $209,000 for the grant of stock options to certain consultants to purchase 1,452,000 shares of our common stock. In accordance with SFAS No. 123, stock options granted to non-employees are required to be expensed based on the fair value of the equity instruments or fair value of the consideration received. The net loss also included a provision for income taxes of $76,000, which includes income tax expenses to provide for state income taxes and certain book-to-tax permanent differences, offset by an income tax benefit. The benefit resulted from the reversals of certain temporary differences not being currently taxable

as the taxable loss for the current year was in excess of the reversals. The resulting net operating losses have been fully reserved as the ultimate realization of these losses is certain.

For the year ended April 30, 2003, we incurred a net loss of approximately $381,000.

Liquidity and capital resources

At April 30, 2004, we had working capital of approximately $2.4 million, which consisted of current assets of approximately $10.4 million and current liabilities of $8.0 million. Current assets included $2.0 million in cash and cash equivalents, $8.0 million in accounts receivable and costs and estimated earnings in excess of billings on uncompleted contracts, $105,000 in inventories, $264,000 in prepaid expenses, and $60,000 in deferred income tax assets. Current liabilities included $551,000 due on the lines of credit, $97,000 in current lease obligations and equipment loans payable, $6.9 million in accounts payable, accrued expenses and billings in excess of costs and estimated earnings on uncompleted contracts, $88,000 payable to shareholders of the Company, $224,000 in income taxes payable and $196,000 in current portion of deferred tax liabilities. The increase in accounts receivable at April 30, 2004 compared to April 30, 2003 is due primarily to recent acquisitions and secondarily by internal growth.

Operating activities provided $937,000 in cash during the year ended April 30, 2004. This was mainly comprised of a $124,000 net loss for the year ended April 30, 2004, offset by $464,000 in net non-cash charges, $2.4 million net increase in accounts receivable, $1.4 million increase in costs and estimated earnings in excess of billings on uncompleted contracts, $2.4 million increase in accounts payable and accrued expenses, $1.9 million increase in billings in excess of costs and estimated earnings on uncompleted contracts, $200,000 increase in income taxes payable, and $63,000 increase in other assets.

Our investing activities utilized approximately $1.4 million in cash, which consisted of $900,000 paid for the acquisition of Clayborn and $61,000 of related acquisition costs, offset by $239,000 of cash received; and $100,000 paid for the acquisition of Heinz and $17,000 of related acquisition costs, offset by $8,000 of cash received. We paid $485,000 in earn-out provisions related to the Walker acquisition and an additional $12,000 in acquisition costs. Additionally, $86,000 was paid for property and equipment additions.

Our financing activities generated cash of approximately $2.3 million during the year ended April 30, 2004. This was comprised primarily of net proceeds of $2.2 million received from the completion of the sale of our common stock in a private placement. We sold 100 units (the "Units") to accredited investors at a price of $25,000 per Unit (the "Offering"), or an offering of $2,500,000. Each Unit consisted of (i) 44,444 shares of our common stock, and (ii) warrants to purchase 44,444 shares of common stock, exercisable for a period of three years at an exercise price of $0.90 per share (the "Warrants"). The Warrants may be redeemed in whole or in part at the option of the Company for $0.01, if the closing price of our common stock is at least $1.25 per share on average for 10 consecutive trading days, ending not earlier than 30 days before the Warrants are called for redemption. If we decide to redeem the Warrants, we will provide written notice to each warrant holder that the Warrants will be redeemed at a price of $0.01 per warrant on a fixed date, not less than thirty days from mailing of the notice. Warrant holders would have until the end of business on the day before redemption to exercise their Warrants at an exercise price of $0.90. Since we cannot redeem Warrants until our stock price is trading at

$1.25, which is higher than the Warrant exercise price of $0.90, if we decide to redeem the Warrants, we believe most, if not all, warrant holders will elect to exercise their warrants.

In connection with the Offering, the placement agent was issued warrants to purchase 665,000 shares of our common stock at an exercise price of $0.75 per share. Other financing activities included borrowings on the lines of credit of $461,000, repayment of advances from officers of $100,000, net repayment of equipment notes of approximately $237,000 related primarily to the acquisitions of Clayborn and Heinz, and payment of capital lease obligations of approximately $2,000.

Our capital requirements depend on numerous factors, including the market for our services, the resources we devote to developing, marketing, selling and supporting our products and services, the timing and extent of establishing additional markets and other factors. To address our working capital needs and growth in our revenue and customer base, on October 29, 2003, Walker obtained a revolving line of credit facility with a commercial bank in the amount of $750,000. The borrowing limit is up to 70% of eligible Walker accounts receivable. As of April 30, 2004, the borrowing base was $750,000 and the outstanding balance was $531,000. The line of credit is collateralized by all of Walker's accounts receivable, inventory and equipment, and bears interest at the Wall Street Journal Prime Index Rate plus 1.5% (5.50% as of April 30, 2004). In

addition, the Company and certain executive officers of ours have personally guaranteed this line of credit facility. This line is subject to annual renewal and matures on November 5, 2004. In connection with the acquisition of Heinz, we assumed a revolving line of credit facility with a commercial bank in the amount of $200,000. As of April 30, 2004, the borrowing base was $200,000 and the outstanding balance was $20,000. The line of credit is collateralized by real estate property owned by the President of Heinz and his personal guarantee, and bears interest at 4.0% as of April 30, 2004. We indemnified the President of Heinz for any personal liability arising from this line of credit facility. This line is subject to annual renewal and matures on November 16, 2004.

We also anticipate obtaining a working capital line of credit, to assist with working capital needs as our business and customer base expands, however, we make no assurance that we will be able to obtain a line of credit on acceptable terms, or at all.

At April 30, 2004, we had cash and cash equivalents of $1,985,000, and for the year ended April 30, 2004, cash provided from operations was $937,000. We have $950,000 in revolving lines of credit available. Accordingly, we believe these internally available funds, and expected financing activities, will provide us sufficient capital to meet our short-term needs for the next twelve months. These funding needs include working capital and capital expenditures, and the expected payment of quarterly distributions of post tax profits to Clayborn shareholders for the next twelve months. The total distribution to Clayborn shareholders is $1,100,000, which is due by September 30, 2007. Our future operating results may be affected by a number of factors including our success in bidding on future contracts and our continued ability to manage controllable costs effectively. To the extent we grow by future acquisitions that involve consideration other than stock, our cash requirements may increase.

We will continue to explore opportunities to raise additional funds on acceptable terms for a number of uses. We may not be able to obtain additional funds on acceptable terms, or at all. Additional capital resources would be devoted to search for, investigate and potentially acquire new companies that have a strategic fit. In connection with a potential acquisition, we would also expect to issue additional common stock equity or convertible debt securities, which may result in additional dilution to our shareholders.

Critical Accounting Policies

Financial Reporting Release No. 60, published by the SEC, recommends that all companies include a discussion of critical accounting policies used in the preparation of their financial statements. The Company's significant accounting policies are summarized in Note 2 of its consolidated financial statements. While all these significant accounting policies impact its financial condition and results of operations, the Company views certain of these policies as critical. Policies determined to be critical are those policies that have the most significant impact on the Company's consolidated financial statements and require management to use a greater degree of judgment and estimates. Actual results may differ from those estimates.

We believe that given current facts and circumstances, it is unlikely that applying any other reasonable judgments or estimate methodologies would cause a material effect on the Company's consolidated results of operations, financial position or liquidity for the periods presented in this report.

The accounting policies identified as critical are as follows:

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. The most significant estimates relate to estimation of percentage of completion on uncompleted contracts, valuation of inventory, allowance for doubtful accounts and estimated life of customer lists. Actual results could differ from those estimates.

Accounts receivable

Accounts receivable are due within contractual payment terms and are stated at amounts due from customers net of an allowance for doubtful accounts. Credit is extended based on evaluation of a customer's financial condition. Accounts outstanding longer than the contractual payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they become uncollectible, and payment subsequently received on such receivables are credited to the allowance for doubtful accounts.

Goodwill and other Long-lived Assets

We assess the impairment of long-lived assets whenever events or changes in circumstances indicate that their carrying value may not be recoverable from the estimated future cash flows expected to result from their use and eventual disposition. Our long-lived assets subject to this evaluation include property and equipment and amortizable intangible assets. We assess the impairment of goodwill annually in our fourth fiscal quarter and whenever events or changes in circumstances indicate that it is more likely than not that an impairment loss has been incurred. Intangible assets other than goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. We are required to make judgments and assumptions in identifying those events or changes in circumstances that may trigger impairment. Some of the factors we consider include:

- Significant decrease in the market value of an asset
- Significant changes in the extent or manner for which the asset is being used or in its physical condition
- A significant change, delay or departure in our business strategy related to the asset
- Significant negative changes in the business climate, industry or economic condition
- Current period operating losses or negative cash flow combined with a history of similar losses or a forecast that indicates continuing losses associated with the use of an asset

Our evaluation includes an analysis of estimated future discounted net cash flows expected to be generated by the assets over their remaining estimated useful lives. If the estimated future discounted net cash flows are insufficient to recover the carrying value of the assets over the remaining estimated useful lives, we will record an impairment loss in the amount by which the carrying value of the assets exceeds the fair value. We determine fair value based on discounted cash flows using a discount rate commensurate with the risk inherent in our current business model. If, as a result of our analysis, we determine that our amortizable intangible assets or other long-lived assets have been impaired; we will recognize an impairment loss in the period in which the impairment is determined. Any such impairment charge could be significant and could have a material adverse effect on our financial position and results of operations. Major factors that influence our cash flow analysis are our estimates for future revenue and expenses associated with the use of the asset. Different estimates could have a significant impact on the results of our evaluation.

We performed our annual review for goodwill impairment in the fourth quarter of fiscal 2004 and tested for goodwill impairment in each reporting unit that contains goodwill. Our tests found that no impairment existed. Our impairment review is based on comparing the fair value to the carrying value of the reporting units with goodwill. The fair value of a reporting unit is measured at the business unit level using a discounted cash flow approach that incorporates our estimates of future revenues and costs for those business units. Reporting units with goodwill include Invisinet and Heinz within our wireless infrastructure segment and Walker and Clayborn within our specialty communications segment. Our estimates are consistent with the plans and estimates that we are using to manage the underlying businesses. If we fail to deliver products and services for these business units, or market conditions for these businesses fail to improve, our revenue and cost forecasts may not be achieved and we may incur charges for goodwill impairment, which could be significant and could have a material adverse effect on our net equity and results of operations.

Deferred Income Taxes

We determine deferred tax liabilities and assets at the end of each period based on the future tax consequences that can be attributed to net operating loss and credit carryovers and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, using

the tax rate expected to be in effect when the taxes are actually paid or recovered. The recognition of deferred tax assets is reduced by a valuation allowance if it is more likely than not that the tax benefits will not be realized. The ultimate realization of deferred tax assets depends upon the generation of future taxable income during the periods in which those temporary differences become deductible.

We consider past performance, expected future taxable income and prudent and feasible tax planning strategies in assessing the amount of the valuation allowance. Our forecast of expected future taxable income is based over such future periods that we believe can be reasonably estimated. Changes in market conditions that differ materially from our current expectations and changes in future tax laws in the U.S. may cause us to change our judgments of future taxable income. These changes, if any, may require us to adjust our existing tax valuation allowance higher or lower than the amount we have recorded.

Revenue recognition

We generate our revenue by providing project engineering and installation services for specialty communication systems, including wireless fidelity (WiFi) and fixed wireless deployment. We provide a range of specialty communication services including project management, site design, structured cabling, product integration, network security and technical support. These projects may require the integration of multiple communication components and engineering services in order to complete the project.

We record profits on these projects on a percentage-of-completion basis on the cost-to-cost method. Contracts in process are valued at cost plus accrued profits less earned revenues and progress payments on uncompleted contracts. Contracts are generally considered substantially complete when engineering is completed and/or site construction is completed. We include in operations pass-through revenue and costs on cost-plus contracts, which are customer-reimbursable materials, equipment and subcontractor costs, when we determine that we are responsible for the engineering specification, procurement and management of such cost components on behalf of the customer.

We have numerous contracts that are in various stages of completion. Such contracts require estimates to determine the appropriate cost and revenue recognition. We have a history of making reasonably dependable estimates of the extent of progress towards completion, contract revenues and contract costs. However, current estimates may be revised as additional information becomes available. If estimates of costs to complete long-term contracts indicate a loss, provision is made currently for the total loss anticipated.

Recently issued accounting pronouncements

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 nullifies Emerging Issues Task Force Issue No. 94-3 and requires that a liability for a cost associated with and exit or disposal activity be recognized when the liability is incurred. This statement also establishes that fair value is the objective for initial measurement of the liability.

SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. The impact of the adoption of SFAS No. 146 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of FASB Statement No. 123." SFAS No. 148 amends SFAS No. 123,"Accounting for Stock-Based Compensation," to provide alternative methods of transition for an entity that voluntarily changes to the fair value-based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of that statement to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. The Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in APB Opinion No. 25 and the related SFAS No. 123. The adoption of SFAS No. 148 did not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

In November 2002, the FASB issued FASB Interpretation No. 45, ("FIN No. 45") "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 requires that upon issuance of a guarantee, a guarantor must recognize a liability for the fair value of an obligation assumed under a guarantee. FIN No. 45 also requires

additional disclosures by a guarantor in its interim and annual financial statements about the obligations associated with guarantees issued. The recognition provisions of FIN No. 45 are effective for any guarantees issued or

modified after December 31, 2002. The disclosure requirements are effective for financial statements of interim or annual periods ending December 15, 2002. The adoption of the disclosure requirements of FIN No. 45 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In January 2003, the FASB issued FASB Interpretation No. 46 ("FIN No. 46") "Consolidation of Variable Interest Entities." In general, a variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A variable interest entity often holds financial assets, including loans or receivables real estate or other property. A variable interest entity may be essentially passive or it may engage in activities on behalf of another company. Until now, a company generally has included another entity in its consolidated financial statements only if it controlled the entity through voting interests. FIN No. 46 changes that by requiring a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. FIN No. 46's consolidation requirements apply immediately to variable interest entities created or acquired after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year on interim period beginning after June 15, 2003. Certain of the disclosure requirements apply to all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The adoption of FIN No. 46 did not have a material effect on our consolidated financial position, results of operations or cash flows.

In May 2003, the Financial Accounting Standards Board issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 changes the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. The new statement requires that those instruments be classified as liabilities in statements of financial position. Most of the guidance in SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003. The adoption of this statement did not have a material impact on our consolidated financial position, results of operations or cash flows.

Forward Looking Statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations includes a number of forward-looking statements that reflect Management's current views with respect to future events and financial performance. Those statements include statements regarding the intent, belief or current expectations of the Company and members of its management team as well as the assumptions on which such statements are based. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risk and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements. Readers are urged to carefully review and consider the various disclosures made by the Company in this report and in the Company's other reports filed with the Securities and Exchange Commission. Important factors currently known to Management could cause actual results to differ materially from those in forward-looking statements. The Company undertakes no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in the future operating results over time. The Company believes that its assumptions are based upon reasonable data derived from and known about its business and operations and the business and operations of the Company. No assurances are made that actual results of operations or the results of the Company's future activities will not differ materially from its assumptions.

ITEM 7 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of WPCS International Incorporated

We have audited the accompanying consolidated balance sheets of WPCS International Incorporated and Subsidiaries as of April 30, 2004 and 2003, and the related consolidated statements of operations, shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Overnight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of WPCS International Incorporated and Subsidiaries as of April 30, 2004 and 2003, and their consolidated results of operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/ s / J.H. COHN LLP

Roseland, New Jersey
July 28, 2004

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

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ASSETS	APRIL 30, 2004	APRIL 30, 2003
<S>	<C>	<C>
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,984,636	$ 167,547
Accounts receivable, net of allowance of $61,779 and $11,779 at April 30, 2004 and 2003, respectively	5,909,879	2,397,236
Costs and estimated earnings in excess of billings on uncompleted contracts	2,123,031	408,194
Inventory	104,799	77,775
Prepaid expenses	264,076	143,113
Deferred income taxes	60,000	70,000
Total current assets	10,446,421	3,263,865
PROPERTY AND EQUIPMENT, net	1,005,760	647,951
CUSTOMER LISTS	603,333	499,000

GOODWILL	8,681,870	5,388,882
OTHER ASSETS	144,713	21,528
Total assets	$ 20,882,097	$ 9,821,226

The accompanying notes are an integral part of these consolidated financial statements.
</TABLE>

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

LIABILITIES AND STOCKHOLDERS' EQUITY	APRIL 30, 2004	APRIL 30, 2003
<S>	<C>	<C>
CURRENT LIABILITIES:		
Borrowings under lines of credit	$ 551,000	$ -
Current maturities of capital lease obligation	2,534	2,294
Current maturities of loans payable	94,056	21,268
Accounts payable and accrued expenses	4,732,200	1,278,443
Billings in excess of costs and estimated earnings on uncompleted contracts	2,162,452	215,819
Due to officer	-	100,000
Due to shareholders	88,157	58,207
Income taxes payable	223,753	23,700
Deferred income taxes	196,100	129,000
Total current liabilities	8,050,252	1,828,731
Capital lease obligation, net of current portion	2,073	4,608
Loans payable, net of current portion	170,362	-
Due to shareholders, net of current portion	1,026,755	-
Deferred income taxes	344,900	527,000
Total liabilities	9,594,342	2,360,339
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Preferred Stock - $0.0001 par value, 5,000,000 shares authorized, none issued	-	-
Common Stock - $0.0001 par value, 75,000,000 shares authorized, 20,849,976 shares and 13,078,844 shares issued and outstanding, respectively	2,085	1,308
Additional paid-in capital	11,991,476	8,002,639
Unearned consulting services	(38,559)	-
Accumulated deficit	(667,247)	(543,060)

Total shareholders' equity	11,287,755	7,460,887
Total liabilities and shareholders' equity	$ 20,882,097	$ 9,821,226

The accompanying notes are an integral part of these consolidated financial statements.
</TABLE>

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

<S>	Year Ended April 30, 2004 <C>	2003 <C>
REVENUE	$22,076,246	$5,422,858
COSTS AND EXPENSES:		
Cost of revenue	16,076,155	3,768,495
Selling, general and administrative expenses	5,560,583	1,860,827
Provision for doubtful accounts	91,137	38,779
Depreciation and amortization	382,510	116,501
Total costs and expenses	22,110,385	5,784,602
OPERATING LOSS	(34,139)	(361,744)
OTHER EXPENSE:		
Interest expense	14,048	-
LOSS BEFORE PROVISION FOR INCOME TAXES	(48,187)	(361,744)
Income tax provision	(76,000)	(19,550)
NET LOSS	(124,187)	(381,294)
Imputed dividends accreted on Convertible Series B Preferred stock	-	(173,000)
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	($124,187)	($554,294)
Basic net loss per common share	($0.01)	($0.05)
Basic weighted average number of common shares outstanding	18,260,359	10,376,685

The accompanying notes are an integral part of these consolidated financial statements.
</TABLE>

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

<TABLE>
<CAPTION>

Additional Unearned Total

	Preferred Stock		Common Stock		Paid-In	Consulting	Shareholders'	Accumulated
	Shares	Amount	Shares	Amount	Capital	Services	Equity	Deficit
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE, MAY 1, 2002	-	$0	5,500,000	$550	$4,450	$0	$11,234	$ 16,234
Effect of reverse acquisition	250	1	1,025,632	103	(80,919)	-	-	(80,815)
Return and retirement of common stock in connection with reverse acquisition	-	-	(500,000)	(50)	50	-	-	-
Sale of Series B Preferred Stock sold through private placement	455	-	-	-	455,000	-	-	455,000
Series B Preferred Stock issued in consideration for payment of accounts payable	64	0	-	-	64,000	-	-	64,000
Conversion of Series A Preferred Stock to common stock	(250)	(1)	3,000,000	300	(299)	-	-	-
Imputed Series B Preferred Stock dividend attributable to beneficial conversion feature	-	-	-	-	173,000	-	(173,000)	-
Sale of Series C Preferred Stock sold through private placement	1,000	-	-	-	1,000,000	-	-	1,000,000
Issuance of common stock upon acquisition of Invisinet, Inc.	-	-	1,000,000	100	1,749,900	-	-	1,750,000
Issuance of common stock upon acquisition of Walker Comm, Inc.	-	-	2,486,000	249	4,574,000	-	-	4,574,249
Conversion of Series B Preferred Stock to common stock	(519)	-	567,212	56	(56)	-	-	-
Stock options granted to an officer in connection with the acquisition of Invisinet, Inc.	-	-	-	-	63,513	-	-	63,513
Net loss	-	-	-	-	-	-	(381,294)	(381,294)

The accompanying notes are an integral part of these consolidated financial statements.
</TABLE>

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY - CONTINUED

<TABLE>
<CAPTION>

	Preferred Stock		Common Stock		Additional Paid-In	Unearned Consulting	Total Shareholders'	Accumulated
	Shares	Amount	Shares	Amount	Capital	Services	Equity	Deficit
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE, APRIL 30, 2003	1,000	$0	13,078,844	$1,308	$ 8,002,639	$0	($543,060)	$ 7,460,887

Conversion of Series C Preferred Stock to common stock	(1,000)	-	1,786,000	179	(179)	-	-	-
Issuance of common stock through private placement	-	-	4,444,400	444	2,173,824	-	-	2,174,268
Issuance of common stock, acquisition of Clayborn Contracting Group, Inc.	-	-	826,446	83	867,685	-	-	867,768
Issuance of common stock, acquisition of Heinz Corporation	-	-	714,286	71	699,929	-	-	700,000
Fair value of stock options granted to nonemployees	-	-	-	-	196,166	-	-	196,166
Issuance of stock options for consulting services	-	-	-	-	51,412	(51,412)	-	0
Amortization of unearned consulting services	-	-	-	-	-	12,853	-	12,853
Net loss	-	-	-	-	-	-	(124,187)	(124,187)
BALANCE, APRIL 30, 2004	0	$0	20,849,976	$2,085	$11,991,476	($38,559)	($667,247)	$11,287,755

The accompanying notes are an integral part of these consolidated financial statements.
</TABLE>

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Year Ended April 30, 2004	2003
<S>	<C>	<C>
OPERATING ACTIVITIES :		
Net loss	($124,187)	($381,294)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	382,510	116,501
Provision for doubtful accounts	91,137	38,779
Gain on disposition of fixed assets	-	(2,085)
Fair value of stock options granted	209,019	-
Deferred income taxes	(218,800)	-
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(2,422,541)	

	2004	2003
		(676,341)
Costs and estimated earnings in excess of billings on uncompleted contracts	(1,379,816)	(10,087)
Inventory	11,976	2,428
Prepaid expenses	(51,319)	(99,789)
Other assets	(24,032)	(75)
Accounts payable and accrued expenses	2,354,024	182,614
Billings in excess of costs and estimated earnings on uncompleted contracts	1,908,541	(155,539)
Income taxes payable	200,053	19,550
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	936,565	(965,338)
INVESTING ACTIVITIES:		
Proceeds from disposition of fixed assets	-	41,607
Acquisition of property and equipment	(86,011)	(3,065)
Proceeds from repayment of note receivable	-	172,514
Acquisition of Clayborn, net of cash received	(722,177)	-
Acquisition of Heinz, net of cash received	(109,194)	-
Acquisition earn-out and other transaction costs	(497,677)	(375,993)
NET CASH USED IN INVESTING ACTIVITIES	(1,415,059)	(164,937)

The accompanying notes are an integral part of these consolidated financial statements.
</TABLE>

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

<TABLE>
<CAPTION>

<S>	Year Ended April 30, 2004 <C>	2003 <C>
FINANCING ACTIVITIES:		
Cash received in reverse acquisition	-	3,257
Restricted cash	-	(200,000)
Proceeds from advances from officers	-	100,000
Repayment of advances from officers	(100,000)	(20,743)
Proceeds from sale of preferred stock	-	1,455,000
Proceeds from sale of common stock	2,174,268	-
Borrowings on line of credit	461,000	-
Repayment of equipment loans payable	(237,390)	

	2004	2003
		(53,169)
Payments of capital lease obligations	(2,295)	(2,077)
NET CASH PROVIDED BY FINANCING ACTIVITIES	2,295,583	1,282,268
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,817,089	151,993
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	167,547	15,554
CASH AND CASH EQUIVALENTS, END OF YEAR	$1,984,636	$ 167,547

The accompanying notes are an integral part of these consolidated financial statements.
</TABLE>

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF CASH FLOWS - CONTINUED

<TABLE>
<CAPTION>

	Year Ended April 30, 2004	2003
<S>	<C>	<C>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	$ 15,770	$ 8,131
Income taxes	$ 105,193	$1,380
SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Issuance of common stock for net noncash assets received in acquisitions	$1,567,768	$6,324,249
Earn-out consideration unpaid relating to acquisitions	$1,114,912	$ 58,207
Issuance of note for net noncash assets received in acquisition	$ 182,648	$ -
Issuance of note for property and equipment	$ 32,339	$ -
Equipment acquired under capital lease	$ -	$ 9,468
Issuance of 64 shares of Series B preferred stock as payment of advances from shareholder and accounts payable	$ -	$ 64,000
Imputed Series B preferred stock dividend attributable to a beneficial conversion feature	$ -	$ 173,000
Conversion of Series A preferred stock to common stock	$ -	$ 300
Conversion of Series B preferred stock to common stock	$ -	

		$ 56
Conversion of Series C preferred stock to common stock	$ 179	$ -
Stock options issued related to an acquisition	$ -	$ 63,513

The accompanying notes are an integral part of these consolidated financial statements.
</TABLE>

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of WPCS International Incorporated ("WPCS") and its wholly owned subsidiaries, WPCS Incorporated , Invisinet Inc. ("Invisinet") from November 13, 2002 (date of acquisition), Walker Comm Inc. ("Walker") from December 30, 2002 (date of acquisition), Clayborn Contracting Group, Inc. from August 22, 2003 (date of acquisition), and Heinz Corporation ("Heinz") from April 2, 2004 (date of acquisition), collectively the "Company".

The Company is a project engineering company that focuses on the implementation requirements of specialty communication systems, wireless fidelity ("WiFi") deployment and fixed wireless deployment. The Company provides a range of specialty communication services including project management, site design, structured cabling, product integration, network security and technical support.

On May 17, 2002, Phoenix Star Ventures, Inc. ("PSVI") a publicly held "shell company", became the legal acquirer of WPCS Holdings, Inc. ("Holdings") by issuing 5,500,000 shares of its common stock to the shareholders of Holdings in exchange for all of the outstanding common shares of Holdings. The former shareholders of Holdings, immediately after the business combination, owned the majority of the combined companies. Accordingly, the business combination has been accounted for as a reverse acquisition, whereby, for accounting purposes, Holdings is the accounting acquirer and PSVI is the accounting acquiree. The consolidated financial statements of the Company include the accounts of PSVI since its acquisition. The cost of the acquisition approximated the fair value of the net assets of PSVI that were acquired and accordingly, assets, liabilities and the outstanding preferred stocks of PSVI were initially recorded at historical carrying values.

On May 24, 2002, PSVI's principal shareholder returned 500,000 shares of its common stock to the Company, without compensation. Subsequently, these common shares were retired and cancelled.

On November 13, 2002, the Company acquired all of the outstanding shares of Invisinet from its shareholders in exchange for an aggregate of 1,000,000 newly issued shares of the Company's common stock. An additional 150,000 shares of the Company's common stock were to be issued to a shareholder, provided Invisinet achieved certain financial targets over a two year period beginning on the first anniversary date of the merger. On May 27, 2003, the Company and the shareholder mutually agreed to cancel the issuance of these shares and in exchange, issued options to purchase 300,000 shares of the Company's common stock.

On December 30, 2002, the Company acquired all of the outstanding shares of Walker in exchange for an aggregate of 2,486,000 newly issued shares of the Company's common stock and $500,000 cash consideration. An additional $500,000 is payable contingent upon Walker achieving certain net profits, to be paid in quarterly distributions equal to 75% of net income, which would increase the purchase price. At April 30, 2004, $500,000 has been charged to goodwill relating to this earn-out provision.

On August 22, 2003, the Company acquired all of the outstanding shares of Clayborn in exchange for an aggregate of 826,446 newly issued shares of the Company's common stock and $900,000 cash consideration. An additional $1,100,000 is due by September 30, 2007, payable in quarterly distributions, by payment to the Clayborn shareholders of 50% of the quarterly post-tax profits of Clayborn.

On April 2, 2004, the Company acquired all of the issued and outstanding common stock of Heinz. The Company acquired all of the issued and outstanding shares of Heinz for $1,000,000, as follows: (1) $700,000 of the Company's common stock, based on the closing price of our common stock on March 30, 2004 of $0.98 per share, for an aggregate of 714,286 newly issued shares of the Company's common stock and (2) $300,000 total cash consideration, of which $100,000 was paid at closing and a $200,000 non-interest bearing promissory note. Of the $200,000, $75,000 is payable on the first and second anniversaries of the closing date and

$50,000 is payable on the third anniversary of the closing date.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows:

Principles of Consolidation

All significant intercompany transactions and balances have been eliminated in these consolidated financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include all cash and highly-liquid investments with an original maturity of three months or less.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The Company reduces credit risk by placing its temporary cash and investments with major financial institutions with high credit ratings. At times, such amounts may exceed Federally insured limits. The Company reduces credit risk related to accounts receivable by routinely assessing the financial strength of its customers and maintaining an appropriate allowance for doubtful accounts based on its history of write-offs, current economic conditions and an evaluation of the credit risk related to specific customers.

Accounts Receivable

Accounts receivable are due within contractual payment terms and are stated at amounts due from customers net of an allowance for doubtful accounts. Credit is extended based on evaluation of a customer's financial condition. Accounts outstanding longer than the contractual payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they become uncollectible, and payment subsequently received on such receivables are credited to the allowance for doubtful accounts. Included in the accounts receivable is retainage receivable of $561,288 which is expected to be collected within one year.

Inventory

Inventory consists of parts and supplies and is stated using the weighted average cost method.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are provided for, using straight-line methods, in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Repairs and maintenance are charged to operations as incurred.

Goodwill

Effective May 1, 2002, the Company adopted Statement of Financial Standards ("SFAS") No. 142, Goodwill and Other Intangible Assets. In accordance with the guidelines of this accounting standard, goodwill and indefinite-lived intangible assets are no longer amortized but are assessed for impairment on at least an annual basis. SFAS No. 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment.

SFAS No. 142 requires that goodwill be tested for impairment upon adoption and at least annually thereafter, utilizing a two-step methodology. The initial step requires the Company to determine the fair value of the business acquired (reporting unit) and compare it to the carrying value, including goodwill, of such business (reporting unit). If the fair value exceeds the carrying value, no impairment loss would be recognized. However, if the carrying value of the

reporting unit exceeds its fair value, the goodwill of the unit may be impaired. The amount, if any, of the impairment is then measured in the second step.

The Company completed the initial step of impairment testing which indicated that no goodwill impairment existed as of April 30, 2004. The Company determined the fair value of the businesses acquired for purposes of this test primarily by using a discounted cash flow valuation technique. Significant estimates used in the valuation include estimates of future cash flows, both future short-term and long-term growth rates, and estimated cost of capital for purposes of arriving at a discount factor. The fair value of the Company's reporting units derived using discounted cash flow models exceeded the carrying values of the reporting units. Accordingly, step two was unnecessary and no impairment was recognized in the consolidated statement of operations for the years ended April 30, 2004 and 2003. On an ongoing basis, the Company expects to perform its annual impairment test during the fourth quarter absent any interim impairment indicators.

Goodwill through the year ended April 30, 2004 consisted of the following:

Beginning balance, May 1, 2003	$5,388,882
Clayborn acquisition	1,772,806
Heinz acquisition	1,065,799
Walker earn out provision	441,793
Transaction costs	12,590
Ending balance, April 30, 2004	$8,681,870

Revenue Recognition

The Company generates its revenue by providing project engineering and installation services for specialty communication systems, including wireless fidelity (WiFi) and fixed wireless deployment. The Company provides a range of specialty communication services including project management, site design, structured cabling, product integration, network security and technical support. These projects may require the integration of multiple communication components and engineering services in order to complete the project.

The Company records profits on these projects on a percentage-of-completion basis on the cost-to-cost method. Contracts in process are valued at cost plus accrued profits less earned revenues and progress payments on uncompleted contracts. Contracts are generally considered substantially complete when engineering is completed and/or site construction is completed. The Company includes in operations pass-through revenue and costs on cost-plus contracts, which are customer-reimbursable materials, equipment and subcontractor costs, when the Company determines that it is responsible for the engineering specification, procurement and management of such cost components on behalf of the customer.

The Company has numerous contracts that are in various stages of completion. Such contracts require estimates to determine the appropriate cost and revenue recognition. The Company has a history of making reasonably dependable estimates of the extent of progress towards completion, contract revenues and contract costs. However, current estimates may be revised as additional information becomes available. If estimates of costs to complete long-term contracts indicate a loss, provision is made currently for the total loss anticipated.

Income Taxes

Income taxes are accounted for in accordance with SFAS No. 109, "Accounting of Income Taxes." Under SFAS No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under

SFAS No. 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The recognition of deferred tax assets is reduced by a valuation allowance if it is more likely than not that the tax benefits will not be realized. The ultimate realization of deferred tax assets depends upon the generation of future taxable income during the periods in which those temporary differences become deductible.

Earnings (Loss) Per Share

Earnings (loss) per common share is computed pursuant to SFAS No. 128, "Earnings Per Share" ("EPS"). Basic income (loss) per share is computed as net income

(loss) available to common shareholders divided by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common stock issuable through stock options, restrictive stock awards, warrants and other convertible securities. At April 30, 2004, the Company had 3,478,475 stock options and 5,109,400 warrants outstanding. At April 30, 2003, 77,000 stock options were outstanding. Diluted EPS is not presented since the effect of the assumed exercise of options and the assumed conversion of the Series C convertible preferred stock would be antidilutive.

Stock-Based Compensation Plans

The Company maintains a stock option plan, as more fully described in Note 11 to the consolidated financial statements, which is accounted for using the "intrinsic value" method pursuant to the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations, and, accordingly, when the exercise price of an employee stock option granted by the Company is equal to or greater than the market price of the underlying stock on the date of grant, no compensation expense is recognized. Therefore, the Company has elected the disclosure only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation."

The Company applies the intrinsic value method in accounting for its stock-based compensation plan. Had the Company measured compensation under the fair value based method for stock options granted, the Company's net loss attributable to common shareholders and net loss per share attributable to common shareholders for the years ended April 30, 2004 and 2003 would have been as follows:

	2004	2003
Net loss attributable to common shareholders, as reported	($124,187)	($554,294)
Deduct: total stock-based employee compensation expense determined under the fair value based method for all awards, net of tax	(141,109)	(9,992)
Net loss attributable to common shareholders, pro forma	($265,296)	($564,286)
Net loss per share attributable to common shareholders		
As reported	($0.01)	($0.05)
Pro forma	($0.01)	($0.05)

The fair value of each option grant was estimated on the date of grant using the Black-Scholes Option pricing model with the following assumptions: Risk-free interest rate ranging from 2% to 3.6%, dividend yield of 0%, expected life of 5 years and volatility of 73.2% in 2004 and 71.6% in 2003.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting

period. The most significant estimates relate to the calculation of percentage of completion on uncompleted contracts, allowance for doubtful accounts, valuation of inventory and life of customer lists. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In June 2002, the FASB issued SFAS No.146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 nullifies Emerging Issues Task Force

Issue No. 94-3 and requires that a liability for a cost associated with and exit or disposal activity be recognized when the liability is incurred. This statement also establishes that fair value is the objective for initial measurement of the liability. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. The impact of the adoption of SFAS No. 146 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of FASB Statement No.123." SFAS No. 148 amends SFAS No. 123,"Accounting for Stock-Based Compensation," to provide alternative methods of transition for an entity that voluntarily changes to the fair value-based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of that statement to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. The Company has chosen to continue to account for stock-based compensation using the intrinsic value method prescribed in APB Opinion No. 25 for the year ended April 30, 2004. The adoption of SFAS No. 148 did not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

In November 2002, the FASB issued FASB Interpretation No. 45, ("FIN No. 45") "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN No. 45 requires that upon issuance of a guarantee, a guarantor must recognize a liability for the fair value of an obligation assumed under a guarantee. FIN No. 45 also requires additional disclosures by a guarantor in its interim and annual financial statements about the obligations associated with guarantees issued. The recognition provisions of FIN No. 45 are effective for any guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002. The adoption of the disclosure requirements of FIN No. 45 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

In January 2003, the FASB issued FASB Interpretation No. 46 ("FIN No. 46") "Consolidation of Variable Interest Entities." In general, a variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. A variable interest entity often holds financial assets, including loans or receivables real estate or other property. A variable interest entity may be essentially passive or it may engage in activities on behalf of another company. Until now, a company generally has included another entity in its consolidated financial statements only if it controlled the entity through voting interests. FIN No. 46 changes that by requiring a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. FIN No. 46's consolidation requirements apply immediately to variable interest entities created or acquired after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year on interim period beginning after June 15, 2003. Certain of the disclosure requirements apply to all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The adoption of FIN No. 46 did not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

In May 2003, the Financial Accounting Standards Board issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 changes the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. The new statement requires that those instruments be classified as liabilities in statements of financial position. Most of the guidance in SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003. The adoption of this statement did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

NOTE 3 - ACQUISITIONS

Clayborn

On August 22, 2003, the Company completed a merger with Clayborn Contracting Group, Inc, a California corporation ("Clayborn"). The acquisition of Clayborn gives the Company expertise in engineering and deployment services for specialty communication systems and additional wireless opportunities to pursue.

The aggregate consideration paid by the Company for Clayborn was approximately

$2,929,000. The Company acquired all of the issued and outstanding shares of Clayborn in exchange for $900,000 cash consideration and $61,000 of transaction costs, and 826,446 newly issued shares of the Company's common stock with a fair value of approximately $868,000 based on the average value of the Company's common stock as of a few days before and after the merger terms were agreed to and announced. An additional $1,100,000 is due by September 30, 2007, payable in quarterly distributions, by payment to the Clayborn shareholders of 50% of the quarterly post tax profits of Clayborn.

The acquisition of Clayborn was accounted for under the purchase accounting method of accounting in accordance with SFAS No. 141, "Business Combinations." Under the purchase method of accounting, assets acquired and liabilities assumed are recorded at their estimated fair values. Goodwill and (or) other intangible assets are recorded to the extent the merger consideration, including certain acquisition and closing costs, exceeds the fair value of the net identifiable assets acquired at the date of the merger.

A valuation of certain assets was completed, including property and equipment, backlog, list of major customers, and the Company internally determined the fair value of its other assets and liabilities. In determining the fair value of acquired assets, standard valuation techniques were used including the market and cost approaches. The initial purchase price allocation has been adjusted as a result of final valuation, with fixed assets increasing in value by $74,000, customer lists being valued at $245,000, inventory being valued at $39,000 and backlog being valued at $13,500, resulting in a decrease in goodwill by these combined amounts. The aggregate changes resulted in goodwill being decreased to $1,772,806 as of the acquisition date.

The purchase price allocation has been determined as follows:

Assets purchased:	
Cash	$ 134,218
Accounts receivable	575,804
Costs in excess of billings	231,562
Income tax refunds receivable	104,765
Inventory	39,000
Fixed assets	444,126
Backlog	13,500
Customer list	245,000
Other assets	97,669
Goodwill	1,772,806
	3,658,450
Liabilities assumed:	
Accounts payable	(294,992)
Accrued expenses	(136,119)
Notes payable	(184,611)
Deferred tax liability	(113,800)
	(729,522)
Purchase price	$ 2,928,928

Heinz

On April 2, 2004, the Company acquired all of the issued and outstanding common stock of Heinz Corporation ("Heinz"). The Company acquired all of the issued and outstanding shares of Heinz for $1,000,000, as follows: (1) $700,000 of the Company's common stock, based on the closing price of our common stock on March 30, 2004 of $0.98 per share, for an aggregate of 714,286 newly issued shares of the Company's common stock and (2) $300,000 total cash consideration, of which $100,000 was paid at closing and a $200,000 non-interest bearing promissory note. Of the $200,000, $75,000 is payable on the first and second anniversaries of the closing date and $50,000 is payable on the third anniversary of the closing date. The purchase price includes the present value of the note totaling $182,648, discounted at 5%. The current and long-term discounted maturity of this note is $71,429 and $111,219, respectively. Based on the preliminary information currently available, the acquisition resulted in goodwill of approximately $1,066,000. Upon completion of a formal purchase price allocation there may be a decrease in the amount assigned to goodwill and a corresponding increase in tangible or other intangible assets.

Heinz is a St. Louis, Missouri based provider of in-building wireless infrastructure services for both cellular and WiFi applications, including consulting, integration and installation services for wireless infrastructure. In addition, Heinz has performed fixed wireless services, structured cabling, and cellular base station equipment installation and testing. The acquisition of Heinz gives the Company additional project engineering expertise for wireless

infrastructure services, broadens its customer base, and expands its geographical presence in the Midwest.

The acquisition of Heinz was accounted for under the purchase accounting method of accounting in accordance with SFAS No. 141, "Business Combinations." Under the purchase method of accounting, assets acquired and liabilities assumed are recorded at their estimated fair values. Goodwill and (or) other intangible assets are recorded to the extent the merger consideration, including certain acquisition and closing costs, exceeds the fair value of the net identifiable assets acquired at the date of the merger.

The preliminary purchase price allocation has been determined as follows:

Assets purchased:	
Cash	$ 8,052
Accounts receivable	605,435
Costs in excess of billings	103,459
Fixed assets	23,676
Other assets	71,128
Goodwill	1,065,799
	1,877,549
Liabilities assumed:	
Accounts payable	(546,293)
Accrued expenses	(130,694)
Line of credit	(90,000)
Notes payable	(80,942)
Billings in excess of cost	(29,223)
	(877,152)
Purchase price	$ 1,000,397

The following unaudited pro forma consolidated financial information for the years ended April 30, 2004 and 2003, present the combined results of operations of the Company, as if the acquisitions of Clayborn and Heinz had occurred on May 1, 2003

and 2002, after giving effect to certain adjustments, including the issuance of the Company's common stock to Clayborn and Heinz as part of the purchase price. In addition, the unaudited pro forma consolidated financial information for the year ended April 30, 2003 includes the combined results of the Company, as if the acquisitions of Invisinet and Walker had occurred on May 1, 2002, including issuance of the Company's common stock to Invisinet and Walker. The pro forma financial information does not necessary reflect the results of operations that would have occurred had the Company, Clayborn, Heinz, Invisinet and Walker been a single entity during such periods.

<TABLE>
<CAPTION>

<S>	Year ended April 30, 2004 <C>	2003 <C>
Revenue	$27,236,503	$22,716,562
Net loss attributable to common shareholders	($423,186)	($1,862,417)
Weighted average number of shares used in calculations of basic loss per share	19,229,804	14,112,206
Basic net loss per share	($0.02)	($0.13)

</TABLE>

For all acquisitions, customer lists are being amortized over a period of 5 years. The Company recorded amortization expense of $154,000 and $41,000 for the years ended April 30, 2004 and April 30, 2003, respectively. The minimum amortization of customer lists is $603,000 over the next five years. Any future goodwill impairments are not deductible for income tax purposes.

NOTE 4 - COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

Costs and estimated earnings on uncompleted contracts consist of the following at April 30, 2004:

Costs incurred on uncompleted contracts	$17,574,035
Estimated contract profit	4,699,280
	22,273,315
Less: billings to date	22,312,736
Net costs in excess	($39,421)

Costs and estimated earnings in excess of billings	$2,123,031
Billings in excess of costs and estimated earnings on uncompleted contracts	(2,162,452)
Net costs in excess	($39,421)

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at April 30, 2004:

	Estimated useful life (years)	Amount
Furniture and fixtures	5 - 7	$163,778
Vehicles	5 - 7	624,304
Machinery and equipment	5	559,256
Leasehold improvements	3 - 10	192,349
		1,539,687
Less accumulated depreciation and amortization		533,927
		$1,005,760

Depreciation expense for property and equipment for the years ended April 30, 2004 and 2003 was approximately $228,300 and $75,500, respectively.

Property and equipment under capital leases totaled approximately $11,000 and accumulated depreciation on such property and equipment aggregated approximately $4,600 at April 30, 2004.

NOTE 6 - LINE OF CREDIT

On October 29, 2003, Walker obtained a revolving line of credit facility with a commercial bank in the amount of $750,000. The borrowing limit is up to 70% of eligible Walker accounts receivable. As of April 30, 2004, the borrowing base was $750,000 and the outstanding balance was $531,000. The line of credit is collateralized by all of Walker's accounts receivable, inventory and equipment and bears interest at the Wall Street Journal Prime Index Rate plus 1.5% (5.50% as of April 30, 2004). In addition, the Company and certain executive officers of the Company have personally guaranteed this line of credit facility. This line is subject to annual renewal and matures on November 5, 2004. Accrued interest is payable monthly.

In connection with the acquisition of Heinz, the Company assumed a revolving line of credit facility with a commercial bank in the amount of $200,000. As of April 30, 2004, the borrowing base was $200,000 and the outstanding balance was $20,000. The line of credit is collateralized by real estate property owned by the President of Heinz and his personal guarantee, and bears interest at 4.0% as of April 30, 2004. The Company has indemnified the President of Heinz for any personal liability arising from this line of credit facility. This line is subject to annual renewal and matures on November 16, 2004. Accrued interest is payable monthly.

NOTE 7 - RELATED PARTY TRANSACTIONS

In connection with the acquisition of Walker, an additional $500,000 is payable to the Walker shareholders, provided Walker achieves certain net profits, to be paid in quarterly distributions equal to 75% of net income. At April 30, 2004, $500,000 has been charged to goodwill relating to this earn-out provision and the total remaining payable to the Walker shareholders under this earn-out provision was $14,912.

In connection with the acquisition of Walker, the Company assumed a ten-year lease with trusts, of which, certain officers of the Company are the trustees,

for a building and land located in Fairfield, California, which is occupied by its Walker subsidiary. For the year ended April 30, 2004, $56,000 was paid as rent for this lease.

In connection with the acquisition of Clayborn, an additional $1,100,000 is due by September 30, 2007, payable in quarterly distributions to the Clayborn shareholders, by payment of 50% of the quarterly post tax profits of Clayborn.

NOTE 8 - RETIREMENT PLANS

Walker and Clayborn participate in an employee savings plan under Section 401(k) of the Internal Revenue Code pursuant to which eligible employees may elect to defer a portion of their annual salary by contributing to the plan. Contributions by Walker and Clayborn are made at the discretion of the Board of Directors. There were $4,000 in contributions made for the year ended April 30, 2004 and none for 2003.

The Company also contributes to multi-employer pension plans which provide benefits to union employees covered by collective bargaining agreements. General and administrative expenses include approximately $1,200,000 and $239,000 for such costs for the years ended April 30, 2004 and 2003, respectively.

NOTE 9 - INCOME TAXES

The provision or income taxes for the years ended at April 30, 2004 and 2003 is summarized as follows:

	2004	2003
Current		
Federal	$177,000	$ -
State	117,800	19,550
Deferred		
Federal	(49,000)	-
State	(169,800)	-
Totals	$76,000	$19,550

The actual provisions for income taxes reflected in the consolidated statements of operations for the years ended April 30, 2004 and 2003 differ from the amounts computed at the federal statutory tax rates. The principal differences between the statutory income tax expense and the effective provision for income taxes are summarized as follows:
<TABLE>
<CAPTION>

<S>	2004 <C>	2003 <C>
Expected tax benefit at statutory rate (34%)	($16,000)	($122,000)
State and local taxes, net of federal tax benefit	76,000	19,550
Increase in valuation allowance	16,000	122,000
	$76,000	$19,550

</TABLE>

The tax effects of temporary differences which give rise to deferred tax assets and liabilities at April 30, 2004 is summarized as follows:
<TABLE>
<CAPTION>

<S>	2004 <C>
Deferred tax assets:	
Net operating loss carryforward	$60,000
Allowance for doubtful accounts	26,000
Federal benefit of deferred state tax liabilities	34,000
Valuation allowance	(60,000)
Net deferred tax assets - current	60,000

Deferred tax liabilities:	
Sec 481(a) adjustment for cash to accrual basis accounting	
- current	(106,000)
- long term	(106,000)
Non-deductible amortization of purchase price	
Inventory - current	(29,000)
Fixed assets - long term	(132,000)
Customer lists - long term	(168,000)
Total	(541,000)
Net deferred tax liabilities	($481,000)

</TABLE>

The Company has net operating loss carryforwards for State tax purposes approximating $678,000 expiring through 2011. Due to the uncertainty of recognizing a tax benefit on these losses, the Company has provided a full valuation allowance against these deferred tax assets.

NOTE 10 - STOCK OPTION PLAN

The Company established a nonqualified stock option plan pursuant to which options to acquire a maximum of 5,000,000 shares of the Company's common stock were reserved for grant (the "2002 Plan"). Under the terms of the 2002 Plan, the options, which expire five years after grant, are exercisable at prices equal to the fair market value of the stock at the date of the grant and become exercisable in accordance with terms established at the time of the grant. At April 30, 2004, there were 1,521,525 shares available for grant under the 2002 Plan.

The following is a summary of activity with respect to stock options granted under the 2002 Plan at April 30, 2004:

<TABLE>
<CAPTION>

	Options outstanding		Options exercisable	
Exercise prices	Shares under option	Weighted-average remaining life in years	Shares	Exercise price
<S> <C>	<C>	<C>	<C>	<C>
$1.35	50,000	3.90	50,000	$1.35
$1.37	2,000	3.61	1,300	$1.37
$1.66	25,000	3.42	15,000	$1.66
$1.50	50,000	1.00	50,000	$1.50
$1.25	25,000	4.01	12,500	$1.25
$1.00	350,000	0.07	350,000	$1.00
$0.45	700,000	0.07	700,000	$0.45
$0.45	300,000	2.07	133,333	$0.45
$0.75	634,000	4.09	581,167	$0.75
$0.75	250,000	4.12	54,688	$0.75
$1.07	150,000	4.27	150,000	$1.07
$1.55	100,000	4.27	100,000	$1.55
$2.33	100,000	4.27	100,000	$2.33
$1.20	137,475	4.34	22,913	$1.20
$1.00	265,000	4.61	109,665	$1.00
$1.25	150,000	1.61	150,000	$1.25
$0.97	75,000	4.92	75,000	$0.97
$0.91	115,000	4.92	2,396	$0.91
Total	3,478,475		2,657,962	

</TABLE>

The weighted-average fair value of options on the grant date was $0.36 and $1.06, respectively, for options granted during the years ended April 30, 2004 and 2003.

NOTE 11 - SHAREHOLDERS' EQUITY

On June 25, 2003, (and amended July 24, 2003), the Company offered in a private placement, up to 100 units (the "Units") for sale to accredited investors at a price of $25,000 per Unit (the "Offering"). Each Unit consists of (i) 44,444 shares of the Company's common stock and (ii) warrants to purchase 44,444 shares of common stock, exercisable for a period of three years at an exercise price of

$0.90 per share (the "Warrants"). The Company sold all 100 Units from the Offering and received proceeds of $2,174,268 net of the placement agent commissions and other issuance costs. The Warrants may be redeemed in whole or in part at the option of the Company for $0.01, if the closing price of the Company's common stock is at least $1.25 per share on average for 10 consecutive trading days, ending not earlier than 30 days before the Warrants are called for redemption. In connection with the Offering, the placement agent was issued Warrants to purchase 665,000 shares of the Company's common stock, exercisable for a period of three years, at an exercise price of $0.75 per share.

On April 30, 2003, all 1,000 Series C Preferred shares were converted into 1,786,000 shares of the Company's common stock.

For the fiscal year ended April 30, 2004, the Company granted options to purchase 1,452,000 shares of its common stock to certain consultants. The options have exercise prices ranging from $0.45 to $2.33, and vesting periods of one to five years. The Company has valued these options using the Black-Scholes Option pricing model and recorded $209,000 of expense for the year ended April 30, 2004.

On April 21, 2004, a majority of the shareholders of the Company approved an increase in the total number of authorized common shares from 30,000,000 to 75,000,000.

NOTE 12 - SEGMENT REPORTING

The Company's reportable segments are determined based upon the nature of the services, the external customers and customer industries and the sales and distribution methods used to market the products. The Company has two reportable segments: wireless infrastructure services and specialty communication systems. The Company evaluates performance based upon (loss) income before income taxes. Corporate includes corporate salaries and external professional fees, such as accounting, legal and investor relations costs which are not allocated to the other subsidiaries. Corporate assets include cash, prepaid expenses and deferred tax assets. Segment reporting commenced after the Company acquired Walker in December 2002. Prior to that date, the Company operated as only one segment. Segment results for the years ended April 30, 2004 and 2003 are as follows:

<TABLE>
<CAPTION>

	Year ended April 30, 2004				Year ended April 30, 2003			
	Corporate	Wireless Infrastructure	Specialty Communication	Total	Corporate	Wireless Infrastructure	Specialty Communication	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue	$ -	$4,568,714	$17,507,532	$22,076,246	$ -	$1,850,300	$3,572,558	$5,422,858
Depreciation and Amortization	$98	40,054	342,358	382,510	$ -	21,544	94,957	116,501
(Loss) income before income taxes	($924,625)	$372,308	$504,130	($48,187)	($223,211)	($61,185)	($77,348)	($361,744)
Goodwill	$ -	$2,698,343	$5,983,527	$8,681,870	$ -	$1,627,044	$3,761,838	$5,388,882
Total assets	$803,082	$6,387,166	$13,691,849	$20,882,097	$136,963	$2,753,206	$6,931,057	$9,821,226

</TABLE>

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Employment Agreements

The Company has entered into employment contracts ranging from two to four years with its executive officers. The aggregate base salary commitments under these contracts at April 30, 2004 are approximately $1,600,000.

Litigation

From time to time, the Company may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm the Company's business. The Company is currently not aware of any such legal proceedings or claims that we believe will have, individually or in the aggregate, a material adverse affect on our business, consolidated financial condition or operating results.

Lease Commitments

The Company leases its office facilities pursuant to non-cancelable operating leases expiring through February 2011. The Company also has non-cancelable vehicle leases. The minimum rental commitments under these non-cancelable leases at April 30, 2004 are summarized as follows:

Year ending April 30,	
2005	$215,720
2006	165,799
2007	125,814
2008	107,481
2009	102,854
Thereafter	196,421
Total minimum lease payments	$914,089

Rent expense for all operating leases was approximately $260,000 and $100,000 in 2004 and 2003, respectively.

Walker Comm, Inc. Acquisition

In connection with the acquisition of Walker, an additional $500,000 is payable to the Walker shareholders, provided Walker achieves certain net profits, to be paid in quarterly distributions equal to 75% of net income. Through April 30, 2004, $485,088 was paid and $14,912 was payable to the Walker shareholders against this earn-out provision. Accordingly, goodwill was increased by $500,000.

In connection with the acquisition of Walker, the Company assumed a ten-year lease with trusts, of which, certain officers of the Company are the trustees, for a building and land located in Fairfield, California, which is occupied by its Walker subsidiary. For the year ended April 30, 2004, $56,000 was paid as rent for this lease.

Clayborn Contracting Group, Inc. Acquisition

In connection with the acquisition of Clayborn, an additional $1,100,000 is due by September 30, 2007, payable in quarterly distributions to the Clayborn shareholders, by payment of 50% of the quarterly post tax profits of Clayborn.

ITEM 8 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE. NONE

ITEM 8A - CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. An evaluation was performed under the supervision and with the participation of our management, including the chief executive officer and the chief financial officer, of the effectiveness of the design and operation of our disclosure procedures. Based on management's evaluation as of the end of the period covered by this Annual Report, our principal executive officer and chief financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) were sufficiently effective to ensure that the information required to be disclosed by us in the reports that we file under the Exchange Act is gathered, analyzed and disclosed with adequate timeliness, accuracy and completeness.

Changes in internal controls. There have been no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation referred to above, nor were there any significant deficiencies or material weaknesses in our internal controls. Accordingly, no corrective actions were required or undertaken.

ITEM 9 - DIRECTORS AND OFFICERS OF THE REGISTRANT

The following persons are our executive officers and directors as of the date hereof:

NAME	AGE	OFFICES HELD
Andrew Hidalgo	48	Chairman, Chief Executive Officer and Director
Donald Walker	41	Executive Vice President
E.J. von Schaumburg	37	Executive Vice President
James Heinz	42	Executive Vice President
Joseph Heater	40	Chief Financial Officer
Norm Dumbroff	43	Director
Neil Hebenton	48	Director
Gary Walker	49	Director
William Whitehead	48	Director

Andrew Hidalgo, Chairman and Chief Executive Officer

Mr. Hidalgo became Chairman of the Board and Chief Executive Officer of the Company in June 2002. He is responsible for the Company's operations and direction. From September 2000 until June 2002, Mr. Hidalgo was President of Wireless Professional Communication Services, Inc. From November 1999 to September 2000, Mr. Hidalgo was Chairman and Chief Executive Officer of CommSpan Incorporated. From December 1997 to November 1999, Mr. Hidalgo was Senior Vice President at Applied Digital Solutions, a communications infrastructure company, where he was responsible for implementing a strategic direction involving acquisitions, business integration and sales development while managing overall operations for the company's five core business divisions and 25 subsidiary companies. Prior to that, Mr. Hidalgo held various positions in operations, sales and marketing with the 3M Company, Schlumberger and General Electric. He attended Fairfield University in Fairfield, Connecticut where he majored in Marketing and Finance.

Donald Walker, Executive Vice President

Mr. Walker has been Executive Vice President since December 2002. Mr. Walker was the founder of Walker Comm, Inc. and its Chief Executive Officer from November 1996 until it's acquisition by WPCS in December 2002. He has over twenty-one years of project management experience and is a Registered Communications Distribution Designer (RCDD). In addition, Mr. Walker is a committee member with the National Electrical Contractors Association (NECA). Mr. Walker began his project engineer career at General Dynamics where he developed his engineering skills while managing large projects and coordinating technical staff.

E.J. von Schaumburg, Executive Vice President

Mr. von Schaumburg has been Executive Vice President since November 2002. He is responsible for the strategic development of WPCS including major accounts and corporate marketing. From July 2000 until November 2002, Mr. Von Schaumburg was President of Invisinet, Inc. He is a twelve-year veteran of the wireless industry and founding member of the Wireless Ethernet Compatibility Alliance (WECA). From February 1989 until July 2000, Mr. von Schaumburg worked for eight years as a Business Development Manager for AT&T and three years as a divisional CFO for Lucent Technologies. Mr. von Schaumburg holds a B.S. in Finance from St. Bonaventure University and an M.B.A. from Fairleigh Dickinson University.

James Heinz, Executive Vice President

Mr. Heinz has been Executive Vice President since April 2004. Mr. Heinz was the founder of Heinz Corporation and its President since January 1994 until its acquisition by WPCS in April 2004. He has over twenty years of project engineering experience in civil and commercial construction projects with over ten years specifically dedicated to wireless infrastructure services. He is the Chairman of the Construction Advisory Board for Southern Illinois University and a general advisory member of the School of Engineering. He holds a B.S. degree in construction management from Southern Illinois University.

Joseph Heater, Chief Financial Officer

Mr. Heater has been Chief Financial Officer since July 2003. From November 2001 to June 2003, Mr. Heater was the Controller for Locus Pharmaceuticals, Inc., a development stage pharmaceutical company. Prior to that, from April 1999 to September 2001, Mr. Heater was Director of Finance and Corporate Controller for esavio Corporation, an information technology consulting company providing application development, network design, integration, and managed services. Prior to that, from March 1995 to November 1998, Mr. Heater was Director of Financial Planning and Assistant Corporate Controller for Airgas, Inc. Mr. Heater holds a B.S. from the University of Nebraska and an M.B.A. from Villanova University.

Directors:

Norm Dumbroff

Mr. Dumbroff became a Director of WPCS in 2002. He has been the Chief Executive Officer of Wav Incorporated since April 1990, a distributor of wireless products in North America. Prior to Wav Incorporated, Mr. Dumbroff was an engineer for Hughes Aircraft. He holds a B.S. degree in Computer Science from Albright College.

Neil Hebenton

Mr. Hebenton became a director of WPCS in October 2002. Since February 2002, he has been Senior Director, Business Development, for Perceptive Informatics, Inc. (a subsidiary of PAREXEL International Corp.), a company offering clinical trial data management software applications to pharmaceutical and biotechnology companies. From January 1998 to January 2002, he was the Managing Director for the U.K. based FW Pharma Systems, a multi-million dollar application software company serving the pharmaceutical and biotechnology sectors. Prior to that, Mr. Hebenton has held a variety of operational, scientific and marketing positions in Europe with Bull Information Systems (BULP-Paris, Frankfurt, Zurich) and Phillips Information Systems. He received his B.S. in Mathematics from the University of Edinburgh, Scotland.

Gary Walker

Mr. Walker has been a director of WPCS since December 2002. He is currently the president of the Walker Comm subsidiary for WPCS International, a position he has held since November 1996. Prior to his involvement at Walker Comm, Mr. Walker had a distinguished career with the U.S. Navy and also held an elected political position in Fairfield, California. He holds a B.A. in Business Management from St. Mary's College in Moraga, California.

William Whitehead

Mr. Whitehead became a director of WPCS in October 2002. Since October 1998, he has been the Chief Financial Officer for Neutronics Incorporated, a multi-million dollar process and safety systems manufacturer. Mr. Whitehead has held a variety of financial management positions with Deloitte & Touche and was Division Controller for Graphic Packaging Corporation from April 1990 to March 1998. After attending West Point, Mr. Whitehead received a B.S. in Accounting from the Wharton School at the University of Pennsylvania and received his M.B.A. from the Kellogg Graduate School at Northwestern University.

Board of Directors

All of our directors hold office until the next annual meeting of stockholders and the election and qualification of their successors. Our executive officers are elected annually by the Board of Directors to hold office until the first meeting of the Board following the next annual meeting of stockholders and until their successors are chosen and qualified.

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely upon a review of Forms 3, 4 and 5, and amendments thereto, furnished to us during fiscal year 2003 and 2004, we are not aware of any director, officer or beneficial owner of more than ten percent of our Common Stock that failed to file reports required by Section 16(a) of the Securities Exchange Act of 1934 on a timely basis during fiscal year 2004.

ITEM 10. EXECUTIVE COMPENSATION

The following table sets forth in summary form the compensation received during the fiscal years ended April 30, 2004, 2003, and 2002 by the Company's Chief Executive Officer and each of the Company's four other most highly compensated executive officers based on salary and bonus earned during the 2004 fiscal year.
<TABLE>
<CAPTION>

Summary Compensation Table

		Annual Compensation			Long Term Compensation			
Name and Principal Position	Year	Salary($)	Bonus($)	Other Annual Compensation($)	Restricted Stock Awards	Securities Underlying Options (5)	LTIP Payouts	All Other Compensation($)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Andrew Hidalgo								

Chairman, Chief Executive Officer	2004	154,400	17,000	-	-	-	-	-
and Director	2003	141,000	-	-	-	-	-	-
Stephen C. Jackson								
President	2002	36,000	-	-	-	-	-	-
Donald Walker								
Executive Vice President (1)	2004	140,000	26,962	-	-	200,000	-	-
	2003	41,160	2,669	-	-	-	-	-
Gary Walker								
President-Walker and Director (2)	2004	140,000	26,962	-	-	200,000	-	-
	2003	42,333	2,669	-	-	-	-	-
E.J. von Schaumburg								
Executive Vice President (3)	2004	120,000	51,000	-	-	400,000	-	-
	2003	55,000	23,375	-	-	-	-	-
Joseph Heater								
Chief Financial Officer (4)	2004	95,500	8,000	-	-	400,000	-	-

</TABLE>

(1) Mr. Walker has served as Executive Vice President since December 30, 2002.
(2) Mr. Walker has served as President, Walker and Director since December 30, 2002.
(3) Mr. von Schaumburg has served as Executive Vice President since November 13, 2002.
(4) Mr. Heater has served as Chief Financial Officer since July 15, 2003.
(5) The number of securities under options granted reflects the number of WPCS shares that may be purchased upon the exercise of options. The Company does not have any outstanding stock appreciation rights.

Option Grants During 2004 Fiscal Year

The following table provides information related to options granted to the named executive officers during the 2004 fiscal year. The Company does not have any outstanding stock appreciation rights.

<TABLE>
<CAPTION>

Name	No. of Securities Underlying Options Granted (#)	% of Total Options Granted to Employees in Fiscal Year	Exercise Price ($/Sh)	Expiration Date
<S>	<C>	<C>	<C>	<C>
Andrew Hidalgo	-	-	-	-
Donald Walker	200,000	9.9%	0.75	6/3/2008
Gary Walker	200,000	9.9%	0.75	6/3/2008
E.J. von Schaumburg	300,000	14.8%	0.45	5/27/2008
E.J. von Schaumburg	100,000	4.9%	1.00	6/12/2008
Joseph Heater	250,000	12.3%	0.75	6/12/2008
Joseph Heater	150,000	7.4%	1.07	8/6/2008

</TABLE>

Aggregated Option Exercises During 2004 Fiscal Year and Fiscal Year-End Option Values

The following table provides information related to employee options exercised by the named executive officers during the 2004 fiscal year and number and value of such options held at fiscal year-end.

<TABLE>
<CAPTION>

			Number of Securities Underlying Unexercised Options at Fiscal Year- End (#)		Value of Unexercised In-the-Money Options at Fiscal Year- End ($) (1)	
Name	Shares Acquired on Exercise (#)	Value Realized	Exercisable	Unexercisable	Exercisable	Unexercisable
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Andrew Hidalgo	-	-	-	-	-	-
Donald Walker	-	-	-	200,000	-	78,000
Gary Walker	-	-	-	200,000	-	78,000
E.J. von Schaumburg	-	-	150,000	150,000	103,500	103,500
E.J. von Schaumburg	-	-	100,000	-	14,000	-
Joseph Heater	-	-	85,000	165,000	33,150	64,350
Joseph Heater	-	-	150,000	-	10,500	-

</TABLE>

(1). Value based on the closing price of $1.14 per share on April 30, 2004, less the option exercise price.

EMPLOYMENT AGREEMENTS

Contract with Andrew Hidalgo

On February 1, 2004, the Company entered into a three-year employment contract with a shareholder who is the Chairman and Chief Executive Officer of the Company. Upon each one year anniversary of the agreement, the agreement will automatically renew for another three years from the anniversary date. The base salary under the agreement is $168,000 per annum plus benefits.

Contract with E.J. von Schaumburg

On November 13, 2002, the Company entered into a two-year employment contract with an option to renew for an additional year, with the President of Invisinet, who is also an Executive Vice President of the Company. The base salary under the agreement is $120,000 per annum, plus benefits.

Contract with Donald Walker

On December 30, 2002, the Company entered into a four-year employment contract with an option to renew for an additional year, with the President of Walker, who is also an Executive Vice President of the Company. The base salary under the agreement is $140,000 per annum, plus benefits.

Contract with Gary Walker

On December 30, 2002, the Company entered into a four-year employment contract with an option to renew for an additional year, with the Chief Operating Officer of Walker, who is also a Director of the Company. The base salary under the agreement is $140,000 per annum, plus benefits.

Contract with Joseph Heater

On February 1, 2004, the Company entered into a three-year employment contract with the Chief Financial Officer. The base salary under the agreement is $132,000 per annum, plus benefits.

Contract with James Heinz

On April 2, 2004, the Company entered into a three-year employment contract with James Heinz, the President of Heinz, who is also an Executive Vice President of the Company. The base salary under the agreement is $140,000, per annum, plus benefits.

DIRECTOR COMPENSATION

Directors serve without cash compensation and without other fixed remuneration. Directors are entitled to receive stock options under our 2002 Stock Option as determined by the Board of Directors. We reimburse our directors for expenses incurred in connection with attending Board meetings.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information about the shares of the Company's common Stock that may be issued upon the exercise of options granted to employees under the 2002 Stock Option Plan, which were approved by the Board of Directors, as well as shares that may be issued upon the exercise of options under the 2002 Stock Option Plan, that were issued to consultants, which were not approved by the Board of Directors.

<TABLE>
<CAPTION>

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in column (a) (1)
<S>	<C>	<C>	<C>
Equity compensation plans approved by security holders	-	-	-
Equity compensation plans not approved by security holders (1), (2)	3,478,475	$0.94	1,521,525
Total	3,478,475	$0.94	1,521,525

</TABLE>

(1) The Company established a nonqualified stock option plan pursuant to which options to acquire a maximum of 5,000,000 shares of the Company's common stock were reserved for grant. As of April 30, 2004, included above are 2,026,475 shares issuable upon exercise of options granted to employees and directors.

(2) Includes 1,452,000 shares issuable upon exercise of stock options granted to outside consultants for services rendered to the Company.

Code of Ethics

WPCS adopted a Code of Ethics for its officers, directors and employees. A copy of the Code of Ethics is incorporated by reference as an exhibit.

ITEM 11- SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information, according to information supplied to the Company regarding the number and percentage of the Company's common stock beneficially owned by (i) each person who is beneficial owner of more than 5% of the common stock; (ii) by each director; (iii) by each executive officer; and (iv) by all directors and executive officers as a group. Unless otherwise indicated, the stockholders listed possess sole voting and investment power with respect to the shares listed.

<TABLE>
<CAPTION>

Security Ownership of Certain Beneficial Owners

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class **

- --------------------- ---------------------------------- ----------------------------- -------------
-

<S> <C> <C> <C>

Title of Class	Name and Address of Beneficial Owner		Amount and Nature of Beneficial Ownership	Percent of Class **
Common stock	Barron Partners LP 730 Fifth Avenue, 9th Floor New York, NY 10019	(1)	2,848,150	13.7%

</TABLE>

Security Ownership of Management

<TABLE>
<CAPTION>

- --------------------- ---------------------------------- ----------------------------- -------------
-

<S> <C> <C> <C>

Title of Class	Name and Address of Beneficial Owner		Amount and Nature of Beneficial Ownership	Percent of Class **
Common stock	Andrew Hidalgo 608 Perimeter Drive Downingtown, PA 19335		5,255,000	25.2%
Common Stock	Donald Walker 521 Railroad Avenue Fairfield, CA 94533	(2)	1,216,645	5.8%
Common Stock	E.J. von Schaumburg 15 Manor Drive Morristown, NJ 07960	(2)	476,000	2.3%
Common Stock	James Heinz 1 West Waters Edge Drive Belleville, IL 62221		714,286	3.4%
Common Stock	Joseph Heater 109 Brookhollow Drive Downingtown, PA 19335	(2)	235,000	1.1%
Common Stock	Gary Walker 521 Railroad Avenue Fairfield, CA 94533	(2)	1,130,759	5.4%
Common stock	Norm Dumbroff (2) 245 West Roosevelt Road West Chicago, IL 60185	(2)	875,000	4.2%
Common Stock	Neil Hebenton 404 Cumberland Lane Chester Springs, PA 19425	(2)	37,500	*
Common stock	William Whitehead 609 Portland Drive Downingtown, PA 19335	(2)	108,000	*
Common stock	All directors and executive officers as a group (9 persons)	(2)	10,048,190	48.2%

</TABLE>

* Less than 1% of the outstanding common stock

** Percentage is based on 20,849,976 shares of common stock outstanding.

(1) Includes 1,424,075 shares of common stock which may be acquired through the exercise of warrants.

(2) Includes the following number of shares of common stock which may be acquired by certain executive officers and directors through the exercise of stock options which were exercisable as of July 15, 2004 or become exercisable within 60 days of that date: Donald Walker, 200,000 shares; E.J. von Schaumburg, 325,000 shares; Joseph Heater, 235,000 shares; Gary Walker, 200,000 shares; Norm Dumbroff, 25,000 shares; Neil Hebenton, 37,500 shares; William Whitehead, 100,000 shares; and all officers and directors as a group, 1,122,500 shares.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

At the time of the following transactions, there were no affiliations between us and the other parties. As a result of these transactions, the other parties became affiliates. The transactions were ongoing after the close resulting in payoffs to the other parties who became affiliates.

On November 13, 2002, we acquired all of the outstanding shares of Invisinet from its shareholders in exchange for an aggregate of 1,000,000 newly issued shares of our common stock. An additional 150,000 shares of our common stock

were to be issued to a shareholder, provided Invisinet achieved certain financial targets over a two year period beginning on the first anniversary date of the merger. On May 27, 2003, we and the shareholder mutually agreed to cancel the issuance of bonus shares and in exchange, issued options to purchase 300,000 shares of our common stock.

On December 30, 2002, we acquired all of the outstanding shares of Walker Comm in exchange for an aggregate of 2,486,000 newly issued shares of our common stock and $500,000 cash consideration. An additional $500,000 is payable contingent upon Walker Comm achieving certain net profits, to be paid in quarterly distributions equal to 75% of net income, which would increase the purchase price. Through April 30, 2004, $485,088 was paid and $14,912 was payable to the Walker Comm shareholders against this earn-out provision.

In connection with the acquisition of Walker Comm, we assumed a lease with trusts, of which, certain of our officers are the trustees, for a building and land located in Fairfield, California, which is occupied by our Walker Comm subsidiary. The lease calls for monthly rental payments of $4,642, with annual increases, calculated using the San Francisco-Oakland-San Jose Consolidated Metropolitan Statistical Area Consumer Price Index. For the year ended April 30, 2004, $56,000 was paid as rent for this lease.

On August 22, 2003, we acquired all of the outstanding shares of Clayborn Contracting Group, Inc. in exchange for an aggregate $900,000 cash consideration and 826,446 newly issued shares of our common stock. An additional $1,100,000 is due by September 30, 2007, payable in quarterly distributions, by payment to the Clayborn shareholders of 50% of the quarterly post tax profits of Clayborn.

On April 2, 2004, we acquired all of the issued and outstanding common stock of Heinz. We acquired all of the issued and outstanding shares of Heinz for $1,000,000, as follows: (1) $700,000 of our common stock, based on the closing price of our common stock on March 30, 2004 of $0.98 per share, for an aggregate of 714,286 newly issued shares of the Company's common stock and (2) $300,000 total cash consideration, of which $100,000 was paid at closing and a $200,000 non-interest bearing promissory note. Of the $200,000, $75,000 is payable on the first and second anniversaries of the closing date and $50,000 is payable on the third anniversary of the closing date.

ITEM 13. EXHIBITS, LIST AND REPORTS ON FORM 8-K.

Exhibits:

Number	Exhibit
3.1	Certificate of Incorporation, with amendments (1)
3.2	By-Laws (1)
4.1	Certificate of Designation - Series A Preferred Stock (1)
4.2	Certificate of Designation - Series B Preferred Stock (2)
4.3	Certificate of Designation - Series C Preferred Stock (3)
4.4	2002 Employee Stock Option Plan (3)
4.5	Form of 2003 Warrant (3)
10.1	Andrew Hidalgo Employment Agreement (4)
10.2	E.J. von Schaumburg Employment Agreement (3)
10.3	Donald Walker Employment Agreement (3)
10.4	Gary Walker Employment Agreement (3)
10.5	Joseph Heater Employment Agreement (4)
10.6	James Heinz Employment Agreement (4)
10.7	Agreement and Plan of Merger by and among WPCS International Incorporated and Clayborn Contracting Group made as of the 22nd day of August, 2003 (5)
10.8	Agreement and Plan of Merger by and among WPCS International Incorporated and Heinz Corporation made as of the 2nd day of April, 2004 (6)
14	Code of Ethics (3)
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer)
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer)

1. Incorporated by reference from the Company's registration statement on Form SB-2 (Commission File # 333-38802).
2. Incorporated by reference to the Company Annual Report on Form 10-KSB for the year ended April 30, 2002.
3. Incorporated by reference to the Company Annual Report on Form 10-KSB for the year ended April 30, 2003.
4. Incorporated by reference from the Company's registration statement on

Form SB-2 (Commission File # 333-109522).
5. Incorporated by reference to the Company Current Report on Form 8-K, dated as of August 29, 2003.
6. Incorporated by reference to the Company Current Report on Form 8-K, dated as of April 9, 2004.

Reports on Form 8-K:

Report on Form 8-K, dated March 16, 2004.
Report on Form 8-K, dated April 9, 2004.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Audit Fees. The aggregate fees billed by our auditors, for professional services rendered for the audit of our annual financial statements for the years ended April 30, 2004 and 2003, and for the reviews of the financial statements included in our Quarterly Reports on Form 10-QSB during that fiscal year were $115,500, and $28,860, respectively.

Audit Related Fees. We incurred fees to auditors of $21,511 and $21,918, respectively, for audit related fees during the fiscal years ended April 30, 2004 and 2003.

Tax Fees. We incurred fees to auditors of $2,115 and $1,170, respectively, for tax compliance, tax advice and tax compliance services during the fiscal years ended April 30, 2004 and 2003.

The Audit Committee has considered whether the provision of non-audit services is compatible with maintaining the principal accountant's independence.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

WPCS INTERNATIONAL INCORPORATED

/s/ ANDREW HIDALGO

Andrew Hidalgo,
Chief Executive Officer
(principal executive officer)

/s/ JOSEPH HEATER

Joseph Heater,
Chief Financial Officer
(principal accounting officer)

Date: July 28, 2004

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities as on July 28, 2004.

/s/ ANDREW HIDALGO

Andrew Hidalgo,
Chairman of the Board

/s/ NORM DUMBROFF

Norm Dumbroff,
Director

Neil Hebenton,
Director

/s/ GARY WALKER

Gary Walker,
Director

/s/ WILLIAM WHITEHEAD

William Whitehead,
Director

Exhibit 31.1
WPCS International Incorporated
Officer's Certificate Pursuant to Section 302

I, Andrew Hidalgo, the Chief Executive Officer of WPCS International Incorporated , certify that:

1) I have reviewed this Form 10-KSB of WPCS International Incorporated ("the Company");

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4) The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the Company and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5) The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of Company's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: July 28, 2004

By: /s/ ANDREW HIDALGO

Andrew Hidalgo
Chief Executive Officer

Exhibit 31.2

WPCS International Incorporated

Officer's Certificate Pursuant to Section 302

I, Joseph Heater, the Chief Financial Officer of WPCS International Incorporated certify that:

1) I have reviewed this Form 10-KSB of WPCS International Incorporated ("the Company");

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4) The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the Company and have:

   e) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   f) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   g) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   h) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5) The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of Company's board of directors (or persons performing the equivalent functions):

   c) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   d) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: July 28, 2004

By: /s/ JOSEPH HEATER

Joseph Heater

Chief Financial Officer

Exhibit 32.1
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with Annual Report of WPCS International Incorporated (the "Company") on Form 10-KSB for the period ending April 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Andrew Hidalgo, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to WPCS International Incorporated and will be retained by WPCS International Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.

Date: July 28, 2004

By: /s/ ANDREW HIDALGO

Andrew Hidalgo
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with Annual Report of WPCS International Incorporated (the "Company") on Form 10-KSB for the period ending April 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph Heater, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to WPCS International Incorporated and will be retained by WPCS International Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.

Date: July 28, 2004

By: /s/ JOSEPH HEATER

Joseph Heater
Chief Financial Officer