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

FORM 10-K

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

For the Fiscal Year Ended April 30, 2013

Commission File Number 001-34643

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

Delaware (State or other jurisdiction of incorporation or organization)	**98-0204758** (I.R.S. Employer Identification No.)

One East Uwchlan Avenue, Suite 301 **Exton, Pennsylvania** (Address of principal executive office)	**19341** (Zip Code)	**(610) 903-0400** (Registrant's telephone number, Including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.0001 par value	The NASDAQ Capital Market

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act. Yes☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes☐ No ☒

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 preceding 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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting common equity held by non-affiliates as of October 31, 2012, based on the closing sales price of the Common Stock as quoted on The Nasdaq Capital Market was $2,888,108. For purposes of this computation, all officers, directors, and 5 percent beneficial owners of the registrant are deemed to be affiliates. Such determination should not be deemed an admission that such directors, officers, or 5 percent beneficial owners are, in fact, affiliates of the registrant.

As of July 22, 2013, there were 994,187 shares of registrant's common stock outstanding.

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PART I

ITEM 1 - BUSINESS

This Annual Report on Form 10-K (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-K. Additionally, statements concerning future matters are forward-looking statements.

Although forward-looking statements in this Annual Report on Form 10-K 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 Factors" below, as well as those discussed elsewhere in this Annual Report on Form 10-K. 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-K. 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-K, quarterly reports on Form 10-Q, 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 100 F Street, NE, 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-K. 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.

This Annual Report on Form 10-K includes the accounts of WPCS International Incorporated (WPCS) and its wholly and majority-owned subsidiaries, as follows, collectively referred to as “we”, “us” or the "Company". United States-based subsidiaries include WPCS Incorporated, WPCS International – Suisun City, Inc. (Suisun City Operations), WPCS International – Lakewood, Inc. (Lakewood Operations), WPCS International – Hartford, Inc. (Hartford Operations), WPCS International – Trenton, Inc. (Trenton Operations), WPCS International – Seattle, Inc. (Seattle Operations), and WPCS International – Portland, Inc. (Portland Operations). International operations include WPCS Asia Limited, 60% of Taian AGS Pipeline Construction Co. Ltd. (China Operations), and WPCS Australia Pty Ltd, WPCS International – Brendale, Pty Ltd., and The Pride Group (QLD) Pty Ltd. (Pride), (collectively the Australia Operations).

Overview

We are a global provider of design-build engineering services for communications infrastructure, with approximately 250 employees in five (5) operations centers on three continents. We provide our engineering capabilities including wireless communication, specialty construction and electrical power to a diversified customer base in the public services, healthcare, energy and corporate enterprise markets worldwide.

The global economy depends on efficient voice, data and video communication. Old communication infrastructure needs to be replaced and new technology needs to be implemented. We believe we have the design-build capabilities to address the demand. For communication infrastructure projects that are significant in scope, we have the ability to offer wireless communication, specialty construction and electrical power. Because we are technology independent, we can integrate multiple products and services across a variety of communication requirements. This gives our customers the flexibility to obtain the most appropriate solution for their communication needs on a cost effective basis. In wireless communication, we can design and deploy all types of wireless systems in a variety of applications. In specialty construction, we have provided services for basic energy. On the electrical power side, we are capable of all types of commercial and industrial electrical work including the integration of advanced building communications technology for voice and data, life safety, security and HVAC.

For the fiscal year ended April 30, 2013, we generated revenues from continuing operations of approximately $42.3 million, compared to $65.5 million for the fiscal year ended April 30, 2012. Our backlog at April 30, 2013 and 2012 was approximately $26.4 million and $23.6 million, respectively.

Recent Developments

Executive Management Changes

Andrew Hidalgo Separation

On July 24, 2013, we entered into a separation agreement (the Separation Agreement) with Andrew Hidalgo (Hidalgo), our President, Chief Executive Officer and a member of the board of directors. Pursuant to the Separation Agreement, Hidalgo will resign effective at the close of business on July 30, 2013 (the Termination Date), as the President, Chief Executive Officer and a member of the board of directors of the Company and from all officer and director positions with all of our subsidiaries.

Pursuant to the Separation Agreement, Hidalgo intends to submit an offer to us to acquire our subsidiaries located in Trenton, New Jersey and Australia (the Proposed Acquisitions). Between the Termination Date and the earlier of (1) October 1, 2013 or (2) the date of closing of the Proposed Acquisitions by Hidalgo (the Severance Period), we shall continue to pay Hidalgo his current base salary of $325,000 per year through our normal payroll process. At the end of the Severance Period, Hidalgo shall be entitled to receive a severance payment equal to Hidalgo's salary from the Termination Date through the end of the term of his employment agreement (January 31, 2018) minus any payments made to Hidalgo during the Severance Period (the Severance Payment).

Hidalgo shall be entitled to apply the Severance Payment towards the purchase price of the Proposed Acquisitions, if successful. In the event that the Proposed Acquisitions are not completed by October 1, 2013, the Company and Hidalgo shall negotiate the payment terms of the Severance Payment.

Sebastian Giordano Appointment

Effective August 1, 2013, Sebastian Giordano (Giordano), a member of our board of directors, will be appointed as our Interim Chief Executive Officer.

Effective August 1, 2013, we will enter into a letter agreement (the Giordano Agreement) with Giordano to serve as Interim Chief Executive Officer on a part-time basis until a permanent chief executive officer is appointed. The Giordano Agreement can be terminated by either party upon 30 days prior notice. Pursuant to the Giordano Agreement, Giordano shall receive a monthly consulting fee of $10,833. In addition, upon our approving a new stock incentive plan, Giordano shall receive a grant of 30,000 shares of our common stock and Giordano shall be entitled to receive a discretionary bonus upon successful achievement of a merger or acquisition of the Company by another entity. We will also reimburse Giordano for all reasonable expenses in connection with his services to us.

Reverse Stock Split

Effective May 28, 2013, we amended our Certificate of Incorporation, as amended, pursuant to which we effected a one-for-seven reverse split of our issued and outstanding shares of common stock (the Reverse Stock Split) and reduced the number of authorized shares of common stock by the same ratio, from 100 million to 14,285,715, by filing a Certificate of Amendment to the Certificate of Incorporation (the Certificate of Amendment) with the Secretary of State of Delaware to effectuate such amendment. The total issued and outstanding common stock was decreased from 6,954,766 shares to 993,538 shares. All share-related and per share information in this annual report have been adjusted to give effect to the Reverse Stock Split.

The purpose of the Reverse Stock Split was to raise the per share trading price of WPCS common stock to regain compliance with the $1.00 per share minimum bid price requirement for a continued listing on the NASDAQ Capital Market. In order to maintain the WPCS listing on the NASDAQ Capital Market, on or before June 24, 2013, our common stock was required to have a minimum closing bid price of $1.00 per share for a minimum of ten prior consecutive trading days, which compliance was achieved effective June 12, 2013.

Secured Note and Warrant Financing

On December 4, 2012, we entered into a Securities Purchase Agreement (the Purchase Agreement) with six accredited investors (the Buyers) pursuant to which, we sold an aggregate of (i) $4,000,000 principal amount of senior secured convertible notes (the Notes) and (ii) warrants (the Warrants) to purchase 2,274,796 shares of the our common stock (Common Stock), to the Buyers for aggregate gross proceeds of $4,000,000 (the Financing). The closing of the Financing was completed on December 5, 2012 (the Closing Date).

Pursuant to the terms of the Notes, we deposited the initial funds received from the Financing, minus $2,178,516, (the Initial Lending Amount) into an account (the Lockbox Account) controlled by Worldwide Stock Transfer, LLC (the Collateral Agent), as collateral agent on behalf of the Buyers. In addition, all payments of accounts receivable of the Company (and its domestic subsidiaries) shall be deposited into the Lockbox Account. We are permitted to receive from the Lockbox Account, on a daily basis, such amount of cash equal to: (A) (i) cash balance in the Lockbox Account plus (ii) 95% of available qualified accounts receivable minus (iii) $250,000 minus (B) amount of principal, accrued interest, fees, costs and expenses owed pursuant to the Notes. The Notes contain certain customary representations and warranties, affirmative and negative covenants and events of default. The principal covenant is that we shall maintain a current ratio of not less than 0.6 to 1.0 as of the last calendar day of each month. As of April 30, 2013, we are in compliance with these covenants.

On January 27, 2012, WPCS and its United States-based subsidiaries Suisun City Operations, Seattle Operations, Portland Operations, Hartford Operations, Lakewood Operations, and Trenton Operations (collectively, the Subsidiaries), entered into a loan and security agreement (the Credit Agreement) with Sovereign Bank, N.A. (Sovereign). We used the Initial Lending Amount to repay the existing loan of $2,000,000, plus $78,516 of interest accrued and fees and expenses to Sovereign, which Credit Agreement was terminated in connection with the Financing, and $100,000 for Buyer legal fees in connection with the Notes.

Pursuant to the Purchase Agreement, we agreed to use our reasonable best efforts to obtain Stockholders' Approval at the annual stockholder meeting for the issuance of all of the securities issuable pursuant to the Purchase Agreement. Prior to Stockholder Approval, the Buyers were prohibited from converting the Notes and/or exercising the Warrants and receiving shares of our Common Stock, in the aggregate, such that the number of shares of Common Stock issued upon such conversions and/or exercises exceeds 19.9% of the issued and outstanding shares of our Common Stock as of the Closing Date.

We obtained Stockholder Approval on February 28, 2013 (the Stockholder Approval Date). In addition, we obtained stockholders' approval to increase our authorized shares of common stock from 3,571,429 to 14,285,715 and recorded an amendment to our articles of incorporation on March 4, 2013. As a result of the amendment, we expect to have sufficient common stock to fulfill our conversion obligations under the Purchase Agreement, and the Buyers are permitted to convert the Notes and/or exercise the Warrants in excess of 19.9% of the issued and outstanding shares of our Common Stock at a price that is less than the greater of book or market value.

The Notes were initially convertible into shares of Common Stock at a conversion price of $2.6376 per share (the Conversion Price). The Conversion Price will be adjusted to 85% of the average of the closing bid prices for the five consecutive trading dates immediately prior to the following adjustment dates: (1) the earlier of the effective date of a registration statement or six months after closing (the First Adjustment); (2) the later of the date that is three months after the First Adjustment or one year after closing; and (3) on the Stockholder Approval Date.

On the Stockholder Approval Date, the Conversion Price was adjusted to $2.1539 per share. There was no adjustment to the Conversion Price on the First Adjustment date. The Warrants are exercisable for a period of five years from the Closing Date at an initial exercise price of $3.2970 per share (the Exercise Price). The Exercise Price is subject to the same adjustments as provided in the Notes as described above, and as a result, the Exercise Price was adjusted to $2.1539 per share on the Stockholder Approval Date. As of the date of this annual report, none of the Notes or Warrants have been converted or exercised, accordingly.

Zurich Forbearance Agreement

On July 12, 2012, we executed a Surety Financing and Confession of Judgment Agreement (the Financing Agreement) with Zurich American Insurance Company (Zurich). Under the terms of the Financing Agreement, Zurich advanced us $793,927 to assist in the completion of the project contract with the Camden County Improvement Authority for work at the Cooper Medical Center of Rowan University (the Owner or Cooper Project), a $16.2 million project completed by our Trenton Operations. We were to repay Zurich the financial advances by September 2012, however we were in default under the terms of the Financing Agreement as we did not repay Zurich the $793,927, and Zurich paid certain of the our vendors pursuant to Zurich's obligations under its payment bond on the Cooper Project. In addition, we are contingently liable to Zurich and its affiliate Fidelity and Deposit Company of Maryland (F&D) under a General Agreement of Indemnity (the Indemnity Agreement). Zurich and F&D, as surety, have issued certain performance and payment bonds on behalf of owners or customers regarding the Company's work on various projects under the Indemnity Agreement. We agree to indemnify the surety for any payments made by Zurich on contracts of suretyship, guaranty or indemnity.

On April 17, 2013, we executed a Surety Forbearance and Confession of Judgment Agreement (the Forbearance Agreement) with Zurich, which supersedes the Financing Agreement. As of April 16, 2013, the total amount of claim losses, expenses and unpaid premiums due Zurich under the Forbearance Agreement less payments received by Zurich was $2,836,668 (the Loss Amount). Under the Forbearance Agreement, among other things, the parties have agreed to the following payments which will be credited against the Loss Amount owed to Zurich by us: (1) we shall make monthly payments to Zurich of $25,000 due upon the fifth of each month, up to and including December 5, 2013 (the Interim Liability Payments); (2) Zurich is to receive any and all amounts due under the contracts for which Zurich has issued one or more bonds (the Customer Payments); and (3) we shall assign and transfer and grant a security interest to Zurich in the proceeds of any claim against the Owner (the Claim), up to the Loss Amount as it exists at the time. As of April 30, 2013, the net Loss Amount owed Zurich under the Forbearance Agreement was $1,743,986, and is classified as Other Payable on our consolidated balance sheets. As of the date of this annual report, the Loss Amount owed to Zurich is approximately $1,634,000 following Interim Liability and Customer Payments made subsequent to April 30, 2013.

Each or any of the following shall constitute an event of default under the Forbearance Agreement: (a) failure by us to make any of the Interim Liability Payments; (b) failure by us to remit any Customer Payments received; (c) the failure by us or the Owner to remit the proceeds of the Claim to Zurich; and (d) any Loss Amount that still exists as of December 31, 2013. We are currently in compliance with the terms of the Forbearance Agreement.

We have submitted a revised Claim and request for equitable adjustment to the Owner in the amount of $2,421,425 for significant delays, disruptions and construction changes that were beyond its control and required the Company to perform additional work. We are currently in negotiations with the Owner to settle the Claim. The next step in the resolution process as set forth in the contract with the Owner is mandatory non-binding mediation through the American Arbitration Association (AAA). On April 15, 2013, we filed a Request for Mediation (the Mediation) with the AAA with regard to the Claim. We are awaiting a response from the Owner, and as such no date has been established for the Mediation. If we are successful in the settlement of this Claim we expect to use the proceeds from the Claim to repay Zurich the Loss Amount as it exists at the time. There can be no assurance that we will be successful in settling with the Owner for all or a portion of the submitted claim.

Sale of Hartford and Lakewood Operations

On July 25, 2012, we and the Hartford and Lakewood Operations entered into an asset purchase agreement (the Asset Purchase Agreement), pursuant to which the Hartford and Lakewood Operations sold substantially all of their assets and liabilities to two newly-created subsidiaries of Kavveri Telecom Products Limited (Kavveri) for a purchase price of $5.5 million in cash, subject to adjustment and assumption of various liabilities. At closing, we received $4.9 million in cash, and the remaining $600,000 of the purchase price was to be placed into escrow pursuant to the Asset Purchase Agreement. We used the proceeds from this sale to repay the full amount outstanding under the Credit Agreement of $4,022,320 as of July 25, 2012. The difference of $877,680 was deposited in our operating cash account.

The parties agreed to place $350,000 of the purchase price into escrow pending assignment of certain contracts post-closing, with us receiving those funds upon successful assignment of the contracts. The remaining $250,000 was to be escrowed for purposes of satisfying certain adjustments to the purchase price based on a final net asset valuation to be completed after closing as well as repurchase obligations of certain delinquent accounts receivable. No later than three days after the final determination of the net asset valuation, the purchasers are required to deposit the $600,000 into escrow. To date, the Company has not reached agreement with Kavveri with regard to resolving the net asset valuation. On January 28, 2013, Kavveri submitted a revised aggregate claim for indemnification by us of approximately $1,511,000 with regard to (1) net asset valuation claim owed of approximately $698,000, which included accounts receivable deemed uncollectible of $519,000 related to a project that was completed by our former Hartford Operations and accepted by the customer on or prior to the Closing Date; and (2) delinquent account receivables to be repurchased of approximately $813,000.

On February 27, 2013, we notified Kavveri that we disputed these claims. Among other things, we dispute the amount of the delinquent receivables, and believe that after consideration of reserves for uncollectible accounts and other offsets previously considered in its calculation of the net asset valuation, the total amount of accounts receivable deemed uncollectible for repurchase to be approximately $36,000. However, we contend that Kavveri missed the deadline to notify us regarding the repurchase of delinquent receivables pursuant to the terms of the Asset Purchase Agreement regarding timing for notification to us, which would eliminate any repurchase payment owed by us to Kavveri. We also believe that the $519,000 of accounts receivable claimed for indemnification by Kavveri is without merit. Finally, we also dispute the net asset valuation claim, and believe Kavveri owes us approximately $58,000, following our evaluation of the uncollectible accounts receivable. With regard to the net asset valuation claim, if the parties disagree, and if they are unable to come to an agreement, the matter will be submitted to one or more independent, nationally-recognized accounting firms for final determination. As of the date of this annual report, no matters have been submitted to an independent accounting firm.

All operating results disclosed in this annual report only include the results from continuing operations, and exclude the results for the St. Louis and Sarasota Operations divested in September 2011, and the Hartford and Lakewood Operations asset sale, each of which are presented as discontinued operations. The Sarasota, Lakewood and Hartford Operations were previously reported in the wireless communications segment and the St. Louis Operation was reported in the specialty construction segment. We have also combined the management and operations of the Seattle and Portland Operations for efficiency.

Industry Trends

We focus on markets such as public services, healthcare, energy and international which continue to show growth potential.

- *Public services*. We provide communications infrastructure for public services which include utilities, education, military and transportation infrastructure. We believe there is an active market for communications infrastructure in the public service sector due to the need to create cost efficiencies through the implementation of new communications technology.

- *Healthcare.* We provide communications infrastructure for hospitals and medical centers. In the healthcare market, the aging population is resulting in demands for upgraded and additional hospital infrastructure. New construction and renovations are occurring for hospitals domestically and internationally. In addition, there is a need to reduce the cost of delivering healthcare by implementing new communications technology. Our services include electrical power, structured cabling, security systems, life safety systems, environmental controls and communication systems.

- *Energy*. We provide communications infrastructure for petrochemical, natural gas and electric utility companies as well as renewable energy systems for various entities. The need to deliver basic energy more efficiently and to create new energy sources is driving the growth in energy construction. This creates opportunities to upgrade and deploy new communications technology and design and build renewable energy solutions.

- *International*. We provide communications infrastructure internationally for a variety of companies and government entities. China is spending on building its internal infrastructure and Australia is upgrading their infrastructure. Both China and Australia have experienced positive GDP growth rates. The total international revenue was approximately 30.5% and 28.1 % for the years ended April 30, 2013 and 2012, respectively.

Business Strategy

Our goal is to become the recognized design-build engineering leader for communications infrastructure on a global scale. We believe that our geographic coverage and repeat customer base present the opportunity to grow from a revenue and earnings perspective. Specifically, we will endeavor to:

- *Provide additional services for our customers.* We seek to expand our customer relationships by making them aware of the diverse products and services we offer. We believe that providing these customers the full range of our services will lead to new revenue producing projects and increased profitability.

- *Maintain and expand our focus in strategic markets.* We have designed and deployed successful and innovative communications infrastructure solutions for multiple customers in a number of strategic markets, such as public services, healthcare, energy and corporate enterprise. We will continue to seek additional customers in these targeted markets and look for new ways in which we can design and deploy communications infrastructure for increased productivity.

- *Strengthen our relationships with technology providers.* We will continue to strengthen the relationships we have with technology providers. These companies rely on us to deploy their technology products. We have worked with these providers in testing new communications technology. Our technicians are trained and maintain certifications on a variety of leading communications technology products which exhibits our commitment in providing advanced solutions for our customers.

Design-Build Services

Historically, we have operated in three business segments: wireless communication; specialty construction; and electrical power. As part of the divestiture transactions described above, we reclassified the reporting units within our reportable segments. As a result, wireless communications includes the Suisun City and Australia Operations, specialty construction includes the China Operations, and electrical power includes Trenton, Seattle and Portland Operations, for each of the periods presented. For the fiscal year ended April 30, 2013, wireless communication represented approximately 41.7% of our total revenue, specialty construction represented approximately 12.4% of our total revenue and electrical power represented approximately 45.9% of our revenue. For the fiscal year ended April 30, 2012, wireless communication represented approximately 35.6% of our total revenue, specialty construction represented approximately 9.3% of our total revenue and electrical power represented approximately 55.1% of our revenue.

Wireless Communication

Throughout the community or around the world, in remote and urban locations, wireless networks provide the connections that keep information flowing. The design and deployment of a wireless network solution requires an in-depth knowledge of radio frequency engineering so that wireless networks are free from interference with other signals and amplified sufficiently to carry data, voice or video with speed and accuracy. We have extensive experience and methodologies that are well suited to address these challenges for our customers. We are capable of designing wireless networks and providing the technology integration necessary to meet goals for enhanced communication, increased productivity and reduced costs. We have the engineering expertise to utilize all facets of wireless technology or combination of various technologies to develop a cost effective network for a customer's wireless communication requirements. This includes Wi-Fi networks, point-to-point systems, mesh networks, microwave systems, cellular networks, in-building systems and two-way communication systems.

With the divestiture of the Hartford and Lakewood Operations, we have performed less project work in the police, fire, and emergency dispatch markets. However, we will continue to provide wireless communications services through our remaining operations in markets such as utilities, education, military and transportation infrastructure, as part of the services we provide in our other operations.

Specialty Construction

With the development of communities and industry, pipeline services are an integral part of the infrastructure process. We have expertise in the construction and maintenance of pipelines in our China Operations for natural gas and petroleum transmission. This includes experience in transmission infrastructure, horizontal directional drilling and rock trenching. In addition, we offer trenching services for power lines, telecommunications and water lines. Our services are performed with minimal ground disruption and environmental impact.

Electrical Power

Electrical power transmission and distribution networks built years ago often cannot fulfill the growing technological needs of today's end users. We provide complete electrical contracting services to help commercial and industrial facilities of all types and sizes to upgrade their power systems. Our capabilities include power transmission, switchgear, underground utilities, outside plant, instrumentation and controls. We provide an integrated approach to project coordination that creates cost-effective solutions. In addition, corporations, government entities, healthcare organizations and educational institutions depend on the reliability and accuracy of voice, data and video communications. However, the potential for this new technology cannot be realized without the right electrical infrastructure to support the convergence of technology. In this regard, we create integrated building systems, including the installation of advanced structured cabling systems and electrical networks. We support the integration of renewable energy, telecommunications, life safety, security and HVAC in an environmentally safe manner and design for future growth by building in additional capacity for expansion as new capabilities are added.

Project Characteristics

Our contracts are primarily service-based projects providing installation and engineering services, which include providing labor, materials and equipment for a complete installation. The projects are generally staffed with a project manager who manages multiple projects and a field supervisor who is responsible for an individual project. Depending on the scope of the contract, project staff size could range from two to four engineers to as high as 25 to 30 engineers. A project may also include subcontracted services along with our direct labor. The project manager coordinates the daily activities of direct labor and subcontractors and works closely with our field supervisors. Project managers are responsible for job costing, change order tracking, billing, and customer relations. Executive management monitors the performance of all projects regularly through work-in-progress reporting or percentage-of-completion, and reviews this information with each project manager. Our projects are primarily executed on a contract basis. These contracts can be awarded through a competitive bidding process, an informal bidding process, or a simple quote request. Upon award of a contract, there can be delays of several months before work begins. The active work time on our projects can range in duration from a few days up to as long as two years.

Customers

We serve a variety of public services, healthcare, energy and corporate enterprise customers. For the fiscal years ended April 30, 2013 and 2012, there was one customer in our Trenton Operations, the Cooper Project, which accounted for 13.6% and 15.5% of our revenue, respectively.

Sales and Marketing

We have dedicated sales and marketing resources that develop opportunities within our existing customer base, and identify new customers through our strategic market focus and our relationships with technology providers. In addition, our project managers devote a portion of their time to sales and marketing. When an opportunity is identified, we assess the opportunity to determine our level of interest in participation. After qualifying an opportunity, our sales and marketing resources work with the internal project management teams to prepare a cost estimate and contract proposal for a particular project. We keep track of bids submitted and bids that are awarded. Once a bid is awarded to us, it is assigned to a project management team and included in our backlog.

Backlog

As of April 30, 2013, we had a backlog of unfilled orders of approximately $26.4 million compared to approximately $23.6 million at April 30, 2012. We define backlog as the value of work-in-hand to be provided for customers as of a specific date where the following conditions are met (with the exception of engineering change orders): (i) the price of the work to be done is fixed; (ii) the scope of the work to be done is fixed, both in definition and amount; and (iii) there is an executed written contract, purchase order, agreement or other documentary evidence which represents a firm commitment by the customer to pay us for the work to be performed. These backlog amounts are based on contract values and purchase orders and may not result in actual receipt of revenue in the originally anticipated period or at all. We have experienced variances in the realization of our backlog because of project delays or cancellations resulting from external market factors and economic factors beyond our control and we may experience such delays or cancellations in the future. Backlog does not include new firm commitments that may be awarded to us by our customers from time to time in future periods. These new project awards could be started and completed in this same future period. Accordingly, our backlog does not necessarily represent the total revenue that could be earned by us in future periods.

Competition

We face competition from numerous service organizations, ranging from small independent regional firms to larger firms servicing national markets. 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 a competitor. At the present time, we believe that there are no dominant competitors in the communications infrastructure market, but we would classify Quanta Services, Inc. (NYSE:PWR), Dycom Industries, Inc. (NYSE:DY) and MasTec, Inc. (NYSE:MTZ) as national competitors. In Australia and China, we believe there are no dominant competitors, and our competition is primarily from regional contractors in these geographic locations. The principal competitive advantage in these markets is establishing a reputation of delivering projects on time and within budget. Other factors of importance include accountability, engineering capability, certifications, project management expertise, industry experience and financial strength. We believe that the ability to provide comprehensive communications infrastructure design-build services including wireless communication, specialty construction and electrical power gives us a competitive advantage. We maintain a trained and certified staff of engineers that have developed proven methodologies for the design and deployment of communications infrastructure, and can provide these services on an international basis. In addition, we offer both a union and non-union workforce that allow us to bid on either labor requirement, creating yet another competitive advantage. However, our ability to compete effectively also depends on a number of additional factors that are beyond our control. These factors include competitive pricing for similar services and the ability and willingness of the competition to finance projects on favorable terms.

Employees

As of April 30, 2013, we employed 250 full time employees, of whom 178 are project engineers and technicians, 19 are project managers, 50 are in administration and sales and three are executives. Approximately 63% of the project engineers are represented by the International Brotherhood of Electrical Workers. We also have non-union employees. We believe we have excellent relations with all of our employees. We have 112 union employees who are covered by contracts that expire at various times as follows:

Operations	# of Employees	Union Contract Expiration Date
Trenton	5	Effective until cancelled with 150 days notice
Seattle	22	May 31, 2015
	2	August 31, 2015
	1	June 30, 2015
	27	May 31, 2014
	14	July 31, 2014
Suisun City	40	November 30, 2014
	1	May 31, 2014
Total Union Employees	112	

ITEM 1A - RISK FACTORS

The report of our independent registered public accounting firm contains an emphasis paragraph that indicates there is substantial doubt concerning our ability to continue as a going concern as a result of our recurring losses from operations, working capital deficiencies and the Zurich Forbearance Agreement.

Our audited consolidated financial statements for the fiscal years ended April 30, 2013 and 2012 were prepared on a going concern basis in accordance with GAAP. The going concern basis of presentation assumes that we will continue in operation and be able to realize our assets and discharge our liabilities and commitments in the normal course of business. In order for us to continue operations beyond the next twelve months we must be able discharge our liabilities and commitments in the normal course of business; generate operating income; reduce operating expenses; produce cash from our operating activities, repay or modify the terms of the Zurich Forbearance Agreement, settle the Claim with the Owner, and potentially raise additional funds to meet our working capital needs. We cannot guarantee that we will be able to generate operating income, reduce operating expenses, produce cash from our operating activities, repay or modify the Zurich Forbearance Agreement or obtain additional funds through either debt or equity financing transactions or settle the Claim, or that such funds, if available, will be obtainable on satisfactory terms. If we are unable to reduce operating expenses, produce cash from our operating activities, repay or modify the Zurich Forbearance Agreement, or obtain additional funds through either debt or equity financing transactions or settle the Claim, we may be unable to continue to fund our operations, provide our services or realize value from our assets and discharge our liabilities in the normal course of business. These uncertainties raise substantial doubt about our ability to continue as a going concern. If we become unable to continue as a going concern, we may have to liquidate our assets, and might realize significantly less than the values at which they are carried on our consolidated financial statements, and stockholders may lose all or part of their investment in our common stock. The accompanying financial statements do not contain any adjustments as a result of this uncertainty.

Our Notes impose restrictions on us which may prevent us from engaging in transactions that might benefit us, including responding to changing business and economic conditions or securing additional financing, if needed.

The terms of our indebtedness contain customary events of default and covenants that prohibit us from taking certain actions without satisfying certain financial tests or obtaining the consent of the lenders. The prohibited actions include, among other things:

- buying back shares in excess of specified amounts;
- making investments and acquisitions in excess of specified amounts;
- incurring additional indebtedness in excess of specified amounts;
- paying cash dividends;
- creating certain liens against our assets;
- prepaying subordinated indebtedness;
- engaging in certain mergers or combinations; and
- engaging in transactions that would result in a “change of control”.

If we fail to accurately estimate costs associated with our fixed-price contracts using percentage-of-completion, our actual results may vary from our assumptions, which may reduce our profitability or impair our financial performance.

A substantial portion of our revenue is derived from fixed price contracts. Under these contracts, we set the price of our services on an aggregate basis and assume the risk that the costs associated with our performance may be greater than we anticipated. We recognize revenue and profit on these contracts as the work on these projects progresses on a percentage-of-completion basis. Under the percentage-of-completion method, contracts in process are valued at cost plus accrued profits less earned revenues and progress payments on uncompleted contracts.

The percentage-of-completion method therefore relies on estimates of total expected contract costs. These costs may be affected by a variety of factors, such as lower than anticipated productivity, conditions at work sites differing materially from what was anticipated at the time we bid on the contract and higher costs of materials and labor. Contract revenue and total cost estimates are reviewed and revised monthly as the work progresses, such that adjustments to profit resulting from revisions are made cumulative to the date of the revision. Adjustments are reflected in contract revenue for the fiscal period affected by these revised estimates. If estimates of costs to complete long-term contracts indicate a loss, we immediately recognize the full amount of the estimated loss. Such adjustments and accrued losses could result in reduced profitability and liquidity.

For example, our Trenton Operations experienced significant adjustments to expected profits on four projects during the 2012 fiscal year, which significantly impacted our consolidated financial results for the year ended April 30, 2012. Cost estimates are reviewed regularly on a contract-by-contract basis, and are revised periodically throughout the life of the contract such that adjustments are made cumulative to the date of the revision. The cost estimates and related costs incurred for these four projects increased significantly during fiscal 2012. In particular, the most significant of these projects is an electrical project that was awarded to the Trenton Operations with a contract value of approximately $16.2 million. The total cost of this project was approximately $20.6 million. The fiscal 2012 effect of the revisions in estimated profit on this project resulted in a decrease in gross profit of approximately $6.0 million, and the decrease in gross profit on the other three projects totaled approximately $3.2 million, for an aggregate gross profit reduction of $9.2 million on these projects for the fiscal year ended April 30, 2012.

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

Our project engagements may involve large scale, highly complex projects. 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 customers' expectations could result in claims for substantial damages against us. Our contracts generally limit our liability for damages that arise from negligent acts, errors, mistakes or omissions in rendering services to our customers. 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. If the project or network experiences a performance problem, we may not be able to recover the additional costs we would incur, which could exceed revenues realized from a project.

The ongoing economic downturn and instability in the financial markets may adversely impact our customers' future spending as well as payment for our services and, as a result, our operations and growth.

The U.S. economy is still recovering from the recent recession, and growth in economic activity has slowed substantially. In addition, the Australia Operations has experienced a slowing in revenue growth due to uncertainties in government spending as a result of changes in political party and related economic activity. It is uncertain when these conditions will significantly improve. Stagnant or declining economic conditions have adversely impacted the demand for our services and resulted in the delay, reduction or cancellation of certain projects and may continue to adversely affect us in the future. Additionally, our customers may finance their projects through the incurrence of debt or the issuance of equity. The availability of credit remains constrained, and many of our customers' equity values have not fully recovered from the negative impact of the recession. A reduction in cash flow or the lack of availability of debt or equity financing may continue to result in a reduction in our customers' spending for our services and may also impact the ability of our customers to pay amounts owed to us, which could have a material adverse effect on our operations and our ability to grow at historical levels.

An economic downturn in any of the industries we serve may lead to less demand for our services.

Because the vast majority of our revenue is derived from a few industries, a downturn in any of those industries would adversely affect our results of operations. Specifically, an economic downturn in any industry we serve could result in the delay, reduction or cancellation of projects by our customers as well as cause our customers to outsource less work, resulting in decreased demand for our services and potentially impacting our operations and our ability to grow at historical levels. A number of other factors, including financing conditions and potential bankruptcies in the industries we serve or a prolonged economic downturn or recession, could adversely affect our customers and their ability or willingness to fund capital expenditures in the future or pay for past services. For example, our wireless communication segment has been negatively impacted since mid-2008 by the slowdown in spending for public services projects at the state and local government level, resulting in reductions, delays or postponements of these projects, and we expect this slowdown will likely continue, at least in the near-term. Consolidation, competition, capital constraints or negative economic conditions in the public services, healthcare and energy industries may also result in reduced spending by, or the loss of, one or more of our customers.

We have a significant amount of accounts receivable and costs and estimated earnings in excess of billings assets.

We extend credit to our customers as a result of performing work under contract prior to billing our customers for that work. At April 30, 2013, we had net accounts receivable of approximately $8.4 million and costs and estimated earnings in excess of billings of $1.1 million. We periodically assess the credit risk of our customers and continuously monitor the timeliness of payments. Slowdowns in the industries we serve may impair the financial condition of one or more of our customers and hinder their ability to pay us on a timely basis or at all. Further, bankruptcies or financial difficulties within the markets we serve could hinder the ability of our customers to pay us on a timely basis or at all, reducing our cash flows and adversely impacting our liquidity and profitability. Additionally, we could incur losses in excess of current bad debt allowances.

The industry in which we operate has relatively low barriers to entry and increased competition could result in margin erosion, which would make profitability even more difficult to sustain.

Other than the technical skills required in our business, the barriers to entry in our business are relatively low. We do not have any intellectual property rights to protect our business methods and business start-up costs do not pose a significant barrier to entry. The success of our business is dependent on our employees, customer relations and the successful performance of our services. If we face increased competition as a result of new entrants in our markets, we could experience reduced operating margins and loss of market share and brand recognition.

Our business depends upon our ability to keep pace with the latest technological changes, and our failure to do so could make us less competitive in our industry.

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 may 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 design-build services 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 preferences.

Our failure to attract and retain engineering personnel or maintain appropriate staffing levels could adversely affect our business.

Our success depends upon our attracting and retaining skilled engineering personnel. Competition for such skilled personnel in our industry is high and at times can be extremely intense, especially for engineers and project managers, and we cannot be certain that we will be able to hire sufficiently qualified personnel in adequate numbers to meet the demand for our services. We also believe that our success depends to a significant extent on the ability of our key personnel to operate effectively, both individually and as a group. Additionally, we cannot be certain that we will be able to hire the requisite number of experienced and skilled personnel when necessary in order to service a major contract, particularly if the market for related personnel is competitive. Conversely, if we maintain or increase our staffing levels in anticipation of one or more projects and the projects are delayed, reduced or terminated, we may underutilize the additional personnel, which could reduce our operating margins, reduce our earnings and possibly harm our results of operations. If we are unable to obtain major contracts or effectively complete such contracts due to staffing deficiencies, our revenues may decline and we may experience continued losses.

Acquisitions involve risks that could result in a reduction of our operating results, cash flows and liquidity.

We have made, and in the future may continue to make strategic acquisitions. However, we may not be able to identify suitable acquisition opportunities, or may be unable to obtain the consent of our lender and therefore, may not be able to complete such acquisition. We may pay for acquisitions with our common stock or with convertible securities, which may dilute your investment in our common stock, or we may decide to pursue acquisitions that investors may not agree with. In connection with most of our acquisitions, we have also agreed to substantial earn-out arrangements. To the extent we defer the payment of the purchase price for any acquisition through a cash earn-out arrangement, it will reduce our cash flows in subsequent periods. In addition, acquisitions may expose us to operational challenges and risks, including:

- the ability to profitably manage acquired businesses or successfully integrate the acquired business' operations and financial reporting and accounting control systems into our business;
- increased indebtedness and contingent purchase price obligations associated with an acquisition;
- the ability to fund cash flow shortages that may occur if anticipated revenue is not realized or is delayed, whether by general economic or market conditions, or unforeseen internal difficulties;
- the availability of funding sufficient to meet increased capital needs;
- diversion of management's attention; and
- the ability to retain or hire qualified personnel required for expanded operations.

Completing acquisitions may require significant management time and financial resources because we may need to assimilate widely dispersed operations with distinct corporate cultures. In addition, acquired companies may have liabilities that we failed, or were unable, to discover in the course of performing due diligence investigations. We cannot assure you that the indemnification granted to us by sellers of acquired companies will be sufficient in amount, scope or duration to fully offset the possible liabilities associated with businesses or properties we assume upon consummation of an acquisition. We may learn additional information about our acquired businesses that materially adversely affect us, such as unknown or contingent liabilities and liabilities related to compliance with applicable laws. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our business.

Failure to successfully manage the operational challenges and risks associated with, or resulting from, acquisitions could adversely affect our results of operations, cash flows and liquidity. Borrowings or issuances of convertible securities associated with these acquisitions may also result in higher levels of indebtedness which could impact our ability to service our debt within the scheduled repayment terms.

Amounts included in our backlog may not result in actual revenue or translate into profits.

As of April 30, 2013, we had a backlog of unfilled orders of approximately $26.4 million. This backlog amount is based on contract values and purchase orders and may not result in actual receipt of revenue in the originally anticipated period or at all. In addition, contracts included in our backlog may not be profitable. We have experienced variances in the realization of our backlog because of project delays or cancellations resulting from external market factors and economic factors beyond our control and we may experience delays or cancellations in the future. If our backlog fails to materialize, we could experience a further reduction in revenue, profitability and liquidity.

Our business could be affected by adverse weather conditions, resulting in variable quarterly results.

Adverse weather conditions, particularly during the winter season, could affect our ability to perform outdoor services in certain regions of the United States. As a result, we might experience reduced revenue in the third and fourth quarters of our fiscal year. Natural catastrophes could also have a negative impact on the economy overall and on our ability to perform outdoor services in affected regions or utilize equipment and crews stationed in those regions, which in turn could significantly impact the results of any one or more of our reporting periods.

The Company's success depends largely on the continued service and availability of key personnel.

Much of the Company's future success depends on the continued availability and service of key personnel, including its executive team. The Company's current Chairman and Chief Executive Officer (CEO), Andrew Hidalgo, who has overseen our Company since inception, will resign effective July 30, 2013 and a temporary CEO has been appointed while the Company searches for a permanent CEO and Chairman. Until such a replacement is found, the Company will rely upon its Interim CEO and existing executive team. Experienced personnel in the telecommunications industry are in high demand and competition for their talents is intense. There can be no assurance that the Company will continue to attract and retain key personnel.

Employee strikes and other labor-related disruptions may adversely affect our operations.

Our business is labor intensive, with certain projects requiring large numbers of engineers. As of April 30, 2013, approximately 45% of our workforce was unionized, including 63% of our project engineers. Strikes or labor disputes with our unionized employees may adversely affect our ability to conduct our business. If we are unable to reach agreement with any of our unionized work groups on future negotiations regarding the terms of their collective bargaining agreements, or if additional segments of our workforce become unionized, we may be subject to work interruptions or stoppages. Any of these events could be disruptive to our operations and could result in negative publicity, loss of contracts and a decrease in revenues.

Our business is labor intensive and we may be unable to attract and retain qualified employees.

Our ability to maintain our productivity and profitability is limited by our ability to employ, train and retain the skilled personnel necessary to operate our business. We cannot be certain that we will be able to maintain the skilled labor force necessary to operate efficiently and support our growth strategy. Our ability to do so depends on a number of factors such as general rates of employment, competitive demands for employees having the skills we need and the level of compensation required to hire and retain qualified employees. In addition, we cannot be certain that our labor expenses will not increase as a result of shortages in the supply of these skilled personnel. As a result, our ability to attain productivity and profitability may be affected if we are unable to hire qualified employees and manage labor costs to retain employees.

Legislative actions and initiatives relating to electric power, renewable energy and telecommunications may fail to result in increased demand for our services.

Demand for our services may not result from renewable energy initiatives. While many states currently have mandates in place that require specified percentages of power to be generated from renewable sources, states could reduce those mandates or make them optional, which could reduce, delay or eliminate renewable energy development in the affected states. Additionally, renewable energy is generally more expensive to produce and may require additional power generation sources as backup. The locations of renewable energy projects are often remote and are not viable unless new or expanded transmission infrastructure to transport the power to demand centers is economically feasible. Furthermore, funding for renewable energy initiatives may not be available, which has been further constrained as a result of tight credit markets. These factors have resulted in fewer renewable energy projects than anticipated and a delay in the construction of these projects and the related infrastructure, which has adversely affected the demand for our services. These factors could continue to result in delays or reductions in projects, which could further negatively impact our business.

The Federal government provides for various stimulus programs, such as grants, loan guarantees and tax incentives, relating to renewable energy, energy efficiency and electric power and telecommunications infrastructure. Some of these programs have expired, which may affect the economic feasibility of future projects. Additionally, while a significant amount of stimulus funds have been awarded, we cannot predict the timing and scope of any investments to be made under stimulus funding or whether stimulus funding will result in increased demand for our services. Investments for renewable energy, electric power infrastructure and telecommunications fiber deployment under Federal programs may not occur, may be less than anticipated or may be delayed, any of which would negatively impact demand for our services.

Other current and potential legislative or regulatory initiatives may not result in increased demand for our services. Examples include legislation or regulation to require utilities to meet reliability standards, to ease sitting and right-of-way issues for the construction of transmission lines and to encourage installation of new electric power transmission and renewable energy generation facilities. It is not certain whether existing legislation will create sufficient incentives for new projects, when or if proposed legislative initiatives, will be enacted or whether any potentially beneficial provisions will be included in the final legislation.

There are also a number of legislative and regulatory proposals to address greenhouse gas emissions, which are in various phases of discussion or implementation. The outcome of Federal and state actions to address global climate change could negatively affect the operations of our customers through costs of compliance or restraints on projects, which could reduce their demand for our services.

Increases in our health insurance costs could adversely impact our results of operations and cash flows.

The costs of employee health care insurance have been increasing in recent years due to rising health care costs, legislative changes, and general economic conditions. Additionally, we may incur additional costs as a result of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the "Health Care Reform Laws") that were signed into law in March 2010 and recently upheld by the U.S. Supreme Court. A continued rise in health care costs or additional costs as a result of the Health Care Reform Laws could have a negative impact on our financial position and results of operations.

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 beyond our control, are likely to cause these fluctuations. Some of these factors include:

- the timing and size of design-build projects and technology upgrades by our customers;
- fluctuations in demand for outsourced design-build services;
- the ability of certain customers to sustain capital resources to pay their trade account balances and required changes to our allowance for doubtful accounts based on periodic assessments of the collectability of our accounts receivable balances;
- reductions in the prices of services offered by our competitors;
- our success in bidding on and winning new business; and

- our sales, marketing and administrative cost structure.

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.

If our common stock is delisted from The NASDAQ Stock Market, the Company would be subject to the risks relating to penny stocks

If our common stock were to be delisted from trading on The NASDAQ Stock Market and the trading price of the common stock were below $5.00 per share on the date the common stock were delisted, trading in our common stock would also be subject to the requirements of certain rules promulgated under the Securities Exchange Act of 1934, as amended. These rules require additional disclosure by broker-dealers in connection with any trades involving a stock defined as a "penny stock" and impose various sales practice requirements on broker-dealers who sell penny stocks to persons other than established customers and accredited investors, generally institutions. These additional requirements may discourage broker-dealers from effecting transactions in securities that are classified as penny stocks, which could severely limit the market price and liquidity of such securities and the ability of purchasers to sell such securities in the secondary market. A penny stock is defined generally as any non-exchange listed equity security that has a market price of less than $5.00 per share, subject to certain exceptions.

Our stock price may be volatile, which may result in lawsuits against us and our officers and directors.

The stock market in general and the stock prices of technology and telecommunications companies in particular, have experienced volatility that has often been unrelated to or disproportionate to the operating performance of those companies. The market price of our common stock has fluctuated in the past and is likely to fluctuate in the future. Between May 1, 2012 and April 30, 2013, our common stock has traded as low as $2.07 and as high as $8.05 per share, based upon information provided by the NASDAQ Capital Market. Factors, which could have a significant impact on the market price of our common stock include, but are not limited to, the following:

- quarterly variations in operating results;
- announcements of new services by us or our competitors;
- the gain or loss of significant customers;
- changes in analysts’ earnings estimates;
- rumors or dissemination of false information;
- pricing pressures;
- short selling of our common stock;
- impact of litigation;
- general conditions in the market;
- changing the exchange or quotation system on which we list our common stock for trading;
- announcements regarding acquisitions by or of our company;
- political and/or military events associated with current worldwide conflicts; and
- events affecting other companies that investors deem comparable to us.

Companies that have experienced volatility in the market price of their stock have frequently been the object of securities class action litigation. Class action and derivative lawsuits could result in substantial costs to us and a diversion of our management’s attention and resources, which could materially harm our financial condition and results of operations.

Future changes in financial accounting standards may adversely affect our reported results of operations.

A change in accounting standards could have a significant effect on our reported results and may even affect our reporting of transactions completed before the change is effective. New pronouncements and varying interpretations of pronouncements have occurred and may occur in the future. Changes to existing rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business.

Compliance with changing regulation of corporate governance and public disclosure may result in additional expenses.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002 (SOX), newly enacted SEC regulations and NASDAQ Stock Market rules, have created additional burdens for companies such as ours. We are committed to maintaining high standards of corporate governance and public disclosure. As a result, we intend to invest appropriate resources to comply with evolving standards. This may result in increased general and administrative costs, including potential increased audit fees for SOX compliance, and a diversion of management time and attention from revenue-generating activities to compliance activities.

We can issue shares of preferred stock without shareholder approval, which could adversely affect the rights of common shareholders.

Our certificate of incorporation permits us to establish the rights, privileges, preferences and restrictions, including voting rights, of future series of our preferred stock and to issue such stock without approval from our stockholders. The rights of holders of our common stock may suffer as a result of the rights granted to holders of preferred stock that we may issue in the future. In addition, we could issue preferred stock to prevent a change in control of our company, depriving common shareholders of an opportunity to sell their stock at a price in excess of the prevailing market price.

Certain provisions of our corporate governing documents could make an acquisition of our company more difficult.

The following provisions of our certificate of incorporation and bylaws, as currently in effect, as well as Delaware law, could discourage potential proposals to acquire us, delay or prevent a change in control of us or limit the price that investors may be willing to pay in the future for shares of our common stock:

- our certificate of incorporation permits our Board of Directors to issue "blank check" preferred stock and to adopt amendments to our bylaws;

- our bylaws contain restrictions regarding the right of stockholders to nominate directors and to submit proposals to be considered at stockholder meetings;

- our certificate of incorporation and bylaws restrict the right of stockholders to call a special meeting of stockholders and to act by written consent; and

- we are subject to provisions of Delaware law which prohibit us from engaging in any of a broad range of business transactions with an "interested stockholder" for a period of three years following the date such stockholder became classified as an interested stockholder.

Risks associated with operating in international markets could restrict our ability to expand globally and harm our business and prospects, and we could be adversely affected by our failure to comply with the laws applicable to our foreign activities, including the U.S. Foreign Corrupt Practices Act and other similar worldwide anti-bribery laws.

Approximately 30.5% of our revenue was derived from international markets during fiscal 2013. Our international operations are presently conducted in China and Australia. Economic conditions, including those resulting from wars, civil unrest, acts of terrorism and other conflicts or volatility in the global markets, may adversely affect our customers, their demand for our services and their ability to pay for our services. In addition, there are numerous risks inherent in conducting our business internationally, including, but not limited to, potential instability in international markets, changes in regulatory requirements applicable to international operations, foreign currency fluctuations, exchange controls and other limits on our ability to repatriate earnings, political, economic and social conditions in foreign countries and complex U.S. and foreign laws and treaties, including tax laws and the U.S. Foreign Corrupt Practices Act (the "FCPA"). These risks could restrict our ability to provide services to international customers or to operate our international business profitably, and our overall business and results of operations could be negatively affected by our foreign activities.

The FCPA and similar anti-bribery laws in other jurisdictions prohibit U.S.-based companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business. We pursue opportunities in certain parts of the world that experience government corruption to some degree, and, in certain circumstances, compliance with anti-bribery laws may conflict with local customs and practices. Our policies mandate compliance with these anti-bribery laws. Further, we require our subcontractors, agents and others who work for us or on our behalf to comply with the FCPA and other anti-bribery laws. Although we have policies and procedures designed to ensure that we, our employees and our agents comply with the FCPA and other anti-bribery laws, there is no assurance that such policies or procedures will protect us against liability under the FCPA or other laws for actions taken by our agents, employees and intermediaries. If we are found to be liable for FCPA violations (either due to our own acts or our inadvertence, or due to the acts or inadvertence of others), we could suffer from severe criminal or civil penalties or other sanctions, which could have a material adverse effect on our reputation, business, results of operations or cash flows. In addition, detecting, investigating, and resolving actual or alleged FCPA violations is expensive and can consume significant time and attention of our senior management.

Our international operations expose us to foreign currency risk.

A majority of our transactions are in U.S. dollars; however, a few foreign subsidiaries conduct businesses in various foreign currencies. Therefore, we are subject to currency exposures and volatility because of currency fluctuations, inflation changes and economic conditions in these countries. We currently have no foreign currency hedges. We attempt to minimize our exposure to foreign currency fluctuations by matching our revenues and expenses in the same currency for our contracts.

We are subject to the risks associated with doing business in the People's Republic of China (PRC).

We conduct certain business in China through our China Operations, which is organized under the laws of the PRC. Our China operations are directly related to and dependent on the social, economic and political conditions in this country, all of which we have no control over, and are influenced by many factors, including:

- changes in the region's economic, social and political conditions or government policies;
- changes in trade laws, tariffs and other trade restrictions or licenses;
- changes in foreign exchange regulation in China may limit our ability to freely convert currency to make dividends or other payments in U.S. dollars;
- fluctuations in the value of the RMB (Chinese Yuan) could adversely affect the value of our investment in China;
- adverse changes in tax laws and regulations;
- difficulties in managing or overseeing our China operations, including the need to implement appropriate systems, policies, benefits and compliance programs; and
- different liability standards and less developed legal systems that may be less predictable than those in the United States.

The occurrence or consequences of any of these conditions may restrict our ability to operate and/or decrease the profitability our operations in China.

ITEM 1B - UNRESOLVED STAFF COMMENTS

None.

ITEM 2 - PROPERTIES

Our principal executive office is located in Exton, Pennsylvania. We operate our business under office leases in the following locations:

Location	Operations	Lease Expiration Date	Annual Rent
Exton, Pennsylvania	WPCS	January 31, 2014	$ 43,632
Redmond, Washington	Seattle	December 31, 2017	$ 68,999
Suisun City, California	Suisun City	February 28, 2014	$ 63,500
Reno, Nevada	Suisun City	December 31, 2014	$ 4,920
Sacramento, California	Suisun City	December 31, 2014	$ 35,712
Jamesburg, New Jersey	Trenton	June 30, 2015	$ 74,532
Woombye, Queensland, Australia (1)	Australia	December 1, 2013	$ 68,132
Nundah, Queensland, Australia	Australia	March 30, 2015	$ 31,859
Toowoomba QLD, Australia	Australia	January 31, 2014	$ 20,020

(1) We lease our Woombye, Queensland, Australia location from Pride Property Trust, of which the former shareholders of Pride are the trustees.

We believe that our existing facilities are suitable and adequate to meet our current business requirements. We intend to renew leases expiring within the next twelve months at their current locations or at similar facilities in the same geographic locations.

ITEM 3 - LEGAL PROCEEDINGS

We are currently not a party to any material legal proceedings or claims.

ITEM 4 - MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Price Range of Common Stock

Our common stock is currently traded on The NASDAQ Capital Market under the symbol "WPCS." Prior to August 9, 2012, our common stock was traded on The NASDAQ Global Market under the symbol "WPCS." For the periods indicated, the following table sets forth the high and low sale prices of our common stock as reported by The NASDAQ Stock Market.

Period	High	Low
Fiscal Year Ended April 30, 2013:		
First Quarter	$ 8.05	$ 4.90
Second Quarter	6.19	2.59
Third Quarter	5.03	2.10
Fourth Quarter	3.29	2.07
Fiscal Year Ended April 30, 2012:		
First Quarter	$ 21.28	$ 15.61
Second Quarter	21.07	10.99
Third Quarter	15.82	10.29
Fourth Quarter	12.04	6.82

On July 22, 2013, the closing sale price of our common stock, as reported by The NASDAQ Capital Market, was $3.61 per share. On July 22, 2013, there were 55 holders of record of our common stock, which does not include shares held in street name.

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 - SELECTED FINANCIAL DATA

Not required under Regulation S-K for "smaller reporting companies."

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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. You can identify these statements by forward-looking words such as "may" "will," "expect," "anticipate," "believe," "estimate" and "continue," or similar words. Those statements include statements regarding the intent, belief or current expectations of us 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 us in this report and in our 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. We undertake 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. We believe that its assumptions are based upon reasonable data derived from and known about our business and operations and the business and operations of the Company. No assurances are made that actual results of operations or the results of our future activities will not differ materially from its assumptions. Factors that could cause differences include, but are not limited to, expected market demand for the Company's services, fluctuations in pricing for materials, and competition.

Overview

We are a global provider of design-build engineering services for communications infrastructure, with approximately 250 employees in five operations centers on three continents. We provide our engineering capabilities including wireless communication, specialty construction and electrical power to a diversified customer base in the public services, healthcare, energy and corporate enterprise markets worldwide.

The global economy depends on efficient voice, data and video communication. Old communication infrastructure needs to be replaced and new technology needs to be implemented. We believe we have the design-build capabilities to address the demand. For communication infrastructure projects that are significant in scope, we have the ability to offer wireless communication, specialty construction and electrical power. Because we are technology independent, we can integrate multiple products and services across a variety of communication requirements. This gives our customers the flexibility to obtain the most appropriate solution for their communication needs on a cost effective basis. In wireless communication, we can design and deploy all types of wireless systems in a variety of applications. In specialty construction, we have provided services for basic energy. On the electrical power side, we are capable of all types of commercial and industrial electrical work including the integration of advanced building communications technology for voice and data, life safety, security and HVAC.

For the fiscal year ended April 30, 2013, we generated revenues from continuing operations of approximately $42.3 million, compared to $65.5 million for the fiscal year ended April 30, 2012. Our backlog at April 30, 2013 and 2012 was approximately $26.4 million and $23.6 million, respectively.

Recent Developments

Executive Management Changes

Andrew Hidalgo (Hidalgo) Separation

On July 24, 2013, we entered into the Separation Agreement with Hidalgo, our President, Chief Executive Officer and a member of the board of directors. Pursuant to the Separation Agreement, Hidalgo will resign effective with the Termination Date on July 30, 2013, as the President, Chief Executive Officer and a member of the board of directors of the Company and from all officer and director positions with all of our subsidiaries.

Pursuant to the Separation Agreement, Hidalgo intends to submit an offer to us to acquire the Proposed Acquisitions of the Trenton and Australia Operations. During the Severance Period, we shall continue to pay Hidalgo his current base salary of $325,000 per year through our normal payroll process. At the end of the Severance Period, Hidalgo shall be entitled to receive a Severance Payment equal to Hidalgo's salary from the Termination Date through the end of the term of his employment agreement (January 31, 2018) minus any payments made to Hidalgo during the Severance Period.

Hidalgo shall be entitled to apply the Severance Payment towards the purchase price of the Proposed Acquisitions, if successful. In the event that the Proposed Acquisitions are not completed by October 1, 2013, the Company and Hidalgo shall negotiate the payment terms of the Severance Payment.

Sebastian Giordano (Giordano) Appointment

Effective August 1, 2013, Giordano, a member of our board of directors, will be appointed our Interim Chief Executive Officer.

Effective August 1, 2013, the Company will enter into the Giordano Agreement with Giordano to serve as Interim Chief Executive Officer on a part-time basis until a permanent chief executive officer is appointed. The Giordano Agreement can be terminated by either party upon 30 days prior notice. Pursuant to the Giordano Agreement, Giordano shall receive a monthly consulting fee of $10,833. In addition, upon our approving a new stock incentive plan, Giordano shall receive a grant of 30,000 shares of our common stock and Giordano shall be entitled to receive a discretionary bonus upon successful achievement of a merger or acquisition of the Company by another entity. We will also reimburse Giordano for all reasonable expenses in connection with his services to us.

Reverse Stock Split

Effective May 28, 2013, we amended our Certificate of Incorporation, as amended, pursuant to which we affected a Reverse Stock Split and reduced the number of authorized shares of common stock by the same ratio, from 100 million to 14,285,715. The total issued and outstanding common stock was decreased from 6,954,766 shares to 993,538 shares. All share-related and per share information in this annual report have been adjusted to give effect to the Reverse Stock Split.

The purpose of the Reverse Stock Split was to raise the per share trading price of WPCS common stock to regain compliance with the $1.00 per share minimum bid price requirement for a continued listing on The NASDAQ Capital Market. In order to maintain the WPCS listing on the NASDAQ Capital Market, on or before June 24, 2013, our common stock was required to have a minimum closing bid price of $1.00 per share for a minimum of ten prior consecutive trading days, which compliance was achieved effective June 12, 2013.

Secured Note and Warrant Financing

On December 4, 2012, we entered into the Purchase Agreement with the Buyers pursuant to which, we sold an aggregate of (i) $4,000,000 principal amount of Notes and (ii) Warrants to purchase 2,274,796 shares of our Common Stock to the Buyers for aggregate gross Financing proceeds of $4,000,000.

Pursuant to the terms of the Notes, we deposited the initial funds received from the Financing, minus the Initial Lending Amount of $2,178,516 into the Lockbox Account controlled by the Collateral Agent, as collateral agent on behalf of the Buyers. In addition, all payments of our accounts receivable (and our domestic subsidiaries) shall be deposited into the Lockbox Account. We are permitted to receive from the Lockbox Account, on a daily basis, such amount of cash equal to: (A) (i) cash balance in the Lockbox Account plus (ii) 95% of available qualified accounts receivable minus (iii) $250,000 minus (B) amount of principal, accrued interest, fees, costs and expenses owed pursuant to the Notes. The Notes contain certain customary representations and warranties, affirmative and negative covenants and events of default. The principal covenant is that we shall maintain a current ratio of not less than 0.6 to 1.0 as of the last calendar day of each month. As of April 30, 2013, we are in compliance with these covenants.

We used the Initial Lending Amount to repay the existing loan of $2,000,000, plus $78,516 of interest accrued and fees and expenses to Sovereign, which Credit Agreement was terminated in connection with the Financing, and $100,000 for Buyer legal fees in connection with the Notes.

Pursuant to the Purchase Agreement, we agreed to use our reasonable best efforts to obtain our Stockholders' Approval at the next annual stockholder meeting for the issuance of all of the securities issuable pursuant to the Purchase Agreement. Prior to Stockholder Approval, the Buyers were prohibited from converting the Notes and/or exercising the Warrants and receiving shares of our Common Stock, in the aggregate, such that the number of shares of Common Stock issued upon such conversions and/or exercises exceeds 19.9% of the issued and outstanding shares of our Common Stock as of the Closing Date.

We obtained Stockholder Approval on February 28, 2013. In addition, we obtained stockholders' approval to increase our authorized shares of common stock from 3,571,429 to 14,285,715 and recorded an amendment to our articles of incorporation on March 4, 2013. As a result of the amendment, we expect to have sufficient common stock to fulfill our conversion obligations under the Purchase Agreement, and the Buyers are permitted to convert the Notes and/or exercise the Warrants in excess of 19.9% of the issued and outstanding shares of our Common Stock at a price that is less than the greater of book or market value.

The Notes were initially convertible into shares of Common Stock at the Conversion Price of $2.6376 per share. The Conversion Price will be adjusted to 85% of the average of the closing bid prices for the five consecutive trading dates immediately prior to the following adjustment dates: (1) the earlier of the effective date of a registration statement or six months after closing (the First Adjustment); (2) the later of the date that is three months after the First Adjustment or one year after closing; and (3) on the Stockholder Approval Date.

On the Stockholder Approval Date, the Conversion Price was adjusted to $2.1539 per share. There was no adjustment to the Conversion Price on the First Adjustment date. The Warrants are exercisable for a period of five years from the Closing Date at an initial exercise price of $3.2970 per share (the Exercise Price). The Exercise Price is subject to the same adjustments as provided in the Notes as described above, and as a result, the Exercise Price was adjusted to $2.1539 per share on the Stockholder Approval Date. As of the date of this annual report, none of the Notes or Warrants have been converted or exercised, accordingly.

Zurich Forbearance Agreement

On July 12, 2012, we executed the Financing Agreement with Zurich, to assist in the completion of the project contract with the Owner or Cooper Project. Under the terms of the Financing Agreement, Zurich advanced us $793,927 to assist in the completion of the Cooper Project, a $16.2 million project completed by our Trenton Operations. We were to repay Zurich the financial advances by September 2012, however we were in default under the terms of the Financing Agreement as we did not repay Zurich the $793,927, and Zurich paid certain of the our vendors pursuant to Zurich's obligations under its payment bond on the Cooper Project. In addition, we are contingently liable to Zurich and its affiliate F&D under the Indemnity Agreement. Zurich and F&D, as surety, have issued certain performance and payment bonds on behalf of owners or customers regarding the Company's work on various projects under the Indemnity Agreement. We also agree to indemnify the surety for any payments made by Zurich on contracts of suretyship, guaranty or indemnity.

On April 17, 2013, we executed the Forbearance Agreement with Zurich, which supersedes the Financing Agreement. As of April 16, 2013, the total Loss Amount due Zurich under the Forbearance Agreement less payments received by Zurich was $2,836,668. Under the Forbearance Agreement, among other things, the parties have agreed to the following payments which will be credited against the Loss Amount owed to Zurich by us: (1) the Interim Liability Payments; (2) the Customer Payments; and (3) the Claim, up to the Loss Amount as it exists at the time. As of April 30, 2013, the net Loss Amount owed Zurich under the Forbearance Agreement was $1,743,986, and is classified as Other Payable on our consolidated balance sheets. As of the date of this annual report, the Loss Amount owed to Zurich is approximately $1,634,000 following Interim Liability and Customer Payments made subsequent to April 30, 2013.

Each or any of the following shall constitute an event of default under the Forbearance Agreement: (a) failure by us to make any of the Interim Liability Payments; (b) failure by us to remit any Customer Payments received; (c) the failure by us or the Owner to remit the proceeds of the Claim to Zurich; and (d) any Loss Amount that still exists as of December 31, 2013. We are currently in compliance with the terms of the Forbearance Agreement.

We have submitted a revised Claim and request for equitable adjustment to the Owner in the amount of $2,421,425 for significant delays, disruptions and construction changes that were beyond our control and required us to perform additional work. We are currently in negotiations with the Owner to settle the Claim. The next step in the resolution process as set forth in the contract with the Owner is mandatory non-binding mediation through the AAA. On April 15, 2013, we filed the Mediation request with the AAA with regard to the Claim. We are awaiting a response from the Owner, and as such no date has been established for the Mediation. If we are successful in the settlement of this Claim we expect to use the proceeds from the Claim to repay Zurich the Loss Amount as it exists at the time. There can be no assurance that we will be successful in settling with the Owner for all or a portion of the submitted claim.

Sale of Hartford and Lakewood Operations

On July 25, 2012, we and the Hartford and Lakewood Operations entered into the Asset Purchase Agreement, pursuant to which the Hartford and Lakewood Operations sold substantially all of their assets and liabilities to two newly-created subsidiaries of Kavveri for a purchase price of $5.5 million in cash, subject to adjustment and assumption of their various liabilities. At closing, we received $4.9 million in cash, and the remaining $600,000 of the purchase price was to be placed into escrow pursuant to the Asset Purchase Agreement. We used the proceeds from this sale to repay the full amount outstanding under a credit agreement of $4,022,320 as of July 25, 2012. The difference of $877,680 was deposited in our operating cash account.

The parties agreed to place $350,000 of the purchase price into escrow pending assignment of certain contracts post-closing, with us receiving those funds upon successful assignment of the contracts. The remaining $250,000 was to be escrowed for purposes of satisfying certain adjustments to the purchase price based on a final net asset valuation to be completed after closing as well as repurchase obligations of certain delinquent accounts receivable. No later than three days after the final determination of the net asset valuation, the purchasers are required to deposit the $600,000 into escrow. To date, we have not reached agreement with Kavveri with regard to resolving the net asset valuation. On January 28, 2013, Kavveri submitted a revised aggregate claim for indemnification by us of approximately $1,511,000 with regard to (1) net asset valuation claim owed of approximately $698,000, which includes accounts receivable deemed uncollectible of $519,000 related to a project that was completed by our former Hartford Operations and accepted by the customer on or prior to the Closing Date; and (2) delinquent account receivables to be repurchased of approximately $813,000.

On February 27, 2013, we notified Kavveri that we disputed these claims. Among other things, we dispute the amount of the delinquent receivables, and believe that after consideration of reserves for uncollectible accounts and other offsets previously considered in its calculation of the net asset valuation, the total amount of accounts receivable deemed uncollectible for repurchase to be approximately $36,000. However, we contend that Kavveri missed the deadline to notify us regarding the repurchase of delinquent receivables pursuant to the terms of the Asset Purchase Agreement regarding timing for notification to us, which would eliminate any repurchase payment owed by us to Kavveri. We also believe that the $519,000 of accounts receivable claimed for indemnification by Kavveri is without merit. Finally, we also dispute the net asset valuation claim, and believe Kavveri owes us approximately $58,000, following our evaluation of the uncollectible accounts receivable. With regard to the net asset valuation claim, if the parties disagree, and if they are unable to come to an agreement, the matter will be submitted to one or more independent, nationally-recognized accounting firms for final determination. As of the date of this annual report, no matters have been submitted to the independent accounting firm.

All operating results disclosed in this quarterly report only include the results from continuing operations, and exclude the results for the St. Louis and Sarasota Operations divested in September 2011, and the Hartford and Lakewood Operations asset sales, each of which are presented as discontinued operations. The Sarasota, Lakewood and Hartford Operations were previously reported in the wireless communications segment and the St. Louis Operation was reported in the specialty construction segment. We have also combined the management and operations of the Seattle and Portland Operations for efficiency.

Industry Trends

We focus on markets such as public services, healthcare, energy and international which continue to show growth potential.

- *Public services.* We provide communications infrastructure for public services which include utilities, education, military and transportation infrastructure. We believe there is an active market for communications infrastructure in the public service sector due to the need to create cost efficiencies through the implementation of new communications technology.

- *Healthcare. W*e provide communications infrastructure for hospitals and medical centers. In the healthcare market, the aging population is resulting in demands for upgraded and additional hospital infrastructure. New construction and renovations are occurring for hospitals domestically and internationally. In addition, there is a need to reduce the cost of delivering healthcare by implementing new communications technology. Our services include electrical power, structured cabling, security systems, life safety systems, environmental controls and communication systems.

- *Energy*. We provide communications infrastructure for petrochemical, natural gas and electric utility companies as well as renewable energy systems for various entities. The need to deliver basic energy more efficiently and to create new energy sources is driving the growth in energy construction. This creates opportunities to upgrade and deploy new communications technology and design and build renewable energy solutions.

- *International*. We provide communications infrastructure internationally for a variety of companies and government entities. China is spending on building its internal infrastructure and Australia is upgrading their infrastructure. Both China and Australia have experienced positive GDP growth rates. The total international revenue was approximately 30.5% and 28.1 % for the years ended April 30, 2013 and 2012, respectively.

Current Operating Trends and Financial Highlights

Management currently considers the following events, trends and uncertainties to be important in understanding our results of operations and financial condition during the current fiscal year.

In regards to our financial results for the year ended April 30, 2013, we continue to make progress in turning around our financial performance, as compared to the year ended April 30, 2012. We have employed cost reduction strategies, and made management changes by hiring experienced leadership in Suisun City, especially in the project management and estimating roles, which we believe has significantly helped this operation return to EBITDA profitability. In our Trenton Operations, we completed the Cooper Project, which was a project we incurred a loss of approximately $6 million in fiscal 2012. During fiscal 2013, we have received approximately $1.6 million of change orders, in order to recoup some of the loss that we incurred in the prior year. At the same time, we concentrated the Trenton Operation on pursuing smaller revenue projects that can be performed profitably and implemented cost reduction strategies, resulting in this operation generating EBITDA profitability in fiscal 2013. Furthermore, we have also submitted a revised claim for approximately $2.4 million to the Owner for significant cost overruns as a result of significant delays, disruptions and construction changes which were beyond our control and required us to perform additional work.

For the year ended April 30, 2013, we generated consolidated EBITDA as adjusted of approximately $818,000, as compared to an EBITDA loss as adjusted of $12.2 million for the year ended April 30, 2012. Except for the results of our Australia Operations, the remaining four operation centers performed profitably in fiscal 2013 from an EBITDA as adjusted perspective. The results for the year ended April 30, 2013 include $1,640,644 of change orders received by the Trenton Operations related to the Cooper Project. As mentioned above, the financial results for the year ended April 30, 2012 were adversely impacted by the significant increases in cost estimates and costs incurred on four projects in the Trenton Operations, the most significant of these being the Cooper Project.

EBITDA as adjusted is defined as earnings before interest, noncontrolling interest, income taxes including noncash charges for deferred tax asset valuation allowances, gain or loss from discontinued operations, change in fair value of derivative liabilities, acquisition-related contingent earn-out costs, goodwill impairment, one-time charges related to strategic alternatives and depreciation and amortization. Management uses EBITDA to assess the ongoing operating and financial performance of our Company. This financial measure is not in accordance with GAAP and may differ from non-GAAP measures used by other companies. A reconciliation of EBITDA as adjusted is as follows:

	Years Ended April 30, 2013	Years Ended April 30, 2012
NET LOSS ATTRIBUTABLE TO WPCS, GAAP	$ (6,910,727)	$ (20,547,831)
Plus:		
Net income (loss) attributable to noncontrolling interest	95,406	(21,840)
Loss from discontinued operations, net of tax	589,619	2,845,677
Loss (gain) from disposal of discontinued operations	(1,756,586)	1,032,737
Income tax provision	758,144	1,876,476
Interest expense	2,124,833	845,502
Change in fair value of derivative liabilities	2,703,248	-
Interest income	(54,620)	(54,245)
Change in fair value of acquisition-related contingent consideration	-	83,628
One time strategic costs	-	(45,346)
Goodwill and intangible assets impairment	1,936,059	20,167
Depreciation and amortization	1,332,169	1,775,672
Consolidated EBITDA as adjusted, Non-GAAP	$ 817,545	$ (12,189,403)

In regards to our financial results for the year ended April 30, 2013, we generated a net loss of approximately $6,911,000, or $6.95 per diluted common share, which includes noncash charges of approximately $1,936,000 for the impairment of goodwill related to Pride, noncash charges of approximately $4.1 million related to the amortization of Note discount and change in fair value of the derivative liabilities associated with the Notes and Warrants, and a $2.3 million noncash valuation allowance on our foreign deferred tax assets. These noncash charges have no impact on our operations or cash flows. The net loss also includes income from discontinued operations for the Hartford and Lakewood Operations of approximately $1.2 million, or $1.17 per diluted common share.

The net loss in fiscal 2013 compares to a net loss of approximately $20,548,000, or $20.68 per diluted common share, for the year ended April 30, 2012, as a result of the adverse financial performance of the Trenton Operations in fiscal 2012. The net loss in 2012 includes a $6.6 million noncash valuation allowance on our U.S. Federal and state deferred tax assets. The net loss also includes a loss from discontinued operations for the Hartford, Lakewood, Sarasota and St. Louis Operations of approximately $3.9 million, or $3.90 per diluted common share for the year ended April 30, 2012.

The markets we serve in public services, healthcare, and energy continue to afford opportunities to grow our business. Two of our most important economic indicators for measuring our future revenue producing capability and demand for our services continue to be our backlog and bid list. For comparative purposes our backlog and bid list for prior periods only includes our continuing operations. Our backlog of unfilled orders was approximately $26.4 million at April 30, 2013, compared to backlog of $27.6 million at January 31, 2013, and $23.6 million at April 30, 2012.

Our bid list, which represents project bids under proposal for new and existing customers, was approximately $60.7 million at April 30, 2013, compared to approximately $54.4 million at January 31, 2013 and $86.5 million at April 30, 2012. Our goal is to continue converting more of these bids into contract awards and to increase our backlog in the quarters ahead.

We believe our design-build engineering focus for public services, healthcare, energy and corporate enterprise infrastructure will create additional opportunities both domestically and internationally. We believe that the ability to provide comprehensive communications infrastructure services including wireless communication, specialty construction and electrical power gives us a competitive advantage. In regards to strategic development, our focus is on organic growth opportunities and we feel optimistic about the markets we serve as evidenced by our new contract awards and customers continuing to seek bids from us, due to our experience in these markets.

Results of Operations for the Fiscal Year Ended April 30, 2013 Compared to Fiscal Year Ended April 30, 2012

Consolidated results for the years ended April 30, 2013 and 2012 were as follows.

	Years Ended April 30,			
	2013		2012	
REVENUE	$ 42,328,675	100.0%	$ 65,462,157	100.0%
COSTS AND EXPENSES:				
Cost of revenue	29,948,760	70.8%	63,504,085	97.0%
Selling, general and administrative expenses	11,562,370	27.3%	14,102,129	21.6%
Depreciation and amortization	1,332,169	3.1%	1,775,672	2.7%
Goodwill and intangible assets impairment	1,936,059	4.5%	20,167	-
Change in fair value of acquisition-related contingent consideration	-	-	83,628	0.1%
Total costs and expenses	44,779,358	105.7%	79,485,681	121.4%
OPERATING LOSS	(2,450,683)	(5.7)%	(14,023,524)	(21.4)%
OTHER EXPENSE (INCOME):				
Interest expense	2,124,833	5.1%	845,502	1.3%
Change in fair value of derivative liabilities	2,703,248	6.4%	-	-
Interest income	(54,620)	(0.1)%	(54,245)	(0.1)%
Loss from continuing operations before income tax provision	(7,224,144)	(17.1)%	(14,814,781)	(22.6)%
Income tax provision	758,144	1.8%	1,876,476	2.9%
LOSS FROM CONTINUING OPERATIONS	(7,982,288)	(18.9)%	(16,691,257)	(25.5)%
Discontinued operations				
Loss from operations of discontinued operations, net of tax	(589,619)	(1.4)%	(2,845,677)	(4.3)%
Gain (loss) from disposal	1,756,586	4.2%	(1,032,737)	(1.6)%
Income (loss) from discontinued operations, net of tax	1,166,967	2.8%	(3,878,414)	(5.9)%
CONSOLIDATED NET LOSS	(6,815,321)	(16.1)%	(20,569,671)	(31.4)%
Net income (loss) attributable to noncontrolling interest	95,406	0.2%	(21,840)	-
NET LOSS ATTRIBUTABLE TO WPCS	$ (6,910,727)	(16.3)%	$ (20,547,831)	(31.4)%

Revenue

Revenue for the year ended April 30, 2013 was approximately $42,329,000, as compared to approximately $65,462,000 for the year ended April 30, 2012. The decrease in revenue was due to two factors: (1) the planned strategic change to re-focus the Trenton Operation as a smaller revenue producing operation that returns to profitability; and (2) project delays or postponement of new project bid awards at the state and local government level due to political and economic climate, primarily in the Australia Operations. For the year ended April 30, 2013 and 2012, we had one customer, the Cooper Project, which comprised 13.6% and 15.5% of total revenue, respectively.

Wireless communication segment revenue for the years ended April 30, 2013 and 2012 was approximately $17,665,000 or 41.7% and $23,312,000 or 35.6% of total revenue, respectively. The decrease in revenue was due primarily to project delays on existing contracts and delays or postponements of new project bid awards from prior quarters at the state and local government level for public services projects, primarily in the Australia Operations, the revenue of which is expected to be recognized in future periods. The increase as a percentage of total revenue was due to a change in segment revenue mix as a result of the reduction in revenue of the electrical power segment described below.

Specialty construction segment revenue for the years ended April 30, 2013 and 2012 was approximately $5,258,000 or 12.4% and $6,094,000 or 9.3% of total revenue, respectively. The decrease in revenue was attributable to fewer projects completed for year ended April 30, 2013 as compared to the same period in the prior year for the China Operations.

Electrical power segment revenue for the years ended April 30, 2013 and 2012 was approximately $19,406,000 or 45.9% and $36,056,000 or 55.1% of total revenue, respectively. The decrease in revenue and as a percentage of revenue was due primarily to the planned strategic change to re-focus the Trenton Operation as a smaller revenue producing operation that returns to profitability. It is not expected that similar future projects will replace the Cooper Project or other larger projects that were completed in the prior period by the Trenton Operations. Therefore, it is expected that our revenue in the electrical power segment will not substantially increase in the near future, as compared to current period levels.

Cost of Revenue

Cost of revenue consists of direct costs on contracts, materials, direct labor, third party subcontractor services, union benefits and other overhead costs. Our cost of revenue was approximately $29,949,000 or 70.8% of revenue for the year ended April 30, 2013, compared to $63,504,000 or 97.0% for the same period of the prior year. The dollar decrease in our total cost of revenue is primarily due to primarily due to two factors: (1) during the year ended April 30, 2012, we increased the cost estimates significantly on four large projects and accrued the expected losses on the projects in the Trenton Operations, which resulted in a significant increase in the cost of revenue. As these projects were completed and costs were incurred and estimated losses were recognized in the prior fiscal year, there were no significant costs incurred on these projects for the year ended April 30, 2013; and (2) the corresponding decrease in revenue for the year ended April 30, 2013. The decrease as a percentage of revenue is due to: (1) the revenue blend of project work completed during the period; and (2) the current period contained a smaller percentage of lower margin work performed by the Trenton Operations, including the Cooper Project, as compared to the same period in the prior period. The cost of revenue as a percentage of revenue was abnormally high in the year ended April 30, 2012 due to the increase in cost estimates on the four projects described above; and (3) the current period included approximately $1,641,000 of change order revenue related to the Cooper Project, the costs of which were incurred or accrued in fiscal 2012.

Wireless communication segment cost of revenue and cost of revenue as a percentage of revenue for the years ended April 30, 2013 and 2012 was approximately $12,518,000 and 70.9% and $17,023,000 and 73.0%, respectively. The dollar decrease in our cost of revenue is due primarily to the corresponding decrease in revenue for the year ended April 30, 2013. The decrease as a percentage of revenue is due to the revenue blend of project work performed during the year ended April 30, 2013.

Specialty construction segment cost of revenue and cost of revenue as a percentage of revenue for the years ended April 30, 2013 and 2012 was approximately $3,446,000 and 65.5% and $3,981,000 and 65.3%, respectively. The dollar decrease in our cost of revenue is due to the corresponding decrease in revenue for the year ended April 30, 2013 in our China Operations. The slight increase as a percentage of revenue is due to the revenue blend of project work performed.

Electrical power segment cost of revenue and cost of revenue as a percentage of revenue for the years ended April 30, 2013 and 2012 was approximately $13,984,000 and 72.1% and $42,500,000 and 117.9%, respectively. The dollar decrease in our total cost of revenue is primarily due to two factors: (1) during the year ended April 30, 2012, we increased the cost estimates significantly on four large projects and accrued the expected losses on the projects in the Trenton Operations, which resulted in a significant increase in the cost of revenue. As these projects were completed and costs were incurred and estimated losses were recognized in the prior fiscal year, there were no significant costs incurred on these projects for the year ended April 30, 2013; and (2) the corresponding decrease in revenue for the year ended April 30, 2013. The decrease as a percentage of revenue is due to: (1) during the year ended April 30, 2012, we increased the cost estimates significantly on four large projects and accrued the expected losses on the projects in the Trenton Operations, which resulted in a significant increase in the cost of revenue as a percentage of revenue. As these projects were completed and costs incurred in prior periods, there were no significant costs incurred on these projects for the year ended April 30, 2013; and (2) the current period containing a much smaller percentage of lower margin work performed by the Trenton Operations, including the Cooper Project, as compared to the same period in the prior period. The cost of revenue as a percentage of revenue was abnormally high in the year ended April 30, 2012 due to the increase in cost estimates on the four projects described above; and (3) the current period included approximately $1,641,000 of change order revenue related to the Cooper Project, the costs of which were incurred or accrued in fiscal 2012.

Selling, General and Administrative Expenses

For the year ended April 30, 2013, total selling, general and administrative expenses were approximately $11,562,000 or 27.3% of total revenue compared to $14,102,000, or 21.5% of revenue for the same period of the prior year. Included in selling, general and administrative expenses for the year ended April 30, 2013 is $6,732,000 for salaries, commissions, payroll taxes and other employee benefits. The decrease of $1,064,000 in salaries and commissions compared to the prior period is due to lower salaries from cost reduction strategies. Professional fees were $1,151,000, which include on-going accounting, legal and investor relation fees. Insurance costs were $942,000 and rent for office facilities was $491,000. Automobile and other travel expenses were $1,278,000 and telecommunication expenses were $186,000. Other selling, general and administrative expenses totaled $782,000. The decrease in other selling, general and administrative expenses compared to the prior year is due to primarily to lower costs incurred related to bad debt expense, sales of fixed assets, recruiting and subscription expenses. For the year ended April 30, 2013, total selling, general and administrative expenses for the wireless communication, specialty construction and electrical power segments were approximately $4,979,000, $503,000 and $3,142,000, respectively, with the balance of approximately $2,938,000 pertaining to corporate expenses.

For the year ended April 30, 2012, total selling, general and administrative expenses were approximately $14,102,000, or 21.5% of total revenue. Included in selling, general and administrative expenses for the year ended April 30, 2012 is $7,796,000 for salaries, commissions, payroll taxes and other employee benefits. Net professional fees were $1,088,000 which include on-going accounting, legal and investor relation fees of $929,000, $297,000 of incremental third party investment banking and legal expenses related to the terminated strategic alternatives effort, offset by a $250,000 break-up fee paid by Multiband, Inc. (Multiband) regarding the termination of the acquisition of our company. Insurance costs were $945,000 and rent for office facilities was $570,000. Automobile and other travel expenses were $1,376,000 and telecommunication expenses were $249,000. Other selling, general and administrative expenses totaled $2,078,000, which included a $739,000 provision for bad debt expense, primarily related to our China and Australia Operations. For the year ended April 30, 2012, total selling, general and administrative expenses for the wireless communication, specialty construction and electrical power segments were approximately $5,857,000, $876,000 and $4,403,000, respectively, with the balance of approximately $2,966,000 pertaining to corporate expenses.

Depreciation and Amortization

For the years ended April 30, 2013 and 2012, depreciation was approximately $1,200,000 and $1,617,000, respectively. The net decrease in depreciation expense is due to the retirement of certain assets offset by fixed asset additions. The amortization of customer lists and backlog for the years ended April 30, 2013 and 2012 was $133,000 and $159,000, respectively. The decrease in amortization expense compared to the same period in the prior year was due primarily to certain customer lists and backlog being fully amortized in the prior year compared to the current year. All customer lists are amortized over a period of three to nine years from the date of their acquisitions. Backlog is amortized over a period of one to three years from the date of acquisition based on the expected completion period of the related contracts.

Goodwill and Intangible Assets Impairment

As a result of performing our annual step one testing for goodwill impairment, we determined that the carrying value of Pride, included in our Australia Operations, exceeded its fair value, thus failing the first step of the goodwill impairment test, primarily driven by current operating results and economic climate in Pride's operations. Based on the results of the step one testing, we completed the second step of the goodwill impairment test, which included calculating an implied fair value of the goodwill of Pride, by allocating the fair values of substantially all of its individual assets, liabilities and identified intangible assets, as if this reporting unit had been acquired in a business combination, which resulted in no allocation of fair value to goodwill. As a result, we recorded a goodwill impairment charge of $1,936,000 in the fourth quarter of fiscal 2013 ended April 30, 2013. This impairment charge is a noncash charge that does not impact our consolidated cash flows or adjusted EBITDA.

At April 30, 2012, we determined that the customer lists for the Trenton reporting unit was impaired due to projected future operating performance. As a result, we recorded an impairment charge related to these customer lists of $20,167.

Change in Fair Value of Acquisition-Related Contingent Consideration

For the years ended April 30, 2013 and 2012, the change in fair value of acquisition-related contingent consideration was approximately $0 and $84,000, respectively. The change in fair value of acquisition-related contingent consideration is due to the non-cash expense recorded in the fiscal 2012 statement of operations for the change in present value of future payments of acquisition-related contingent consideration related to the Pride acquisition. In connection with the acquisition of Pride on November 1, 2009, during fiscal 2012, we paid additional purchase price of $1,047,732 to the former Pride shareholders upon the achievement of specified earnings before interest and taxes. As a result, the settlement acquisition-related contingent consideration was completed, and no further expense was recorded.

Interest Expense and Interest Income

For the years ended April 30, 2013 and 2012, interest expense was approximately $2,125,000 and $846,000, respectively. The increase in interest expense is due primarily to the following: (1) the recognition of the initial noncash interest expense of approximately $244,000 for the excess in the fair value of the derivatives related to the embedded conversion features of the Notes and Warrants over the debt amount as of the Closing Date; (2) noncash interest expense for the amortization of the debt discount for the Notes of $1,111,000 for the year ended April 30, 2013; (3) the amortization of the remaining Sovereign debt issuance costs of $372,000 as a result of the termination of the Credit Agreement on December 5, 2012; and (4) the amortization of debt issuance costs related to the Notes of approximately $68,000.

For the years ended April 30, 2013 and 2012, interest income was approximately $55,000 and $54,000, respectively, primarily from our Australia Operations.

Change in Fair Value of Derivative Liabilities

We determine the fair value of the embedded conversion features of the Notes and the Warrants and record each of them as a discount to the Notes and each as a derivative liability. Accordingly, changes in the fair value of the derivatives are recognized and classified as an unrealized noncash gain or loss on the derivative financial instruments. For the year ended April 30, 2013, the loss on the fair value of the embedded conversion features of the Notes and Warrants was approximately $473,000 and $2,230,000, respectively, due primarily to the increase in the market price of our common stock from the Closing Date to April 30, 2013.

Income Taxes

The actual income tax rate from continuing operations for the year ended April 30, 2013 was -10.5% compared to -12.7% for same period in the prior year. The difference was primarily due to no tax benefit being claimed for Federal and state losses during the year ended April 30, 2013 as well as the establishment of a tax valuation allowance against our deferred tax asset as of April 30, 2013 and 2012.

As of April 30, 2013, we had federal net operating losses of approximately $24 million.

Income (Loss) From Discontinued Operations

As a result of the sale of the assets of the Hartford and Lakewood Operations on July 25, 2012, we recorded the financial results of these operations as discontinued operations. For the year ended April 30, 2013, we recorded income from discontinued operations of approximately $1,167,000, net of tax. Included in the income from discontinued operations is a gain from disposal of approximately $1,757,000 net of $56,000 of expenses directly related with the sale of the assets of these operations.

As a result of the sale of the assets of the Hartford and Lakewood Operations as described above, and the common stock of the St. Louis and Sarasota Operations to Multiband on September 1, 2011, we recorded the financial results of these operations as discontinued operations. For the year ended April 30, 2012, we recorded a loss from discontinued operations of approximately $3,878,000, net of tax, including the allocation of valuation allowances on deferred tax assets. Included in the loss from discontinued operations was an approximate $1,033,000 loss on disposal of the St. Louis and Sarasota Operations.

Net Loss Attributable to WPCS

The net loss attributable to WPCS was approximately $6,911,000 for the year ended April 30, 2013. Net loss was net of Federal and state income tax provision of approximately $758,000. The net loss attributable to WPCS was approximately $20,548,000 for the year ended April 30, 2012. Net loss was net of Federal and state income tax provisions of approximately $1,876,000.

Liquidity and Capital Resources

At April 30, 2013, we had a working capital deficiency of approximately $484,000, which consisted of current assets of approximately $14,596,000 and current liabilities of $15,080,000. This compares to a working capital deficiency of approximately $1,130,000 at April 30, 2012. The decrease in a working capital deficiency since the fiscal year ended April 30, 2012 is due primarily to EBITDA as adjusted generated in fiscal 2013, proceeds from the Notes and the sale of the assets of the Hartford and Lakewood Operations on July 25, 2012. We used the proceeds from these latter two transactions to repay the amounts then outstanding under the Credit Agreement.

Our cash and cash equivalents balance at April 30, 2013 of $1,410,000 included $495,000 of cash in our Australia Operations associated with our permanent reinvestment strategy. Subject to the working capital needs of Australia, there is approximately $997,000 of loans due from Australia that could be repaid to us in the future to help with working capital obligations.

Our working capital needs are influenced by our level of operations, and generally increase with higher levels of revenue. Our sources of cash in the last several years have come from operating activities, credit facility borrowings and sale of convertible securities. 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 our controllable operating costs effectively. If we were to make acquisitions in the future that involve consideration other than stock, our cash requirements may increase. 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, and the timing and extent of establishing additional markets and other factors.

Operating activities used approximately $3,182,000 of cash for the year ended April 30, 2013. The sources of cash from operating activities total approximately $9,527,000, comprised of an approximately $6,664,000 in net noncash charges, a $2,528,000 decrease in accounts receivable, a $12,000 decrease in costs and estimated earnings in excess of billings on uncompleted contracts, a $218,000 decrease in deferred contract costs, an $86,000 decrease in prepaid taxes, and a $19,000 increase in deferred revenue. The uses of cash from operating activities total approximately $12,709,000, comprised of a consolidated net loss of approximately $6,815,000 , a $1,869,000 increase in restricted cash, a $15,000 increase in inventory, a $45,000 increase in prepaid expenses and other current assets, a $55,000 increase in income taxes receivable, a $127,000 increase in other assets, a $1,870,000 decrease in accounts payable and accrued expenses, and a $1,913,000 decrease in billings in excess of costs and estimated earnings on uncompleted contracts.

Our investing activities provided cash of approximately $4,223,000 for the year ended April 30, 2013. Investing activities include proceeds of $4,547,000 from the asset sales of the Hartford and Lakewood Operations, net of approximately $56,000 of direct transaction costs, and $290,000 of liabilities paid that were not assumed by Kavveri. The net proceeds of the asset sales were used to fully repay amounts outstanding under our Credit Agreement. These proceeds were offset by the net payment of approximately $324,000 used for acquiring property and equipment during the year ended April 30, 2013.

Our financing activities used cash of approximately $439,000 for the year ended April 30, 2013. Financing activities which used cash include repayments under the Credit Agreement of approximately $4,964,000, debt issuance costs paid of $231,000, repayments to joint venture partner of approximately $2,539,000, repayments to Zurich of $25,000, and total repayments under loans payable and capital lease obligations of approximately $86,000. These financing uses of cash are offset by additional financing sources including a settlement of $222,000 relating to a Section 16(b) shareholder derivative lawsuit, gross proceeds from the Notes of $4,000,000, borrowings of short-term bank loan for the joint venture of $2,389,000 and other payable due from Zurich of $794,000.

Convertible Debenture Offering

On December 4, 2012, we entered into the Purchase Agreement with the Buyers pursuant to which, we sold an aggregate of (i) $4,000,000 principal amount of Notes and (ii) the Warrants to purchase 2,274,796 shares of our Common Stock, to the Buyers for aggregate Financing gross proceeds of $4,000,000. In connection with the Financing, (i) we entered into a the Registration Rights Agreement, (ii) we and our subsidiaries entered into the Security Agreement, and (iii) our subsidiaries entered into the Guaranty in favor of the collateral agent for the Buyers. The Closing Date of the Financing was December 5, 2012.

Pursuant to the terms of the Notes, we deposited the initial funds received from the Financing, minus the Initial Lending Amount of $2,178,516 into the Lockbox Account controlled by the Collateral Agent, as collateral agent on behalf of the Buyers. In addition, all our accounts receivable (and of our domestic subsidiaries) shall be deposited into the Lockbox Account. We are permitted to receive from the Lockbox Account, on a daily basis, such amount of cash equal to: (A) (i) cash balance in the Lockbox Account plus (ii) 95% of available qualified accounts receivable minus (iii) $250,000 minus (B) amount of principal, accrued interest, fees, costs and expenses owed pursuant to the Notes. The Notes contain certain customary representations and warranties, affirmative and negative covenants, and events of default. The principal covenant is that we shall maintain a current ratio of not less than 0.6 to 1.0 as of the last calendar day of each month. As of April 30, 2013, we are in compliance with these covenants.

We used the Initial Lending Amount to repay the existing loan described above of $2,000,000, plus $78,516 of interest accrued and fees and expenses to Sovereign, which Credit Agreement was terminated in connection with the Notes, and $100,000 for Buyer legal expenses in connection with the Notes. In addition, we agreed to pay a consulting fee to a consultant acceptable to the Buyers of not more than $5,000 per month during the term of the Notes.

The Notes will mature June 5, 2014 and bear interest at 4% per annum, which will be payable quarterly in arrears and may be paid, in certain conditions, through the issuance of shares, at the discretion of the Buyers.

Pursuant to the Purchase Agreement, we agreed to use our reasonable best efforts to obtain Stockholders' Approval at the next annual stockholder meeting for the issuance of all of the securities issuable pursuant to the Purchase Agreement. Prior to Stockholder Approval, the Buyers were prohibited from converting the Notes and/or exercising the Warrants and receiving shares of our Common Stock, in the aggregate, such that the number of shares of Common Stock issued upon such conversions and/or exercises exceeds 19.9% of the issued and outstanding shares of our Common Stock as of the Closing Date.

We obtained Stockholder Approval on February 28, 2013. In addition, we obtained stockholders' approval to increase our authorized shares of common stock from 3,571,429 to 14,285,715. As a result of the Stockholder Approval, we expect to have sufficient common stock to fulfill our conversion obligations under the Purchase Agreement, and the Buyers are permitted to convert the Notes and/or exercise the Warrants in excess of 19.9% of the issued and outstanding shares of our Common Stock at a price that is less than the greater of book or market value.

The Notes were initially convertible into shares of Common Stock at a Conversion Price of $2.6376 per share. As of April 30, 2013, there was no conversion of the Notes into shares of Common Stock. The Conversion Price will be adjusted to 85% of the average of the closing bid prices for the five consecutive trading dates immediately prior to the following adjustment dates: (1) the earlier of the effective date of a registration statement or six months after closing, (the First Adjustment); (2) the later of the date that is three months after the First Adjustment or one year after closing (the Second Adjustment); and (3) on the Stockholder Approval Date.

On the Stockholder Approval Date, the Conversion Price was adjusted to $2.1539 per share. There was no adjustment to the Conversion Price on the First Adjustment date. The Warrants are exercisable for a period of five years from the Closing Date at an initial exercise price of $3.2970 per share (the Exercise Price). The Exercise Price is subject to the same adjustments as provided in the Notes as described above and, as a result, the Exercise Price was adjusted to $2.1539 per share on the Stockholder Approval Date. As of the date of this annual report, none of the Notes or Warrants have been converted or exercised, accordingly.

If an event of default under the Notes occurs, upon the request of the holder of the Note, we will be required to redeem all or any portion of the Note (including all accrued and unpaid interest), in cash, at a price equal to the greater of (i) up to 125% of the amount being converted, depending on the nature of the default, and (ii) the product of (a) the number of shares of Common Stock issuable upon conversion of the Note, times (b) 125% of the highest closing sale price of the Common Stock during the period beginning on the date immediately preceding such event of default and ending on the trading day immediately prior to the trading day that the redemption price is paid by us.

We have the right, at any time after one year from the Closing Date, to redeem all, but not less than all, of the outstanding Notes, upon not less than 20 trading days nor more than 30 trading days prior written notice. The redemption price shall equal 120% of the amount of principal and interest being redeemed.

The Buyers agree to restrict their ability to convert the Notes and/or exercise the Warrants and receive shares of our Common Stock such that the number of shares of Common Stock held by the Buyer in the aggregate and its affiliates after such conversion or exercise does not exceed 9.99% of the then issued and outstanding shares of our Common Stock.

Pursuant to the Registration Rights Agreement, we agreed to file a registration statement with the SEC, within 30 days following receipt of a request from a Buyer (or 45 days with respect to an underwritten offering), covering such shares of common stock issuable upon conversion of the Notes or exercise of the Warrants, as requested by the Buyers, and have such registration statement declared effective by the SEC within 90 days thereafter. We also agreed to notify the Buyers if we at any time propose to register any of our securities under the Securities Act of 1933, as amended, and of such Buyers' right to participate in such registration.

If we fail to comply with the registration statement filing, effective date or maintenance date filing requirements, we are required to pay the Buyers a registration delay payment in cash equal to 2% of the Buyer's original principal amount stated on such Investors' Note as of the Closing Date on the date of each failure, and on every thirty (30) day anniversary of the of the respective failures (Registration Delay Payment). Notwithstanding the foregoing, in no event shall the aggregate amount of Registration Delay Payments exceed 10% of such Investor's original principal amount stated on the Note on the Closing Date. We account for such Registration Delay Payments as contingent liabilities as defined in ASC. Accordingly, we recognize such damages when it becomes probable that they will be incurred and amounts are reasonably estimable.

Pursuant to the Guaranty, our subsidiaries guaranteed to the collateral agent, for the benefit of the Buyers, the punctual payment, as and when due and payable, of all amounts owed by us in respect of the Purchase Agreement, the Notes and the other transaction documents executed in connection with the Purchase Agreement.

Pursuant to the Security Agreement, we and our subsidiaries granted, in favor of the collateral agent for the Buyers, a continuing security interest in all our personal property and assets, as collateral security for our and the subsidiaries under the Purchase Agreement, the Notes, the Guaranty and the other transaction documents.

Sovereign Bank Credit Agreement

On January 27, 2012, we entered into the Credit Agreement with Sovereign, which was amended May 3, 2012, and again on August 31, 2012. The Credit Agreement, as amended, provided for a revolving line of credit in an amount not to exceed $2,000,000 and letters of credit in an amount not to exceed $200,000. As more fully described above, on December 5, 2012, the outstanding borrowings under the Credit Agreement were repaid in full and the Credit Agreement terminated.

Hartford and Lakewood Operations Asset Sales

On July 25, 2012, the Company and the Hartford and Lakewood Operations entered into the Asset Purchase Agreement, pursuant to which the Hartford and Lakewood Operations sold substantially all of their assets to two newly-created subsidiaries of Kavveri for a purchase price of $5.5 million in cash, subject to adjustment, and the assumption of their various liabilities. At closing, we received $4.9 million in cash, and the remaining $600,000 of the purchase price is to be placed in escrow pursuant to the Asset Purchase Agreement. We used the proceeds from this sale to repay the full amount outstanding under the Credit Agreement of $4,022,320 as of July 25, 2012. The difference of $877,680 was deposited in our operating cash account.

The parties agreed to place $350,000 of the purchase price into escrow pending assignment of certain contracts post-closing, with us receiving those funds upon successful assignment of the contracts. The remaining $250,000 was to be escrowed for purposes of satisfying certain adjustments to the purchase price based on a final net asset valuation to be completed after closing as well as repurchase obligations of certain delinquent accounts receivable. No later than three days after the final determination of the net asset valuation, the purchasers are required to deposit the $600,000 into escrow.

To date, we have not reached agreement with Kavveri with regard to resolving the net asset valuation. On January 28, 2013, Kavveri submitted a revised aggregate claim for indemnification by us of approximately $1,511,000 with regard to (1) net asset valuation claim owed of approximately $698,000, which included accounts receivable deemed uncollectible of $519,000 related to a project that was completed by our former Hartford Operations and accepted by the customer on or prior to the Closing Date; and (2) delinquent account receivables to be repurchased of approximately $813,000.

On February 27, 2013, we notified Kavveri that we disputed these claims. Among other things, we dispute the amount of the delinquent receivables, and believe that after consideration of reserves for uncollectible accounts and other offsets previously considered in its calculation of the net asset valuation, the total amount of accounts receivable deemed uncollectible for repurchase to be approximately $36,000. However, we contend that Kavveri missed the deadline to notify us regarding the repurchase of delinquent receivables pursuant to the terms of the Asset Purchase Agreement regarding timing for notification to us, which would eliminate any repurchase payment owed by us to Kavveri. We also believe that the $519,000 of accounts receivable claimed for indemnification by Kavveri is without merit. Finally, we also dispute the net asset valuation claim, and believe Kavveri owes us approximately $58,000, following our evaluation of the uncollectible accounts receivable. With regard to the net asset valuation claim, if the parties disagree, and if they are unable to come to an agreement, the matter will be submitted to one or more independent, nationally-recognized accounting firms for final determination. As of the date of this annual report, no matters have been submitted to the independent accounting firm.

Short-Term Commitments with the China Operations

On August 2, 2012, the China Operations entered into a secured loan with the Bank of China (the Short-Term Bank Loan). The Short-Term Bank Loan provides for a loan in the amount of $2,432,205. The proceeds from the Short-Term Bank Loan were used to repay outstanding unsecured loans of $2,404,545 due to its joint venture partner, Taian Gas Group (TGG). The Short-Term Bank Loan has an interest rate of 7.38%, and interest is due on a quarterly basis.

Other Payable with Zurich

On July 12, 2012, we executed the Financing Agreement with Zurich, to assist in the completion of the project contract with the Owner or Cooper Project. Under the terms of the Financing Agreement, Zurich advanced us $793,927 to assist in the completion of the Cooper Project, a $16.2 million project completed by our Trenton Operations. We were to repay Zurich the financial advances by September 2012, however we were in default under the terms of the Financing Agreement as we did not repay Zurich the $793,927, and Zurich paid certain of the our vendors pursuant to Zurich's obligations under its payment bond on the Cooper Project. In addition, we are contingently liable to Zurich and its affiliate F&D under the Indemnity Agreement. Zurich and F&D, as surety, have issued certain performance and payment bonds on behalf of owners or customers regarding the Company's work on various projects under the Indemnity Agreement. The Company agrees to indemnify the surety for any payments made by Zurich on contracts of suretyship, guaranty or indemnity.

Furthermore regarding Zurich, F&D and the Indemnity Agreement, on April 17, 2013, we executed the Forbearance Agreement with Zurich, which supersedes the Financing Agreement. As of April 16, 2013, the total Loss Amount due Zurich under the Forbearance Agreement less payments received by Zurich was $2,836,668. Under the Forbearance Agreement, among other things, the parties have agreed to the following payments which will be credited against the Loss Amount owed to Zurich by us: (1) the Interim Liability Payments; (2) the Customer Payments; and (3) the Claim, up to the Loss Amount as it exists at the time. As of April 30, 2013, the net Other Payable for the Loss Amount owed Zurich under the Forbearance Agreement was $1,743,986, which includes the initial Interim Liability Payments of $25,000 per month, and $1,090,604 of additional contract accounts receivable representing future Customer Payments and $22,922 of additional accounts payable assigned to Zurich which were reclassed from consolidated accounts receivable and accounts payable, respectively. As of the date of this annual report, the Loss Amount owed to Zurich is approximately $1,634,000 following Interim Liability and Customer Payments made subsequent to April 30, 2013.

Each or any of the following shall constitute an event of default under the Forbearance Agreement: (a) failure by us to make any of the Interim Liability Payments; (b) failure by us to remit any Customer Payments received; (c) the failure by us or the Owner to remit the proceeds of the Claim to Zurich; and (d) any Loss Amount that still exists as of December 31, 2013. We are currently in compliance with the terms of the Forbearance Agreement.

We have submitted a revised Claim and request for equitable adjustment to the Owner in the amount of $2,421,425 for significant delays, disruptions and construction changes that were beyond its control and required the Company to perform additional work. We are currently in negotiations with the Owner to settle the Claim. The next step in the resolution process as set forth in the contract with the Owner is mandatory non-binding mediation through the AAA. On April 15, 2013, we filed a Mediation request with the AAA with regard to the Claim. We are awaiting a response from the Owner, and as such no date has been established for the Mediation. If we are successful in the settlement of this Claim, we expect to use the proceeds from the Claim to repay Zurich the Loss Amount as it exists at the time. There can be no assurance that we will be successful in settling with the Owner for all or a portion of the submitted claim.

Going Concern

Our continuation as a going concern beyond the next twelve months and our ability to discharge our liabilities and commitments in the normal course of business is ultimately dependent upon the execution of its future plans, which include the following: (1) its ability to generate future operating income, reduce operating expenses and produce cash from its operating activities, which will be affected by general economic, competitive, and other factors, many of which are beyond the Company's control (2) the repayment of, or the modification of the terms under the Zurich Forbearance Agreement; (3) the settlement of the Claim with the Owner; and (4) obtaining additional funds, either through debt or equity financing. There can be no assurance that the execution of one more of alternatives described above to repay Zurich, or waiver or modification of terms under the Zurich Forbearance Agreement will be successful to ensure the Company's continuation as a going concern, which would have a serious adverse effect on the Company's business, operations and future prospects.

Backlog

As of April 30, 2013, we had a backlog of unfilled orders of approximately $26.4 million compared to approximately $23.6 million at April 30, 2012. We define backlog as the value of work-in-hand to be provided for customers as of a specific date where the following conditions are met (with the exception of engineering change orders): (i) the price of the work to be done is fixed; (ii) the scope of the work to be done is fixed, both in definition and amount; and (iii) there is an executed written contract, purchase order, agreement or other documentary evidence which represents a firm commitment by the customer to pay us for the work to be performed. These backlog amounts are based on contract values and purchase orders and may not result in actual receipt of revenue in the originally anticipated period or at all. We have experienced variances in the realization of our backlog because of project delays or cancellations resulting from external market factors and economic factors beyond our control and we may experience such delays or cancellations in the future. Backlog does not include new firm commitments which may be awarded to us by our customers from time to time in future periods. These new project awards could be started and completed in this same future period. Accordingly, our backlog does not necessarily represent the total revenue that could be earned by us in future periods.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements other than operating lease commitments.

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:

<u>Use of Estimates</u>

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 calculation of percentage-of-completion on uncompleted contracts, allowance for doubtful accounts, valuation of inventory, realization of deferred tax assets, amortization method and lives of customer lists, acquisition-related contingency consideration and estimates of the fair value of reporting units and discounted cash flows used in determining whether goodwill has been impaired. Actual results could differ from those estimates.

<u>Accounts Receivable</u>

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 that are outstanding longer than the contractual payment terms are considered past due. We determine our allowance by considering a number of factors, including the length of time trade accounts receivable are past due, our previous loss history, the customer's current ability to pay its obligation to the us, and the condition of the general economy and the industry as a whole. We write off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

<u>Derivative Instruments</u>

Derivative liabilities are related to embedded conversion features of the Notes and the common stock Warrants issued in connection with the Purchase Agreement. For derivative instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in fair value recognized in earnings each reporting period. We use the binomial lattice model to value the derivative instruments at inception and subsequent valuation dates and the value is re-assessed at the end of each reporting period, in accordance with ASC 815. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not the net-cash settlement of the derivative instrument could be required within twelve months of the balance sheet date.

<u>Fair Value of Financial Instruments</u>

Our material financial instruments at April 30, 2013 and for which disclosure of estimated fair value is required by certain accounting standards consisted of cash and cash equivalents, accounts receivable, account payable, Notes, common stock Warrants and loans payable. The fair values of cash and cash equivalents, accounts receivable, and account payable are equal to their carrying value because of their liquidity and short-term maturity. The fair values of the Notes and common stock Warrants are accounted for in accordance with ASC 815. We believe that the fair values of the loans payable do not differ materially from their aggregate carrying values in that substantially all the obligations bear variable interest rates that are based on market rates or interest rates that are periodically adjustable to rates that are based on market rates.

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 as of April 30 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.

As a result of performing our annual step one testing for goodwill impairment, we determined that the carrying value of Pride, included in our Australia Operations, exceeded its fair value, thus failing the first step of the goodwill impairment test, primarily driven by current operating results and economic climate in Pride's operations. We performed the step one goodwill impairment analysis using Level 3 measurement as defined in the ASC. The Level 3 measurements were based on significant inputs not observable in the market. These measurements included a discounted cash flow valuation technique, using an estimated discount rate of 15.6%, future short and long term revenue growth rates ranging from 2.5% to 3.0%, gross margin of 30%, and selling general and administrative expenses ranging from 25% to 29% of revenue. Based on the results of the step one testing, we completed the second step of the goodwill impairment test, which included calculating an implied fair value of the goodwill of Pride, by allocating the fair values of substantially all of its individual assets, liabilities and identified intangible assets, as if this reporting unit had been acquired in a business combination, which resulted in no allocation of fair value to goodwill. As a result, we recorded a goodwill impairment charge of $1,936,000 in the fourth quarter of fiscal 2013 ended April 30, 2013. This impairment charge is noncash charge that does not impact our consolidated cash flows or adjusted EBITDA.

At April 30, 2012, we determined that the customer lists for the Hartford and Trenton reporting units were impaired due to projected future operating performance. As a result, we recorded impairment charges regarding these customer lists of $168,604. For these impairment charges, we used a discounted cash flow valuation technique to determine that the carrying value of these customer lists exceeded the fair value. These impairment charges are noncash charges that do not impact our consolidated cash flows or adjusted EBITDA.

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 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.

In 2013, the valuation allowance was increased to offset the foreign net deferred tax assets as we determined it was not more likely than not that these assets would be realized. At April 30, 2013, our net deferred tax assets are fully offset by a valuation allowance. We will continue to evaluate the realization of our deferred tax assets and liabilities on a periodic basis, and will adjust such amounts in light of changing facts and circumstances.

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 design-build engineering services for communications infrastructure. Our engineering services report revenue pursuant to customer contracts that span varying periods of time. We report revenue from contracts when persuasive evidence of an arrangement exists, fees are fixed or determinable, and collection is reasonably assured.

We record revenue and profit from long-term contracts on a percentage-of-completion basis, measured by the percentage of contract costs incurred to date to the estimated total costs for each contract. Contracts in process are valued at cost plus accrued profits less earned revenues and progress payments on uncompleted contracts. Contract costs include direct materials, direct labor, third party subcontractor services and those indirect costs related to contract performance. Contracts are generally considered substantially complete when engineering is completed and/or site construction is completed.

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.

The length of our contracts varies. Assets and liabilities related to long-term contracts are included in current assets and current liabilities as they will be liquidated in the normal course of contract completion, although this may require more than one year.

We record revenue and profit from short-term contracts for our China Operations under the completed contract method, whereas income is recognized only when a contract is completed or substantially completed. Accordingly, during the period of performance, billings and costs are accumulated on the balance sheet, but no revenue or income is recorded before completion or substantial completion of the work. Our decision is based on the short-term nature of the work performed.

We also recognize certain revenue from short-term contracts when equipment is delivered or the services have been provided to the customer. For maintenance contracts, revenue is recognized ratably over the service period.

Recently Issued Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board (FASB) issued ASU No. 2011-11 (ASU 2011-11), Disclosures about Offsetting Assets and Liabilities where entities are required to disclose both gross information and net information about both instruments and transactions eligible for offset in the balance sheet and instruments and transactions subject to an agreement similar to a master netting arrangement. This scope would include derivatives, sale and repurchase agreements, and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. These disclosures assist users of financial statements in evaluating the effect or potential effect of netting arrangements on a company's financial position. We are required to apply the amendments for our annual reporting period beginning May 1, 2013. We do not expect the provisions of ASU 2011-11 to have a material impact on our consolidated financial statements.

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required under Regulation S-K for "smaller reporting companies."

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

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, 2013 and 2012, and the related consolidated statements of operations, comprehensive loss, equity (deficit) 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 Oversight 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 fair, in all material respects, the financial position of WPCS International Incorporated and Subsidiaries as of April 30, 2013 and 2012, and the results of their operations and their cash flows for the years then ended; in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has incurred net losses and negative cash flows from operating activities, had a working capital deficiency as of and for the years ended April 30, 2013 and 2012 and has an accumulated deficit as of April 30, 2103. These matters raise substantial doubt about the company's ability to continue as a going concern. Management's plans with respect to these matters are also discussed in Note 1. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ CohnReznick LLP

Roseland, New Jersey
July 29, 2013

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	April 30, 2013	April 30, 2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,410,223	$ 811,283
Restricted cash	1,869,178	-
Accounts receivable, net of allowance of $1,427,308 and $1,794,729 at April 30, 2013 and 2012, respectively	8,363,089	22,343,304
Costs and estimated earnings in excess of billings on uncompleted contracts	1,148,855	1,340,379
Deferred contract costs	1,597,894	1,816,116
Inventory	-	1,475,266
Prepaid expenses and other current assets	204,492	326,075
Prepaid income taxes	2,185	137,279
Deferred tax assets	-	307,550
Total current assets	14,595,916	28,557,252
PROPERTY AND EQUIPMENT, net	3,053,455	4,309,450
OTHER INTANGIBLE ASSETS, net	250,632	382,852
GOODWILL	-	1,930,826
DEFERRED TAX ASSETS	-	243,999
OTHER ASSETS	244,963	371,020
Total assets	$ 18,144,966	$ 35,795,399

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

	April 30, 2013	April 30, 2012
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Current portion of loans payable	$ 43,942	$ 143,514
Borrowings under line of credit	-	4,964,140
Senior secured convertible notes, net of debt discount	1,111,111	-
Derivative liability - senior secured convertible notes	3,088,756	-
Current portion of capital lease obligations	-	15,465
Accounts payable and accrued expenses	4,764,487	16,669,621
Billings in excess of costs and estimated earnings on uncompleted contracts	1,642,501	3,594,193
Deferred revenue	113,503	790,270
Due joint venture partner	-	3,314,708
Other payable	1,743,986	-
Short-term bank loan	2,432,205	-
Income taxes payable	139,557	194,963
Total current liabilities	15,080,048	29,686,874
Loans payable, net of current portion	133,838	223,561
Derivative liability - warrants	3,858,508	-
Total liabilities	19,072,394	29,910,435
COMMITMENTS AND CONTINGENCIES		
EQUITY:		
WPCS EQUITY:		
Preferred stock - $0.0001 par value, 5,000,000 shares authorized, none issued	-	-
Common stock - $0.0001 par value, 14,285,715 shares authorized, 993,538 shares issued and outstanding at April 30, 2013 and 2012	99	99
Additional paid-in capital	50,844,183	50,478,139
Accumulated deficit	(54,054,389)	(47,143,662)
Accumulated other comprehensive income on foreign currency translation	1,433,541	1,433,066
Total WPCS equity (deficit)	(1,776,566)	4,767,642
Noncontrolling interest	849,138	1,117,322
Total equity (deficit)	(927,428)	5,884,964
Total liabilities and equity	$ 18,144,966	$ 35,795,399

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended April 30, 2013	Years Ended April 30, 2012 (Note 1)
REVENUE	$ 42,328,675	$ 65,462,157
COSTS AND EXPENSES:		
Cost of revenue	29,948,760	63,504,085
Selling, general and administrative expenses	11,562,370	14,102,129
Depreciation and amortization	1,332,169	1,775,672
Goodwill and intangible assets impairment	1,936,059	20,167
Change in fair value of acquisition-related contingent consideration	-	83,628
	44,779,358	79,485,681
OPERATING LOSS	(2,450,683)	(14,023,524)
OTHER EXPENSE (INCOME):		
Interest expense	2,124,833	845,502
Change in fair value of derivative liabilities	2,703,248	-
Interest income	(54,620)	(54,245)
Loss from continuing operations before income tax provision	(7,224,144)	(14,814,781)
Income tax provision	758,144	1,876,476
LOSS FROM CONTINUING OPERATIONS	(7,982,288)	(16,691,257)
Discontinued operations		
Loss from operations of discontinued operations, net of tax provision of $4,491 and $2,646,224, respectively	(589,619)	(2,845,677)
Gain (loss) from disposal	1,756,586	(1,032,737)
Income (loss) from discontinued operations, net of tax	1,166,967	(3,878,414)
CONSOLIDATED NET LOSS	(6,815,321)	(20,569,671)
Net income (loss) attributable to noncontrolling interest	95,406	(21,840)
NET LOSS ATTRIBUTABLE TO WPCS	$ (6,910,727)	$ (20,547,831)
Basic and diluted net loss per common share attributable to WPCS:		
Loss from continuing operations attributable to WPCS	$ (8.12)	$ (16.78)
Income (loss) from discontinued operations attributable to WPCS	$ 1.17	$ (3.90)
Basic and diluted net loss per common share attributable to WPCS	$ (6.95)	$ (20.68)
Basic and diluted weighted average number of common shares outstanding	993,538	993,538

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Years Ended April 30,	
	2013	**2012**
Consolidated net loss	$ (6,815,321)	$ (20,569,671)
Other comprehensive income (loss) - foreign currency translation adjustments, net of tax effects of $0 and $(185,060), respectively	4,497	(31,165)
Comprehensive loss	(6,810,824)	(20,600,836)
Comprehensive income attributable to noncontrolling interest	99,429	78,894
Comprehensive loss attributable to WPCS	$ (6,910,253)	$ (20,679,730)

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT)

	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (loss), net of taxes	WPCS Equity	Non-controlling Interest	Total Equity
BALANCE, MAY 1, 2011	-	$ -	993,538	$ 99	$ 50,434,222	$ (26,595,831)	$ 1,564,965	$ 25,403,455	$ 1,038,428	$ 26,441,883
Stock-based compensation	-	-	-	-	43,917	-	-	43,917	-	43,917
Other comprehensive income (loss)	-	-	-	-	-	-	(131,899)	(131,899)	100,734	(31,165)
Net loss attributable to noncontrolling interest	-	-	-	-	-	-	-	-	(21,840)	(21,840)
Net loss attributable to WPCS	-	-	-	-	-	(20,547,831)	-	(20,547,831)	-	(20,547,831)
BALANCE, APRIL 30, 2012	-	$ -	993,538	$ 99	$ 50,478,139	$ (47,143,662)	$ 1,433,066	$ 4,767,642	$ 1,117,322	$ 5,884,964

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY (DEFICIT) (CONTINUED)

	Preferred Stock		Common Stock		Additional Paid-In	Accumulated	Accumulated Other Compre-hensive Income,	WPCS	Non-Controlling	Total
	Shares	Amount	Shares	Amount	Capital	Deficit	net of taxes	Equity (Deficit)	Interest	Equity (Deficit)
BALANCE, May 1, 2012	-	$ -	993,538	$ 99	$ 50,478,139	$ (47,143,662)	$ 1,433,066	$ 4,767,642	$ 1,117,322	$ 5,884,964
Stock-based compensation	-	-	-	-	111,683	-	-	111,683	-	111,683
Section 16(b) settlement	-	-	-	-	254,361	-	-	254,361	-	254,361
Dividend distributions	-	-	-	-	-	-	-	-	(367,612)	(367,612)
Other comprehensive income	-	-	-	-	-	-	475	475	4,022	4,497
Net income attributable to noncontrolling interest	-	-	-	-	-	-	-	-	95,406	95,406
Net loss attributable to WPCS	-	-	-	-	-	(6,910,727)	-	(6,910,727)	-	(6,910,727)
BALANCE, April 30, 2013	-	$ -	993,538	$ 99	$ 50,844,183	$ (54,054,389)	$ 1,433,541	$ (1,776,566)	$ 849,138	$ (927,428)

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended April 30, 2013	2012
OPERATING ACTIVITIES :		
Consolidated net loss	$ (6,815,321)	$ (20,569,671)
Adjustments to reconcile consolidated net loss to net cash used in operating activities:		
Depreciation and amortization	1,433,921	2,326,018
(Gain) loss from disposition of operations	(1,756,586)	1,032,737
Amortization of notes discount	1,355,127	-
Change in the fair value of derivative liabilities	2,703,248	-
Stock-based compensation	111,683	43,917
Provision for (recovery of) doubtful accounts	(85,883)	840,062
Amortization of debt issuance costs	439,885	436,737
Goodwill and intangible assets impairment	1,936,059	168,604
Change in the fair value of acquisition-related contingent consideration	-	83,628
(Gain) loss on sale of fixed assets	(23,027)	108,517
Deferred income taxes	550,967	4,204,824
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
Restricted cash	(1,869,178)	-
Accounts receivable	2,527,534	(2,097,864)
Costs and estimated earnings in excess of billings on uncompleted contracts	12,229	2,287,393
Deferred contract costs	218,222	-
Inventory	(14,748)	414,713
Prepaid expenses and other current assets	(44,934)	(687,518)
Income taxes receivable	(55,187)	1,357,039
Prepaid taxes	86,332	(5,769)
Other assets	(127,271)	(27,992)
Accounts payable and accrued expenses	(1,870,379)	7,355,969
Billings in excess of costs and estimated earnings on uncompleted contracts	(1,913,374)	1,587,550
Deferred revenue	19,116	(53,187)
NET CASH USED IN OPERATING ACTIVITIES	(3,181,565)	(1,194,293)

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Years Ended April 30, 2013	Years Ended April 30, 2012
INVESTING ACTIVITIES:		
Acquisition of property and equipment, net	$ (324,125)	$ (405,632)
Acquisition of businesses, net of cash received	-	(1,043,006)
Proceeds from sale of operations, net of transaction costs	4,547,049	1,701,062
NET CASH PROVIDED BY INVESTING ACTIVITIES	4,222,924	252,424
FINANCING ACTIVITIES:		
Net proceeds from Section 16(b) settlement	222,413	-
Debt issuance costs	(230,794)	(704,319)
Borrowings under lines of credit	-	4,964,140
Repayments under lines of credit	(4,964,140)	(7,000,000)
Proceeds from senior secured convertible notes	4,000,000	-
Repayments under loans payable, net	(70,304)	(47,074)
Repayments to joint venture partner, net	(2,538,870)	(209,562)
Repayments of capital lease obligations	(15,465)	(54,496)
Borrowings under short-term bank loan	2,389,050	-
Repayments under other payable	(25,000)	-
Borrowings under other payable	793,927	-
NET CASH USED IN FINANCING ACTIVITIES	(439,183)	(3,051,311)
Effect of exchange rate changes on cash	(3,236)	(74,643)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	598,940	(4,067,823)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	811,283	4,879,106
CASH AND CASH EQUIVALENTS, END OF THE YEAR	$ 1,410,223	$ 811,283

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

WPCS INTERNATIONAL INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Years Ended	
	April 30, 2013	**April 30, 2012**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 330,932	$ 428,450
Income taxes	$ 261,150	$ 61,383
SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Issuance of notes for property and equipment	$ 210,781	$ 470,906
Settlement of account receivable for property and equipment	$ 449,660	$ -
Settlement of account receivable in exchange of dividend distribution to noncontrolling interest	$ 200,766	$ -

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 AND LIQUIDITY

Basis of Presentation

The consolidated financial statements include the accounts of WPCS International Incorporated (WPCS) and its wholly and majority-owned subsidiaries, as follows, collectively referred to as “we”, “us” or the "Company". United States-based subsidiaries include WPCS Incorporated, WPCS International – Suisun City, Inc. (Suisun City Operations), WPCS International – Trenton, Inc. (Trenton Operations), WPCS International – Seattle, Inc. (Seattle Operations), and WPCS International – Portland, Inc. (Portland Operations). International operations include WPCS Asia Limited, 60% of Taian AGS Pipeline Construction Co. Ltd. (China Operations), and WPCS Australia Pty Ltd., WPCS International – Brendale, Pty Ltd., and The Pride Group (QLD) Pty Ltd. (Pride), (collectively, Australia Operations).

The Company provides design-build engineering services that focus on the implementation requirements of communications infrastructure. The Company provides its engineering capabilities including wireless communication, specialty construction and electrical power to the public services, healthcare, energy and corporate enterprise markets worldwide.

On September 1, 2011, the Company sold its wholly-owned subsidiaries, WPCS International - St. Louis, Inc. (St. Louis Operations) and WPCS International - Sarasota, Inc. (Sarasota Operations). On July 25, 2012, the Company sold substantially all of the assets of its wholly-owned subsidiaries, WPCS International - Hartford, Inc. (Hartford Operations) and WPCS International - Lakewood, Inc. (Lakewood Operations). As a result, these consolidated financial statements reflect the results of these four operations as discontinued operations for all periods presented, including certain reclassifications to prior year financial statements to present discontinued operations.

Liquidity and Going Concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

As further described in Note 6, “Senior Secured Convertible Notes”, on December 4, 2012, the Company entered into a Securities Purchase Agreement (the Purchase Agreement) with six accredited investors (the Buyers) pursuant to which, the Company sold an aggregate of (i) $4,000,000 principal amount of senior secured convertible notes (the Notes) and (ii) warrants (the Warrants) to purchase 2,274,796 shares of the Company's common stock (Common Stock), to the Buyers for aggregate gross proceeds of $4,000,000 (the Financing). The closing of the Financing was completed on December 5, 2012 (the Closing Date).

Pursuant to the terms of the Notes, the Company agreed to deposit the initial funds received from the Financing, minus $2,178,516, the (Initial Lending Amount) into an account (the Lockbox Account) controlled by Worldwide Stock Transfer, LLC (the Collateral Agent), as collateral agent on behalf of the Buyers. In addition, all payments of accounts receivable of the Company (and its domestic subsidiaries) shall be deposited into the Lockbox Account. The Company is permitted to receive from the Lockbox Account, on a daily basis, such amount of cash equal to: (A) (i) cash balance in the Lockbox Account plus (ii) 95% of available qualified accounts receivable minus (iii) $250,000 minus (B) amount of principal, accrued interest, fees, costs and expenses owed pursuant to the Notes.

As further described in Note 7, “Other Debt”, on January 27, 2012, WPCS and its United States-based subsidiaries Suisun City Operations, Seattle Operations, Portland Operations, Hartford Operations, Lakewood Operations, and Trenton Operations (collectively, the Subsidiaries), entered into a loan and security agreement (the Credit Agreement) with Sovereign Bank, N.A. (Sovereign). The Company used the Initial Lending Amount to repay the existing loan of $2,000,000, plus $78,516 of interest accrued and fees and expenses to Sovereign, which Credit Agreement was terminated in connection with the Financing, and $100,000 for Buyer legal fees in connection with the Notes.

As more fully described in Note 17, “Commitments and Contingencies,” on July 12, 2012, the Company executed the Surety Financing and Confession of Judgment Agreement (the Financing Agreement) with Zurich American Insurance Company (Zurich). Under the terms of the Financing Agreement, Zurich advanced the Company $793,927 to assist in the completion of the project contract with the Camden County Improvement Authority for work at the Cooper Medical Center of Rowan University (the Owner or Cooper Project). The Company was in default under the terms of the Financing Agreement as the Company did not repay Zurich the $793,927, and Zurich paid certain of the Company’s vendors pursuant to Zurich’s obligations under its payment bond on the Cooper Project. In addition, the Company is contingently liable to Zurich and its affiliate Fidelity and Deposit Company of Maryland (F&D) under a General Agreement of Indemnity (the Indemnity Agreement). Zurich and F&D, as surety, have issued certain performance and payment bonds on behalf of owners or customers regarding the Company’s work on various projects under the Indemnity Agreement. The Company agrees to indemnify the surety for any payments made by Zurich on contracts of suretyship, guaranty or indemnity.

Furthermore regarding Zurich, F&D and the Indemnity Agreement, on April 17, 2013, the Company executed the Surety Forbearance and Confession of Judgment Agreement (the Forbearance Agreement) with Zurich, which supersedes the Financing Agreement. As of April 16, 2013, the total amount of claim losses, expenses and unpaid premiums due Zurich under the Forbearance Agreement less payments received by Zurich was $2,836,668 (the Loss Amount). Under the Forbearance Agreement, among other things, the parties have agreed to the following payments which will be credited against the Loss Amount owed to Zurich by the Company: (1) the Company shall make monthly payments to Zurich of $25,000 due upon the fifth of each month, up to and including December 5, 2013 (the Interim Liability Payments); (2) Zurich is to receive any and all amounts due under the contracts for which Zurich has issued one or more bonds (the Customer Payments); and (3) the Company shall assign and transfer and grant a security interest to Zurich in the proceeds of any claim against the Owner (the Claim), up to the Loss Amount as it exists at the time. As of April 30, 2013, the net Other Payable for the Loss Amount owed Zurich under the Forbearance Agreement was $1,743,986, which includes the initial Interim Liability Payments of $25,000 per month, and $1,090,604 of additional contract accounts receivable representing future Customer Payments and $22,922 of additional accounts payable assigned to Zurich which were reclassed from consolidated accounts receivable and accounts payable, respectively. As of the date of this annual report, the Loss Amount owed to Zurich is approximately $1,634,000 following Interim Liability and Customer Payments made subsequent to April 30, 2013.

Each or any of the following shall constitute an event of default under the Forbearance Agreement: (a) failure by the Company to make any of the Interim Liability Payments; (b) failure by the Company to remit any Customer Payments received; (c) the failure by the Company or the Owner to remit the proceeds of the Claim to Zurich; and (d) any Loss Amount that still exists as of December 31, 2013. The Company is currently in compliance with the terms of the Forbearance Agreement.

The Company has submitted a revised Claim and request for equitable adjustment to the Owner in the amount of $2,421,425 for significant delays, disruptions and construction changes that were beyond its control and required the Company to perform additional work. The Company is currently in negotiations with the Owner to settle the Claim. The next step in the resolution process as set forth in the contract with the Owner is mandatory non-binding mediation through the American Arbitration Association (AAA). On April 15, 2013, the Company filed a Request for Mediation (the Mediation) with the AAA with regard to the Claim. The Company is awaiting a response from the Owner, and as such no date has been established for the Mediation. If it is successful in the settlement of this Claim, the Company expects to use the proceeds from the Claim to repay Zurich the Loss Amount as it exists at the time. There can be no assurance that the Company will be successful in settling with the Owner for all or a portion of the submitted claim.

At April 30, 2013, the Company had cash and cash equivalents of $1,410,223 and working capital deficiency of $484,132, which consisted of current assets of $14,595,916 and current liabilities of $15,080,048. Current liabilities include the $1,743,986 under the Zurich Forbearance Agreement and the $4,199,867 fair value liabilities related to the Notes. The Company’s obligations under the Zurich Forbearance Agreement raise substantial doubt about the Company’s ability to continue as a going concern.

The Company's continuation as a going concern beyond the next twelve months and its ability to discharge its liabilities and commitments in the normal course of business is ultimately dependent upon the execution of its future plans, which include the following: (1) its ability to generate future operating income, reduce operating expenses and produce cash from its operating activities, which will be affected by general economic, competitive, and other factors, many of which are beyond the Company's control (2) the repayment of, or the modification of the terms under the Zurich Forbearance Agreement; (3) the settlement of the Claim with the Owner; and (4) obtaining additional funds, either through debt or equity financing. There can be no assurance that the execution of one more of alternatives described above to repay Zurich, or waiver or modification of terms under the Zurich Forbearance Agreement will be successful to ensure the Company’s continuation as a going concern, which would have a serious adverse effect on the Company’s business, operations and future prospects.

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 a maturity at time of purchase of three months or less.

Restricted Cash

In connection with the terms of the Notes, the initial funds received from the Financing, less the Initial Lending Amount was deposited into a Lockbox Account controlled by the Collateral Agent. In addition, all payments of accounts receivable of the Company (and its domestic subsidiaries) are deposited into the Lockbox Account. The Company is permitted to receive from the Lockbox Account on a daily basis, such cash equal to (A) (i) the cash balance in the Lockbox Account plus (ii) 95% of the available qualified accounts receivable, less (iii) $250,000, minus (B) the amount of principal, accrued interest and costs and expenses owed pursuant to the Notes. At any given time, the Company considers the cash held in the Lockbox Account that it is not yet permitted to draw down based on the calculation above, to be restricted cash. Restricted cash is classified as a current asset, consistent with the classification of the Notes as a current liability.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company reduces credit risk by placing its temporary cash and cash equivalents with major financial institutions. 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. The Company does not require collateral in most cases, but may file claims against the construction project if a default in payment occurs.

Derivative Instruments

The Company's derivative liabilities are related to embedded conversion features of the Notes and the common stock Warrants issued in connection with the Purchase Agreement. For derivative instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in fair value recognized in earnings each reporting period. The Company uses the binomial lattice model to value the derivative instruments at inception and subsequent valuation dates and the value is re-assessed at the end of each reporting period, in accordance with Accounting Standards Codification (ASC) 815. Derivative instrument liabilities are classified in the consolidated balance sheets as current or non-current based on whether or not the net-cash settlement of the derivative instrument could be required within twelve months of the balance sheet date.

Fair Value of Financial Instruments

The Company's material financial instruments at April 30, 2013 and for which disclosure of fair value is required by certain accounting standards consisted of cash and cash equivalents, accounts receivable, account payable, line of credit and loans payable. The fair values of cash and cash equivalents, accounts receivable, and account payable are equal to their carrying value because of their liquidity and short-term maturity. Management believes that the fair values of the line of credit and loans payable do not differ materially from their aggregate carrying values in that substantially all the obligations bear variable interest rates that are based on market rates or interest rates that are periodically adjustable to rates that are based on market rates.

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 payments subsequently received on such receivables are credited to the allowance for doubtful accounts. Included in the accounts receivable is retainage receivable of $871,086 and $1,966,254 at April 30, 2013 and 2012, respectively. The Company estimates that approximately $1,511,000 of the aggregate accounts receivable and retainage receivable will not be collected within one year of April 30, 2013.

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. Leasehold improvements are amortized over the lesser of the term of the related lease or the estimated useful lives of the assets.

Goodwill and Other Intangible Assets

Goodwill represents the amount by which the purchase prices of the Company's wholly-owned subsidiaries were in excess of the fair value of identifiable net assets as of date of acquisition. Other intangible assets have finite useful lives and are comprised of customer lists and backlog.

Goodwill is tested at least annually for impairment, and otherwise on an interim basis should events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. Determination of impairment requires the Company to compare the fair value of the business acquired (reporting unit) to its carrying value, including goodwill, of such business (reporting unit). If the fair value exceeds the carrying value, no impairment loss is 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, based on the excess, if any, of the reporting unit's carrying value of goodwill over its implied value.

The Company determines the fair value of the reporting units 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 Company performs its annual impairment test at April 30 absent any interim impairment indicators. Significant adverse changes in general economic conditions could impact the Company's valuation of its reporting units.

The Company reviews its other intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing a review for impairment, the Company compares the carrying value of the assets with their estimated future undiscounted cash flows from the use of the asset and eventual disposition. If the estimated undiscounted future cash flows are less than carrying value, an impairment loss is charged to operations based on the difference between the carrying amount and the fair value of the asset.

Revenue Recognition

The Company generates its revenue by providing design-build engineering services for communications infrastructure. The Company's design-build services report revenue pursuant to customer contracts that span varying periods of time. The Company reports revenue from contracts when persuasive evidence of an arrangement exists, fees are fixed or determinable, and collection is reasonably assured.

The Company records revenue and profit from long-term contracts on a percentage-of-completion basis, measured by the percentage of contract costs incurred to date to the estimated total costs for each contract. Contracts in process are valued at cost plus accrued profits less earned revenues and progress payments on uncompleted contracts. Contract costs include direct materials, direct labor, third party subcontractor services and those indirect costs related to contract performance. Contracts are generally considered substantially complete when engineering is completed and/or site construction is completed.

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. For the year ended April 30, 2013, the Company has provided aggregate loss provisions of approximately $23,000 related to anticipated losses on long-term contracts. For the year ended April 30, 2012, the Company has provided aggregate loss provisions of approximately $1,887,000 related to anticipated losses on long-term contracts.

The length of the Company's contracts varies but is typically between three months and two years. Assets and liabilities related to long-term contracts are included in current assets and current liabilities in the accompanying consolidated balance sheets as they will be liquidated in the normal course of contract completion, although this may require more than one year.

The Company records revenue and profit from short-term contracts for our China Operations under the completed contract method, whereas income is recognized only when a contract is completed or substantially completed. Accordingly, during the period of performance, billings and costs are accumulated on the consolidated balance sheets, but no revenue or income is recorded before completion or substantial completion of the work. The Company's decision is based on the short-term nature of the work performed.

The Company also recognizes certain revenue from short-term contracts when equipment is delivered or the services have been provided to the customer. For maintenance contracts, revenue is recognized ratably over the service period.

Other Concentrations

The Company has 112 union employees. The Trenton Operations has 5 union employees whose contracts with different unions that do not have expiration dates. The contracts can be cancelled with 150 days notice. A contract with 22 union employees for the Seattle Operations expires on May 31, 2015. A contract with 27 union employees for the Seattle Operations expires on May 31, 2014. A contract with 14 union employees for the Seattle Operations expires on July 31, 2014. A contract with 2 union employees for the Seattle Operations expires on August 31, 2015. A contract with one union employee for the Seattle Operations expires on June 30, 2015. A contract with 40 union employees for the Suisun City Operations expires on November 30, 2014. A contract with one union employee for the Suisun City Operations expired on May 31, 2014. At April 30, 2013, 45% of the Company's labor force is subject to collective bargaining agreements. Although the Company's past experience has been favorable with respect to resolving conflicting demands with these unions, it is always possible that a protracted conflict may occur which could impact the renewal of the collective bargaining agreements.

For the fiscal years ended April 30, 2013 and 2012, the Company had revenue from one customer, the Cooper Project, which comprised approximately 13.6% and 15.5% of the consolidated revenue, respectively.

Income Taxes

The Company accounts for income taxes pursuant to the asset and liability method which requires deferred income tax assets and liabilities to be computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. 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.

On a periodic basis, the Company evaluates its ability to realize its deferred tax assets net of its deferred tax liabilities and adjusts such amounts in light of changing facts and circumstances, including but not limited to the level of past and future taxable income, and the current and future expected utilization of tax benefit carryforwards. The Company considers all available evidence, both positive and negative, to determine whether, based on the weight of that evidence, a valuation allowance is required to reduce the net deferred tax assets to the amount that is more likely than not to be realized in future periods. The Company considers past performance, expected future taxable income and prudent and feasible tax planning strategies in assessing the amount of the valuation allowance. The Company's forecast of expected future taxable income is based over such future periods that it believes can be reasonably estimated. Based on its analysis as of April 30, 2013, the Company continues to provide a full valuation allowance on its domestic and foreign deferred tax assets, and increased its valuation allowance by approximately $2.3 million during fiscal 2013. As of April 30, 2012, the Company increased its valuation allowance by $6.6 million, establishing a full valuation allowance of approximately $7.7 million on its U.S. Federal and state deferred tax assets. The Company will continue to evaluate the realization of its deferred tax assets and liabilities on a periodic basis, and will adjust such amounts in light of changing facts and circumstances.

The Company performed a review for uncertainty in income tax positions in accordance with authoritative guidance. This review did not result in the recognition of any material unrecognized tax benefits as of April 30, 2013 and 2012. Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in selling, general and administrative expenses. For the years ended April 30, 2013 and 2012, the Company recognized no interest or penalties. The statute of limitations for the Company's Federal, state and foreign income tax returns prior to fiscal years 2009 are closed.

Net Loss Per Common Share

Basic and diluted net loss per common share is computed as net loss divided by the weighted average number of common shares outstanding for the period. Diluted net loss per common share reflects the potential dilution that could occur from common stock issuable through exercise of stock options. The table below presents the computation of basic and diluted net loss per common share for the years ended April 30, 2013 and 2012, respectively:

	Years Ended April 30, 2013	Years Ended April 30, 2012
Numerator:		
Net loss attributable to WPCS	$ (6,910,727)	$ (20,547,831)
Denominator:		
Basic and diluted weighted average shares outstanding	993,538	993,538
Basic and diluted net loss per common share attributable to WPCS	$ (6.95)	$ (20.68)

At April 30, 2013 and 2012, the Company had 116,279 and 33,819 outstanding stock options, respectively. On December 5, 2012, the Company issued $4,000,000 of Notes and issued Warrants to purchase 2,274,796 shares of the Company's common stock. At April 30, 2013, the Notes were convertible into 1,857,097 shares of the Company's common stock, at a Conversion Price of $2.1539 per share.

The following were excluded from the computation of diluted shares outstanding as they would have had an anti-dilutive impact on the Company's loss from continuing operations.

	Years Ended April 30, 2013	Years Ended April 30, 2012
Common stock equivalents:		
Stock options	116,279	33,819
Conversion of senior secured convertible notes	1,857,097	-
Stock warrants	2,274,796	-
Totals	4,248,172	33,819

Stock-Based Compensation Plans

The Company recorded stock-based compensation of $111,683 and $43,917 for the years ended April 30, 2013 and 2012, respectively.

At April 30, 2013, the total compensation expense related to unvested stock options granted to employees under the Company's stock option plans but not yet recognized was approximately $59,000 and is expected to be recognized over a weighted-average period of 8 months. During the year ended April 30, 2013, there were 97,143 stock options granted.

The Company elected to adopt the shortcut method for determining the initial pool of excess tax benefits available to absorb tax deficiencies related to stock-based compensation. The shortcut method includes simplified procedures for establishing the beginning balance of the pool of excess tax benefits (the APIC Tax Pool) and for determining the subsequent effect on the APIC Tax Pool and the Company's consolidated statements of cash flows of the tax effects of share-based compensation awards. Excess tax benefits related to share-based compensation are reflected as financing cash inflows.

The Company estimates the fair value of stock options granted using the Black-Scholes-Merton option-pricing model. Compensation cost is then recognized on a straight-line basis over the vesting or service period and is net of estimated forfeitures. There were no new stock options issued during the year ended April 30, 2012. The following assumptions were used to compute the fair value of stock options granted during the year ended April 30, 2013:

	Year Ended April 30, 2013
Average risk-free interest rate	0.38%
Average expected volatility	53.3%
Average expected dividend yield	0.00%
Average expected term (in years)	2.75

The risk-free rate is based on the rate of U.S Treasury zero-coupon issues with a remaining term equal to the expected term of the option grants. Expected volatility is based on the historical volatility of the Company's common stock using the weekly closing price of the Company's common stock. The expected dividend yield is zero based on the fact that the Company has never paid cash dividends and has no present intention to pay cash dividends. The expected term represents the period that the Company's stock-based awards are expected to be outstanding and was calculated using the simplified method.

Noncontrolling Interest

Noncontrolling interest for the years ended April 30, 2013 and 2012 consists of the following:

	Years Ended April 30,	
	2013	2012
Balance, beginning of year	$ 1,117,322	$ 1,038,428
Distributions to noncontrolling interest	(367,612)	-
Net income (loss) attributable to noncontrolling interest	95,406	(21,840)
Other comprehensive income attributable to noncontrolling interest	4,022	100,734
Balance, end of year	$ 849,138	$ 1,117,322

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 calculation of percentage-of-completion on uncompleted contracts, allowance for doubtful accounts, valuation of inventory, realization of deferred tax assets, amortization method and lives of customer lists, acquisition-related contingency consideration and estimates of the fair value of reporting units and discounted cash flows used in determining whether goodwill has been impaired. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In December 2011, the FASB issued ASU No. 2011-11 (ASU 2011-11), Disclosures about Offsetting Assets and Liabilities where entities are required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. This scope would include derivatives, sale and repurchase agreements, and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. These disclosures assist users of financial statements in evaluating the effect or potential effect of netting arrangements on a company's financial position. The Company is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013 (May 1, 2013 for the Company). The Company does not expect the provisions of ASU 2011-11 to have a material impact on its consolidated financial statements.

NOTE 3 - COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

The asset, "Costs and estimated earnings in excess of billings on uncompleted contracts", represents revenue recognized in excess of amounts billed. The liability, "Billings in excess of costs and estimated earnings on uncompleted contracts", represents billings in excess of revenue recognized. Costs and estimated earnings on uncompleted contracts consist of the following at April 30:

	April 30, 2013	April 30, 2012
Costs incurred on uncompleted contracts	$ 74,554,932	$ 76,682,610
Provision for loss on uncompleted contracts	(23,376)	(1,886,896)
Estimated contract profit	2,730,745	2,242,232
	77,262,301	77,037,946
Less: billings to date	77,755,947	79,291,760
Total	$ (493,646)	$ (2,253,814)
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 1,148,855	$ 1,340,379
Billings in excess of costs and estimated earnings on uncompleted contracts	(1,642,501)	(3,594,193)
Total	$ (493,646)	$ (2,253,814)

Revisions in the estimated gross profits on contracts and contract amounts are made in the period in which circumstances requiring the revisions become known. During the fiscal year ended April 30, 2013, the effect of such revisions in estimated contract profits resulted in an increase to gross profit of approximately $2,054,000 (or approximately $2.07 per common share), from that which would have been reported had the revised estimates been used as the basis of recognition for contract profits in the prior year. This increase in gross profit is primarily the result of change orders received of approximately $1,641,000 from the Cooper Project, for costs that were incurred in the prior fiscal year.

During the fiscal year ended April 30, 2012, the effect of such revisions in estimated contract profits resulted in a decrease to gross profit of approximately $9,829,000 (or approximately $9.87 per common share), from that which would have been reported had the revised estimates been used as the basis of recognition for contract profits in the prior year. This decrease in gross profit includes a provision of $1,887,000 for the total loss anticipated on certain long-term contracts as the revisions to such estimates indicated a loss. The primary reason for the decrease in the gross profit is due to significant adjustments to expected profits on four projects in the Trenton Operations during the year ended April 30, 2012. The estimates and related costs incurred for these four projects increased significantly over the course of fiscal year 2012 while the Company continues to complete these projects. The cumulative reduction in the expected gross profit on these four projects was approximately $9.2 million for the year ended April 30, 2012.

Although management believes it has established adequate procedures for estimating costs to complete on open contracts, it is at least reasonably possible that additional significant costs could occur on contracts prior to completion.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at April 30:

	Estimated useful life (years)	2013	2012
Furniture and fixtures	5-7	$ 158,380	$ 283,806
Computers and software	2-3	698,251	975,351
Office equipment	5-7	70,937	82,185
Vehicles	5-7	2,857,204	4,071,146
Machinery and equipment	5	6,078,779	7,126,392
Building	39	454,321	-
Leasehold improvements	2-3	362,135	401,651
		10,680,007	12,940,531
Less accumulated depreciation and amortization		7,626,552	8,631,081
		$ 3,053,455	$ 4,309,450

Depreciation expense for property and equipment for the years ended April 30, 2013 and 2012 was approximately $1,200,000 and $1,617,000, respectively.

NOTE 5 - GOODWILL AND INTANGIBLE ASSETS

As a result of its annual step one testing for goodwill impairment, the Company determined that the carrying value of Pride, included in the Company's Australia Operations, exceeded its fair value, thus failing the first step of the goodwill impairment test, primarily driven by current operating results and economic climate in Pride's operations. The Company performed the step one goodwill impairment analysis using Level 3 measurement as defined in the ASC. The Level 3 measurements were based on significant inputs not observable in the market. These measurements included a discounted cash flow valuation technique, using an estimated discount rate of 15.6%, future short and long-term revenue growth rates ranging from 2.5% to 3.0%, gross margin of 30%, and selling general and administrative expenses ranging from 25% to 29% of revenue. Based on the results of the step one testing, the Company completed the second step of the goodwill impairment test, which included calculating an implied fair value of the goodwill of Pride, by allocating the fair values of substantially all of its individual assets, liabilities and identified intangible assets, as if the reporting units had been acquired in a business combination, which resulted in no allocation of fair value to goodwill. As a result, the Company recorded a goodwill impairment charge of approximately $1,936,000 in the fourth quarter of fiscal 2013 ended April 30, 2013. This impairment charge is a noncash charge that does not impact our consolidated cash flows.

Goodwill through the years ended April 30, 2013 and 2012 consisted of the following:

	Wireless Communication	Specialty Construction	Electrical Power	Total
Beginning balance, May 1, 2011	$ -	$ -	$ 2,044,856	$ 2,044,856
Foreign currency translation adjustments	-	-	(114,030)	(114,030)
Ending balance, April 30, 2012	-	-	(1,930,826)	(1,930,826)
Goodwill impairment	-	-	(1,936,059)	(1,936,059)
Foreign currency translation adjustments	-	-	5,233	5,233
Ending balance, April 30, 2013	$ -	$ -	$ -	$ -

Other intangible assets consist of the following at April 30:

	Estimated useful life (years)	**April 30, 2013**	**April 30, 2012**
Customer list	3-9	$ 1,975,527	$ 2,961,799
Less accumulated amortization		(1,724,895)	(2,579,895)
		250,632	381,904
Contract backlog	1-3	1,035,364	1,034,787
Less accumulated amortization		(1,035,364)	(1,033,839)
		-	948
Totals		$ 250,632	$ 382,852

Amortization expense for other intangible assets for the years ended April 30, 2013 and 2012 was approximately $133,000 and $159,000, respectively.

There are no expected residual values related to these intangible assets. Estimated future amortization expense by fiscal year is as follows:

Year ending April 30,			
	2014	$	83,200
	2015		66,973
	2016		66,973
	2017		33,486
Total Intangible Assets		$	250,632

The weighted-average amortization period of the intangible assets is 3.3 years.

NOTE 6 – SENIOR SECURED CONVERTIBLE NOTES

On December 4, 2012, the Company entered into the Purchase Agreement with the Buyers pursuant to which, the Company sold an aggregate of (i) $4,000,000 principal amount of Notes and (ii) Warrants to purchase 2,274,796 shares of the Company's Common Stock, to the Buyers for aggregate gross Financing proceeds of $4,000,000. In connection with the Financing, (i) the Company entered into a registration rights agreement with the Buyers (the Registration Rights Agreement), (ii) the Company and its subsidiaries entered into a security and pledge agreement in favor of the collateral agent for the Buyers (the Security Agreement), and (iii) subsidiaries of the Company entered into a guaranty in favor of the collateral agent for the Buyers (the Guaranty). The Closing Date of the Financing was December 5, 2012.

Pursuant to the terms of the Notes, the Company deposited the initial funds received from the Financing, minus the Initial Lending Amount of $2,178,516 into the Lockbox Account controlled by the Collateral Agent, as collateral agent on behalf of the Buyers. In addition, all payments of accounts receivable of the Company (and its domestic subsidiaries) shall be deposited into the Lockbox Account. The Company is permitted to receive from the Lockbox Account, on a daily basis, such amount of cash equal to: (A) (i) cash balance in the Lockbox Account plus (ii) 95% of available qualified accounts receivable minus (iii) $250,000 minus (B) amount of principal, accrued interest, fees, costs and expenses owed pursuant to the Notes. The Notes contain certain customary representations and warranties, affirmative and negative covenants, and events of default. The principal covenant is that the Company shall maintain a current ratio of not less than 0.6 to 1.0 as of the last calendar day of each month. As of April 30, 2013, the Company is in compliance with the covenants.

The Company used the Initial Lending Amount to repay the existing loan of $2,000,000, plus $78,516 of interest accrued and fees and expenses to Sovereign, and $100,000 for Buyer legal fees in connection with the Notes. In addition, the Company shall pay to the Buyers a consulting fee of not more than $5,000 per month during the term of the Convertible Notes to a business consultant reasonably acceptable to the Buyers.

The Notes will mature on June 5, 2014 and bear interest at 4% per annum, which will be payable quarterly in arrears and may be paid, in certain conditions, through the issuance of shares, at the discretion of the Buyers.

Pursuant to the Purchase Agreement, the Company agreed to use its reasonable best efforts to obtain its stockholders' approval at the next annual stockholder meeting for the issuance of all of the securities issuable pursuant to the Purchase Agreement (Stockholder Approval). Prior to Stockholder Approval, the Buyers were prohibited from converting the Notes and/or exercising the Warrants and receiving shares of the Company's Common Stock, in the aggregate, such that the number of shares of Common Stock issued upon such conversions and/or exercises exceeds 19.9% of the issued and outstanding shares of the Company's Common Stock as of the Closing Date.

The Company obtained Stockholder Approval on February 28, 2013 (the Stockholder Approval Date). In addition, the Company obtained stockholders' approval to increase the Company's authorized shares of common stock from 3,571,429 to 14,285,714. As a result of the Stockholder Approval, the Company expects to have sufficient common stock to fulfill its conversion obligations under the Purchase Agreement, and the Buyers are permitted to convert the Notes and/or exercise the Warrants in excess of 19.9% of the issued and outstanding shares of the Company's Common Stock at a price that is less than the greater of book or market value.

The Notes were initially convertible into shares of Common Stock at a conversion price of $2.6376 per share (the Conversion Price). As of April 30, 2013, there was no conversion of the Notes into shares of Common Stock. The Conversion Price will be adjusted to 85% of the average of the closing bid prices for the five consecutive trading dates immediately prior to the following adjustment dates: (1) the earlier of the effective date of a registration statement or six months after closing (the First Adjustment); (2) the later of the date that is three months after the First Adjustment or one year after closing (the Second Adjustment); and (3) on the Stockholder Approval Date.

On the Stockholder Approval Date, the Conversion Price was adjusted to $2.1539 per share. There was no adjustment to the Conversion Price on the First Adjustment date. The Warrants are exercisable for a period of five years from the Closing Date at an initial exercise price of $3.2970 per share (the Exercise Price). The Exercise Price is subject to the same adjustments as provided in the Notes as described above and, as a result, the Exercise Price was adjusted to $2.1539 per share on the Stockholder Approval Date. As of the date of this annual report, none of the Notes or Warrants have been converted or exercised, accordingly.

If an event of default under the Notes occurs, upon the request of the holder of the Note, the Company will be required to redeem all or any portion of the Notes (including all accrued and unpaid interest), in cash, at a price equal to the greater of (i) up to 125% of the amount being converted, depending on the nature of the default, and (ii) the product of (a) the number of shares of Common Stock issuable upon conversion of the Notes, times (b) 125% of the highest closing sale price of the Common Stock during the period beginning on the date immediately preceding such event of default and ending on the trading day immediately prior to the trading day that the redemption price is paid by the Company.

The Company has the right, at any time after one year from the Closing Date, to redeem all, but not less than all, of the outstanding Notes, upon not less than 20 trading days nor more than 30 trading days prior written notice. The redemption price shall equal 120% of the amount of principal and interest being redeemed.

The Buyers agreed to restrict their ability to convert the Notes and/or exercise the Warrants and receive shares of the Company's Common Stock such that the number of shares of Common Stock held by the Buyer in the aggregate and its affiliates after such conversion or exercise does not exceed 9.99% of the then issued and outstanding shares of the Company's Common Stock.

Pursuant to the Registration Rights Agreement, the Company agreed to file a registration statement with the SEC, within 30 days following receipt of a request from a Buyer (or 45 days with respect to an underwritten offering), covering such shares of common stock issuable upon conversion of the Notes or exercise of the Warrants, as requested by the Buyers, and have such registration statement declared effective by the SEC within 90 days thereafter. The Company also agreed to notify the Buyers if the Company at any time proposes to register any of its securities under the Securities Act of 1933, as amended, and of such Buyers' right to participate in such registration.

If the Company fails to comply with the registration statement filing, effective date or maintenance date filing requirements, it is required to pay the Buyers a registration delay payment in cash equal to 2% of the Buyer's original principal amount stated on such Investors' Note as of the Closing Date on the date of each failure, and on every thirty (30) day anniversary of the respective failures (Registration Delay Payment). Notwithstanding the foregoing, in no event shall the aggregate amount of Registration Delay Payments exceed 10% of such Investor's original principal amount stated on the Note on the Closing Date. The Company accounts for such Registration Delay Payments as contingent liabilities as defined in ASC. Accordingly, the Company recognizes such damages when it becomes probable that they will be incurred and amounts are reasonably estimable.

Pursuant to the Guaranty, subsidiaries of the Company guaranteed to the collateral agent, for the benefit of the Buyers, the punctual payment, as and when due and payable, of all amounts owed by the Company in respect of the Purchase Agreement, the Notes and the other transaction documents executed in connection with the Purchase Agreement.

Pursuant to the Security Agreement, the Company and its subsidiaries granted, in favor of the collateral agent for the Buyers, a continuing security interest in all personal property and assets of the Company and its subsidiaries, as collateral security for the obligations of the Company and its subsidiaries under the Purchase Agreement, the Notes, the Guaranty and the other transaction documents.

A summary of the Notes at April 30, 2013 is as follows:

	April 30, 2013
Senior secured convertible notes, interest at 4% per annum to maturity June 5, 2014	$ 4,000,000
Debt discount - value attributable to warrants attached to notes, net of accumulated amortization of $1,111,111 at April 30, 2013	(2,888,889)
Total	1,111,111
Less: current portion	(1,111,111)
Total long-term portion	$ -

NOTE 7 – OTHER DEBT

Lines of Credit

On January 27, 2012, the Company and its subsidiaries entered into the Credit Agreement with Sovereign, which was amended May 3, 2012, and again on August 31, 2012. The Credit Agreement, as amended, provided for a revolving line of credit in an amount not to exceed $2,000,000 and letters of credit in an amount not to exceed $200,000. On December 5, 2012, the outstanding borrowings under the Credit Agreement were repaid and the Credit Agreement terminated in connection with the Purchase Agreement described above.

Short-Term Bank Loan

On August 2, 2012, the China Operations entered into a loan with the Bank of China (the Short-Term Bank Loan). The Short-Term Bank Loan provides for a loan in the amount of $2,432,205. The proceeds from the Short- Term Bank Loan were used to repay outstanding unsecured loans of $2,404,545 due to its joint venture partner, Taian Gas Group (TGG). The Short- Term Bank Loan has an interest rate of 7.38%, and interest is due on a quarterly basis. The Short-Term Bank Loan matures on August 3, 2013, and is guaranteed by TGG.

Loans Payable

The Company's long-term debt also consists of notes issued by the Company or assumed in acquisitions related to working capital funding and the purchase of property and equipment in the ordinary course of business. At April 30, 2013, loans payable and capital lease obligations totaled $177,780 with interest rates ranging from 0% to 8.99%.

The aggregate maturities of long-term debt, including short-term term loan and loans payable are as follows:

Year ending April 30,

	Loans Payable
2014	$ 43,942
2015	41,012
2016	38,756
2017	33,537
2018	20,533
Total long-term debt	$ 177,780

NOTE 8 – DERIVATIVE LIABILITIES

Senior secured convertible notes- embedded conversion features

The Notes meet the definition of a hybrid instrument, as defined in ASC 815. The hybrid instrument is comprised of i) a debt instrument, as the host contract and ii) an option to convert the debentures into common stock of the Company, as an embedded derivative. The embedded derivatives derive their value based on the underlying fair value of the Company's common stock. The embedded derivatives are not clearly and closely related to the underlying host debt instrument since the economic characteristics and risk associated with these derivatives are based on the common stock fair value.

The Company determines the fair value of the embedded derivatives and records them as a discount to the Notes and a derivative liability.The Company has recognized a derivative liability of $3,088,756 at April 30, 2013. Accordingly, changes in the fair value of the embedded derivative are immediately recognized in earnings and classified as a gain or loss on the embedded derivative financial instrument in the accompanying consolidated statements of operations. There was a loss of $472,896 recognized for year ended April 30, 2013.

The Company estimated the fair value of the embedded derivatives using a binomial lattice model with the following assumptions: conversion price between $1.79 to $2.1539 per share; risk free interest rate of 0.11%; expected life of 1.5 years; expected dividend of zero; a volatility factor of 98.5%; and a volume weighted average common stock price of $2.65 per share, as of April 30, 2013. The expected lives of the instruments are equal to underlying term of the senior secured convertible notes. The expected volatility is based on the historical price volatility of the Company's common stock. The risk-free interest rate represents the U.S. Treasury constant maturities rate for the expected life of the related conversion option. The dividend yield represents anticipated cash dividends to be paid over the expected life of the conversion option.

Common stock warrants

The Company determines the fair value of the Warrants issued in connection with the issuance of the Notes under the Purchase Agreement as a derivative liability and records them as a discount to the Notes. The Company has recognized a derivative liability of $3,858,508 at April 30, 2013.Accordingly, changes in the fair value of this derivative are immediately recognized in earnings and classified as a gain or loss on the derivative financial instrument in the accompanying consolidated statements of operations. There was a loss of $2,230,352 recognized for the year ended April 30, 2013.

The Company estimated the fair value of the warrant derivative using a binomial lattice model with the following assumptions: conversion price of between $1.79 to $2.1539 per share according to the agreements; risk free interest rate of 0.68%; expected life of 5 years; expected dividend of zero; a volatility factor of 71%; and a volume weighted average common stock price of $2.65 per share, as of April 30, 2013. The expected lives of the instruments are equal to the contractual term of the Warrants. The expected volatility is based on the historical price volatility of the Company's common stock. The risk-free interest rate represents the U.S. Treasury constant maturities rate for the expected life of the related warrants. The dividend yield represents anticipated cash dividends to be paid over the expected life of the conversion option.

NOTE 9 - FAIR VALUE MEASUREMENTS

As defined by the ASC, fair value measurements and disclosures establish a hierarchy that prioritizes fair value measurements based on the type of inputs used for the various valuation techniques (market approach, income approach and cost approach). The levels of hierarchy are described below:

- Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets, such as interest rates and yield curves that are observable at commonly-quoted intervals.
- Level 3: Unobservable inputs that reflect the reporting entity's own assumptions, as there is little, if any, related market activity.

The following table summarizes the financial liabilities measured at fair value on a recurring basis as of April 30, 2013, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

Balance Sheet Location	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	April 30, 2013 Total	Total Increase in Fair Value Recorded at April 30, 2013
Liabilities:					
Derivative liability - Notes	$ -	$ -	$ 3,088,756	$ 3,088,756	$ 472,896
Derivative liability - Warrants	$ -	$ -	$ 3,858,508	$ 3,858,508	$ 2,230,352

The table below sets forth a summary of changes in the fair value of the Company's Level 3 derivative liabilities related to the senior secured convertible notes and warrants for the period ended April 30, 2013.

	Notes	**Warrants**
Balance at beginning of year	$ -	$ -
Additions to derivative instruments	2,615,861	1,628,155
Change in fair value of derivative liabilities	472,895	2,230,353
Balance at end of year	$ 3,088,756	$ 3,858,508

The following tables set forth the assets and liabilities measured at fair value on a nonrecurring basis, by input level, in the consolidated financial statements as of April 30, 2013 and 2012:

Balance Sheet Location	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	April 30, 2013 Total	Total Increase (Reduction) in Fair Value Recorded at April 30, 2013
Assets:					
Goodwill	$ -	$ -	$ -	$ -	$ (1,930,826)

Balance Sheet Location	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	April 30, 2012 Total	Total Increase (Reduction) in Fair Value Recorded at April 30, 2012
Assets:					
Customer list	$ -	$ -	$ 381,904	$ 381,904	$ (168,604)
Liabilities:					
Acquisition-related contingent consideration	$ -	$ -	$ -	$ -	$ 83,628

In connection with the acquisition of Pride on November 1, 2009, additional purchase price was to be paid by the Company to the former Pride shareholders upon the achievement of earnings before interest and taxes (EBIT) target. This acquisition-related contingent consideration arrangement required the Company to pay the former Pride shareholders $919,488 if Pride's EBIT for the twelve month period ended October 31, 2011 exceeded $1,103,386. Pride achieved the contingent consideration arrangements and the Company paid contingent consideration of $1,047,732, including foreign currency exchange fluctuations, as of April 30, 2012. For the year ended April 30, 2012, $83,628 of additional noncash expense was recorded for the change in the fair value of the contingent consideration from the present value of the future payments of this obligation. The Level 3 measurements included an estimated discount rate of 18.02%, future revenue growth rate of 10%, earnings before interest and taxes (EBIT) margins ranging from 7.5% to 13.32%, and weighted probability of EBIT achievement ranging from 0% to 100%.

NOTE 10 - RELATED PARTY TRANSACTIONS

In connection with the acquisition of the Trenton Operations, the Company previously leased its Trenton, New Jersey location from Voacolo Properties LLC, of which the former shareholders of the Trenton Operations are the members. This lease was terminated as of June 30, 2012. For the years ended April 30, 2013 and 2012, the rents paid for this lease were $12,600 and $69,600, respectively.

In connection with the acquisition of Pride, the Company leases its Woombye, Queensland, Australia location from Pride Property Trust, of which the former shareholders of Pride are the members. For the years ended April 30, 2013 and 2012, the rents paid for this lease were $64,333 and $62,181, respectively.

The China Operations revenue earned from TGG and subsidiaries was $1,345,524 and $1,274,774 for the years ended April 30, 2013 and 2012, respectively. In connection with revenue earned from TGG of $647,518 for the year ended April 30, 2013, certain accounts receivable was settled by the receipt of real estate from TGG of which the fair value approximates the recorded amount of accounts receivable. Since the transaction was between related parties, the net book value of the real estate of $449,660 was determined based on the transfer value of the real estate. The difference between the fair value and transfer value, or $200,766, was booked to noncontrolling interest. The China Operations accounts receivable due from TGG and subsidiaries was $117,751 and $625,919 as of April 30, 2013 and 2012, respectively.

NOTE 11 - 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 plan. There were no Company matching contributions made for the years ended April 30, 2013 and 2012.

The Company also contributes to various multiemployer pension plans pursuant to collective bargaining agreements. The information available to the Company about the multiemployer plans in which it participates, whether via request to the plan or publicly available, is generally dated due to the nature of the reporting cycle of multiemployer plans and legal requirements under the Employee Retirement Income Security Act (“ERISA”) as amended by the Multiemployer Pension Plan Amendments Act (“MPPAA”). Based upon these plans’ most recently available annual reports, the Company’s contribution to these plans were less than 5% of each such plan’s total contributions. The “FIP/RP Status Pending or Implemented” column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. Information on significant multiemployer pension plans in which the Company participates is included in the table below.

Pension Plan Legal name	Federal Identification Number	Pension Certified Zone Status 2011	2010	FIP/RP Status Pending or Implemented	Expiration of Collective Bargaining Arrangement	Company's Contributions 2013	2012
Local 351 IBEW Pension Plan	22-3417366	Green	Green	Yes	Eff. until terminated	$ 376,056	$ 736,870
Puget Sound Electrical Workers Pension Plan	91-6180333 / 001	Green	Green	No	5/31/2015	253,944	304,420
Board of Trustees of the IBEW Local 102 Pension Plan	22-1615726	Green	Green	Yes	Eff. until terminated	33,112	175,683
Board of Trustees of the IBEW Local 269 Pension Fund	23-7301491	Green	Green	Yes	Eff. until terminated	65,343	388,889
IBEW Local 76 Retirement Plan	91-6243526 / 001	NA	NA	Yes	8/31/2015	111,711	51,346
International Brotherhood of Electrical Workers District No. 9 Pension Plan	93-6074829	NA	NA	No	11/30/2014	223,139	225,673
IBEW Local 164 Pension Fund	22-6031199	Yellow	Yellow	Yes	Eff. until terminated	17,149	102,882
Other plans						44,118	245,032
Totals						$ 1,124,571	$ 2,230,795

Governmental regulations impose certain requirements relative to the multi-employer plans. In the event of plan termination or employer withdrawal, an employer may be liable for a portion of the plan’s unfunded vested benefits. The Company has not received information from the plan’s administrators to determine its share of unfunded vested benefits. The Company does not anticipate withdrawal from the plans, nor is the Company aware of any expected plan terminations.

NOTE 12 - INCOME TAXES

Loss from continuing operations before provision for income taxes show below is based on the geographic locations to which such loss is attributed for the years ended April 30:

	2013	2012
Loss from continuing operations before income taxes:		
Domestic	$ (4,186,354)	$ (14,245,758)
Foreign	(3,037,790)	(569,023)
Totals	$ (7,224,144)	$ (14,814,781)

The provision for income taxes from continuing operations for the years ended April 30, 2013 and 2012 is summarized as follows:

	2013	2012
Current		
Federal	$ -	$ -
State	13,859	53,218
Foreign	192,736	266,216
Totals	206,595	319,434
Deferred		
Federal	-	1,618,303
State	-	237,388
Foreign	551,549	(298,649)
Totals	551,549	1,557,042
Total provision for income taxes	$ 758,144	$ 1,876,476

The actual provision for income taxes from continuing operations reflected in the consolidated statements of operations for the years ended April 30, 2013 and 2012 differs from the provision computed at the Federal statutory tax rates. The principal differences between the statutory income tax and the actual provision for income taxes are summarized as follows:

	2013	2012
Expected tax (benefit) provision at statutory rate (34%)	$ (2,456,209)	$ (5,037,026)
Rate differential between US statutory rate (34%) and foreign tax rates	1,777,133	161,035
State and local taxes, net of federal tax benefit	(230,928)	(870,784)
Valuation allowance	259,196	7,578,992
Non deductible financing costs	1,379,848	-
Non deductible change in fair value of acquisition-related contingent consideration	-	28,434
Other permanent differences	29,104	15,825
Totals	$ 758,144	$ 1,876,476

Deferred tax assets and liabilities are provided for the effects of temporary difference between tax basis of an asset or liability and its reported amount in the consolidated balance sheets. These temporary differences result in taxable or deductible amounts in future years.

The components of the Company's deferred tax assets and liabilities are as follows:

	2013	2012
Deferred tax assets:		
Allowance for doubtful accounts	$ 226,998	$ 246,238
Inventory markdown reserve	3,597	-
Reserve for loss on work-in-progress	8,610	648,096
Net operating loss carryforward	484,827	180,741
Bonus and vacation accruals	148,282	86,120
Non-qualified stock options	67,050	51,712
Federal benefit for foreign tax credit	132,800	132,800
Valuation allowance	(966,902)	(972,884)
Deferred tax assets-current	105,262	372,823
Intangible assets	3,375	3,682
Goodwill	39,210	42,782
Property and equipment	355,489	355,489
Net operating loss carryforward	8,551,386	6,889,345
Valuation allowance	(8,853,193)	(6,586,769)
Deferred tax assets-long-term	96,267	704,529
Deferred tax liabilities:		
Deferred revenue	(13,888)	(65,273)
Deferred tax liabilities-current	(13,888)	(65,273)
Property and equipment	(111,801)	(134,661)
Intangible assets	(75,840)	(118,107)
Cumulative translation adjustments	-	(207,762)
Deferred tax liabilities-long-term	(187,641)	(460,530)
Net deferred tax assets	$ -	$ 551,549

At April 30, 2013, the Company has net operating loss carryforwards for Federal tax purposes approximating $24,469,000 expiring through 2033. The Company also has net operating loss carryforwards for state tax purposes approximating $27,864,000 expiring in varying amounts through 2033. The Company considers past performance, expected future taxable income and prudent and feasible tax planning strategies in assessing the amount of the valuation allowance. The Company's forecast of expected future taxable income is based over such future periods that it believes can be reasonably estimated. Based on its analysis as of April 30, 2013, the Company increased its valuation allowance by approximately $2,260,000 on its domestic and foreign deferred tax assets. Due to the uncertainty of recognizing a tax benefit on loss carryforwards, the Company has provided a valuation allowance of approximately $9,820,000 at April 30, 2013. However, the future use of some or all of such carried forward domestic losses may be limited by Sec. 382 of the Internal Revenue Code in the event of an ownership change, which may have been incurred as a result of the Company's financing activities and other transactions or transaction among the Company's shareholders, such as the Hartford and Lakewood asset sales described in Note 16.

The tax change in the valuation allowance is listed below:

	2013	2012
Balance at beginning of the year	$ 7,559,653	$ 1,221,800
Charged to costs and expenses	2,260,442	6,545,615
Reversed to gross tax assets and other accounts	-	(207,762)
Balance at end of the year	$ 9,820,095	$ 7,559,653

In 2012, an additional valuation allowance was established against the remaining domestic net deferred tax assets as the Company determined it was not more likely that these assets would be realized. In 2013, the valuation allowance was increased to offset the foreign net deferred tax assets as the Company determined it was not more likely than not that these assets would be realized. At April 30, 2013, the Company's net deferred tax assets are fully offset by a valuation allowance. The Company continues to analyze the realizability of its deferred tax assets on a regular basis.

Deferred taxes have not been provided on the excess book basis in the shares of the Company's Australia subsidiaries because these basis differences are not expected to reverse in the foreseeable future. These basis differences could reverse through a sale of the subsidiaries, the receipt of dividends from the subsidiaries, as well as various other events. It is not practical to calculate the residual income taxes that would result if these bases differences reversed due to the complexities of the income tax law and the hypothetical nature of these calculations.

The Company had no undistributed earnings of its Australia subsidiaries for the years ended April 30, 2013 and 2012. Deferred taxes have not been provided on any basis differences in the shares of the Company's Australia subsidiaries as such differences are not expected to reverse in the foreseeable future. These basis differences could reverse through a sale of the subsidiaries, the receipt of dividends from the subsidiaries, as well as various other events. It is not practical to calculate the residual income taxes that would result if these bases differences reversed.

NOTE 13 - STOCK OPTION PLANS

In September 2006, the Company adopted the 2007 Incentive Stock Plan, under which officers, directors, key employees or consultants may be granted options. Under the 2007 Incentive Stock Plan, 57,142 shares of common stock were reserved for issuance upon the exercise of stock options, stock awards or restricted stock. These shares were registered under Form S-8. Under the terms of the 2007 Incentive Stock Plan, stock options are granted at exercise prices equal to the fair market value of the common stock at the date of grant, and become exercisable and expire in accordance with the terms of the stock option agreement between the optionee and the Company at the date of grant. These options generally vest based on between one to three years of continuous service and have five-year contractual terms. At April 30, 2013, options to purchase 53,929 shares were outstanding at exercise prices ranging from $2.73 to $21.98. At April 30, 2013, there were 1,428 options available for grant under the 2007 Incentive Stock Plan.

In September 2005, the Company adopted the 2006 Incentive Stock Plan, under which officers, directors, key employees or consultants may be granted options. Under the 2006 Incentive Stock Plan, 57,142 shares of common stock were reserved for issuance upon the exercise of stock options, stock awards or restricted stock. These shares were registered under Form S-8. Under the terms of the 2006 Incentive Stock Plan, stock options are granted at exercise prices equal to the fair market value of the common stock at the date of grant, and become exercisable and expire in accordance with the terms of the stock option agreement between the optionee and the Company at the date of grant. These options generally vest based on between one to three years of continuous service and have five-year contractual terms. At April 30, 2013, options to purchase 46,571 shares were outstanding at exercise prices ranging from $2.52 to $4.20. At April 30, 2013, there were 346 options available for grant under the 2006 Incentive Stock Plan.

In March 2003, the Company established a stock option plan pursuant to which options to acquire a maximum of 59,523 shares of the Company's common stock were reserved for grant (the "2002 Plan"). These shares were registered under Form S-8. Under the terms of the 2002 Plan, the options 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. These options generally vest based on between one to three years of continuous service and have five-year contractual terms. At April 30, 2013, options to purchase 15,779 shares were outstanding at exercise prices ranging from $4.20 to $39.90. At April 30, 2013, there were no further shares available for grant under the 2002 Plan as the ten-year term of the 2002 Plan had been reached.

The following is a summary of information with respect to stock options granted under the 2002 Plan, 2006 Incentive Stock Plan and 2007 Incentive Stock Plan at April 30, 2013 and 2012:

	Options Outstanding at April 30, 2013			Options Exercisable at April 30, 2013	
Exercise prices	Shares under option	Weighted-average remaining life in years	Weighted-average Exercise Price	Shares under option	Weighted-average Exercise Price
$2.52 - $5.88	97,143	4.43	$ 4.09	88,571	$ 4.13
$16.59 - $39.90	19,136	1.07	$ 19.94	18,945	$ 19.93
Total	116,279	3.88	$ 6.70	107,516	$ 6.92

	Options Outstanding at April 30, 2012				Options Exercisable at April 30, 2012		
Exercise prices	Shares under option	Weighted-average remaining life in years		Weighted-average Exercise Price	Shares under option		Weighted-average Exercise Price
$16.59 - $24.71	22,942	2.07	$	19.71	18,386	$	19.18
$39.9 - $44.31	9,948	0.91	$	43.67	9,947	$	43.67
$71.75 - $84.70	929	0.14	$	80.32	929	$	80.32
Total	33,819	1.67	$	28.42	29,262	$	29.45

The following table summarizes stock option activity for the year ended April 30, 2013, during which there were no options exercised under the Company's stock option plans:

	2002 Plan					
	Number of Shares		Weighted-average Exercise Price	Weighted- average Remaining Contractual Term		Aggregate Intrinsic Value
Outstanding, May 1, 2012	5,991	$	29.54			
Granted	12,857		4.50			
Exercised	-		-			
Forfeited/Expired	(3,069)		37.54			
Outstanding, April 30, 2013	15,779	$	7.58	3.8	$	-
Vested and expected to vest, April 30, 2013	14,952	$	7.64	3.8	$	-
Exercisable, April 30, 2013	12,731	$	7.83	3.7	$	-

	2006 Plan					
	Number of Shares		Weighted-average Exercise Price	Weighted-average Remaining Contractual Term		Aggregate Intrinsic Value
Outstanding, May 1, 2012	757	$	77.08			
Granted	46,571		4.19			
Exercised	-		-			
Forfeited/Expired	(757)		77.08			
Outstanding, April 30, 2013	46,571	$	4.19	4.4	$	-
Vested and expected to vest, April 30, 2013	46,571	$	4.19	4.4	$	-
Exercisable, April 30, 2013	46,571	$	4.19	4.4	$	-

	2007 Plan			
	Number of Shares	Weighted-average Exercise Price	Weighted-average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, May 1, 2012	27,071	$ 26.81		
Granted	37,714	3.82		
Exercised	-	-		
Forfeited/Expired	(10,856)	37.40		
Outstanding, April 30, 2013	53,929	$ 8.60	3.5	$ -
Vested and expected to vest, April 30, 2013	52,379	$ 8.78	3.4	$ -
Exercisable, April 30, 2013	48,214	$ 9.30	3.3	$ -

NOTE 14 - SHAREHOLDERS' EQUITY

Reverse Stock Split

Effective May 28, 2013, the Company amended its Certificate of Incorporation, as amended, pursuant to which the Company effected a one-for-seven reverse split of the Company’s issued and outstanding shares of common stock (the Reverse Stock Split) and reduced the number of authorized shares of common stock by the same ratio, from 100 million to 14,285,715, by filing a Certificate of Amendment to the Certificate of Incorporation (the Certificate of Amendment) with the Secretary of State of Delaware to effectuate such amendment. The total issued and outstanding common stock was decreased from approximately 6,954,766 shares to 993,538 shares. All results reported in this annual report include the effects of the Reverse Stock Split.

The purpose of the Reverse Stock Split was to raise the per share trading price of WPCS common stock to regain compliance with the $1.00 per share minimum bid price requirement for a continued listing on the NASDAQ Capital Market. In order to maintain the WPCS listing on the NASDAQ Capital Market, on or before June 24, 2013, the Company’s common stock was required to have a minimum closing bid price of $1.00 per share for a minimum of ten prior consecutive trading days, which was achieved.

As previously reported, the holders of a majority of the issued and outstanding shares of common stock of the Company, at the annual shareholder meeting held on February 28, 2013, granted discretionary authority to the Company’s board of directors to effectuate a reverse stock at a range from 1-for-2 up to 1-for-10. On May 6, 2013, the Company’s board of directors authorized the Reverse Stock Split pursuant to a unanimous consent in lieu of a meeting.

Section 16(b) Settlement

On August 7, 2006, Maureen Huppe, a stockholder of the Company, filed suit in the United States District Court Southern District of New York, against defendants Special Situations Fund III QP, L.P. and Special Situations Private Equity Fund, L.P. (collectively SSF), former stockholders of the Company, alleging violations of Section 16(b) of the Securities Exchange Act of 1934, 15 U.S.C. § 78p (b) (Section 16(b)). SSF made sales of 20,445 shares of the Company’s common stock from December 15, 2005 to January 30, 2006, at prices ranging from $64.26 to $88.34 per share. On April 12, 2006, SSF purchased 95,209 shares of the Company’s common stock at $49.00 per share.

The complaint sought disgorgement from SSF for any "short-swing profits" obtained by them in violation of Section 16(b), as a result of the foregoing sales and purchases of the Company's common stock within periods of less than nine months while SSF was a beneficial owner of more than 10% of the Company's common stock. The complaint sought disgorgement to the Company of all profits earned by SSF on the transactions, attorneys' fees and other expenses. While the suit named the Company as a nominal defendant, it contained no claims against nor sought relief from the Company.

On June 13, 2012, the parties executed a court approved settlement which resolved this Section 16(b) action. Pursuant to this settlement, SSF agreed to pay the Company $529,280 in disgorgement of short-swing profits, less the fees and expenses agreed upon by the plaintiffs of $272,539 in connection with the settlement, resulting in the remainder, or $254,361, paid to the Company. The Company recorded the net proceeds as additional paid-in capital.

Stockholder Rights Plan

On February 24, 2010, the Company adopted a stockholder rights plan. The stockholder rights plan was embodied in the Rights Agreement dated as of February 24, 2010 (the Rights Agreement) between the Company and Interwest Transfer Co., Inc. (the Rights Agent). In connection with the Rights Agreement, the Company declared a dividend of one preferred share purchase right (a Right) for each outstanding share of the Company's common stock to stockholders of record at the close of business on March 8, 2010. Each Right entitled the registered holder, subject to the terms of the Rights Agreement, to purchase from the Company one one-thousandth (1/1000th) of a share of Series D Junior Participating Preferred Stock, $0.0001 par value (the Preferred Stock) at a purchase price of $15.00, subject to adjustment.

In connection with the Purchase Agreement, on December 4, 2012, the Company and the Rights Agent entered into Amendment No. 1 (the Amendment) to the Rights Agreement, to accelerate the expiration of the Rights (as defined in the Rights Agreement) to December 4, 2012. As a result of the Amendment, the Rights expired and the Rights Agreement terminated effective 5:00 p.m., New York City time, on December 4, 2012.

Shelf Registration Statement

On April 15, 2010, the Company filed a registration statement on Form S-3 using a "shelf" registration process. In connection with the Purchase Agreement, on December 5, 2012, Post-Effective Amendment No. 1 to Form S-3 was filed to deregister all unsold shares of common stock registered under the Registration Statement, and to terminate the effectiveness of the Registration Statement.

NOTE 15 - 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 organizes its reportable segments to correspond with its primary service lines: wireless communications, specialty construction and electrical power. Management evaluates performance based upon income (loss) 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 segments. Corporate assets primarily include cash and cash equivalents and prepaid expenses.

As part of the divestiture transactions more fully described in Note 16, "Discontinued Operations", the Company reclassified the reporting units within its reportable segments. As a result, wireless communications includes the Suisun City and Australia Operations, specialty construction includes the China Operations, and electrical power includes the Trenton, Seattle and Portland Operations, for each of the periods presented. The segment information presented below contains the operating results for the continuing operations only. The St. Louis, Sarasota, Lakewood and Hartford Operations were sold and are reported as discontinued operations. The Sarasota, Lakewood and Hartford Operations were previously reported in the wireless communications segment and the St. Louis Operation was reported in the specialty construction segment. Segment results for the year ended April 30, 2013 and 2012 are as follows:

As of and for the Year Ended April 30, 2013

	Corporate	Wireless Communications	Specialty Construction	Electrical Power	Total
Revenue	$ -	$ 17,664,517	$ 5,257,932	$ 19,406,225	$ 42,328,674
Depreciation and amortization	$ 30,964	$ 346,410	$ 721,893	$ 232,902	$ 1,332,169
Income (loss) before income taxes from continuing operations	$ (7,585,648)	$ (2,093,262)	$ 412,297	$ 2,042,469	$ (7,224,144)
Total assets	$ 2,679,196	$ 4,910,535	$ 5,905,158	$ 4,650,077	$ 18,144,966
Additions of property and equipment	$ -	$ 163,087	$ 710,102	$ 203,036	$ 1,076,225

As of and for the Year Ended April 30, 2012

	Corporate	Wireless Communications	Specialty Construction	Electrical Power	Total
Revenue	$ -	$ 23,311,966	$ 6,093,745	$ 36,056,446	$ 65,462,157
Depreciation and amortization	$ 64,651	$ 503,196	$ 766,857	$ 440,968	$ 1,775,672
Income (loss) before income taxes from continuing operations	$ (3,648,421)	$ (163,226)	$ 313,419	$ (11,316,553)	$ (14,814,781)
Goodwill	$ -	$ 1,930,826	$ -	$ -	$ 1,930,826
Total assets	$ 8,907,729	$ 8,936,442	$ 7,680,782	$ 10,270,446	$ 35,795,399
Additions of property and equipment	$ 11,781	$ 160,735	$ 90,109	$ 153,906	$ 416,531

As of and for the years ended April 30, 2013 and 2012, the specialty construction segment includes approximately $5,258,000 and $6,094,000 in revenue and $198,000 and $898,000 of net assets held in China related to the Company’s 60% interest in the China Operations, respectively. As of and for the years ended Apri1 30, 2013 and 2012, the wireless communications segment includes approximately $7,660,000 and $12,290,000 in revenue and $(308,000) and $3,100,000 of net assets held in Australia related to the Company’s Australia Operations, respectively.

NOTE 16 - DISCONTINUED OPERATIONS

St. Louis and Sarasota Operations Common Stock Sales

Effective September 1, 2011, the Company entered into a Securities Purchase Agreement and Amendment No. 1 to the Escrow Agreement with Multiband, Inc. (Multiband) traded under the NASDAQ symbol MBND, for the acquisition by Multiband of the common stock of the Company’s former wholly-owned subsidiaries, the St. Louis and Sarasota Operations, for $2,000,000 in cash. The $2,000,000 in proceeds was used to reduce the outstanding borrowings under a previous loan agreement with Bank of America, N.A.

Hartford and Lakewood Operations Asset Sales

On July 25, 2012, the Company and the Hartford and Lakewood Operations entered into an asset purchase agreement (the Asset Purchase Agreement), pursuant to which the Hartford and Lakewood Operations sold substantially all of their assets to two newly-created subsidiaries of Kavveri Telecom Products Limited (Kavveri) for a purchase price of $5.5 million in cash, subject to adjustment, and the assumption of their various liabilities. At closing, the Company received $4.9 million in cash, with the remaining $600,000 of the purchase price to be placed into escrow pursuant to the Asset Purchase Agreement. The Company used the proceeds from this sale to repay the full amount outstanding under the Credit Agreement of $4,022,320 as of July 25, 2012. The difference of $877,680 was deposited in its operating cash account.

Kavveri agreed to place $350,000 of the purchase price into escrow in the future pending assignment of certain contracts post-closing, with the Company receiving those funds upon successful assignment of the contracts. The remaining $250,000 is to be escrowed in the future for purposes of satisfying certain adjustments to the purchase price based on a final net asset valuation to be completed after closing as well as repurchase obligations of certain delinquent accounts receivable. No later than three days after the final determination of the net asset valuation, the purchasers are required to deposit the $600,000 into escrow.

To date, the Company has not reached agreement with Kavveri with regard to resolving the net asset valuation. On January 28, 2013, Kavveri submitted a revised aggregate claim for indemnification by the Company of approximately $1,511,000 with regard to (1) net asset valuation claim owed of approximately $698,000, which includes accounts receivable deemed uncollectible of $519,000 related to a project that was completed by the Company's former Hartford Operations and accepted by the customer on or prior to the Closing Date; and (2) delinquent account receivables to be repurchased of approximately $813,000.

On February 27, 2013, the Company notified Kavveri that it disputed these claims. Among other things, the Company disputes the amount of the delinquent receivables, and believes that after consideration of reserves for uncollectible accounts and other offsets previously considered in its calculation of the net asset valuation, the total amount of accounts receivable deemed uncollectible for repurchase to be approximately $36,000. However, the Company contends that Kavveri missed the deadline to notify the Company regarding the repurchase of delinquent receivables pursuant to the terms of the Asset Purchase Agreement regarding timing for notification to the Company, which would eliminate any repurchase payment owed by the Company to Kavveri. The Company also believes that the $519,000 of accounts receivable claimed for indemnification by Kavveri is without merit. Finally, the Company also disputes the net asset valuation claim, and believes Kavveri owes the Company approximately $58,000, following its evaluation of the uncollectible accounts receivable. With regard to the net asset valuation claim, if the parties disagree, and if they are unable to come to an agreement, the matter will be submitted to one or more independent, nationally-recognized accounting firms for final determination. As of the date of this annual report, no matters have been submitted to the independent accounting firm.

The Company has reported the financial activity of these four operations as discontinued operations for all periods presented. The Company has reflected the estimated changes in the in the gain (loss) from the disposal of the St. Louis, the Sarasota, the Hartford and Lakewood Operations in the years ended April 30, 2013 and 2012. A summary of the operating results for the discontinued operations is as follows:

	Years Ended April 30, 2013	Years Ended April 30, 2012
REVENUE	$ 4,901,501	$ 29,622,221
COSTS AND EXPENSES:		
Cost of revenue	4,088,400	22,397,710
Selling, general and administrative expenses	1,291,164	6,705,498
Depreciation and amortization	101,750	550,346
Goodwill and intangible assets impairment	-	148,437
	5,481,314	29,801,991
OPERATING LOSS FROM DISCONTINUED OPERATIONS	(579,813)	(179,770)
Interest expense	5,315	19,683
Loss from discontinued operations before income tax provision	(585,128)	(199,453)
Income tax provision	4,491	2,646,224
Loss from discontinued operations, net of tax	(589,619)	(2,845,677)
(Loss) gain from disposal	1,756,586	(1,032,737)
TOTAL INCOME (LOSS) FROM DISCONTINUED OPERATIONS	$ 1,166,967	$ (3,878,414)

The Company incurred approximately $304,000 of expenses directly associated with the sale of the St. Louis and Sarasota Operations, and $56,000 directly associated with the sale of the Hartford and Lakewood Operations.

There were no assets or liabilities included in the consolidated balance sheets for the St. Louis, Sarasota Hartford, and Lakewood Operations at April 30, 2013. The major classes of assets and liabilities included in the consolidated balance sheets at April 30, 2012 of the discontinued operations were as follows:

	April 30, 2012
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 2,432
Accounts receivable, net of allowance of $134,929 at April 30, 2012	5,837,341
Costs and estimated earnings in excess of billings on uncompleted contracts	183,760
Inventory	1,416,773
Prepaid expenses and other current assets	82,971
Prepaid income taxes	47,920
Total current assets	7,571,197
PROPERTY AND EQUIPMENT, net	1,013,377
OTHER ASSETS	51,478
Total assets	8,636,052
LIABILITIES AND EQUITY	
CURRENT LIABILITIES:	
Current portion of loans payable	99,002
Income taxes payable	2,000
Accounts payable and accrued expenses	4,754,099
Billings in excess of costs and estimated earnings on uncompleted contracts	33,103
Deferred revenue	498,934
Total current liabilities	5,387,138
Loans payable, net of current portion	172,222
Total liabilities	5,559,360
Total net assets	$ 3,076,692

NOTE 17 - COMMITMENTS AND CONTINGENCIES

Other payable to Zurich

On July 12, 2012, the Company executed the Financing Agreement with Zurich. Under the terms of the Zurich Agreement, Zurich advanced the Company $793,927 for the payment of labor and labor-related benefits to assist in completing the project contract with the Owner or Cooper Project. The Cooper Project is a $16.2 million project completed by the Company's Trenton Operations. Zurich and its affiliate F&D, as surety, have issued certain performance and payment bonds on behalf of the Owner in regard to the Company's work on this project. The Company was to repay Zurich the financial advances by September 2012; however the Company was in default under the Financing Agreement as it had not repaid Zurich the $793,927 and Zurich paid certain of the Company's vendors pursuant to Zurich's obligations under its payment bond on the Cooper Project. As a result, a letter of direction was sent to the Owner requesting that all current and future amounts to be paid on the contract be assigned and paid to Zurich directly.

In addition, the Company is contingently liable to Zurich and its affiliate F&D under the Indemnity Agreement. Zurich and F&D, as surety, have issued certain performance and payment bonds on behalf of owners or customers regarding the Company's work on various projects under the Indemnity Agreement. The Company agrees to indemnify the surety for any payments made by Zurich on contracts of suretyship, guaranty or indemnity.

Regarding Zurich, F&D and the Indemnity Agreement, on April 17, 2013, the Company executed the Forbearance Agreement with Zurich, which supersedes the Financing Agreement. As of April 16, 2013, the total Loss Amount due Zurich under the Forbearance Agreement less payments received by Zurich was $2,836,668. Under the Forbearance Agreement, among other things, the parties have agreed to the following payments which will be credited against the Loss Amount owed to Zurich by the Company: (1) the Interim Liability Payments; (2) the Customer Payments; and (3) the Claim, up to the Loss Amount as it exists at the time. As of April 30, 2013, the net Other Payable for the Loss Amount owed Zurich under the Forbearance Agreement was $1,743,986, which includes the initial Interim Liability Payments of $25,000 per month, and $1,090,604 of additional contract accounts receivable representing future Customer Payments and $22,922 of additional accounts payable assigned to Zurich which were reclassed from consolidated accounts receivable and accounts payable, respectively. As of the date of this annual report, the Loss Amount owed to Zurich is approximately $1,634,000 following Interim Liability and Customer Payments made subsequent to April 30, 2013.

Each or any of the following shall constitute an event of default under the Forbearance Agreement: (a) failure by the Company to make any of the Interim Liability Payments; (b) failure by the Company to remit any Customer Payments received; (c) the failure by the Company or the Owner to remit the proceeds of the Claim to Zurich; and (d) any Loss Amount that still exists as of December 31, 2013. If an event of default occurs, Zurich is authorized to confess judgment against the Company, however the entry of any judgment by confession shall not constitute a waiver or release of any of Zurich's rights under the Indemnity Agreement. The Company is currently in compliance with the terms of the Forbearance Agreement.

The Company has submitted a revised Claim and request for equitable adjustment to the Owner in the amount of $2,421,425 for significant delays, disruptions and construction changes that were beyond its control and required the Company to perform additional work. The Company is currently in negotiations with the Owner to settle the Claim. The next step in the resolution process as set forth in the contract with the Owner is mandatory non-binding mediation through the AAA. On April 15, 2013, the Company filed the Mediation request with the AAA with regard to the Claim. The Company is awaiting a response from the Owner, and as such no date has been established for the Mediation. If it is successful in the settlement of this Claim, the Company expects to use the proceeds from the Claim to repay Zurich the Loss Amount as it exists at the time. There can be no assurance that the Company will be successful in settling with the Owner for all or a portion of the submitted claim.

Employment Agreements

The Company has entered into employment contracts ranging from one to five years with certain of its employees. The aggregate base salary commitments under these contracts at April 30, 2013 are summarized as follows:

Year Ending April 30,		
2014	$	1,409,500
2015		778,333
2016		575,000
2017		575,000
2018		431,250
Total aggregate base salary commitments	$	3,769,083

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, operating results, or cash flows.

Lease Commitments

The Company leases its office facilities pursuant to noncancelable operating leases expiring through December 2017. The Company also has noncancelable vehicle leases. The minimum rental commitments under these noncancelable leases at April 30, 2013 are summarized as follows:

Year ending April 30,		
2014	$	457,696
2015		313,529
2016		180,301
2017		98,276
2018		66,410
Total minimum lease payments	$	1,116,212

Rent expense for all operating leases was approximately $491,000 and $570,000 in 2013 and 2012, respectively.

NOTE 18 - SUBSEQUENT EVENTS-EXECUTIVE MANAGEMENT CHANGES

Andrew Hidalgo Separation

On July 24, 2013, the Company entered into a separation agreement (the Separation Agreement) with Andrew Hidalgo (Hidalgo), the Company's President, Chief Executive Officer and a member of the board of directors. Pursuant to the Separation Agreement, Hidalgo will resign effective at the close of business on July 30, 2013 (the Termination Date), as the President, Chief Executive Officer and a member of the board of directors of the Company and from all officer and director positions with all of the Company's subsidiaries.

Pursuant to the Separation Agreement, Hidalgo intends to submit an offer to the Company to acquire the Company's subsidiaries located in Trenton, New Jersey and Australia (the Proposed Acquisitions). Between the Termination Date and the earlier of (1) October 1, 2013 or (2) the date of closing of the Proposed Acquisitions by Hidalgo (the Severance Period), the Company shall continue to pay Hidalgo his current base salary of $325,000 per year through the Company's normal payroll process. At the end of the Severance Period, Hidalgo shall be entitled to receive a severance payment equal to Hidalgo's salary from the Termination Date through the end of the term of his employment agreement (January 31, 2018) minus any payments made to Hidalgo during the Severance Period (the Severance Payment).

Hidalgo shall be entitled to apply the Severance Payment towards the purchase price of the Proposed Acquisitions, if successful. In the event that the Proposed Acquisitions are not completed by October 1, 2013, the Company and Hidalgo shall negotiate the payment terms of the Severance Payment.

Sebastian Giordano Appointment

Effective August 1, 2013, Sebastian Giordano (Giordano), a member of the Company's board of directors, will be appointed as the Company's Interim Chief Executive Officer.

Effective August 1, 2013, the Company will enter into a letter agreement (the Giordano Agreement) with Giordano to serve as Interim Chief Executive Officer on a part-time basis until a permanent chief executive officer is appointed. The Giordano Agreement can be terminated by either party upon 30 days prior notice. Pursuant to the Giordano Agreement, Giordano shall receive a monthly consulting fee of $10,833. In addition, upon the Company approving a new stock incentive plan, Giordano shall receive a grant of 30,000 shares of the Company's common stock and Giordano shall be entitled to receive a discretionary bonus upon successful achievement of a merger or acquisition of the Company by another entity. The Company will also reimburse Giordano for all reasonable expenses in connection with his services to the Company.

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

ITEM 9A - CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act, as of the end of the period covered by this Annual Report on Form 10-K. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on management’s evaluation, our chief executive officer and chief financial officer concluded that, as of April 30, 2013, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

(b) Changes in internal control over financial reporting.

There were no changes in our internal control over financial reporting that occurred during the quarter ended April 30, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

(c) Management’s report on internal control over financial reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of April 30, 2013.

This annual report does not include an attestation report by CohnReznick LLP, our independent registered public accounting firm, regarding internal control over financial reporting. As a smaller reporting company, our management's report was not subject to attestation by our independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

ITEM 9B - OTHER INFORMATION

None.

PART III

ITEM 10 - DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The names of our directors and executive officers and their ages, titles, and biographies are set forth below:

NAME	AGE	OFFICES HELD
Andrew Hidalgo (1)	57	Chairman, Chief Executive Officer and Director
Joseph Heater	49	Chief Financial Officer
Myron Polulak	59	Executive Vice President
Charles Benton	62	Director
Kevin Coyle	61	Director
Norm Dumbroff	52	Director
Neil Hebenton	57	Director
Edward Gildea	61	Director
Sebastian Giordano (2)	56	Director

(1) Effective July 30, 2013, Mr. Hidalgo will resign as Chairman, Chief Executive Officer and Director.

(2) Effective August 1, 2013, Mr. Giordano will become our Interim Chief Executive Officer and Director.

Directors are elected annually and hold office until the next annual meeting of the stockholders of the Company and until their successors are elected. Officers are elected annually and serve at the discretion of the Board of Directors.

Andrew Hidalgo, Chairman, Chief Executive Officer and Director

Mr. Hidalgo has been our Chairman of the Board and Chief Executive Officer since our inception in November 2001 and served in the same capacity with the predecessor company WPCS Holdings, Inc. since September 2000. He is responsible for our operations, strategic initiatives and executive management team. 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. Mr. Hidalgo's experience with communications infrastructure services and his executive experience in operations, business development and mergers and acquisitions, including serving as our Chief Executive Officer, was instrumental in his selection as a member of our board of directors.

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. 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.

Myron Polulak, Executive Vice President

Mr. Polulak has been Executive Vice President since December 2008 and is responsible for the management and strategic development of designated operations. Mr. Polulak was a co-founder of New England Communications Systems, Inc. (Hartford Operations) since acquisition by WPCS in June 2006 and president of the Hartford Operations to April 2010. Mr. Polulak has over thirty years experience in the wireless industry with 30 years specifically dedicated to state and local government system design and sales. Mr. Polulak is a committee member of the Eastern Regional Motorola Service Station board, member of Associated Public Communications Organization and recent past chairman of Motorola National Service Advisory Council. Mr. Polulak holds a B.S. degree in marketing and business management from Seton Hall University, Orange, New Jersey.

Charles Benton, Director

Mr. Benton has been a director of WPCS since July 2012. Since February 2008, Mr. Benton has served as the Director of Distribution Services – Supply Chain for Charming Shoppes, Inc., a leading national specialty retailer of women's apparel operating more than 1,800 retail stores throughout the United States. Prior to that, from March 2006 to January 2008, he served as Director of Finance – Supply Chain for Charming Shoppes, and from May 1999 to February 2006, as Manager of Finance – Supply Chain for Charming Shoppes. Previously, Mr. Benton spent approximately 20 years for Consolidated Rail Corporation. He holds a B.S. degree in accounting from St. Joseph's University in Philadelphia, Pennsylvania. Mr. Benton's financial experience was instrumental in his selection as a member of our board of directors.

Kevin Coyle, Director

Mr. Coyle has been a director of WPCS since August 2012. Since November 2009, Mr. Coyle has been the Principal of KPC Consulting, his personal consulting company. Between February 2011 and July 2011, Mr. Coyle served as a Senior Vice President for Business Development at Comcast Communications, Inc. in Philadelphia, Pennsylvania. Between 2005 and September 2009, Mr. Coyle served as the Chief Executive Officer of Ygnition Networks, Inc., a Seattle, Washington-based communications service provider. Previously, Mr. Coyle served as Chief Executive Officer of Digital Media Holdings in Denver, Colorado (2002 – 2003), Chief Financial Officer of OneSecure, Inc. in Denver, Colorado and San Jose, California (2000 – 2002) and Group Vice President and Chief Financial Officer of Jones Intercable, Inc. in Denver, Colorado (1990 – 1999). He holds a B.S. degree in finance from Villanova University in Villanova, Pennsylvania and an M.B.A. degree from Drexel University in Philadelphia, Pennsylvania. Mr. Coyle's experience with communications services, his financial experience and his senior executive experience were instrumental in his selection as a member of our board of directors.

Norm Dumbroff, Director

Mr. Dumbroff became a Director of WPCS in November 2002. Since April 1990, he has been the Chief Executive Officer of Wav Incorporated, 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. Mr. Dumbroff's experience with wireless communications, his engineering background and his senior executive experience was instrumental in his selection as a member of our board of directors.

Neil Hebenton, Director

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. Mr. Hebenton's experience in international business development was instrumental in his selection as a member of our board of directors.

Edward Gildea, Director

Mr. Gildea has been a director of WPCS since February 28, 2013. Since 2006, Mr. Gildea has been President, Chief Executive Officer and Chairman of the Board of Directors of Converted Organics Inc., a green technology company that manufactures and sells an organic fertilizer, made from recycled food waste that increases crop yields. From 2000 to 2005, Mr. Gildea was Consultant, Chief Operating Officer and General Counsel to Qualitymetric Inc., an internet research and advisory company. From 1990 to 2000, Mr. Gildea was Vice President—Legal, Assistant Secretary and Assistant General Counsel to Kellogg Company. Mr. Gildea received a B.A. from The College of the Holy Cross and a J.D. from Suffolk University Law School. Mr. Gildea was nominated by the Board of Directors in connection with the sale of the Notes under the Purchase Agreement. Mr. Gildea's executive business experience was instrumental in his selection as a member of our board of directors.

Sebastian Giordano, Director

Mr. Giordano has been a director of WPCS since February 28, 2013. Since 2002, Mr. Giordano has been Chief Executive Officer of Ascentaur, LLC, a business consulting firm providing comprehensive strategic, financial and business development services to start-up, turnaround and emerging growth companies. From 1998 to 2002, Mr. Giordano was Chief Executive Officer of Drive One, Inc., a safety training and education business. From 1992 to 1998, Mr. Giordano was Chief Financial Officer of Sterling Vision, Inc., a retail optical chain. Mr. Giordano received B.B.A. and M.B.A. degrees from Iona College. Mr. Giardino was nominated by the Board of Directors in connection with the sale of the Notes to the Buyers under the Purchase Agreement. Mr. Giordano's executive business experience was instrumental in his selection as a member of our board of directors.

Family Relationships

None.

Meetings and Committees of the Board of Directors

During the fiscal year ended April 30, 2013, our board of directors held six meetings and approved certain actions by unanimous written consent. We expect our directors to attend all board and committee meetings and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities.

Audit Committee

Our Audit Committee consists of Kevin Coyle, Charles Benton, Norm Dumbroff, Edward Gildea, Sebastian Giordano and Neil Hebenton, with Mr. Coyle elected as Chairman of the Committee. Our Board of Directors has determined that all of the members are "independent" as that term is defined under applicable SEC rules and under the current listing standards of The NASDAQ Stock Market. Mr. Benton is our audit committee financial expert. Effective August 1, 2013, Mr. Giordano will resign from the Audit Committee as he will no longer be considered an independent director.

Our 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 auditor, (iii) pre-approving the professional services provided by the independent auditor, (iv) reviewing the scope of the annual audit and reports and recommendations submitted by the independent auditor, and (v) reviewing our financial reporting and accounting policies, including any significant changes, with management and the independent auditor. Our Audit Committee also prepares the Audit Committee report that is required pursuant to the rules of the SEC.

Executive Committee

Our Executive Committee consists of Charles Benton, Norm Dumbroff, Edward Gildea, Sebastian Giordano and Neil Hebenton, with Mr. Benton elected as Chairman of the Committee. Our Board of Directors has determined that all of the members are "independent" under the current listing standards of The NASDAQ Stock Market. Our Board of Directors has adopted a written charter setting forth the authority and responsibilities of the Executive Committee. Effective August 1, 2013, Mr. Giordano will resign from the Executive Committee as he will no longer be considered an independent director.

Our Executive Committee has responsibility for assisting the Board of Directors in, among other things, evaluating and making recommendations regarding the compensation of our executive officers and directors, assuring that the executive officers are compensated effectively in a manner consistent with our stated compensation strategy, 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 our incentive plans and benefit programs and monitoring of compliance with the legal prohibition on loans to our directors and executive officers.

Nominating Committee

Our Nominating Committee consists of Norm Dumbroff, Edward Gildea, Sebastian Giordano and Neil Hebenton, 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. Effective August 1, 2013, Mr. Giordano will resign from the Nominating Committee as he will no longer be considered an independent director.

Our Nominating Committee has responsibility for assisting the Board in, among other things, effecting the organization, membership and function of the Board and its committees. The Nominating Committee shall identify and evaluate the qualifications of all candidates for nomination for election as directors.

Involvement in Certain Legal Proceedings

Our Directors and Executive Officers have not been involved in any of the following events during the past ten years:

1. any bankruptcy petition filed by or against such person or any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

2. any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);

3. being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from or otherwise limiting his involvement in any type of business, securities or banking activities or to be associated with any person practicing in banking or securities activities;

4. being found by a court of competent jurisdiction in a civil action, the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a Federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;

5. being subject of, or a party to, any Federal or state judicial or administrative order, judgment decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of any Federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions or insurance companies, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

6. being subject of or party to any sanction or order, not subsequently reversed, suspended, or vacated, of any self-regulatory organization, any registered entity or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, executive officers and holders of more than 10% of our common stock to file with the SEC reports regarding their ownership and changes in ownership of our securities We believe that, during fiscal 2013, except for Form 4s relating to stock option grants made on September 18, 2012 to Andrew Hidalgo, Joseph Heater, Myron Polulak, Neal Hebenton, Norm Dumbroff, Kevin Coyle and Charlie Benton, our directors, executive officers and 10% stockholders complied with all Section 16(a) filing requirements.

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 - EXECUTIVE COMPENSATION

Under the rules of the SEC, this Compensation Discussion and Analysis Report is not deemed to be incorporated by reference by any general statement incorporating this Annual Report by reference into any filings with the SEC.

The Executive Committee has reviewed and discussed the following Compensation Discussion and Analysis with management. Based on this review and these discussions, the Executive Committee recommended to the Board of Directors that the following Compensation Discussion and Analysis be included in this Annual Report on Form 10-K.

Submitted by the Executive Committee
Charles Benton, Chairman
Norm Dumbroff
Edward Gildea
Sebastian Giordano
Neil Hebenton

COMPENSATION DISCUSSION AND ANALYSIS (CD&A)

The following discussion and analysis of compensation arrangements of our named executive officers for the fiscal year ended April 30, 2013 should be read together with the compensation tables and related disclosures set forth below.

Compensation Philosophy and Objectives

We believe our success depends on the continued contributions of our named executive officers. Our named executive officers are primarily responsible for our growth and operations strategy, and the management of the day-to-day operations of our subsidiaries. Therefore, it is important to our success that we retain the services of these individuals to ensure our future success and prevent them from competing with us should their employment with us terminate.

Our overall compensation philosophy is to provide an executive compensation package that enables us to attract, retain and motivate executive officers to achieve our short-term and long-term business goals. We strive to apply a uniform philosophy regarding compensation of all employees, including members of senior management. This philosophy is based upon the premise that our achievements result from the combined and coordinated efforts of all employees working toward common goals and objectives in a competitive, evolving market place. The goals of our compensation program are to align remuneration with business objectives and performance and to enable us to retain and competitively reward executive officers and employees who contribute to our long-term success. In making executive compensation and other employment compensation decisions, the Executive Committee considers achievement of certain criteria, some of which relate to our performance and others of which relate to the performance of the individual employee. Awards to executive officers are based on our achievement and individual performance criteria.

The Executive Committee will evaluate our compensation policies on an ongoing basis to determine whether they enable us to attract, retain and motivate key personnel. To meet these objectives, the Executive Committee may from time to time increase salaries, award additional stock options or provide other short and long-term incentive compensation to executive officers and other employees.

Compensation Program & Forms of Compensation

We provide our executive officers with a compensation package consisting of base salary and participation in benefit plans generally available to other employees. In setting total compensation, the Executive Committee considers individual and Company performance, as well as market information regarding compensation paid by other companies in our industry.

In order to achieve the above goals, our total compensation packages include base salary, annual bonus, as well as long-term compensation in the form of stock options.

Base Salary. Salaries for our executive officers are initially set based on negotiation with individual executive officers at the time of recruitment and with reference to salaries for comparable positions in the industry for individuals of similar education and background to the executive officers being recruited. We also consider the individual's experience, and expected contributions to our company. Base salary is continuously evaluated by competitive pay and individual job performance. Base salaries for executives are reviewed annually or more frequently should there be significant changes in responsibilities. In each case, we take into account the results achieved by the executive, his or her future potential, scope of responsibilities and experience, and competitive salary practices.

Bonuses. A component of each executive officer's potential annual compensation may take the form of a performance-based bonus. Contractually, our Executive Vice Presidents are entitled to receive an annual bonus range of 2-3% of the annual profit before interest and taxes of the designated subsidiaries assigned to him. Our CEO and CFO are entitled to an annual bonus, to be determined at the discretion of the Executive Committee, based on our financial performance and the achievement of the officer's individual performance objectives.

Long-Term Incentives. Longer-term incentives are provided through stock options, which reward executives and other employees through the growth in value of our stock. The Executive Committee believes that employee equity ownership provides a major incentive for employees to build stockholder value and serves to align the interests of employees with those of our stockholders. Grants of stock options to executive officers are based upon each officer's relative position, responsibilities and contributions, with primary weight given to the executive officers' relative rank and responsibilities. Initial stock option grants designed to recruit an executive officer may be based on negotiations with the officer and with reference to historical option grants to existing officers. Stock options are generally granted at an exercise price equal to the market price of our common stock on the date of grant and will provide value to the executive officers only when the price of our common stock increases over the exercise price. Although the expenses of stock options affect our financial statements negatively, we continue to believe that this is a strong element of compensation that focuses the employees on financial and operational performance to create value for the long-term.

With regard to our option grant practice, the Executive Committee has the responsibility of approving all stock option grants to employees. Stock option grants for plan participants are generally determined within ranges established for each job level. These ranges are established based on our desired pay positioning relative to the competitive market. Specific recruitment needs are taken into account for establishing the levels of initial option grants. Annual option grants take into consideration a number of factors, including performance of the individual, job level, prior grants and competitive external levels. The goals of option grant guidelines are to ensure future grants remain competitive from a grant value perspective and to ensure option usage consistent with option pool forecasts. Based on the definition of fair market value in our stock option plan, options are granted at 100% of the closing sales price of our stock on the last market trading date prior to the grant date. We do not time the granting of our options with any favorable or unfavorable news released by us. Proximity of any awards to an earnings announcement or other market events is coincidental.

Executive Equity Ownership

We encourage our executives to hold an equity interest in our company. However, we do not have specific share retention and ownership guidelines for our executives.

Performance-Based Compensation and Financial Restatement

We have not considered or implemented a policy regarding retroactive adjustments to any cash or equity-based incentive compensation paid to our executives and other employees where such payments were predicated upon the achievement of certain financial results that were subsequently the subject of a financial restatement.

Tax and Accounting Considerations

Compliance with Internal Revenue Code Section 162(m). Section 162(m) of the Internal Revenue Code of 1986, as amended, restricts deductibility of executive compensation paid to our Chief Executive Officer and each of the four other most highly compensated executive officers holding office at the end of any year to the extent such compensation exceeds $1,000,000 for any of such officers in any year and does not qualify for an exception under Section 162(m) or related regulations. The Executive Committee's policy is to qualify its executive compensation for deductibility under applicable tax laws to the extent practicable. Income related to stock options granted under our 2006 Incentive Stock Plan and 2007 Incentive Stock Plan, generally qualify for an exemption from these restrictions imposed by Section 162(m). In the future, the Executive Committee will continue to evaluate the advisability of qualifying its executive compensation for full deductibility.

Accounting for Stock-Based Compensation. We record compensation expense for the fair value of stock-based compensation.

Employment Contracts and Termination of Employment and Change-In-Control Arrangements

Contract with Andrew Hidalgo

On February 1, 2010, we entered into a five-year employment contract with Andrew Hidalgo, our Chairman and Chief Executive Officer with a base salary of $325,000 per annum. Upon each one year anniversary of the agreement, the agreement will automatically renew for another five years from the anniversary date. In addition, Mr. Hidalgo is entitled to participate in any and all benefit plans, from time to time, in effect for our employees, along with vacation, sick and holiday pay in accordance with our policies established and in effect from time to time.

On July 24, 2013, we entered into the Separation Agreement with Mr. Hidalgo. Pursuant to the Separation Agreement, Mr. Hidalgo will resign effective with the Termination Date on July 30, 2013, as the President, Chief Executive Officer and a member of the board of directors of the Company and from all officer and director positions with all of our subsidiaries. During the Severance Period, we shall continue to pay Hidalgo his current base salary of $325,000 per year through our normal payroll process. At the end of the Severance Period, Hidalgo shall be entitled to receive a Severance Payment equal to Hidalgo's salary from the Termination Date through the end of the term of his employment agreement (January 31, 2018) minus any payments made to Hidalgo during the Severance Period.

Contract with Joseph Heater

On February 1, 2010, we entered into a five-year employment contract with Joseph Heater, our Chief Financial Officer with a base salary of $250,000 per annum. Upon each one year anniversary of the agreement, the agreement will automatically renew for another five years from the anniversary date. In addition, Mr. Heater is entitled to participate in any and all benefit plans, from time to time, in effect for our employees, along with vacation, sick and holiday pay in accordance with our policies established and in effect from time to time.

Contract with Myron Polulak

On December 1, 2011, we entered into a three-year employment contract with Mr. Polulak with a base salary of $176,000 per annum. Effective May 1, 2012, Mr. Polulak's base salary was increased to $200,000 per annum. Upon the anniversary of the agreement, the agreement will automatically renew for another year from the anniversary date, unless, prior to the 30th calendar day preceding expiration of the agreement, either we or Mr. Polulak provide written notice not to renew the agreement. In addition, Mr. Polulak is entitled to participate in any and all benefit plans, from time to time, in effect for our employees, along with vacation, sick and holiday pay in accordance with our policies established and in effect from time to time. Mr. Polulak is entitled to receive an annual bonus of 3.0% of earnings before the deduction of interest and income taxes of designated subsidiaries assigned by us.

For each of the named executive officers listed above, in the event of a change in control, whereby the executive officer is terminated without cause, or resigns for certain "good reasons" we are required to pay the named executive officer a severance payment. The severance payment is the salary and benefits amount owed under the respective employment agreement from the date of termination through the remaining term of the employment agreement.

Contract with Sebastian Giordano

Effective August 1, 2013, we will enter into the Giordano Agreement with Sebastian Giordano to serve as Interim Chief Executive Officer on a part-time basis until a permanent chief executive officer is appointed. The Giordano Agreement can be terminated by either party upon 30 days prior notice. Pursuant to the Giordano Agreement, Mr. Giordano shall receive a monthly consulting fee of $10,833. In addition, upon our approving a new stock incentive plan, Mr. Giordano shall receive a grant of 30,000 shares of our common stock and Mr. Giordano shall be entitled to receive a discretionary bonus upon successful achievement of a merger or acquisition of the Company by another entity. We will also reimburse Mr. Giordano for all reasonable expenses in connection with his services to us.

Summary Compensation Table

The following table provides certain summary information concerning compensation awarded to, earned by or paid to our Chief Executive Officer, the two highest paid executive officers and up to two other highest paid individuals whose total annual salary and bonus exceeded $100,000 for fiscal years 2013 and 2012.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Option Awards ($)(4)	Total ($)
Andrew Hidalgo	2013	325,000	-	18,592	343,592
Chairman, Chief Executive Officer and Director (1)	2012	325,000	-	-	325,000
Joseph Heater	2013	250,000	-	17,593	267,593
Chief Financial Officer (2)	2012	250,000	-	-	250,000
Myron Polulak	2013	200,000	10,000	13,619	223,619
Executive Vice President (3)	2012	176,000	-		176,000

(1) Mr. Hidalgo has served as Chairman, Chief Executive Officer and Director since May 24, 2002.
(2) Mr. Heater has served as Chief Financial Officer since July 15, 2003.
(3) Mr. Polulak has served as Executive Vice President since December 1, 2010.
(4) Represents the dollar amount of stock-based compensation expense recognized in fiscal 2013 for awards granted in fiscal 2013, as discussed in Note 2, "Summary of Significant Accounting Policies" of the notes to consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

GRANTS OF PLAN-BASED AWARDS

The following table sets forth the stock options granted to the named executive officers during fiscal 2013.

Name	**Grant Date**	**All Other Option Awards: Number of Securities Underlying Options (#)**	**Exercise or Base Price of Option Awards ($/Sh)**	**Grant Date Fair Value of Stock and Option Awards ($)**
Andrew Hidalgo	9/18/12	21,429	$ 4.20	27,239
Joseph Heater	9/18/12	14,286	$ 4.20	18,159
Myron Polulak	9/18/12	10,714	$ 4.20	13,619

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table sets forth information for the named executive officers regarding the number of shares subject to both exercisable and unexercisable stock options, as well as the exercise prices and expiration dates thereof, as of April 30, 2013.

Name	Number of Securities underlying Unexercised Options (#) Exercisable	Number of Securities underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($/Sh)	Option Expiration Date
Andrew Hidalgo	3,572	-	$ 16.59	10/10/2013
	5,715	-	$ 21.98	10/28/2014
	21,428	-	$ 4.20	9/18/2017
Joseph Heater	1,786	-	$ 16.59	3/14/2013
	2,858	-	$ 21.98	10/10/2013
	14,285	-	$ 4.20	9/18/2017
Myron Polulak	10,714	-	$ 4.20	9/18/2017

Director Compensation

The following table sets forth summary information concerning the total compensation earned by our non-employee directors in 2013 for services to our company.

Name	Fees Earned or Paid in Cash	Option Awards ($)(*)	Total ($)
Charles Benton (1)	16,000	7,290	23,290
Kevin Coyle (2)	12,000	7,083	19,083
Norm Dumbroff (3)	12,000	5,448	17,448
Neil Hebenton (4)	12,000	5,448	17,448
Edward Gildea (5)	7,000	130	7,130
Sebastian Giordano (6)	7,000	130	7,130
Total:	66,000	25,529	91,529

(*) Amounts represent the stock-based compensation expense recognized in fiscal 2013 for awards granted in fiscal 2013, as discussed in Note 2, "Summary of Significant Accounting Policies" of the notes to consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

(1) 8,571 options were outstanding as of April 30, 2013, of which 7,143 were exercisable as of April 30, 2013.
(2) 8,571 options were outstanding as of April 30, 2013, of which 7,143 were exercisable as of April 30, 2013.
(3) 8,286 options were outstanding as of April 30, 2013, of which 8,286 were exercisable as of April 30, 2013.
(4) 8,286 options were outstanding as of April 30, 2013, of which 8,286 were exercisable as of April 30, 2013.
(5) 2,857 options were outstanding as of April 30, 2013, of which none were exercisable as of April 30, 2013.
(6) 2,857 options were outstanding as of April 30, 2013, of which none were exercisable as of April 30, 2013.

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information regarding beneficial ownership of our common stock as of July 12, 2013:

- by each person who is known by us to beneficially own more than 5% of our common stock;
- by each of our officers and directors; and
- by all of our officers and directors as a group.

Name And Address Of Beneficial Owner (1)	Number of Shares Owned (2)	Percentage of Class (3)
Andrew Hidalgo	59,888(4)	5.85%
Joseph Heater	18,929(4)	1.87%
Myron Polulak	10,714(4)	1.07%
Norm Dumbroff	18,405(4)	1.84%
Neil Hebenton	8,286(4)	*
Kevin Coyle	8,571(4)	*
Charles Benton	8,571(4)	*
Edward Gildea	-	*
Sebastian Giordano	-	*
All Officers and Directors as a Group (9 persons)	133,364(4)	12.26%
First Wilshire Securities Management, Inc.		
1224 E Green Street, Suite 200		
Pasadena, CA 91106	106,896(5)	10.76%

* Less than 1%.

(1) The address for each of our officers and directors is One East Uwchlan Avenue, Exton, PA 19341.

(2) 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 12, 2013 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.

(3) Percentage based on 993,538 shares of common stock outstanding.

(4) 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 12, 2013 or become exercisable within 60 days of that date: Andrew Hidalgo, 30,714 shares; Joseph Heater, 18,929 shares; Myron Polulak, 10,714 shares; Norm Dumbroff, 8,286 shares; Neil Hebenton, 8,286 shares; Kevin Coyle, 8,571 shares; Charles Benton, 8,571 shares; and all officers and directors as a group, 94,071 shares.

(5) As reported pursuant to a Schedule 13G/A filed with the Securities and Exchange Commission on February 14, 2013.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth information about the shares of our 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, and the 2006 and 2007 Incentive Stock Plans approved by the Board of Directors and shareholders.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights		(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans excluding securities reflected in column (a) (1)
Equity compensation plan approved by board of directors (1)	15,779	$	7.58	-
Equity compensation plan approved by security holders (2)	46,571	$	4.19	346
Equity compensation plan approved by security holders (3)	53,929	$	8.60	1,428
Total	116,279	$	4.06	1,774

(1) We established a nonqualified stock option plan pursuant to which options to acquire a maximum of 59,523 shares of our common stock were reserved for grant (the "2002 Plan"). As of April 30, 2013, included above in the 2002 Plan are 15,779 shares issuable upon exercise of options granted to employees and directors. The 2002 Plan has reached its 10 year term, and therefore, no additional options may be granted thereunder.

(2) We established the 2006 Incentive Stock Plan, under which 57,142 shares of common stock were reserved for issuance upon the exercise of stock options, stock awards or restricted stock. As of April 30, 2013, 46,571 shares were issuable upon exercise of options granted to employees and directors.

(3) We established the 2007 Incentive Stock Plan, under which 57,142 shares of common stock were reserved for issuance upon the exercise of stock options, stock awards or restricted stock. As of April 30, 2013, 53,929 shares were issuable upon exercise of options granted to employees and directors.

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

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 obligations resulting from these transactions were ongoing after the close, resulting in payoffs to the other parties who became affiliates.

We previously leased our former Trenton, New Jersey location from Voacolo Properties LLC, of which the former shareholders of the Trenton Operations are the members. For the fiscal years ended April 30, 2013 and 2012, the rents paid for this lease were $12,600 and $69,600, respectively. This lease was terminated on June 30, 2012.

We lease our Woombye, Queensland, Australia location from Pride Property Trust, of which the former shareholders of Pride are the members. For the fiscal years ended April 30, 2013 and 2012, the rents paid for this lease were $64,333 and $62,181, respectively. We believe the terms of this lease are no less favorable than those which could have been obtained between unrelated parties for similar transactions acting at arm's length.

The China Operations revenue earned from TGG and subsidiaries is $1,345,524 and $1,274,774 for the years ended April 30, 2013 and 2012, respectively. In connection with the revenue earned from TGG of $647,518 for the year ended April 30, 2013, the accounts receivable was settled by the receipt of real estate from TGG which fair value approximates the recorded amount of accounts receivable. Since the transaction was between related parties, the net book value of the real estate of $449,660 was determined as the transfer value of the real estate. The difference between the fair value and transfer value, or $200,766, was booked to noncontrolling interest.The China Operations accounts receivable due from TGG and subsidiaries is $117,751 and $625,919 as of the years ended April 30, 2013 and 2012, respectively.

ITEM 14 - PRINCIPAL ACCOUNTING FEES AND SERVICES

Audit Fees. The aggregate fees billed by our independent auditors, for professional services rendered for the audit of our annual financial statements for the years ended April 30, 2013 and 2012, and for the reviews of the financial statements included in our Quarterly Reports on Form 10-Q during the fiscal years were $503,077 and $476,717, respectively.

Audit Related Fees. We incurred fees to our independent auditors of $4,901 and $3,726, respectively, for audit related fees during the fiscal years ended April 30, 2013 and 2012. These fees were related to the specific review of certain Company transactions during these fiscal years, respectively.

Tax and Other Fees. We did not incur fees to our independent auditors for tax compliance services during the fiscal years ended April 30, 2013 and 2012.

Consistent with SEC policies and guidelines regarding audit independence, the Audit Committee is responsible for the pre-approval of all audit and permissible non-audit services provided by our principal accountants on a case-by-case basis. Our Audit Committee has established a policy regarding approval of all audit and permissible non-audit services provided by our principal accountants. Our Audit Committee pre-approves these services by category and service. Our Audit Committee has pre-approved all of the services provided by our principal accountants.

PART IV

ITEM 15 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Exhibits:

3.01	Certificate of Incorporation, as amended, incorporated by reference to Exhibit 3.1 of WPCS International Incorporated's registration statement on Form SB-2, filed April 7, 2006.
3.02	Amended and Restated Bylaws, incorporated by reference to Exhibit 3.02 of WPCS International Incorporated's Current Report on Form 8-K, filed February 26, 2010.
3.03	Certificate of Amendment to the Certificate of Incorporation, as filed with the Delaware Secretary of State on March 4, 2013, incorporated by reference to Exhibit 3.01 of WPCS International Incorporated's Current Report on Form 8-K, filed March 4, 2013.
3.04	Certificate of Amendment to the Certificate of Incorporation, as filed with the Delaware Secretary of State on May 16, 2013 and effective May 28, 2013, incorporated by reference to Exhibit 3.01 of WPCS International Incorporated's Current Report on Form 8-K, filed May 28, 2013.
10.01	2002 Employee Stock Option Plan, incorporated by reference to Exhibit 4.4 of WPCS International Incorporated's Annual Report on Form 10-KSB, filed August 14, 2003.
10.02	2006 Incentive Stock Plan, incorporated by reference to Exhibit 4.2 of WPCS International Incorporated's registration statement on Form S-8, filed September 21, 2005.
10.03	2007 Incentive Stock Plan, incorporated by reference to Exhibit A of WPCS International Incorporated's definitive proxy statement on Schedule 14A, filed August 18, 2006.
10.04	Employment Agreement, effective as of February 1, 2010, by and between WPCS International Incorporated and Andrew Hidalgo, incorporated by reference to Exhibit 10.01 of WPCS International Incorporated's Current Report on Form 8-K, filed February 16, 2010.
10.05	Employment Agreement, effective as of February 1, 2010, by and between WPCS International Incorporated and Joseph Heater, incorporated by reference to Exhibit 10.02 of WPCS International Incorporated's Current Report on Form 8-K, filed February 16, 2010.
10.06	Securities Purchase Agreement, dated as of September 1, 2011, by and between WPCS International Incorporated and Multiband Corporation, incorporated by reference to Exhibit 10.01 of WPCS International Incorporated's Current Report on Form 8-K filed September 8, 2011.
10.07	Second Amendment to Forbearance Agreement, dated as of September 27, 2011, by and among Bank of America, N.A., WPCS International Incorporated, WPCS International – Lakewood, Inc., WPCS International – Suisun City, Inc., WPCS International – Hartford, Inc., WPCS International - Seattle, Inc., WPCS International – Trenton, Inc., and WPCS International – Portland, Inc., incorporated by reference to Exhibit 10.1 of WPCS International Incorporated's Current Report on Form 8-K filed September 30, 2011.
10.08	Employment Agreement, effective as of December 1, 2011, by and between WPCS International Incorporated and Myron Polulak, incorporated by reference to Exhibit 10.12 of WPCS International Incorporated's Annual Report on Form 10-K filed July 30, 2012.
10.09	Loan and Security Agreement, dated January 27, 2012, by and among WPCS International Incorporated, WPCS International – Suisun City, Inc., WPCS International – Seattle, Inc., WPCS International – Portland, Inc., WPCS International – Hartford, Inc., WPCS International – Lakewood, Inc., WPCS International – Trenton, Inc. and Sovereign Bank, N.A., incorporated by reference to Exhibit 10.01 of WPCS International Incorporated's Current Report on Form 8-K filed January 30, 2012.

10.10	Form of Revolving Credit Note, dated January 27, 2012, issued by WPCS International Incorporated, WPCS International – Suisun City, Inc., WPCS International – Seattle, Inc., WPCS International – Portland, Inc., WPCS International – Hartford, Inc., WPCS International – Lakewood, Inc., and WPCS International – Trenton, Inc. in favor of Sovereign Bank, N.A., incorporated by reference to Exhibit 10.02 of WPCS International Incorporated's Current Report on Form 8-K filed January 30, 2012.
10.11	Collateral Pledge Agreement, dated January 27, 2012, by WPCS International Incorporated in favor of Sovereign Bank, N.A., incorporated by reference to Exhibit 10.03 of WPCS International Incorporated's Current Report on Form 8-K filed January 30, 2012.
10.12	First Amendment to Loan and Security Agreement, dated May 3, 2012, by and among WPCS International Incorporated, WPCS International – Suisun City, Inc., WPCS International – Seattle, Inc., WPCS International – Portland, Inc., WPCS International – Hartford, Inc., WPCS International – Lakewood, Inc., WPCS International – Trenton, Inc. and Sovereign Bank, N.A., incorporated by reference to Exhibit 10.01 of WPCS International Incorporated's Current Report on Form 8-K filed May 8, 2012.
10.13	Asset Purchase Agreement, dated as of July 25, 2012, by and among WPCS International Incorporated, WPCS International – Hartford, Inc., WPCS International – Lakewood, Inc., New England Communication Systems Corp. and Quality Communications Systems Inc., incorporated by reference to Exhibit 10.01 of WPCS International Incorporated's Current Report on Form 8-K filed July 26, 2012.
10.14	Escrow Agreement, dated as of July 25, 2012, by and among WPCS International Incorporated, WPCS International – Hartford, Inc., WPCS International – Lakewood, Inc., New England Communication Systems Corp., Quality Communications Systems Inc. and Sichenzia Ross Friedman Ference LLP, incorporated by reference to Exhibit 10.02 of WPCS International Incorporated's Current Report on Form 8-K filed July 26, 2012.
10.15	Second Amendment to Loan and Security Agreement, dated August 31, 2012, by and among WPCS International Incorporated, WPCS International – Suisun City, Inc., WPCS International – Seattle, Inc., WPCS International – Portland, Inc., WPCS International – Hartford, Inc., WPCS International – Lakewood, Inc., WPCS International – Trenton, Inc. and Sovereign Bank, N.A., incorporated by reference to Exhibit 10.01 of WPCS International Incorporated's Current Report on Form 8-K filed September 5, 2012.
10.16	Securities Purchase Agreement, dated as of December 4, 2012, by and among WPCS International Incorporated, Hudson Bay Master Fund Ltd., Iroquois Master Fund Ltd., American Capital Management LLC, Bay Capital A.G., GRQ Consultants, Inc. 401K and Richard Molinsky , incorporated by reference to Exhibit 10.01 of WPCS International Incorporated's Current Report on Form 8-K filed December 5, 2012.
10.17	Form of Note, incorporated by reference to Exhibit 10.02 of WPCS International Incorporated's Current Report on Form 8-K filed December 5, 2012.
10.18	Form of Warrant, incorporated by reference to Exhibit 10.03 of WPCS International Incorporated's Current Report on Form 8-K filed December 5, 2012.
10.19	Form of Security and Pledge Agreement, incorporated by reference to Exhibit 10.04 of WPCS International Incorporated's Current Report on Form 8-K filed December 5, 2012.
10.20	Form of Registration Rights Agreement, incorporated by reference to Exhibit 10.05 of WPCS International Incorporated's Current Report on Form 8-K filed December 5, 2012.
10.21	Form of Guaranty, incorporated by reference to Exhibit 10.06 of WPCS International Incorporated's Current Report on Form 8-K filed December 5, 2012.
10.22	Form of Collateral Agency Agreement, incorporated by reference to Exhibit 10.07 of WPCS International Incorporated's Current Report on Form 8-K filed December 5, 2012.
10.23	Separation Agreement, dated July 24, 2013, by and between WPCS International Incorporated and Andrew Hidalgo, incorporated by reference to Exhibit 10.01 of WPCS International Incorporated's Current Report on Form 8-K filed July 24, 2013.

10.24	Form of Letter Agreement, by and between WPCS International Incorporated and Sebastian Giordano, incorporated by reference to Exhibit 10.02 of WPCS International Incorporated's Current Report on Form 8-K filed July 24, 2013.
10.25	Form of Indemnification Agreement, by and between WPCS International Incorporated and Sebastian Giordano, incorporated by reference to Exhibit 10.03 of WPCS International Incorporated's Current Report on Form 8-K filed July 24, 2013.
14.01	Code of Ethics and Business Conduct, incorporated by reference to Exhibit 14 of WPCS International Incorporated's annual report on Form 10-KSB, filed August 14, 2003.
21.01	Subsidiaries of the registrant
23.01	Consent of CohnReznick LLP, Independent Registered Public Accounting Firm.
31.01	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.02	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.01	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101 INS	XBRL Instance Document*
101 SCH	XBRL Taxonomy Extension Schema Document*
101 CAL	XBRL Taxonomy Calculation Linkbase Document*
101 LAB	XBRL Taxonomy Labels Linkbase Document*
101 PRE	XBRL Taxonomy Presentation Linkbase Document*
101 DEF	XBRL Taxonomy Extension Definition Linkbase Document*

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* Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WPCS INTERNATIONAL INCORPORATED

Date: July 29, 2013

By: /s/ ANDREW HIDALGO
Andrew Hidalgo
Chief Executive Officer (Principal Executive Officer)

Date: July 29, 2013

By: /s/ JOSEPH HEATER
Joseph Heater
Chief Financial Officer (Principal Accounting Officer)

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

Name	Position	Date
/s/ ANDREW HIDALGO Andrew Hidalgo	Chairman of the Board	July 29, 2013
/s/ CHARLES BENTON Charles Benton	Director	July 29, 2013
/s/ KEVIN COYLE Kevin Coyle	Director	July 29, 2013
/s/ NORM DUMBROFF Norm Dumbroff	Director	July 29, 2013
/s/ EDWARD GILDEA Edward Gildea	Director	July 29, 2013
/s/ SEBASTIAN GIORDANO Sebastian Giordano	Director	July 29, 2013
/s/ NEIL HEBENTON Neil Hebenton	Director	July 29, 2013

EXHIBIT 21.01

SUBSIDIARIES OF THE COMPANY

Subsidiary Name	State or Country of Incorporation
Taian AGS Pipeline Construction Co. Ltd	China
The Pride Group (QLD) Pty Ltd	Australia
WPCS Asia Limited	China
WPCS Australia Pty Ltd	Australia
WPCS Incorporated	Pennsylvania
WPCS International – Brendale, Pty Ltd.	Australia
WPCS International – Hartford, Inc.	Connecticut
WPCS International – Lakewood, Inc.	New Jersey
WPCS International – Portland, Inc.	Oregon
WPCS International – Seattle, Inc.	Washington
WPCS International – Suisun City, Inc.	California
WPCS International – Trenton, Inc.	New Jersey

EXHIBIT 23.01

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements No. 333-128488 and No. 333-158232 on Form S-8 of our report dated July 29, 2013, which contains an explanatory paragraph relating to the Company's ability to continue as a going concern, relating to the consolidated financial statements of WPCS International Incorporated and Subsidiaries as of April 30, 2013 and 2012 and for the years then ended, which appears in this Annual Report on Form 10-K of WPCS International Incorporated and Subsidiaries for the year ended April 30, 2013.

By: /s/ CohnReznick LLP
CohnReznick LLP
Roseland, New Jersey
July 29, 2013

EXHIBIT 31.01

CERTIFICATION

I, Andrew Hidalgo, certify that:

1. I have reviewed this Annual Report on Form 10-K of WPCS International Incorporated;

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 registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant 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 registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 reasonable likely to adversely affect the registrant'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 registrant's internal controls over financial reporting.

Date: July 29, 2013

/s/ ANDREW HIDALGO
Andrew Hidalgo
Chief Executive Officer

EXHIBIT 31.02

CERTIFICATION

I, Joseph Heater, certify that:

1. I have reviewed this Annual Report on Form 10-K of WPCS International Incorporated;

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 registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant 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 registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 reasonable likely to adversely affect the registrant'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 registrant's internal controls over financial reporting.

Date: July 29, 2013

/s/ JOSEPH HEATER
Joseph Heater
Chief Financial Officer

EXHIBIT 32.01

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Andrew Hidalgo, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of WPCS International Incorporated on Form 10-K for the fiscal year ended April 30, 2013 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of WPCS International Incorporated.

	By:	/s/ ANDREW HIDALGO
Date: July 29, 2013	Name:	Andrew Hidalgo
	Title:	*Chief Executive Officer*

I, Joseph Heater, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of WPCS International Incorporated on Form 10-K for the fiscal year ended April 30, 2013 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of WPCS International Incorporated.

	By:	/s/ JOSEPH HEATER
Date: July 29, 2013	Name:	Joseph Heater
	Title:	*Chief Financial Officer*