AMERICAN ACCESS TECHNOLOGIES INC
Form 10KSB/A
August 15, 2005

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-KSB/A

Amendment No. 1

(Mark One)

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

For the fiscal year ended December 31, 2004

OR

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

For the transition period from ______ to ______

Commission file number: 000-24575

AMERICAN ACCESS TECHNOLOGIES, INC.

(Name of small business issuer specified in its charter)

Florida	**59-3410234**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

6670 Spring Lake Road, Keystone Heights, FL 32656

(Address of principal executive offices, including zip code)

(352) 473-6673

(Issuer s telephone number, including area code)

Securities registered under Section 12(b) of the Exchange Act:

None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, $0.001 par value per share

(Title of Class)

Check whether the issuer: (i) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (ii) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB/A or any amendment to this Form 10-KSB/A. ¨

The issuer s revenues for the fiscal year ended December 31, 2004 were $6,740,337.

The number of shares outstanding of the issuer s common stock as of March 22, 2005 was 7,382,260 shares. The aggregate market value of the common stock 7,074,790 shares held by non-affiliates, based on the closing price of the common stock on the Nasdaq Stock Market as of March 22, 2004 was $9,621,714. Transitional Small Business Disclosure Format (Check one): Yes ¨ No x

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Explanatory Note

This Amendment No. 1 on Form 10-KSBA to Form 10-KSB of American Access Technologies, Inc. for the year ended December 31, 2004 is being filed to restate the audited consolidated financial statements as of December 31, 2004. This filing does not update information presented in the report as originally filed other than Items 1, 6, 7 and 8A. For further discussion of this matter, see Note 20, labeled Restatement , to the consolidated financial statements. We are not required to and we have not updated any forward-looking statements previously included in the Annual Report on Form 10-KSB filed on March 23, 2005.

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PART I

ITEM 1. DESCRIPTION OF BUSINESS

GENERAL

American Access Technologies, Inc. (the Company) develops and manufactures patented zone cabling and wireless enclosures that mount in ceilings, walls, raised floors, and custom furniture, to facilitate the routing of telecommunications network cabling, fiber optics and wireless solutions to the workspace environment. We believe that zone cabling is a superior approach for growing and open office configurations or wherever frequent moves, additions and changes of telecommunications services are a factor. Zone cabling of the workspace reduces both labor and material costs for initial network installation and facilitates moves, adds, changes and upgrades for the network installations of today and tomorrow.

Omega Metals, Inc. (Omega), a wholly-owned subsidiary of the Company since 1998, was merged into the Company effective February 3, 2005 and will continue to operate as a separate division. Omega Metals is a precision sheet metal fabrication and assembly operation which manufactures our zone cabling and wireless products. It also serves a diverse client base of over 300, including engineering, technology and electronics companies, mostly in the Southeast. Omega Metals operates from a 67,500 sq. ft. manufacturing facility situated on 8 $^{1}/2$ acres of land which is owned by the Company. Manufacturing services include precision stamping, bending, assembling, painting, powder coating and silk screening.

We have expanded our proprietary line of products to include several different sized enclosures, a wall mounted enclosure and a wireless enclosure. We continue to forge private labeling agreements with several manufacturers for which we custom design products to their specifications, serving as an Original Equipment Manufacturer, or we label our standard and modified products to suit these customers needs. Our products are included in the catalog for government contracts and large private sector jobs with one of the nation s top distributors of telecommunications systems products.

On May 8, 2003 we entered into an agreement with Chatsworth Products, Inc. (CPI), Westlake Village, CA establishing a five-year strategic alliance for the manufacture and sales of zone cabling and wireless products developed by American Access. These products, which are currently manufactured by American Access, are co-branded with the names of both American Access and Chatsworth Products and are exclusively sold and distributed by CPI. Under the agreement, American Access will continue to manufacture the products but CPI will have manufacturing rights under certain circumstances. Currently, American Access manufactures all such products. In connection with the alliance, CPI purchased 215,517 shares of American Access common stock in a private placement at $1.16 per share.

On January 11, 2002, the Company entered into an agreement, which was amended on October 1, 2002, for the Acquisition of Product Rights (Agreement) from Bill Sherer Corporation (BSC) and its principal, Bill Sherer. All rights, entitlements, logos, trademarks, goodwill and designs pursuant to the Northern Lights/Eclipse Ultraviolet Light Air Cleansing Systems (the Products) were acquired by the Company in exchange for cash payments of $175,000 and forgiveness of approximately $133,000 in outstanding accounts receivables carried by the Company on BSC s account. All costs relating to this acquisition have been fully amortized as of December 31, 2004. The product is a metal device containing an ultraviolet light designed to be placed in a home air conditioning system. It is used to kill germs and bacteria in indoor air. Our marketing strategy targets contractors and distributors who will supply the system to the homeowner for installation in the central air conditioning system. Our current strategy includes finding a company to acquire our product rights and to distribute the product while we continue to manufacture the product.

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HISTORY OF THE COMPANY

The Company was incorporated on October 21, 1996, under the laws of the State of Florida.

THE COMPANY S BUSINESS

Businesses today strive to get and stay connected with faster and faster access to the Internet and more ways to communicate through computers, voice and video. The Company develops telecommunications network infrastructure solutions to open office architecture, routing high speed cabling, copper wiring and telecommunications network infrastructures wireless solutions into and through office buildings, hospitals, convention centers, schools, hotels, entertainment and theme parks, government buildings, and industrial complexes. As the need increases for high-speed communication networks in the work place, the streamlined distribution of cables and wires that carry that information is also important. Called zone cabling because cables are routed into specific areas as needed, our enclosures conveniently house equipment in the ceiling, raised floors, wall mounts and modular furniture. This dedication to providing total and flexible cabling and wireless solutions places the Company at the forefront of the telecommunications zone cabling industry.

THE COMPANY S ZONE CABLING PRODUCTS

Our product line capitalizes on the need for zone cabling solutions. Our enclosures provide efficiency and flexibility and are plenum-rated and Underwriter s Laboratories approved as described in UL-2043.

In 1996, the Company consulted with many of the leading telecommunications specialists and engineers and all were in agreement. No one had developed a device that met all of the industry standards and could effectively and efficiently be used to house and route telecommunications cables and wiring. However, some sort of device was absolutely required to complete the Open Office Architecture design. The Company researched and verified that no such enclosure existed. In fact, such research indicated that no one was even developing such a zone device.

We designed a telecommunications zone enclosure to house and distribute telecommunications wiring and cabling in buildings. We currently hold several national and foreign patents for the related technology of our zone and wireless cabling enclosures that may be installed above the ceiling, on or in the wall or in the floor structure. The ceiling unit fits into the suspended ceiling, providing easy access to the brain of the telecommunications system. Less cable is used and installation is easier and quicker, causing fewer disruptions and down time for office workers. The floor unit provides the same solution in a floor installation. In 2002, we developed our wall mount solution as well as designing a system that provides the same solution in modular office furniture.

The enclosure can be used for any and all low voltage wiring systems including but not limited to voice, data, video, building controls, security, and fire/life/safety wiring systems. The enclosure was designed to accommodate all manufacturers equipment including various panels as well as fiber optic cables and wireless systems.

Product Application

The enclosure will reduce the amount of wire running from the workstation to the telecommunications closet. The wiring will now run from the workstation to our enclosure, which is readily accessible through the ceiling grid system, a raised floor panel, or through a panel in modular furniture. The enclosures are designed to accommodate either all of the newly developed Open Office Architecture wiring equipment and distribution connections or the configurations for wireless access**.** These enclosures are

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mounted in a standard 2ft. x 4 ft. or 2ft. x 2 ft ceiling grid system or raised floor system, and are physically attached to the building structure to support the weight of the equipment installed within the enclosure. The equipment is reached through a door that opens from below the ceiling or above the floor for easy maintenance, installations and changes. Additionally, we have the capability to customize the enclosure for specific needs as well as having designed a system compatible with modular office furniture, allowing systems to be reconfigured in an office environment as needed. Specially trained, highly-paid technicians will no longer be required to make those changes when systems grow or are reconfigured. The new equipment just plugs in, creating less down time and less loss of productivity. Cables are easily re-routed and reused. Less cable is used, thereby reducing the cost of materials and labor. Money is saved with the initial installation and when systems are changed.

The enclosure makes better use of telecommunications closets, reducing the mass of cables to be run throughout the building. Therefore, building owners have more leasable space.

Product Standards and Regulations

Markets for the Company s products are characterized by the need to meet governmental and industry standards. In the U.S., the Company s products must comply with various regulations established by the Federal Communications Commission and Underwriters Laboratories, as well as standards established by Bell Communications research and local building codes. The zone enclosure has been approved by Underwriters Laboratories for low voltage communications and meets or exceeds the national electrical code requirements when used with appropriate fire foam kits in association with cable access penetration models.

The Company maintains membership in trade organizations such as the Telecommunications Industry Association (TIA) and Building Industrial Consulting Services International. The TIA sets telecommunications industry standards. We are represented on four of the TIA s subcommittees to study zone cabling, thus participating in recommendations for future standards and guidelines for its use.

Zone cabling, or Open Office Architecture, was originally endorsed under Telecommunications Systems Bulletin 75, by the American National Standards Institute, the Telephone Industry Association and the Electrical Industry Association**.** Bulletin 75 has been incorporated into TIA-568-B.1. Currently, the TIA sub-committees are studying TIA 569a and are making additional recommendations on zone cabling and related systems. In December 2004, the TIA issued a standard for Commercial Building Telecommunications Cabling Pathways and Spaces, TIA-569-B. The publication of the new standard gives official recognition to the concept and application of active zone enclosures, called telecommunication enclosures . Although American Access pioneered the development of such products and introduced its first active zone enclosure product in January 1997, this is the first official standard covering such products. American Access has determined that its zone enclosure products meet the new 569-B standard for performance and functionality. The Company is represented on both the TIA and four of its sub-committees, and will help shape future direction of zone cabling.

Product Development

As the Company identified the specific product needs of the telecommunications industry, products were developed to meet these needs. The products assist equipment manufacturers in marketing their own products.

The Company s first design was a low-voltage zone enclosure that mounts within the ceiling grid system. The Company then developed accessory equipment to permit cable penetrations and maintain fire rating.

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The second phase was to develop an enclosure that serves as a termination, distribution or consolidation point within a raised floor data center.

The third phase includes a high-voltage termination enclosure that mounts into the ceiling grid system to house active electronics, including computer hubs, routers and switches. This unit accommodates fiber optics as well as conventional copper wiring.

The fourth phase houses an enclosure inside select modular office furniture.

Phase five was accomplished in 2001 when our wireless enclosure made its debut. Since we introduced it, the wireless enclosure has been the subject of repeat orders by a major network provider.

Currently, we continue to expand our line of proprietary products, offering different-sized units, wall mounts, wireless enclosures and customizing existing units for private label customers.

There can be no assurance that any new products will be successfully developed or marketed.

Intellectual Property

Currently, multiple patents have been issued for the related technology of our Zone Cabling Termination Enclosures and for Communications Cable Interconnection Apparatus and Associated Method For An Open Office Architecture including:

U.S. Patent No. 5,911,611 issued on June 15, 1999;

U.S. Patent No. 5,842,313 issued on December 1, 1998;

U.S. Patent No. 6,112,483 issued on September 5, 2000;

Chinese Patent No. ZL98002220.6 issued on January 5, 2005;

Australian Patent No. 750298 issued on October 31,2002;

Canadian Patent No. 2,277,797 issued on July 23, 2002;

Mexican Patent No. 205.0/021576 issued September 25, 2003;

German Patent No. DE 698,08,462 T2 issued on July 10, 2003;

Austrian Patent No. E 225 575 issued on December 3, 2002; and

Great Britain as European Patent No. 0953221 issued on February 10, 2002.

In addition to the zone cabling enclosure patents, U.S. Patent No. 6,201,687 for Modular Furniture Wall System and Method for Telecommunications Equipment and Wire Management In An Open Office Architecture was issued on March 13, 2001.

OMEGA METALS

We have developed all of our products utilizing computer assisted design drawings (CADD). Master copies of our products are safeguarded at the home office and certain copies are available to outsource firms. On November 12, 1998, the Company acquired all the outstanding common stock of Omega Metals, Inc., in exchange for 226,470 shares of the Company s common stock.

Omega Metals, a wholly-owned subsidiary of the Company since 1998, is a precision sheet metal fabrication and assembly company and has been a manufacturer of various products used in the telecommunications industry. It is located in Northeast Florida midway between Jacksonville and Gainesville. The Company was established in 1981, serving a diverse client base of over 300, including engineering, technology and electronic companies, mostly in the Southeastern markets. Effective February 3, 2005, Omega Metals was merged into American Access Technology, Inc. and will continue to function as a separate division.

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Omega Metals operates from its 67,500 sq. ft. manufacturing facility situated on 8 1/2 acres of land owned by the Company. The manufacturing process is run by a state-of-the-art computer control system. Manufacturing services include precision stamping, bending, assembling, painting, powder coating and silk screening. The recent installation of a robotic welder has significantly improved production efficiencies. Quality control at Omega Metals is based on the Department of Defense military standard MIL-1-45208A. Inspection equipment is strictly maintained to assure consistent quality. Diversified facilities and equipment allow Omega Metals to handle a broad range of customer requirements. Strict attention to quality assures our customers of consistent production and conformity to their specific requirements.

Omega also manufactures for the Company s acquired product line, the Eclipse Ultraviolet Light Air Cleansing System.

Omega markets its services through sales representatives who are independent contractors covering the Eastern United States. Omega s vice president of sales works in the field, calling on and developing accounts.

SALES AND MARKETING

Our analysis indicate that the telecommunications industry is beginning to promote zone cabling as a means to distribute fiber and short runs of enhanced copper. This cabling architecture provides the LAN broader band width, increased speeds, and reduced costs associated with moves, adds, and changes (MACs).

On May 8, 2003 we entered into an agreement with Chatsworth Products, Inc. (CPI), Westlake Village, CA establishing a five-year strategic alliance for the manufacture and sales of Zone Cabling and Wireless products developed by American Access. These products, which are currently manufactured by American Access, are co-branded with the names of both American Access and Chatsworth Products and will be exclusively sold and distributed by CPI. Under the agreement, American Access will continue to manufacture the products but CPI will have manufacturing rights under certain circumstances. American Access currently manufactures all of such products. In connection with the alliance, CPI purchased 215,517 shares of American Access common stock in a private placement at $1.16 per share.

Our marketing plan envisions a distribution chain that includes forging relationships with and ultimately selling our products to:

1 <u>Systems Providers</u> (Original Equipment Manufacturers OEM s) that buy and sell product and specify telecommunications systems to end-users. We have signed private label agreements with several manufacturers, for which we custom design products to their specifications, serving as an OEM, or label our standard and modified products to suit customers needs. Marketing through systems providers is similar to the tire manufacturer that broadens its sales success by selling tires to the automobile manufacturer for inclusion in the finished product. For us, being specified as part of a whole telecommunications system at the pre-design phase is an important part of our sales effort, so we focus on getting the word out to OEMs about the benefits of zone cabling;

2 <u>Distributors</u> that stock, sell and finance product and whole systems. We work with our distributors that employ a sales force to support and sell product through contractors. Working closely with distributors ensures that their sales efforts are successful because their sales personnel understand why zone cabling products are important to a network;

3 <u>Contractors</u> who install, test and guarantee the network systems they build for end-users. Contractors also work closely with the architects and Information Technology Systems Designers who need to know the benefits of zone cabling so it can be specified from

the beginning of a project;

4 End-users that can specify the most cost-efficient system available to them will want to hear the zone cabling story from their architects, contractors, distributors or systems providers. Forging all of these relationships gives us the edge in educating potential buyers of our products.

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As we build relationships on these four levels, the products we manufacture can be sold to systems providers and distributors, who in turn sell to contractors or directly to the end-user. Because our products are an integral part of a telecommunications network, we market them for inclusion in those networks, not as separate products. Our goal is to reach beyond the concept that our product is an alternative to traditional home run cabling and to make zone cabling a standard in the industry. We are accomplishing this goal by hiring independent contractors to manage sales and OEM accounts within designated territories. Currently, three independent sales agents bring to the job years of experience in the telecommunications systems sector. These representatives also cross sell other metal fabricating jobs for Omega Metals.

Concurrently, Omega Metals utilizes manufacturers representatives who are independent contractors to generate sales. Omega s vice president of sales also calls on accounts and coordinates Omega s sales efforts.

The Company uses several brochures to assist in marketing ranging from a one-page overview to an eight-page full color product and application brochure. We also maintain an Internet website for the casual visitor, the telecommunications expert and the investor. All of these marketing/media materials provide company information, product information, engineering specifications, drawings, application for use, and features and benefits tailored to each individual market need. Additionally, the Internet website provides marketing support materials that can be downloaded and printed at individual locations throughout the world. Questions and answers can be transmitted via e-mail feedback capability, query analysis for tracking of inquiries, lead generation for the distributors, distribution of marketing materials to end-users not normally addressed by the individual distributors.

The Company is participating with its channel partners in trade shows as a component in their individual booths and hospitality suites. The Company also participates individually in select trade shows and distributors forums each year.

Distribution and Sales

In addition to our relationship with our OEM partners and our strategic alliance with CPI, the Company maintains authorized distributors that are providers of integrated cabling and network solutions that support business information and network infrastructure requirements. These distributors team with customers to implement network solutions by combining a variety of customized pre- and post-sale services and products from the world s leading manufacturers.

COMPETITION

The market for telecommunications products is highly competitive and subject to rapid technological change, regulatory developments and emerging industry standards. The Company believes that the principal competitive factors in its markets are conformance to standards, reliability, safety, product features, price, performance and quality of customer support. There can be no assurance that the Company will compete successfully in the future with respect to these or other factors.

RISK FACTORS

Our business is subject to a number of risks, some of which are discussed below. Other risks are presented elsewhere in this document and in the information incorporated by reference into this document. Before deciding to invest in our company or to maintain or increase your investment, you should carefully consider the risks described below, in addition to the other information contained in this Annual Report on Form 10-KSBA, our Quarterly Reports on 10-QSB; and in our other filings with the Commission, including

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any subsequent reports filed on Forms 10-KSBA, 10-QSB and 8-K. The risks and uncertainties described below are not the only ones that we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business and results of operations. If any of these risks actually occur, our business, financial condition or results of operations could be seriously harmed. In that event, the market price for our common stock could decline and you may lose all or part of your investment.

GENERAL BUSINESS OPERATIONS AND FINANCIAL RISKS

Risks Related to our business:

We have had a history of operating losses.

We incurred net losses of approximately $986,000 in 2004, $842,000 in 2003, $967,000 in 2002, $1,441,000 in 2001 and $2,034,000 in 2000. Our expenses are currently greater than our revenues. Our ability to operate profitably depends on increasing our sales and achieving sufficient gross profit margins. We cannot assure you that we will operate profitably.

We have experienced fluctuations in our revenues and this may continue in the future.

In 2001, we experienced significant declines in sales in both our zone cabling products and metal fabrication and assembly business. We believe this decline was the result of a significant decline in capital spending in the telecommunications industry, a reduction in technology-related capital spending and a general overall economic recession that has negatively affected the markets we serve. While we have seen an increase in our revenues since 2001 from an economic recovery, there can be no assurance as to the duration and strength of such recovery and whether it will continue to positively affect our revenues.

We have a limited operating history with our zone cabling and wireless products, which makes your evaluation of our business difficult.

We introduced our zone cabling products into the commercial marketplace in January 1997 and since that date have introduced additional products including our first wireless enclosure in August 2001. Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in relatively new and rapidly evolving markets. These risks include:

- uncertain commercial acceptance of our products;
- technological obsolescence; and
- competition.

We cannot assure you that we will succeed in addressing these risks. If we fail to do so, our revenue and operating results could be materially harmed.

Telecommunications networking products are subject to rapid technological change and to compete, we must offer products that achieve market acceptance.

The telecommunications networking industry is characterized by rapid technological change, short product life cycles and evolving industry standards. To remain competitive, we must continue to improve our existing products and offer products for new technologies which may emerge.

Our zone cabling enclosures are designed to facilitate zone cabling of workspace environments. We believe that zone cabling is a superior approach for growing and open office configurations or wherever frequent moves, additions and changes of telecommunications services are a factor. We can offer no assurance, however, that zone cabling will be widely adopted by the telecommunications industry. Furthermore, the recent growth of wireless networking may adversely affect the demand for our zone cabling products.

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Sales of our zone cabling products depend upon the decision of prospective end users to undertake a network cabling or wireless networking projects which incorporate our products. Such projects are affected by a variety of factors, including the following:

- acceptance of the benefits of zone cabling over traditional home run cabling;
- general economic conditions; and
- potential technological changes such as the growth of wireless networking in the office.

For these and other reasons, the sales cycle associated with the purchase of our zone cabling and wireless products can be quite lengthy and is subject to a number of significant risks, including customers budgeting constraints and internal acceptance reviews that are beyond our control. Because of the lengthy sales cycle, our sales of such products are variable and can fluctuate substantially.

We depend significantly on one distributor of our zone cabling and wireless products.

Until May 2003, our zone cabling and wireless product revenues were derived from our sales to a limited number of direct customers, most of which were OEM customers and stocking distributors. In May 2003, we established Chatsworth Products, Inc. (CPI) as our distributor for all of our zone cabling and wireless products to customers other than OEM customers. Accordingly, we are dependent on the performance of CPI to maintain relationships with our existing customers, other than OEM customers, and establish new customers for our products. Our distribution agreement with CPI lasts until May 2008. If CPI is not successful in maintaining good relationships with our existing customers, other than OEM customers, and developing new customers for our products or experiences significant reduction, delay or cancellation of orders from any of these customers, our operating results could be materially and adversely affected.

Our failure to adequately protect our proprietary rights could adversely affect our ability to compete effectively.

We rely on a combination of patents, trademarks, non-disclosure agreements, invention assignment agreements and other security measures in order to establish and protect our proprietary rights. We have been issued four U.S. patents and seven foreign patents which are important to our current business. We can offer no assurance that the claims allowed within the patents will be sufficiently broad to protect our technology. In addition, we can offer no assurance that any patents issued to us will not be challenged, invalidated or circumvented, or that the rights granted thereunder will adequately protect the Company. There can be no assurance that the measures we have taken or may take in the future will prevent misappropriation of our technology or that others will not independently develop similar products, design around our proprietary or patented technology or duplicate our products.

Risks related to ownership of our common stock:

The exercise of our outstanding stock options could adversely affect our outstanding common stock.

Our stock option plans are an important component of our compensation program for our employees and directors. At December 31, 2004, we have 6,572,402 outstanding options to purchase shares of common stock with exercise prices ranging from $0.56 to $10.00 per share. The average weighted exercise price is $2.56. Of the total outstanding, 5,441,479 are options and warrants outstanding to employees and officers/directors. The existence of such rights to acquire common stock at fixed prices may prove a hindrance to our efforts to raise future funding through the sale of equity. The exercise of such options will dilute the percentage ownership interest of our existing stockholders and may dilute the value of their ownership. The possible future sale of shares issuable on the exercise of outstanding options could adversely affect the prevailing market price for our common stock. Furthermore, the holders of the

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outstanding rights may exercise them at a time when we would otherwise be able to obtain additional equity capital on terms more favorable to us. However, due to the wide range of exercise prices, the likelihood that all outstanding options and warrants get exercised all at one time is highly unlikely.

If the price of our stock goes below $1.00 for 30 consecutive trading days, our stock could be delisted from the NASDAQ Stock Market.

Our stock is currently listed on the Nasdaq Small Cap Market. The Nasdaq Stock Market s Marketplace Rules impose a minimum stock price of $1.00 per share for the continued listing of our stock. As of the date of this report, we are in compliance with all Nasdaq Stock Market listing requirements. If our stock price were to close below $1.00 for 30 consecutive trading days in the future we could be out of compliance and our stock would be subject to delisting if we did not achieve compliance within the 180-day cure period provided in the Nasdaq Marketplace Rules. If we are delisted our stock s liquidity would suffer, and we would likely experience reduced investor interest. Such factors may result in a decrease in our stock s trading price. Delisting also makes it more difficult for us to issue additional shares in order to secure additional financing.

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PART II

ITEM 6. MANAGEMENT S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Cautionary note on forward-looking statements: This Annual Report on Form 10-KSBA (the Report) may be deemed to contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the Reform Act). Forward-looking statements in this Report or hereafter included in other publicly available documents filed with the Securities and Exchange Commission (the Commission), reports to the Company s stockholders and other publicly available statements issued or released by the Company involve known and unknown risks, uncertainties and other factors which could cause the Company s actual results, performance (financial or operating) or achievements to differ from the future results, performance (financial or operating) or achievements expressed or implied by such forward-looking statements. Such future results are based upon management s best estimates based upon current conditions and the most recent results of operations. These risks include, but are not limited to, the risks set forth herein, each of which could adversely affect the Company s business and the accuracy of the forward-looking statements contained herein.

Certain amounts in prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. Commencing with the first quarter 2004, certain amounts have been reclassified to cost of goods sold from selling, general and administrative costs and the comparable amounts have been reclassified to/from the prior year.

The following discussion and analysis should be read in conjunction with a discussion about risk factors and the consolidated financial statements of the Company, included elsewhere in this report.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have adopted various accounting policies that govern the application of accounting principles generally accepted in the United States of America in the preparation of our financial statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management s knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results. Our significant accounting policies are described in the footnotes to the consolidated financial statements at December 31, 2004, that are made a part of this annual report on Form 10-KSBA. Certain accounting policies involve significant judgments and assumptions by us that have a material impact on the carrying value of certain assets and liabilities. Management believes the following critical accounting policies reflect its most significant estimates and assumptions used in the presentation of our financial statements. We do not have off-balance sheet arrangements, financings, or other relationships with unconsolidated entities or other persons, also known as special purpose entities (SPEs), nor do we have any variable interest entities (VIEs), as defined by FN 46 and FN 46(R).

Revenue Recognition

The Company recognizes revenue from product sales at the time the product is shipped and title passes to the customer.

Allowance for Doubtful Accounts

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. The estimate is based on management s assessment of the collectibility of specific customer accounts and includes consideration for credit worthiness and financial condition of those specific customers. We also will review historical experience with the customer, the general economic environment and the aging of our receivables. We record an allowance to reduce the specific receivables to the amount that we reasonably believe to be collectible. Those estimates subject to potential change in the near term include allowances for doubtful accounts. Based on our historical collection experience, we currently feel our allowance for doubtful accounts is adequate.

Stock-Based Compensation

Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* (SFAS No. 123), encourages, but does not require companies to record stock-based compensation plans using a fair value based method for grants to employees and directors. The Company has chosen to continue to account for stock-based compensation, granted to employees and directors, using the intrinsic value based method prescribed in Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*. Accordingly, compensation cost for stock options granted to employees and directors is measured as the excess, if any, of the quoted market price of the Company s common stock at the date of the grant over the amount an employee must pay to acquire the stock. Grants of stock-based compensation to non-employees are accounted for following SFAS No. 123 utilizing the fair value method. SFAS No. 123 requires that fair value of the investment granted be measured, which the Company does using an option pricing model.

In December 2004, the Financial Accounting Standards Board issued SFAS No. 123-R, a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation. This Statement supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees,* and its related implementation guidance. SFAS No. 123-R establishes standards for the accounting for transactions in which an entity

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exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity s equity instruments or that may be settled by the issuance of those equity instruments. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. This Statement does not change the accounting guidance for share-based payment transactions with parties other than employees provided in SFAS No. 123 as originally issued and EITF Issue No. 96-18, *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services.* This Statement does not address the accounting for employee share ownership plans, which are subject to AICPA Statement of Position 93-6, Employers Accounting for Employee Stock Ownership Plans. This Statement becomes effective the beginning of the first interim or annual reporting period that begins after December 15, 2005. The Company has not assessed the full impact but believes the adoption of this standard may have a significant, non-cash impact on the Company s results of operations or financial position as of January 2006.

Inventory Valuation

Inventories are stated at the lower of cost or market, with cost determined using an average cost method. Inventory costs for finished goods and work-in-process include material, labor, production overhead, and outside services. Production overhead, including indirect labor, is allocated to finished goods and work-in-progress based on material purchases which is an estimate that could be subject to change in the near term.

RESULTS OF OPERATIONS

REVENUES

Total revenues increased 22.2% in 2004, primarily as the result of a 47.6% increase in our zone cabling division which is mainly attributable to the strategic alliance with Chatsworth Products, Inc. Sales to CPI represent approximately $1,595,000 or 23.7% of total sales for the year ended December 31, 2004 and $372,000 or 6.7% of total sales (9.1% of total sales between May and December, 2003) for the year ended December 31, 2003. Pricing for our OEM relationships is reviewed and updated annually to take into account such changes as market demand and economic factors affecting costs. Omega Metals, our formed metal division, increased sales 9.2% which is primarily attributable to an increase in orders from existing customers. Omega is not limited to annual pricing reviews and revises its pricing accordingly.

	2004	**2003**	**% change**
Formed metal	$ 3,978,308	$ 3,644,258	9.2
Zone cabling	2,762,029	1,871,052	47.6
Total	$ 6,740,337	$ 5,515,310	22.2

COSTS AND EXPENSES

Cost of sales represents expenses incurred by the Company to have its products manufactured and assembled. These costs represent 86.5% of revenues for the year 2004 and 82.8% of revenues for the year 2003. Fuel and transportation costs, in direct correlation to the market value of crude oil, increased significantly in 2004. Strong steel market demand and high prices in most U.S. steel markets prompted an 11% overall increase in domestic steel shipments and a 31% increase in imports of raw steel. Although the increases in importing and shipping alleviated some of the shortages reported by many in steel-consuming sectors, the shortage continues. Sheet metal prices increased relentlessly (an average of 34%) throughout the year and are projected to continue to escalate throughout 2005. Labor costs increased due to a shortage of skilled labor and production delays due to four hurricanes that struck Florida between September and October 2004, thus increasing overtime expense. Additionally, commencing with the first quarter 2004, $456,000 in 2004 and $388,000 in 2003 have been reclassified to cost of goods sold from selling, general and administrative costs.

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General and administrative costs represent 13.0% of revenues for the year 2004 and 13.5% for the year 2003. The $133,000 overall increase in selling, general and administrative expenses for the twelve months ended December 31, 2004 is primarily due to an increase of $134,000 in professional, legal and settlement costs. Commission expense increased $58,000 due to the increased sales but is offset by a decrease of $23,000 in advertising expense, $20,000 in tax and licenses and $16,000 in bad debt expense.

Compensation and related benefits represent 12.7 % of revenues for the year 2004 and a total of 19.5% for the year 2003. Compensation expense for 2003 includes $201,460 (3.7%) related to a decision by the Board to treat outstanding loans and interest receivable of the two officers as compensation. The amounts due were approximately $110,260 and $91,200, respectively, of which $155,000 was principal and $46,460 was interest, collectively. Stock-based compensation of approximately $144,000 represents 2.1% of sales for the year 2004 as compared to $54,000, or 1.0% of sales for the year 2003. The increase of $90,000 is attributable to claim settlements of approximately $55,000 and legal fees of approximately $35,000.

	2004	% Revenue	2003	% Revenue	% Change
Costs and Expenses:					
Cost of sales	$ 5,829,453	86.5	$ 4,568,186	82.8	27.6
Selling, general and administrative	878,948	13.0	745,465	13.5	17.9
Compensation and related benefits	857,732	12.7	869,047	15.8	(1.3)
Compensation to officer/director/stockholders in connection with marketing/manufacturing agreement			201,460	3.7	(100.0)
Stock-based compensation	143,775	2.1	53,687	1.0	167.8
	7,709,908	114.4	6,437,845	116.8	19.8

As a result of the above information, we had a net loss in 2004 of $986,000 compared to a net loss of $842,000 in 2003. The $47,000 increase in Loss Before Other Income is the result of decreased gross margin due to an increase in direct costs (see Note 20). Additionally, due to an increase of approximately $224,000 in selling, general, administrative expense and stock-based compensation, we ultimately recognized an increase in net loss of approximately $143,000.

	2004	2003	% change
Loss before Other Income	$ (969,571)	$ (922,535)	5.1
Net Loss	$ (985,566)	$ (842,116)	17.0

LIQUIDITY AND CAPITAL RESOURCES

Our operating activities utilized cash of $363,469 during the year ended December 31, 2004 compared to utilization of $321,789 in 2003. Net cash used consisted primarily of net losses, decreases in accounts payable, accrued and prepaid expenses. However, the cash decrease is offset by depreciation, amortization, stock issued for services, a loss on the sale of equipment and decreases in accounts receivable and inventory.

Net cash used by investing activities for the year ended December 31, 2004 was $266,283 compared to a utilization of $225,138 in 2003 for equipment and product rights. In 2004, the Company earned $12,418 in interest on investments which was reinvested; sold equipment which provided $45,000; and increased patent costs $4,803. Additionally, the Company purchased $294,062 of new equipment.

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Net cash provided by financing activities was $1,305,825 for the year ended December 31, 2004 compared to $327,530 in 2003, primarily from investor stock purchases. In 2004, the Company received cash of $993,200 from investors buying stock in private agreements but incurred $49,750 in consulting and legal fees related to the investor purchases. The Company also received $100,000 from a stock subscription receivable related to the CPI marketing agreement and $262,375 from the exercise of warrants and options by employees and consultants. The Company also recorded a receivable of $92,660 related to the exercise of warrants and options which is included as a non-cash financing activity.

In October 2004, the Company ordered a laser-cutting machine from Trumpf, Inc. in the amount of $705,000. A deposit of $66,500 was paid to Trumpf, Inc. on October 20, 2004. Subsequently, the Company ordered an automatic loading system from Trumpf for approximately $127,000. The equipment was shipped and installed in early March 2005, with the remaining balance due within standard payment terms. Additional expenses to prepare the premises for the installation are estimated at $20,000 to $40,000, exclusive of any applicable asset retirement obligations.

Our operating and capital requirements in connection with operations have been and will continue to be significant. Based on our current plans, we anticipate that revenues earned from product sales will be the primary source of funds for operating activities. In addition to existing cash and cash equivalents, we may rely on bank borrowing or sales of securities to meet the basic capital and liquidity needs for the next 12 months. Additional capital may be sought to fund the expansion of our product line and marketing efforts, which may also include bank borrowing, a private placement of securities or the potential exercise of existing options and warrants. However, we have no agreements for funding at this time and there can be no assurance that funding will be available if we require it.

In December 2003, we announced an agreement with an institutional investor to purchase 365,286 shares of our common stock pursuant to a Private Investment Public Equity (PIPE) for $370,000, an average price of $1.01 per share. The purchase price of the shares approximated the average closing price of the stock for the 30 trading days prior to the initial close. The closing of the initial installment of 143,000 shares for $130,000 was completed December 4, 2003. On February 6, 2004, the final installment for 222,286 shares was completed and $240,000 was collected. The closing on the balance of the agreement took place after a registration statement covering the resale of the shares by the investor was declared effective by the Securities and Exchange Commission. The sale was arranged directly between the Company and the investor and no sales commission was paid or warrants issued in connection with the private placement. We believe this investment reflects the growing confidence of investors in AATK, our management and overall business strategy. The proceeds from this private placement will enable our Company to continue to fund our manufacturing expansion, increase working capital and fund general corporate purposes.

On both February 3, 2004 and May 4, 2004, the Company received $50,000 from CPI to finalize the purchase of stock related to the strategic alliance formed in May 2003.

During 2004, 371,500 options were exercised to purchase the Company s common stock. Options were exercised by employees and commissioned salesmen at strike prices ranging from $0.78 to $1.53 and the Company collected $262,375. During 2003, 10,000 options were exercised.

On October 12, 2004, the Company sold 407,136 shares of common stock to four institutional investors in a private placement transaction for gross proceeds of $753,200, at a price of $1.85 per share. The purchase price of the shares approximated the average closing price of the common stock over the 15-day period prior to the execution of the contract. Under the terms of the transaction, the investors received warrants to purchase an additional 150,000 common shares, exercisable at $2.30 per share for a period of five years and the registered broker dealer firm which acted as the placement agent in connection with the purchase of such shares and warrants by two of the investors received warrants to purchase 6,700 common shares, exercisable at $2.30 per share for a period of five years. We earmarked the proceeds of this funding to purchase laser-cutting equipment. That equipment has been delivered and installed as of March 2005. The Company recognized a decrease in equity of $49,750 for consulting and legal fees related to this transaction.

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CONTRACTUAL OBLIGATIONS

In October 2004, the Company ordered a laser-cutting machine from Trumpf, Inc. in the amount of $705,000. A deposit of $66,500 was paid to Trumpf, Inc. on October 20, 2004. Subsequently, the Company ordered an automatic loading system from Trumpf for approximately $127,000. The equipment was shipped and installed in early March 2005, with the remaining balance due within standard payment terms. Additional expenses to prepare the premises for the installation are estimated at $20,000 to $40,000, exclusive of any applicable asset retirement obligations. On October 6, 2004 the Company sold 407,136 shares of common stock to three institutional investors in a Private Placement transaction for gross proceeds of $753,200 to accomplish the funding of the base cost of the laser cutter.

ITEM 7. FINANCIAL STATEMENTS

See the Company s financial statements beginning on page F-1.

ITEM 8A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures.

An evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of our disclosure controls and procedures as of December 31, 2004. Disclosure controls and procedures are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, such as this Form 10-KSBA, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms. Based on the material weakness in internal control over financial reporting discussed below, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that the disclosure controls and procedures were not effective as of the end of the period covered by this report.

Internal Control Over Financial Reporting.

As of December 31, 2004, the Company had a deficiency in internal controls over the valuation of inventory. Specifically, an effective review of the labor and overhead allocation calculation was not performed. As a result of the ineffective review, an error in the year-end 2004 calculation was not detected prior to the issuance of the annual 2004 consolidated financial statements. This control deficiency resulted in the restatement of our annual 2004 consolidated financial statements as described in Note 20. Management has concluded that this control deficiency constitutes a material weakness.

Management Remediation Plan.

We have undertaken remedial action to address and correct the weakness in our internal controls and disclosure controls identified subsequent to the end of 2004. These actions include adopting an adequate review of the labor and overhead allocation calculation including performing a duplicate calculation. These actions were put in place during the quarter beginning July 1, 2005.

Changes in Internal Control over Financial Reporting.

With the exception of the material weakness note above, there were no other changes in our internal control over financial reporting during the quarter ended December 31, 2004 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMERICAN ACCESS TECHNOLOGIES, INC.

By /s/ John E. Presley

John E. Presley
President/Chief Executive Officer

Date: August 12, 2005

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ John E. Presley	President, Chief Executive	August 12, 2005
John E. Presley	Officer and Director (Principal	
	Executive Officer)	
/s/ Joseph F. McGuire	Chief Financial Officer,	August 12, 2005
Joseph F. McGuire	Treasurer, Secretary and Director	
	(Principal Financial Officer)	
/s/ Erik Wiisanen	Vice President	August 12, 2005
Erik Wiisanen	Omega Metals and Director	
/s/ Ken Cornell	Independent Director	August 12, 2005
Ken Cornell		
/s/ Lamar Nash	Independent Director	August 12, 2005
Lamar Nash		

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31 Section 302 Certifications of the Chief Executive Officer and Chief Financial Officer.

32.1 Section 1350 Certification of the Chief Executive Officer.

32.2 Section 1350 Certification of the Chief Financial Officer.

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AMERICAN ACCESS TECHNOLOGIES, INC.

AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

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AMERICAN ACCESS TECHNOLOGIES, INC. AND SUBSIDIARIES

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders

American Access Technologies, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheet of American Access Technologies, Inc. and Subsidiaries as of December 31, 2004, and the related consolidated statements of operations, stockholders equity and cash flows for each of the years ended December 31, 2004 and 2003. 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Access Technologies, Inc. and Subsidiaries as of December 31, 2004, and the results of their operations and their cash flows for each of the years ended December 31, 2004 and 2003, in conformity with accounting principles generally accepted in the United States.

As more fully discussed in Note 2 to the consolidated financial statements, the Company is subject to certain risks and other matters.

As discussed in Note 20, the consolidated financial statements for the year ended December 31, 2004 have been restated.

RACHLIN COHEN & HOLTZ LLP

Fort Lauderdale, Florida

January 30, 2005, except for the fifth paragraph of Note 1 as to which the date is February 3, 2005, and the fifth paragraph of Note 14 as to which the date is February 18, 2005, and Note 20 as to which the date is August 12, 2005.

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AMERICAN ACCESS TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2004

	December 31, 2004 As Restated
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 960,012
Investment securities	424,554
Accounts receivable, net of allowance of $72,000	935,860
Due from stockholders for exercise of options	92,660
Inventories	1,037,313
Prepaid expenses and other current assets	68,724
Note receivable, other, net of allowance of $361,562	
Total current assets	3,519,123
Property, Plant and Equipment	2,703,407
Intangible Assets	79,511
Other	107,772
Total assets	$ 6,409,813
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current Liabilities:	
Accounts payable	$ 336,954
Accrued expenses	93,912
Total current liabilities	430,866
Commitments, Contingencies, Other Matters and Subsequent Events	
Stockholders Equity:	
Preferred stock, $.001 par value; authorized 1,000,000 shares; issued and outstanding -0- shares	
Preferred stock-Series A, $.001 par value; authorized 60,000 shares; issued and outstanding -0- shares	
Common stock, $.001 par value; authorized 30,000,000 shares; issued and outstanding 7,382,260 shares	7,382
Additional paid-in capital	15,586,259
Deficit	(9,614,694)
Total stockholders equity	5,978,947

Total liabilities and stockholders equity	$ 6,409,813

See notes to consolidated financial statements.

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AMERICAN ACCESS TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
	As Restated	
Net Sales:		
Formed metal	$ 3,978,308	$ 3,644,258
Zone cabling	2,762,029	1,871,052
	6,740,337	5,515,310
Costs and Expenses:		
Cost of sales	5,829,453	4,568,186
Selling, general and administrative	878,948	745,465
Compensation and related benefits	857,732	869,047
Compensation to officers/directors/stockholders in connection with marketing/manufacturing agreement		201,460
Stock-based compensation	143,775	53,687
	7,709,908	6,437,845
Loss Before Other Income (Expense)	(969,571)	(922,535)
Other Income (Expense):		
Interest income		20,084
Other income (expense)	(2,407)	48,328
Loss on sale of equipment	(28,179)	
Realized and unrealized gain on investments	14,591	12,007
	(15,995)	80,419
Net Loss	$ (985,566)	$ (842,116)
Net Loss Per Common Share Basic and Diluted	$ (.15)	$ (.14)
Weighted Average Common Shares Outstanding	6,789,029	6,001,747

See notes to consolidated financial statements.

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AMERICAN ACCESS TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

	Common Stock		Additional Paid-in	Deficit	Deferred Stock-Based	Stock Subscription	Total
	Shares	Amount	Capital	As Restated	Compensation	Receivable	As Restated
Balance, December 31, 2002	5,843,612	$ 5,844	$ 13,702,322	$ (7,787,012)	$	$ (270)	$ 5,920,884
Year Ended December 31, 2003:							
Write-off of stock subscription receivable			(270)			270	
Sale of common stock in private placements	358,517	358	379,642				380,000
Exercise of warrants	10,000	10	7,790				7,800
Warrants granted for services			11,931				11,931
Common stock issued for services	44,000	44	23,285				23,329
Common stock issued as compensation	45,000	45	38,655		(38,700)		
Amortization of deferred compensation					20,425		20,425
Net loss				(842,116)			(842,116)
Balance, December 31, 2003	6,301,129	$ 6,301	$ 14,163,355	$ (8,629,128)	$ (18,275)	$	$ 5,522,253
Year Ended December 31, 2004:							
Sale of common stock in private placements	629,422	629	942,821				943,450
Exercise of options and warrants	371,500	371	354,664				355,035
Common stock issued for services	41,000	41	69,959				70,000
Common stock issued as compensation	39,209	40	55,460				55,500
Amortization of deferred compensation					18,275		18,275
Net loss (As Restated)				(985,566)			(985,566)
Balance, December 31, 2004	7,382,260	$ 7,382	$ 15,586,259	$ (9,614,694)	$	$	$ 5,978,947

See notes to consolidated financial statements.

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AMERICAN ACCESS TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
	As Restated	
Cash Flows from Operating Activities:		
Net loss	$ (985,566)	$ (842,116)
Adjustments to reconcile net loss to net cash and cash equivalents used in operating activities:		
Depreciation and amortization	393,252	419,569
Warrants and stock issued for services	143,775	53,687
Compensation to directors/officers/stockholders in connection with marketing/manufacturing agreement		201,460
Credit for recovery of doubtful accounts receivable		(166,000)
Loss on sale of equipment	28,179	
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	31,338	(54,776)
Accrued interest receivable		(9,897)
Inventories	81,574	(143,218)
Prepaid expenses and other current assets	60,531	31,160
Increase (decrease) in:		
Accounts payable and accrued expenses	(116,552)	281,073
Deferred revenue		(92,731)
Net cash and cash equivalents used in operating activities	(363,469)	(321,789)
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(294,062)	(101,660)
Acquisition of product rights		(100,000)
Interest earned on investments	(12,418)	(12,007)
Proceeds from sale of equipment	45,000	
Increase in patent costs	(4,803)	(11,471)
Net cash and cash equivalents used in investing activities	(266,283)	(225,138)
Cash Flows from Financing Activities:		
Net proceeds from issuance of common stock, net of related costs	943,450	319,730
Proceeds from stock subscription receivable	100,000	
Proceeds from exercise of options	262,375	7,800
Net cash and cash equivalents provided by financing activities	1,305,825	327,530
Net Increase (Decrease) in Cash and Cash Equivalents	676,073	(219,397)
Cash and Cash Equivalents, Beginning	283,939	503,336

Cash and Cash Equivalents, Ending	$ 960,012	$ 283,939
Non-Cash Investing and Financing Activities:		
Stock purchase receivable	$ 92,660	$

See notes to consolidated financial statements.

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AMERICAN ACCESS TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Capitalization

American Access Technologies, Inc. (Company) was incorporated on October 21, 1996, under the laws of the State of Florida. The Company s Articles of Incorporation, as amended on November 25, 1996, authorize the Company to issue and have outstanding at any one time 10,000,000 shares of common stock, par value $.001 per share and 1,000,000 shares of preferred stock, par value $.001 per share.

On October 2, 1998, the previously amended Articles of Incorporation were further amended to provide for the issuance of 60,000 shares of Series A 10% Senior Convertible Preferred stock, par value $.001 per share. During November 1998, the Company completed a $5,000,000 private placement of 50,000 shares of its Series A 10% Senior Convertible Preferred Stock, at $100.00 per share. During 1999 and 2000, holders of the Series A Preferred stock converted 50,000 of the Series A Preferred shares into 505,515 common shares. At December 31, 2004, there was no Preferred stock issued and outstanding.

On February 14, 2001, the Articles of Incorporation were further amended increasing the shares of common stock authorized from 10,000,000 to 30,000,000 shares.

Business

The Company manufactures patented zone cabling enclosures for the telecommunications industry, enabling businesses and government to move, add, and change copper and fiber optic cabling to keep pace with advances in high-speed communications networks.

Omega Metals, Inc. (Omega), a wholly-owned subsidiary of the Company since 1998, was merged into the Company effective February 3, 2005 and will continue to operate as a separate division. Omega Metals is a precision sheet metal fabrication and assembly operation which manufactures our zone cabling and wireless products. It also serves a diverse client base of over 300, including engineering, technology and electronics companies, mostly in the Southeast. Omega Metals operates from a 67,500 sq. ft. manufacturing facility situated on 8 1/2 acres of land which is owned by the Company. Manufacturing services include precision stamping, bending, assembling, painting, powder coating and silk screening.

Zonecabling.com, Inc., a wholly-owned subsidiary of the Company, was incorporated on May 4, 2000, to develop a Business-to-Business e-commence portal, and is currently inactive.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany accounts and transactions have been eliminated.

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AMERICAN ACCESS TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management s knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results. Those estimates subject to potential change in the near term include allowances for doubtful accounts and notes receivable and allocations of production overhead to inventories.

Revenue Recognition

The Company recognizes revenue from product sales at the time the product is shipped and title passes to the customer.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, investments in securities and accounts receivable.

Cash and Cash Equivalents

The Company maintains deposit balances at financial institutions that, from time to time, may exceed federally insured limits. At December 31, 2004, the Company had deposits in excess of federally insured limits of approximately $258,000. The Company maintains its cash with high quality financial institutions which the Company believes limits these risks.

Additionally, the Company maintains an investment account with a financial institution that is not insured by the FDIC. These funds, which were invested primarily in seven-day auction instruments at December 31, 2004, may be subject to insurance by SIPC, Securities Investor Protection Corporation, subject to various limitations. At December 31, 2004, approximately $502,000 was held in this account and is included in cash and cash equivalents.

AMERICAN ACCESS TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk (Continued)

Investment Securities

The Company classifies its investment securities in one of three categories: trading, available for sale, or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity are those securities as to which the Company has the ability and intent to hold the security until maturity. All other securities not included in trading or held-to-maturity are classified as available for sale. Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at amortized costs, adjusted for the amortization or accretion of premiums and discounts.

Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of stockholders equity until realized. Realized gains and losses from the sale of available for sale securities are determined on a specific identification basis. A decline in the market value of any available for sale or held-to-maturity security below cost that is deemed other than temporary results in a reduction in carrying amount to fair value.

The impairment is charged to earnings and a new cost basis for the security is established. Dividend and interest income are recognized when earned.

Notes and Trade Receivables

Notes and trade receivables are recorded at net realizable value. The Company records interest income on interest-bearing loans receivable using an appropriate rate of interest over the life of the loan. Related fees and/or costs are deferred and amortized over the life of the loan using the interest method.

The Company does business and extends credit based on an evaluation of the customers financial condition generally without requiring collateral. Exposure to losses on trade receivables is expected to vary by customer due to the financial condition of each customer. The Company monitors exposure to credit losses and maintains allowances for anticipated losses considered necessary under the circumstances.

Non-Accrual and Past Due Notes and Trade Receivables

Interest income accruals are suspended for interest-bearing loans receivable that are in default during the period of time that collectibility is uncertain. Payments received on non-accrual loans are first applied against any accrued interest balance outstanding. Once collectibility is considered to be certain, interest income accruals are resumed.

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AMERICAN ACCESS TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk (Continued)

Non-Accrual and Past Due Notes and Trade Receivables (Continued)

Delinquent notes and trade receivables are charged against the allowance for doubtful accounts once uncollectibility has been determined. Notes and trade receivables are considered to be past due and placed on delinquent status based on contractual terms, as well as how frequently payments are received, on an individual account basis.

Inventories

Inventories are stated at the lower of cost or market, with cost determined using an average cost method. Inventory costs for finished goods and work-in-process include material, labor, production overhead, and outside services. Production overhead, including indirect labor, is allocated to finished goods and work-in-progress based on material purchases.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost and depreciated, using the straight-line method, over the estimated useful lives of the assets. Gain or loss on disposition of assets is recognized currently. Repairs and maintenance are charged to expense as incurred. Major replacements and betterments are capitalized and depreciated over the remaining useful lives of the assets.

Patents

The Company has capitalized certain incremental costs incurred related to acquiring several patents on the Company s products. The Company holds four patents that were issued by the United States Patent Department. The Company also holds patents in Canada, Mexico, Great Britain, Germany, Austria, China and Australia. The Company amortizes the cost of patents over the patents estimated useful lives, 18 years.

Product Development Costs

Costs in connection with the development of the Company s product are comprised of design, production, consulting and other related professional fees. These costs are charged to expense as incurred.

Advertising

Advertising costs are charged to expense as incurred. Advertising costs were approximately $3,000 and $26,000, respectively, for the years ended December 31, 2004 and 2003.

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AMERICAN ACCESS TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes.* SFAS No. 109 requires the recognition of deferred tax liabilities and assets for temporary differences, operating loss carryforwards, and tax credit carryforwards existing at the date of the financial statements.

A temporary difference is a difference between the tax basis of an asset or liability and its reported amount in the financial statements that will result in taxable or deductible amounts in future years when the asset is recovered or the liability is settled. Deferred taxes represent the future tax return consequences of these differences.

Stock-Based Compensation

Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* (SFAS No. 123), encourages, but does not require companies to record stock-based compensation plans using a fair value based method. The Company has chosen to continue to account for stock-based compensation using the intrinsic value based method prescribed in Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the Company s common stock at the date of the grant over the amount an employee must pay to acquire the stock.

The Company used the Black-Scholes option-pricing model to determine the fair value of grants made in 2004 and 2003. The following assumptions were applied in determining the pro forma compensation cost:

	2004	2003
Risk Free Interest Rate	5.0%	5.0%
Expected Dividend Yield		
Expected Option Life	0.75-1.25 years	1.0-1.25 years
Expected Stock Price Volatility	74% to 131%	83% to 105%

Had compensation cost for the options and warrants issued to employees, officers and directors been determined based on the fair value at the grant date consistent with SFAS No. 123, the Company s net loss and loss per share would have been as follows:

	2004	2003
	As Restated	
Net Loss:		
As reported	$ (985,566)	$ (842,116)
Add: stock-based employee compensation expense included in net loss		11,929
Deduct: total stock-based compensation expense determined under fair value based method for all awards	(733,355)	(181,203)
Pro forma	$ (1,718,921)	$ (1,011,390)

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AMERICAN ACCESS TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock-Based Compensation (Continued)

	2004	2003
	As Restated	
Loss Per Share:		
Basic and diluted:		
As reported	$ (0.15)	$ (0.14)
Pro forma	$ (0.25)	$ (0.17)

Long-Lived Assets

The Company continually evaluates whether events and circumstances have occurred that may warrant revision of the estimated life of its intangible and other long-lived assets or whether the remaining balance of its intangible and other long-lived assets should be evaluated for possible impairment. If and when such factors, events or circumstances indicate that intangible or other long-lived assets should be evaluated for possible impairment, the Company will determine the fair value of the asset by making an estimate of expected future cash flows over the remaining lives of the respective assets and compare that fair value with the carrying value of the assets in measuring their recoverability. In determining the expected future cash flows, the assets will be grouped at the lowest level for which there is cash flow, at the operating subsidiary level.

Fair Value of Financial Instruments

The respective carrying value of certain on-balance-sheet financial instruments approximates their fair value. These instruments include cash and cash equivalents, accounts receivable, investment securities, notes receivable and accounts payable. Fair values were assumed to approximate carrying values for these financial instruments since they are short-term in nature and their carrying amounts approximate fair values or they are receivable or payable on demand.

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board issued SFAS No. 123-R, a revision of FASB Statement No. 123, *Accounting for Stock-Based Compensation.* This Statement supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees,* and its related implementation guidance. SFAS No. 123-R establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity s equity instruments or that may be settled by the issuance of those equity instruments. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. This Statement does not change the accounting guidance for share-based

AMERICAN ACCESS TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

payment transactions with parties other than employees provided in SFAS No. 123 as originally issued and EITF Issue No. 96-18, Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services. This Statement does not address the accounting for employee share ownership plans, which are subject to AICPA Statement of Position 93-6, Employers Accounting for Employee Stock Ownership Plans. This Statement becomes effective the beginning of the first interim or annual reporting period that begins after December 15, 2005. The Company has not assessed the full impact but believes the adoption of this standard may have a significant non-cash impact on the Company s results of operations or financial position as of January 2006.

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs An Amendment of ARB NO. 43, Chapter 4* (SFAS No. 151). SFAS No. 151 requires all companies to recognize a current-period charge for abnormal amount of idle facility expense, freight, handling costs and wasted materials. This statement also requires that the allocation of fixed production overhead to the costs of conversion be based on the normal capacity of the production facilities. SFAS No. 151 will be effective for fiscal year beginning after June 15, 2005. The Company does not expect the adoption of this statement to have a material effect on its consolidated financial statements.

In December 2003, the Financial Accounting Standards Board issued FASB Interpretation Number 46-R *Consolidation of Variable Interest Entities.* FIN 46-R, which modifies certain provisions and effective dates of FIN 46, sets for the criteria to be used in determining whether an investment is a variable interest entity should be consolidated. These provisions are based on the general premise that if a company controls another entity through interests other than voting interests, that company should consolidate the controlled entity. The Company believes that currently, it does not have any material arrangements that meet the definition of a variable interest entity which would require consolidation.

Reclassifications

Certain amounts in prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. Commencing with the first quarter 2004, certain amounts have been reclassified to cost of goods sold from selling, general and administrative costs and the comparable amounts have been reclassified to/from the prior year.

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AMERICAN ACCESS TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

NOTE 2. SUMMARY OF CERTAIN RISKS AND OTHER MATTERS

Profitability and Liquidity

As of December 31, 2004, the Company reflected stockholders equity of approximately $6,000,000. However, the Company has incurred net losses of approximately $(986,000) in 2004 and $(842,000) in 2003, and has an accumulated deficit balance of approximately $(9,615,000) at December 31, 2004. The Company s ability to achieve sustained profitable operations is dependent on continuing to achieve sales growth through expansion of sales and marketing efforts. Management believes that cash flows from operations and additional financing available from other sources will be sufficient to fund operations. There is no assurance that such events will occur.

NASDAQ Listing

The Company s stock is currently listed on the Nasdaq Small Cap Market. The Nasdaq Stock Market s Marketplace Rules impose a minimum stock price of $1.00 per share for the continued listing of the Company s stock. As of the date of this report, the Company is in compliance with all Nasdaq Stock Market listing requirements. If the Company s stock price were to close below $1.00 for 30 consecutive trading days in the future, the Company could be out of compliance and the Company s stock would be subject to delisting if compliance was not achieved within the 180-day cure period provided in the Nasdaq Marketplace Rules. Delisting makes it more difficult to issue additional shares in order to secure additional financing.

Pending Litigation

The Company is involved in certain pending litigation as to which it cannot predict the outcome with any certainty (see Note 14).

NOTE 3. INVESTMENT SECURITIES

All marketable securities are deemed by management to be trading and are reported at fair value with net unrealized gains or losses reported on the consolidated statement of operations. Realized gains and losses are recorded based on the specific identification method. Net realized gain was approximately $12,000 for each of the years ended December 31, 2004 and 2003. The carrying amount of the Company s investments at December 31, 2004 is shown below:

	Cost	Fair Value
Variable annuity contract	$ 400,000	$ 424,554

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AMERICAN ACCESS TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

NOTE 4. ACQUISITION OF PRODUCT RIGHTS

In 2002, the Company entered into an Agreement for the Acquisition of Product Rights (Agreement) from Bill Sherer Corporation (BSC) and its principal, Bill Sherer. All rights, entitlements, logos, trademarks, goodwill and designs pursuant to the Northern Lights/Eclipse Ultraviolet Light Air Cleansing Systems (the Products) were acquired by the Company in exchange for a one-time cash payment of $50,000, $500,000 in restricted common stock, and forgiveness of approximately $133,000 in outstanding accounts receivables carried by the Company on BSC s account.

Also in 2002, the Company amended the agreement for the purchase of the products rights. The Company paid $25,000 in cash over five quarters ($125,000 in total) commencing November 1, 2002 and ending November 1, 2003, in addition to the previous one-time cash payment of $50,000 and forgiveness of approximately $133,000 in outstanding accounts receivable. In exchange for the cash payments, the Company did not issue $500,000 of restricted common stock plus 5% interest earned which was also payable in stock that, pursuant to the original agreement, could have been requested at any time after January 11, 2003 through January 11, 2007. The amendment reduced the purchase price of the product rights by $375,000 to a total of $308,000 which has been fully amortized as of December 31, 2004. The Company is currently looking for a company to acquire the product rights and distribute the product while the Company continues to manufacture the product.

NOTE 5. NOTES RECEIVABLE

Directors and Stockholders Notes Receivable in Exchange for Cash

In 2000, the Company authorized loans to two directors, who also are officers of American Access or its subsidiaries, and who collateralized the loans with personal assets unrelated to these transactions. The collateralized loans were to enable these directors to cover margin calls precipitated by a drop in the price of the Company s common stock. The two directors (one of whom is the Company s president) each executed a promissory note and security agreement for $75,000 and $60,000 respectively, payable on or before December 31, 2000, with interest at 10%. In October 2000, the two directors executed additional promissory notes with identical terms for $10,000 each, payable on or before April 30, 2001. Each of these notes was extended to June 30, 2003. No interest had been paid on the notes receivable since inception and through December 31, 2002.

On May 5, 2003 the Compensation Committee of American Access Technologies, Inc. met and unanimously passed a motion to reward the two directors for their considerable time and effort in negotiating and executing the five year marketing and manufacturing agreement with Chatsworth Products, Inc. (see Note 12). After considerable discussion it was decided to treat the outstanding loans and interest to the two directors as compensation. The total amounts were approximately $110,000 and $91,000, respectively.

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AMERICAN ACCESS TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

NOTE 5. NOTES RECEIVABLE (Continued)

Note Receivable, Other

The Company instituted litigation against the debtor and personal guarantor for default in payment of a promissory note of $325,000, with accrued interest in excess of approximately $36,000. The original promissor assigned its obligations with written consent of the Company, after the Company filed a lawsuit for default of the original note of $500,000 plus 15% interest, of which approximately $63,000 was unpaid. Although the debtor paid an initial cash payment of $250,000, its obligations of $325,000 plus $36,562 in interest were in default at the end of 2000. No additional interest was recorded after that date because of uncertainty of collectibility. The Company has been attempting to negotiate a settlement agreement with the debtor and the note s guarantor. An allowance for doubtful collectibility of the total outstanding principal balance, as well as all accrued interest, has been recorded.

NOTE 6. INTANGIBLE ASSETS

Amortized Intangible Assets:	**Estimated Useful Lives (Years)**	**Cost**	**Accumulated Amortization**	**Net**
Patents	18	$ 108,422	$ 28,911	$ 79,511
Product Rights (see Note 4)	3	308,000	308,000	
		$ 416,422	$ 336,911	$ 79,511

Amortization expense for the years ended December 31, 2004 and 2003 was approximately $76,000 and $70,000, respectively.

Estimated Amortization Expense:

For the year ending December 31:	
2005	$ 6,000
2006	6,000

2007	6,000
2008	6,000
2009	6,000
	$ 30,000

NOTE 7. STOCK SUBSCRIPTION RECEIVABLE

On December 30, 2004, employees and consultants exercised 89,000 options with strike prices ranging between $1.00 and $1.53. The Company recognized a receivable for the proceeds of $92,660 as of December 31, 2004 from these exercises and subsequently received payment in full in January 2005.

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AMERICAN ACCESS TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

NOTE 8. INVENTORIES

	As Restated
Raw materials	$ 298,800
Work-in-process	560,682
Finished goods	177,831
	$ 1,037,313

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

	Estimated Useful Lives (Years)	
Land		$ 103,859
Building and improvements	6-40	1,373,748
Machinery and equipment	6-10	3,939,960
Computers and office equipment	5-10	219,363
Deposit on purchase of equipment		66,500
Vehicles	7	66,046
Tools	2-10	83,573
		5,853,049
Less accumulated depreciation		3,149,642
		$ 2,703,407

Depreciation expense for the years ended December 31, 2004 and 2003 was approximately $318,000 and $350,000, respectively.

NOTE 10. PROFIT SHARING PLAN

The Company has terminated its 401(k) Profit Sharing Plan effective March 31, 2004. There were no contributions made during the years ended December 31, 2004 and December 31, 2003.

NOTE 11. INCOME TAXES

The Company accounts for income taxes under the provision of Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes*. SFAS No. 109 is an asset and liability approach for computing deferred income taxes.

The provision for income taxes is computed on a consolidated return basis.

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AMERICAN ACCESS TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

NOTE 11. INCOME TAXES (Continued)

A reconciliation of income taxes computed at the statutory federal rate to income tax expense (benefit) for the year ended December 31, 2004 is as follows:

	As Restated
Tax provision at the statutory rate of 34%	$ (335,000)
State income taxes, net of federal income tax	(43,000)
Exercise of stock options and warrants	(77,000)
Change in valuation allowance	381,000
Stock options not exercised	60,000
Other	14,000
	$

As of December 31, 2004, the Company had consolidated net operating loss carryforwards for federal income tax reporting purposes amounting to approximately $10,417,000 which expire in varying amounts to the year 2024. Of the total tax benefit relating to net operating losses of $3,920,000, subsequently recognized tax benefits, if any, in the amount of $673,000 will be applied directly to additional paid-in capital.

The Company has not recognized any benefit of such net operating loss carryforwards in the accompanying consolidated financial statements in accordance with the provisions of SFAS No. 109 as the realization of this deferred tax benefit is not considered more likely than not. A 100% valuation allowance has been recognized to offset the entire effect of the Company s net deferred tax asset. The Company s net deferred tax asset position is composed primarily of the Company s net operating loss carryforwards.

The components of the deferred tax asset at December 31, 2004 were as follows:

	As Restated
Net operating loss carryforward	$ 3,920,000
Allowance for collectibility	163,000

Stock compensation	78,000
Depreciation and amortization	(247,000)
Less valuation allowance	(3,914,000)
Net deferred tax asset	$

In accordance with certain provisions of the Tax Reform Act of 1986, a change in ownership of greater than 50% of a corporation within a three-year period will place an annual limitation on the corporation s ability to utilize its existing tax benefit carryforwards. The Company s utilization of its tax benefit carryforwards may be restricted in the event of possible future changes in the ownership of the Company from the exercise of warrants or other future issuances of common stock.

The Company s federal and state income tax returns have not been examined by the respective taxing authorities for the past several years. The final determination of the amount and timing of currently payable income taxes is therefore subject to possible examination of these unexamined years by such respective taxing authorities.

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AMERICAN ACCESS TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

NOTE 12. COMMON STOCK

Equity Financing

On May 9, 2003, the Company announced a five-year marketing and manufacturing agreement with Chatsworth Products Inc. (CPI). In addition, the Company entered into a Stock Purchase Agreement and agreed to issue and sell 215,517 shares of American Access common stock to CPI. In consideration for the shares, CPI agreed to pay to the Company, in cash, a purchase price of $1.16 per share for the shares, for an aggregate purchase price of $250,000, payable as follows: $50,000 upon the Initial Closing and four (4) additional installments of $50,000 each at subsequent 90 day intervals following the Initial Closing. On May 4, 2004, the final $50,000 installment was collected.

On December 8, 2003, the Company announced an agreement to sell 365,286 shares of common stock to an institutional investor in a Private Investment Public Equity transaction for $370,000, an average price of $1.01 per share. The purchase price of the shares approximated the average closing price for the 30 trading days prior to the initial close. The closing of the initial installment of 143,000 shares for $130,000 was completed December 4, 2003. On February 6, 2004, the final installment for 222,286 shares was completed and $240,000 was collected. The closing on the balance of the agreement took place after a registration statement covering the resale of the shares by the investor was declared effective by the Securities and Exchange Commission. The sale was arranged directly between the Company and the investor and no sales commission were paid or warrants issued in connection with the private placement.

On October 12, 2004, the Company sold 407,136 shares of common stock to four institutional investors in a private placement transaction for gross proceeds of $753,200, at a price of $1.85 per share. The purchase price of the shares approximated the average closing price of the common stock over the 15-day period prior to the execution of the contract. Under the terms of the transaction, the investors received warrants to purchase an additional 150,000 common shares, exercisable at $2.30 per share for a period of five years and the registered broker dealer firm which acted as the placement agent in connection with the purchase of such shares and warrants by two of the investors received warrants to purchase 6,700 common shares, exercisable at $2.30 per share for a period of five years. The proceeds of this funding were earmarked to purchase laser-cutting equipment that was installed during the first quarter, 2005 (See Note 14).

Issuance of Common Stock for Services/Compensation

In June 2003 and December 2003, respectively, the Company issued 29,000 and 13,000 shares of common stock in lieu of cash to its outside legal counsel for services rendered.

The Company issued 45,000 shares of stock to an employee pursuant to an early retirement agreement in September 2003. The Company paid 2,500 shares of Company common stock on acceptance of the agreement and 42,500 shares of Company common stock in consideration of consulting services for the period October 14, 2003 through April 14, 2004. Stock-based compensation related to the 42,500 shares has been recorded as deferred compensation and was amortized over the life of the service agreement.

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AMERICAN ACCESS TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

NOTE 12. COMMON STOCK (Continued)

Issuance of Common Stock for Services/Compensation (Continued)

In October 2003, the Company issued 2,000 shares of common stock to an employee as an inducement to join the Company.

In 2004, the Company issued 41,000 shares of common stock in lieu of cash to its outside legal counsel for services rendered.

In June 2004, the Company issued 39,209 shares of common stock to three separate individuals in settlement of claims against the Company.

NOTE 13. STOCK-BASED COMPENSATION

The Company accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*. Compensation cost for stock options and warrants, if any, is measured as the excess of the estimated market price of the Company s common stock at the date of grant, over the amount the recipient must pay to acquire the common stock.

Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation*, established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. The Company has elected to retain its current method of accounting as described above, and has adopted the disclosure requirements of SFAS No. 123.

Stock Option Plan Since Inception

On January 10, 2000, the Board of Directors of the Company (Board) authorized the 2000 Employee Stock Option Plan (Stock Option Plan) for those employees, consultants, and advisors (the Participants) of the Company who, in the judgment of the Company are or will become responsible for the direction and financial success of the Company. The adoption of the Stock Option Plan was ratified by the stockholders on

June 29, 2000. The purpose of the Stock Option Plan is to provide the Participants with an increased incentive to make significant contributions to the long-term performance and growth of the Company. The Board authorized that 500,000 employee options and 300,000 Board of Director options be subject to this plan.

On January 10, 2000, the Company granted 515,000 employee options and 340,000 Board of Director options with an exercise price of $5.67 and a life of five years. Subsequent to the grant, 10,000 options were returned to the Company when an employee separated employment. Also in 2000, a former director exercised 60,000 warrants in a cashless transaction for the difference in the exercise price of $5.67 and the closing price of $8.00 on date of exercise and received 17,475 shares of common stock.

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AMERICAN ACCESS TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

NOTE 13. STOCK-BASED COMPENSATION (Continued)

Stock Option Plan Since Inception (Continued)

On August 15, 2001, the Board authorized an amendment of the 2000 Stock Option Plan. The Board authorized an additional 500,000 employee options and 300,000 Board of Director options be subject to this plan at an exercise price of $1.00. The amendment of the Stock Option Plan was ratified by the stockholders on December 21, 2001. On August 15, 2001, the Company granted 440,000 employee options and 400,000 Board of Director options with an exercise price of $1 and a life of five years. Also, on November 15, 2001 and December 1, 2001, the Company granted an additional 10,000 and 75,000 employee options with an exercise price of $1 and a life of five years. During 2001, 110,000 employee options and 120,000 Board of Director options were returned to the Company upon separations of employment and Board resignations.

On July 1, 2002, the Board authorized an additional amendment of the 2000 Stock Option Plan. The Board authorized and granted an additional 520,000 five-year employee options and 300,000 five-year Board of Director options at an exercise price of $0.78. The amendment to the Stock Option Plan was ratified by stockholders at the August 1, 2003 annual stockholders meeting. During 2002, 110,000 employee options and 65,000 Board of Director options were returned to the Company upon separations of employment and Board resignations.

On December 2, 2003, the Board authorized a grant of 112,500 and 417,500 five-year employee options at an exercise price of $ 1.25 and $1.13, respectively, and 150,000 five-year Board of Director options at an exercise price of $1.13. The options authorized were existing options previously ratified by stockholders that were returned to the Company. During 2003, 10,000 employee options were exercised and 360,000 employee options and 120,000 Board of Director options were returned to the Company upon separations of employment and Board resignations.

At the 2003 annual meeting of stockholders, the elected Directors received only one-half of the options to which they were entitled under the 2000 Director Stock Option Plan. This was due to the lack of sufficient shares authorized for issuance under the Company s 2000 Director Stock Option Plan. However, because the 2004 Director Stock Option Plan provides that incumbent directors elected at the 2003 annual meeting will receive the balance of the 2003 options, these options were issued after the 2004 annual meeting of stockholders at the same time and the same option price of the options granted after the 2004 annual meeting of stockholders.

On January 3, 2003, the Company issued 20,000 warrants to purchase common stock in connection with services provided to the Company by two Advisory Board members with an exercise price of $1.00 per share.

The granting of the warrants in 2003 to consultants resulted in a charge to consulting fees in the amount of approximately $12,000 in 2003 representing the fair value of the 20,000 warrants issued in 2003 and warrants issued in prior years being amortized and expensed in 2003.

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AMERICAN ACCESS TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

NOTE 13. STOCK-BASED COMPENSATION (Continued)

Stock Option Plan since inception (Continued)

As of December 31, 2003, the Company had 7,040,202 options and warrants outstanding to purchase common stock at exercise prices ranging from $0.56 to $25.00, 5,591,979 of which are options and warrants outstanding to employees and officers/directors.

In January 2004, 30,000 warrants were exercised by three commissioned salesmen. In August 2004, 10,000 warrants were exercised by a former Advisory Board member.

In March 2004, 65,000 Board of Directors options with a strike price of $0.78 were exercised, providing the Company $50,700 in net proceeds. Throughout 2004, 236,500 employee options and 30,000 options issued to a consultant with strike prices ranging between $0.78 and $1.53 were exercised, providing the Company $244,360 in net proceeds. Due to 89,000 of these options being exercised on December 30, 2004, the Company recognized a receivable of approximately $92,000 for proceeds related to these transactions. The funds were subsequently received in January 2005. (See Note 7)

In June 2004, the Company issued 20,000 options to an employee as an inducement to join the Company.

On July 23, 2004, stockholders approved the 2004 Employee Stock Incentive Plan and the 2004 Director Stock Option Plan. Collectively, these Plans authorize the issuance of up to 2,500,000 shares of the Company s common stock.

On July 26, 2004, the Board of Directors authorized a grant of 564,000 five-year employee stock options at an exercise price of $1.53 from the 2004 Employee Stock Incentive Plan and 430,000 five-year Board of Director stock options at an exercise price of $1.53 from the 2004 Director Stock Option Plan.

On July 26, 2004, the Company issued 20,000 warrants to purchase common stock to its two commissioned salesmen with an exercise price of $1.53 per share.

On October 6, 2004, as part of the private placement transaction during which $753,000 was raised to fund an upcoming capital equipment purchase, the Company issued 150,000 warrants to three institutional investors and 6,700 warrants to an outside consultant to purchase common stock with an exercise price of $2.30 per share.

As of December 31, 2004, the Company had 6,572,402 options and warrants outstanding to purchase common stock at exercise prices ranging from $0.56 to $10.00, 5,441,479 of which are options and warrants outstanding to employees and officers/directors.

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AMERICAN ACCESS TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

NOTE 13. STOCK-BASED COMPENSATION (Continued)

Stock Option Plan since inception (Continued)

Changes in outstanding options and warrants for common stock are as follows:

	2004	2004 Weighted Average Exercise Price	2003	2003 Weighted Average Exercise Price
Outstanding at beginning of year	7,040,202	$ 5.72	6,906,976	$ 5.89
Options and warrants granted	1,172,700	$ 1.63	730,000	$ 1.13
Options and warrants exercised	(371,500)	$ 0.99	(10,000)	$ 0.78
Options and warrants expired	(1,269,000)	$ 19.65	(586,774)	$ 2.17
Outstanding at end of year	6,572,402	$ 2.56	7,040,202	$ 5.72
Exercisable at end of year	6,572,402		7,040,202	

The following table summarizes information about outstanding options/warrants at December 31, 2004:

Options Outstanding			Options Exercisable		
Range of Exercise Prices	Number Outstanding at December 31, 2004	Weighted Average Remaining Contractual Life	Range of Exercise Prices	Number Exercisable at December 31, 2004	Weighted Average Remaining Contractual Life
$0.56 to $10.00	6,572,402	2.5	$ 0.56 to $10.00	6,572,402	2.5

NOTE 14. COMMITMENTS, CONTINGENCIES, OTHER MATTERS AND SUBSEQUENT EVENT

Major Vendors

The Company purchased sheet metal and related products from two primary vendors that, combined, represented approximately 16.3% and 12.7% of cost of sales for the years ended December 31, 2004 and 2003, respectively.

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AMERICAN ACCESS TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

NOTE 14. COMMITMENTS, CONTINGENCIES, OTHER MATTERS AND SUBSEQUENT EVENT (Continued)

Major Customer - Chatsworth Products, Inc. (Related Party)

On May 9, 2003, the Company entered into a marketing and manufacturing agreement with Chatsworth Products Inc. (CPI). The agreement established a five-year strategic alliance for the sale and manufacture of innovative zone cabling and wireless products developed by American Access Technologies. Under the terms of the agreement, the Company and CPI will co-market and co-manufacture the products and incorporate the brand names and patents of both companies. In connection with the alliance, CPI purchased 215,517 shares of American Access Common Stock in a private placement at $1.16 per share (see Note 12).

CPI purchased products representing approximately $1,595,000 or 23.7% and $372,000 or 6.7% of sales for the years ended December 31, 2004 and 2003, respectively. At December 31, 2004, CPI owed the Company approximately $23,000, which is included in accounts receivable in the accompanying consolidated balance sheet.

Private Label Contracts

In addition to the Company s marketing and manufacturing agreement with CPI, the Company has also entered into Original Equipment Manufacturing (OEM) Agreements with several companies. The agreements set forth terms whereby the companies may purchase products from the Company for resale to their customers. Revenue is recorded at such time as the units are shipped and title passes to the distributors. The agreements are for various terms and are automatically renewed periodically unless terminated by either party, and contain, among other things, a warranty effective for one year after the date of sale.

Pending Litigation

On April 10, 2001, the Company entered into an Agreement and Plan of Merger with Defense Technology Systems, Inc., formerly known as Data World Solutions, Inc., an unrelated entity. Subsequent to signing the agreement, the merger candidate made changes in its basic business and operations. The Company terminated the agreement and filed suit against the entity on July 11, 2001 in the 18th Judicial Circuit Court, Seminole County, Florida seeking a declaratory judgment that it properly terminated the merger agreement. The merger candidate counter sued for the $500,000 termination payment specified in the agreement, which was payable under limited circumstances. The Company did not believe that the entity is entitled to a termination payment. The trial process began February 7, 2005.

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AMERICAN ACCESS TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

NOTE 14. COMMITMENTS, CONTINGENCIES, OTHER MATTERS AND SUBSEQUENT EVENT (Continued)

Pending Litigation (Continued)

On February 18, 2005, Florida s 18th Judicial Circuit Court ruled in favor of the Company. The judge ruled that the Company was justified in terminating the merger agreement and has initially awarded the Company damages including fees and costs, the value of which remains to be determined, incurred in connection with the proposed merger and the resulting litigation. At December 31, 2004, a receivable has not been recorded, pending the determination of damages, fees and costs incurred and the other party s potential appeal.

On December 15, 2004, the Company filed seven suits in Small Claims Court in Clay County, Florida, related to a customer s default on a $38,000 account receivable for the ultra-violet light product. The entire past due balance is reflected in the bad debt allowance. The customer subsequently responded by filing a counter-suit in South Carolina and Clay County claiming breach of contract, negligence, fraud and misrepresentation.

Equipment Purchase Commitment

In October 2004, the Company ordered a laser-cutting machine from Trumpf, Inc. in the amount of $705,000. A deposit of $66,500 was paid to Trumpf, Inc. on October 20, 2004. Subsequently, the Company ordered an automatic loading system from Trumpf for approximately $127,000. The equipment was shipped and installed in early March 2005, with the remaining balance due within standard payment terms. Additional expenses to prepare the premises for the installation are estimated at $20,000 to $40,000, exclusive of any applicable asset retirement obligations. On October 6, 2004 the Company sold 407,136 shares of common stock to three institutional investors in a Private Placement transaction for gross proceeds of $753,200 to accomplish the funding of the base cost of the laser cutter (see Note 12).

NOTE 15. NET LOSS PER COMMON SHARE

The Company computes earnings (loss) per common share in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 128, *Earnings per Share,* which requires the presentation of both basic and diluted earnings (loss) per share.

Basic net loss per common share has been computed based upon the weighted average number of shares of common stock outstanding during the periods. The number of shares used in the computation is 6,789,029 and 6,001,747 for the years ended December 31, 2004 and 2003, respectively. Since the exercise of the warrants and stock options would have an anti dilutive effect, diluted earnings per share did not include common stock equivalents.

	2004 As Restated	**2003**
Net Loss Allocated to Common Stockholders	$ (985,566)	$ (842,116)

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AMERICAN ACCESS TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

NOTE 16. BILL AND HOLD TRANSACTIONS

During 2002 and 2003, the Company entered into an agreement with certain customers, whereby the Company manufactured certain products based on purchase orders. The Company determined that these transactions did not meet the criteria for revenue recognition as outlined in Staff Accounting Bulletin 101, *Revenue Recognition in Financial Statements,* until the products were shipped from the Company s warehouse at the direction of the customer. Upon completion of the manufacturing process, title to the product passed to the customer and the customer assumed responsibility for their risk of loss. The customer paid a deposit when the product was manufactured, with the remaining balance paid at the earlier of shipment or a date fixed by the agreement. These products were then stored in a segregated area of the Company s warehouse until shipping orders were received from the customer.

During 2003, one of the customers placed orders for $132,205 of product, but only $70,506 was shipped. As a result, the $61,699 of product not shipped was reported as deferred revenue in the 2003 financial statements. During 2004, the remaining $61,699 of product was shipped and recognized as revenue in 2004.

NOTE 17. SEGMENT INFORMATION

The Company follows SFAS No. 131, *Disclosures About Segments of an Enterprise and Related Information,* which dictates the way the Company reports information about its operating segments.

The Company has two reportable segments, zone cabling products and formed metal products. As discussed in Note 1, the Company markets zone cabling products which are manufactured by Omega, a wholly-owned subsidiary. Omega manufactures formed metal products of varying designs for customers, including the Company.

	2004 As Restated			2003		
	Zone Cabling Products	**Formed Metal Products**	**Total**	**Zone Cabling Products**	**Formed Metal Products**	**Total**
Revenue from external customers	$ 2,762,029	$ 3,978,308	$ 6,740,337	$ 1,871,052	$ 3,644,258	$ 5,515,310

Intersegment revenue	132,773	734,239	867,012	227,748	533,616	761,364
Investment income	14,591		14,591	20,084		20,084
Depreciation and amortization	184,903	208,349	393,252	177,372	242,197	419,569
Segment (loss) gain	(1,316,603)	331,037	(985,566)	(783,213)	(58,903)	(842,116)
Segment assets	$ 3,640,990	$ 2,768,823	$ 6,409,813	$ 3,449,887	$ 2,619,784	$ 6,069,671

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AMERICAN ACCESS TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

NOTE 18. SIGNIFICANT FOURTH QUARTER ADJUSTMENTS

Net loss prior to fourth quarter adjustments		$ (878,228)
Adjustments:		
Workers compensation insurance	(33,000)	
Prepaid tooling	107,770	
Inventory (restated)	(182,108)	
Total fourth quarter adjustments (restated)		(107,338)
Adjusted net loss (restated)		$ (985,566)

NOTE 19. QUARTERLY INFORMATION (UNAUDITED)

The following is a summary of the Company s unaudited results of operations for the quarters during the years ended December 31, 2004 and 2003, respectively.

	Quarter Ended			
	March 31, 2004	June 30, 2004	September 30, 2004	December 31, 2004 As Restated
Net Sales	$ 1,276,970	$ 1,754,514	$ 1,922,056	$ 1,786,797
Loss Before Other Income/(Expense)	$ (299,263)	$ (224,058)	$ (136,158)	$ (310,092)
Net Loss	$ (293,515)	$ (200,290)	$ (191,421)	$ (300,340)
Basic Net Loss Per Common Share	(.05)	(.03)	(.03)	(.04)
Weighted Average Common Share Outstanding	6,342,986	6,739,367	6,793,582	6,918,063

	Quarter Ended			
	March 31, 2003	June 30, 2003	September 30, 2003	December 31, 2003

Net Sales	$ 1,501,397	$ 1,188,347	$ 1,379,743	$ 1,445,823
Loss Before Other Income/(Expense)	$ (135,452)	$ (584,304)	$ (239,866)	$ 37,087
Net Income/(Loss)	$ (107,229)	$ (561,894)	$ (220,496)	$ 47,503
Basic Net Income/(Loss) Per Common Share	(.02)	(.09)	(.04)	.01
Weighted Average Common Share Outstanding	5,843,612	5,915,451	6,088,129	6,159,796

Basic net loss per common share has been computed based upon the weighted average number of shares of common stock outstanding during the period. Diluted loss per share has not been presented, as it would be anti-dilutive.

NOTE 20. RESTATEMENT

Subsequent to the filing of its Annual Report on From 10-KSB for the year ended December 31, 2004 the Company determined that there was an inadvertent formula error in an electronic spreadsheet which resulted in a $128,050 overstatement of inventory and under statement of cost of sales in its financial statements for the year ended December 31, 2004. As a result of the error, the Company restated its consolidated financial statements as of and for the year ended December 31, 2004. A summary of the significant effects of the restatement is as follows:

	December 31, 2004	
	As Previously Reported	**As Restated**
Inventories	$ 1,165,363	$ 1,037,313
Cost of Sales	$ 5,701,403	$ 5,829,453
Net Loss	$ 857,516	$ 985,566
Loss per Share	$ (0.13)	$ (0.15)

Notes 1, 2, 8, 11, 15, 17, 18 and 19 have also been restated to reflect the results of the above restatement adjustment.