

**2005 Annual Report  
Year Ended September 30, 2005**



**Systems & Integration Solutions**



### Dear Shareholders:

CSP performed well in fiscal 2005. Our ability to capitalize on favorable business trends with the right products in the right markets produced revenue growth of 12 percent to \$57.5 million, from \$51.4 million in fiscal 2004. At the same time, to ensure that we remain competitively positioned to provide cutting edge solutions for the evolving needs of our customers, we strengthened both MODCOMP and the MultiComputer division with a series of strategic investments in our products and our people.

In this light, net income declined to \$753,000 in fiscal 2005 from \$1.2 million for the prior year. In addition, fiscal 2005 net income included a pretax gain of \$114,000 from the sale of our Scanalytics subsidiary. Although Scanalytics had recently expanded its software products, its business had become increasingly non-strategic to CSP. Selling the assets of Scanalytics allows us to focus all of our energy on our MultiComputer and MODCOMP operations.

### MultiComputer Division


Our MultiComputer business strategy is to build architecturally superior products based on open systems technologies that are aligned with the U.S. military's vision for 21st century battlefield superiority. CSP's multiprocessing systems provide critical digital signal processing (DSP) functionality for advanced defense applications in command and control, communications, computer intelligence and surveillance, including software defined radio, radar and sonar.

During fiscal 2005, we invested in the development of a new line of fully ruggedized multicomputers in order to capitalize on the military's increased demand for systems that can operate effectively in harsh and confined shipboard, airborne and land-mobile environments. We also introduced the industry's first scalable, open-source, conduction cooled blades for extreme environmental conditions. These products have been very well received and were a significant factor in winning new defense programs during the year.

Another MultiComputer division milestone in fiscal 2005 was the fulfillment of shipment terms for the first phase of a contract for our ruggedized, open system StarGate 2924R blades with a major defense contractor for a sophisticated airborne application. Reflecting this success, we are optimistic about our prospects for participating in the Phase II procurement for this important program. Also driving MultiComputer division sales in fiscal 2005 were shipments of our FastCluster 2942 blades to Lockheed Martin for the development and demonstration phase of the U.S. Navy's Advanced Hawkeye E-2D aircraft program. This phase involves the deployment of five systems for qualification, reliability and flight testing, and CSP will receive royalty payments each time Lockheed Martin builds and ships prototypes.

We expect to see continued growth in demand for ruggedized military DSP solutions that meet ultra-demanding military performance specifications for shock, humidity, altitude and temperature. The

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investments that we have made to establish CSP's reputation for price-performance leadership, position us to capitalize on this opportunity. We look forward to leveraging our strong position in the high performance multicomputer market to attract new customers and help existing customers nurture ongoing programs to full deployment.

## **MODCOMP**

Fiscal 2005 also was a successful year at our MODCOMP subsidiary. Although European corporate IT spending softened slightly as the year progressed, we continued to benefit from a strong demand environment in our North American market throughout the year. As a result, our U.S.-based Systems and Solutions Division (SSD), which provides best-of-breed solutions for complex IT environments, turned in a strong performance.

During the year, MODCOMP was able to leverage its expertise in IT systems integration to capitalize on the trend toward the consolidation of servers and associated storage systems and on the growing need for enhanced network security infrastructure. Over time, corporate IT environments tend to become increasingly complex with the addition of servers and storage -- sometimes from disparate vendors. MODCOMP has an outstanding record of success in providing enterprises with maintenance support, systems installation, consulting and outsourcing services that enhance their productivity and network security while reducing IT costs. Going forward, we expect to see further acceleration in demand for IT integration solutions that meet these critical requirements.

## **Outlook**

CSP's products and services are well-aligned with the growth opportunities we see in the marketplace as we begin the new fiscal year. We expect to see our recent multicomputer R&D investments opening doors to new sales opportunities in fiscal 2006 and beyond. We also look forward to capturing a larger share of the growing market for IT systems integration services.

On behalf of everyone at CSP, I would like to express our appreciation to you, our fellow shareholders, for your continued confidence in our team and in CSP's future. CSP is a company with many strengths and a deeply shared commitment to success. We are resolved to continue leveraging these assets on your behalf in fiscal 2006.

Sincerely,



Alexander R. Lupinetti  
Chairman, President, and CEO

January 10, 2006

[www.cspi.com](http://www.cspi.com)

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