

Edgar Filing: DECTRON INTERNATIONALE INC - Form 10QSB

DECTRON INTERNATIONALE INC
Form 10QSB
June 16, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For The Quarter Ended April 30, 2003 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 1-14503

DECTRON INTERNATIONALE INC.

(Exact name of registrant as specified in its charter)

Quebec, Canada

N/A

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

4300 Poirier Blvd., Montreal

H4R 2C5

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: 514-334 9609

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

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: June 13, 2003, 2,919,500 Common Shares outstanding

Transitional Small Business Disclosure (check One):

Yes No

DECTRON INTERNATIONALE INC.

INDEX

Edgar Filing: DECTRON INTERNATIONALE INC - Form 10QSB

PAGE

PART I - FINANCIAL INFORMATION

Item 1- Financial Statements

Interim Consolidated Balance Sheets - at April 30, 2003 and
January 31, 20032-3

Interim Consolidated Statements of Earnings - For the three months ended
April 30, 2003 and the three months ended April 30, 20024

Interim Consolidated Statements of Cash Flows - For the three months ended
April 30, 2003 and three months ended April 30, 2002.....5-7

Interim Consolidated Statements of Stockholders' Equity.....8

Notes to Interim Financial Statements.....9-10

Item 2 - Management's Discussion and Analysis of Financial
Conditions and Results of Operations.....11-12

Item 3.Controls and Procedures.....13

PART I - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K14

SIGNATURES..... 13

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

Part I FINANCIAL INFORMATION

Item 1. Financial Statements

DECTRON INTERNATIONALE INC.

Interim Consolidated Balance Sheets
As at April 30, 2003 and January 31, 2003

(Amounts Expressed in United States Dollars)

Apri
20

Edgar Filing: DECTRON INTERNATIONALE INC - Form 10QSB

Assets

Current

Cash	\$	1,
Accounts receivable		10,
Inventory		11,
Prepaid expenses and sundry assets		
Loans receivable		
Deferred income taxes		

		23,
Loans receivable		
Property, plant and equipment		11,
Intangibles		
Goodwill		1,
Deferred income taxes		1,

	\$	37,
		=====

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

DECTRON INTERNATIONALE INC.

Interim Consolidated Balance Sheets
As at April 30, 2003 and January 31, 2003

(Amounts Expressed in United States Dollars)

April
2003

Liabilities

Current

Bank loans	\$	9,
Accounts payable and accrued expenses		6,
Income taxes payable		
Current portion of long-term debt		1,
Deferred revenue		
Current portion of balance of sale		

Edgar Filing: DECTRON INTERNATIONALE INC - Form 10QSB

	18,
Long-term debt	5,
Balance of sale	
Deferred revenue	1,

	25,

Stockholders' equity	
Capital stock	7,
Treasury stock	
Accumulated other comprehensive gain (loss)	
Retained earnings	4,

	12,

Total liabilities and stockholders' equity	\$ 37,
	=====

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

DECTRON INTERNATIONALE INC.

Interim Consolidated Statements of Earnings
For the Three Month Period Ended April 30, 2003 and April 30, 2002

(Amounts Expressed in United States Dollars)

	Thre Mont Ende April 200

Net Sales	\$ 10,
Cost of sales	7,

Gross profit	2,

Edgar Filing: DECTRON INTERNATIONALE INC - Form 10QSB

Operating expenses

Selling	1,
General and administrative	1,
Depreciation and amortization	
Interest expense	

	2,

Earnings before income taxes

Income taxes	-----
--------------	-------

Net Earnings	\$
	=====

Net earnings per common share, basic and diluted	=====
--	-------

Weighted average number of common shares outstanding

Basic	2,
Diluted	2,

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

DECTRON INTERNATIONALE INC.

Interim Consolidated Statements of Cash Flows
For the Three Month Period Ending April 30, 2003 and April 30, 2002

(Amounts Expressed in United States Dollars)

Operation activities:

Net earnings (loss)	\$
---------------------	----

Adjustments to reconcile net earnings to net cash (used in) provided by operating activities:

Thru
Mon
End
Apri
20

Edgar Filing: DECTRON INTERNATIONALE INC - Form 10QSB

Depreciation and amortization	
Increase in accounts receivable	(
Decrease in income taxes receivable	
Decrease (increase) in inventory	(1,
Increase (decrease) in prepaid expenses and sundry assets	(
Increase in accounts payable and accrued expenses	1,
Decrease (increase) in income taxes payable	
Increase in deferred revenue	
Decrease in deferred income taxes	

Net cash used in operating activities	-----

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

DECTRON INTERNATIONALE INC.

Interim Consolidated Statements of Cash Flows
For the Three Month Period Ending April 30, 2003 and April 30, 2002

(Amounts Expressed in United States Dollars)

	Thru
	Mon
	End
	Apri
	20

Investing activities:	
Acquisition of property, plant and equipment	(1,

Net cash used in investing activities	(1,

Financing activities	
Advances to share purchase plan	(
Issuance of share capital	
Repayments (advances) from loan receivable	
Advances from bank loans	
Advances from (repayments of) long-term debt	

Edgar Filing: DECTRON INTERNATIONALE INC - Form 10QSB

Advances from balance of sales

Net cash provided by financing activities

1,

Effect of foreign currency exchange rate on cash and cash equivalents

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

DECTRON INTERNATIONALE INC.

Interim Consolidated Statements of Cash Flows
For the Three Month Period Ending April 30, 2003 and April 30, 2002

(Amounts Expressed in United States Dollars)

Net increase in cash and cash equivalents

Cash and cash equivalents, beginning of period

Cash and cash equivalents, end of period

Three
Month
Ende
April
200

Supplemental disclosure of cash flow information

Interest paid

\$ 1,

Income taxes paid

\$

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

DECTRON INTERNATIONALE INC.

Interim Consolidated Statements of Stockholders' Equity

Edgar Filing: DECTRON INTERNATIONALE INC - Form 10QSB

For the Three Month Period Ending April 30, 2003

(Amounts Expressed in United States Dollars)

	Number	Amount	Cumulative Retained Earnings	
	-----	-----	-----	
Balance January 31, 2000	2,795,000	\$ 6,849,609	\$ 2,873,524	\$
	=====	=====	=====	
Share purchase plan receivable	--	(131,099)	--	
Foreign currency translation	--	--	--	
Net earnings for the year	--	--	857,426	
	-----	-----	-----	
Balance January 31, 2001	2,795,000	\$ 6,718,510	\$ 3,730,950	\$
	=====	=====	=====	
Share purchase plan receivable	--	\$ 34,423	\$ --	\$
Foreign currency translation	--	--	--	
Net earnings for the year	--	--	47,065	
	-----	-----	-----	
Balance January 31, 2002	2,795,000	\$ 6,752,933	\$ 3,778,015	\$
	=====	=====	=====	
Share purchase plan receivable	--	\$ (119,010)	\$ --	\$
Issuance of shares	124,500	502,300	--	
Foreign currency translation	--	--	--	
Net earnings for the year	--	--	1,136,212	
	-----	-----	-----	
Balance January 31, 2003	2,919,500	\$ 7,136,223	\$ 4,914,227	\$
	=====	=====	=====	
Share purchase plan receivable	--	\$ (106,404)	\$ --	\$
Issuance of shares	29,000	87,000	--	
Foreign currency translation	--	--	--	
Net earnings (loss) for the period	--	--	59,770	
	-----	-----	-----	
Balance April 30, 2003	2,948,500	\$ 7,116,819	\$ 4,973,997	\$
	=====	=====	=====	

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

DECTRON INTERNATIONALE INC.

Edgar Filing: DECTRON INTERNATIONALE INC - Form 10QSB

Notes to Interim Consolidated Financial Statements
As at April 30, 2003 and January 31, 2003

(Amounts Expressed in United States Dollars)

1. Summary of significant accounting policies

a) Basis of Consolidated Financial Statements Presentation

These consolidated financial statements include the accounts of Dectron Internationale Inc., Dectron Inc. Consolidated and Circul-aire Group.

Dectron Inc. Consolidated is comprised of Dectron Inc. and of its wholly-owned subsidiaries, Refplus Inc., Thermoplus Air Inc., Dectron U.S.A. Inc., and IPAC 2000 Inc.

Circul-aire Group is comprised of Cascade Technologies Inc., and of its wholly-owned subsidiaries, Purafil Canada Inc. and Circul-aire Inc. and its wholly-owned subsidiary Tranzmetal Inc.

All inter-company profits, transactions and account balances have been eliminated.

b) Foreign Currency Translation

The company maintains its books and records in Canadian dollars. The operation of the company's subsidiary in the United States is an integrated corporation. As a result, monetary assets and liabilities in foreign currency are translated into Canadian dollars at exchange rates in effect at the balance sheet date, whereas non-monetary assets and liabilities are translated at the average exchange rates in effect at transaction dates. Income and expenses in foreign currency are translated at the average rate effective during the year with the exception of depreciation and amortization, which is translated at the historical rate. Gains and losses resulting from the translation of foreign currency transactions are included in earnings.

The translation of the financial statements from Canadian dollars into United States dollars is performed for the convenience of the reader. Balance sheet accounts are translated using closing exchange rates in effect at the balance sheet date and income and expense accounts are translated using an average exchange rate prevailing during each reporting period. No representation is made that the Canadian dollar amounts could have been, or could be, converted into United States dollars at the rates on the respective dates and or at any other certain rates. Adjustments resulting from the translation are included in the accumulated other comprehensive income in stockholder's equity.

DECTRON INTERNATIONALE INC.

Notes to Interim Consolidated Financial Statements

Edgar Filing: DECTRON INTERNATIONALE INC - Form 10QSB

As at April 30, 2003 and January 31, 2003

(Amounts Expressed in United States Dollars)

2. SEGMENTED INFORMATION

	April 2003 -----
a) The breakdown of sales by geographic area is as follows:	
Canada	\$ 5,
United States of America	3,
International	1,

	\$ 10,
	=====
b) The breakdown of identifiable assets by geographic area is as follows:	
Canada	\$ 30,
United States	7,

	\$ 37,
	=====

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Three-month period ended April 30, 2003 compared to three-month period ended April 30, 2002.

Revenues for the three-month period ended April 30, 2003 were \$ 10,147,331, a 12.1% increase over prior year revenues of \$ 9,049,105.

Gross profit increased by \$121,183 to \$2,932,332 over the same period. This represents an increase of 4.1%, expressed in relation to sales.

Selling and marketing expenses increased by \$ 174,431 in the three-month period ended April 30, 2003. As a percentage of revenues, selling and marketing expenses increased from 12.6% to 13%.

General and administrative expenses increased by \$ 316,574 from \$ 751,297 to \$1,067,873. As a percentage of revenues, general and administrative expenses increased from 8.3% to 10.5%.

Edgar Filing: DECTRON INTERNATIONALE INC - Form 10QSB

Amortization expenses increased by \$ 94,687 from \$ 316,708 to \$ 411,395. As a percentage of revenues, amortization expenses increased from 3.5% to 4.0% of sales.

Financing expenses decreased by \$ 236,824 from \$ 285,781 to \$ 48,957. As a percentage of revenues, financing expenses decreased from 3.1% to 0.5%

Income before income taxes was \$ 86,525 a decrease of \$ 227,686 compared to the three-month income of \$314,510 period ended April 30, 2002.

Provisions for Income tax expenses as a percentage of taxable income increased from 28% for the 3 month period ended April 30, 2002 to 31.16% for 2003. Tax expenses decreased by \$61,008.

As a result of the above factors, the Company's net loss was \$59,770 in 2003, compared to an income of \$226,447 in 2002.

Three-month period ended April 30, 2002 compared to three-month period ended April 30, 2001.

Revenues for the three-month period ended April 30, 2002 were \$ 9,049,105, a 6.1% decrease over prior year revenues of \$ 9,639,831.

Gross profit decreased by \$550,676 to \$2,811,149 over the same period. This represents a decrease of 3.8%, expressed in relation to sales.

Selling and marketing expenses decreased by \$ 160,579 in the three-month period ended April 30, 2002. As a percentage of revenues, selling and marketing expenses decreased from 13.5% to 12.6%.

General and administrative expenses decreased by \$ 40,341 from \$ 791,640 to \$751,299. As a percentage of revenues, general and administrative expenses increased from 8.2% to 8.3%.

Amortization expenses decreased by \$ 63,281 from \$ 379,989 to \$ 316,708. As a percentage of revenues, amortization expenses decreased from 3.9% to 3.5% of sales.

Financing expenses decreased by \$ 133,830 from \$ 419,611 to \$ 285,781. As a percentage of revenues, financing expenses decreased from 4.3% to 3.1%

Income before income taxes was \$ 314,510 a decrease of \$ 152,645 compared to the three-month period ended April 30, 2001. Relative to sales, income before income taxes decreased from 4.9% for the three month period ended April 30, 2001 to 3.5% in the three month period ended April 30, 2002.

Provisions for Income tax expenses as a percentage of taxable income increased from 12.5% for the 3 month period ended April 30, 2001 to 28% for 2002. Tax expenses increased by \$29,669.

As a result of the above factors, the Company's net income decreased from \$408,761 to \$226,447 a decrease of 44.6%.

Liquidity and Capital Resources

The Company had a positive net change in cash of \$ 175,279 for the three-month period ended April 30, 2003. The principal sources of cash were advances from accounts payable in the amount of \$1,620,069 and an increase of bank loan in the amount of \$537,801. The principal use of cash was an increase in inventory in the amount of \$ 1,519,125 and acquisition of assets of

Edgar Filing: DECTRON INTERNATIONALE INC - Form 10QSB

\$1,500,121.

The Company had a positive net change in cash of \$ 284,421 for the three-month period ended April 30, 2002. The principal sources of cash were advances from bank loans in the amount of \$1,172,518 and an increase of accounts payable in the amount of \$707,458. The principal use of cash was an increase in account receivable in the amount of \$ 1,865,794.

ITEM 3. CONTROLS AND PROCEDURES

Immediately following the signature page of this report is the Certification that is required under Section 302 of the Sarbanes-Oxley Act of 2002. This section of the report contains information concerning the controls evaluation referred to in the Section 302 Certifications and the information contained herein should be read in conjunction with the Certification.

Internal controls are designed with the objective of ensuring that assets are safeguarded, transactions are authorized, and financial reports are prepared on a timely basis in accordance with generally accepted accounting principles in the United States. The disclosure procedures are designed to comply with the regulations established by the Securities and Exchange Commission.

Internal controls, no matter how designed, have limitations. It is the Company's intent that the internal controls be conceived to provide adequate, but not absolute, assurance that the objectives of the controls are met on a consistent basis. Management plans to continue its review of internal controls and disclosure procedures on an ongoing basis.

The Company's principal executive officer and principal financial officer, after supervising and participating in an evaluation of the effectiveness of the Company's internal and disclosure controls and procedures as of April 30, 2003 (the "Evaluation Date"), have concluded that as of the Evaluation Date, the Company's internal and disclosure controls and procedures were effective.

There were no significant changes in the Company's internal and disclosure controls or in other factors that could significantly affect such internal and disclosure controls subsequent to the date of their evaluation.

PART II OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

99.1 CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 by Ness Lakdawala

99.2 CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 by Mauro Parisi

(b) Reports on Form 8-K.

There were no reports filed on Form 8-K during the period covered by this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on

Edgar Filing: DECTRON INTERNATIONALE INC - Form 10QSB

its behalf by the undersigned, thereunto duly authorized.

DECTRON INTERNATIONALE INC.

June 16, 2003

By: /s/ Mauro Parissi

Mauro Parissi
Chief Financial Officer

CERTIFICATION

I, Ness Lakdawala, Chairman of the Board, Chief Executive Officer and President, of Dectron Internationale Inc., certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Dectron Internationale Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

Edgar Filing: DECTRON INTERNATIONALE INC - Form 10QSB

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 16, 2003

By: /s/ Ness Lakdawala

Ness Lakdawala, Chairman of the Board,
Chief Executive Officer and President

CERTIFICATION

I, Mauro Parissi, Chief Financial Officer, of Dectron Internationale Inc., certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Dectron Internationale Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date.
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons

Edgar Filing: DECTRON INTERNATIONALE INC - Form 10QSB

performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 16, 2003

By: /s/ Mauro Parissi

Mauro Parissi
Chief Financial Officer