

CSP INC /MA/  
Form 10-Q  
August 10, 2010

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United States

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

\_\_\_\_\_  
FORM 10-Q  
\_\_\_\_\_

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2010.

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)

\_\_\_\_\_  
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

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(§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 the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

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 August 2, 2010 the registrant had 3,577,347 shares of common stock issued and outstanding.

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CSP INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(Amounts in thousands, except par value)

	June 30, 2010 (Unaudited)	September 30, 2009
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$16,706	\$18,904
Short-term investments	1,100	—
Accounts receivable, net of allowances of \$303 and \$298	11,725	7,410
Inventories	7,180	5,935
Refundable income taxes	1,101	1,160
Deferred income taxes	667	633
Other current assets	1,509	1,824
<b>Total current assets</b>	<b>39,988</b>	<b>35,866</b>
Property, equipment and improvements, net	738	832
Other assets:		
Intangibles, net	715	800
Deferred income taxes	229	275
Cash surrender value of life insurance	2,642	2,460
Other assets	243	253
<b>Total other assets</b>	<b>3,829</b>	<b>3,788</b>
<b>Total assets</b>	<b>\$44,555</b>	<b>\$40,486</b>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

Current liabilities:		
Accounts payable and accrued expenses	\$14,931	\$10,530
Deferred revenue	1,995	2,059
Pension and retirement plans	454	447
Deferred income taxes	27	96
Income taxes payable	277	25
<b>Total current liabilities</b>	<b>17,684</b>	<b>13,157</b>
Pension and retirement plans	7,602	8,120
Deferred income taxes	122	146
Capital lease obligation	48	48
Other long-term liabilities	32	320
<b>Total liabilities</b>	<b>25,488</b>	<b>21,791</b>

## Commitments and contingencies

## Shareholders' equity:

Common stock, \$.01 par; authorized, 7,500 shares; issued and outstanding 3,582 and 3,542 shares, respectively	36	36
Additional paid-in capital	11,482	11,325
Retained earnings	12,470	11,602
Accumulated other comprehensive loss	(4,921	) (4,268
Total shareholders' equity	19,067	18,695
Total liabilities and shareholders' equity	\$44,555	\$40,486

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)

	For the three months ended		For the nine months ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Sales:				
Product	\$23,753	\$15,346	\$59,549	\$52,470
Services	4,815	3,325	11,601	12,767
Total sales	28,568	18,671	71,150	65,237
Cost of sales:				
Product	21,153	13,022	50,729	44,802
Services	2,519	2,813	7,731	8,882
Total cost of sales	23,672	15,835	58,460	53,684
Gross profit	4,896	2,836	12,690	11,553
Operating expenses:				
Engineering and development	498	524	1,401	1,542
Selling, general and administrative	3,740	3,335	10,207	10,267
Total operating expenses	4,238	3,859	11,608	11,809
Operating income (loss)	658	(1,023)	1,082	(256)
Other income (expense):				
Foreign exchange gain (loss)	(6)	-	(16)	6
Other income (expense), net	(4)	(23)	(30)	81
Total other income (expense), net	(10)	(23)	(46)	87
Income (loss) before income taxes	648	(1,046)	1,036	(169)
Income tax expense (benefit)	27	(294)	168	13
Net income (loss)	\$621	\$(752)	\$868	\$(182)
Net income (loss) per share attributable to common stockholders:				
Basic	\$614	\$(752)	\$860	\$(182)
Diluted	\$614	\$(752)	\$860	\$(182)
Net income (loss) per share – basic	\$0.17	\$(0.21)	\$0.24	\$(0.05)
Weighted average shares outstanding – basic	3,548	3,531	3,545	3,628
Net income (loss) per share – diluted	\$0.17	\$(0.21)	\$0.24	\$(0.05)
Weighted average shares outstanding – diluted	3,574	3,531	3,574	3,628

See accompanying notes to unaudited consolidated financial statements.

CSP INC. AND SUBSIDIARIES  
UNAUDITED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY  
For the Nine Months Ended June 30, 2010  
(Amounts in thousands)

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Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated other comprehensive loss	Total Shareholders' Equity	Comprehensive Income (loss)
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