

Edgar Filing: DECTRON INTERNATIONALE INC - Form 10-Q/A

DECTRON INTERNATIONALE INC  
Form 10-Q/A  
April 30, 2004

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
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FORM 10-Q/A  
(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 001-14503

DECTRON INTERNATIONALE INC.

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(Exact name of registrant as specified in its charter)

Quebec, Canada

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(State of Incorporation or other Jurisdiction of Incorporation or Organization)

N/A

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(I.R.S. Employer Identification Number)

4300 Poirier Blvd., Montreal, Quebec, Canada

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(Address of principal executive offices)

H4R 2C5

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(Zip Code)

Registrants' 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

Indicate by check mark whether the Registrant is an accelerated filer as defined in Rule 12b-2 of the Exchange Act. 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

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DECTRON INTERNATIONALE INC.

PART I - FINANCIAL INFORMATION

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EXPLANATORY NOTE

Dectron is filing this amendment to its Form 10-QSB filed for the fiscal period ended April 30, 2003 on Form 10-Q/A to reflect that it was as of such date not a "Small Business Issuer" as defined in Item 10 of Reg S-B. In consequence thereof, Dectron has revised the disclosure contained in its Form 10-QSB to comply with the requirements of Reg S-K. Dectron's financial statements were filed in compliance with Reg S-K and are thus not included in this Form 10-Q/A.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained herein including, without limitation, those concerning (i) the strategy of Dectron Internationale Inc. ("Dectron"), (ii) Dectron's expansion plans and (iii) Dectron's capital expenditures, contain forward- looking statements (within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") concerning Dectron's

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operations, economic performance and financial condition. Because such statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause such differences include, but are not limited to, those discussed under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations." Dectron undertakes no obligation to publicly release the result of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances.

### PART I. FINANCIAL INFORMATION

#### ITEM 1. FINANCIAL STATEMENTS

See Form 10-QSB filed with the Commission on June 16, 2003 as well as the Explanatory Note hereto.

#### 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%.

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.

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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%.

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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%.

Three-month period ended April 30, 2001 compared to three-month period ended April 30, 2000.

Revenues for the three-month period ended April 30, 2001 were \$9,639,831, a 11.8% increase over prior year revenues of \$8,626,887.

Gross profit increased by \$471,148 to \$3,361,825 over the same period. This represents an increase of 1.4%, expressed in relation to sales. Due to low manufacturing costs, gross profit increased by 16.3% compared to an increase in sales of 11.8%.

Selling and marketing expenses decreased by \$13,731 in the three-month period ended April 30, 2001. As a percentage of revenues, selling and marketing expenses decreased from 15.2% to 13.5%.

General and administrative expenses increased by \$205,604 from \$586,036 to \$791,640. As a percentage of revenues, general and administrative increased from 6.8% to 8.2%.

Amortization expenses increased by \$39,328 from \$340,661 to \$379,989. As a percentage of revenues, amortization expenses remained stable at 3.9%

Financing expenses increased by \$122,403 from \$297,208 to \$419,611. As a percentage of revenues, financing expenses increased from 3.4% to 4.3%

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Income before income taxes was \$467,155 an increase of \$117,544 compared to the three-month period ended April 30, 2000. Relative to sales, income before income taxes increased from 4.1% for the three-month period ended April 30, 2000 to 4.9% in the three month period ended April 30, 2001.

Provisions for Income tax expenses as a percentage of taxable income decreased from 29.7% for the 3 month period ended April 30, 2000 to 12.5% for 2001. Tax expenses decreased by \$45,315.

As a result of the above factors, the Company's net income increased from \$245,902 to \$408,761 an increase of 66.2%.

### 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

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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 \$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. 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 the Company's annual interest expense by \$120,000.

### ITEM 4. 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

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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 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

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ITEM 5. OTHER INFORMATION

None.

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 Parissi

(b) Reports on Form 8-K.

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

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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 its behalf by the undersigned, thereunto duly authorized.

DECTRON INTERNATIONALE INC.

April 30, 2004

By: /s/ Mauro Parissi

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Mauro Parissi

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Chief Financial Officer

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## 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-Q/A 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
  - 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: April 30, 2004

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By: /s/ Ness Lakdawala  
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Ness Lakdawala, Chairman of the Board,  
Chief Executive Officer and President

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### CERTIFICATION

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

1. I have reviewed this quarterly report on Form 10-Q/A 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
  - 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

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subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 30, 2004

By: /s/ Mauro Parissi  
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Mauro Parissi  
Chief Financial Officer