

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 May 5, 2017, the registrant had 3,921,083 shares of common stock issued and outstanding.

INDEX

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements</u>	
<u>Consolidated Balance Sheets (unaudited) as of March 31, 2017 and September 30, 2016</u>	<u>3</u>
<u>Consolidated Statements of Income (unaudited) for the three and six months ended March 31, 2017 and 2016</u>	<u>4</u>
<u>Consolidated Statements of Comprehensive Income (unaudited) for the three and six months ended March 31, 2017 and 2016</u>	<u>5</u>
<u>Consolidated Statement of Shareholders' Equity (unaudited) for the six months ended March 31, 2017</u>	<u>6</u>
<u>Consolidated Statements of Cash Flows (unaudited) for the six months ended March 31, 2017 and 2016</u>	<u>7</u>
<u>Notes to Consolidated Financial Statements (unaudited)</u>	<u>8</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>17</u>
<u>Item 4. Controls and Procedures</u>	<u>27</u>
<u>PART II. OTHER INFORMATION</u>	
<u>Item 6. Exhibits</u>	<u>28</u>

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	March 31, 2017 (Unaudited)	September 30, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 11,038	\$ 13,103
Accounts receivable, net of allowances of \$270 and \$240	23,364	18,997
Unbilled accounts receivable	954	567
Inventories, net	6,489	5,580
Deferred costs	1,718	635
Deferred income taxes	1,331	1,331
Other current assets	1,435	1,586
Total current assets	46,329	41,799
Property, equipment and improvements, net	1,553	1,680
Other assets:		
Intangibles, net	227	287
Deferred costs	26	18
Deferred income taxes	1,668	1,723
Cash surrender value of life insurance	3,216	3,015
Other assets	178	185
Total other assets	5,315	5,228
Total assets	\$ 53,197	\$ 48,707
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 14,548	\$ 11,932
Deferred revenue	7,277	4,704
Pension and retirement plans	518	581
Income taxes payable	53	166
Total current liabilities	22,396	17,383
Pension and retirement plans	12,977	13,441
Other long term liabilities	225	228
Total liabilities	35,598	31,052
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$.01 par value per share; authorized, 7,500 shares; issued and outstanding 3,918 and 3,821 shares, respectively	40	39
Additional paid-in capital	13,278	12,924
Retained earnings	16,150	16,623
Accumulated other comprehensive loss	(11,869)	(11,931)

Total shareholders' equity	17,599	17,655
Total liabilities and shareholders' equity	\$ 53,197	\$ 48,707

See accompanying notes to unaudited consolidated financial statements.

3

CSP INC. AND SUBSIDIARIES
 UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
 (Amounts in thousands, except for per share data)

	For the three months ended March 31,		For the six months ended March 31,	
	2017	2016	2017	2016
Sales:				
Product	\$18,684	\$20,972	\$33,322	\$37,975
Services	6,632	6,167	11,910	12,840
Total sales	25,316	27,139	45,232	50,815
Cost of sales:				
Product	15,878	17,054	28,103	31,290
Services	3,743	3,752	6,982	8,002
Total cost of sales	19,621	20,806	35,085	39,292
Gross profit	5,695			