

Edgar Filing: DECTRON INTERNATIONALE INC - Form 10-Q

DECTRON INTERNATIONALE INC
Form 10-Q
December 15, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For The Quarter Ended October 31, 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: December 9, 2003, 2,920,000 Common Shares outstanding

Transitional Small Business Disclosure (check One):

Yes No

DECTRON INTERNATIONALE INC.

INDEX

Edgar Filing: DECTRON INTERNATIONALE INC - Form 10-Q

PART I - FINANCIAL INFORMATION

Item 1- Financial Statements

Interim Consolidated Balance Sheets - at October 31, 2003 and January 31, 2003

Interim Consolidated Statements of Earnings - For the three and nine months ended October 31, 2003 and the three and nine months ended October 31, 2002

Interim Consolidated Statements of Cash Flows - For nine months ended October 31, 2003 and nine months ended October 31, 2002.....

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

Notes to Interim Financial Statements.....

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

Item 3.Quantitative and Qualitative Disclosure About Market Risk.....

Item 4.Controls and Procedures.....

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.....

Item 5. Other information.....

Item 6. Exhibits and Reports on Form 8-K

SIGNATURES.....

Part I FINANCIAL INFORMATION

DECTRON INTERNATIONALE INC.

Interim Consolidated Balance Sheets

As at October 31, 2003 and January 31, 2003

(Amounts Expressed in United States Dollars)

Page 2

October 31, January 31,
2003 2003

Assets

Current

Edgar Filing: DECTRON INTERNATIONALE INC - Form 10-Q

Cash	\$ 2,020,357	\$ 838,473
Accounts receivable	10,283,315	9,917,100
Inventory	11,556,172	9,525,297
Prepaid expenses and sundry assets	817,838	538,145
Loans receivable	25,125	21,164
Deferred income taxes	36,539	36,539
	-----	-----
	24,739,346	20,876,718
Loans receivable	599,742	472,977
Property, plant and equipment	11,832,866	10,229,880
Intangibles	189,401	169,000
Goodwill	1,563,636	1,355,117
Deferred income taxes	1,313,350	1,297,745
	-----	-----
	\$ 40,238,341	\$ 34,401,437
	=====	=====

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

DECTRON INTERNATIONALE INC.

Interim Consolidated Balance Sheets

As at October 31, 2003 and January 31, 2003

(Amounts Expressed in United States Dollars)

Page 3

	October 31, 2003	January 31, 2003
	-----	-----
Liabilities		
Current		
Bank loans	\$ 12,848,784	\$ 9,187,534
Accounts payable and accrued expenses	5,315,273	4,835,993
Income taxes payable	466,559	684,578
Current portion of long-term debt	978,178	1,090,576
Deferred revenue	5,618	4,732
Current portion of balance of sale	125,133	--
	-----	-----
	19,739,545	15,803,413
Long-term debt	5,049,051	5,322,309
Balance of sale	108,069	--

Edgar Filing: DECTRON INTERNATIONALE INC - Form 10-Q

Deferred revenue	1,663,026	1,442,809
	-----	-----
	26,559,691	22,568,531
	-----	-----
Stockholders' equity		
Capital stock	7,012,934	7,136,223
Treasury stock	(88,780)	(88,780)
Accumulated other comprehensive gain (loss)	1,691,902	(128,764)
Retained earnings	5,062,594	4,914,227
	-----	-----
	13,678,650	11,832,906
	-----	-----
Total liabilities and stockholders' equity	\$ 40,238,341	\$ 34,401,437
	=====	=====

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

DECTRON INTERNATIONALE INC.

Interim Consolidated Statements of Earnings

For the Nine month Period Ended October 31, 2003 and October 31, 2002

(Amounts Expressed in United States Dollars)

Page 4

	Nine Months Ended October 31, 2003	Nine Months Ended October 31, 2002
	-----	-----
Net Sales	\$ 33,635,374	\$ 29,738,616
Cost of sales	24,487,981	21,260,162
	-----	-----
Gross profit	9,147,393	8,478,454
	-----	-----
Operating expenses		
Selling	4,214,666	3,806,318
General and administrative	3,046,990	2,010,008
Depreciation and amortization	1,224,372	1,028,214
Interest expense	445,841	816,096
	-----	-----

Edgar Filing: DECTRON INTERNATIONALE INC - Form 10-Q

	8,931,869	7,660,636
	-----	-----
Earnings before income taxes	215,524	817,818
Income taxes	67,157	228,989
	-----	-----
Net Earnings	\$ 148,367	\$ 588,829
	=====	=====
Net earnings per common share, basic and diluted	0.05	0.21
	=====	=====
Weighted average number of common shares outstanding basic and diluted	2,919,500	2,814,444

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 October 31, 2003 and October 31, 2002

(Amounts Expressed in United States Dollars)

Page 5

	Three Months Ended October 31, 2003	Three Months Ended October 31, 2002
	-----	-----
Net Sales	\$ 11,144,889	\$ 10,193,297
Cost of sales	8,030,778	7,170,524
	-----	-----
Gross profit	3,114,111	3,022,773
	-----	-----
Operating expenses		
Selling	1,458,000	1,427,858
General and administrative	1,015,454	713,216
Depreciation and amortization	426,077	334,097
Interest expense	185,712	265,961
	-----	-----
	3,085,243	2,741,132
	-----	-----
Earnings before income taxes	28,868	281,641

Edgar Filing: DECTRON INTERNATIONALE INC - Form 10-Q

Income taxes	8,995	78,860
	-----	-----
Net earnings	\$ 19,873	\$ 202,781
	=====	=====
Net earnings per common share, basic and diluted	0.01	0.07
	=====	=====
Weighted average number of common shares outstanding basic and diluted	2,919,500	2,814,444

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

DECTRON INTERNATIONALE INC.

Interim Consolidated Statements of Cash Flows

For the Nine Month Period Ending October 31, 2003 and October 31, 2002

(Amounts Expressed in United States Dollars)

Page 6

	Nine Months Ended October 31, 2003	Nine Months Ended October 31, 2002
	-----	-----
Operating activities		
Net earnings	\$ 148,367	\$ 588,829
Adjustments to reconcile net earnings to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,224,372	1,028,214
Increase in accounts receivable	(366,215)	(1,569,822)
Decrease in income taxes receivable	--	58,313
Decrease (increase) in inventory	(2,030,875)	250,316
Increase in prepaid expenses and sundry assets	(279,693)	(15,098)
Increase in accounts payable and accrued expenses	479,280	535,579
Increase (decrease) in income taxes payable	(218,019)	171,837
Increase in deferred revenue	221,103	416,869
Decrease (Increase) in deferred income taxes	(15,605)	1,225
	-----	-----
Net cash (used in) provided by operating activities	(837,285)	1,466,262
	-----	-----

Edgar Filing: DECTRON INTERNATIONALE INC - Form 10-Q

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

DECTRON INTERNATIONALE INC.

Interim Consolidated Statements of Cash Flows

For the Nine Month Period Ending October 31, 2003 and October 31, 2002

(Amounts Expressed in United States Dollars)

Page 7

	Nine Months Ended October 31, 2003 -----	Nine Months Ended October 31, 2002 -----
Investing activities		
Acquisition of property, plant and equipment	(1,088,027)	(1,174,107)
Acquisition of intangibles	--	(63,658)
	-----	-----
Net cash used in investing activities	(1,088,027)	(1,237,765)
	-----	-----
Financing activities		
Issuance of capital stock	--	278,800
Advances (repayments of) from loan-term debt	(385,656)	(123,208)
Advances to share purchase plan receivable	(123,289)	(68,897)
Advances to loans receivable	(130,726)	(5,740)
Advances from bank loans	3,661,250	308,586
Repayments of loan payable	--	(68,033)
Advances from balance of sales	233,202	--
	-----	-----
Net cash provided by financing activities	3,254,781	321,508
	-----	-----
Effect of foreign currency exchange rate on cash and cash equivalents	(147,585)	(34,364)
	-----	-----

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

DECTRON INTERNATIONALE INC.

Interim Consolidated Statements of Cash Flows

For the Nine month Period Ending October 31, 2003 and October 31, 2002

Edgar Filing: DECTRON INTERNATIONALE INC - Form 10-Q

(Amounts Expressed in United States Dollars)

Page 8

	Nine Months Ended October 31, 2003	Nine Months Ended October 31, 2002
Net increase in cash and cash equivalents	1,181,884	515,641
Cash and cash equivalents, beginning of period	838,473	86,727
Cash and cash equivalents, end of period	\$ 2,020,357	\$ 602,368
Supplemental disclosure of cash flow information		
Interest paid	\$ 766,690	\$ 556,890
Income taxes paid	\$ 216,502	\$ 142,224

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

DECTRON INTERNATIONALE INC.

Interim Consolidated Statements of Stockholders' Equity

For the NineMonth Period Ending October 31, 2003

(Amounts Expressed in United States Dollars)

Page 9

	Number	Cumulative Retained Amount	Other Comprehens Earnings
Balance January 31, 2000	2,795,000	\$ 6,849,609	\$ 2,873,5
Share purchase plan receivable	--	\$ (131,099)	\$ --
Foreign currency translation	--	--	--
Net earnings for the year	--	--	857,4
Balance January 31, 2001	2,795,000	\$ 6,718,510	\$ 3,730,9

Edgar Filing: DECTRON INTERNATIONALE INC - Form 10-Q

Share purchase plan receivable	--	\$ 34,423	\$ --
Foreign currency translation	--	--	--
Net earnings for the year	--	--	47,0
	-----	-----	-----
Balance January 31, 2002	2,795,000	\$ 6,752,933	\$ 3,778,0
	=====	=====	=====
Share purchase plan receivable	--	\$ (119,010)	\$ --
Issuance of shares	124,500	502,300	--
Foreign currency translation	--	--	--
Net earnings for the year	--	--	1,136,2
	-----	-----	-----
Balance January 31, 2003	2,919,500	\$ 7,136,223	\$ 4,914,2
	=====	=====	=====
Share purchase plan receivable	--	\$ (123,289)	\$ --
Foreign currency translation	--	--	--
Net earnings for the period	--	--	148,3
	-----	-----	-----
Balance October 31, 2003	2,919,500	\$ 7,012,934	\$ 5,062,5
	=====	=====	=====

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

DECTRON INTERNATIONALE INC.

Notes to Interim Consolidated Financial Statements

As at October 31, 2003 and January 31, 2003

(Amounts Expressed in United States Dollars)

Page 10

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, Circul-aire Group and International Water Makers Inc.

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.

Edgar Filing: DECTRON INTERNATIONALE INC - Form 10-Q

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

As at October 31, 2003 and January 31, 2003

(Amounts Expressed in United States Dollars)

Page 11

2. SEGMENTED INFORMATION

	October 31, 2003	January 31, 2003
	-----	-----
a) The breakdown of sales by geographic area is as follows:		
Canada	\$ 16,180,889	\$ 14,235,583
United States of America	15,182,705	20,623,100
International	2,271,780	2,024,381
	-----	-----
	\$ 33,635,374	\$ 36,883,064
	=====	=====

b) The breakdown of identifiable assets by geographic area are as follows:

Edgar Filing: DECTRON INTERNATIONALE INC - Form 10-Q

Canada	\$ 33,209,475	\$ 26,391,369
United States	7,028,866	8,010,068
	-----	-----
	\$ 40,238,341	\$ 34,401,437
	=====	=====

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

Critical Accounting Policies

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (GAAP). These accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the periods presented. To the extent there are material differences between these estimates, judgments or assumptions and actual results, our financial statements will be affected. The significant accounting policies that we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

- o Revenue Recognition
- o Deferred Revenue
- o Intangible Assets and Goodwill
- o Foreign currency translation
- o Accounting for Income Taxes

Revenue Recognition

The Company recognizes revenue for finished products when the goods are shipped and title passes to the customer, provided that there are no uncertainties regarding customer acceptance, persuasive evidence of an arrangement exist; the sales price is fixed or determinable; and collectibility is deemed probable.

Deferred Revenue

The company has sold extended warranty contracts covering a period of four to nine years beyond the one year basic guarantee. The deferred revenue is recognized as income over the four to nine year period on a straight-line basis commencing one year from the sale of the contracts.

Intangible Assets and Goodwill

The company accounts for intangible assets and goodwill in accordance with Statement of Financial Accounting Standards (SFAS) 142, "Goodwill and Other Intangible Assets", which was adopted by the Company on February 1, 2002 in accordance with that statement, goodwill and intangible assets with indefinite lives are no longer amortized, but rather tested for impairment at least annually. Intangible assets with estimable useful lives, consisting of patents, trademarks, and rights, are amortized on a straight-line basis over the estimated useful lives of 5 to 15 years, and are reviewed for impairment in accordance with SFAS 144, "Accounting for the Impairment of Long-Lived Assets".

Goodwill represents the excess of purchase price over the fair value of

Edgar Filing: DECTRON INTERNATIONALE INC - Form 10-Q

identifiable assets acquired in a purchase business combination. For the years 2002 and 2001, goodwill was amortized using the straight-line method, over a period of 10 years.

Goodwill and intangible assets with definite lives are tested annually for impairment in accordance with the provisions of SFAS 142.

Impairment of goodwill is tested at the reporting unit level by comparing the reporting unit's carrying amount, including goodwill, to the fair value of the reporting unit. The fair values of the reporting units are estimated using a combination of the income or discounted cash flows approach and the market approach, which utilizes comparable companies' data. If the carrying amount of the reporting unit exceeds its fair value, then a second step is performed to measure the amount of impairment loss, if any. Any impairment loss would be expensed in the consolidated statements of earnings. The impairment test for intangibles with indefinite useful lives consists of a comparison of the fair value of the intangible assets with its carrying amount. When the carrying amount of the intangible assets exceeds its fair value, an impairment loss would be recognized for the difference.

Intangible assets with estimable lives and other long-lived assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset or assets group may not be recoverable in accordance with SFAS 144. Recoverability of intangible assets with estimable lives and other long-lived assets is measured by a comparison of the carrying amount of an assets or asset group to future net undiscounted pretax cash flows expected to be generated by the assets or asset group. If these comparisons indicated that an asset is not recoverable, the impairment loss recognized is the amount by which the carrying amount of the asset or the asset group exceeds the related estimated fair value.

Foreign Currency Translation

The company maintains its books and records in Canadian dollars. Foreign currency transactions are translated using the temporal method. Under this method, all monetary items are translated into Canadian funds at the rate of exchange prevailing at balance sheet date. Non-monetary items are translated at historical rates. Income and expenses are translated at the rate in effect on the transaction dates. Transaction gains and losses are included in the determination of earnings for the year.

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.

Income Taxes

As part of the process of preparing our financial statements, we will be required to estimate our income taxes in each of the jurisdictions in which we operate. This process will involve estimates of our actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as depreciation and amortization, for tax and accounting purposes.

Edgar Filing: DECTRON INTERNATIONALE INC - Form 10-Q

Results of Operations

Nine month period ended October 31, 2003 compared to Nine month period ended October 31, 2002.

Revenues for the nine month period ended October 31, 2003 were \$ 33,635,374, a 13.1% increase over prior year of \$ 29,738,616 primarily because of an increase of sales in RefPlus and also the addition of our new acquisition of Tranzmetal.

Gross profit increased by \$ 668,939 to \$ 9,147,393 over the same period in 2002. Gross profit increased by 7.9% compared to an increase in sales of 13.1% for the nine month period ended October 31, 2003 due to an increase in our overhead costs following the acquisition of Tranzmetal.

Selling expenses increased by \$ 408,348 for the nine month period ended October 31, 2003 from \$ 3,806,318 to \$ 4,214,666. As a percentage of revenues, selling and marketing expenses decreased from 12.8% to 12.53% during the nine months ended October 31, 2003. Selling Expenses increased due to the addition of new personnel in RefPlus.

General and administrative expenses increased by \$ 1,036,982 from \$ 2,010,008 to \$ 3,046,990 due to the integration of Tranzmetal. As a percentage of revenues, general and administrative increased from 6.76% to 9.06%.

Amortization expenses increased by \$ 196,158 from \$ 1,028,214 to \$ 1,224,372 due to the integration of Tranzmetal and the acquisition of new equipment. As a percentage of revenues, amortization expenses increased from 3.46% to 3.64%.

Financing expenses decreased by \$ 370,255 from \$ 816,096 to \$ 445,841 due mainly to the re-payment of a high interest loan. As a percentage of revenues, financing expenses decreased from 2.74% to 1.33%.

Earnings before income taxes was \$ 215,524, a decrease of \$ 602,294 compared to the nine month period ended October 31, 2002. Relative to sales, earnings before income taxes decreased from 2.75% for the nine month period ended October 31, 2002 to 0.64 % in the nine month period ended October 31, 2003.

Provisions for Income tax as a percentage of taxable earnings increased from 28% for the nine month ended October 31, 2002 to 31.16% for 2003. Tax expenses have decreased by \$ 161,832 due to a decrease in taxable income.

As a result of the above factors, the Company's net earnings decreased from \$ 588,829 to \$ 148,367.

Three month period ended October 31, 2003 compared to Three month period ended October 31, 2002.

Revenues for the three month period ended October 31, 2003 were \$ 11,144,889, a 9.34% increase over prior year revenues of \$ 10,193,297. This increase is due primarily to increase of sales in RefPlus and also the addition of our new acquisition of Tranzmetal.

Gross profit increased by \$ 91,338 to \$ 3,114,111 over the same period. This represents an increase of 3.02%, expressed in relation to sales. Gross profit increased by 3.02% compared to an increase in sales of 9.34%. This increase is due to an increase in our overhead costs following the acquisition

Edgar Filing: DECTRON INTERNATIONALE INC - Form 10-Q

of Tranzmetal.

Selling expenses increased by \$ 30,142 in the three month period ended October 31, 2003. As a percentage of revenues, selling and marketing expenses decreased from 14.01% to 13.08%.

General and administrative expenses increased by \$ 302,238 to \$ 1,015,454 due mainly to the integration of Tranzmetal. . As a percentage of revenues, general and administrative increased from 7.0% to 9.11%.

Amortization expenses increased by \$ 91,980 from \$ 334,097 to \$ 426,077. As a percentage of revenues, amortization expenses increased from 3.28% to 3.82% due to the integration of Tranzmetal and the acquisition of new equipment.

Financing expenses decreased by \$ 80,249 from \$ 265,961 to \$ 185,712 due mainly to the re-payment of a high interest debt. As a percentage of revenues, financing expenses decreased from 2.61% to 1.67%.

Earnings before income taxes were \$ 28,868 a decrease of \$ 252,773 compared to the three month period ended October 31, 2002. Relative to sales, earnings before income taxes decreased from 2.76% for the three month period ended October 31, 2002 to 0.26% in the three month period ended October 31, 2003.

Provisions for Income tax as a percentage of taxable income increased from 28.0% for the three month ended October 31, 2002 to 31.16% for 2003. Tax expenses have decreased by \$ 69,865 due to a decrease in taxable revenue.

As a result of the above factors, the Company's net earnings decreased from \$ 202,781 to \$ 19,873, a decrease of 90.20%.

Liquidity and Capital Resources

The Company had a positive net change in cash of \$ 1,181,884 for the nine month period ended October 31, 2003. The principal sources of cash were from advances of bank loans in the amount of \$ 3,661,250, and depreciation and amortization of \$ 1,224,372. Principal uses of cash were acquisition of assets in the amount of 1,088,027 and increase in inventory in the amount of \$ 2,030,875.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

Contractual Obligations and Commercial Commitments

The Company's significant contractual obligations as of October 31, 2003 are for debt and operating leases. Debt by year of maturity and future rental payments under operating lease agreements are presented below. As of October 31, 2003, the Company have an outstanding balance on its line of credit of \$ 12,848,784 and does not have any purchase obligations. The Company has not engaged in off-balance sheet financing, commodity contract trading or significant related party transactions.

Contractual Obligations

Payments Due by Period

Edgar Filing: DECTRON INTERNATIONALE INC - Form 10-Q

	Total	Less than 1 year	1-3 years	4-5 years
Balance of Sale	\$ 233,202	\$125,133	\$ 108,069	--
Capital Lease	1,049,066	344,336	399,998	\$ 304,732
Long-term debt	4,978,163	799,711	2,072,621	2,081,034
Operating lease	2,291,725	632,105	1,156,204	503,416

Management believes that these commitments will be satisfied with current operating cash flow.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk related to fluctuations in interest rates on its debt. Increase in prevailing interest rates could increase the Company's interest payment obligations relating to variable rate debt. For example, a 100 basis point increase in interest rates would increase annual interest expense by \$120,000.

ITEM 4. CONTROLS AND PROCEDURES

Attached as Exhibit 31 hereto 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 October 31, 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

Edgar Filing: DECTRON INTERNATIONALE INC - Form 10-Q

Item 1. Legal Proceedings

The Company is not currently involved in any material legal proceedings.

Item 5. Other Information

On October 4, 2003, 1,150,000 of the Company's redeemable warrants to purchase shares of the Company's common stock at an exercise price of \$ 9.00 per share expired.

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

(a) Exhibits

Exhibit 31. Rule 13a-14(a)/15d-14(a) Certifications.

Exhibit 32.1 Certification by the Chief Executive Officer Relating to a Periodic Report Containing Financial Statements.*

Exhibit 32.2 Certification by the Chief Financial Officer Relating to a Periodic Report Containing Financial Statements.*

(b) Reports on Form 8-K.

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

* The Exhibit attached to this Form 10-Q shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to liability under that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

SIGNATURES

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

DECTRON INTERNATIONALE INC.

December 12, 2003

By: /s/ Ness Lakdawala

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

December 12, 2003

By: /s/ Mauro Parissi

Name: Mauro Parissi
Title: Chief Financial Officer