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DECTRON INTERNATIONALE INC
Form 10QSB
September 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 July 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: September 10, 2003, 2,969,500 Common Shares outstanding

Transitional Small Business Disclosure (check One):

Yes No

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DECTRON INTERNATIONALE INC.

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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 July 31, 2003 and January 31, 2003

(Amounts Expressed in United States Dollars)

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| | July 31, 2003 | January 31, 2003 |
|------------------------------------|------------------|---------------------|
| | ----- | ----- |
| Assets | | |
| Current | | |
| Cash | \$ 1,834,930 | \$ 838,473 |
| Accounts receivable | 11,976,094 | 9,917,100 |
| Inventory | 11,289,292 | 9,525,297 |
| Prepaid expenses and sundry assets | 775,613 | 538,145 |
| Loans receivable | 23,583 | 21,164 |
| Deferred income taxes | 36,539 | 36,539 |
| | ----- | ----- |
| | 25,936,051 | 20,876,718 |
| Loans receivable | 480,543 | 472,977 |
| Property, plant and equipment | 11,377,444 | 10,229,880 |
| Intangibles | 179,708 | 169,000 |
| Goodwill | 1,467,690 | 1,355,117 |
| Deferred income taxes | 1,222,171 | 1,297,745 |
| | ----- | ----- |
| | \$ 40,663,607 | \$ 34,401,437 |
| | ===== | ===== |

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

DECTRON INTERNATIONALE INC.

Interim Consolidated Balance Sheets

As at July 31, 2003 and January 31, 2003

(Amounts Expressed in United States Dollars)

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| | |
|------------------|---------------------|
| July 31, 2003 | January 31, 2003 |
|------------------|---------------------|

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| ----- | | |
|---|---------------|---------------|
| Liabilities | | |
| Current | | |
| Bank loans | \$ 12,480,255 | \$ 9,187,534 |
| Accounts payable and accrued expenses | 6,280,289 | 4,835,993 |
| Income taxes payable | 656,938 | 684,578 |
| Current portion of long-term debt | 1,144,047 | 1,090,576 |
| Deferred revenue | 5,273 | 4,732 |
| Current portion of balance of sale | 117,454 | - |
| | ----- | ----- |
| | 20,684,256 | 15,803,413 |
| Long-term debt | 5,372,550 | 5,322,309 |
| Balance of sale | 117,454 | - |
| Deferred revenue | 1,548,731 | 1,442,809 |
| | ----- | ----- |
| | 27,722,991 | 22,568,531 |
| | ----- | ----- |
| Stockholders' equity | | |
| Capital stock | 7,125,819 | 7,136,223 |
| Treasury stock | (88,780) | (88,780) |
| Accumulated other comprehensive gain (loss) | 860,856 | (128,764) |
| Retained earnings | 5,042,721 | 4,914,227 |
| | ----- | ----- |
| | 12,940,616 | 11,832,906 |
| | ----- | ----- |
| Total liabilities and stockholders' equity | \$ 40,663,607 | \$ 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 Six Month Period Ended July 31, 2003 and July 31, 2002

(Amounts Expressed in United States Dollars)

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| | Six Months Ended July 31, 2003 |
|--|--|
| | ----- |
| Net Sales | \$ 22,490,485 |
| Cost of sales | 16,457,203 |
| | ----- |
| Gross profit | 6,033,282 |
| | ----- |
| Operating expenses | |
| Selling | 2,756,666 |
| General and administrative | 2,031,536 |
| Depreciation and amortization | 798,295 |
| Interest expense | 260,129 |
| | ----- |
| | 5,846,626 |
| | ----- |
| Earnings before income taxes | 186,656 |
| Income taxes | 58,162 |
| | ----- |
| Net Earnings | \$ 128,494 |
| | ===== |
| Net earnings per common share, basic and diluted | .04 |
| | ===== |
| Weighted average number of common shares outstanding basic and diluted | 2,944,561 |

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 July 31, 2003 and July 31, 2002

(Amounts Expressed in United States Dollars)

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| | Three Months Ended July 31, 2003 |
|--|--|
| | ----- |
| Net Sales | \$ 12,343,154 |
| Cost of sales | 9,242,204 |
| | ----- |
| Gross profit | 3,100,950 |
| | ----- |
| Operating expenses | |
| Selling | 1,439,384 |
| General and administrative | 963,663 |
| Depreciation and amortization | 386,900 |
| Interest expense | 211,172 |
| | ----- |
| | 3,001,119 |
| | ----- |
| Earnings before income taxes | 99,831 |
| Income taxes | 31,107 |
| | ----- |
| Net earnings | \$ 68,724 |
| | ===== |
| Net earnings per common share, basic and diluted | 0.02 |
| | ===== |
| Weighted average number of common shares outstanding basic and diluted | 2,944,561 |

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

DECTRON INTERNATIONALE INC.
Interim Consolidated Statements of Cash Flows
For the Six Month Period Ending July 31, 2003 and July 31, 2002
(Amounts Expressed in United States Dollars)

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| | Six Months Ended July 31, 2003 |
|--|--|
| | ----- |
| Operating activities: | |
| Net earnings | \$ 128,494 |
| Adjustments to reconcile net earnings to net cash (used in) provided by operating activities: | |
| Depreciation and amortization | 798,295 |
| Increase in accounts receivable | (2,058,994) |
| Decrease in income taxes receivable | - |
| Decrease (increase) in inventory | (1,763,995) |
| Increase (decrease) in prepaid expenses and sundry assets | (237,468) |
| Increase in accounts payable and accrued expenses | 1,444,296 |
| Increase (decrease) in income taxes payable | (27,640) |
| Increase in deferred revenue | 106,463 |
| Decrease in deferred income taxes | 75,574 |
| | ----- |
| Net cash provided by (used in) operating activities | (1,534,975) |
| | ----- |

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

DECTRON INTERNATIONALE INC.

Interim Consolidated Statements of Cash Flows

For the Six Month Period Ending July 31, 2003 and July 31, 2002

(Amounts Expressed in United States Dollars)

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Six
Months
Ended
July 31,
2003

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Investing activities:

| | |
|--|-------------|
| Acquisition of property, plant and equipment | (1,088,027) |
| Acquisition of intangibles | - |

| | |
|---------------------------------------|-------------|
| Net cash used in investing activities | (1,088,027) |
|---------------------------------------|-------------|

Financing activities

| | |
|--|-----------|
| Advances to share purchase plan | (106,404) |
| Issuance of share capital | 96,000 |
| Repayments (advances) from loan receivable | (9,985) |
| Advances from bank loans | 3,292,721 |
| Advances from (repayments of) long-term debt | 103,712 |
| Repayments of loan payable | - |
| Advances from balance of sales | 234,908 |

| | |
|---|-----------|
| Net cash provided by financing activities | 3,610,952 |
|---|-----------|

| | |
|---|-------|
| Effect of foreign currency exchange rate on cash and cash equivalents | 8,507 |
|---|-------|

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

DECTRON INTERNATIONALE INC.

Interim Consolidated Statements of Cash Flows

For the Six Month Period Ending July 31, 2003 and July 31, 2002

(Amounts Expressed in United States Dollars)

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| | Six Months Ended July 31, 2003 |
|--|--|
| Net increase in cash and cash equivalents | 996,457 |
| Cash and cash equivalents, beginning of period | 838,473 |

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| | | |
|--|--------------|-------|
| Cash and cash equivalents, end of period | \$ 1,834,930 | \$ |
| | ===== | ===== |
| Supplemental disclosure of cash flow information | | |
| Interest paid | \$ 490,393 | \$ |
| | ===== | ===== |
| Income taxes paid | \$ 159,088 | \$ |
| | ===== | ===== |

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

DECTRON INTERNATIONALE INC.

Interim Consolidated Statements of Stockholders' Equity

For the Six Month Period Ending July 31, 2003

(Amounts Expressed in United States Dollars)

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| | Number | Amount | Cumulative Retained Earnings | Other Comprehensive Income |
|--------------------------------|-----------|--------------|------------------------------|----------------------------|
| | ----- | ----- | ----- | ----- |
| Balance January 31, 2000 | 2,795,000 | \$ 6,849,609 | \$ 2,873,524 | \$ 289,121 |
| | ===== | ===== | ===== | ===== |
| Share purchase plan receivable | - | (131,099) | - | - |
| Foreign currency translation | - | - | - | (303,856) |
| Net earnings for the year | - | - | 857,426 | - |
| | ----- | ----- | ----- | ----- |
| Balance January 31, 2001 | 2,795,000 | \$ 6,718,510 | \$ 3,730,950 | \$ (14,735) |
| | ===== | ===== | ===== | ===== |
| Share purchase plan receivable | - | \$ 34,423 | \$ - | \$ - |
| Foreign currency translation | - | - | - | (577,087) |
| Net earnings for the year | - | - | 47,065 | - |
| | ----- | ----- | ----- | ----- |
| Balance January 31, 2002 | 2,795,000 | \$ 6,752,933 | \$ 3,778,015 | \$ (591,822) |
| | ===== | ===== | ===== | ===== |
| Share purchase plan receivable | - | \$ (119,010) | \$ - | \$ - |

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| | | | | |
|---------------------------------------|-----------|--------------|--------------|--------------|
| Issuance of shares | 124,500 | 502,300 | - | - |
| Foreign currency translation | - | - | - | 463,058 |
| Net earnings for the year | - | - | 1,136,212 | - |
| | ----- | ----- | ----- | ----- |
| Balance January 31, 2003 | 2,919,500 | \$ 7,136,223 | \$ 4,914,227 | \$ (128,764) |
| | ===== | ===== | ===== | ===== |
| Share purchase plan receivable | - | \$ (106,404) | \$ - | \$ - |
| Issuance of shares | 32,000 | 96,000 | | |
| Foreign currency translation | - | - | - | 989,620 |
| Net earnings (loss) for the period | - | - | 128,494 | - |
| | ----- | ----- | ----- | ----- |
| Balance July 31, 2003 | 2,951,500 | \$ 7,125,819 | \$ 5,042,721 | \$ 860,856 |
| | ===== | ===== | ===== | ===== |

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

DECTRON INTERNATIONALE INC.

Notes to Interim Consolidated Financial Statements

As at July 31, 2003 and January 31, 2003

(Amounts Expressed in United States Dollars)

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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.

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

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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 July 31, 2003 and January 31, 2003

(Amounts Expressed in United States Dollars)

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2. SEGMENTED INFORMATION

July 31,
2003

a) The breakdown of sales by geographic area is as follows:

| | | |
|--------------------------|----|------------|
| Canada | \$ | 10,831,869 |
| United States of America | | 10,023,663 |

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| | |
|---|---------------|
| International | 1,634,953 |
| | ----- |
| | \$ 22,490,485 |
| | ===== |
| b) The breakdown of identifiable assets by geographic area is as follows: | |
| Canada | \$ 33,252,183 |
| United States | 7,411,424 |
| | ----- |
| | \$ 40,663,607 |
| | ===== |

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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 in accordance with SEC Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements (SAB 101), as amended by SAB 101A and 101B. SAB 101 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services rendered; (3) the fee is fixed and determinable; and (4) collectibility is reasonably assured. Determination of criteria (3) and (4) are based on management's judgments regarding the fixed nature of the fee charged for services rendered and products delivered and the collectibility of those fees. Should changes in conditions cause management to

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determine these criteria are not met for certain future transactions, revenue recognized for any reporting period could be adversely affected.

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".

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

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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.

Results of Operations

Six month period ended July 31, 2003 compared to Six month period ended July 31, 2002.

Revenues for the six month period ended July 31, 2003 were \$22,490,485, a 15.1% increase over prior year of \$ 19,545,319.

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Gross profit increased by \$ 577,601 to \$ 6,033,282 over the same period in 2002. Gross profit increased by 10.6% compared to an increase in sales of 15.1% for the six month period ended July 31, 2003.

Selling expenses increased by \$ 378,206 for the six month period ended July 31, 2003 from \$ 2,378,460 to \$ 2,756,666. As a percentage of revenues, selling and marketing expenses increased from 12.17% to 12.26% during the six months ended July 31, 2003.

General and administrative expenses increased by \$ 734,744 from \$ 1,296,792 to \$2,031,536. As a percentage of revenues, general and administrative increased from 6.63% to 9.03%.

Amortization expenses increased by \$ 104,178 from \$ 694,117 to \$ 798,295. As a percentage of revenues, amortization expenses remained stable at 3.55%

Financing expenses decreased by \$ 290,006 from \$ 550,135 to \$ 260,129. As a percentage of revenues, financing expenses decreased from 2.81% to 1.16%.

Earnings before income taxes was \$ 186,656, a decrease of \$349,521 compared to the six month period ended July 31, 2002. Relative to sales,

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earnings before income taxes decreased from 2.74% for the six month period ended July 31, 2002 to 0.83 % in the six month period ended July 31, 2003.

Provisions for Income tax as a percentage of taxable earnings increased from 28% for the six month ended July 31, 2002 to 31.16% for 2003.

As a result of the above factors, the Company's net earnings decreased from \$ 386,048 to \$ 128,494.

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

Revenues for the three month period ended July 31, 2003 were \$ 12,343,154, a 17.60% increase over prior year revenues of \$ 10,496,214.

Gross profit increased by \$ 456,418 to \$3,100,950 over the same period. This represents an increase of 17.26%, expressed in relation to sales. Gross profit increased by 17.26% compared to an increase in sales of 17.6%.

Selling expenses increased by \$ 203,775 in the three month period ended July 31, 2003. As a percentage of revenues, selling and marketing expenses decreased from 11.77% to 11.66%.

General and administrative expenses increased by \$ 418,170 to \$ 963,663. As a percentage of revenues, general and administrative increased from 5.20% to 7.81%.

Amortization expenses increased by \$9,491 from \$ 377,409 to \$ 386,900. As a percentage of revenues, amortization expenses decreased from 3.6% to 3.13%.

Financing expenses decreased by \$ 53,182 from \$ 264,354 to \$ 211,172. As a percentage of revenues, financing expenses decreased from 2.52% to 1.71%.

Earnings before income taxes were \$ 99,381 a decrease of \$121,836 compared to the three month period ended July 31, 2002. Relative to sales, earnings before income taxes decreased from 2.11% for the three month period ended July 31, 2002 to 0.81% in the three month period ended July 31, 2003.

Provisions for Income tax as a percentage of taxable income increased from 28.0% for the three month ended July 31, 2002 to 31.16% for 2003. Therefore the tax expenses has decreased by \$ 30,959.

As a result of the above factors, the Company's net earnings decreased from \$ 159,601 to \$ 68,724, a decrease of 57%.

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Liquidity and Capital Resources

The Company had a positive net change in cash of \$ 996,457 for the six month period ended July 31, 2003. The principal sources of cash were from an increase in accounts payable in the amount of \$1,444,296, advances of bank loans in the amount of \$ 3,292,721, and depreciation and amortization of \$ 798,295. Principal uses of cash were an increase in accounts receivable in the amount of \$ 2,058,994, acquisition of assets in the amount of 1,088,027 and increase in inventory in the amount of \$ 1,763,995.

OFF-BALANCE SHEET ARRANGEMENTS

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

Contractual Obligations and Commercial Commitments

The Company's significant contractual obligations as of July 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 July 31, 2003, the Company has an outstanding balance on its line of credit of \$ 11,568,391 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 | | | | |
|-------------------------|------------------------|---------------------|-----------|-----------|---------------|
| | Total | Less than 1 year | 1-3 years | 4-5 years | After 5 years |
| Balance of Sale | 234,908 | 117,454 | 117,454 | | |
| Capital Lease | 1,128,515 | 344,336 | 399,998 | 391,181 | 0 |
| Long-term debt | 5,388,082 | 799,711 | 2,072,621 | 2,466,163 | 49,587 |
| Operating lease | 2,580,776 | 632,105 | 1,156,204 | 792,467 | - |

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

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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.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings

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

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.

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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

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its behalf by the undersigned, thereunto duly authorized.

DECTRON INTERNATIONALE INC.

September 15, 2003

By: /s/ Mauro Parissi

Mauro Parissi
Chief Financial Officer