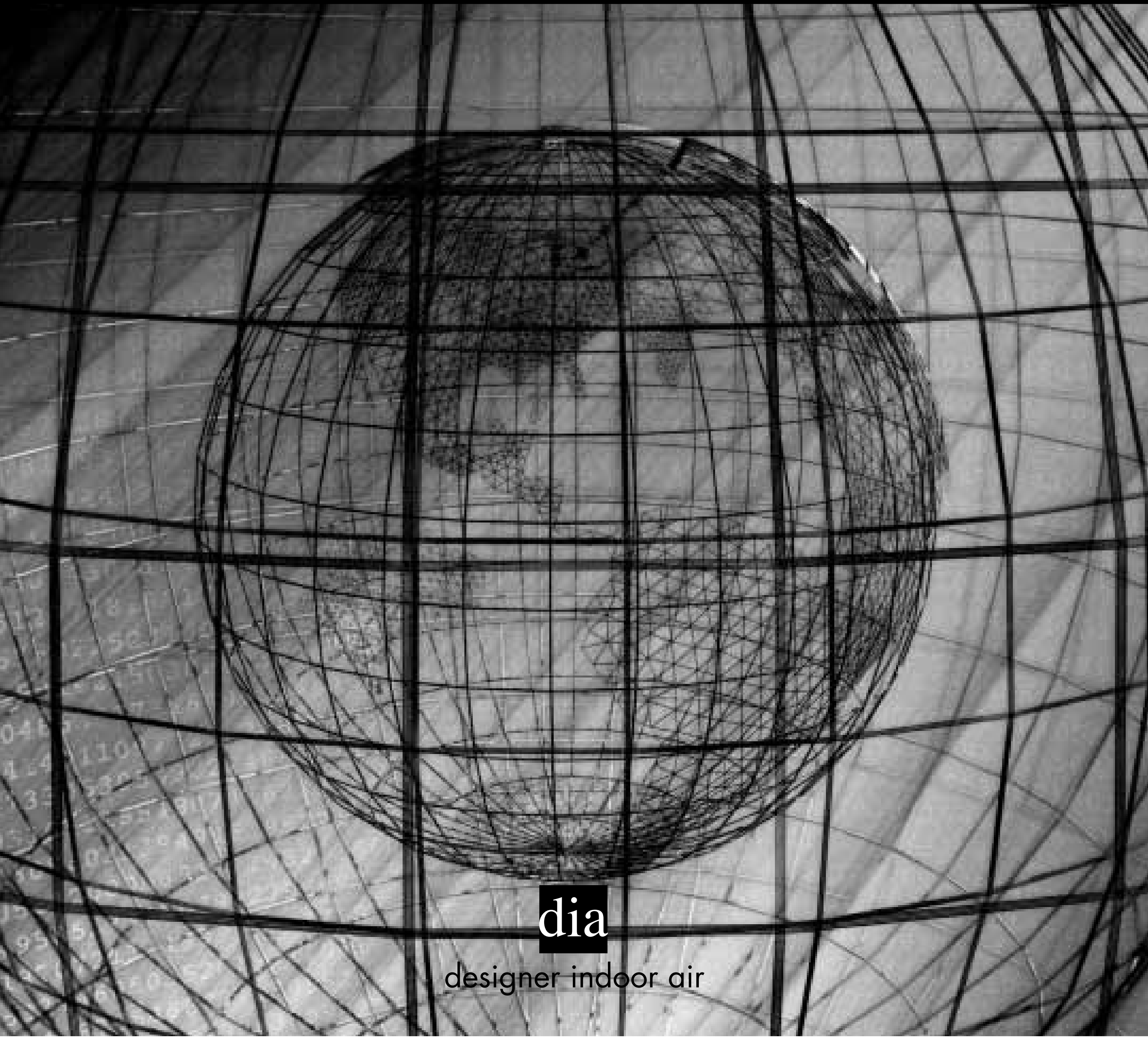
annual report 2001

Dectron internationale

www.dectron.com



Dectron Internationale delivers *Designer Indoor Air*™ 24 hours a day, 7 days a week, 365 days a year. We are the only world-wide company that can backup that claim.

It is no surprise these days that human health, comfort and quality of life are directly related to the air we breathe. Modern lifestyles dictate that we spend more than 90% of our lives indoors, out of reach of Mother Nature's natural air cleaning and control mechanisms – many of which are being stretched to their limits by Man's propensity to pollute our environment.

The isolated indoor environments we inhabit today have no such inherent air quality control. Conventional techniques of air temperature control and basic filtration have proven insufficient to guarantee good indoor air, and indeed in many circumstances directly contribute to poor indoor air quality. The Environmental Protection Agency themselves have declared that indoor air pollution is now a more significant health risk than that outdoors.

The goal of Dectron Internationale is to be the "Mother Nature" of indoor air – to manufacture solutions that employ state-of-the-art technologies in the combinations needed to properly condition indoor air. The expertise embodied in these technologies is what makes Dectron Internationale unique. We are truly the only company today in North America to design and manufacture customized, complete solutions that combine:

Air Purification: to remove harmful particulates, gas-phase chemical pollutants and microbial contaminants that adversely affect human health, electronic equipment, production efficiencies, archival storage, works of art etc;

Humidity and Temperature Control: to maintain an ideal range of relative humidity and temperature to ensure the health and comfort of people, the preservation of buildings and their contents and the efficient functioning of electronic and other equipment; and

Energy Recovery: to conserve and recycle energy using innovative technologies, saving money as well as reducing environmental impact.

Our customers breathe easy, thanks to *Designer Indoor Air*™.

dia

designer indoor air?

[di-zi-nər in-dōr aər –]. air within a structure, occupied by people, purified and conditioned to custom requirements. – 2. air designed to maximize human health, productivity, comfort and quality of life. – 3. air engineered by Dectron Internationale, world leading manufacturer of humidity and air temperature control, air purification, air detoxification and energy recycling systems.

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Dear Dectron Internationale stockholder,

As I am sure you have noticed, we have intentionally shortened and simplified our annual report this year and are presenting it to you in black and white. We are indeed taking the opportunity of making a statement and trying something a little different this time!

As a "high tech" manufacturing company involved in *Designer Indoor Air*™, we strive to employ the latest technologies to serve our market and communicate with the stakeholders in our business. We invested resources this year to greatly improve our presence on the Internet, and we would be very pleased if you took some of your valuable time and paid a visit to our web site at www.dectron.com. Here you will find informative briefs on what our company is all about, including technology and product summaries, case studies, press releases and more.

In the future we plan to use the Internet to improve our communications with our clients and our distribution system as well. We will provide tools to assist in the selection and application of our products making it easier and more accurate to process orders on a worldwide basis 24 hours a day, 7 days a week. As a stockholder in Dectron Internationale we hope that the website also provides you with the information you need to keep track of your investment in our company. If this presents any difficulties for you, please let me know and we will be pleased to assist you in any way we can.

The year we have just completed has been exciting and productive. Our investments in expanding our manufacturing capacity have been consolidated, and we are now offering reductions in delivery lead time of nearly 40% for our major product lines. This will translate over the next period into a significant competitive advantage, particularly in light of potential market slowdown in the United States in 2001.

January 2001 saw the launch of two new product lines for the company at the IAHR show in Atlanta, the largest show of its kind in North America. The ECOSAIRE® product line provides precision environmental conditioning for computer rooms and telecommunications centers and includes models complete with air purification technologies for industrial clients, once again a unique combination provided only by Dectron Internationale. A new line of DRY-O-TRON® 100% outdoor air humidity control products presents an exclusive state-of-the-art microprocessor controlled networkable solution for schools, hospitals and commercial buildings who are required by code to bring in large amounts of humid outside air into their facilities. Our record of custom engineered *Designer Indoor Air*™ solutions continues to grow with many new customers experiencing the benefits of our complete packaged single source responsibility.

Our continued heavy investment in growing our capacity and marketing our *Designer Indoor Air*™ products is now poised to benefit our bottom line. In spite of the fact that our net income is slightly down from last year, are gross profit and our EBDIT have both increased and we are confident that we will see significant increases over the next several years. The markets for our products, particularly in international applications, continues to grow. We are receiving a remarkable number of requests from the media for information about our success stories, and are being approached every month by new application prospects.

The next year will see the introduction of new technologies to our cadre of expertise. Our Research and Development team have been working industriously for several years to bring these new advances to fruition and we are very close to the launch of unique products, never before seen anywhere in the world.

Our commitment to the *Designer Indoor Air*™ strategy has never been stronger, and we stand ready to take advantage of all the opportunities which are now presenting themselves. Thank you for your faith in our company and we look forward to a prosperous future together.

Ness Lakdawala
President and CEO

To the Stockholders of
Dectron Internationale Inc.

We have audited the consolidated balance sheets of Dectron Internationale Inc. as at January 31, 2001 and 2000 and the related consolidated statements of earnings, cash flows and changes in stockholders' equity for each of the years ended January 31, 2001, 2000 and 1999. These consolidated financial statements are the responsibility of the companies' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dectron Internationale Inc. as at January 31, 2001 and 2000 and the results of its operations and its cash flows for each of the years ended January 31, 2001, 2000 and 1999, in conformity with generally accepted accounting principles in the United States of America.

Since the accompanying financial statements have not been prepared and audited in accordance with generally accepted accounting principles and generally accepted auditing standards in Canada, they may not satisfy the reporting requirements of Canadian statutes and regulations.

Schwartz Levitsky Feldman

Montreal, Quebec
March 30, 2001

Schwartz Levitsky Feldman
Chartered Accountants

(Amounts Expressed in United States Dollars)

		2001	2000
ASSETS			
	Cash	145,448	220,562
	Accounts receivable (note 3)	9,546,216	7,626,840
	Income taxes receivable	352,323	-
	Inventory (note 4)	10,699,326	8,169,607
	Prepaid expenses and sundry assets	766,318	1,062,973
	Deferred income taxes	9,465	85,699
		21,519,096	17,165,681
	Loans receivable (note 5)	388,261	179,939
	Property, plant and equipment (note 6)	11,074,016	7,673,802
	Deposit on building	-	1,000,000
	Intangibles (note 7)	115,610	99,218
	Goodwill (note 8)	1,584,997	1,759,297
	Deferred income taxes	478,005	107,152
		35,159,985	27,985,089
LIABILITIES			
	Bank loans (note 9)	8,333,669	5,616,167
	Accounts payable and accrued expenses (note 10)	7,172,312	5,096,977
	Income taxes payable	-	140,361
	Current portion of long-term debt (note 11)	1,080,412	1,263,073
	Current portion of deferred revenue (note 14)	263,767	228,079
	Note payable	83,394	-
		16,933,554	12,344,657
	Long-term debt (note 11)	6,722,601	4,657,838
	Due to director (note 12)	14,020	51,905
	Loan payable (note 13)	198,723	275,057
	Deferred revenue (note 14)	945,142	732,158
		24,814,040	18,061,615
STOCKHOLDERS' EQUITY			
	Capital stock (note 15)	6,718,510	6,849,609
	Treasury Stock	(88,780)	(88,780)
	Accumulated other comprehensive income	(14,735)	289,121
	Retained earnings	3,730,950	2,873,524
		10,345,945	9,923,474
		35,159,985	27,985,089

Mauro Parissi
Chief Financial Officer

Ness Lakdawala
President and CEO

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

CONSOLIDATED STATEMENTS OF EARNINGS FOR THE YEARS ENDED JANUARY 31

(Amounts Expressed in United States Dollars)

	2001	2000	1999
Net sales	35,061,903	31,402,954	20,495,340
Cost of sales	22,697,530	20,168,656	13,697,360
Gross profit	12,364,373	11,234,298	6,797,980
OPERATING EXPENSES			
Selling	5,318,464	5,270,656	2,735,145
General and administrative	3,096,003	2,065,155	1,329,426
Depreciation and amortization	1,521,158	1,187,662	733,744
Interest expense	1,458,861	674,287	359,274
	11,394,486	9,197,760	5,157,589
Earnings before income taxes	969,887	2,036,538	1,640,391
Income taxes (note 16)	112,461	909,775	511,210
Net earnings	857,426	1,126,763	1,129,181
Net earnings per common share, basic and diluted	0.31	0.40	0.54
Weighted average number of common shares outstanding	2,795,000	2,795,000	2,082,781

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JANUARY 31

(Amounts Expressed in United States Dollars)

	2001	2000	1999
OPERATING ACTIVITIES:			
Net earnings	857,426	1,126,763	1,129,181
Adjustments to reconcile net earnings to net cash used in operating activities:			
Depreciation and amortization	1,521,158	1,187,662	733,744
Increase in accounts receivable	(1,919,376)	(2,007,191)	(2,575,820)
Increase in income taxes receivable	(352,323)	-	(272,024)
Increase in inventory	(2,529,719)	(3,031,453)	(1,320,706)
(Increase) decrease in prepaid expenses and sundry assets	296,655	(433,713)	(336,329)
Increase in accounts payable and accrued expenses	2,075,335	1,283,078	1,849,619
Increase (decrease) in income taxes payable	(140,361)	211,883	-
Increase in deferred revenue	248,672	193,666	168,656
Increase (decrease) in deferred income taxes	(294,619)	(137,125)	15,657
Net cash used in operating activities	(237,152)	(1,606,430)	(608,022)
INVESTMENT ACTIVITIES:			
Acquisition of property, plant and equipment	(4,844,995)	(3,323,520)	(1,941,188)
Government grant received	200,000	-	-
Deposit on building	1,000,000	(1,000,000)	-
Acquisition of intangibles	(27,335)	(101,764)	-
Acquisition of goodwill	(91,134)	-	(1,931,638)
Net cash used in investing activities	(3,763,464)	(4,425,284)	(3,872,826)

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

	2001	2000	1999
FINANCING ACTIVITIES:			
Acquisition of minority interest in equity consolidated entity	-	-	(352,469)
(Advances to) repayments from directors	(37,885)	266	(15,706)
(Advances to) repayments from corporate shareholders	-	(1,113)	56,550
(Advances to) repayments from loans receivable	(208,322)	(56,562)	-
Advances from (repayments of) bank loans	2,717,502	2,669,311	(180,484)
Notes payable	83,394	(533,199)	533,199
Other loan payable	-	(64,553)	64,553
Advances from (repayments of) long-term debt	1,882,102	3,948,516	(11,067)
Advances from (repayments of) loans payable	(76,334)	16,005	(96,284)
Issuance of capital stock	-	-	4,932,834
Purchase of treasury stock	-	(88,780)	-
Advances for share purchase plan receivable	(131,099)	(499,946)	-
Net cash provided by financing activities	4,229,358	5,389,945	4,931,126
Effect of foreign currency exchange rate changes	(303,856)	356,788	27,110
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(75,114)	(284,981)	477,388
Cash and cash equivalents, beginning of year	220,562	505,543	28,155
Cash and cash equivalents, end of year	145,448	220,562	505,543
Supplemental disclosure of cash flow information			
Interest paid	1,299,423	522,558	450,324
Income taxes paid	959,492	706,339	398,091

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY FOR THE YEARS ENDED JANUARY 31
(Amounts Expressed in United States Dollars)

	Number	Amount	Cumulative Retained Earnings	Other Comprehensive Income	Treasury Stock
Balance January 31, 1998	91,267	1,934,695	617,580	(94,777)	-
Redemption of shares	(91,267)	(1,934,695)	-		-
Issuance of common shares	2,795,000	8,421,450	-	-	-
Cost of issuance	-	(1,553,921)	-	-	-
Foreign currency translation	-	-	-	27,110	-
Net income for the year	-	-	1,129,181	-	-
Balance January 31, 1999	2,795,000	6,867,529	1,746,761	(67,667)	-
Purchase of 20,000 common shares	-	-	-	-	(88,780)
Share purchase plan receivable	-	(499,946)	-	-	-
Deferred tax benefit	-	482,026	-	-	-
Foreign Currency translation	-	-	-	356,788	-
Net income for the year	-	-	1,126,763	-	-
Balance, January 31, 2000	2,795,000	6,849,609	2,873,524	289,121	(88,780)
Share purchase plan receivable	-	(131,099)	-	-	-
Foreign currency translations	-	-	-	(303,856)	-
Net income for the year	-	-	857,426	-	-
Balance, January 31, 2001	2,795,000	6,718,510	3,730,950	(14,735)	(88,780)

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

(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., Fiber Mobile Ltd., Dectron U.S.A. Inc., IPAC 2000 Inc. and Le Groupe Prodapec (2000) Inc.

Circul-aire Group is comprised of 9048-3140 Quebec Inc. and Cascade Technologies Inc., and of its wholly-owned subsidiaries, PM Wright Ltd., Purafil Canada Inc. and 122248 Canada Inc.

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

b) Principal Activities

The company Dectron Internationale Inc., was incorporated on March 30, 1998. These companies are principally engaged in the production of dehumidification, refrigeration, indoor air quality (IAQ), ventilation, air conditioning and air purification systems in Canada and its distribution world wide. The activities of Dectron Internationale Inc., Cascade Technologies Inc., 9048-3140 Quebec Inc. are immaterial in the aggregate, as their only activity is to hold the investments in the operating companies.

c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts due from banks and any other highly liquid investments purchased with a maturity of three months or less. The carrying amounts approximate fair value because of the short maturity of these instruments.

d) Revenue Recognition

Contract revenue is accounted for under the percentage of completion method prorated on units produced. When a terminal loss on a contract can be reasonably estimated, the total estimated amount of the loss is charged to income for the year.

e) Inventory

Inventory of raw materials is valued at the lower of cost and replacement cost and inventory of work-in-process and finished goods at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.

f) Property, Plant and Equipment

Property, plant and equipment are recorded at cost and are depreciated or amortized on the basis of their estimated useful lives at the undernoted rates and methods:

Building	4 or 5%	Straight-line
Machinery and equipment	10%	Straight-line or 20% declining balance
Furniture and fixtures	15 or 20%	Straight-line or 20% declining balance
Computer equipment	15 or 30%	Straight-line or 30% declining balance
Rolling stock	30%	Straight-line or 30% declining balance
Equipment under capital leases	20 or 30%	Declining balance
Leasehold improvements		Straight-line over term of the lease

Depreciation and amortization for assets acquired during the year are recorded at one-half of the indicated rates.

g) Intangibles

Intangibles represent patents and trademarks costs. These intangibles are being amortized on the straight-line basis over a fifteen year period.

h) Goodwill

Goodwill is the excess of cost over the value of net assets acquired. It is amortized on the straight-line basis over ten years.

i) Deferred Revenue

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

j) Income Taxes

The company accounts for income taxes under the provisions of statement of financial accounting standards No. 109, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements and tax returns. Deferred income taxes are provided using the liability method. Under the liability method, deferred income taxes are recognized for all significant temporary differences between the tax and financial statements basis of assets and liabilities.

k) 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 ("CDN $") 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.

l) Earnings or Loss Per Share

The company has adopted FAS No. 128, "Earnings per Share" which requires disclosure on the financial statements of "basic" and "diluted" earnings (loss) per share. Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the year. Diluted earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding plus common stock equivalents (if dilutive) related to warrants for each year.

m) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

n) Long-lived Assets

The company adopted the provisions of FAS No. 121, Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to be Disposed of. FAS No. 121 requires that long-lived assets held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management used its best estimate of the undiscounted cash flows to evaluate the carrying amount and have determined that no impairment has occurred.

2. COMPREHENSIVE INCOME

The company has adopted FAS No. 130 "Reporting Comprehensive Income" which requires new standards for reporting and display of comprehensive income and its components in the financial statements. However, it does not affect net income or total stockholders' equity. The components of comprehensive income are as follows:

	2001	**2000**	**1999**
NET INCOME	857,426	1,126,763	1,129,181
OTHER COMPREHENSIVE INCOME			
Foreign currency translation	(303,856)	356,788	27,110
COMPREHENSIVE INCOME	553,570	1,483,551	1,156,291

(Amounts Expressed in United States Dollars)

3. ACCOUNTS RECEIVABLE

	2001	2000
Accounts receivable	9,877,727	7,786,400
Less: Allowance for doubtful accounts	331,511	159,560
Accounts receivable – net	9,546,216	7,626,840

4. INVENTORY

Inventory is comprised of the following:

Raw materials	6,048,814	4,995,391
Work-in-process	1,861,859	1,676,899
Finished goods	2,788,653	1,497,317
	10,699,326	8,169,607

5. LOANS RECEIVABLE

The loans receivable consist of the following:

Loan receivable - private companies	326,628	151,813
Loan receivable - corporate shareholder	27,409	28,126
Loan receivable - other	34,224	-
	388,261	179,939

6. PROPERTY, PLANT AND EQUIPMENT

Land	479,900	239,457
Building	5,005,583	2,556,424
Machinery and equipment	8,392,372	7,055,701
Furniture and fixtures	641,447	650,993
Computer equipment	1,589,485	1,452,354
Rolling stock	163,336	106,629
Equipment under capital leases	779,881	542,239
Leasehold improvements	635,791	564,159
Cost	17,687,795	13,167,956
Less: accumulated depreciation and amortization		
Building	508,312	354,986
Machinery and equipment	3,693,799	2,997,693
Furniture and fixtures	476,251	447,258
Computer equipment	1,147,614	1,032,455
Rolling stock	79,252	49,967
Equipment under capital leases	325,156	251,508
Leasehold improvements	383,395	360,287
	6,613,779	5,494,154
Net	11,074,016	7,673,802

Depreciation and amortization of property, plant and equipment for fiscal year 2001 amounted to $1,302,741 ($982,210 in 2000).

7. INTANGIBLES

Patents and trademarks costs	125,860	101,764
Less: Accumulated amortization	10,250	2,546
Net	115,610	99,218

Amortization of intangibles for fiscal year 2001 amounted to $7,704 ($2,546 in 2000).

(Amounts Expressed in United States Dollars)

8. GOODWILL

	2001	2000
Cost	2,094,475	2,069,190
Less: Accumulated amortization	509,478	309,893
Net	1,584,997	1,759,297

Amortization of goodwill for fiscal year 2001 amounted to $210,713 ($202,906 in 2000)

9. BANK LOANS

The company has an available line of credit of $9,923,000 bearing interest between 0.25% and 0.5% per annum over the prime lending rate and it is renegotiated annually.

Bank loans are secured by a first ranking moveable hypothec on accounts receivable, inventory and commercial equipment and a second ranking universal hypothec in the amount of $10,674,000 on the universality of the borrower's property, movable and immovable, present and future, corporeal and incorporeal. The company also provided a solidary guarantee in the amount of $4,337,000 and a rider designating the Bank as loss payee of the proceeds of all-risk insurance on the property charged as security.

The company finances its operations mainly through the use of Banker's Acceptance bearing an average lending rate of less than prime.

The average cost of financing for fiscal year 2001 is 10.54% (8.19% in 2000).

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses are comprised of the following:		
Trade payables	5,366,575	3,469,390
Accrued expenses	1,805,737	1,627,587
	7,172,312	5,096,977

11. LONG-TERM DEBT

a) Government loans, without guarantee nor interest, repayable 15 years after their date of receipt, the first portion of $30,689 is repayable in August 2002 and the second portion of $30,689 is repayable in July 2004.	61,378	63,396
b) Immigration loans secured by a first ranking universal hypothec on the universality of the property, moveable and immovable, present and future, corporeal and incorporeal, bearing interest at variable rates from 5.21% to 5.59% per annum, due on different dates between November 2002 and May 2004. The loans are net of sinking funds since all amounts paid into them must be used to repay the loans.	999,564	1,213,966
c) Bank term loan secured by a first ranking universal hypothec on the universality of the property, moveable and immovable, present and future and corporeal and incorporeal, bearing interest at 7.99% per annum repayable in monthly capital repayments of $557 plus a final repayment of $67,206 in December 2002.	79,462	88,978
d) Bank term loan bearing interest at 7% per annum, repayable in monthly capital repayments of $371, maturing June 2014.	59,297	65,843
e) Bank term loan, bearing interest at prime plus 1% per annum repayable in monthly capital repayments of $1,495, maturing April 2002.	22,417	41,685
f) Bank term loan, bearing interest at prime rate plus 1% per annum, repayable in monthly capital repayments of $5,073 and a final repayment of $5,078 plus interest, maturing November 2001.	50,736	115,281
Balance carried forward	1,272,854	1,589,149

(Amounts Expressed in United States Dollars)

		2001	2000
	Balance brought forward	1,272,854	1,589,149
g)	Loan from Investissement Quebec bearing interest at a rate of approximately prime plus 1.50% which is deferred and capitalized for the minimum of either 12 months or when the accumulated interest is greater than 10% of the loan advance, repayable in annual payments commencing June 30, 1997 at a rate of 15% of the prior year's net income to a maximum of $33,358 per annum.	21,737	45,421
h)	Obligation under capital lease for machinery and equipment with carrying value of $225,317, repayable by 2 remaining equal payments of $5,715 including imputed interest of 7.24% plus a purchase option of $44,237, maturing April 2001.	60,149	198,536
i)	Obligation under capital lease for equipment subject to blended monthly payments of $5,034 including imputed interest of 8.48% per annum up to August 2005.	228,723	-
j)	Obligation under capital lease for equipment subject to blended monthly payments of $7,501 including imputed interest of 8.48% per annum up to September 2005.	340,841	-
k)	Obligation under capital lease for equipment subject to blended monthly payments of $1,094 including imputed interest of 7.27% per annum up to April 2005.	48,684	-
l)	Bank term loan, bearing interest at prime plus 0.75% per annum, repayable in monthly capital repayments of $3,892, maturing December 2005.	225,721	-
m)	Bank term loan, bearing interest at prime plus 0.75% per annum, repayable in monthly capital repayments of $3,892, maturing December 2005.	229,612	-
n)	Bank term loan, bearing interest at the Bank's American Prime Rate plus 0.75% per annum, repayable in monthly capital repayments of $6,767, maturing March 2005.	287,245	-
o)	Bank term loan, bearing interest at the Bank's American Prime Rate plus 0.75% per annum, repayable in monthly capital repayments of $ 5,000, maturing October 2005.	280,000	-
p)	Bank mortgage note bearing interest at the Bank's American Prime Rate plus 0.75% per annum, repayable in monthly capital repayments of $9,178 plus a final repayment of $1,110,511 in March 2005.	1,560,222	-
q)	Bank term loan, bearing interest at the Bank's American Prime Rate plus 1% per annum, repayable in monthly capital repayments of $21,000, maturing February 2005.	868,000	-
r)	Mezzanine loan bearing interest at the Bank's American Prime Rate plus 3% per annum, repayable in monthly capital repayments $16,000, maturing February 2003.	2,359,000	-
s)	Other	20,225	30,701
t)	Long term debt repaid during the year	-	4,057,104
		7,803,013	5,920,911
	Less: Current portion	1,080,412	1,263,073
		6,722,601	4,657,838

Future principal payment obligations are as follows:	2002	1,080,412
	2003	1,337,073
	2004	1,445,655
	2005	1,200,640
	2006 and subsequent	2,739,233
		7,803,013

(Amounts Expressed in United States Dollars)

12. DUE TO DIRECTOR

The amount due to director is unsecured, non-interest bearing and is due on April 15, 2002.

13. LOAN PAYABLE

This loan payable is non-interest bearing and is owed to private companies, due on April 15, 2002.

14. DEFERRED REVENUE

		2001	2000
Deferred revenue		1,208,909	960,237
Current portion		263,767	228,079
		945,142	732,158
Deferred revenue will be recognized as income as follows:	2002		263,768
	2003		341,780
	2004		281,687
	2005		201,662
	2006		120,012
			1,208,909

15. CAPITAL STOCK

a) Authorized

An unlimited number of preferred shares, non-cumulative, voting, no par value

An unlimited number of common shares, voting, no par value

b) Issued

2,795,000	6,718,510	6,849,609

c) On October 5, 1998 the company issued 1,000,000 common shares in an Initial Public Offering (the "IPO") for gross proceeds of $6,000,000 and 1,000,000 warrants for $125,000 less underwriting commission and other expenses of $1,443,533 ($866,120 net of income taxes recoverable).

On November 15, 1998 the company issued and additional 45,000 common shares for gross proceeds of $270,000 and 150,000 warrants for $18,750 less underwriting commission and other expenses of $37,400.

Immediately prior to the "IPO" the company issued 1,750,000 common shares for a share for share exchange valued at $1,596,433.

d) Purchase Warrants

During the fiscal year 1999, Purchase Warrants ("Warrants") were issued pursuant to a Warrant Agreement between the company and J.P. Turner & Company, L.L.C. and Klein Maus and Shire Incorporated. Each Warrant entitles its holders to purchase, during the four year period commencing on October 5, 1999, one share of common stock at an exercise price of $9.00 per share, subject to adjustment in accordance with the anti-dilution and other provision referred to below.

The Warrants may be redeemed by the company at any time commencing one year from October 5, 1999 (or earlier with the consent of the representatives) and prior to their expiration, at a redemption price of $0.125 per Warrant, on not less than 30 days prior written notice to the holders of such Warrants, provided that the closing bid price of the common stock, if traded on the Nasdaq SmallCap Market, or the last sale price of the common stock, if listed on the Nasdaq National Market or on a national exchange, is at least 133% ($12.00 per share, subject to adjustment) of the exercise price of the Warrants for a period of 30 consecutive trading days ending on the third day prior to the date the notice of redemption is given. Holders of Warrants shall have exercise rights until the close of the business day preceding the date fixed for redemption.

The exercise price and the number of shares of common stock purchasable upon the exercise of the Warrants are subject to adjustment upon the occurrence of certain events, including stock dividends, stock splits, combinations or classification of the common stock. The Warrants do not confer upon holders any voting or any other rights of shareholders of the company.

No Warrant will be exercisable unless at the time of exercise the company has filed with the Commission a current prospectus covering the issuance of common stock issuable upon the exercise of the Warrant and the issuance of shares has been registered or qualified or is deemed to be exempt from registration or qualification under the securities laws of the state of residence of the holder of the Warrant. The company has undertaken to use its best efforts to maintain a current prospectus relating to the issuance of shares of common stock upon the exercise of the Warrants until the expiration of the Warrants, subject to the terms of the Warrant Agreement. While it is the company's intention to maintain a current prospectus, there is no assurance that it will be able to do so.

e) Employee Stock Option Plan

The company has adopted a Stock Option Plan (the "Plan") pursuant to which 650,000 shares of Common Stock are reserved for issuance, 349,000 options are currently issued and outstanding.

On September 2, 1999, the Board granted options under the Stock Option Plan to certain members of the Board and certain employees. Subject to certain limitations, the options granted are exercisable one year after issuance. Subsequent to the one-year anniversary date of the grant, the option holders may exercise the option up to 25% of the total options per year for the following four years. Each of the options will be fully exercisable on November 4, 2003, and expire on November 4, 2004. The exercise price of the option is $3.00.

The Plan is administered by the Board of Directors, who will determine, among other things, those individuals who shall receive options, the time period during which the options may be partially or fully exercised, the number of shares of Common Stock issuable upon the exercise of the options and the option exercise price.

The Plan is effective for a period of five years, expiring in 2004. Options may be granted to officers, directors, consultants, key employees, advisors and similar parties who provide us with their skills and expertise. Options granted under the Plan may be exercisable for up to five year, and shall be at an exercise price all as determined by the Board. Options are non-transferable except by the laws of descent and distribution or a change in control of Dectron, as defined in the Plan, and are exercisable only by the participant during his or her lifetime. Change in control include (i) the sale of substantially all of the assets of Dectron and merger or consolidation with another company, or (ii) a majority of the Board changes other than by election by the stockholders pursuant to Board solicitation or by vacancies filled by the Board caused by death or resignation of such person.

If a participant ceases affiliation with Dectron by reason of death, permanent disability or retirement at or after age 70, the option remains exercisable for one year from such occurrence but not beyond the option's expiration date.

Other types of termination allow the participant three months to exercise, except for termination for cause, which results in immediate termination of the option.

Option under the Plan must be issued within five years from the effective date of the Plan.

Any unexercised options that expire or that terminate upon an employee's ceasing to be employed by Dectron become available again for issuance under the Plan.

The Plan may be terminated or amended at any time by the Board of Directors, except that the number of shares of Common Stock reserved for issuance upon the exercise of options granted under the Plan may not be increased without consent of our stockholders.

f) Share Purchase Plan Receivable

The SEC staff Accounting Bulletins require that accounts or notes receivable arising from transactions involving capital stock should be presented as deductions from shareholders' equity and not as assets. Accordingly, in order to comply with U.S. GAAP shareholders' equity has been reduced by $131,099 at January 31, 2001 ($499,946 – 2000), to reflect the loans due from certain employees and officers which relate to the purchase of common shares of the company.

(Amounts Expressed in United States Dollars)

16. INCOME TAXES

Provision for income taxes consists of the following:

	2001	2000
a) Current	488,343	1,075,111
Deferred (recovered)	(375,882)	(165,336)
	112,461	909,775

	2001	2000
b) Income taxes at Canadian statutory rates:	300,864	631,733
Increase (decrease) resulting from:		
Large corporations	10,452	7,878
Manufacturing and processing deduction	(132,375)	(105,547)
Non-deductible expenses	31,113	51,740
Temporary differences	(166,255)	332,638
Application of losses carried forward	(302,094)	(16,307)
Difference between Canadian statutory rates and those applicable to foreign subsidiary	200,544	(14,056)
Adjustment for prior year's taxes	65,112	-
Other	105,100	21,696
Effective income taxes	112,461	909,775

c) Deferred income taxes represent the tax charges derived from temporary differences between amortization of property, plant and equipment and recognition of deferred revenue, and the actual amounts deducted from or added to the taxable income.

d) The company has operating losses of $800,000 which can be used to reduce future taxable income. The potential tax benefits of $302,094 relating to the losses have been recognized in the company's accounts. The deductibility of these losses expires in 2008.

e) The company has recorded investment tax credits $67,500 which are deductible from income taxes payable in future years. The deductibility of these tax credits expires in 2008.

17. COMMITMENTS

a) The company is committed to payments under operating leases for its premises totalling $2,220,066. Annual payments for the next five years are as follows:

2002	498,252
2003	467,915
2004	429,704
2005	429,087
2006	395,108
	2,220,066

b) The company is committed to make monthly payments of $12,987 into sinking funds which are given as security against the immigration loans. The annual payments for the next four years are as follows:

2002	155,848
2003	150,644
2004	89,887
2005	10,408

c) As at January 31, 2001 the company had outstanding letters of credit totaling $10,000. These letters of credit were incurred in the normal course of business.

(Amounts Expressed in United States Dollars)

18. SEGMENTED INFORMATION

	2001	2000	1999
a) The breakdown of sales by geographic area is as follows:			
Canada	9,310,780	10,615,226	9,662,901
United States of America	23,449,133	16,387,614	10,332,442
International	2,301,990	4,400,114	499,997
	35,061,903	31,402,954	20,495,340
b) The breakdown of identifiable assets by geographic area is as follows:			
Canada	26,337,494	23,217,699	19,381,087
United States	8,822,491	4,767,390	-
	35,159,985	27,985,089	19,381,087

19. FINANCIAL INSTRUMENTS AND CREDIT RISK

a) Fair Value of Financial Instruments

The fair value of cash, accounts receivable and accounts payable approximately correspond to thier book value given their short-term maturity. The carry amount of long-term debt approximates fair value because interest rates are close to market value.

The company has borrowed $1,401,027 in order to finance capital acquisitions (see note 11-b). Concurrently with these borrowings the company acquired an additional $1,601,174 of financing, for which it issued commercial paper of $1,601,174 with similar maturity and terms, as collateral. Since this commercial paper fully satisfies the required principal repayments of the additional financing, they have been offset and neither the asset nor the liability appears on the company's balance sheet.

b) Credit Risk

The company is exposed to credit risk on the accounts receivable from its customers. In order to reduce its credit risk, the company has adopted credit policies which include the analysis of the financial position of its customers and regular review of their credit limits. In some cases, the company may required bank letters of credit.

20. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

2001	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net Sales	8,626,887	10,595,294	9,407,507	6,432,215	35,061,903
Gross Profit	2,890,677	3,167,551	3,918,231	2,387,914	12,364,373
Operating earnings	646,819	886,897	921,271	(26,239)	2,428,748
Net earnings (loss)	245,902	288,973	394,303	(71,752)	857,426
Earnings (loss) per common share	0.09	0.10	0.14	(0.02)	0.31
Average number of common shares outstanding	2,795,000	2,795,000	2,795,000	2,795,000	2,795,000

2000	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net Sales	7,316,795	6,966,199	8,620,718	8,499,242	31,402,954
Gross Profit	2,160,009	2,325,663	2,661,602	4,087,024	11,234,298
Operating earnings	641,815	791,363	730,062	547,585	2,710,825
Net earnings (loss)	368,548	485,335	380,089	(107,209)	1,126,763
Earnings (loss) per common shares	0.13	0.17	0.14	(0.04)	0.40
Average number of common shares outstanding	2,795,000	2,795,000	2,795,000	2,795,000	2,795,000

21. COMPARATIVE FIGURES

Certain figures in the 2000 and 1999 financial statements have been reclassified to conform with the basis of presentation used in 2001.

The following discussion and analysis should be read in conjunction with the selected historical financial data, financial statements and notes thereto and the other historical financial information of Dectron contained elsewhere in this Annual Report on Form 10-KSB. The statements contained in this Annual Report on Form 10-KSB that are not historical are forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934, including statements regarding Dectron's expectations, intentions, beliefs or strategies regarding the future. Forward-looking statements include Dectron's statements regarding liquidity, anticipated cash needs and availability and anticipated expense levels. All forward-looking statements included in this prospectus are based on information available to Dectron on the date hereof, and Dectron assumes no obligation to update any such forward-looking statement. It is important to note that Dectron's actual results could differ materially from those in such forward-looking statements.

OVERVIEW

The Company has been in operation since June 1977 and has grown from a single product and single market company into a group of manufacturers in order to address the three most important factors affecting indoor air conditions: temperature, humidity and contaminant control. The Company secures its contracts through a network of representatives. The Company is not dependent upon any major customer for a significant portion of its revenues.

Dectron's objective is to become a leading force in the IAQ market by addressing combined technology niche applications and by providing superior engineering services and product quality. The Company intends to devote significant efforts to the development of equipment for the IAQ market. Management anticipates that the IAQ market will have enormous growth in the next 25 years. The Company believes that there is a need in the North American market for specialized IAQ equipment and this represents a tremendous opportunity. Notwithstanding the present economic slowdown, Management foresees a stable market demand, particularly in the humidity and temperature control side of the business.

During the last 30 months, the company has acquired two companies each specializing on a particular market segment of the IAQ market. In 1998 the company acquired Circul-aire a manufacturer of contaminant control solutions. The addition of Circul-aire along with its chemical filtration technology continues to provide significant strategic value Dectron.

In 1999, the company acquired IPAC, a manufacturer of precision air conditioning equipment. Management believes that demand for this segment has decreased significantly due to a slowdown in the telecommunications and Information Technology Markets.

RESULTS OF OPERATIONS

Fiscal year ended January 31, 2001 ("Fiscal 2001") compared to fiscal ended year January 31, 2000 ("Fiscal 2000")

Revenues for the year ended January 31, 2001 were $35,061,903, a 11.7% increase over prior year revenues of $31,402,954. This increase was in part due to stable conditions in Dectron's principal market, the United States of America, and also stable economic conditions also in Canada, Dectron's secondary market, and 12 months of results of IPAC 2000.

Gross profit increased by $1,130,075 to $12,364,373 over the same period. In comparison to the 11.7% increase in revenue gross profit slightly increased by 0.5%.

Operating expenses increased significantly during fiscal year 2001.

Selling and marketing expenses increased $47,808 in Fiscal 2001. As a percentage of revenues, selling and marketing expenses decreased to 15.1% from 16.7%.

General and administrative expenses increased by $1,030,848 to $3,096,053. As a percentage of revenues, general and administrative increased to 8.8% from 6.5% of sales. Both percentage and dollar amount increases were due partly to the integration of IPAC's personal.

Depreciation increased by $333,496 to $1,521,158 due to the addition of capital assets. As a percentage of sales, depreciation increased from 3.7% to 4.3% in fiscal 2001.

Financing expenses increased by $784,574 from $674,287 to $1,458,861. As a percentage of revenues, financing expenses increased from 2.1% to 4.1%

Income before income taxes was $969,887 a decrease of $1,066,651 over the comparative period. Relative to sales, income before income taxes decreased from 6.5% in Fiscal 2000 to 2.8% in Fiscal 2001.

Income tax expenses as a percentage of taxable income decreased from 44.6% for 2000 to 11.6% for 2001. Tax expenses decreased by $ 797,314 mainly because of the decrease in taxable income and loss carry forwards.

As a result, Dectron reported net income of $857,426, a decrease of 1.1% in relation to sales.

Dectron realized good financial results in Fiscal 2000 and Fiscal 1999 that fell within our expectations, although compared with previous years, our net margins were negatively affected by future investments incurred in Fiscal 2001. Our business plan called for (1) increasing international presence through an extensive marketing campaign, (2) decreasing backlog by bringing on more plant capacity and (3) innovating our product lines through acquisitions and continuing research and development.

Most of the negative impact on our margins has already been absorbed and this year the positive financial effect of the investment will begin to be realized, which we believe will position Dectron for bottom line growth.

Fiscal year ended January 31, 2000 ("Fiscal 2000") compared to fiscal ended year January 31, 1999 ("Fiscal 1999")

Revenues for the year ended January 31, 2000 were $31,402,954, a 53.2% increase over prior year revenues of $10,907,614. This increase was in part due to very good economic conditions in Dectron's principal market, the United States of America, good economic conditions also in Canada, Dectron's secondary market and contributions from Dectron's newly acquired division IPAC and 12 months of results of the Circul-aire Group.

Gross profit increased by $4,436,318 to $11,234,298 over the same period. This represents an increase of 2.6%, expressed in relation to sales. Compared to the increase in sales of 53.2%, the gross profit increased by 65.3% due to improve control over costs.

Selling and marketing expenses increased $2,535,511 in Fiscal 2000. This Increase reflects the costs of additional personnel and marketing expenses necessitated by sales growth. Also, it reflects the integration of Circul-aire's and IPAC's personal and a concerted effort from The Company to increase its visibility by participating in a record amount of industrial shows. As a percentage of revenues, selling and marketing expenses increased to 16.7% from 13.3%.

General and administrative expenses increased by $735,729 to $2,065,155. As a percentage of revenues, general and administrative increased to 6.5% from 6.4% of sales. Both percentage and dollar amount increases were due partly to the integration of both Circul-aire's and IPAC's personal.

Depreciation increased by $453,918 to $1,187,662 due to the acquisition of Circul-aire's and IPAC's assets. As a percentage of sales, depreciation increase from 3.5% to 3.7% in fiscal 2000.

Financing expenses increased by $315,013 from $359,274 to $674,287. As a percentage of revenues, financing expenses increased from 1.7% to 2.1%

Income before income taxes was $2,036,538 an increases of $396,147 over the comparative period. Relative to sales, income before income taxes decreased from 8.0% in Fiscal 1999 to 6.5% in Fiscal 2000.

Income tax expenses as a percentage of taxable income increased from 31.2% for 1999 to 44.6% for 2000. Tax expenses increased by $398,565 mainly because of the increase in taxable income.

As a result of the above factors, Dectron's net income decreased from $ 1,129,181 to $ 1,126,763, a decrease of 0.2%.

LIQUIDITY AND CAPITAL RESOURCES

In Fiscal 2001, the Company generated a negative cash flow from operating activities of $237,152 due mainly to higher accounts receivable and inventory level. In Fiscal 2000, the Company generated a negative cash flow from operating activities of $1,606,430 due mainly to higher accounts receivable and the implementation of a stocking program.

The principal source of cash was an increase in accounts payable of $2,075,335, net income of $857,426, and amortization and depreciation in the amount of $1,521,158. Accounts payable increased because of the increased volume in business. Amortization and depreciation increased due to investment in capital assets. The principal uses of cash were an increase in accounts receivable of $1,919,376 and increase in inventory of $2,529,719. Increases in accounts payable, accounts receivable, inventory and non-cash items are also affected by the consolidation of Dectron's latest acquisition, IPAC 2001 Inc. Cash flow from investing activities was reduced by $3,763,464 mainly as a result of the acquisition of IPAC's property and new machinery and equipment for a total of $3,644,995. Financing activities provided net cash flow in the amount of $4,229,358. The principal sources of cash flow were from advances from long-term debt in the amount of $1,882,102 and advances from bank loans in the amount of $2,717,502. The principal uses of cash flow from financing were advances for share purchase plan receivable of $131,099 and advances to loans receivable of $209,322. Net cash flow used after all activities was $75,114.

FISCAL 2001

In Fiscal 2001, the Company renewed a secured credit arrangement with National Bank of Canada. This new facility included an aggregated credit line of Cdn $ 13,000,000 of which Cdn $ 6,000,000 can be financed through bankers acceptance. The amount available to the Company is equal to 75% of "eligible accounts receivable" as defined in the Line of Credit Agreement, plus 50% of the inventory values, net of work in process, up to a maximum advance against inventory of approximately $ 5,000,000. Dectron's borrowings under the Line of credit bears interest at Canadian prime plus .25%, which at January 31, 2001 amounted to 7.25%. Interest on any borrowings is payable monthly. The Company is in full compliance with all of the banking covenants (including financial covenants and ratios) and is required to report to its bankers on a monthly basis. The Company finances its operations mainly through the use of Bankers Acceptance bearing an average lending rate of prime. All borrowings are collateralized by the assets of the Company.

In Fiscal 2001, the Company also secured credit arrangement with National Bank of Canada in New York. This new facility included an aggregated credit line of US $ 1,250,000. The amount available to the Company is equal to 80% of "eligible accounts receivable" as defined in the Line of Credit Agreement, plus 60% of the inventory values, net of work in process, up to a maximum advance against inventory of approximately $ 625,000. Dectron's borrowings under the Line of credit bears interest at American prime plus .5%. Interest on any borrowings is payable monthly.

In February 2000, Dectron renegotiated a bank loan and replaced it with a term loan in the amount of $2,527,000 USD bearing interest at the Bank's American Prime Rate plus 1% for a term of 5 years and a mezzanine loan in the amount of $ 1,000,000 USD bearing interest at the Bank's American Prime Rate plus 3% for a term of three years.

In February 2000, the Company entered into a mortgage note in the amount 1,652,000US and equipment note in the amount of $406,000US with the National Bank of Canada both bearing interest a American prime plus .75%.

In August 2000, the Company entered into a note agreement with National Bank of Canada for the purchase of new equipment bearing interest at the American prime rate plus .75%

In August 2000, the Company entered into two financial leases for a total amount of Cdn $951,420 to finance equipment, both bearing interest at 8.48%

In November 2000, the Company entered into two term loans for a total of $ 700,000 to finance capital acquisitions bearing interest at prime plus .75%

FISCAL 2000

In fiscal 2000, the Company renewed a secured credit arrangement with National Bank of Canada. This new facility included an aggregated credit line of Cdn $ 9,500,000 of which Cdn $ 4,700,000 can be financed through bankers acceptance. The amount available to the Company is equal to 75% of "eligible accounts receivable" as defined in the Line of Credit Agreement, plus 50% of the inventory values, net of work in process, up to a maximum advance against inventory of approximately $4,000,000. Dectron's borrowings under the Line of credit bears interest at Canadian prime plus .25%, which at January 31, 2000 amounted to 6.5%. Interest on any borrowings is payable monthly. The Company is in full compliance with all of the banking covenants (including financial covenants and ratios) and is required to report to its bankers on a monthly basis. The Company finances its operations mainly through the use of Bankers Acceptance bearing an average lending rate of prime. All borrowings are collateralized by the assets of the Company.

In September 1999, the company short-term bank financing in the amount of $4,000,000 in order to finance the acquisition of the specified assets from IPAC Inc. and IPAC 2000 Inc. at U.S. prime plus 3%. On February 23, 2001, the Company replaced this short-term loan by a 5-year term loan in the amount of $2,527,000 bearing interest at U.S. prime plus 1%. The Company also negotiated a mezzanine loan in the amount of $1,000,000 bearing interest at U.S. prime plus 3% for a 3-year term.

In May 1999, the Company also secured a 5 year financing in the amount of Cdn $700,000 through the Immigrant Investors Program at an annual rate of 5.55%. The Immigrant Investors Program is a program in Canada through which persons seeking Canadian Citizenship pool monies for investment in companies that meet established criteria. Interest is paid monthly and the Company is committed to make monthly payments of Cdn $3,900. in a sinking fund which is given as security against the immigrant loan. The sinking fund proceeds will be applied to the outstanding balance which is due in May 2004. The Company intends to re-negotiate a new loan to replace the immigrant loan prior or the immigrant loan's repayment date.

Through the acquisition of Circul-aire, the company also acquired has existing credit facilities with Royal Bank of Canada consisting of a line of credit in the amount of Cdn $3,000,000. The amount available to the Company is equal to 75% of "eligible accounts receivable" as defined in the Line of Credit Agreement, plus 50% of the inventory values, net of work in process, up to a maximum advance against inventory of approximately $ 1,000,000. Dectron's borrowings under the Line of credit bears interest at an average of Canadian prime plus .5%, which at January 31, 2001 amounted to 7.5%. Interest on any borrowings is payable monthly. Subsequent to the year-end, the Company has signed a new bank agreement which made available an additional operating line of credit of Cdn prime $500,000 bearing interest at prime plus 0.25%.

In Fiscal 2000, the principal sources of cash were from advances from bank loans in the amount of $2,669,311 and advances from long term debt for a total of $ 3,948,516. The principal uses of cash were increases in accounts receivable of $2,007,191, in inventory of $3,031,453 and purchases of capital assets for a total of $3,323,520 and a deposit on IPAC's property for $1,000,000

FOREIGN EXCHANGE

The Company is a Canadian company with U.S. sales amounting to approximately 50% of it's total sales while the majority of Dectron's expenses are incurred in Cdn $. Due to the relatively high proportion of sales in U.S.$, Dectron's results could be adversely affected by upward variations in the value of the Canadian dollar. As of January 31, 2001, the Company did not have a formal foreign exchange policy in effect.

BOARD OF DIRECTORS

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

Reinhold Kittler
Executive Vice President and Director

Roshan Katrak
Vice President of Human Relations and Director

Mauro Parissi
Chief Financial Officer, Secretary and Director

Leena Lakdawala
Executive Vice President and Director

Richard Ness
Director

Liam Cheung
Director

Gilles Richard
Director

Dectron internationale

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Transfer Agent and Registrar
Continental Stock Transfer & Trust Company
2 Broadway
New York, NY 10004

Common Stock
Listed on the NASDAQ
Small Cap Market
Stock symbol: DECT

Listed on the Boston
Stock Exchange
Stock symbol: DEC
Form 10-K

Upon written request, we will provide without charge to each shareholder a copy of our Annual Report on Securities and Exchange Commission Form 10-K for the fiscal year ended January 31, 2001.

Requests should be directed to:

Secretary
Dectron Internationale
4300 Poirier Blvd.
Montreal, Quebec , H4R 2C5

This report is available on the internet via the Securities and Exchange Commission's EDGAR database at www.sec.gov/edgarhp.htm.

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