

CSP INC /MA/  
Form 10-Q  
May 14, 2009  
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**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  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   
(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

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

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(Amounts in thousands, except par value)

	March 31, 2009 (Unaudited)	September 30, 2008
<b>ASSETS</b>		
Current assets:		
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	5,367	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:		
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
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
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		
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.

**Table of Contents****CSP INC. AND SUBSIDIARIES****UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Amounts in thousands, except for per share data)

	For the three months ended		For the six months ended	
	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
<b>Sales:</b>				
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
<b>Cost of sales:</b>				
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
<b>Operating expenses:</b>				
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
<b>Operating income (loss)</b>	416	100	918	(429)
<b>Other income:</b>				
Foreign exchange gain (loss)	(29)	21	6	23
Other income, net	4	190	104	319
<b>Total other income (loss), net</b>	(25)	211	110	342
Income (loss) before income taxes	391	311	1,028	(87)
Income tax expense (benefit)	112	122	369	(17)
<b>Net income (loss)</b>	\$ 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.



**Table of Contents****CSP INC. AND SUBSIDIARIES****UNAUDITED CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY****For the Six Months Ended March 31, 2009****(Amounts in thousands)**

	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated other comprehensive income (loss)	Total Shareholders Equity	Comprehensive 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.**



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**CSP INC. AND SUBSIDIARIES**

**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(Amounts in thousands)**

	<b>For the six months ended</b>	
	<b>March 31,</b>	<b>March 31,</b>
	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities:</b>		