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CSP INC /MA/ Form 10-Q May 14, 2009 Table of Contents

United States

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

X	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the Quarterly Period Ended March 31, 2009.
	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 0-10843

CSP Inc.

(Exact name of Registrant as specified in its Charter)

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Massachusetts (State of incorporation)

04-2441294 (I.R.S. Employer Identification No.)

43 Manning Road

Billerica, Massachusetts 01821-3901

(978) 663-7598

(Address and telephone number of principal executive offices)

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 x No ".

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes "No".

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer " Accelerated filer " Non-accelerated filer " Smaller reporting company x (Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes "No x

As of April 29, 2009, the registrant had 3,505,350 shares of common stock issued and outstanding.

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CSP INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except par value)

Current assets:		March 31, 2009 (Unaudited)	September 30, 2008
Cash and cash equivalents \$ 14,332 \$ 13,494 Short-term investments 5,000 Accounts receivable, net of allowances of \$477 and \$163 14,521 11,470 Inventories 876 1,774 Deferred income taxes 152 152 Other current assets 159 1,333 Total current assets 37,167 41,348 Property, equipment and improvements, net 92 1,003 Other assets: 87 913 Codewill 3,941 3,941 Intangibles, net 857 913 Deferred income taxes 252 267 Cash surrender value of life insurance 252 267 Other assets 7,730 7,668 Total other assets 7,730 7,668 Total other assets 8,9,58 5,0,19 Turnert liabilities 9,58 5,0,19 Current liabilities 9,58 5,0,19 Accounts payable and accrued expenses 9,58 5,0,12 Short-errun note payable 1,50	ASSETS	(chiadhea)	
Short-term investments 5,000 Accounts receivable, net of allowances of \$477 and \$163 14,521 11,470 Inventories 3,367 8,125 Refundable income taxes 876 1,774 Deferred income taxes 152 152 Other current assets 1,919 1,333 Total current assets 37,167 41,348 Property, equipment and improvements, net 926 1,003 Other assets 857 913 Goodwill 3,941 3,941 Intangibles, net 857 913 Deferred income taxes 252 267 Cash surrender value of life insurance 2,384 2,251 Other assets 7,730 7,668 Total other assets 7,730 7,668 Total other assets 8 5,019 ***Current liabilities* ***Secondary and accrued expenses \$ 1,237 **Stort-term note payable \$ 9,588 \$ 11,237 **Deferred revenue 3,495 3,645 **Deferred income taxes	Current assets:		
Short-term investments	Cash and cash equivalents	\$ 14,332	\$ 13,494
Accounts receivable, net of allowances of \$477 and \$163 14,521 11,470 Inventories 5,367 8,125 Refundable income taxes 15 152 Deferred income taxes 1519 153 Other current assets 1919 1,334 Total current assets 37,167 41,348 Property, equipment and improvements, net 926 1,003 Other assets:			
Refundable income taxes 876 1.74 Deferred income taxes 152 152 152 152 152 152 152 152 152 152 152 152 152 152 153 153 153 153 153 153 153 153 153 153 153 153 154		14,521	11,470
Deferred income taxes 152 152 Other current assets 1,919 1,333 Total current assets 37,167 41,348 Property, equipment and improvements, net 926 1,003 Other assets: 500 3,941 3,941 Goodwill 3,941 3,941 3,941 Intaggibles, net 857 913 913 Deferred income taxes 252 267 Cash surrender value of life insurance 2,384 2,251 Other assets 296 296 Total other assets 7,730 7,668 Total assets 45,823 \$ 50,019 LIABILITIES AND SHAREHOLDERS EQUITY Current liabilities 8 \$ 11,237 Accounts payable and accrued expenses \$ 9,588 \$ 11,237 Accounts payable and accrued expenses \$ 9,588 \$ 11,237 Accounts payable and accrued expenses \$ 9,588 \$ 11,237 Accounts payable and accrued expenses \$ 1,201 \$ 1,201 Deferred income taxes \$ 1,201 <td>Inventories</td> <td>5,367</td> <td>8,125</td>	Inventories	5,367	8,125
Deferred income taxes 152 152 Other current assets 1,919 1,333 Total current assets 37,167 41,348 Property, equipment and improvements, net 926 1,003 Other assets: 500 3,941 3,941 Goodwill 3,941 3,941 3,941 Intaggibles, net 857 913 913 Deferred income taxes 252 267 Cash surrender value of life insurance 2,384 2,251 Other assets 296 296 Total other assets 7,730 7,668 Total assets 45,823 \$ 50,019 LIABILITIES AND SHAREHOLDERS EQUITY Current liabilities 8 \$ 11,237 Accounts payable and accrued expenses \$ 9,588 \$ 11,237 Accounts payable and accrued expenses \$ 9,588 \$ 11,237 Accounts payable and accrued expenses \$ 9,588 \$ 11,237 Accounts payable and accrued expenses \$ 1,201 \$ 1,201 Deferred income taxes \$ 1,201 <td>Refundable income taxes</td> <td>876</td> <td>1,774</td>	Refundable income taxes	876	1,774
Total current assets 37,167 41,348 Property, equipment and improvements, net 206 1,003 Other assets: 3,941 3,941 Goodwill 3,941 3,941 Intangibles, net 857 913 Deferred income taxes 252 267 Cash surrender value of life insurance 2,384 2,251 Other assets 296 296 Total other assets 7,730 7,668 Total assets \$45,823 \$50,019 LIABILITIES AND SHAREHOLDERS EQUITY Current liabilities \$9,588 \$11,237 Accounts payable \$9,588 \$11,237 Short-term note payable \$9,588 \$1,237 Deferred revenue \$9,495 3,645 Pension and retirement plans 371 397 Deferred income taxes 142 187 Income taxes payable 1,224 808 Total current liabilities 6,879 7,382 Pension and retirement plans 6,879 7,382 <td>Deferred income taxes</td> <td>152</td> <td></td>	Deferred income taxes	152	
Total current assets 37,167 41,348 Property, equipment and improvements, net 206 1,003 Other assets: 3,941 3,941 Goodwill 3,941 3,941 Intangibles, net 857 913 Deferred income taxes 252 267 Cash surrender value of life insurance 2,384 2,251 Other assets 296 296 Total other assets 7,730 7,668 Total assets \$45,823 \$50,019 LIABILITIES AND SHAREHOLDERS EQUITY Current liabilities \$9,588 \$11,237 Accounts payable \$9,588 \$11,237 Short-term note payable \$9,588 \$1,237 Deferred revenue \$9,495 3,645 Pension and retirement plans 371 397 Deferred income taxes 142 187 Income taxes payable 1,224 808 Total current liabilities 6,879 7,382 Pension and retirement plans 6,879 7,382 <td></td> <td>1,919</td> <td></td>		1,919	
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Other assets: 3,941 3,941 Goodwill 857 913 Deferred income taxes 252 267 Cash surrender value of life insurance 2,384 2,251 Other assets 296 296 Total other assets 7,730 7,668 Total assets \$45,823 \$50,019 LIABILITIES AND SHAREHOLDERS EQUITY Current liabilities Accounts payable and accrued expenses \$9,588 \$11,237 Short-term note payable \$1,501 Deferred revenue 3,495 3,645 Pension and retirement plans 371 397 Deferred income taxes 142 187 Income taxes payable 1,224 808 Total current liabilities 14,820 17,775 Pension and retirement plans 6,879 7,382 Deferred income taxes 594 553 Capital lease obligation 70 70 Other long-term liabilities 291 291 Total liabilities <td< td=""><td>Property equipment and improvements net</td><td>926</td><td>1 003</td></td<>	Property equipment and improvements net	926	1 003
Goodwill 3,941 3,941 Intangibles, net 857 913 Deferred income taxes 252 267 Cash surrender value of life insurance 2,384 2,251 Other assets 296 296 Total other assets 7,730 7,668 LIABILITIES AND SHAREHOLDERS EQUITY Current liabilities: Accounts payable and accrued expenses 9,588 \$ 11,237 Short-term note payable 1,501 1,501 Deferred revenue 3,495 3,645 Pension and retirement plans 371 397 Deferred income taxes 142 187 Income taxes payable 1,224 808 Total current liabilities 14,820 17,775 Pension and retirement plans 6,879 7,382 Deferred income taxes 594 553 Capital lease obligation 70 70 Other long-term liabilities 291 291 Total liabilities 22,654 26,071	1 toporty, equipment and improvements, net	720	1,003
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Cash surrender value of life insurance 2,384 2,251 Other assets 296 296 Total other assets 7,730 7,668 LIABILITIES AND SHAREHOLDERS EQUITY Current liabilities: Accounts payable and accrued expenses \$ 9,588 \$ 11,237 Short-term note payable 1,501 Deferred revenue 3,495 3,645 Pension and retirement plans 371 397 Deferred income taxes 142 187 Income taxes payable 1,224 808 Total current liabilities 14,820 17,775 Pension and retirement plans 6,879 7,382 Deferred income taxes 594 553 Capital lease obligation 70 70 Other long-term liabilities 291 291 Total liabilities 22,654 26,071			
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Total other assets 7,730 7,668 LIABILITIES AND SHAREHOLDERS EQUITY Current liabilities: Accounts payable and accrued expenses \$ 9,588 \$ 11,237 Short-term note payable 1,501 Deferred revenue 3,495 3,645 Pension and retirement plans 371 397 Deferred income taxes 142 187 Income taxes payable 1,224 808 Total current liabilities 14,820 17,775 Pension and retirement plans 6,879 7,382 Deferred income taxes 594 553 Capital lease obligation 70 70 Other long-term liabilities 22,654 26,071 Total liabilities 22,654 26,071			
Current liabilities	Office assets	290	290
LIABILITIES AND SHAREHOLDERS EQUITY Current liabilities: Accounts payable and accrued expenses \$ 9,588 \$ 11,237 Short-term note payable 1,501 Deferred revenue 3,495 3,645 Pension and retirement plans 371 397 Deferred income taxes 142 187 Income taxes payable 1,224 808 Total current liabilities 14,820 17,775 Pension and retirement plans 6,879 7,382 Deferred income taxes 594 553 Capital lease obligation 70 70 Other long-term liabilities 291 291 Total liabilities 22,654 26,071 Commitments and contingencies	Total other assets	7,730	7,668
Current liabilities: Accounts payable and accrued expenses \$ 9,588 \$ 11,237 Short-term note payable 1,501 Deferred revenue 3,495 3,645 Pension and retirement plans 371 397 Deferred income taxes 142 187 Income taxes payable 1,224 808 Total current liabilities 14,820 17,775 Pension and retirement plans 6,879 7,382 Deferred income taxes 594 553 Capital lease obligation 70 70 Other long-term liabilities 291 291 Total liabilities 22,654 26,071 Commitments and contingencies	Total assets	\$ 45,823	\$ 50,019
Accounts payable and accrued expenses \$ 9,588 \$ 11,237 Short-term note payable 1,501 Deferred revenue 3,495 3,645 Pension and retirement plans 371 397 Deferred income taxes 142 187 Income taxes payable 1,224 808 Total current liabilities 14,820 17,775 Pension and retirement plans 6,879 7,382 Deferred income taxes 594 553 Capital lease obligation 70 70 Other long-term liabilities 291 291 Total liabilities 22,654 26,071 Commitments and contingencies			
Short-term note payable 1,501 Deferred revenue 3,495 3,645 Pension and retirement plans 371 397 Deferred income taxes 142 187 Income taxes payable 1,224 808 Total current liabilities 14,820 17,775 Pension and retirement plans 6,879 7,382 Deferred income taxes 594 553 Capital lease obligation 70 70 Other long-term liabilities 291 291 Total liabilities 22,654 26,071 Commitments and contingencies		\$ 9.588	\$ 11.237
Deferred revenue 3,495 3,645 Pension and retirement plans 371 397 Deferred income taxes 142 187 Income taxes payable 1,224 808 Total current liabilities 14,820 17,775 Pension and retirement plans 6,879 7,382 Deferred income taxes 594 553 Capital lease obligation 70 70 Other long-term liabilities 291 291 Total liabilities 22,654 26,071 Commitments and contingencies		Ψ 2,300	
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Deferred income taxes 142 187 Income taxes payable 1,224 808 Total current liabilities 14,820 17,775 Pension and retirement plans 6,879 7,382 Deferred income taxes 594 553 Capital lease obligation 70 70 Other long-term liabilities 291 291 Total liabilities 22,654 26,071 Commitments and contingencies			
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Total current liabilities 14,820 17,775 Pension and retirement plans 6,879 7,382 Deferred income taxes 594 553 Capital lease obligation 70 70 Other long-term liabilities 291 291 Total liabilities 22,654 26,071 Commitments and contingencies			
Pension and retirement plans 6,879 7,382 Deferred income taxes 594 553 Capital lease obligation 70 70 Other long-term liabilities 291 291 Total liabilities 22,654 26,071 Commitments and contingencies	meome taxes payable	1,224	808
Pension and retirement plans 6,879 7,382 Deferred income taxes 594 553 Capital lease obligation 70 70 Other long-term liabilities 291 291 Total liabilities 22,654 26,071 Commitments and contingencies	Total assess liabilities	14.000	17 775
Deferred income taxes 594 553 Capital lease obligation 70 70 Other long-term liabilities 291 291 Total liabilities 22,654 26,071 Commitments and contingencies			
Capital lease obligation7070Other long-term liabilities291291Total liabilities22,65426,071Commitments and contingencies			
Other long-term liabilities 291 291 Total liabilities 22,654 26,071 Commitments and contingencies			
Total liabilities 22,654 26,071 Commitments and contingencies			
Commitments and contingencies	Other long-term liabilities	291	291
	Total liabilities	22,654	26,071
	Commitments and contingencies		
	Shareholders equity:		

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Common stock, \$.01 par; authorized, 7,500 shares; issued and outstanding 3,520 and 3,758 shares,						
respectively		35		38		
Additional paid-in capital		11,153		11,812		
Retained earnings		16,044		15,385		
Accumulated other comprehensive loss		(4,063)		(3,287)		
Total shareholders equity		23,169		23,948		
Total liabilities and shareholders equity	\$	45,823	\$	50,019		

See accompanying notes to unaudited consolidated financial statements.

CSP INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands, except for per share data)

	Ma	For the three months ended March 31, March 31, 2009 2008				r the six r arch 31, 2009	Ma	s ended arch 31, 2008
Sales:								
Product	\$	18,711	\$	17,294	\$	37,123	\$	31,524
Services		3,795		4,321		9,443		8,030
Total sales		22,506		21,615		46,566		39,554
Cost of sales:								
Product		15,547		14,144		31,566		25,907
Services		2,824		3,333		6,069		6,135
Total cost of sales		18,371		17,477		37,635		32,042
Gross profit		4,135		4,138		8,931		7,512
Operating expenses:								
Engineering and development		479		538		1,018		1,179
Selling, general and administrative		3,240		3,500		6,995		6,762
Total operating expenses		3,719		4,038		8,013		7,941
Operating income (loss)		416		100		918		(429)
Other income:								
Foreign exchange gain (loss)		(29)		21		6		23
Other income, net		4		190		104		319
Total other income (loss), net		(25)		211		110		342
Income (loss) before income taxes		391		311		1,028		(87)
Income tax expense (benefit)		112		122		369		(17)
Net income (loss)	\$	279	\$	189	\$	659	\$	(70)
Net income (loss) per share basic	\$	0.08	\$	0.05	\$	0.18	\$	(0.02)
Weighted average shares outstanding basic		3,611		3,792		3,685		3,797
Net income (loss) per share diluted	\$	0.08	\$	0.05	\$	0.18	\$	(0.02)
Weighted average shares outstanding diluted		3,616		3,847		3,692		3,797

See accompanying notes to unaudited consolidated financial statements.

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CSP INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY

For the Six Months Ended March 31, 2009

(Amounts in thousands)

	Shares	Am	nount	Additional Paid-in Capital	Retained Earnings	Accumulated other comprehensive income (loss)		other comprehensive		Total areholders Equity	nprehensive income (loss)
Balance as of September 30, 2008	3,758	\$	38	\$ 11,812	\$ 15,385	\$	(3,287)	\$ 23,948			
Comprehensive income (loss):											
Net income					659			659	\$ 659		
Other comprehensive income (loss):											
Effect of foreign currency translation							(776)	(776)	(776)		
Total comprehensive loss									\$ (117)		
Stock-based compensation				144				144			
Issuance of shares under employee stock purchase plan	25			79				79			
Restricted stock shares issued	23										
Purchase of common stock	(286)		(3)	(882)				(885)			
Balance as of March 31, 2009	3,520	\$	35	\$ 11,153	\$ 16,044	\$	(4,063)	\$ 23,169			

See accompanying notes to unaudited consolidated financial statements. \\

CSP INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

For the six months ended March 31, March 31, 2009 2008

Cash flows from operating activities: