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, 2005

[ ] 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.)

One East Uwchlan Avenue
Suite 301
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) 140 South Village Avenue Suite 20 Exton, Pennsylvania 19341

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:

3,821,385 shares issued and outstanding as of July 7, 2005.

PART I

ITEM 1. - DESCRIPTION OF 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 an engineering company that focuses on the implementation requirements of wireless technology and specialty communication systems. We provide a range of services including site design, product integration, security, structured cabling, construction and project management. 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 wireless or specialty communication system. We have an extensive customer base that includes many major corporations, government entities and educational institutions in two segments.

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 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.

Historically, we have grown by acquisition and have integrated five acquisitions to-date. As a result of the acquisitions of Invisinet, Inc. on November 13, 2002 and Walker Comm, Inc. on December 30, 2002, we experienced significant growth in our overall business and commenced operations in two segments, specialty communication systems and wireless infrastructure services. With the acquisition of Clayborn Contracting Group, Inc. on August 22, 2003 and Quality Communications & Alarm Company on November 24, 2004, we experienced additional expansion of the specialty communication segment. With the acquisition of Heinz on April 2, 2004, we experienced additional expansion of the wireless infrastructure segment.

Fiscal 2005 Developments

Financing
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On November 16, 2004, we sold an aggregate of 2,083,887 shares of common stock and 2,083,887 common stock purchase warrants to eight investors for $10,000,000. The common stock and warrants were issued in a private placement transaction pursuant to Section 4(2) under the Securities Act of 1933. Pursuant to the terms of sale, we filed a resale registration statement on December 30, 2004 covering the common stock and the common stock issuable upon exercise of the warrants, which was declared effective by the Securities and Exchange Commission on January 18, 2005.

Each warrant is exercisable for a period of five years at a price of $8.40 per share, subject to certain adjustments. The exercise price of the warrants is subject to adjustment for subsequent lower price issuances by us, as well as customary adjustment provisions for stock splits, combinations, dividends and the like. The warrants are callable by us, upon 30 days notice, should the common stock trade at or above $25.20 for 25 out of 30 consecutive trading days. A maximum of 20% of the warrants may be called in any three-month period.

Acquisitions
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On November 24, 2004, we acquired Quality Communications & Alarm Company, Inc. ("Quality"), a New Jersey corporation, for aggregate consideration of approximately $7,400,000 in cash, net of acquisition transaction costs. The acquisition of Quality gives us additional project engineering expertise for specialty communication opportunities, broadens our customer base especially in the public safety and gaming sector, and expands our geographic presence in the Northeastern United States. The financing for this transaction was completed through the issuance of the common stock described above.

Reverse Stock Split

Effective January 10, 2005, a majority of our shareholders approved a one-for-twelve reverse stock split of the Company's common stock, decreasing the number of issued and outstanding shares of common stock from 45,849,976 shares to 3,821,385 shares. The par value of the common stock was not affected by the reverse stock split and remains at $0.0001 per share. Consequently, the reverse stock split has been reflected retroactively in the accompanying annual report on Form 10-KSB, financial statements and notes for all periods presented and all applicable references as to the number of common shares and per share information, stock options, warrants and market prices have been restated to reflect this reverse stock split.

Exchange Listing

Effective March 28, 2005, we began trading on the Nasdaq SmallCap Stock Market. Our common stock is traded under the symbol "WPCS."

Our Business

We generate our revenue by providing engineering services that focus on wireless technology and specialty communication systems. We have two reportable segments, specialty communication systems and wireless infrastructure services.

Specialty Communication Systems

WPCS is a complete project engineering company with design and build capabilities. We have certified engineers and project managers that are capable of providing services that take advantage of today's technology while looking forward to tomorrow's emerging technologies. We have designed and implemented unique specialty communication systems for public safety, healthcare, homeland security, hospitality services and gaming applications that have improved not only communication capability, but also the customer's productivity. WPCS maintains a union and non-union workforce that is trained and certified in OSHA safety parameters and all regulations pertaining to communications deployment. We are also equipped to offer the following standard services: wireless distribution systems, RCDD design, network integration, video security, fiber optic cabling, telecommunication systems, audio/visual systems, construction and trenching.

Wireless Infrastructure Services

Wireless infrastructure services include the internal and external design and installation of a 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 and design to determine 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 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.

Sales and Marketing and Internal Growth

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 and wireless infrastructure services to many major corporations, government entities and educational institutions. We had revenue to one customer totaling $4.4 million, which comprised 11.1% of our total revenue. At April 30, 2005, we had a backlog of unfilled orders believed to be firm of approximately $14.6 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 eight 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, our local presence combined with the ability to provide national coverage, and a strong customer base. We use proven methodologies to rapidly design, install, integrate and manage communications deployments.

Acquisition Strategy

In the future, our primary goal is to focus on organic growth opportunities. We will also consider strategic acquisitions of companies familiar with specialty communication systems and wireless infrastructure services. The goal for each acquisition will be to expand the product and services offerings, strengthen our project services capabilities, expand our customer base and add accretive revenue and earnings. In this regard, we completed the acquisition of Quality in November 2004.

Employees

As of April 30, 2005, we employed 300 full time employees, of whom 235 are project engineers, 25 are project managers, 35 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. The Company has approximately 110 union employees. A contract with these union employees expires November 30, 2008.

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 $85,000 for the year ended April 30, 2005. 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 13, 2002, we have acquired five companies and we intend to further expand our operations through targeted, strategic 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.

ITEM 2 - DESCRIPTION OF PROPERTIES

Our principal executive offices are located in approximately 2,550 square feet of office space in Exton, Pennsylvania. The lease for such space expires in February 2008. The aggregate annual base rental for this space is $48,769.

We operate our business under operating leases in the following locations:

Location	Lease Expiration Date	Minimum Annual Rental

Fairfield, California (a)	February 28, 2011	$94,125
Rocklin, California	January 31, 2006	$37,710
San Leandro, California	July 31, 2006	$13,756
Auburn, California (b)	Month-to-month	$64,440
St. Louis, Missouri	August 31, 2008	$56,142
Lakewood, New Jersey	August 31, 2007	$90,370

(a) The lease for our Fairfield, California location is with a trust, of which a certain officer is the trustee.

(b) The lease for our Auburn, California location is month to month; 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, we 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 our business. We are 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.

None.

PART II

ITEM 5 - MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

Our common stock is listed on the Nasdaq SmallCap Stock Market 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, reflective of the one-for-twelve reverse stock split for all periods presented. Such market quotations reflect inter-dealer prices, without mark-up, mark-down or commission and may not necessarily represent actual transactions.

2005	High	Low
First Quarter	$14.88	$7.80
Second Quarter	11.28	5.76
Third Quarter	8.28	4.32
Fourth Quarter	7.80	4.50

2004	High	Low
First Quarter	$22.56	$4.68
Second Quarter	20.76	12.24
Third Quarter	20.40	10.92
Fourth Quarter	17.28	10.80

As of July 7, 2005, there were approximately 85 holders of record of our common stock and the closing bid quotation of our common stock was $5.63 per share.

Dividend Policy

We have never paid any cash dividends on our capital stock and do not anticipate paying any cash dividends on our common stock 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.

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

Overview

WPCS International Incorporated is an engineering company that focuses on the implementation requirements of wireless technology and specialty communication systems. We provide a range of services including site design, product integration, security, structured cabling, construction and project management.

As a result of the acquisitions of Invisinet, Inc. on November 13, 2002 and Walker Comm, Inc. on December 30, 2002, we experienced significant growth in our overall business and commenced operations in two segments, specialty communication systems and wireless infrastructure services. With the acquisitions of Clayborn Contracting Group, Inc. and Heinz Corporation in fiscal 2004 and Quality Communications & Alarm Company in fiscal 2005, we experienced additional growth in each of these segments.

Significant Transactions and Events

On August 22, 2003, we acquired all of the outstanding shares of Clayborn in exchange for an aggregate of 68,871 newly issued shares of our common stock with a fair value of approximately $868,000 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, as defined, of Clayborn and a final payment of any remaining balance on that date.

On April 2, 2004, we acquired all of the outstanding common stock of Heinz for $1,000,000, as follows: (1) $700,000 of our common stock, based on the closing price of its common stock on March 30, 2004 of $11.76 per share, for an aggregate of 59,524 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 was paid in April 2005, $75,000 is payable on the second anniversary of the closing date and $50,000 is payable on the third anniversary of the closing date.

On November 16, 2004, we sold an aggregate of 2,083,887 shares of our common stock and 2,083,887 common stock purchase warrants to eight investors for $10,000,000. The common stock and the warrants were issued in a private placement transaction pursuant to Section 4(2) under the Securities Act of 1933.

On November 24, 2004, we acquired all of the outstanding common stock of Quality for aggregate consideration of approximately $7,400,000 in cash, net of acquisition transaction costs. The acquisition of Quality gives us additional project engineering expertise for specialty communication opportunities, broadens our customer base especially in the public safety and gaming sector, and expands our geographic presence in the Northeastern United States.

Effective January 10, 2005, a majority of our shareholders approved a one-for-twelve reverse stock split of our common stock, decreasing the number of issued and outstanding shares of common stock from 45,849,976 shares to 3,821,385 shares. The par value of the common stock was not affected by the reverse stock split and remains at $0.0001 per share. Consequently, the reverse stock split has been reflected retroactively in the accompanying financial statements and notes for all periods presented and all applicable references as to the number of common shares and per share information, stock options, warrants and market prices have been restated to reflect this reverse stock split.

On March 28, 2005, we began trading on the Nasdaq SmallCap Stock Market. Our Common Stock is traded under the symbol "WPCS."

Results of Operations

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

- For the years ended April 30, 2005 and 2004, revenue was approximately $40,100,000 and $22,100,000, respectively. The increase in revenue was attributable to organic growth expansion of our customer base and new contract awards of approximately $7,600,000 and strategic acquisitions of approximately $10,400,000.

- We operate in two segments, specialty communication systems and wireless infrastructure services. With the acquisition of Clayborn in the second quarter of fiscal 2004 and Quality in the third quarter of fiscal 2005, we experienced additional expansion of the specialty communication segment. With the acquisition of Heinz in the fourth quarter of fiscal 2004, we experienced additional expansion of the wireless infrastructure segment.

- For the years ended April 30, 2005 and 2004, the specialty communication segment represents approximately 79% of total revenue, and wireless infrastructure services represent approximately 21% of total revenue.

- Our primary goal is to focus on organic growth opportunities. We will also consider strategic acquisitions of companies familiar with wireless infrastructure and specialty communication systems. The goal for any future acquisition will be to expand the product and service offerings, to strengthen our project services capabilities, expand our customer base and add accretive revenue and earnings.

- As of April 30, 2005, our backlog is approximately $14,600,000. Our backlog is comprised of the uncompleted portion of services to be performed under job-specific contracts or purchase orders. We expect this backlog to be fully recognized as revenue within the next eight months.

- Our selling, general and administrative expenses decreased as a percentage of revenue for the year ended April 30, 2005, as compared to the prior year.

Fiscal Year ended April 30, 2005 Compared to Fiscal Year Ended April 30, 2004

Consolidated results for the year ended April 30, 2005 and 2004 were as follows. Certain reclassifications have been made to prior year financial statements to conform to the current presentation.

<TABLE>
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	Year Ended April 30, 2005		2004	
REVENUE	$40,148,233	100%	$22,076,246	100%
COSTS AND EXPENSES:				
Cost of revenue	32,445,470	81%	17,286,099	78%
Selling, general and administrative expenses	7,028,850	17%	4,441,776	20%
Depreciation and amortization	682,397	2%	382,510	2%
Total costs and expenses	40,156,717	100%	22,110,385	100%
OPERATING LOSS	(8,484)	0%	(34,139)	0%
OTHER EXPENSE:				
Interest expense	24,702	0%	14,048	0%
LOSS BEFORE INCOME TAX PROVISION	(33,186)	0%	(48,187)	0%
Income tax provision	52,096	0%	76,000	1%
NET LOSS	($85,282)	0%	($124,187)	-1%

</TABLE>

Revenue

We generate our revenue by providing engineering and deployment services for wireless infrastructure services and specialty communication systems. We provide a range of engineering services including site design, construction, product integration, structured cabling, network security, project management and technical support.

Revenue for the year ended April 30, 2005 was approximately $40,148,000, as compared to $22,076,000 for the prior year. The increase in revenue was attributable to organic growth expansion of our customer base and new contract awards of approximately $7,600,000 from Walker and Clayborn, and approximately $10,400,000 from the acquisitions of Heinz and Quality.

Total revenue from the specialty communication segment for the years ended April 30, 2005 and 2004 was approximately $31,497,000 or 78.5% and $17,508,000 or 79.3% of total revenue, respectively. Wireless infrastructure segment revenue for the years ended April 30, 2005 and 2004 was approximately $8,651,000 or 21.5% and $4,568,000 or 20.7% of total revenue, respectively.

Cost of Revenue

Cost of revenue consists of direct costs on contracts, including materials, direct labor, third party subcontractor services, Walker union benefits and other overhead costs. Our cost of revenue was approximately $32,445,000 or 80.8% of revenue for the year ended April 30, 2005, compared to $17,286,000 or 78.3% for the prior year. The dollar increase in our total cost of revenue is due to the corresponding increase in revenue during the year ended April 30, 2005 as a result of organic growth in revenue from Walker and Clayborn and the acquisitions of Clayborn, Heinz and Quality. In addition, the increase in total cost of revenue is due to an increase in costs incurred on certain Walker contracts that were recognized during the year of approximately $1,200,000. In direct response to these additional costs, we have made certain personnel changes and initiated additional project management training. The increase in cost of revenue as a percentage of revenue is due primarily to an increase in costs incurred on certain Walker contracts, offset by the revenue mix attributable to the acquisitions of Heinz and Quality.

The specialty communication segment cost of revenue and cost of revenue as a percentage of revenue for the year ended April 30, 2005 and 2004 was approximately $25,919,000 and 82.3% and $13,831,000 and 79.0%, respectively. As discussed above, the dollar increase in our total cost of revenue is due to the corresponding increase in revenue during the year ended April 30, 2005 as a result of organic growth in revenue from Walker and Clayborn, and the acquisitions of Clayborn and Quality. In addition, the increase in total cost of revenue is due to an increase in costs incurred on certain Walker contracts that were recognized during the year of approximately $1,200,000. The increase in cost of revenue as a percentage of revenue is due to an increase in the costs incurred on certain Walker contracts recognized during the period, partially offset by lower cost of revenue on revenues attributable to the Quality acquisition.

Wireless infrastructure segment cost of revenue and cost of revenue as a percentage of revenue for the year ended April 30, 2005 and 2004 was approximately $6,526,000 and 75.4% and $3,455,000 and 75.6%, respectively. The dollar increase in our total cost of revenue is due to the corresponding increase in revenue during the year ended April 30, 2005 as a result of the acquisition of Heinz. The decrease in cost of revenue as a percentage of revenue is due to the revenue mix attributable to the acquisition of Heinz.

Selling, general and administrative expenses

For the year ended April 30, 2005, total selling, general and administrative expenses were $7,029,000, or 17.5% of total revenue compared to $4,442,000 or 20.1% of revenue for the prior year. The percentage decrease is due to the management of our cost structure as we leverage incremental revenue dollars in fiscal 2005. Included in selling, general and administrative expenses for the year ended April 30, 2005 are $3,656,000 for salaries, commissions, and payroll taxes. The increase in salaries and payroll taxes compared to the prior year is due to the increase in headcount as a result of the acquisitions of Clayborn, Heinz and Quality. Professional fees were $537,000, which include accounting, legal and investor relation fees. Insurance costs were $1,164,000 and rent for office facilities was $358,000. Automobile and other travel expenses were

$422,000 and telecommunication expenses were $196,000. Other selling, general and administrative expenses totaled $696,000. For the year ended April 30, 2005, total selling, general and administrative expenses for the specialty communication and wireless infrastructure segments were $4,658,000 and $1,180,000, respectively.

For the year ended April 30, 2004, selling, general and administrative expenses were $4,442,000 or 20.1% of revenue. Included in the selling, general and administrative expenses was $2,100,000 for salaries, commissions and payroll taxes, $566,000 in professional fees and insurance costs of $730,000. Rent for our office facilities amounted to $250,000. Automobile and other travel expenses were $259,000 and telecommunication expenses were $133,000. Other selling, general and administrative expenses totaled $404,000. For the year ended April 30, 2004, total selling, general and administrative expenses for the specialty communication and wireless infrastructure segments were $2,805,000 and $712,000, respectively.

Depreciation and amortization

For the year ended April 30, 2005 and 2004, depreciation was approximately $372,000 and $228,000, respectively. The increase in depreciation is due to the acquisition of fixed assets from acquiring Clayborn, Heinz, and Quality. The amortization of customer lists and backlog for the year ended April 30, 2005 was $310,000 as compared to $154,000 for the same period of the prior year. The increase in amortization is due to the acquisition of customer lists from Clayborn, Heinz and Quality, and backlog from Heinz. All customer lists are amortized over a period of five to six years from the date of their acquisition. Backlog is amortized over a period of one year from the date of acquisition.

Net loss

Net loss was approximately $85,000 for the year ended April 30, 2005. Net loss included federal and state income tax provisions of approximately $52,000. The variation in effective tax rates between periods is primarily due to the Clayborn and Heinz acquisitions and certain book-to-tax permanent differences.

We incurred a net loss of approximately $124,000 for the year ended April 30, 2004.

Liquidity and capital resources

At April 30, 2005, we had working capital of approximately $5,145,000, which consisted of current assets of approximately $13,339,000 and current liabilities of $8,194,000.

Operating activities used $2,682,000 in cash during the year ended April 30, 2005. This was mainly comprised of $85,000 of net loss plus $601,000 in net non-cash charges, a $1,899,000 increase in accounts receivable, a $1,214,000 decrease in costs and estimated earnings in excess of billings on uncompleted contracts, a $537,000 increase in inventory, $337,000 decrease in accounts payable and accrued expenses, $1,147,000 decrease in billings in excess of costs and estimated earnings on uncompleted contracts payable, $329,000 decrease in income taxes payable and a $163,000 net increase in other assets.

Our investing activities utilized $7,025,000 in cash during the year ended April 30, 2005, which consisted of $216,000 paid for property and equipment, $6,709,000 for the acquisition of Quality, net of cash acquired of $164,000, $82,000 for the acquisition of Heinz and $18,000 of acquisition earn-out payments and other acquisition transaction costs.

Our financing activities provided cash of $8,711,000 during the year ended April 30, 2005. Financing activities included net proceeds from the issuance of common stock of $9,114,000, repayments on lines of credit of $304,000, and repayments of equipment loans and capital lease obligations of approximately $99,000.

Our capital requirements depend on numerous factors, including the market for our services, the resources we devote to developing, marketing, selling and supporting our business, the timing and extent of establishing additional markets and other factors. On June 3, 2005, we entered into a credit agreement with a new commercial bank. The credit agreement (the "Credit Agreement"), provides for a revolving line of credit in an amount not to exceed $5,000,000, together with a letter of credit facility not to exceed $500,000. We also entered into security agreements, pursuant to which each subsidiary granted a security interest to the bank in all of their assets.

Pursuant to the terms of the Credit Agreement, we are permitted to borrow up to $3,000,000 under the revolving credit line, based upon eligible receivables. Once we have provided financial statements which evidence that we have earnings before interest, taxes, depreciation and amortization of (i) $750,000 for the

quarter ended July 31, 2005, (ii) $750,000 for the quarter ended October 31, 2005, and (iii) $2,500,000 for the year ended April 30, 2006, the revolving commitment amount will be increased to $5,000,000. The Credit Agreement contains customary covenants, including but not limited to (i) restrictions on the permitted ratio of total unsubordinated liabilities to tangible net worth plus subordinated indebtedness, (ii) the Company's total tangible net worth, (iii) working capital, (iv) minimum earnings before interest, taxes, depreciation and amortization, and (v) dividend restrictions. The loan commitment shall expire on August 31, 2008. We may prepay the loan at any time.

Loans under the Credit Agreement bear interest at a rate equal to either the bank's reference rate plus one half (0.5%) percent, or LIBOR plus two and three-quarters (2.75%) percent, as we may request. We paid a facility fee to the bank of $50,000 on the closing date.

We used the initial funds provided by the loan, in the gross amount of $3,000,000, to repay existing bank debt at Walker of approximately $672,000, for the payment of approximately $742,000 to the former shareholders of our Quality subsidiary for monies due to them pursuant to the terms of the purchase of their company, and for working capital. A $500,000 letter of credit was re-issued in favor of Walker's surety bonding company as collateral for performance and payment bond requirements.

On November 16, 2004, we sold an aggregate of 2,083,887 shares of our common stock and 2,083,887 common stock purchase warrants to eight investors for $10,000,000. The common stock and the warrants were issued in a private placement transaction pursuant to Section 4(2) under the Securities Act of 1933. Pursuant to the terms of sale, we filed a resale registration statement on December 30, 2004 covering the common stock and the common stock issuable upon exercise of the warrants, which was declared effective by the SEC on January 18, 2005.

Each warrant is exercisable for a period of five years at a price of $8.40 per share, subject to certain adjustments. The exercise price of the warrants is subject to adjustment for subsequent lower price issuances, as well as customary adjustment provisions for stock splits, combinations, dividends and the like. The warrants are callable, upon 30 days notice, should the common stock trade at or above $25.20 per share for 25 out of 30 consecutive trading days. A maximum of 20% of the warrants may be called in any three-month period.

In connection with sale of the common stock and warrants, we effectuated a one-for-twelve reverse split of our outstanding common stock on January 10, 2005. We also completed listing of our common stock on the Nasdaq SmallCap Stock Market.

On November 24, 2004, we acquired Quality for the aggregate consideration of approximately $7,400,000 in cash, net of acquisition transaction costs. A formal purchase price allocation has been completed and the amounts assignable to tangible assets, other intangible assets and goodwill have been determined. The acquisition of Quality gives us additional project engineering expertise for specialty communication opportunities, broadens our customer base especially in the public safety sector and gaming industry, and expands our geographic presence in the Northeastern United States. The financing for this transaction was completed through the issuance of the common stock as described above.

At April 30, 2005, we had cash and cash equivalents of $989,000, working capital of approximately $5,145,000 and revolving lines of credit available of $318,000. With the additional capital resources raised from the issuance of the common stock, funds available from the recently obtained Credit Agreement and internally available funds, we believe that we have sufficient capital to meet our needs through April 30, 2006. 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.

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. While all these significant accounting policies impact our financial condition and results of operations, we view certain of these policies as critical. Policies determined to be critical are those policies that have the most significant impact on our 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 our 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 revenue and expenses during the reporting period. The most significant estimates relate to the 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 a 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, or 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.

We performed our annual review for goodwill impairment in the fourth quarter of fiscal 2005 and 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, Clayborn and Quality 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 deployment services for wireless infrastructure services and specialty communication systems. We provide a range of engineering services including site design, construction, product integration, structured cabling, network security, project management and technical support.

We record revenue and profit on these contracts 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. Cost estimates are reviewed monthly on a contract-by-contract basis, and are revised periodically throughout the life of the contract such that adjustments to profit resulting from revisions are made cumulative to the date of the revision. Significant management judgments and estimates, including the estimated cost to complete projects, which determines the project's percent complete, must be made and used in connection with the revenue recognized in the accounting period. 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 December 2004, the FASB issued SFAS No. 123(R) (revised 2004), "Share-Based Payment", which amends FASB Statement No. 123 and will be effective for public companies that are small business insurers at the beginning of the next fiscal year that begins after December 15, 2005. The new standard will require us to expense the fair value of employee stock options and other share-based payments over the vesting period. The FASB believes the use of a binomial lattice model for option valuation is capable of more fully reflecting certain characteristics of employee share options compared to the Black-Scholes options pricing model. The new standard may be adopted in one of three ways - the modified prospective transition method, a variation of the modified prospective transition method or the modified retrospective transition method. We are currently evaluating how we will adopt the standard and evaluating the effect that the adoption of SFAS 123(R) will have on our financial position or results of operations.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4." This statement amends the guidance in ARB No. 43, Chapter 4, Inventory Pricing, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage). Paragraph 5 of ARB No. 43, Chapter 4, previously stated that "...under some circumstances, items such as idle facility expense, excessive spoilage, double freight, and rehandling costs may be so abnormal as to require treatment as current period charges..." SFAS No. 151 requires that those items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal." In addition, this statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The provisions of SFAS 151 shall be applied prospectively and are effective for inventory costs incurred during fiscal years beginning after June 15, 2005, with earlier application permitted for inventory costs incurred during fiscal years beginning after the date this Statement was issued. The adoption of SFAS No. 151 is not expected to have a material impact on our financial position or results of operations.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29". The guidance in APB Opinion No. 29, "Accounting for Nonmonetary Transactions", is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. This Statement amends Opinion 29 to eliminate the exception for nonmonetary exchanges of similar productive assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for nonmonetary exchanges occurring in fiscal periods beginning after June 15, 2005. The adoption of SFAS No. 153 is not expected to have a material impact on our financial position or results of operations.

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
WPCS International Incorporated

We have audited the accompanying consolidated balance sheets of WPCS International Incorporated and Subsidiaries as of April 30, 2005 and 2004, 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 audits provide 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, 2005 and 2004, 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 15, 2005

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

<TABLE>
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ASSETS	APRIL 30, 2005	APRIL 30, 2004
<S>	<C>	<C>
CURRENT ASSETS:		
Cash and cash equivalents	$ 989,252	$ 1,984,636
Accounts receivable, net of allowance of $75,786 and $61,779 at April 30, 2005 and 2004, respectively	9,907,316	5,909,879
Costs and estimated earnings in excess of billings on uncompleted contracts	908,955	2,123,031
Inventory	885,624	104,799
Prepaid expenses and other current assets	536,331	

		264,076
Deferred income taxes	112,000	60,000
Total current assets	13,339,478	10,446,421
PROPERTY AND EQUIPMENT, net	1,560,271	1,005,760
CUSTOMER LISTS	1,158,388	603,333
GOODWILL	13,961,642	8,681,870
OTHER ASSETS	156,932	144,713
Total assets	$ 30,176,711	$ 20,882,097

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

<TABLE>
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LIABILITIES AND SHAREHOLDERS' EQUITY	APRIL 30, 2005	APRIL 30, 2004 (Note 1)
<S>	<C>	<C>
CURRENT LIABILITIES:		
Borrowings under lines of credit	$ 382,281	$ 551,000
Current maturities of capital lease obligation	2,073	2,534
Current maturities of loans payable	187,420	94,056
Accounts payable and accrued expenses	5,338,813	4,732,200
Billings in excess of costs and estimated earnings on uncompleted contracts	1,204,491	2,162,452
Due to shareholders	915,290	88,157
Income taxes payable	24,790	223,753
Deferred income taxes	139,000	196,100
Total current liabilities	8,194,158	8,050,252

Capital lease obligation, net of current portion	-	2,073
Loans payable, net of current portion	261,455	170,362
Due to shareholders, net of current portion	927,005	1,026,755
Deferred income taxes	439,000	344,900
Total liabilities	9,821,618	9,594,342
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, 3,821,385 and 1,737,498 shares issued and outstanding at April 30, 2005 and 2004, respectively	382	174
Additional paid-in capital	21,107,240	11,993,387
Unearned consulting services	-	(38,559)
Accumulated deficit	(752,529)	(667,247)
Total shareholders' equity	20,355,093	11,287,755
Total liabilities and shareholders' equity	$ 30,176,711	$ 20,882,097

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
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	Year Ended April 30, 2005	2004 (Note 1)
<S>	<C>	<C>
REVENUE	$40,148,233	$22,076,246
COSTS AND EXPENSES:		
Cost of revenue	32,445,470	17,286,099
Selling, general and administrative expenses	7,028,850	4,441,776

Depreciation and amortization	682,397	382,510
Total costs and expenses	40,156,717	22,110,385
OPERATING LOSS	(8,484)	(34,139)
OTHER EXPENSE:		
Interest expense	24,702	14,048
LOSS BEFORE INCOME TAX PROVISION	(33,186)	(48,187)
Income tax provision	52,096	76,000
NET LOSS	($85,282)	($124,187)
Basic and diluted net loss per common share	($0.03)	($0.08)
Basic and diluted weighted average number of common shares outstanding	2,679,529	1,521,697

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

<TABLE>
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	Preferred Stock		Common Stock		Additional	Unearned		Total
					Paid-In	Consulting	Accumulated	Shareholders'
	Shares	Amount	Shares	Amount	Capital	Services	Deficit	Equity
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE, MAY 1, 2003 (Note 1)	1,000	$ -	1,089,903	$ 109	$8,003,838	$ -	$ (543,060)	$7,460,887
Conversion of Series C Preferred Stock to common stock	(1,000)	-	148,833	15	(15)	-	-	-
Net proceeds from issuance of common stock through private placement	-	-	370,367	37	2,174,231	-	-	2,174,268

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Unearned Consulting Services	Accumulated Deficit	Total Shareholders' Equity
Issuance of common stock, acquisition of Clayborn Contracting Group, Inc.	-	-	68,871	7	867,761	-	-	867,768
Issuance of common stock, acquisition of Heinz Corporation	-	-	59,524	6	699,994	-	-	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)	-	-
Amortization of unearned consulting services	-	-	-	-	-	12,853	-	12,853
Net loss	-	-	-	-	-	-	(124,187)	(124,187)
BALANCE, APRIL 30, 2004 (Note 1)	-	$ -	1,737,498	$ 174	$11,993,387	$ (38,559)	$ (667,247)	$ 11,287,755

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY - CONTINUED

<TABLE>
<CAPTION>

	Preferred Stock		Common Stock		Additional Paid-In Capital	Unearned Consulting Services	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount	Shares	Amount				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net proceeds from issuance of common stock through private placement	-	-	2,083,887	208	9,113,853	-	-	9,114,061
Amortization of unearned consulting services	-	-	-	-	-	38,559	-	38,559
Net loss	-	-	-	-	-	-	(85,282)	(85,282)
BALANCE, APRIL 30, 2005	-	$ -	3,821,385	$382	$21,107,240	$ -	($752,529)	$ 20,355,093

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended April 30, 2005	2004
OPERATING ACTIVITIES :		
Net loss	$ (85,282)	$ (124,187)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	682,397	382,510
Provision for doubtful accounts	14,007	91,137
Amortization of unearned consulting services	38,559	-
Fair value of stock options granted	-	209,019
Deferred income taxes	(134,000)	(218,800)
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(1,898,625)	(2,422,541)
Costs and estimated earnings in excess of billings on uncompleted contracts	1,214,076	(1,379,816)
Inventory	(536,772)	11,976
Prepaid expenses	(14,306)	(51,319)
Other assets	(148,596)	(24,032)
Accounts payable and accrued expenses	(337,355)	2,354,024
Billings in excess of costs and estimated earnings on uncompleted contracts	(1,146,930)	1,908,541
Income taxes payable	(328,751)	200,053
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(2,681,578)	936,565
INVESTING ACTIVITIES:		
Acquisition of property and equipment	(215,844)	(86,011)
Acquisition of Clayborn, net of cash received	-	(722,177)
Acquisition of Quality, net of cash received	(6,708,904)	-
Acquisition of Heinz, net of cash received	(82,283)	(109,194)
Acquisition earn-out and other transaction costs	(17,553)	(497,677)
NET CASH USED IN INVESTING ACTIVITIES	(7,024,584)	(1,415,059)

The accompanying notes are an integral part of these consolidated financial statements.

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

	April 30, 2005	2004
FINANCING ACTIVITIES:		
Repayment of advances from officers	-	(100,000)
Net proceeds from issuance of common stock	9,114,061	2,174,268
(Repayments) borrowings under lines of credit	(303,848)	461,000
Repayments of loans payable	(96,901)	(237,390)
Payments of capital lease obligations	(2,534)	(2,295)
NET CASH PROVIDED BY FINANCING ACTIVITIES	8,710,778	2,295,583
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(995,384)	1,817,089
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,984,636	167,547
CASH AND CASH EQUIVALENTS, END OF YEAR	$989,252	$ 1,984,636

The accompanying notes are an integral part of these consolidated financial statements.

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATING STATEMENTS OF CASH FLOWS - CONTINUED

	Year Ended April 30, 2005	2004 (Note 1)
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 32,196	$ 15,770
Income taxes	$ 434,289	$ 105,193
SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Issuance of common stock in connection with acquisitions of Clayborn and Heinz	$ -	$ 1,567,768
Conversion of Series C preferred stock to common stock	$ -	$ 15
Unpaid earn-out consideration related to acquisitions	$ -	$ 1,114,912

Unpaid purchase price adjustments related to acquisition	$ 742,295	$ -
Issuance of note for net noncash assets received in acquisition	$ -	$ 182,648
Reversal of accruals established in purchase accounting	$ 40,022	$ -
Issuance of notes for property and equipment	$ 192,210	$ 32,339

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

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"), Walker Comm Inc. ("Walker"), Clayborn Contracting Group, Inc. ("Clayborn") from August 22, 2003 (date of acquisition), Heinz Corporation ("Heinz") from April 2, 2004 (date of acquisition), and Quality Communications & Alarm Company ("Quality") from November 24, 2004 (date of acquisition), collectively the "Company". Certain reclassifications have been made to prior period financial statements to conform to the current presentation.

The Company is an engineering company that focuses on the implementation requirements of wireless technology and specialty communication systems. The Company provides a range of services including site design, product integration, security, structured cabling, construction, project management and technical support.

Effective January 10, 2005, a majority of the Company's shareholders approved a one-for-twelve reverse stock split of the Company's common stock, decreasing the number of issued and outstanding shares of common stock from 45,849,976 shares to 3,821,385 shares. The par value of the common stock was not affected by the reverse stock split and remains at $0.0001 per share. Consequently, the reverse stock split has been reflected retroactively in the accompanying financial statements and notes for all periods presented and all applicable references as to the number of common shares and per share information, stock options, warrants and market prices have been restated to reflect this reverse stock split. In addition, shareholders' equity has been restated for all periods presented for the aggregate par value of the number of common shares that were reclassified to additional paid-in capital as a result of the reverse stock split.

On August 22, 2003, the Company acquired all of the outstanding shares of Clayborn in exchange for an aggregate of 68,871 newly issued shares of the Company's common stock with a fair value of approximately $868,000 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, as defined, of Clayborn and a final payment of any remaining balance on that date.

On April 2, 2004, the Company acquired all of the outstanding common stock of Heinz for $1,000,000, as follows: (1) $700,000 of the Company's common stock, based on the closing price of its common stock on March 30, 2004 of $11.76 per share, for an aggregate of 59,524 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 was paid in April 2005 and $75,000 is payable on the second anniversary of the closing date and $50,000 is payable on the third anniversary of the closing date.

On November 24, 2004, we acquired all of the issued and outstanding common stock of Quality. The aggregate consideration paid by the Company to the Quality selling shareholders, net of acquisition transaction costs was $7,442,295, of which $6,700,000 was paid at closing. Additional purchase price adjustments of

$742,295 were paid in June 2005 to settle working capital adjustments and income tax reimbursements related to the Company electing to make an Internal Revenue Code 338 (h) (10) election. For income tax purposes, this election results in a stepped up basis of assets and liabilities and will result in future income tax deductions.

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 at time of purchase 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 $1,333,413 which is expected to be collected within one year.

Inventory

As a result of the acquisition of Quality, inventory consists primarily of materials, parts and supplies principally valued using the first-in-first-out (FIFO) 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 charge the cost of depreciable assets to operations over their estimated service lives. Repairs and maintenance costs are charged to operations as incurred.

Goodwill

In accordance with the guidelines of Statement of Financial Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," 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 definite 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, 2005 and 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, 2005 and 2004. 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 years ended April 30, 2005 and 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
Beginning balance, May 1, 2004	8,681,870
Reversal of accruals established in purchase accounting	(40,022)
Heinz acquisition cost adjustments	(183,480)
Quality acquisition	5,496,064
Transaction costs	7,210
Ending balance, April 30, 2005	$ 13,961,642

Revenue Recognition

The Company generates its revenue by providing engineering and deployment services for wireless infrastructure services and specialty communication systems The Company provides a range of engineering services including site design, construction, product integration, structured cabling, network security, project management and technical support.

The Company records revenue and profit on these contracts on a percentage-of-completion basis using 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. Cost estimates are reviewed monthly on a contract-by-contract basis, and are revised periodically throughout the life of the contract such that adjustments to profit resulting from revisions are made cumulative to the date of the revision. Significant management judgments and estimates, including the estimated cost to complete projects, which determines the project's percent complete, must be made and used in connection with the revenue recognized in the accounting period. 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.

Other Concentrations

For the year ended April 30, 2005, the Company had revenue from one customer totaling approximately $4,400,000, which comprised 11.1% of total revenue. Management believes there is no significant business vulnerability regarding the concentration of revenue due to the Company's strong relationship with this customer and the customer's financial strength.

The Company has approximately 110 union employees. A contract with these union employees expires November 30, 2008.

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) 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, 2005, the Company had 454,896 stock options and 2,572,171 warrants outstanding which are potentially dilutive securities. At April 30, 2004, the Company had 299,322 stock options and 425,784 warrants outstanding which are potentially dilutive securities. Basic and fully diluted EPS is the same since the effect of the assumed exercise of stock options and warrants would be antidilutive.

Stock-Based Compensation Plans

SFAS 123(R) (revised December 2004), Share-Based Payment, an amendment of SFAS 123, Accounting for Stock-Based Compensation, established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. As a result of the amendments to SFAS 123, the Company will be required to expense the fair value of employee stock options beginning with its fiscal year ending April 30, 2007. The new standard will require the Company to expense the fair value of employee stock options and other share-based payments over the vesting period. The FASB believes the use of a binomial lattice model for option valuation is capable of more fully reflecting certain characteristics of employee share options compared to the Black-Scholes options pricing model. The new standard may be adopted in one of three ways - the modified prospective transition method, a variation of the modified prospective transition method or the modified retrospective transition method. We are currently evaluating how we will adopt the standard and evaluating the effect that the adoption of SFAS 123(R) will have on our financial position or results of operations.

As currently permitted by SFAS 123, the Company has elected to continue to account for its stock-based compensation plans in accordance with the intrinsic-value-based method of accounting prescribed by Accounting Principles Board Opinion No. 25 ("APB 25"), Accounting for Stock Issued to Employees. Under APB 25, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. The exercise price of all options granted to employees has been equal to or greater than the fair market value at the date of grant and, accordingly, the Company has not recognized compensation expense associated with its stock option plan. By making that election, the Company is required under SFAS 123 to provide pro forma disclosures of net loss and net loss per common share as if the fair value based method of accounting had been applied. The following table illustrates the effect on net loss and net loss per common share for fiscal 2005 and 2004 as if the Company had applied the fair value recognition provisions of SFAS 123 to 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 method for stock options granted and amortized the cost over the related vesting period, the Company's net loss and net loss per share attributable to common shareholders would have been as follows:

	2005	2004
Net loss, as reported	($85,282)	($124,187)
Deduct: total stock-based employee compensation		

expense determined under fair value based method for all awards, net of tax	(452,820)	(300,838)
Net loss, Pro forma	($538,102)	($425,025)
Basic net loss per share:		
As reported	($0.03)	($0.08)
Pro forma	($0.20)	($0.28)

The fair value of each option grant was estimated on the date of grant using the Black-Scholes Option pricing model. The following assumptions were used for the year ended April 30, 2005: risk-free interest rate range of 3.51% to 4.22%, dividend yield of 0%, expected life of 5 years and volatility range 28.4% to 44.9%. For the year ended April 30, 2004, risk-free interest rate range of 2.80% to 3.61%, dividend yield of 0%, expected life of 5 years and volatility range 71.0% to 73.2% were used.

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 November 2004, the FASB issued SFAS No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4." This statement amends the guidance in ARB No. 43, Chapter 4, Inventory Pricing, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage). Paragraph 5 of ARB No. 43, Chapter 4, previously stated that "...under some circumstances, items such as idle facility expense, excessive spoilage, double freight, and rehandling costs may be so abnormal as to require treatment as current period charges..." SFAS No. 151 requires that those items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal." In addition, this statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The provisions of SFAS 151 shall be applied prospectively and are effective for inventory costs incurred during fiscal years beginning after June 15, 2005, with earlier application permitted for inventory costs incurred during fiscal years beginning after the date this Statement was issued. The adoption of SFAS No. 151 is not expected to have a material impact on our financial position or results of operations.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29". The guidance in APB Opinion No. 29, "Accounting for Nonmonetary Transactions", is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. This Statement amends Opinion 29 to eliminate the exception for nonmonetary exchanges of similar productive assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for nonmonetary exchanges occurring in fiscal periods beginning after June 15, 2005. The adoption of SFAS No. 153 is not expected to have a material impact on our financial position or results of operations.

NOTE 3 - ACQUISITIONS

In accordance with SFAS No. 141, "Business Combinations," acquisitions of businesses are accounted for under the purchase method of accounting. Under the purchase method of accounting, assets acquired and liabilities assumed are recorded at their estimated fair values. Goodwill is recorded to the extent the purchase price consideration, including certain acquisition and closing costs, exceeds the fair value of the net identifiable assets acquired at the date of the acquisition.

Clayborn

On August 22, 2003, the Company completed a merger with Clayborn, a California corporation. 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 $2,932,000. The Company acquired all of the issued and outstanding shares of Clayborn in exchange for $900,000 cash consideration and $64,000 of transaction costs, and 68,871 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 , as defined, of Clayborn and a final payment of any remaining balance on that date.

The adjusted 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	1,775,447
	3,661,091
Liabilities assumed:	
Accounts payable	(294,992)
Accrued expenses	(136,119)
Notes payable	(184,611)
Deferred tax liability	(113,800)
	(729,522)
Purchase price	$ 2,931,569

Heinz

On April 2, 2004, the Company acquired all of the issued and outstanding common stock 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 $11.76 per share, for an aggregate of 59,524 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 was paid in April 2005, $75,000 is payable on the second anniversary 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 initial current and long-term discounted present value at April 2, 2004 of this note was $71,429 and $111,219, respectively.

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.

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 income approaches. The initial purchase price allocation in 2004 has been adjusted as a result of final valuation in 2005, with fixed assets increasing in value by $24,000, customer lists being valued at $220,000 and backlog being valued at $65,000, resulting in a decrease in goodwill by these combined amounts. Accordingly, a deferred tax liability of $119,000 was recorded since the amortization of customer lists and backlog is not available as a tax deduction to the Company. The aggregate changes resulted in goodwill being decreased to approximately $847,000 as of the acquisition date.

The final purchase price allocation, as adjusted, has been determined as follows:

Assets purchased:	
Cash	$ 8,052
Accounts receivable	593,667
Costs in excess of billings	103,459
Fixed assets	47,440
Customer lists	220,000
Backlog	65,000
Other assets	71,128
Goodwill	846,866
	1,955,612
Liabilities assumed:	
Accounts payable	(494,503)
Accrued expenses	(130,694)
Line of credit	(90,000)
Notes payable	(80,942)
Billings in excess of cost	(29,223)
Deferred tax liability	(119,000)
	(944,362)
Purchase price	$ 1,011,250

Quality

On November 24, 2004, the Company acquired all of the issued and outstanding common stock of Quality. The aggregate consideration paid by the Company to the Quality selling shareholders, net of acquisition transaction costs of $172,578, was $7,442,295, of which $6,700,000 was paid at closing. Additional purchase price adjustments of $742,295 were paid in June 2005 to settle working capital adjustments and income tax reimbursements related to the Company electing to make an Internal Revenue Code 338 (h) (10) election. For income tax purposes, this election results in a stepped up basis of assets and liabilities and will result in future income tax deductions.

Quality is a Lakewood, New Jersey based provider of specialty communication services. The acquisition of Quality gives the Company additional project engineering expertise for specialty communication opportunities, broadens its customer base especially in the public safety sector and gaming industry, and expands its geographic presence in the Northeastern United States. The financing for this transaction was completed through the issuance of common stock as described in Note 11.

A valuation of certain assets was completed, including property and equipment, 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 income approaches.

The final purchase price allocation has been determined as follows:

Assets purchased:	
Cash	$ 163,674
Accounts receivable	2,124,587
Inventory	244,053
Fixed assets	495,145
Prepaid expenses	70,447
Customer lists	580,000
Other assets	6,000
Goodwill	5,496,064
	9,179,970
Liabilities assumed:	
Accounts payable	(912,736)
Accrued expenses	(271,991)
Income taxes payable	(84,663)
Line of credit borrowings	(135,129)
Notes payable	(160,578)
	(1,565,097)
Purchase price	$ 7,614,873

The following unaudited pro forma financial information presents the combined results of operations of the Company and Quality as if the acquisition had occurred on May 1, 2004, and the Company, Clayborn, Heinz and Quality, as if the acquisitions had occurred on May 1, 2003, 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 and the issuance of common stock described in Note 11 to finance the acquisition of Quality. The pro forma financial information does not necessarily reflect the results of operations that would have occurred had the Company, Clayborn, Heinz, and Quality been a single entity during these periods.

<TABLE>
<CAPTION>

<S>		2005 <C>		2004 <C>
Revenue	$	46,810,720	$	35,830,021
Net income	$	59,741	$	167,227
Weighted average number of shares used in calculation:				
Basic net income per share		3,821,385		3,821,385
Diluted net income per share		3,871,845		4,069,476
Pro forma net income per common share				
Basic	$	0.02	$	0.04
Diluted	$	0.02	$	0.04

</TABLE>

For all acquisitions, customer lists are amortized over a period of five to six years and backlog is amortized over a period of one year from the date of acquisition. The Company recorded amortization expense related to customer lists and backlog of $310,000 and $154,000 for the years ended April 30, 2005 and 2004, respectively. With the exception of goodwill related to the Quality acquisition, any future goodwill impairments will not be 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:

<TABLE>
<CAPTION>

<S>		2005 <C>		2004 <C>
Costs incurred on uncompleted contracts	$	25,474,753	$	17,574,035
Estimated contract profit		4,983,102		4,699,280
		30,457,855		22,273,315
Less: billings to date		30,753,391		22,312,736
Net billings in excess		($295,536)		($39,421)
Costs and estimated earnings in excess of billings	$	908,955	$	2,123,031
Billings in excess of costs and estimated earnings on uncompleted contracts		(1,204,491)		(2,162,452)
Net billings in excess		($295,536)		($39,421)

</TABLE>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at April 30:

	Estimated useful life (years)	2005		2004
Furniture and fixtures	5 - 7	$135,383	$	163,778

Computers and software	3	373,325	247,062
Office equipment	5 - 7	46,480	30,437
Vehicles	5 - 7	1,141,011	624,304
Machinery and equipment	5	310,681	281,757
Leasehold improvements	3 - 10	218,938	192,349
		2,225,818	1,539,687
Less accumulated depreciation and amortization		665,547	533,927
		$ 1,560,271	$ 1,005,760

Depreciation and amortization expense for property and equipment for the years ended April 30, 2005 and 2004 was approximately $372,000 and $228,000, respectively.

NOTE 6 - LINE OF CREDIT

Walker maintained a revolving line of credit facility with a commercial bank, with a borrowing limit up to 70% of eligible Walker accounts receivable. As of April 30, 2005, the borrowing base was $700,000 and the outstanding balance was approximately $382,000. Effective August 30, 2004, the amount available to Walker was decreased from $1,200,000 to $700,000 to support a $500,000 letter of credit issued in favor of Walker's surety bonding company. In August 2004, Walker was awarded a contract of approximately $5,000,000, which required performance and payment bonds. In order to provide the bonds, the surety bonding company required a letter of credit for 10% of the total contract award. The line of credit was collateralized by all of Walker's accounts receivable, inventory and equipment and bore interest at the Wall Street Journal Prime Index Rate plus 1.5% (7.25% as of April 30, 2005). In addition, the Company and certain executive officers of the Company personally guaranteed this line of credit facility. On June 3, 2005, this line of credit was paid off in connection with the credit agreement described below.

On June 3, 2005, the Company entered into a credit agreement with a new commercial bank. The credit agreement (the "Credit Agreement"), provides for a revolving line of credit in an amount not to exceed $5,000,000, together with a letter of credit facility not to exceed $500,000. The Company also entered into security agreements with the bank, pursuant to which each subsidiary granted a security interest to the bank in all of their assets.

Pursuant to the terms of the Credit Agreement, the Company is permitted to borrow up to $3,000,000 under the revolving credit line, based upon eligible receivables. Once the Company has provided financial statements to the bank which evidence that the Company has earnings before interest, taxes, depreciation and amortization of (i) $750,000 for the quarter ended July 31, 2005, (ii) $750,000 for the quarter ended October 31, 2005, and (iii) $2,500,000 for the year ended April 30, 2006, the revolving commitment amount will be increased to $5,000,000. The Credit Agreement contains customary covenants, including but not limited to (i) restrictions on the permitted ratio of total unsubordinated liabilities to tangible net worth plus subordinated indebtedness, (ii) the Company's total tangible net worth, (iii) working capital, (iv) minimum earnings before interest, taxes, depreciation and amortization, and (v) dividend restrictions. The loan commitment shall expire on August 31, 2008. The Company may prepay the loan at any time.

Loans under the Credit Agreement bear interest at a rate equal to either the bank's reference rate plus one half (0.5%) percent, or LIBOR plus two and three-quarters (2.75%) percent, as the Company may request. The Company paid a facility fee to the bank of $50,000 on the closing date.

The Company used the initial funds provided by the loan, in the gross amount of $3,000,000, to repay existing bank debt at Walker of approximately $672,000, for the payment of approximately $742,000 to the former shareholders of our Quality subsidiary for monies due to them pursuant to the terms of the purchase of their company, and for working capital. A $500,000 letter of credit was also re-issued in favor of Walker's surety bonding company for performance and payment bond collateral requirements described above.

NOTE 7 - RELATED PARTY TRANSACTIONS

In connection with the acquisition of Walker, the Company assumed a ten-year lease with a trust, of which, a certain officer of the Company is the trustee, for a building and land located in Fairfield, California, which is occupied by its Walker subsidiary. For the years ended April 30, 2005 and 2004 the rent paid for this lease was $88,000 and $56,000, respectively.

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, as defined, of Clayborn and the payment of the remainder on that date.

In connection with the acquisition of Heinz, a $200,000 non-interest bearing promissory note was issued. Of the $200,000, $75,000 was paid in April 2005, $75,000 is payable on the second anniversary of the closing date and $50,000 is payable on the third anniversary of the closing date.

In connection with the acquisition of Quality, approximately $742,000 of additional purchase price consideration was paid to the selling shareholders in June 2005 for working capital adjustments and income tax reimbursements.

NOTE 8 - RETIREMENT PLANS

The Company and its subsidiaries participate in employee savings plans 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 plans. There were $8,800 and $4,000 in contributions made for the years ended April 30, 2005 and 2004, respectively.

The Company also contributes to multi-employer pension plans which provide benefits to union employees covered by a collective bargaining agreement. Cost of revenue includes approximately $2,178,000 and $1,210,000 for such costs for the years ended April 30, 2005 and 2004, respectively.

NOTE 9 - INCOME TAXES

The provision for income taxes for the years ended at April 30, 2005 and 2004 is summarized as follows:

	2005	2004
Current		
Federal	$ 99,000	$ 177,000
State	87,096	117,800
Deferred		
Federal	(76,000)	(49,000)
State	(58,000)	(169,800)
Totals	$ 52,096	$ 76,000

The actual provisions for income taxes reflected in the consolidated statements of operations for the years ended April 30, 2005 and 2004 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>

	2005	2004
<S> <C>	<C>	<C>
Expected tax benefit at statutory rate (34%)	($12,000)	($16,000)
State and local taxes, net of federal tax benefit	19,000	76,000
Increase in valuation allowance	12,000	16,000
Other	33,096	-
	$ 52,096	$76,000

</TABLE>

The tax effects of temporary differences which give rise to deferred tax assets and liabilities is summarized as follows:

<TABLE>
<CAPTION>

	2005	2004
Deferred tax assets:		
<S>	<C>	<C>
Net operating loss carryforward	$ 113,000	$ 60,000
Allowance for doubtful accounts	29,000	26,000
Reserve for loss on work-in-progress	13,000	-
Customer lists	10,000	-
Federal benefit of deferred state tax liabilities	20,000	34,000
Valuation allowance	(73,000)	(60,000)
Net deferred tax assets - current	112,000	60,000

Deferred tax liabilities:			
Sec 481(a) adjustment for cash to accrual basis accounting	- current	(104,000)	(106,000)
	- long term	-	(106,000)
Non-deductible amortization of purchase price			
Inventory - current		(15,000)	(29,000)
Fixed assets - long term		(117,000)	(132,000)
Goodwill - long term		(65,000)	-
Federal benefit of deferred state tax liabilities - current		(20,000)	-
Customer lists - long term		(257,000)	(168,000)
Total		(578,000)	(541,000)
Net deferred tax liabilities		$ (466,000)	$ (481,000)

</TABLE>
At April 30, 2005, the Company has net operating loss carryforwards for state tax purposes approximating $1,170,000 expiring through 2025. Due to the uncertainty of recognizing a tax benefit on these losses in certain states, the Company has provided a valuation allowance of $73,000 against the total deferred tax asset of $113,000 related to these losses.

NOTE 10 - STOCK OPTION PLAN

The Company established a nonqualified stock option plan pursuant to which options to acquire a maximum of 416,667 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, 2005, there were 5,771 shares available for grant under the 2002 Plan. From time to time, the Company issues stock options to employees outside the plan. In 2005, the Company issued 44,000 stock options to employees outside the plan.

The following table summarizes the activity of the employee stock option plan for the year ended April 30, 2005 and 2004:

	Number of Shares	Weighted-average Exercise Price
Outstanding, May 1, 2003	6,418	$17.41
Granted	334,864	$12.31
Cancelled	(41,960)	$12.97
Outstanding, April 30, 2004	299,322	$12.49
Granted	266,890	$6.15
Cancelled	(111,316)	$6.58
Outstanding, April 30, 2005	454,896	$8.77

The following is a summary of the status of stock options outstanding at April 30, 2005:
<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>
$4.80 - 5.35	80,764	4.75	52,336	$4.80 - 5.35
6.10 - 9.00	257,131	4.08	241,174	6.10 - 9.00
10.92 - 14.40	77,248	3.38	61,263	10.92 - 14.40
15.00 - 18.60	29,335	1.62	29,335	15.00 - 18.60
19.92 - 27.96	10,418	3.10	10,418	19.92 - 27.96
Total	454,896		394,526	

</TABLE>

The weighted-average fair value of options on the grant date was $6.15 and $12.31, respectively, for options granted during the years ended April 30, 2005 and 2004.

NOTE 11 - SHAREHOLDERS' EQUITY

On November 16, 2004, the Company sold an aggregate of 2,083,887 shares of common stock and 2,083,887 common stock purchase warrants to eight investors for $10,000,000, The common stock and the warrants were issued in a private placement transaction pursuant to Section 4(2) under the Securities Act of 1933. Pursuant to the terms of sale, the Company filed a resale registration statement on December 30, 2004 covering the common stock and the common stock issuable upon exercise of the warrants, which was declared effective by the SEC on January 18, 2005.

Each warrant is exercisable for a period of five years at a price of $8.40 per share, subject to certain adjustments. The exercise price of the warrants is subject to adjustment for subsequent lower price issuances by the Company, as well as customary adjustment provisions for stock splits, combinations, dividends and the like. The warrants are callable by the Company, upon 30 days notice, should the common stock trade at or above $25.20 per share for 25 out of 30 consecutive trading days. A maximum of 20% of the warrants may be called in any three-month period.

The Company paid the placement agent of the offering a cash fee of $650,000 or 6.5% of the proceeds of the offering. In addition, the placement agent received warrants to purchase 62,500 shares of common stock, exercisable for a period of five years at an exercise price of $8.40 per share. The Company also paid a finders' fee of $100,000 to another third party in connection with the offering and incurred other related costs of $112,095. Accordingly, the Company received net proceeds of $9,137,905 from the offering.

In connection with the sale of the common stock and warrants, the Company effectuated a one-for-twelve reverse stock split of its outstanding common stock on January 10, 2005.

The following table summarizes the activity of the common stock purchase warrants for the year ended April 30, 2005 and 2004:

	Number of Shares	Weighted Average Exercise Price
Outstanding, May 1, 2003	-	$ -
Issued	425,784	$ 10.57
Outstanding, April 30, 2004	425,784	$ 10.57
Issued	2,146,387	$ 8.40
Outstanding, April 30, 2005	2,572,171	$ 8.76

NOTE 12 - SEGMENT REPORTING

The Company's reportable segments are determined and reviewed by management 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. Management 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 results for the years ended April 30, 2005 and 2004 are as follows:

<TABLE>
<CAPTION>

	As of/Year ended April 30, 2005				As of/Year ended April 30, 2004			
	Corporate	Wireless Infrastructure	Specialty Communication	Total	Corporate	Wireless Infrastructure	Specialty Communication	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue	$ -	$8,651,555	$31,496,678	$40,148,233	$ -	$4,568,714	$17,507,532	$22,076,246
Depreciation and								

Amortization	$ 20,423	161,485	500,489	682,397	$ 98	40,054	342,358	382,510
(Loss) income before income taxes	($1,206,486)	$ 783,014	$ 390,286	($33,186)	($924,882)	$ 361,160	$ 515,535	($48,187)
Goodwill	$ -	$2,479,410	$11,482,232	$13,961,642	$ -	$2,698,343	$ 5,983,527	$ 8,681,870
Total assets	1,169,887	$4,604,335	$24,402,489	$30,176,711	$803,082	$6,387,166	$13,691,849	$20,882,097

</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, 2005 are approximately $1,800,000.

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, 2005 are summarized as follows:

Year ending April 30,	
2006	$ 386,054
2007	328,490
2008	237,096
2009	121,568
2010	105,941
Thereafter	90,480
Total minimum lease payments	$ 1,269,629

Rent expense for all operating leases was approximately $358,000 and $260,000 in 2005 and 2004, respectively.

Walker Comm, Inc. Acquisition

In connection with the acquisition of Walker, the Company assumed a ten-year lease with a trust, of which, a certain officer of the Company is the trustee, for a building and land located in Fairfield, California, which is occupied by its Walker subsidiary.

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 as defined, of Clayborn and the payment of the remainder on that date.

Heinz Corporation Acquisition

In connection with the acquisition of Heinz, a $200,000 non-interest bearing promissory note was issued. Of the $200,000, $75,000 is payable on the second anniversary of the closing date and $50,000 is payable on the third anniversary of the closing date.

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 as of April 30, 2005 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 controls and procedures. Based on that evaluation , our principal executive officer and chief financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) were sufficiently effective as of that date 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.

In connection with its review of the Company's financial statements for the three and nine months ended January 31, 2005, J.H. Cohn LLP, the Company's independent registered public accounting firm brought to the attention of the Company's management and Audit Committee that the Company had initially understated its provision for income taxes by improperly reversing deferred tax liabilities arising from an acquisition. The Company subsequently adopted additional procedures to address this deficiency, including consulting a third party income tax consultant to review the Company's income tax provision.

Changes in internal controls. There were no changes in the Company's internal controls over financial reporting, except for the changes in procedures referred to in the preceding paragraph, that occurred during the quarter ended April 30, 2005, that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

ITEM 8B - OTHER INFORMATION

None

ITEM 9 - DIRECTORS, EXECUTIVE OFFICERS, PROMOTRS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

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

NAME	AGE	OFFICES HELD
Andrew Hidalgo	49	Chairman, Chief Executive Officer and Director
Joseph Heater	41	Chief Financial Officer
Donald Walker	42	Executive Vice President
James Heinz	43	Executive Vice President
Richard Schubiger	39	Executive Vice President
Norm Dumbroff	44	Director
Neil Hebenton	49	Director
Gary Walker	50	Director
William Whitehead	49	Director

Andrew Hidalgo, Chairman and Chief Executive Officer

Mr. Hidalgo has been Chairman of the Board and Chief Executive Officer of the Company since its inception in May 2002 and served in the same capacity with the predecessor companies WPCS, Inc. and WPCS Holdings, Inc. since September 2000. He is responsible for the Company's operations and direction. Prior to that, Mr. Hidalgo held various positions in operations, sales and marketing with Applied Digital Solutions, the 3M Company, Schlumberger and General Electric. He attended Fairfield University in Fairfield, Connecticut where he majored in Marketing and Finance.

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.

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.

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. Mr. Heinz has over twenty years of project engineering experience in civil and commercial construction projects with over ten years specifically dedicated to wireless infrastructure services. Mr. Heinz 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.

Richard Schubiger, Executive Vice President

Mr. Schubiger has been Executive Vice President since November 2004. Mr. Schubiger was a co-founder of Quality Communications and its President since December 1995 until its acquisition by WPCS in November 2004. Mr. Schubiger has over twenty years of experience in the wireless communications industry and has been involved with all facets including sales, service, design and project management. Prior to establishing Quality Communications, Mr. Schubiger worked for Motorola, Inc., designing and supporting major wireless systems for commercial and government users. Mr. Schubiger had a distinguished career in the United States Marine Corps where he served as a wireless engineering specialist involved with deployments throughout North America, Asia and Europe

Directors:

Norm Dumbroff

Mr. Dumbroff became a Director of WPCS in November 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 became a director of WPCS in 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. Directors serve without 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.

The following is a summary of the committees our directors serve.

Audit Committee
- ----------------

We have an Audit Committee currently consisting of William Whitehead , Norm Dumbroff and Neil Hebenton, with Mr. Whitehead elected as Chairman of the Committee. Our board of directors has determined that each of Messrs. Whitehead, Dumbroff and Hebenton are "independent" as that term is defined under applicable SEC rules and under the current listing standards of the Nasdaq Stock Market. Mr. Whitehead is our audit committee financial expert. The Audit Committee was expanded in December 2004 and met once after formation and prior to the filing of this Form 10-KSB. The Board of Directors has adopted a written charter setting forth the authority and responsibilities of the Audit Committee.

The Audit Committee's responsibilities include: (i) reviewing the independence, qualifications, services, fees, and performance of the independent auditors, (ii) appointing, replacing and discharging the independent auditors, (iii) pre-approving the professional services provided by the independent auditors, (iv) reviewing the scope of the annual audit and reports and recommendations submitted by the independent auditors, and (v) reviewing our financial reporting and accounting policies, including any significant changes, with management and the independent auditors. The Audit Committee also prepares the Audit Committee report that is required pursuant to the rules of the SEC.

Executive Committee
- -------------------

We have an Executive Committee currently consisting of Norm Dumbroff, Neil Hebenton and William Whitehead, with Mr. Dumbroff elected as Chairman of the Committee. The Board of Directors has determined that all of the members are "independent" under the current listing standards of the Nasdaq Stock Market. The Executive Committee was formed in December 2004 and has not met to date. The Board of Directors has adopted a written charter setting forth the authority and responsibilities of the Executive Committee.

The Executive Committee has responsibility for assisting the Board of Directors in, among other things, evaluating and making recommendations regarding the compensation of the executive officers and directors of the Company; assuring that the executive officers are compensated effectively in a manner consistent with the stated compensation strategy of the Company; producing an annual report on executive compensation in accordance with the rules and regulations

promulgated by the SEC; periodically evaluating the terms and administration of the Company's incentive plans and benefit programs and monitoring of compliance with the legal prohibition on loans to directors and executive officers of the Company.

Nominating Committee
- --------------------

We have a Nominating Committee currently consisting of Neil Hebenton, Norm Dumbroff and William Whitehead, with Mr. Hebenton elected as Chairman of the Committee. The Board of Directors has determined that all of the members are "independent" under the current listing standards of the Nasdaq Stock Market. The Nominating Committee was designated by the Board of Directors in February 2005 and has not met to date.

The Nominating Committee has responsibility for assisting the Board in, among other things, effecting Board organization, membership and function including identifying qualified Board nominees; effecting the organization, membership and function of Board committees including composition and recommendation of qualified candidates; establishment of and subsequent periodic evaluation of successor planning for the chief executive officer and other executive officers; development and evaluation of criteria for Board membership such as overall qualifications, term limits, age limits and independence; and oversight of compliance with the Corporate Governance Guidelines. The Nominating Committee shall identify and evaluate the qualifications of all candidates for nomination for election as directors.

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 2005 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 2005.

ITEM 10. EXECUTIVE COMPENSATION

The following table sets forth in summary form the compensation received during the fiscal years ended April 30, 2005, 2004, and 2003 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 2005 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	2005	168,000	-	-	-	154,167	-	-
Chairman, Chief Executive Officer	2004	154,500	17,000	-	-	-	-	-
and Director	2003	141,000	-	-	-	-	-	-
Donald Walker	2005	140,000	10,269	-	-	-	-	-
Executive Vice President (1)	2004	140,000	26,962	-	-	16,667	-	-
	2003	41,160	2,669					
Gary Walker	2005	140,000	10,269		-	2,084	-	-
President-Walker and Director (2)	2004	140,000	26,962	-	-	16,667	-	-
	2003	42,333	2,669		-	-	-	-
James Heinz	2005	140,000	-			10,000	-	-
Executive Vice President (3)	2004	10,231	-	-	-	-	-	-
Joseph Heater	2005	132,000	-	-	-	35,000	-	-
Chief Financial Officer (4)	2004	95,500	8,000	-	-	33,334	-	-

</TABLE>

(1) Mr. Walker has served as Executive Vice President since December 30, 2002.

(2) Mr. Walker has served as President of Walker and as a Director since December 30, 2002.

(3) Mr. Heinz has served as Executive Vice President since April 2, 2004.

(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 2005 Fiscal Year

The following table provides information related to options granted to the named executive officers during the 2005 fiscal year. The Company does not have any outstanding stock appreciation rights.

Name	No. of Securities Underlying Options Granted (#)	% of Total Options Granted to Employees in Fiscal Year	Exercise Price ($/Sh)	Expiration Date
Andrew Hidalgo	154,167	57.8%	6.60	10/6/2009
Gary Walker	2,084	0.8%	4.80	12/20/2009
James Heinz	10,000	3.8%	5.25	2/1/2010
Joseph Heater	25,000	9.4%	6.60	10/6/2009
Joseph Heater	10,000	3.8%	5.25	2/1/2010

Aggregated Option Exercises During 2005 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 2005 fiscal year and number and value of such options held at fiscal year-end.
<TABLE>
<CAPTION>

Name	Shares Acquired on Exercise (#)	Value Realized	Number of Securities Underlying Unexercised Options at Fiscal Year- End (#)		Value of Unexercised In-the-Money Options at Fiscal Year- End ($) (1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Andrew Hidalgo	-	-	154,167	-	-	-
Gary Walker	-	-	2,084	-	-	-
James Heinz	-	-	10,000	-	-	-
Joseph Heater	-	-	25,000	-	-	-
Joseph Heater	-	-	10,000	-	-	-

</TABLE>

(1). Value based on the closing price of $4.95 per share on April 29, 2005, less the option exercise price.

EMPLOYMENT AGREEMENTS

Contract with Andrew Hidalgo

On February 1, 2005, the Company entered into a three-year employment contract with 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 Joseph Heater

On June 1, 2005, the Company entered into a three-year employment contract with the Chief Financial Officer. 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 $140,000 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 President 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 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.

Contract with Richard Schubiger

On November 24, 2004, the Company entered into a two-year employment contract with Richard Schubiger, the President of Quality, who is also an Executive Vice President of the Company. The base salary under the agreement is $120,000 per annum, plus benefits.

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 tables sets forth, as of July 15, 2005, the number of and percent of the Company's common stock beneficially owned by: (1) all directors and nominees, naming them, (2) our executive officers, (3) our directors and executive officers as a group, without naming them, and (4) persons or groups known by us to own beneficially 5% or more of our common stock. The Company believes that all persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them.

A person is deemed to be the beneficial owner of securities that can be acquired by him within 60 days from July 15, 2005 upon the exercise of options, warrants or convertible securities. Each beneficial owner's percentage ownership is determined by assuming that options, warrants or convertible securities that are held by him, but not those held by any other person, and which are exercisable within 60 days of July 15, 2005 have been exercised and converted.

NAME AND ADDRESS OF OWNER	TITLE OF CLASS	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENTAGE OF CLASS (2)
Andrew Hidalgo One East Uwchlan Avenue Exton, PA 19341	Common Stock	583,384 (3)	14.67%
Donald Walker One East Uwchlan Avenue Exton, PA 19341	Common Stock	37,721 (3)	*
James Heinz One East Uwchlan Avenue Exton, PA 19341	Common Stock	69,524 (3)	1.81%
Richard Schubiger One East Uwchlan Avenue Exton, PA 19341	Common Stock	10,000 (3)	*
Joseph Heater One East Uwchlan Avenue Exton, PA 19341	Common Stock	68,334 (3)	1.76%
Norm Dumbroff	Common Stock	75,002 (3)	1.96%

One East Uwchlan Avenue Exton, PA 19341			
Neil Hebenton One East Uwchlan Avenue Exton, PA 19341	Common Stock	6,252 (3)	*
Gary Walker One East Uwchlan Avenue Exton, PA 19341	Common Stock	96,315 (3)	2.51%
William Whitehead One East Uwchlan Avenue Exton, PA 19341	Common Stock	17,419 (3)	*
All Officers and Directors As a Group (9 persons)	Common Stock	963,951 (3)	23.39%
Barron Partners LP 730 Fifth Avenue, 9th Floor New York, NY 10019	Common Stock	535,340 (4)	12.29%
Special Situations Private Equity Fund, L.P. 153 E. 53rd Street, 55th Floor New York, NY 10022	Common Stock	1,016,668 (4)	23.41%

Special Situations Fund III, L.P. 153 E. 53rd Street, 55th Floor New York, NY 10022	Common Stock	1,423,534 (4)	31.28%
SF Capital Partners Ltd. 3600 South Lake Drive St. Francis, WI 53235	Common Stock	310,466 (4)	7.70%
Carrhae & Co. 150 E. Social Hall Avenue 4th Floor Salt Lake City, UT 84111	Common Stock	208,334 (4)	5.31%

* Less than 1%.

(1) Beneficial Ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock subject to options or warrants currently exercisable or convertible, or exercisable or convertible within 60 days of July 15, 2005 are deemed outstanding for computing the percentage of the person holding such option or warrant but are not deemed outstanding for computing the percentage of any other person.

(2) Based on 3,821,385 shares of common stock issued and outstanding.

(3) Includes the following number of shares of common stock which may be acquired by certain officers and directors through the exercise of stock options which were exercisable as of July 15, 2005 or become exercisable within 60 days of that date: Andrew Hidalgo, 154,167 shares; Donald Walker, 16,667 shares; James Heinz, 10,000 shares; Richard Schubiger, 10,000 shares; Joseph Heater, 68,334 shares, Norm Dumbroff, 4,168 shares; Neil Hebenton, 6,252 shares; Gary Walker, 18,751 shares; William Whitehead, 10,419 shares; and all officers and directors as a group, 298,758 shares.

(4) Includes the following number of shares of common stock which may be acquired through the exercise of common stock purchase warrants which were exercisable as of July 15, 2005 or become exercisable within 60 days of that date: Barron Partners LP, 535,340 shares; Special Situations Fund Private Equity Fund, L.P., 520,834 shares; Special Situations Fund III, L.P., 729,167 shares; SF Capital Partners Ltd., 208,334 shares; and Carrhae & Co., 104,167 shares.

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, which were not approved by the Board of Directors.
<TABLE>
<CAPTION>

	(a)	(b)	(c) Number of securities remaining available for

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	future issuance under equity compensation plans excluding securities reflected in column (a) (1)
<S>	<C>	<C>	<C>
Equity compensation plans approved by security holders	410,896	$9.25	5,771
Equity compensation plans not approved by security holders (2)	44,000	$5.25	-
Total	454,896	$8.77	5,771

</TABLE>

(1) The Company established a nonqualified stock option plan pursuant to which options to acquire a maximum of 416,667 shares of the Company's common stock were reserved for grant. As of April 30, 2005, included above are 348,227 shares issuable upon exercise of options granted to employees and directors, and 62,669 shares granted to outside consultants.

(2) Includes 44,000 shares issuable to employees outside the plan.

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.

In connection with the acquisition of Walker, we assumed a lease with a trust, of which, a certain officer is the trustee, 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 years ended April 30, 2005, and 2004, the rent paid for this lease was $88,000 and $56,000, respectively.

On August 22, 2003, we acquired all of the outstanding shares of Clayborn in exchange for an aggregate $900,000 cash consideration and 68,871 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, as defined, of Clayborn and a final payment of any remaining balance on that date.

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 $11.76 per share, for an aggregate of 59,524 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 was paid in April 2005, $75,000 is payable on the second anniversary of the closing date and $50,000 is payable on the third anniversary of the closing date.

On November 24, 2004, we acquired all of the issued and outstanding common stock of Quality. The aggregate consideration paid by the Company to the Quality selling shareholders, net of acquisition transaction costs, was $7,442,295, of which $6,700,000 was paid at closing. Additional purchase price adjustments of $742,295 were paid in June 2005 to settle working capital adjustments and income tax reimbursements related to the Company electing to make an Internal Revenue Code 338 (h) (10) election. For income tax purposes, this election results in a stepped up basis of assets and liabilities and will result in future income tax deductions.

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)
4.6	Form of Common Stock Purchase Warrant (4)
10.1	Andrew Hidalgo Employment Agreement (5)
10.2	Donald Walker Employment Agreement (3)
10.3	Gary Walker Employment Agreement (3)
10.4	Joseph Heater Employment Agreement
10.5	James Heinz Employment Agreement (5)
10.6	Richard Schubiger Employment Agreement (8)
10.8	Agreement and Plan of Merger by and among WPCS International Incorporated and Clayborn Contracting Group made as of the 22nd day of August, 2003 (6)
10.9	Agreement and Plan of Merger by and among WPCS International Incorporated and Heinz Corporation made as of the 2nd day of April, 2004 (7)
10.10	Stock Purchase Agreement among WPCS International Incorporated and Richard Schubiger, Matthew Haber and Brian Fortier, dated as of November 24, 2004 (8)
10.11	Securities Purchase Agreement, dated as of November 16, 2004 (4)
10.12	Form of Registration Rights Agreement, dated as of November 16, 2004 (4)
10.13	Credit Agreement with Bank Leumi USA, dated as of June 3, 2005 (9)
10.14	Form of Security Agreement with Bank Leumi, dated as of June 3, 2005 (9)
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 to the Company's registration statement on Form S-2 (Commission File # 333-121757)
5. Incorporated by reference from the Company's registration statement on Form SB-2 (Commission File # 333-109522).
6. Incorporated by reference to the Company Current Report on Form 8-K, dated as of August 29, 2003.
7. Incorporated by reference to the Company Current Report on Form 8-K, dated as of April 9, 2004.
8. Incorporated by reference to the Company Current Report on Form 8-K, dated as of November 30, 2004.
9. Incorporated by reference to the Company Current Report on Form 8-K, dated June 3, 2005.

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, 2005 and 2004, and for the reviews of the financial statements included in our Quarterly Reports on Form 10-QSB during that fiscal year were $133,000 and $115,500, respectively.

Audit Related Fees. We incurred fees to our auditors of $39,473 and $21,511, respectively, for audit related fees during the fiscal years ended April 30, 2005 and 2004.

Tax Fees. We incurred fees to auditors of $3,900 and $2,115, respectively, for tax compliance services during the fiscal years ended April 30, 2005 and 2004.

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, 2005

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, 2005.

/s/ ANDREW HIDALGO

Andrew Hidalgo,
Chairman of the Board

/s/NORM DUMBROFF

Norm Dumbroff,
Director

/s/NEIL HEBENTON

Neil Hebenton,
Director

/s/ GARY WALKER

Gary Walker,
Director

/s/ WILLIAM WHITEHEAD

William Whitehead,
Director

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into as of June 1, 2005 by and between WPCS INTERNATIONAL INCORPORATED, a Delaware corporation, with an office located at One East Uwchlan Avenue, Suite 301, Exton, PA 19341 (the " Company") an Joseph A. Heater, an individual and resident of 109 Brookhollow Drive, Downingtown, PA 19335 ("Heater").

WHEREAS, the Company is in the business of providing wireless infrastructure services; and

WHEREAS, Heater has had experience in the operations of businesses providing wireless infrastructure services; and

WHEREAS, the Company desires to retain the services of Heater; and

WHEREAS, Heater is willing to be employed by the Company;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties agree as follows:

1. Employment. Heater is hereby employed and engaged to serve the Company as the Chief Financial Officer, or such additional titles as the Company shall specify from time to time, and Heater does hereby accept, and Heater hereby agrees to such engagement and employment. At all times during the term of Heater's employment, he shall report to the Chief Executive Officer.

2. Duties. Heater shall be responsible for the financial management of the Company. In addition, Heater's duties shall be such duties and responsibilities as the Company shall specify from time to time, and shall entail those duties customarily performed by the Chief Financial Officer of a company with a sales volume and number of employees commensurate with those of the Company. Heater shall have such authority, discretion, power and responsibility, and shall be entitled to office, secretarial and other facilities and conditions of employment, as are customary or appropriate to his position. Heater shall diligently and faithfully execute and perform such duties and responsibilities, subject to the general supervision and control of the Chief Executive Officer of the Company. The Chief Executive Officer of the Company, in their sole and absolute discretion, shall determine Heater's duties and responsibilities and may assign or reassign Heater to such duties and responsibilities as it deems in the Company's best interest. Heater shall devote his full-time attention, energy, and skill during normal business hours to the business and affairs of the Company and shall not, during the Employment Term, as that term is defined below, be actively engaged in any other business activity, except with the prior written consent of the Company's board of directors.

Nothing in this Agreement shall preclude Heater from devoting reasonable periods required for:

(a) serving as a director or member of a committee of any organization or corporation involving no conflict of interest with the interests of the Company;

(b) serving as a consultant in his area of expertise (in areas other than in connection with the business of the Company), to government, industrial, and academic panels where it does not conflict with the interests of the Company; and

(c) managing his personal investments or engaging in any other non-competing business; provided that such activities do not materially interfere with the regular performance of his duties and responsibilities.

3. Best Efforts of Heater. During his employment hereunder, Heater shall, subject to the direction and supervision of the Chief Executive Officer, devote his full business time, best efforts, business judgment, skill, and knowledge to the advancement of the Company's interests and to the discharge of his duties and responsibilities hereunder. Notwithstanding the foregoing, nothing herein shall be construed as preventing Heater from investing his assets in any business.

4. Employment Term. This Agreement shall have a term of three (3) years beginning June 1, 2005 (the "Employment Term"). Upon each one (1) year anniversary of Heater's employment under this Agreement, the Agreement will automatically renew for another three (3) years from the anniversary date unless terminated by either party pursuant to Section 12.

5. Compensation of Heater. As compensation for the services provided by Heater under this Paragraph, the Company shall pay Heater an annual salary of One Hundred, Forty Thousand Dollars ($140,000), to be paid in accordance with the Company's usual payroll procedures. In addition to the above base compensation, Heater shall be eligible to receive bonuses based on the performance of the Company.

6. Benefits. Heater shall also be entitled to participate in any and all Company benefit plans, from time to time, in effect for employees of the Company. Such participation shall be subject to the terms of the applicable plan documents and generally applicable Company policies.

7. Vacation, Sick Leave and Holidays. Heater shall be entitled to two (2) weeks of paid vacation, with such vacation to be scheduled and taken in accordance with the Company's standard vacation policies. In addition, Heater shall be entitled to such sick leave and holidays at full pay in accordance with the Company's policies established and in effect from time to time.

8. Business Expenses. The Company shall promptly reimburse Heater for all reasonable out-of-pocket business expenses incurred in performing Heater's duties and responsibilities hereunder in accordance with the Company's policies, provided Heater promptly furnishes to the Company adequate records of each such business expense.

9. Location of Heater's Activities. Heater's principal place of business in the performance of his duties and obligations under this Agreement shall be in the Exton, Pennsylvania area. Notwithstanding the preceding sentence, Heater will engage in such travel and spend such time in other places as may be necessary or appropriate in furtherance of his duties hereunder.

10. Confidentiality. Heater recognizes that the Company has and will have business affairs, products, future plans, trade secrets, customer lists, and other vital information (collectively "Confidential Information") that are valuable assets of the Company. Heater agrees that he shall not at any time or in any manner, either directly or indirectly, divulge, disclose, or communicate in any manner any Confidential Information to any third party without the prior consent of the Chief Executive Officer. Heater will protect the Confidential Information and treat it as strictly confidential.

11. Non-Competition. Heater acknowledges that he has gained, and will gain extensive knowledge in the business conducted by the Company and has had, and will have, extensive contacts with customers of the Company. Accordingly, Heater agrees that he shall not compete directly or indirectly with the Company, either during the Employment Term or during the one (1) year period immediately after the termination of Heater's employment under Section 12 and shall not, during such period, make public statements in derogation of the Company. For the purposes of this Section 11, competing directly or indirectly with the Company shall mean engaging, directly or indirectly, as principle owner, officer, partner, consultant, advisor, or otherwise, either alone or in association with others, in the operation of any entity engaged in a business similar to that of the Company's.

12. Termination. Notwithstanding any other provisions hereof to the contrary, Heater's employment hereunder shall terminate under the following circumstances:

(a) Voluntary Termination by Heater. Heater shall have the right to voluntarily terminate this Agreement and his employment hereunder at any time during the Employment Term.

(b) Voluntary Termination by Company. The Company shall have the right to voluntarily terminate this Agreement and Heater's employment hereunder at any time during the Employment Term.

(c) Termination for Cause. The Company shall have the right to terminate this Agreement and Heater's employment hereunder at any time for cause. As used in this Agreement, "cause" shall mean refusal by Heater to implement or adhere to lawful policies or directives of the Chief Executive Officer, breach of this Agreement, Heater's conviction of a felony, other conduct of a criminal nature that may have a material adverse impact on the Company's reputation, breach of fiduciary duty or the criminal misappropriation by Heater of funds from or resources of the Company. Cause shall not be deemed to exist unless the Company shall have first given Heater a written notice thereof specifying in reasonable detail the facts and circumstances alleged to constitute "cause" and thirty (30) days after such notice such conduct has, or such circumstances have, as the case may be, not entirely ceased and not been entirely remedied.

(d) Termination Upon Death or for Disability. This Agreement and Heater's employment hereunder, shall automatically terminate upon Heater's death or upon written notice to Heater and certification of Heater's disability by a qualified physician or a panel of qualified physicians if Heater becomes disabled beyond a period of six (6) months and is unable to perform the duties contain in this Agreement.

(e) Effect of Termination In the event that this Agreement and Heater's employment is voluntarily terminated by Heater pursuant to Section 12(a), 12(c) or 12(d), all obligations of the Company and all duties, responsibilities and obligations of Heater under this Agreement shall cease. Upon such termination, Heater shall be entitled to receive only the compensation, benefits, and reimbursement earned by or accrued to Heater under the terms of this Agreement prior to the date of termination, but shall not be entitled to any further compensation, benefits, or reimbursement after such date. In the event the Company voluntarily terminates this Agreement pursuant to Section 12(b), Heater shall be entitled to all compensation pursuant to Section 5 and benefits pursuant to Section 6 for the period between the effective termination date to the end of the Employment Term pursuant to Section 4. Payment will be made to Heater or Heater's appointed trustee. Other than as set forth above, Heater shall not be entitled to any further compensation, benefits, or reimbursement after the date of his termination. In the event of a merger, consolidation, sale, or change of control, the Company's rights hereunder shall be assigned to the surviving or resulting company, which company shall then honor this Agreement with Heater.

13. Resignation as Officer. In the event that Heater's employment with the Company is terminated for any reason whatsoever, Heater agrees to immediately resign as an Officer and/or Director of the Company and any related entities. For the purposes of this Section 13, the term the "Company" shall be deemed to include subsidiaries, parents, and affiliates of the Company.

14. Governing Law, Jurisdiction and Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of Pennsylvania without giving effect to any applicable conflicts of law provisions.

15. Business Opportunities. During the Employment Term Heater agrees to bring to the attention of the Chief Executive Officer all written business proposals that come to Heater's attention and all business or investment opportunities of whatever nature that are created or devised by Heater and that relate to areas in which the Company conducts business and might reasonably be expected to be of interest to the Company or any of its subsidiaries.

16. Employee's Representations and Warranties. Heater hereby represents and warrants that he is not under any contractual obligation to any other company, entity or individual that would prohibit or impede Heater from performing his duties and responsibilities under this Agreement and that he is free to enter into and perform the duties and responsibilities required by this Agreement. Heater hereby agrees to indemnify and hold the Company and its officers, directors, employees, shareholders and agents harmless in connection with the representations and warranties made by Heater in this Section 16.

17. Indemnification.

17.1
The Company agrees that if Heater is made a party, or is threatened to be made a party, to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he is or was a director, officer or employee of the Company or is or was serving at the request of the Company as a director, officer, member, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether or not the basis of such Proceeding is Heater's alleged action in an official capacity while serving as a director, officer, member, employee or agent, Heater shall be indemnified and held harmless by the Company to the fullest extent permitted or authorized by the Company's certificate of incorporation or bylaws or, if greater, by the laws of the State of Pennsylvania, against all cost, expense, liability and loss (including, without limitation, attorney's fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by Heater in connection therewith, and such indemnification shall continue as to Heater even if he has ceased to be a director, member, employee or agent of the Company or other entity and shall inure to the benefit of Heater's heirs, executors and administrators. The Company shall advance to Heater to the extent permitted by law all reasonable costs and expenses incurred by him in connection with a Proceeding within 20 days after receipt by the Company of a written request, with appropriate documentation, for such advance. Such request shall include an undertaking by Heater to repay the amount of such advance if it shall ultimately be determined that he is not entitled to be indemnified against such costs and expenses.

17.2
Neither the failure of the Company (including its board of directors, independent legal counsel or stockholders) to have made a determination prior to the commencement of any proceeding concerning payment of amounts claimed by Heater that indemnification of Heater is proper because he has met the applicable standard of conduct, nor a determination by the Company (including its board of directors, independent legal counsel or stockholders) that Heater has not met such applicable standard of conduct, shall create a presumption that Heater has not met the applicable standard of conduct.

17.3
The Company agrees to continue and maintain directors' and officers' liability insurance policy covering Heater to the extent the Company provides such

coverage for its other executive officers.

17.4
Promptly after receipt by Heater of notice of any claim or the commencement of any action or proceeding with respect to which Heater is entitled to indemnity hereunder, Heater shall notify the Company in writing of such claim or the commencement of such action or proceeding, and the Company shall (i) assume the defense of such action or proceeding, (ii) employ counsel reasonably satisfactory to Heater, and (iii) pay the reasonable fees and expenses of such counsel. Notwithstanding the preceding sentence, Heater shall be entitled to employ counsel separate from counsel for the Company and from any other party in such action if Heater reasonably determines that a conflict of interest exists which makes representation by counsel chosen by the Company not advisable. In such event, the reasonable fees and disbursements of such separate counsel for Heater shall be paid by the Company to the extent permitted by law.

17.5
After the termination of this Agreement and upon the request of Heater, the Company agrees to reimburse Heater for all reasonable travel, legal and other out-of-pocket expenses related to assisting the Company to prepare for or defend against any action, suit, proceeding or claim brought or threatened to be brought against the Company or to prepare for or institute any action, suit, proceeding or claim to be brought or threatened to be brought against a third party arising out of or based upon the transactions contemplated herein and in providing evidence, producing documents or otherwise participating in any such action, suit, proceeding or claim. In the event Heater is required to appear after termination of this Agreement at a judicial or regulatory hearing in connection with Heater's employment hereunder, or Heater's role in connection therewith, the Company agrees to pay Heater a sum, to be mutually agreed upon by Heater and the Company, per diem for each day of his appearance and each day of preparation therefore.

18. Notices. All demands, notices, and other communications to be given hereunder, if any, shall be in writing and shall be sufficient for all purposes if personally delivered, sent by facsimile or sent by United States mail to the address below or such other address or addresses as such party may hereafter designate in writing to the other party as herein provided.

Company:	Heater:
WPCS International Incorporated	109 Brookhollow Drive
One East Uwchlan Avenue, Suite 301	Downingtown, PA 19335
Exton, PA 19341	

19. Entire Agreement. This Agreement contains the entire agreement of the parties and there are no other promises or conditions in any other agreement, whether oral or written. This Agreement supersedes any prior written or oral agreements between the parties. This Agreement may be modified or amended, if the amendment is made in writing and is signed by both parties. This Agreement is for the unique personal services of Heater and is not assignable or delegable, in whole or in part, by Heater. This Agreement may be assigned or delegated, in whole or in part, by the Company and, in such case, shall be assumed by and become binding upon the person, firm, company, corporation or business organization or entity to which this Agreement is assigned. The headings contained in this Agreement are for reference only and shall not in any way affect the meaning or interpretation of this Agreement. If any provision of this Agreement shall be held to be invalid or unenforceable for any reason, the remaining provisions shall continue to be valid and enforceable. The failure of either party to enforce any provision of this Agreement shall not be construed as a waiver or limitation of that party's right to subsequently enforce and compel strict compliance with every provision of this Agreement. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument and, in pleading or proving any provision of this Agreement, it shall not be necessary to produce more than one of such counterparts.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

WPCS INTERNATIONAL INCORPORATED:		HEATER:
By:	/s/ ANDREW HIDALGO	/s/ JOSEPH HEATER
Name:	Andrew Hidalgo	Joseph A. Heater
Title:	Chairman, President & CEO	

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)) 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) 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

   c) 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, 2005

By: /s/ ANDREW HIDALGO

Andrew Hidaldo
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)) 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) 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

   c) 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, 2005

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 ended April 30, 2005 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.

Date: July 28, 2005

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 ended April 30, 2005 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.

Date: July 28, 2005

By: /s/ JOSEPH HEATER
Joseph Heater
Chief Financial Officer