UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

(Mark One)

[X] Annual report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the fiscal year ended________________________________December 31, 2003

OR

[ ] 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 0-19437

CELLULAR TECHNICAL SERVICES COMPANY, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	11-2962080
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

2815 Second Avenue, Suite 100, Seattle, Washington 98121
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (206) 733-8180

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $.001 par value
(Title of Class)

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 the filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes [ ] No [X]

As of December 31, 2003, there were 2,449,770 shares of Common Stock, $.001 par value outstanding. As of December 31, 2003 the aggregate market value of the Registrant's Common Stock, $.001 par value, held by non-affiliates was approximately $1.5 million. The aggregate market value of the Company's stock was calculated using $0.72, the closing price for its Common Stock on December 31, 2003 as reported on the over-the-counter bulletin board.

Documents incorporated by reference in Part III: The Company's definitive proxy statement to be filed in connection with the 2004 Annual Meeting of Stockholders.

CELLULAR TECHNICAL SERVICES COMPANY, INC.

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PART I

Item 1. Business

Unless the context otherwise requires, all references to the "Company" in this Annual Report on Form 10-K include Cellular Technical Services Company, Inc. and any entity over which it has or shares operational control.

Special Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect the Company's views with respect to future events and financial performance. The Company uses words and phrases such as "anticipate," "expect," "intend," "the Company believes," "future," and similar words and phrases to identify forward-looking statements. Reliance should not be placed on these forward-looking statements. These forward-looking statements are based on current expectations and are subject to risks, uncertainties and assumptions that could cause, or contribute to causing, actual results to differ materially from those expressed or implied in the applicable statements. Readers should pay particular attention to the descriptions of risks and uncertainties described in this report and in the Company's other filings with the Securities and Exchange Commission. All forward-looking statements included in this report are based on information available to the Company on the date of this report. The Company assumes no obligation or duty to update any such forward-looking statements.

General

The Company has developed, marketed, distributed and supported a diversified mix of products and services for the telecommunications industry. Over the past 15

years, the Company developed expertise in real-time wireless call processing and created technologically advanced solutions for this industry, focusing primarily in the area of wireless communications fraud management, geo-location wireless software applications and sales of prepaid long-distance phonecard products.

On November 9, 2002, CTS ceased development efforts of its Neumobility development project, and on December 11, 2002 adopted a plan to wind down the operations of its Isis Tele-Communications, Inc. subsidiary. As a result, CTS has no current business other than to complete the wind-down of the operations of Isis. Management currently has no plan to liquidate the Company and distribute the remaining assets to stockholders. During 2002, 2003 and to date, management has been and will continue evaluating alternative businesses and acquisitions. There is no assurance that such alternative businesses and acquisitions can be identified before CTS spends all of its remaining cash balances, that it will be able to raise money on acceptable terms, if at all, to fund the acquisitions and/or the operating activities of the businesses it may acquire or seek to acquire, and that any acquired businesses will represent viable business strategies and/or will be consistent with the expectations and risk profiles of CTS' stockholders.

Management expects that during 2004 the Company will incur costs of approximately $0.5 million, primarily related to employee compensation and severance, costs of maintaining the business as a public entity and insurance. The Company does not have any current source of revenue and has de minimis operations. Accordingly, management believes that its cash balances as of December 31, 2003 of approximately $2.6 million are sufficient to fund its current cash flow requirements through at least the next twelve months.

Description of Products sold in 2002 and prior years and Business through 2003

Prepaid Long-Distance Phonecard Products: The Company expanded into the prepaid long-distance service arena in the fourth quarter of 1999. Through its majority-owned subsidiary, Isis Tele-Communications, Inc., the Company marketed and distributed branded prepaid long-distance phonecards in denominations generally ranging from $5 to $20 per card. Isis also marketed prepaid wireless phones and phonecards. Isis specialized in targeted marketing programs and featured local and toll-free access numbers and aggressive domestic and international long-distance rates. Isis distributed cards through regional and national multi-level distribution channels, using direct sales, third party distributors and telemarketing. Due to continuing losses from declining

margins and increased competition in this marketplace, the Company decided to close the Isis business in December 2002. At December 31, 2003, the Company had nearly completed the process of winding down its Isis operations including having sold all remaining inventory and collected all non-reserved receivables. Isis revenue accounted for 100 % of consolidated revenue for 2003 and 2002.

Location-Based Services: TruePosition, Inc. Investment and Neumobility'TM' Division: The Federal Communications Commission ("FCC") is in the process of requiring all wireless carriers to deploy wireless geo-location technology to provide the location of 911 wireless calls, similar to that of wire-line 911 calls. Wireless geo-location technology provides and identifies the specific geographic location (in latitude and longitude measurements) of a wireless telephone, and can eventually be applied to other wireless communications devices. In late 1999 the Company began development of a location-based wireless software product platform and mobile commerce applications. In January 2001 the Company formed a division called Neumobility'TM' for this product line. The services or applications to be delivered to mobile phones or other wireless devices included finder applications assisting users in locating others, businesses, or addresses; maps; directions; traffic reports; coupons; and many other similar services. Revenue from these services was designed to help wireless carriers offset the costs of providing the location data within their

networks and to increase data airtime usage. The Company ceased its development efforts of the Neumobility platform and applications in November 2002 due to slow market development and low future revenue projections which did not justify continued investment at that time.

Additionally, during the fourth quarter of 1999, the Company made a strategic investment in KSI, a provider of development-stage wireless geo-location technology. In August 2000, TruePosition, Inc., a subsidiary of Liberty Media Corporation, acquired KSI. The Company's total investment valued at cost in TruePosition, Inc. common stock at December 31, 2001 was $1,754,000. In December 2002 the Company received certain valuation information from TruePosition indicating a range of values for TruePosition. Based upon its review of available information and communications with Liberty Media, the Company concluded there had been an other-than-temporary decline in estimated fair value of its investment, and reduced the recorded carrying value of this investment from its cost basis of $1,754,000 to zero, representing its best estimate of the current fair value of the Company's investment in the net equity of TruePosition. TruePosition's operations have required significant infusions of cash by Liberty Media to date, and have not generated significant profits. The Company's investment in TruePosition common stock has been diluted by these advances, which were converted to preferred stock in late 2002. It is possible that in the future the Company may receive proceeds from the sale of this investment but no such amount can be estimated at this time.

The Blackbird Platform Products: The Company's Blackbird Platform product line included a suite of radio frequency based platform solutions focusing on wireless fraud prevention. It involved various forms of "pre-call" verification to ensure that the use of an analog wireless telephone was legitimate before the device was allowed to connect to a carrier's analog wireless communications network. Blackbird Platform products were initially installed in over 2,000 cell sites in the US by wireless carriers in 1996-1998. As digital wireless communication was adopted, analog fraud decreased, and carriers gradually removed the Blackbird Platform products from service. The final contract expired December 31, 2001, and no revenue is anticipated from the Blackbird Platform product line past that date. Blackbird revenue accounted for 26% of consolidated revenue for 2001.

The Company's Strategy

As a result of the foregoing, the Company currently has de minimis business operations. As such, the Company's principal business purpose at this time is to locate and consummate a merger or acquisition with a private entity. Because of the Company's current status, in the event the Company does successfully acquire or merge with an operating business opportunity, it is likely that the Company's present shareholders may experience substantial dilution.

The Company has no current business operations other than completing the wind-down of its Isis segment and no representation is made, nor is any intended, that the Company will be able to carry on future business activities successfully. Further, there can be no assurance that the Company will have the ability to acquire or merge with an operating business, business opportunity or property that will be of material value to the Company or its shareholders. To date, the Company has not succeeded in concluding any such future business partnership and there can be no assurance that the Company will be successful in doing so during 2004.

The Company will not restrict its search to any specific geographical location, and the Company may participate in a business venture of virtually any kind or nature. The Company anticipates that it may only be able to participate in a limited number of potential business ventures, due primarily to its limited financing. This lack of diversification should be considered a substantial risk to the Company.

The Company may seek a business opportunity with one or more firms which have recently commenced operations, or which wish to utilize the public marketplace in order to raise additional capital in order to expand into new products or markets, to develop a new product or service, or for other corporate purposes. A business opportunity may involve the acquisition of or by, or merger with, a company which does not need substantial additional cash but which desires to establish a public trading market for its Common Stock. A company which seeks the Company's participation in attempting to consolidate its operations through a merger, reorganization, asset acquisition, or some other form of combination may desire to do so to avoid what it may deem to be adverse consequences of undertaking a public offering itself.

The Company anticipates that the selection of a business opportunity in which to participate will be complex and extremely risky. Because of general economic conditions, rapid technological advances being made in some industries, and shortages of available capital, management believes that there are firms seeking even the limited additional capital which the Company will have and/or the benefits of a publicly traded corporation. Such perceived benefits of a publicly traded corporation may include facilities or improving the terms on which additional equity financing may be sought, providing liquidity for the principals of a business, creating a means for providing incentive stock options or similar benefits to key employees, providing liquidity (subject to restrictions of applicable statutes) for all shareholders, and other factors. Potentially available business opportunities may occur in many different industries and at various stages of development, all of which will make the task of comparative investigation and analysis of such business opportunities extremely difficult and complex.

The Company has limited capital with which to provide the owners of business opportunities with any significant cash or other assets. There may be significant post-merger or acquisition registration costs in the event such persons wish to register a portion of their shares for subsequent sale. The Company may also incur significant legal and accounting costs in connection with the acquisition of a business opportunity including the costs of preparing Form 8-K's and/or SEC registration statements, agreements and related reports and documents.

Evaluation of Opportunities

The analysis of new business opportunities will be undertaken by or under the supervision of the Company's Chairman of the Board and CEO. The Company intends to concentrate on identifying prospective business opportunities which may be brought to its attention through present contacts of the Company's officers and directors, such as but not limited to attorneys, accountants, financial advisors, bankers, businessmen and others. From time to time, such contacts may refer their clients, acquaintances and others to the Company. In analyzing prospective business opportunities, the Company will consider such matters as the available technical, financial, and managerial resources; working capital and other financial requirements; history of operation, if any; prospects for the future; nature of present and expected competition; the quality and experience of management services which may be available and the depth of that management; the potential for further research, development, or exploration; specific risk factors not now foreseeable but which then may be anticipated to impact the proposed activities of the Company; the potential for growth or expansion; the potential for profit; the perceived public recognition or acceptance of products, services, or trades; name identification; and other relevant factors. Management of the Company will meet personally with management and key personnel of the firm sponsoring the business opportunity, if such exists, as part of its investigation, and may visit and inspect material facilities, obtain independent analysis or verification of certain information provided, check references of management and key personnel, and take other reasonable investigative measures to the extent of the Company's limited financial resources and management expertise.

It may be anticipated that any opportunity in which the Company participates will present certain risks. Many of these risks cannot be adequately identified prior to selection of the specific opportunity, and shareholders of the Company must, therefore, depend on the ability of management to identify and evaluate such risks. In the case of some of the opportunities available to the Company, it may be anticipated that the promoters thereof have been

unable to develop an economically viable business or that such business is in its development stage and there is a risk, even after the Company's participation in the activity and the related expenditure of the Company's funds, that the combined enterprises will still be unable to become economically viable or advance beyond the development stage. Certain opportunities may involve new and untested products, processes, or market strategies which may not succeed. Such risks will be assumed by the Company and, therefore, its shareholders.

Acquisition of Opportunities

In implementing a structure for a particular business acquisition, the Company may become a party to a merger, consolidation, reorganization, joint venture, or licensing agreement with another corporation or entity. It may also purchase stock or assets of an existing business. It should be noted that the Company likely has limited capital with which to make any acquisitions. Accordingly, it is likely that the consideration utilized to make any acquisitions will primarily consist of equity securities.

In the event that an acquisition transaction is made utilizing primarily equity securities (as is expected to be the case), the percentage ownership of present shareholders will be diluted, the extent of dilution depending upon the amount so issued. Persons acquiring shares in connection with any acquisition of a business may obtain an amount of equity securities sufficient to control the Company. In addition, the Company's directors may, as part of the terms of the acquisition transaction, resign and be replaced by new directors. Any merger or acquisition effected by the Company can be expected to have a significant dilutive effect on the percentage of shares held by the Company's shareholders. Further, if the Company were to issue substantial additional securities in any acquisition transaction, such issuance might have an adverse effect on the trading market in the Company's securities in the future.

It is anticipated that any securities issued in any such reorganization would be issued in reliance on exemptions from registration under applicable federal and state securities laws. In some circumstances, however, as a negotiated element of this transaction, the Company may agree to register such securities either at the time the transaction is consummated, under certain conditions, or at specified times thereafter. The issuance of substantial additional securities and their potential sale into any trading market in the Company's securities may have a depressive effect on such market.

The Company intends to structure a merger or acquisition in such a manner as to minimize Federal and State tax consequences to the Company and to any target company. Under Section 368 of the Internal Revenue Code of 1986, as amended (the "Code"), a statutory merger or consolidation is an exempt transaction and may be tax-free if effected in accordance with State law. A tax-free reorganization may require the Company to issue a substantial number of its securities in exchange for the securities or assets of a target firm. Accordingly, the proportional interests of the shareholders of the Company prior to such transaction or reorganization may be substantially less than the proportional interest of such shareholders in the reorganized entity. Even if a merger or consolidation is undertaken in accordance with the Code, there is no assurance that Federal and State tax regulations will not change in the foreseeable future and result in the Company incurring a significant tax liability.

The manner in which the Company participates in an opportunity will depend on the nature of the opportunity, the respective needs and desires of the Company and other parties, the management of the opportunity, and the relative negotiating strength of the Company and such other management.

The Company will participate in a business opportunity only after the negotiation and execution of appropriate written agreements. Although the terms of such agreements cannot be predicted, generally such agreements will require specific representations and warranties by all of the parties thereto, will specify certain events of default, will detail the terms of closing and the

conditions which must be satisfied by each of the parties prior to such closing, will outline the manner of bearing costs if the transaction is not closed, will set forth remedies on default, and will include miscellaneous other terms.

It is anticipated that the investigation of specific business opportunities and the negotiation, drafting and execution of relevant agreements, disclosure documents, and other instruments will require substantial management time and attention and substantial costs for accountants, attorneys, and others. If a decision is made not to participate in a specific business opportunity, the costs theretofore incurred in the related investigation

would likely not be recoverable. Furthermore, even if an agreement is reached for the participation in a specific business opportunity, the failure to consummate that transaction may result in the loss to the Company of the related costs incurred.

Further, companies subject to Section 13 or 15(d) of the Exchange Act must furnish certain information about significant acquisitions, including certified financial statements for the company or companies acquired covering at least two years. Consequently, if targeted acquisition prospects do not have, or are unable to obtain, the requisite certified financial statements, such acquisitions by the Company would appear to be inappropriate.

Competition

The Company is aware that there are many other public companies with limited assets that are also searching for operating businesses and other business opportunities as potential acquisition or merger candidates. The Company will be in direct competition with these other public companies in its search for business opportunities. In addition, the Company expects to encounter substantial competition in its efforts to attract business opportunities from business development companies, venture capital partnerships and corporations, venture capital affiliates of large industrial and financial institutions, small business investment companies and wealthy individuals. Competition in the search for business opportunities is principally based upon experience in connection with identifying and effecting business acquisitions, financial and personnel resources and technical expertise. Many of these entities have significantly greater experience, financial and personnel resources, and managerial and technical capabilities than the Company and in all likelihood will be in a better position than the Company to obtain access to attractive business opportunities. In view of the Company's limited financial resources and personnel, the Company will be at a significant competitive disadvantage in identifying possible business opportunities and successfully completing a business combination.

Although the Company is subject to regulation under the Exchange Act, management believes the Company will not be subject to regulation under the Investment Company Act of 1940, insofar as the Company will not be engaged in the business of investing or trading in securities. Such Act defines an "investment company" as an issuer which is or holds itself out as being engaged primarily in the business of investing, reinvesting or trading of securities. The Company could be expected to incur significant registration and compliance costs if required to register under the Investment Company Act of 1940. Accordingly, management will continue to review the Company's activities from time to time with a view toward reducing the likelihood the Company could be classified as an "investment company".

In the event the Company acquires or merges with a business or business opportunity in certain industries, the Company expects that its business will be subject to various regulations. For example, the telecommunications industry is subject to the provisions of the Telecommunications Act of 1996 and Federal Communication Commission ("FCC") regulations thereunder, as well as applicable

laws and regulations of the various states administered by the relevant state authorities. Certain aspects of the Internet industry are also subject to the Telecommunications Act of 1996 and regulations of the FCC. There can be no assurance that the Company would be able to comply with any such regulations. In addition, regulations may be enacted in the future which may have a material adverse effect on the business of the Company.

Product Development

For the years ended December 31, 2003, 2002 and 2001, the Company incurred research and development expenditures of zero, $1.5 million and $1.8 million, respectively. The Company ceased research and development efforts in November 2002 with the announcement that it would stop development efforts on its Neumobility product line.

Sales, Marketing and Distribution

The Company currently has no sales and marketing personnel as all personnel previously employed in its Neumobility division or Isis subsidiary were terminated in late 2002.

Proprietary Rights

The Company currently owns 14 issued United States patents relating to its former products. The Company's strategy has been to protect its technology and other proprietary rights through patents, copyrights, trademarks, nondisclosure agreements, license agreements and other forms of protection. The Company has been active in pursuing patent protection for technology and processes involving its products that it believes to be proprietary and to provide a potential competitive advantage for the Company. In addition, the Company has also licensed patents from third parties in an effort to maintain flexibility in the development and use of its technology. The Company also attempts to protect its proprietary rights through the use of nondisclosure agreements with its employees and consultants, and license agreements with customers, which contain restrictions on disclosure, use and transfer of proprietary information. The Company further employs various physical security measures to protect its software source codes, technology and other proprietary rights. See also "Business Risks -- Proprietary Rights" below.

Employees

As of March 1, 2004, the Company had 2 employees. None of the Company's employees are covered by a collective bargaining agreement. The Company believes that its relations with its employees are good. The Company may find it necessary to periodically hire part-time clerical help on an as-needed basis. See also "Business Risks- Dependence on Personnel" below.

Business Risks

The Company operates in a dynamic and rapidly changing business environment that involves substantial risk and uncertainty. The following discussion addresses some of the risks and uncertainties that could cause, or contribute to causing, actual results to differ materially from those expressed or implied in this report or any other disclosures or statements, oral or written, made by or on behalf of the Company. Readers should pay particular attention to the descriptions of risks and uncertainties described below.

NO CURRENT BUSINESS OPERATIONS: With no current business operations other than to complete the wind-down of its Isis subsidiary, the Company's principal business purpose at this time is to locate and consummate a merger or acquisition. There is no assurance the Company's intended merger or acquisition activities will be successful, result in revenue or profit to the Company or

result in an increase in the value of its stock. The likelihood of success of the Company must be considered in light of the risks, expenses, difficulties and delays frequently encountered in connection with the operation and development of a new business. There is nothing at this time upon which to base an assumption that any business or business opportunity the Company acquires will prove successful, and there is no assurance that it will be able to operate profitably.

HISTORY OF NET LOSSES; ACCUMULATED DEFICIT: The Company incurred net losses of approximately $5.5 million in 2002, $1.0 million in 2003 and forecasts spending approximately $0.5 million in 2004 with no revenue. As of December 31, 2003, the Company had an accumulated deficit of $27.6 million, the majority of which accumulated during the three years ended December 31, 1998. With the announcements in late 2002 of the closures of the Isis subsidiary and Neumobility division, the Company has no current operations. Since then, the Company has been focusing on other business opportunities in its attempt to locate and consummate a merger or acquisition. There can be no assurance, however, that the Company will be able to acquire any business or business opportunity or that any business or business opportunity the Company acquires will prove successful or will be able to operate profitably. There can be no assurance that the Company's operations will be profitable on a quarterly or annual basis in the future. Past revenue levels should not be considered indicative of future operating results. Operating results for future periods are subject to numerous risks and uncertainties, including those specified elsewhere in this report. If the Company is not successful in addressing such risks and uncertainties, the Company's business, financial condition and results of operations will be materially adversely affected.

NEED FOR ADDITIONAL FINANCING: The Company's needs for additional financing will depend upon a number of factors, including, but not limited to, the timing and success of potential strategic alliances or acquisitions of businesses, technologies or assets. The Company believes that existing cash reserves will provide sufficient cash to fund its operations for at least the next two years. However, if the Company is unable to achieve positive cash

flow or achieves sales growth requiring working capital beyond current amounts, the Company may be required to seek additional financing sooner than currently anticipated or may be required to curtail some of its activities. There can be no assurance that additional financing will be available on acceptable terms, or at all. The Company's failure to obtain such additional financing, if needed, could have a material adverse effect on the Company's business, financial condition and results of operations. See also "Nasdaq Listing Requirements" below.

VOLATILITY OF STOCK PRICE; LIMITED TRADING MARKET: The market for the Company's common stock is highly volatile and has had limited trading volumes in recent quarters. The trading price of the Company's common stock has been and could continue to be subject to wide fluctuations in response to investors' perception of the Company's ability to make an acquisition, changes in the Company's stock market listing status, as well as other events or factors. See "Business Risks -- No Current Business Operations" above and "Nasdaq Listing Requirements" below. Statements or changes in opinions, ratings, or earnings estimates made by brokerage firms or industry analysts relating to the markets in which the Company has competed have resulted, and could in the future result, in an adverse effect on the market price of the Company's common stock. In addition, the stock market has from time to time experienced extreme price and volume fluctuations which often have been unrelated to the operating performance of specific companies. These broad market fluctuations may adversely affect the market price of the Company's common stock.

Only a limited trading market for the Company's common stock currently exists. The market price of the common stock, which currently is listed on the Over The

Counter bulletin board under the symbol CTSC.OB, has, in the past, fluctuated substantially over time and may in the future be highly volatile. In addition, the Company believes that relatively few market makers make a market in the Company's common stock. The actions of any of these market makers could substantially impact the volatility of the Company's common stock.

NASDAQ LISTING REQUIREMENTS: On March 4, 2002 the Company received a notice from Nasdaq indicating that the Company's public float had not been over $5 million for 30 consecutive days, a violation of the Nasdaq National Market's continued listing requirements. In late May the Company applied for listing on the Nasdaq SmallCap Market System ("SCM"), was accepted and began trading on the SmallCap market on June 14, 2002. During 2002 the market value of the Company's common shares continued to trade below $1.00, a violation of the listing requirements of the Nasdaq SCM. On November 1, 2002 the Company received a notice from Nasdaq giving the Company a 180-day period, until April 30, 2003, in which to demonstrate compliance. On May 1, 2003 the Company received a notice from Nasdaq that since the Company had not regained compliance with the minimum $1.00 closing bid price per share requirement as set forth in Marketplace Rule 4310(c)(4), its securities would be delisted from the Nasdaq SmallCap Market at the opening of business on May 12, 2003. Nasdaq additionally noted that its Staff may have otherwise determined to delist the Company's shares under Marketplace Rules 4300 and 4330(a)(3) since the Company was currently in the process of winding down its previous businesses and had de minimis other operations. After reviewing its options, the Company's management and directors determined that the Company would not seek a hearing to appeal this determination nor seek a reverse stock split of its shares. Effective May 12, 2003, the Company's shares began trading as over the counter securities on the OTCBB under the symbol CTSC.OB. The delisting of the Company's common stock could adversely affect the liquidity of the shares held by its stockholders and could severely restrict any ability the Company may have to raise additional capital.

PENNY STOCK RULES: The Company's common stock currently trades on the OTCBB. The stock may be subject to other rules including an SEC rule that imposes additional sales practice requirements on broker/dealers who sell such securities to persons other than established customers and accredited investors (generally institutions with assets in excess of $5,000,000 or individuals with net worth in excess of $1,000,000 or annual income exceeding $200,000 or $300,000 jointly with their spouses). For transactions covered by the rule, the broker/dealer must make a special suitability determination for the purchaser and have received the purchaser's written agreement to the transaction prior to the sale. Consequently, the rule may affect the ability of shareholders to sell their shares in the secondary market. In addition, SEC rules impose additional sales practice requirements on broker/dealers who sell penny securities. These rules require a summary of certain essential items. The items include the risk of investing in penny stocks in both public offerings and secondary marketing;

terms important to an understanding of the function of the penny stock market, such as "bid" and "offer" quotes, a dealers "spread" and broker/dealer compensation; the broker/dealer compensation, the broker/dealer's duties to its customers, including the disclosures required by any other penny stock disclosure rules; the customer's rights and remedies in cases of fraud in penny stock transactions; and the NASD's toll free telephone number and the central number of the North American Securities Administrators Association, for information on the disciplinary history of broker/dealers and their associated persons. The additional burdens imposed upon broker/dealers by such requirements may discourage broker/dealers from effecting transactions in the common stock, which could severely limit the market for the Company's common stock

COMPETITION FOR BUSINESS OPPORTUNITIES: The Company is aware that there are many other companies with limited assets that are also searching for operating businesses and other business opportunities as potential acquisition or merger

candidates. The Company will be in direct competition with these other companies in its search for business opportunities. In addition, the Company expects to encounter substantial competition in its efforts to attract business opportunities from business development companies, venture capital partnerships and corporations, venture capital affiliates of large industrial and financial institutions, small business investment companies and wealthy individuals. Competition in the search for business opportunities is principally based upon experience in connection with identifying and effecting business acquisitions, financial and personnel resources and technical expertise. Many of these entities have significantly greater experience, financial and personnel resources, and managerial and technical capabilities than the Company and may be in a better position than the Company to obtain access to attractive business opportunities. In view of the Company's limited financial resources and personnel, the Company will continue to be at a significant competitive disadvantage in identifying possible business opportunities and successfully completing a business combination and there can be no assurance the Company will be able to acquire a business opportunity on terms favorable to the Company.

STRATEGIC RELATIONSHIPS AND PARTNERSHIPS: The Company may need to establish and maintain strategic relationships including joint ventures with respect to technology, joint sales and marketing relationships and alliances for new product development and for the creation of new markets. The Company's success may depend on strategic relationships to offer products and services to a larger customer base than can be reached through direct sales efforts. The Company cannot give assurance that it will be able to expand or enter into new relationships or that any such relationships will be on commercially reasonable terms. If the Company is unable to develop strategic relationships, it could lose the benefits anticipated from such relationships.

GOVERNMENT REGULATION; LEGAL UNCERTAINTIES; WEBSITE INFORMATION; PERSONAL DATA: Although the Company is subject to regulation under the Exchange Act, management believes the Company will not be subject to regulation under the Investment Company Act of 1940, insofar as the Company will not be engaged in the business of investing or trading in securities. Such Act defines an "investment company" as an issuer which is or holds itself out as being engaged primarily in the business of investing, reinvesting or trading of securities. The Company could be expected to incur significant registration and compliance costs if required to register under the Investment Company Act of 1940. Accordingly, management will continue to review the Company's activities from time to time with a view toward reducing the likelihood the Company could be classified as an "investment company.

Although the Company's operations are not currently directly regulated, future operations of the Company may become subject to a variety of United States and foreign governmental laws, regulations and other requirements. The terms of any existing laws, regulations or other requirements, or any changes thereto, may inhibit the growth of certain industries, limit the number of potential customers for the Company's future products and services and/or impede the Company's ability to offer competitive services to its chosen marketplaces or otherwise have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may be subject to claims arising out of information available on its website, or from information or content accessible from the Company's websites through links to other websites or through content and materials posted in chat rooms or bulletin boards. The Company's commercial liability insurance may not provide adequate protection against these types of claims.

Any new legislation or regulation or new applications of existing laws or regulations could have a material adverse effect on the Company's business, financial condition and results of operations.

TAXATION: In any acquisition or merger the Company may undertake, attention will be focused upon federal and state tax consequences to both the Company and the "target" company. Presently, under Section 368 of the Internal Revenue Code of 1986, as amended, a statutory merger or consolidation is an exempt transaction and may be tax-free if effected in accordance with State law. While the Company expects to undertake any merger or acquisition so as to minimize federal and state tax consequences to both the Company and the "target" company, there is no assurance that such business combination will meet the statutory requirements of a reorganization or that the parties will obtain the intended tax-free treatment upon a transfer of stock or assets. Additionally, there can be no assurance that the Company's net operating loss carryforwards will be fully available to offset any future taxable income generated by the Company. A nonqualifying reorganization could result in the imposition of both federal and state taxes which may have substantial adverse effect on the Company.

POSSIBLE USE OF DEBT FINANCING; DEBT OF AN ACQUIRED BUSINESS: There are currently no limitations relating to the Company's ability to borrow funds to increase the amount of capital available to the Company to effect a business combination or otherwise finance the operations of an acquired business. The amount and nature of any borrowings by the Company will depend on numerous considerations, including the Company's capital requirements, the Company's perceived ability to meet debt service on such borrowings, and then-prevailing conditions in the financial markets, as well as general economic conditions. There can be no assurance that debt financing, if required or otherwise sought, will be available on terms deemed to be commercially acceptable and in the best interest of the Company. The inability of the Company to borrow funds required to effect or facilitate a business combination, or to provide funds for an additional infusion of capital into an acquired business, may have a material adverse effect on the Company's financial condition and future prospects. Additionally, to the extent that debt financing ultimately proves to be available, any borrowings may subject the Company to various risks traditionally associated with incurring of indebtedness, including the risks of interest rate fluctuations and insufficiency of cash flow to pay principal and interest. Furthermore, an acquired business may already have previously-incurred debt financing and, therefore, the risks inherent thereto, as discussed above.

ISSUANCE OF SHARES IN MERGER OR ACQUISITION: Any acquisition effected by the Company may result in the issuance of additional Common Stock or Preferred Stock without shareholder approval and may result in substantial dilution in the percentage of the Company's securities held by the Company's then-shareholders. Moreover, the Common Stock or Preferred Stock issued in any such merger or acquisition transaction may be valued on an arbitrary or non arm's-length basis by management of the Company, resulting in an additional reduction in the percentage of securities held by the Company's then-shareholders.

DEPENDENCE ON PERSONNEL; ADEQUATE STAFFING LEVELS AND MANAGEMENT OF GROWTH: The Company's future success depends in large part on its ability to continue to attract, motivate and retain highly qualified personnel. Competition for such personnel is intense and there can be no assurance that the Company will be successful in attracting, motivating and retaining key personnel. The Company also believes stock options are a critical component for motivating and retaining its key personnel. The inability to hire and retain qualified personnel could have a material adverse effect upon the Company's business, financial condition and results of operations. The Company does not maintain any key-man life insurance policies on any of its employees.

The Company's accounting and financial requirements have been complex and may continue to be so in the near future while the Company is winding down its Isis business. The Company's failure to adequately recruit, hire, train and retain sufficient qualified staff to enable proper financial and accounting control of the Company's finances and assets could have a material adverse effect on the Company's business, financial condition and results of operations.

RISK OF SYSTEM FAILURE AND RISK OF NETWORK SECURITY FAILURE: The Company operates and maintains internal computers and telecommunication equipment. The Company's operations are dependent upon its ability to maintain such equipment and systems in effective working order and to protect them against damage from fire, natural disaster, power loss, communications failure, unauthorized entry or other events. Although the Company provides back up for substantially all of its systems, these measures do not eliminate the risk to the Company's operations from a system failure. In addition to its own systems, the Company relies on certain equipment, systems and services from third parties that are also subject to risks, including risks of system failure. There can be no assurance that the Company's property and business interruption insurance will be adequate to compensate

the Company for any losses that may occur in the event of a system failure. Any damage, failure or delay that causes interruptions in the Company's operations could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's systems may be vulnerable to security risks or service disruptions that could harm the Company's business. Potential unauthorized access to the Company's systems could result in technical difficulties including delays, loss of data, and inability to process user requests or network downtime causing business interruption. Such events could be very expensive to remedy and could damage the Company's reputation. Any major disruption could have a material adverse effect on the Company's business, financial condition and results of operations.

INTERNATIONAL OPERATIONS: To the extent that the Company acquires or merges with an entity which pursues sales opportunities for its products and services in international markets, the Company is and will remain subject to all the risks inherent in international sales activities, such as lengthy sales cycles, high costs of sales, changes in export, import, tariff and other trade regulations, currency exchange rates, foreign tax laws and other legal, economic and political conditions. There can be no assurance that the occurrence of any of the foregoing will not have a material adverse effect on the Company's business, financial condition and results of operations. Further, the laws of certain foreign countries do not protect the Company's intellectual property to the same extent as the laws of the United States. See "Business Risks -- Uncertainty Regarding Proprietary Rights." In certain international markets, the Company may need to modify its products or develop new or additional products to adapt to the different standards utilized in such markets. There can be no assurance that the Company's marketing efforts and technological enhancements will result in successful commercialization or market acceptance or penetration in such international markets. If the Company is unable to adequately anticipate and respond to marketing or technological requirements in the international marketplace, the Company's business, financial condition and results of operations could be materially adversely affected.

PROPRIETARY RIGHTS: In past years the Company has depended in part on its ability to protect its technology, processes, trade secrets and other proprietary rights from unauthorized disclosure and use and operate the same without infringing the proprietary rights of third parties. The Company's strategy has been to protect its technology and other proprietary rights through patents, copyrights, trademarks, nondisclosure agreements, license agreements and other forms of protection.

Patents issued and patent applications filed relating to products used in the Company's prior markets are numerous, and the patent positions of companies in these industries, including the Company, are generally uncertain and involve complex legal and factual issues. Accordingly, there can be no assurance that any pending or future patent application of the Company or its licensors will result in issuance of a patent or that, when a patent is issued, that the scope of protection of the patent will be sufficiently broad to protect the Company's technology or provide a competitive advantage for the Company. There can be no assurance that any issued patent will not be challenged, invalidated or circumvented. Litigation or regulatory proceedings, which could result in substantial cost and uncertainty to the Company, may be necessary to enforce patent or other proprietary rights of the Company or to determine the scope and validity of a third-party's proprietary rights. There can be no assurance that the Company will succeed or will have the resources necessary to succeed in any such litigation or regulatory proceedings.

Although the Company believes that the technology in its prior products was independently developed and that its products did not infringe patents known to

be valid or violate other proprietary rights of third parties, it is possible that such infringement of existing or future patents or violation of proprietary rights may occur. There can be no assurance that the Company is aware of all third-party proprietary rights that may materially affect the Company's past products and services. United States patent applications, for example, are confidential while pending at the United States Patent and Trademark Office, and the laws of many foreign countries do not protect proprietary rights to the same extent as the laws of the United States. There can be no assurance that third parties will not assert infringement claims with respect to the Company's past products or services, or that any such claims will not result in litigation or regulatory proceedings or require the Company to modify its products or enter into licensing arrangements, regardless of the merits of such claims. See "Business Risks -- Risk of Litigation" below. No assurance can be given that the Company will have the resources necessary to successfully

defend against any such infringement claims or that any necessary licenses could be obtained in a timely manner, upon commercially reasonable terms, or at all. The Company's failure to successfully defend against any such claims or obtain any such license could result in substantial cost and uncertainty to the Company and have a material adverse effect on the Company's business, financial condition or results of operations.

RISK OF LITIGATION: From time to time, the Company may be a party to legal proceedings, which may or may not be in the ordinary course of business and which may have a material adverse effect on the Company's business, financial condition or results of operations. See also "Item 3 -- Legal Proceedings" below.

Item 2. Properties

The Company leases approximately 1,000 square feet of general office space in Seattle, Washington for its corporate offices under a verbal month-to-month arrangement.

Item 3. Legal Proceedings

From time to time, the Company may be a party to legal proceedings, which may or may not be in the ordinary course of business and which may have a material adverse effect on the Company's business, financial condition or results of operations. The Company is currently involved in one commercial litigation case. On October 25, 2001, New England Telecom, Inc. and Paul Gregory, a former employee, filed a claim in the Superior Court of Massachusetts against the Company and its Chairman alleging, among other things, that the Company breached a purchase agreement and a related employment contract. The agreement included a two-year earn-out with a maximum contingent total payout of $1.5 million. The Company has answered the allegations and intends to vigorously defend the case. Since the case is currently in the discovery phase, the Company is unable to assess the likely outcome of the case.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders of the Company, through solicitation of proxies or otherwise, during the fourth quarter of the fiscal year covered by this Annual Report.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The following table sets forth, for each quarter during the period from January 1, 2002 through June 13, 2002 the reported high and low sales prices of the Company's Common Stock on The Nasdaq Stock Market (National Market System) (Symbol: "CTSC"), for each quarter during the period from June 14, 2002 through December 31, 2002 and for each quarter during the period from January 1, 2003 through May 9, 2003 the reported high and low sales prices of the Company's Common Stock on The Nasdaq Stock Market (SmallCap System) ("SCM") and for each quarter from the period from May 12, 2003 through December 31, 2003 and for the period from January 1, 2004 through March 19, 2004 the reported high and low sales prices of the Company's Common Stock on the Over The Counter Bulletin Board ("OTC") (Symbol: "CTSC.OB").

	Sales Price	
	High	Low
2002		
First Quarter	$2.46	$1.91
Second Quarter	2.35	1.11
Third Quarter	1.24	0.67
Fourth Quarter	1.56	0.56
2003		
First Quarter	0.87	0.65
Second Quarter	0.82	0.52
Third Quarter	0.80	0.60
Fourth Quarter	0.84	0.66
2004		
First Quarter through March 19, 2004	0.78	0.66

As of March 19, 2004, the number of holders of record of the Company's Common Stock was 203, and the number of beneficial shareholders was estimated to be in excess of 3,000. There were no dividends paid or other distributions made by the Company with respect to its Common Stock during 2003 or 2002 and the Company has no plans for any such payments in the future.

On June 10, 2003, the Company issued an aggregate of 27,000 shares of its common stock to Lawrence Schoenberg, 26,000 shares to Joshua Angel, 15,000 shares to Barry Beil and 90,000 shares to Stephen Katz, directors of the Company, in consideration of board services provided to the Company. No sales commissions were paid in connection with these transactions. The shares were issued in reliance upon the exemption from registration provided by Section 4 (2) of the Securities Act.

Item 6. Selected Consolidated Financial Data (1)

Statement of Operations Data:	Year Ended December 31, (In 000's, except per share amounts)				
	2003	2002	2001	2000	1999
Revenues	$ 231	$11,771	$20,146	$25,973	$10,241
Net Income (Loss)	(967)	(5,476)	611	2,552	2,599
Basic Earnings (Loss) Per Share(2)	(0.42)	(2.39)	0.27	1.12	1.14
Diluted Earnings (Loss) Per Share(2)	(0.42)	(2.39)	0.27	1.09	1.13
Weighted Average Shares Outstanding:					
Basic	2,292	2,292	2,292	2,287	2,282
Diluted	2,292	2,292	2,302	2,339	2,292
Cash Dividends Declared	--	--	--	--	--

Balance Sheet Data:	December 31, (In 000's)				
	2003	2002	2001	2000	1999
Cash	$2,651	$3,315	$6,353	$4,529	$ 4,787
Working Capital	2,499	3,252	6,523	5,443	3,621
Long Term Investment	--	--	1,754	1,758	1,000
Total Assets	2,681	4,144	9,990	9,774	10,202
Total Stockholders' Equity	2,505	3,403	8,879	8,268	5,673

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(1) Certain reclassifications have been made to the prior year financial statements to conform to the current period's presentation.

(2) Per share amounts and weighted average shares outstanding have been retroactively adjusted to give effect to the one-for-ten reverse stock split effective January 5, 1999. In years where the Company incurred a net loss, common equivalent shares were not used in calculating diluted earnings per share, as the effect would be anti-dilutive.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of the Company's results of operations and financial condition. The discussion should be read in conjunction with the financial statements and notes thereto. Unless the context otherwise requires, all references to the "Company" herein include Cellular Technical Services Company, Inc. and any entity over which it has or shares operational control.

Special Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that reflect the Company's views with respect to future events and financial performance. The Company uses words and phrases such as "anticipate," "expect," "intend," "the Company believes," "future," and similar words and phrases to identify forward-looking statements. Reliance should not be placed on these forward-looking statements. These forward-looking statements are based on current expectations and are subject to risks, uncertainties and assumptions

that could cause, or contribute to causing actual results to differ materially from those expressed or implied in the applicable statements. Readers should pay particular attention to the descriptions of risks and uncertainties described in this report and in the Company's other filings with the Securities and Exchange Commission. All forward-looking statements included in this report are based on information available to the Company on the date of this report. The Company assumes no obligation or duty to update any such forward-looking statements.

Critical Accounting Policies and Estimates

The Company's discussion and analysis of its financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to revenue recognition, product returns, bad debts, inventories, investments, intangible assets, contingencies and litigation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. A more detailed discussion on the application of these and other accounting policies can be found in Note A in the Notes to the Consolidated Financial Statements in Item 15 of this Annual Report on Form 10-K. Actual results may differ from these estimates under different assumptions or conditions.

Basis of Accounting

On November 9, 2002, the Company ceased development efforts of Neumobility, and on December 11, 2002 adopted a plan to wind down the operations of Isis and liquidate the related net assets. As a result, the Company currently has no business other than to wind-down the operations of Isis which was nearly completed in 2003. Management has no plan to liquidate the Company and distribute the remaining assets to stockholders. Further, management believes that its cash balances as of December 31, 2003 of approximately $2.6 million are sufficient to fund its current cash flow requirements through at least the next twelve months.

Based on management plans, these financial statements have been prepared under the "going concern" assumption which presumes that the Company will continue its existence for the foreseeable future and is not subject to imminent liquidation.

Revenue Recognition

Historically, the Company has generated revenues through three sources: (1) prepaid phonecard sales, (2) systems revenues, consisting primarily of bundled hardware and software products, and (3) services revenues, consisting primarily of hardware and software maintenance and related support services. There were no systems revenues recognized after December 31, 2000, and no service revenues recognized after December 31, 2001.

Phonecard revenues are recognized upon shipment, net of estimated returns. Costs of goods sold for phonecards include related shipping and handling costs. Phonecard revenues are recorded on a gross basis, with costs payable to card providers included in the costs of the phonecards, in accordance with EITF Issue No. 99-19, because the Company is the primary obligor in the arrangement, bears inventory and credit risk, has discretion over pricing, and is involved in the determination of the products to be marketed.

Service revenues are recognized ratably over the period that maintenance coverage is provided. Prepaid or allocated maintenance and services are recorded as deferred revenues.

Allowance for Sales Returns

The Company maintains a provision for estimated sales returns of prepaid phonecards. The Company records a provision for estimated sales returns in the same period as the related revenues are recorded. These estimates are based on historical sales returns, analysis of credit memo data and other known factors. The Company also reduces cost of goods sold and increases inventory by the estimated costs of the sales returns. If the historical data the Company uses to calculate these estimates does not properly reflect future returns, reported revenue could be overstated.

Bad Debt

The Company has maintained allowances for doubtful accounts for estimated losses based on past collection history and specific risks identified in the portfolio resulting from the inability of its customers to make required payments.

Inventory

The Company recorded its inventories at the lower of cost or market. In assessing the ultimate realization of inventories, the Company made judgments as to future demand requirements and compared that with the current or committed inventory levels. An allowance for obsolete inventory was maintained to reflect the expected un-saleable inventory based on an evaluation of slow moving products.

Goodwill and Intangible Impairment

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business acquisitions. Until January 1, 2002, goodwill was being amortized over the estimated useful life of four years.

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standard ("SFAS") No. 142 - Goodwill and Intangible Assets. Under SFAS 142, goodwill is considered to have an indefinite life and is subject to periodic tests for impairment rather than amortization. To test goodwill for impairment, the carrying value of a reporting unit containing goodwill is compared to its fair value. If the carrying value is higher, loss on impairment is measured as the difference between the actual carrying amount of goodwill and the implied amount, determined as if the reporting unit were acquired on the date of the test. Impairment losses are recognized immediately.

As of January 1, 2002, the date the Company performed the initial impairment test upon adoption of SFAS 142, it had goodwill with a net book value of approximately $100,000 related to the acquisition of New England Telecom, Inc., in August 2000. For the purpose of testing goodwill for impairment, the Company used a fair

value of Isis based on the forecasted cash flows. As a result of the test and the measurement process of the impairment loss, the Company determined it had no implied goodwill. Accordingly, as of January 1, 2002, it recognized an impairment loss of $100,000. As permitted by SFAS 142, impairment losses recognized upon the initial application of the standard are presented as the cumulative effect of an accounting change in the statement of operations. During the year ended December 31, 2001, the Company did not record any impairment losses related to goodwill and other intangible assets.

Long-Term Investment

The Company accounts for its investment in TruePosition, Inc. under the cost method, as the Company does not have the ability to exercise significant influence. Under the cost method of accounting, an investment in a private company is carried at cost and adjusted only for other-than-temporary declines in fair value, distributions of earnings and additional investments. The Company periodically evaluates whether the declines in fair value of its investment are other-than-temporary. This evaluation consists of review of qualitative and quantitative factors by members of senior management as well as market prices of comparable public companies. The Company receives periodic financial statements to assist in reviewing relevant financial data and to assist in determining whether such data may indicate other-than-temporary declines in fair value below the Company's accounting basis. When the Company determines the fair value of the investment had an other-than-temporary decline, an impairment write-down is recorded.

Overview

The Company has developed, marketed, distributed and supported a diversified mix of products and services for the telecommunications industry. Over the past 15 years, the Company developed expertise in real-time wireless call processing and has created technologically advanced solutions for this industry, focusing primarily in the area of wireless communications fraud management, geo-location wireless software applications and sales of prepaid long-distance phonecard products.

On November 9, 2002, CTS ceased development efforts of Neumobility, and on December 11, 2002 adopted a plan to wind down the operations of Isis. As a result, as of December 31, 2003 CTS has no current business other than to complete the wind-down of the operations of Isis. Management currently has no plan to liquidate the Company and distribute the remaining assets to stockholders. During 2002, 2003 and to date, management has been and will be evaluating alternative businesses and acquisitions. There is no assurance that such alternative businesses and acquisitions can be identified before CTS spends all of its remaining cash balances, that CTS will be able to raise money at acceptable terms, if at all, to fund the acquisitions and/or the operating activities of the businesses it may acquire, and that the acquired businesses will represent viable business strategies and/or will be consistent with the expectations and risk profiles of CTS' stockholders.

Management expects that during 2004 the Company will incur costs of approximately $0.5 million, primarily related to employee compensation and severance, costs of maintaining the business as a public entity and insurance. The Company does not have any current source of revenue and has de minimis operations. Accordingly, management believes that its cash balances as of December 31, 2003 of approximately $2.6 million are sufficient to fund its current cash flow requirements through at least the next twelve months.

Products

Prepaid Long-Distance Phonecard Products: To provide revenue growth for the Company, and in alignment with its product diversification strategy, the Company expanded into the prepaid long-distance service arena in the fourth quarter of 1999. Through its majority-owned subsidiary, Isis Tele-Communications, Inc., the Company marketed and distributed branded prepaid long-distance phonecards in denominations generally ranging from $5 to $20 per card. Isis also marketed prepaid wireless phones and phonecards. Isis specialized in targeted marketing programs and featured local and toll-free access numbers and aggressive domestic and international long-distance rates. Isis distributed cards through regional and national multi-level distribution channels, using

direct sales, third party distributors and telemarketing. Due to continuing

losses from declining margins and increased competition in this marketplace, the Company decided to close the Isis business in December 2002. At December 31, 2003, the Company had nearly completed the winding down of its Isis operations.

Geo-Location Wireless Applications Investment and Product Development: The Federal Communications Commission ("FCC") has required all wireless carriers to deploy wireless geo-location technology to provide the location of 911 wireless calls, similar to that of wire-line 911 calls. Wireless geo-location technology provides and identifies the specific geographic location (in latitude and longitude measurements) of a wireless telephone, and can eventually be applied to other wireless communications devices.

In late 1999 the Company began development of a location-based wireless software product platform and mobile commerce applications. In January 2001 the Company formed a division called Neumobility'TM' for this product line. The Company ceased its development efforts of the Neumobility platform and applications in November 2002 due to postponement by the FCC of its original implementation deadlines for the wireless E-911 rollout and slow market development, resulting in low future revenue projections which did not justify continued investment at that time.

The Blackbird Platform Products: The Company's Blackbird Platform product line included a suite of radio frequency based platform solutions focusing on wireless fraud prevention. It involved various forms of "pre-call" verification to ensure that the use of an analog wireless telephone was legitimate before the device was allowed to connect to a carrier's analog wireless communications network. Blackbird Platform products were initially installed in over 2,000 cell sites in the US by wireless carriers in 1996-1998. As digital wireless communication was adopted, analog fraud decreased, and carriers gradually removed the Blackbird Platform products from service. The final contract expired December 31, 2001, and no future revenue is anticipated from the Blackbird Platform product line.

Revenue and Expense

Revenue

During 2003 and 2002, the Company generated revenue through sales of its Isis pre-paid phonecard products. During 2001, the Company generated revenue through two sources: (i) Isis pre-paid phonecard product sales and (ii) Blackbird service revenue.

Prepaid phone-card revenue is comprised of wholesale and retail sales of prepaid local, long-distance and wireless products. The revenue is recognized at shipment of product, net of reserves for estimated returns. The Company maintained an allowance for sales returns for prepaid phonecards based on estimated returns in accordance with SFAS 48. Estimated returns, along with their costs, were reflected as a reduction in sales and cost of goods sold, respectively, and reflected as a reduction in accounts receivable and an increase in inventory, respectively.

Service revenue was derived primarily from hardware and software maintenance programs, No Clone Zone roaming fraud prevention service, Blackbird Platform Monitoring service and related professional services provided in support of the Company's currently deployed product base. Service revenue was recognized ratably over the period that the service is provided. Hardware and software maintenance generally began after system acceptance. Prepaid or allocated maintenance and services are recorded as deferred revenue. There was no service revenue in 2003 or 2002.

Costs and Expenses

Costs of phonecards, services and systems are primarily comprised of the costs of: (i) prepaid phonecard costs; (ii) equipment, including both proprietary and third-party hardware and, to a lesser extent, manufacturing overhead and related expenses; (iii) customer support; and (iv) activities associated with the evaluation, repair

and testing of parts returned from the field in connection with the Company's ongoing hardware maintenance service activities.

Sales and marketing expenditures include the costs of salaries, commissions and employee-related expenses and certain variable marketing expenses, including promotional costs, public relations costs, marketing collateral and trade show expenses.

General and administrative expenditures include the costs of executive, human resource, finance and administrative support functions, provisions for uncollectible accounts and costs of legal and accounting professional services.

Research and development expenditures include the costs for research, design, development, testing, preparation of training and user documentation and fixing and refining features for the software and hardware components included in the Company's products and services.

Year ended December 31, 2003 compared to year ended December 31, 2002

Overview

Total revenues decreased 98% to $231,000 in 2003 from $11,771,000 in 2002. Net loss was $967,000 or $0.42 per share, compared to a net loss of $5,476,000 or $2.39 per share in 2002. The decrease in consolidated revenues was a result of the wind-down of the Company's prepaid phonecard segment (Isis) as described below under "Revenue".

The $4.5 million decrease in net loss for 2003 in comparison to 2002 is due to several factors:

- Total gross margin decreased by $0.2 million from the 2002 year to the 2003 year.

- Operating expenses decreased $2.8 million due to $1.5 million of reduced research and development expenses, $1.0 million reduced sales and marketing expenses and $0.2 million reduced general and administrative expenses as described more fully below.

- Net other income (expense) increased by $1.8 million as the Company recognized a $1.7 million write-down on a long-term investment in TruePosition during the 2002 period.

- The Company recognized an expense of $0.1 million as the cumulative effect of a change in accounting principle in 2002.

Revenue

Prepaid phonecard revenue decreased to $231,000 in 2003, from $11,771,000 in 2002. The decrease is due to the closure of the phonecard business in late 2002. The sales in 2003 were completed in order to transition previous customers to new vendors and to sell inventory on hand.

Costs and expenses

Cost of phonecards, services and systems decreased to $182,000 in 2003 from $11,551,000 in 2002 and was primarily volume-related due to the wind-down of the Isis business.

Sales and marketing expenses decreased to $9,000 in 2003 from $1,052,000 in 2002. The decrease in sales and marketing expenses is attributable to headcount reductions for Isis in 2003 compared to 2002 and a decrease in sales and marketing expenditures for the cessation of the Neumobility development program.

General and administrative expenses decreased 18% to $1,109,000 in 2003 from $1,351,000 in 2002, primarily due to significant headcount and overhead reductions as compared to the prior year, partially offset by 100% allocation of overhead to general and administrative areas due to the wind-down of R&D and sales and marketing.

Research and development costs decreased to zero in 2003 from $1,522,000 in 2002. The decrease was attributable to the decision to cease funding the Neumobility development program in November 2002.

Other Income (Expense), net

Net other income (expense) increased to income of $46,000 in 2003 from an expense of $1,754,000 in 2002. The 2002 period included a non-cash write-down of $1,754,000 of the Company's long term investment in TruePosition. Other income also includes gains or losses from sales of equipment and other miscellaneous income items.

Interest Income, net

Net interest income decreased to $57,000 in 2003 from $77,000 in 2002. This decrease is attributable to lower interest rates earned on invested cash balances in the current year compared to prior year and lower cash balances on which interest was earned.

Income Tax Benefit

The Company recognized income tax expense of $1,000 in 2003, compared to an income tax benefit of $6,000 in 2002.

Year ended December 31, 2002 compared to year ended December 31, 2001

Overview

Total revenues decreased 42% to $11,771,000 in 2002 from $20,416,000 in 2001. Net loss was $5,476,000 or $2.39 per diluted share in 2002, compared to net income of $611,000, or $0.27 per diluted share in 2001. The decrease in consolidated revenues was a result of lower revenue from both the Company's Blackbird Platform products and its prepaid phonecard segment (Isis) as described below under "Revenue".

The $6.1 million decrease in net income for 2002 in comparison to 2001 is due to several factors:

- Total gross margin decreased by $4.1 million from the 2001 year to the 2002 year. Gross margin from sales of its Blackbird Platform products was $4.0 million in 2001 comprised of revenue of $5.3 million and costs to provide the services of $1.3 million. There were no revenues or costs related to Blackbird Platform products in 2002. Isis gross margin decreased by $0.1 million as revenue declined by $3.4 million and costs were reduced by $3.3 million.

- Operating expenses decreased $1.1 million due to $0.3 million of reduced research and development spending for the Company's Neumobility product line, $0.2 million reduced sales and marketing expense and $0.6 million reduced general and administrative spending.

- Other income decreased $2.7 million as the Company recognized a $1.7 million write-down on a long-term investment in TruePosition during the 2002 period compared to the recognition of a one-time net arbitration settlement (excluding interest) resulting in a gain of approximately $0.9 million during 2001 related to Blackbird Platform products.

Revenue

Prepaid phonecard revenue decreased 22% to $11,771,000 in 2002, from $15,148,000 in 2001. The decrease is due to reduced demand for the Company's current product offerings, lower sales and marketing headcount in Isis and the decision by the Company to exit the prepaid phonecard business at the end of 2002.

Service revenue decreased to zero in 2002 from $5,268,000 in 2001. All of the 2001 service revenue was derived from Blackbird Platform Products. There was no Blackbird revenue in 2002 as the Company's customer contracts for periods after December 2001 were not renewed.

Costs and expenses

Cost of phonecards and services decreased by $4,548,000 to $11,551,000 in 2002 from $16,099,000 in 2001 due primarily to the cessation of Blackbird business and decline of Isis business. As a percent of total revenue, the costs were 98% and 79% for the 2002 and 2001 periods, respectively. Blackbird gross margins were 76% for 2001, whereas there were none in 2002. Isis gross margins were 2% for both periods.

Sales and marketing expenses decreased 15% to $1,052,000 in 2002 from $1,241,000 in 2001. As a percent of total revenue, the costs were 9% and 6% for 2002 and 2001, respectively. The decrease in sales and marketing expenses is attributable to headcount reductions for Isis in 2002 compared to 2001 and a decrease in sales and marketing expenditures for the Blackbird Platform and Neumobility products.

General and administrative expenses decreased 30% to $1,351,000 in 2002 from $1,917,000 in 2001, primarily due to significant headcount and overhead reductions as compared to the prior year.

Research and development costs decreased 17% to $1,522,000 in 2002 from $1,841,000 in 2001. The decrease was attributable to decreased spending on new product development in the geo-location application technology area due to a decision to cease funding the product in November 2002.

Other Income (Expense), net

Net other income (expense) decreased to an expense of $1,754,000 in 2002 from income of $974,000 in 2001. The 2002 period included a non-cash write-down of $1,754,000 of the Company's long term investment in TruePosition. The 2001 period included a non-recurring net arbitration settlement (excluding interest) resulting in a gain of approximately $900,000 related to the Blackbird Platform products. Other income also includes gains or losses from sales of equipment and other miscellaneous income items.

Interest Income, net

Net interest income decreased to $77,000 in 2002 from $308,000 in 2001. This decrease is attributable to lower interest rates earned on invested cash balances in the current year compared to prior year, lower cash balances on which interest was earned, and the interest included in the arbitration settlement in 2001.

Income Tax Benefit

The Company recognized an income tax benefit of $6,000 in 2002 compared to $11,000 in 2001, which represents net recoverable federal alternative minimum taxes and state income taxes.

Liquidity and Capital Resources

The Company's capital requirements have historically consisted primarily of funding hardware and software research and development, property and equipment requirements, working capital and the Company's operating expenses. The Company

historically has funded these requirements through the sale of common stock (including

proceeds from the exercise of warrants and options) and from operating profits in certain periods. The Company's working capital decreased to $2.5 million at December 31, 2003 from $3.3 million at December 31, 2002.

Net Cash used in operating activities amounted to $0.7 million in 2003, compared to $3.0 million in 2002 and net cash provided by operating activities of $1.9 million in 2001. Operating cash flow for 2003 was positively impacted by decreases in inventories and collection of accounts receivable, offset by the Company's net loss and reductions in payables. Operating cash flow for 2002 was positively impacted by decreases in inventories, offset by the Company's $5.5 million net loss and decreases in liabilities. Operating cash flow for 2001 was positively impacted by the Company's $0.6 million in net income and by decreases in receivables, inventories, prepaid assets and an increase in payables, offset by decreases in payroll-related liabilities and deferred revenue.

Net cash provided by (used in) investing activities totaled $40,000, ($8,000) and ($55,000) in 2003, 2002 and 2001, respectively. The 2003 amount related primarily to proceeds from sales of assets. At December 31, 2003, the Company had no commitments for capital expenditures.

Net cash provided by financing activities was zero during each of 2003, 2002 and 2001.

Off-Balance Sheet Arrangements, Aggregate Contractual Obligations, Certain Trading Activities and Transactions with Related and Certain Other Parties

The Company has no disclosed or undisclosed off-balance sheet arrangements. The Company has no future operating lease commitments. The Company has no purchase obligations, long-term debt or liabilities, capital lease obligations, operating leases or other long-term liabilities. The Company has not engaged in any trading activities involving non-exchange traded commodity contracts. The Company has no material transactions with related parties or other parties able to negotiate terms that would be more favorable than those available to clearly independent third parties.

Operating Trends

The Company lost approximately $1.0 million in the year ended December 31, 2003, compared to a loss of approximately $5.5 million for the year ended December 31, 2002 and income of approximately $0.6 million for the year ended December 31, 2001. As of December 31, 2003, the Company had an accumulated deficit of $27.6 million, which primarily accumulated during the three years ended December 31, 1998. In 2003 and 2002, revenue from prepaid phonecards represented all of the Company's revenue. In 2001, revenue from prepaid phonecards represented 74% of total revenue, and revenue from Blackbird Platform Products represented 26% of the Company's total revenue.

The Company's Blackbird customer contracts were not renewed at the end of 2001, and the Company does not anticipate any future revenue from any Blackbird products. Further, on November 9, 2002, CTS ceased development efforts of its Neumobility division, and on December 11, 2002 had committed to a plan to wind down the operations of Isis. As a result, the Company currently has no business other than to complete the wind-down of the operations of Isis which was nearly completed during 2003. Management has no plan to liquidate the Company and distribute the remaining assets to stockholders. During 2002, 2003 and to date, the Company has been and will be evaluating alternative businesses and strategic acquisitions. There is no assurance that such alternative businesses and strategic acquisitions can be identified before CTS spends all of its remaining cash balances, that CTS will be able to raise money at acceptable terms, if at

all, to fund the acquisitions and/or the operating activities of the businesses it may acquire, and that the acquired businesses will represent viable business strategies and/or will be consistent with the expectations and risk profiles of CTS' stockholders.

Management expects that during 2004 the Company will incur costs of approximately $0.5 million, primarily related to employee compensation and severance, costs of maintaining the business as a public entity, and insurance. The Company is not expected to have any significant revenues or operations after the wind-down of

Isis is complete. Accordingly, subject to a potential acquisition or other investment, management believes that its cash balances as of December 31, 2003 of approximately $2.6 million are sufficient to fund its current cash flow requirements through at least the next twelve months.

There can be no assurance that the Company's operations will be profitable on a quarterly basis in the future or that past revenue levels can be achieved, sustained or enhanced. Past and existing revenue levels should not be considered indicative of future operating results. Non-recurring, other income items favorably impacted results for calendar year 2001. The Company does not anticipate any such items will occur in future periods. The Company will use its cash and cash flow to cover operating expenses for general and administrative activities; potential acquisitions that may arise; and for other general corporate purposes.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company believes that all such risks are immaterial.

Item 8. Financial Statements and Supplementary Data

The financial statements and supplementary data required by this item are included in Part IV as indexed at Item 15(a)(1) and (a)(2).

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company has had no disagreements with its independent accountants during the periods ended December 31, 2003, 2002 or 2001. On August 28, 2003, the Company reported on Form 8K, Item 4 that Ernst & Young LLP ("E&Y") was resigning as the Company's independent auditor. On November 10, 1003 the Company reported on Form 8K, Item 4 that the Audit Committee of its Board of Directors (the "Audit Committee") had appointed Stonefield Josephson, Inc. ("Stonefield") as its new independent auditor.

On August 28, 2003 the Company was advised orally by E&Y that E&Y was resigning as the Company's independent auditor, and on September 2, 2003 the Company received a letter from E&Y in which E&Y confirmed such resignation. The decision to change independent auditors was not recommended or approved by the Audit Committee.

The reports of E&Y on the consolidated financial statements of the Company as of and for the fiscal years ended December 31, 2001 and 2002 contained no adverse opinion or disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles, except that the report of E&Y for the year ended December 31, 2002 contained an explanatory paragraph that the Company changed its method of accounting for goodwill and other intangible assets in connection with the adoption of Statement of Financial Accounting Standards No. 142. In connection with its audit for the fiscal year ended December 31, 2001 and December 31, 2002, and during the subsequent interim period, there were no disagreements with E&Y on any matter of accounting

principles or practices, financial statement disclosure, or auditing scope and procedure which if not resolved to the satisfaction of E&Y, would have caused E&Y to make reference to the matter in their report on the consolidated financial statements for such year.

On November 10, 2003 the Company engaged Stonefield as its independent auditors for the fiscal year ending December 31, 2003. The decision to engage Stonefield was approved by the Board of Directors of the Company.

During the years ended December 31, 2002 and December 31, 2001 and subsequent interim periods through the date of E&Y's resignation, the Company did not consult with Stonefield regarding the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements, or any matter that was the subject of a disagreement or a reportable event as defined in the regulations of the Securities and Exchange Commission.

Stonefield has reviewed the disclosures contained in this Form 10-K. The Company has advised Stonefield that it has the opportunity to furnish the Company with a letter addressed to the Securities and Exchange Commission concerning any new information, clarifying the Company's disclosures herein, or stating any reason why Stonefield does not agree with any statements made by the Company in this report. Stonefield has advised the Company that nothing has come to its attention which would cause it to believe that any such letter was necessary.

Item 9A. Controls and Procedures

As of the end of the fiscal year ended December 31, 2003, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective, as of such date, to ensure that required information will be disclosed on a timely basis in its reports under the Exchange Act.

There were no changes in the Company's internal control over financial reporting during the last quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART III

Item 10. Directors and Executive Officers of the Registrant

Identification of Directors and Executive Officers

The name, age, position with the Company and other information with respect to each of its directors and executive officers is as set forth below.

Name	Age	Position with Company	Year First Elected	Term of Office
Stephen Katz	60	Chairman of the Board of Directors, Chief Executive Officer and Acting President	1988	2006
Lawrence Schoenberg	71	Director	1996	2005
Joshua J. Angel	67	Director	2001	2004
Barry J. Beil	57	Director	2003	2005
Bruce R. York	49	Vice President, Chief Financial Officer and Secretary	--	--

Business Experience

Stephen Katz, Chairman of the Board of Directors, was Acting Chief Executive Officer and Acting President from November 1992 until February 1994, at which time he became Chief Executive Officer. Mr. Katz was re-appointed as Acting President in September 1998. Mr. Katz has been Chairman of the Board and a director of the Company since its inception and a member of the Management Committee of the predecessor partnership during the entire period of its existence. From September 1984 until September 1995, Mr. Katz was Chairman of the Board, Chief Executive Officer and until September 1993, President of Nationwide Cellular Service, Inc., which was the Company's majority stockholder until May 1992 and its largest stockholder, owning 34% of its outstanding shares, until September 1995. At that time such shares were distributed to Nationwide's stockholders, immediately prior to Nationwide's merger with MCI Communications Corp. Mr. Katz served as Chief Executive Officer of Global Payment Technologies, Inc. (formerly Coin Bill Validator, Inc.) from May 1996 through March 2003 and as its Chairman of the Board from September 1996 to April 2003. Global Payment Technologies is engaged in the business of currency validation.

Lawrence Schoenberg has been a director since September 1996. Mr. Schoenberg also serves as Director of Government Technology Services, Inc., Merisel, Inc., and Sunguard Data Services, Inc. Former directorships include Systems Center, Inc. (which was sold to Sterling Software, Inc.), SoftSwitch, Inc. (which was sold to Lotus/IBM Corp.), Forecross Corporation, Image Business Systems, Inc., and Penn America Group, Inc. Mr. Schoenberg founded AGS Computers, Inc. in 1967 and served as Chief Executive Officer until 1991. The company was sold to NYNEX in 1988. The microcomputer segment subsequently became a part of Merisel, Inc.

Joshua J. Angel has been a director of the Company since June 2001. Mr. Angel is Founder and Senior Managing Shareholder of Angel & Frankel, P.C., a New York based law firm specializing in commercial insolvency and creditors' rights. Mr. Angel serves as a director of Dynacore Holdings Corporation. Mr. Angel has a B.S. from N.Y.U. and an L.L.B. from Columbia University.

Barry J. Beil has been a director of the Company since April 2003. From 1980 to 1998 he was President and Chief Executive Officer of Sheldon Electric Co., Inc., a New York City based electrical contractor. Since 1985 he has been President of Hampton Hills Operating Corp. and Managing Partner of Hampton Hills Associates which collectively own and operate the Hampton Hills Golf & Country Club. Since 1996 he has been the Managing Member of Rugby Recreational Group LLC which owns and operates the Fox Hill Golf & Country Club. Since 1988 he has been Vice President and Secretary of M&M Beach Properties, Inc., a developer and builder of residential properties.

Bruce R. York joined the Company in April 1999 as Vice President and Chief Financial Officer. Mr. York has also served as Secretary since August 2000. Prior to joining the Company, Mr. York was the Director of Finance of Cell Therapeutics, Inc., a biopharmaceutical company, from February 1998 to February 1999. From May 1987 to January 1998, Mr. York held various positions with Physio Control International Corporation, a manufacturer of external

defibrillators, in Seattle and London, including Director of Business Planning, Director of Finance - Europe, Director of Finance and Corporate Controller, and Finance Manager. From September 1978 to April 1987, Mr. York held several positions with Price Waterhouse in Seattle and New York, including Senior Tax Manager. Mr. York is a C.P.A. and has an A.B. and an M.B.A. from Dartmouth College.

The Company's Board of Directors is divided into three classes. The Board is composed of one Class I director, Mr. Angel, two Class II directors, Mr. Schoenberg and Mr. Beil, and one Class III director, Mr. Katz. The terms of the Class I, Class II and Class III directors expire on the dates of the 2004, 2005 and 2006 annual meetings, respectively. At each annual meeting, successors to the class of directors whose term expires at that annual meeting are elected for a three-year term. Officers are elected annually at the discretion of the Board of Directors and serve at the discretion of the Board.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to the Company's definitive proxy statement relating to its 2004 Annual Meeting of Stockholders under the caption "Executive Compensation and Related Information."

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this item is incorporated by reference to the Company's definitive proxy statement relating to its 2004 Annual Meeting of Stockholders under the caption "Security Ownership."

Equity Compensation Plan Information

The following table provides information about the Company's equity compensation plans as of December 31, 2003.

Plan Category	A Number of securities to be issued upon exercise of outstanding options, warrants and rights	B Weighted average exercise price of outstanding options, warrants and rights securities reflected in column (A)	C Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A))
Equity compensation plans approved by security holders	188,900	$11.46	203,620
Equity compensation plans not approved by security holders	--	--	--
Total	188,900	--	203,620

Item 13. Certain Relationships and Related Transactions

The information required by this item is incorporated by reference to the Company's definitive proxy statement relating to its 2004 Annual Meeting of Stockholders under the caption "Certain Relationships and Related Transactions."

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated by reference to the information under the caption "Information About Our Independent Accountants" in the Proxy Statement relating to its 2004 Annual Meeting of Stockholders.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) 1. Financial Statements:

The following financial statements of Cellular Technical Services Company, Inc. are included as required to be filed by Item 8.

Report of Stonefield Josephson, Inc., Independent Auditors	30
Report of Ernst & Young LLP, Independent Auditors	31
Consolidated Balance Sheets at December 31, 2003 and 2002	32
Consolidated Statements of Operations for the years ended December 31, 2003, 2002 and 2001	33
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2003, 2002 and 2001	34
Consolidated Statements of Cash Flows for the years ended December 31, 2003, 2002 and 2001	35
Notes to Consolidated Financial Statements	36

2. Financial Statement Schedules:

Schedule II - Valuation and Qualifying Accounts	51

All other schedules have been omitted because they are inapplicable, not required, or the information is included in the financial statements or notes thereto.

3. Exhibits:

3.1	Restated Certificate of Incorporation of the Registrant, as amended (1)
3.2	Amendment to Restated Certificate of Incorporation of the Registrant (5)
3.3	By-Laws of the Registrant (1)
3.4	Amendment I to By-Laws of the Registrant, dated October 28, 1993 (3)
4.1	Specimen Certificate for Common Stock of Registrant (1)
7.1	1991 Qualified Stock Option Plan (as amended as of November 30, 1993) (+)(2)
7.2	Amendment to 1991 Qualified Stock Option Plan dated July 11, 1996 (+)(5)
7.3	1991 Non-Qualified Stock Option Plan (as amended as of November 30, 1993) (+)(2)
7.4	Amendment to 1991 Non-Qualified Stock Option Plan dated July 11, 1996 (+)(5)
7.5	1993 Non-Employee Director Stock Option Plan (+)(3)
7.6	Amendment to 1993 Non-Employee Director Stock Option Plan dated July 11, 1996 (+)(5)
7.7	Amendment to 1993 Non-Employee Director Stock Option Plan dated April 22, 1999 (+)(6)
7.8	1996 Stock Option Plan (+)(4)
7.9	Amendment to 1996 Stock Option Plan dated December 14, 1998 (+)(4)
7.10	2002 Stock Incentive Plan (7)
14	Code of Ethics Pursuant to Section 406 of the Sarbanes-Oxley Act of 2002 (8)
21.1	Subsidiaries of the Registrant (8)
23.1	Consent of Stonefield Josephson, Inc., independent auditors (8)
23.2	Consent of Ernst & Young LLP, independent auditors (8)
31.1	Rule 13a-14(a)/15d-14(a) Certification by CFO (8)
31.2	Rule 13a-14(a)/15d-14(a) Certification by CEO (8)
32.1	Section 1350 Certifications
99.1	Certification to Section 906 of the Sarbanes-Oxley Act of 2002 (8)

(+) Management contract or compensation plan or arrangement required to be noted as provided in Item 14(a)(3).

(1) Incorporated by reference to Registration Statement on Form S-1 declared effective on August 6, 1991 (File No. 33-41176).

(2) Incorporated by reference to Registration Statement on Form S-8 filed on March 7, 1994 (File No. 33-76128).

(3) Incorporated by reference to Annual Report on Form 10-K filed on March 30, 1994 for the year ended December 31, 1993 (File No. 0-19437).

(4) Incorporated by reference to Quarterly Report on Form 10-Q filed on August 8, 1995 for the quarter ended June 30, 1995 (File No. 0-19437).

(5) Incorporated by reference to Annual Report on Form 10-K filed on March 30, 1999 for the year ended December 31, 1998 (File No. 0-19437).

(6) Incorporated by reference to Annual Report on Form 10-K filed on March 29, 2000 for the year ended December 31, 1999 (File No. 0-19437).

(7) Incorporated by reference to Proxy Statement filed May 7, 2003 (File No. 0-19437).

(8) Filed herewith.

(b) Reports on Form 8-K

The following Form 8Ks were filed during the fourth quarter of 2003 or thereafter through the date of this report:

i. The Company filed a Current Report of Form 8-K, dated November 10, 2003, under Item 4 of such Report. No financial statements were included.

ii. The Company filed a Current Report of Form 8-K, dated December 1, 2003, under Item 12 of such Report. No financial statements were included.

REPORT OF STONEFIELD JOSEPHSON, INC., INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Cellular Technical Services Company, Inc.

We have audited the accompanying consolidated balance sheet of Cellular Technical Services Company, Inc. as of December 31, 2003 and the related consolidated statements of operations, stockholders' equity, and cash flows for the year ended December 31, 2003. Our audit also included the consolidated financial statement schedule listed in the Index at Item 15(a) for the year ended December 31, 2003. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our

opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cellular Technical Services Company, Inc. at December 31, 2003, and the consolidated results of their operations and their cash flows for the year ended December 31, 2003, in conformity with auditing standards generally accepted in the United States. Also, in our opinion, the related financial statement schedule when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

STONEFIELD JOSEPHSON, INC.

Santa Monica, California
January 15, 2004

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Cellular Technical Services Company, Inc.

We have audited the accompanying consolidated balance sheet of Cellular Technical Services Company, Inc. as of December 31, 2002, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years ended December 31, 2002 and December 31, 2001. Our audits also included the consolidated financial statement schedules listed in the Index at Item 15(a) for the years ended December 31, 2002 and 2001. These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cellular Technical Services Company, Inc. at December 31, 2002, and the consolidated results of its operations and its cash flows for the years ended December 31, 2002 and December 31, 2001, in conformity with auditing standards generally accepted in the United States. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note B to the financial statements, in 2002 the Company changed its method of accounting for goodwill and other intangible assets in connection with the adoption of Statement of Financial Accounting Standards No. 142.

ERNST & YOUNG LLP

Seattle, Washington
February 14, 2003

CELLULAR TECHNICAL SERVICES COMPANY, INC.

CONSOLIDATED BALANCE SHEETS
(In 000's, except share and per share amounts)

	December 31, 2003	December 31, 2002
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,651	$ 3,315
Accounts receivable, net of reserves of $0 in 2003 and $233 in 2002	11	525
Employee receivable	--	7
Inventories	--	95
Prepaid expenses, deposits and other current assets	13	51
Total Current Assets	2,675	3,993
PROPERTY AND EQUIPMENT, net	--	136
LONG TERM ASSETS HELD FOR SALE	6	15
LONG TERM INVESTMENT, net of valuation adjustment of $1,754 in 2003 and 2002	--	--
TOTAL ASSETS	$ 2,681	$ 4,144
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 115	$ 644
Payroll-related liabilities	61	68
Customers' deposits and deferred revenue	--	29
Total Current Liabilities	176	741
STOCKHOLDERS' EQUITY		
Preferred Stock, $.01 par value per share, 5,000 shares authorized, none issued and outstanding	--	--
Common Stock, $.001 par value per share, 30,000 shares authorized, 2,450 and 2,292 shares issued and outstanding in 2003 and 2002	25	23
Additional Paid-in Capital	30,043	29,976
Accumulated deficit	(27,563)	(26,596)
Total Stockholders' Equity	2,505	3,403
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,681	$ 4,144

The accompanying footnotes are an integral part of these consolidated financial statements.

CELLULAR TECHNICAL SERVICES COMPANY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In 000's, except per share amounts)

	Year Ended December 31,		
	2003	2002	2001
REVENUES			
Phonecards	$ 231	$ 11,771	$15,148
Services	--	--	5,268
Total Revenues	231	11,771	20,416
COSTS AND EXPENSES			
Cost of phonecards	182	11,551	14,812
Cost of services	--	--	1,287
Sales and marketing	9	1,052	1,241
General and administrative	1,109	1,351	1,917
Research and development	--	1,522	1,841
Total Costs and Expenses	1,300	15,476	21,098
LOSS FROM OPERATIONS	(1,069)	(3,705)	(682)
OTHER INCOME (EXPENSE), net	46	(1,754)	974
INTEREST INCOME, net	57	77	308
INCOME (LOSS) BEFORE INCOME TAXES AND CHANGE IN ACCOUNTING PRINCIPLE	(966)	(5,382)	600
INCOME TAX BENEFIT (PROVISION)	(1)	6	11
INCOME (LOSS) BEFORE THE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	(967)	(5,376)	611
CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	--	(100)	--
NET INCOME (LOSS)	$ (967)	$ (5,476)	$ 611
BASIC AND DILUTED SHARE DATA:			
Basic			
Income (loss) before the effect of a change in accounting principle	$ (0.42)	$ (2.35)	$ 0.27
Cumulative effect of a change in accounting principle	--	(0.04)	--
EARNINGS (LOSS) PER SHARE	$ (0.42)	$ (2.39)	$ 0.27
Diluted			
Income (loss) before the effect of a change in accounting principle	$ (0.42)	$ (2.35)	$ 0.27
Cumulative effect of a change in accounting principle	--	(0.04)	--
EARNINGS (LOSS) PER SHARE	$ (0.42)	$ (2.39)	$ 0.27
WEIGHTED AVERAGE SHARES OUTSTANDING:			
Basic	2,292	2,292	2,292
Diluted	2,292	2,292	2,302

The accompanying footnotes are an integral part of these consolidated financial statements.

CELLULAR TECHNICAL SERVICES COMPANY, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In 000's)

	Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Capital	Deficit	Total
Balance, January 1, 2001	2,292	$23	$29,976	$(21,731)	$ 8,268
Net income	--	--	--	611	611
Balance, December 31, 2001	2,292	$23	$29,976	$(21,120)	$ 8,879
Net loss	--	--	--	(5,476)	(5,476)
Balance, December 31, 2002	2,292	$23	$29,976	$(26,596)	$ 3,403
Restricted stock for services rendered	158	2	67	--	69
Net loss	--	--	--	(967)	(967)
Balance, December 31, 2003	2,450	$25	$30,043	$(27,563)	$ 2,505

The accompanying footnotes are an integral part of these consolidated financial statements.

CELLULAR TECHNICAL SERVICES COMPANY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In 000's)

	Year Ended December 31,		
	2003	2002	2001
OPERATING ACTIVITIES			
Net income (loss)	$ (967)	$(5,476)	$ 611
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			

Depreciation and amortization of property and equipment	129	237	544
Non-cash compensation expense (restricted stock)	69	--	--
Amortization or write-down of goodwill	--	100	30
Write-down of long-term investment	--	1,754	--
Loss (gain) on disposal of assets	(24)	97	(25)
Changes in operating assets and liabilities:			
Decrease in accounts receivable, net	514	145	123
Decrease in employee receivable, net	7	9	44
Decrease in inventories	95	436	565
Decrease in prepaid expenses, deposits and other current assets	38	13	407
Decrease (increase) in long term deposit	--	25	(25)
Decrease (increase) in accounts payable and accrued liabilities	(529)	(203)	297
Decrease in payroll-related liabilities	(7)	(112)	(381)
Decrease in deferred revenue and customers' deposits	(29)	(55)	(311)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(704)	(3,030)	1,879
INVESTING ACTIVITIES			
Purchase of property and equipment	--	(11)	(72)
Proceeds from sale of assets	40	3	39
Long-term investment	--	--	4
Cash paid for the acquisition of New England Telecom	--	--	(26)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	40	(8)	(55)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(664)	(3,038)	1,824
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,315	6,353	4,529
CASH AND CASH EQUIVALENTS AT END OF YEAR	$2,651	$ 3,315	$6,353
Supplemental disclosure of cash flow information			
Cash paid during the period for:			
Interest	$ --	$ --	$ --
Income taxes	$ 1	$ --	$ 19

The accompanying footnotes are an integral part of these consolidated financial statements.

CELLULAR TECHNICAL SERVICES COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - BASIS OF PRESENTATION AND LIQUIDITY:

Until December 11, 2002 Cellular Technical Services Company, Inc. ("CTS" or the "Company") through its majority-owned subsidiary, Isis Tele-Communications, Inc. ("Isis"), operated as a distributor and a reseller of prepaid long distance and wireless products, primarily in Boston and Los Angeles metropolitan areas. In addition, until November 9, 2002, CTS, through its Neumobility division, was engaged in the development of geo-location wireless software applications. Neumobility was in the development stage throughout all years presented and had no revenue or customers. Through December 31, 2001, CTS was also involved in design, development, marketing, installation and support of integrated information processing and information management systems for the domestic wireless communications industry. On November 9, 2002, CTS ceased development efforts of Neumobility, and on December 11, 2002 had adopted a plan to wind down the operations of Isis and sell the related net assets.

As a result, CTS has no current business other than to complete the wind down of

the operations of Isis. Management currently has no plan to liquidate the Company and distribute the remaining assets to stockholders. Management has been and will be evaluating alternative businesses and acquisitions. There is no assurance that such alternative businesses and acquisitions can be accomplished before CTS spends all of its remaining cash balances, that CTS will be able to raise money at acceptable terms, if at all, to fund the acquisitions and/or the operating activities of the businesses it may acquire, and that the acquired businesses will represent viable business strategies and/or will be consistent with the expectations and risk profiles of CTS' stockholders.

Based on management plans, these financial statements have been prepared under the "going concern" assumption which presumes that the Company will continue its existence.

Management expects that during 2004 the Company will incur costs of approximately $0.5 million, primarily related to employee compensation and severance, costs of maintaining the business as a public entity and insurance. The Company does not expect to have any current source of revenues and has de minimis operations. Accordingly, management believes that its cash balances as of December 31, 2003 of approximately $2.6 million are sufficient to fund its current cash flow requirements through at least the next twelve months.

Unless the context otherwise requires, all references to the "Company" herein include Cellular Technical Services Company, Inc. and any entity over which it has control.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The Company has used estimates in determining the carrying value of its long term investment, property and equipment, reserves for inventories and uncollectible accounts receivable, deferred revenues, and certain other provisions.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Equivalent: For purposes of the statement of cash flows, cash equivalents include all highly liquid debt instruments with original maturities of three months or less which are not securing any corporate obligations.

Concentration: The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Fair Values of Financial Instruments

At December 31, 2003 the Company has the following financial instruments: cash and cash equivalents, long-term stock investment, accounts payable and accrued

liabilities. The carrying value of cash and cash equivalents, accounts payable and accrued liabilities approximates their fair value based on the liquidity of these financial instruments or based on their short-term nature. The estimated fair value of the stock investment was determined based on a review by members of senior management of qualitative and quantitative factors, including periodic financial statements of the investee and an appraisal performed by an independent appraiser, and is approximately equal to its carrying value after an impairment write-down in 2002.

Diversification of Credit Risk

The Company is subject to concentrations of credit risk primarily from cash investments and accounts receivable. Credit risk from cash investments is managed by diversification of cash investments among institutions and by the purchase of investment-grade commercial paper securities. The estimated fair values of the securities approximate cost. Credit risk associated with trade receivables is subject to ongoing credit evaluations. The Company does not typically require collateral for receivables. Reserves for potential losses, if any, are maintained where appropriate.

Inventories

Phonecard inventories are stated at the lower of cost or market value, with cost determined on a first-in, first-out basis. The Company monitors inventory for obsolescence and considers factors such as turnover, technical obsolescence and pricing. Reserves for slow-moving and obsolete inventory are maintained where appropriate.

Property and Equipment

Property and equipment, including leasehold improvements, are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization commences at the time assets are placed into service and is computed using the straight-line method over the shorter of estimated useful lives of the assets of two to five years or terms of the associated leases. The Company capitalizes expenditures that significantly increase the life of the related assets, while maintenance and repairs are charged to operations. Gain or loss is reflected in results of operations upon the retirement or sale of assets.

The Company reviews property and equipment held for use for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. These assets are assessed for impairment based on estimated undiscounted future cash flows from these assets. If the carrying value of the assets exceeds the estimated future undiscounted cash flows, a loss is recorded for the excess of the asset's carrying value over the fair value determined by reference to prices of the similar assets.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business acquisitions. Until January 1, 2002, goodwill was being amortized over the estimated useful life of four years.

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standard ("SFAS") No. 142 -- Goodwill and Intangible Assets. Under SFAS 142, goodwill is considered to have an indefinite life and is subject to periodic tests for impairment rather than amortization. To test goodwill for impairment, the carrying value of a reporting unit containing goodwill is compared to its fair value. If the carrying value is higher, loss on impairment is measured as the difference between the actual carrying amount of goodwill and the implied amount, determined as if the reporting unit were acquired on the date of the test. Impairment losses are recognized immediately.

As of January 1, 2002, the date the Company performed the initial impairment test upon adoption of SFAS 142, it had goodwill with a net book value of approximately $100,000 related to the acquisition of New England Telecom, Inc., in August 2000. For the purposes of testing goodwill for impairment, the Company used a fair value of Isis based on the forecasted cash flows. As a result of the test and the measurement process of the impairment loss, the Company determined that the goodwill had no value. Accordingly, as of January 1, 2002 it recognized an impairment loss of $100,000. As permitted by SFAS 142, impairment losses recognized upon the initial application of the standard are presented as the cumulative effect of an accounting change in the statement of operations. The following table summarizes the effects of SFAS 142 on net loss had it been applied retroactively to 2001:

(in $000 except per share amounts)	Year ended December 31, 2002	Year ended December 31, 2001
Net income (loss):	$(5,476)	$ 611
Goodwill amortization	--	30
Adjusted net income (loss):	$(5,476)	$ 641
Adjusted earnings (loss) per share-- basic	($2.39)	$0.28
Adjusted earnings (loss) per share-- diluted	($2.39)	$0.28

Long-Term Investment

The Company accounts for its investment in TruePosition, Inc. under the cost method, as the Company does not have the ability to exercise significant influence. Under the cost method of accounting, an investment in a private company is carried at cost and adjusted only for other-than-temporary declines in fair value, distributions of earnings and additional investments. The Company periodically evaluates whether the declines in fair value of its investment are other-than-temporary. This evaluation consists of review of qualitative and quantitative factors by members of senior management as well as market prices of comparable public companies. The Company receives periodic financial statements and appraisal information to assist in reviewing relevant financial data and to assist in determining whether such data may indicate other-than-temporary declines in fair value below the Company's accounting basis. When the Company determines the fair value of the investment had an other-than-temporary decline, an impairment write-down is recorded. (See Note E)

Revenue Recognition

Historically, the Company has generated revenues through three sources: (1) prepaid phonecard sales, (2) systems revenues, consisting primarily of bundled hardware and software products, and (3) services revenues, consisting primarily of hardware and software maintenance and related support services. There were no systems revenues recognized after December 31, 2000, and no service revenues recognized after December 31, 2001.

Phonecard revenues are recognized upon shipment, net of estimated returns. Costs of goods sold for phonecards include related shipping and handling costs.

Phonecard revenues are recorded on a gross basis, with costs payable to card providers included in the costs of the phonecards, in accordance with EITF Issue No. 99-19, because the Company is the primary obligor in the arrangement, bears inventory and credit risk, has discretion over pricing, and is involved in the determination of the products to be marketed.

Service revenues are recognized ratably over the period that maintenance coverage is provided. Prepaid or allocated maintenance and services are recorded as deferred revenues.

Advertising and Marketing Expense

All costs related to marketing and advertising of the Company's products are expensed in the periods incurred. Advertising expense was approximately zero, $38,000 and $133,000 for the years ended December 31, 2003, 2002 and 2001, respectively.

Research and Development Costs

Research and development expenses consist principally of payroll and related expenses for design and development of the Company's technologies. Research and development costs are expensed as incurred.

Segment Reporting

The Company's operations have consisted of two segments, (i) telecom hardware/software integrated information processing and information management systems for the wireless communications industry, including anti-fraud and geo-location wireless applications, and (ii) phone-card distribution.

Income Taxes

The Company follows the liability method of accounting for income taxes whereby deferred tax assets and liabilities are determined based on differences between financial reporting basis and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. The Company provides a valuation allowance for deferred tax assets that cannot be currently recognized due to the cumulative losses incurred by the Company.

Net Earnings or Loss Per Share

Basic earnings or loss per share is computed by dividing net earnings or loss by the weighted average number of common shares outstanding for the period. Diluted earnings or loss per share reflects the potential dilution of securities by including other common stock equivalents (i.e. stock options) in the weighted average number of common shares outstanding for a period, if dilutive. In 2003 and 2002, common stock equivalents were excluded from the computation as their effect would have been anti-dilutive.

Other Comprehensive Income

The Company has no items of other comprehensive income or loss, and accordingly, a statement of other comprehensive income has not been presented.

Stock-Based Compensation

As provided for by SFAS No. 123 - Accounting for Stock-Based Compensation, the Company has chosen to measure stock-based compensation cost under the intrinsic-value method prescribed under Accounting Principles Board Opinion No. 25 and has adopted only the disclosure provisions of SFAS 123. As the Company issues options with exercise prices equal to market value on the date of grant, compensation expense is not recognized. Stock compensation expense for options granted to non-employees has been determined in accordance with

SFAS 123 and Emerging Issues Task Force ("EITF") Issue No. 96-18 as the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measured.

The pro forma information regarding net income (loss) and earnings (loss) per share is required by SFAS 123, which has been updated by SFAS No. 148 - Accounting for Stock-Based Compensation - Transition and Disclosure, and has been determined as if the Company had accounted for its employee stock options under the fair value method of those statements. In that regard, the fair value for options granted during 2003, 2002 and 2001 was estimated at the date of grant using a Black-Scholes option-pricing model with the following weighted-average assumptions for 2003, 2002 and 2001:

	2003	2002	2001
Risk-free interest rate	2.4%	2.1%	4.2%
Dividend yield	0.0%	0.0%	0.0%
Volatility factor	1.70	1.72	1.61
Expected life of the options (years)	4.0	4.0	5.0
Fair value of options granted during the year	$0.62	$1.04	$2.65

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the respective vesting periods. The Company's pro forma information follows (in 000's, except per share amounts):

	2003	2002	2001
Net income (loss)	$ (967)	$(5,476)	$611
Add: Stock-based compensation as reported	69	--	--
Deduct: Total stock-based compensation expense determined under fair value method for all awards, net of taxes	163	259	355
Net income (loss) - pro forma	$(1,061)	$(5,735)	$256
Basic earnings (loss) per share - as reported	$ (0.42)	$ (2.39)	$.27
Basic earnings (loss) per share - pro forma	$ (0.46)	$ (2.50)	$.11
Diluted earnings (loss) per share - as reported	$ (0.42)	$ (2.39)	$.27
Diluted earnings (loss) per share - pro forma	$ (0.46)	$ (2.50)	$.11

There was no compensation expense related to stock option grants recorded by the Company during the years 2003, 2002 and 2001. In 2003 the Company recorded $68,000 in compensation expense related to restricted stock grants.

Stockholders approved the Company's 2002 Stock Incentive Plan at the June 5, 2003 Annual Meeting. The Company has issued 158,000 shares of restricted stock vesting in 2003 and 2004 to its directors. The fair market value of the stock issued was $0.66 per share on June 5, 2003. Compensation expense equal to the fair value of the stock on the measurement date (the date of stockholder approval) is being recognized over the stock vesting period (one year). Deferred stock compensation equal to the remaining compensation expense to be recognized over the stock vesting period has been recognized as Common Stock on the balance sheet, offset by deferred stock compensation included in additional paid-in-capital in stockholders' equity.

Recent Accounting Pronouncements

During October 2002, the FASB issued Statement No. 147, "Acquisitions of Certain Financial Institutions--an amendment of FASB Statements No. 72 and 144 and FASB Interpretation No. 9", which removes acquisitions of financial institutions from the scope of both Statement 72 and Interpretation 9 and requires that those transactions be accounted for in accordance with Statements No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets. In addition, this Statement amends SFAS No. 144, Accounting for the Impairment or Disposal of

Long-Lived Assets, to include in its scope long-term customer-relationship intangible assets of financial institutions such as depositor- and borrower-relationship intangible assets and credit cardholder

intangible assets. The requirements relating to acquisitions of financial institutions are effective for acquisitions for which the date of acquisition is on or after October 1, 2002. The provisions related to accounting for the impairment or disposal of certain long-term customer-relationship intangible assets are effective on October 1, 2002. The adoption of this Statement did not have a material impact to the Company's financial position or results of operations as the Company has not engaged in either of these activities.

During December 2002, the FASB issued Statement No. 148, "Accounting for Stock-Based Compensation--Transition and Disclosure", which amends FASB Statement No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The transition guidance and annual disclosure provisions of Statement 148 are effective for fiscal years ending after December 15, 2002, with earlier application permitted in certain circumstances. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. The adoption of this statement did not have a material impact on the Company's financial position or results of operations as the Company has not elected to change to the fair value based method of accounting for stock-based employee compensation.

During January 2003, the FASB issued Interpretation No. 46, ("FIN 46") "Consolidation of Variable Interest Entities." FIN 46 changes the criteria by which one company includes another entity in its consolidated financial statements. Previously, the criteria were based on control through voting interest. Interpretation 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. A company that consolidates a variable interest entity is called the primary beneficiary of that entity.

During December 2003 the FASB revised certain elements of FIN 46. The FASB also modified the effective date of FIN 46. For all entities that were previously considered special purpose entities, FIN 46 will be applied in periods ending after December 15, 2003. Otherwise, FIN 46 is to be applied for registrants who file under Regulation SX in periods ending after March 15, 2004, and for registrants who file under Regulation SB, in periods ending after December 15, 2004. The Company does not expect the adoption to have a material impact on the Company's financial position or results of operations.

During April 2003, the FASB issued SFAS 149 - "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", effective for contracts entered into or modified after June 30, 2003, except as stated below and for hedging relationships designated after June 30, 2003. In addition, except as stated below, all provisions of this Statement should be applied prospectively. The provisions of this Statement that relate to Statement 133 implementation issues that have been effective for fiscal quarters that began prior to June 15, 2003, should continue to be applied in accordance with their respective effective dates. In addition, paragraphs 7(a) and 23(a), which relate to forward purchases or sales of when-issued securities or other securities that do not yet exist, should be applied to both existing contracts and new contracts entered into after June 30, 2003. The Company does not participate in such transactions; however, it is evaluating the effect of this new pronouncement, if any, and will

adopt FASB 149 within the prescribed time.

During May 2003, the FASB issued SFAS 150 - "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity", effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective for public entities at the beginning of the first interim period beginning after June 15, 2003. This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a freestanding financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. Some of the provisions of this Statement are consistent with the current definition of liabilities in FASB Concepts Statement No. 6, Elements of Financial Statements. The Company is evaluating the effect of this new pronouncement and will adopt FASB 150 within the prescribed time.

Risks and Uncertainties

Management of the Company believes that the risks and uncertainties discussed below, whether viewed individually or in combination, will not result in a significant unfavorable impact to the Company. However, there can be no assurance that any unfavorable outcome of the risks and uncertainties discussed below will not have a material adverse effect on the Company's financial position, results of operations or liquidity.

Wind-down of past business segments; Future business plans: The Company has ceased its development efforts of geo-location wireless software platform and applications and has committed to a plan to wind down the operations of its Isis prepaid phonecard business. There can be no assurance that the Company will find profitable replacement businesses, which could have a material adverse effect on the Company.

Legal proceedings: From time to time, the Company is involved with or could be subject to involvement with legal actions and claims which arise in the ordinary course of business which management believes will be resolved without a material adverse effect on the Company's business, financial condition or results of operations. The Company is currently involved in one commercial litigation case. On October 25, 2001, New England Telecom, Inc. and Paul Gregory, a former employee, filed a claim in the Superior Court of Massachusetts against the Company and its Chairman alleging, among other things, that the Company breached a purchase agreement and a related employment contract. The agreement included a two-year earn-out with a maximum contingent total payout of $1.5 million. The Company has answered the allegations and intends to vigorously defend the case. Since the case is currently in the discovery phase, the Company is unable to assess the likely outcome of the case.

NOTE C - INVENTORIES:

Inventory reflects phonecards sold through the Company's phonecard business. Included in gross phonecard inventory at December 31, 2002 was approximately $30,000 of items which had been transferred to customers and were accounted for as consignments, and approximately $49,000 related to estimated sales returns. Inventory consists of the following (in 000's):

	December 31,	
	2003	2002

Phonecards	$--	$164
Less reserves	--	(69)
	$--	$ 95

As of December 31, 2002, the Company adopted a plan to wind down the operations of its Isis phone card business and to liquidate the related net assets. All remaining inventories at that time were sold during 2003. (See also Note N)

NOTE D - PROPERTY AND EQUIPMENT:

Property and equipment consist of the following (in 000's):

	December 31,	
	2003	2002
Computer equipment and software	$ 107	$ 256
Furniture, fixtures and office equipment	8	96
Leasehold improvements	--	247
	115	599
Less accumulated depreciation and amortization	(109)	(448)
	$ 6	$ 151

During 2003 and 2002, the Company reduced cost and accumulated depreciation amounts of property and equipment by approximately $339,000 and $983,000, respectively, in connection with the retirement of certain fully depreciated assets. In connection with the decision to cease the Company's development efforts of its Neumobility division and the plan to wind down the Isis operations the Company determined that the related property and equipment was impaired and certain assets were designated as held for sale. An impairment loss of approximately $97,000 was recorded in the fourth quarter of 2002. The carrying value of the assets held for sale was approximately $6,000 and $15,000 at December 31, 2003 and December 31, 2002, respectively.

NOTE E -LONG TERM INVESTMENT:

In November 1999, the Company invested in a one-year, $1.0 million 10% convertible note of KSI, Inc. ("KSI"). The Company also received warrants to purchase KSI common stock in connection with this investment. All of the outstanding stock of KSI, Inc. was acquired by TruePosition, Inc. (a subsidiary of Liberty Media Corporation, "Liberty Media") in August 2000. Prior to the acquisition, the convertible note was exchanged for KSI common stock. The Company exercised warrants and purchased additional KSI common stock for approximately $754,000. The Company's investment in KSI common stock was exchanged for TruePosition common stock on the date of the acquisition. The Company accounts for the investment in TruePosition using the cost method. In December 2002 the Company received certain valuation information from TruePosition, indicating a range of values for TruePosition. Based upon its review of available information and communications with Liberty Media, the Company concluded there had been an other-than-temporary decline in estimated fair value of its investment, and reduced the recorded carrying value of this investment from its cost basis of $1,754,000 to zero, representing its best

estimate of the current fair value of the Company's investment in the net equity of TruePosition. TruePosition's operations have required significant infusions of cash by Liberty Media to date, and have not generated significant revenues. The Company's investment in TruePosition common stock has been diluted by these advances, which were converted to preferred stock in late 2002. It is possible that in the future the Company may receive proceeds from sale of this investment but no such amount can be estimated at this time.

NOTE F - COMMITMENTS AND CONTINGENCIES:

As of December 31, 2003, the Company leases office space under a month-to-month, verbal arrangement, with no future minimum lease payments committed after a $1,500 payment to be paid in January 2004. Amounts charged to operations under all lease and rental agreements totaled approximately $200,000, $400,000 and $400,000 in 2003, 2002 and 2001, respectively. See also Note L.

NOTE G - EMPLOYEE RETIREMENT SAVINGS PLAN:

The Company has adopted an Employee Retirement Savings Plan covering substantially all employees who have been employed for at least one month and meet certain age and eligibility requirements. Each eligible employee may contribute up to 15% of his or her compensation per year, subject to a maximum limit imposed by federal tax law, into various funds. Under current plan provisions, matching contributions are made by the Company equaling two-thirds of the employee's contribution, subject to a maximum of 6% of compensation contribution by the employee. Company contributions charged to costs and expenses totaled approximately $0, $42,000 and $43,000 in 2003, 2002 and 2001, respectively.

NOTE H - OTHER INCOME AND EXPENSE:

During the fourth quarter of 2002 the Company recorded a write-down of its long-term investment of $1,754,000. During the second quarter of 2001 the Company received a net arbitration settlement (excluding interest) resulting in a gain of approximately $0.9 million related to early termination of a contract by a former customer of its Blackbird product line.

NOTE I - INCOME TAXES:

At December 31, 2003, the Company had available for federal income tax purposes net operating loss carryforwards of approximately $53.3 million which begin to expire in 2007, and research and development tax credits of approximately $1.2 million that began to expire in 2003. Approximately $7,000 of the $1.2 million expired in 2003. A portion of the net operating loss carryforward (approximately $28 million) is attributed to the stock option deduction, the tax effect of which will be credited to additional paid-in capital when realized. Certain net operating loss carryforwards of the Company are subject to limitations imposed by Section 382 of the Internal Revenue Code because there was an ownership change of greater than 50% in the Company during 1991.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax liabilities and assets are as follows (in 000's):

	December 31, 2003	December 31, 2002

Deferred tax assets:		
Net operating loss carryforwards	$ 18,155	$ 17,700
Research and development credits	1,244	1,251
AMT credits	53	53
Depreciation on tax returns lower than financial statements, net	161	135
Total deferred tax assets	19,613	19,139
Valuation allowance	(19,613)	(19,139)
Net deferred tax assets	$ --	$ --

The Company paid Alternative Minimum Tax (AMT) in 2000 and 1999. This created an AMT credit of approximately $53,000 to be utilized in future tax periods to the extent the regular tax liability exceeds the AMT liability. The Company has provided a valuation allowance of 100% of the net deferred tax asset related to the operating loss carryforward, tax credits and temporary differences. The net changes in the valuation allowance for deferred tax assets were approximately $0.5 million, $1.3 million and ($0.2) million in 2003, 2002 and 2001, respectively, and were primarily attributable to the net losses in 2003 and 2002 and utilization of net operating loss carryforwards in 2001.

The reconciliation of income tax computed at the U.S. federal statutory tax rate to income tax expense is as follows (in 000's):

	Year Ended December 31,		
	2003	2002	2001
Income tax provision (benefit) at statutory rate of 34%	$(329)	$(1,861)	$ 207
Utilization of net operating loss carryforwards	--	--	(207)
Losses producing no current tax benefit	329	1,861	--
Alternative minimum tax provision (refunds)	--	--	(32)
State income taxes	1	(6)	21
Income taxes provision (benefit), current	$ 1	$ (6)	$ (11)

NOTE J - STOCKHOLDERS' EQUITY:

Stock Options

Pursuant to the Company's 1991 Qualified Stock Option and 1991 Non-Qualified Stock Option Plans, as amended, the Company was authorized to grant options to purchase up to (i) 280,000 shares of Common Stock to its officers and key employees, at a price not less than the fair market value per share of Common Stock on the date of grant; and (ii) 120,000 shares of Common Stock to its directors, officers, key employees and others who rendered services to the Company at such price as fixed by the Compensation and Stock Option Committee. Options granted under both the 1991 Qualified Plan and 1991 Non-Qualified Plan generally vest to the respective option holders at the rate of 20% per year commencing on the first anniversary date of the grant. No new grants may be made under the 1991 Plans.

The Company's 1993 Non-Employee Director Stock Option Plan allows the Company to

grant options to purchase up to 70,000 shares of Common Stock. Each non-employee director is to be granted options to purchase: (i) 2,000 shares of Common Stock upon initial appointment as a director of the Company; and (ii) an additional 1,200 shares, in recurring annual increments, at a price equal to the fair market value per share of Common Stock on the date of grant. Options under the Non-Employee Director Plan vest to the respective option holder after one year and have a term of ten years.

The Company's 1996 Stock Option Plan authorizes the grant of both incentive ("ISO") and non-qualified stock options up to a maximum of 335,000 shares of the Company's Common Stock to employees (including officers and directors who are employees) of and consultants to the Company. The exercise price, term and vesting provision of each option grant is fixed by the Compensation and Stock Option Committee with the provision that the exercise price of an ISO may not be less than the fair market value of the Company's Common Stock on the date of grant, and the term of an ISO may not exceed ten years.

Information with respect to the Company's stock options is as follows (in 000's, except per share amounts):

	Shares Under Option	Option Prices	Weighted Ave. Exercise Price
Balance, January 1, 2001	301	$1.91 -- $188.75	$21.96
Granted	89	2.63 -- 5.38	2.83
Canceled	(51)	2.75 -- 109.38	9.01
Balance, December 31, 2001	339	1.91 -- 188.75	18.88
Granted	75	0.99 -- 2.42	1.13
Canceled	(178)	0.99 -- 109.38	25.60
Balance, December 31, 2002	236	0.99 -- 188.75	8.17
Granted	26	0.66 -- 0.70	0.69
Canceled	(73)	0.69 -- 109.38	5.77
Balance, December 31, 2003	189	$0.66 -- $188.75	$ 8.09
Exercisable at December 31, 2003	113		
Available for grant at December 31, 2003	167		
Common Stock reserved for future issuance	356		

The following table summarizes information concerning outstanding and exercisable stock options as of December 31, 2003 (in 000's except per share amounts):

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price

$ 0.66 - $ 0.99	45	8.92	$ 0.83	5	$ 0.99
1.91 - 3.75	52	6.94	2.70	35	2.69
8.00 - 8.38	78	6.46	8.01	59	8.01
11.34 - 29.69	11	5.98	13.31	11	13.31
175.00 - 188.75	3	2.80	180.16	3	180.16
$ 0.66 - $188.75	189	7.08	$ 8.09	113	$ 11.46

Shares under options that were exercisable at December 31, 2002 and 2001 were 123,465 and 141,050 respectively. Average exercise prices for options that were exercisable at December 31, 2002 and 2001 were $11.72 and $37.70, respectively.

NOTE K - EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share is as follows (in 000's, except per share amounts):

	Year Ended December 31,		
	2003	2002	2001
Net income (loss) (A)	$ (967)	$(5,476)	$ 611
Weighted average number of shares outstanding (B)	2,292	2,292	2,292
Stock options	--	--	10
Weighted average number of shares outstanding (C)	2,292	2,292	2,302
Earnings (loss) per share:			
Basic (A)/(B)	$(0.42)	$ (2.39)	$ 0.27
Diluted (A)/(C)	$(0.42)	$ (2.39)	$ 0.27

Outstanding stock options of 188,660, 232,192 and 329,674 at December 31, 2003, 2002 and 2001, respectively, were excluded from the computation of dilutive earnings per share because their effect was anti-dilutive. Weighted average restricted shares outstanding, net of treasury stock method, of 32,405 for the year ended December 31, 2003, were excluded from the computation of diluted earnings per share because their effect was anti-dilutive.

NOTE L - ACQUISITION OF NEW ENGLAND TELECOM, INC.

On August 10, 2000, the Company announced the acquisition of substantially all of the assets of New England Telecom, Inc. ("NET") through Isis. The agreement included the purchase of approximately $135,000 in inventory of prepaid phonecards, an employment agreement with the principal NET shareholder, and a two-year earn-out period. The earn-out is calculated on a quarterly basis whereby the former shareholder can earn up to 50% of net profits of the former business, as defined in the agreement, with a maximum contingent total payout of $1.5 million. The transaction was accounted for using the purchase method of accounting, and, accordingly, the results of NET's operations have been included in the Company's consolidated financial statements from the date of acquisition. The cash purchase price was equal to the value of the inventory assets purchased. There were no liabilities assumed in the transaction. The agreement also provided for 20,000 stock options of Isis to be granted to the former NET shareholder for his employment services with the Company, with a three-year vesting

period. Any additional purchase price payments made based on net profit during the earn-out period, as defined in the agreement, have been capitalized as goodwill. Through December 31, 2001, a total of $130,000 was capitalized. During June 2001, employment of the former shareholder was terminated for breach of his employment contract. At that time all options granted to him were cancelled, as they had not yet vested. In October 2001, the former shareholder filed a claim against the Company alleging, among other things, that the Company breached the purchase agreement and the employment contract. The case is currently in the discovery phase and the Company is therefore unable to assess its likely outcome, however the Company believes its actions were appropriate and intends to continue to vigorously defend itself. An unfavorable outcome could have a material adverse effect on the Company's financial position, results of operations and liquidity.

NOTE M - SEGMENT INFORMATION

The Company has had two reportable business segments that offered distinctive products and services marketed through different channels: (i) a telecom hardware/software segment including the Company's Blackbird'r' Platform product line, which includes the Blackbird'r' Platform, PreTect'TM' cloning-fraud prevention application, No Clone Zone'TM' roaming-fraud prevention service, and related application products and services and the Company's Neumobility geo-location wireless software applications; and (ii) the Company's prepaid long-distance phonecard business, which was conducted through Isis. Management evaluates segment performance based upon segment profit or loss before income taxes. There were no inter-company sales of products between the segments.

In the first quarter of 2002, the Company recorded an impairment write-down of $100,000 related to goodwill associated with its phone card segment. The impairment loss was presented in the statement of operations as a cumulative effect of a change in accounting principle in accordance with SFAS 142. In the year ended December 31, 2001 the Company recorded $30,000 of goodwill amortization associated with its phone card segment. The value of goodwill recorded for the Company's phone card segment was $100,000 at December 31, 2001 and $0 at December 31, 2002.

During the quarter ended December 31, 2002, the Company recognized impairment losses of $76,000 related to property and equipment of Neumobility and $21,000 related to property and equipment of Isis. Also during the quarter ended December 31, 2002 the Company wrote down the value of its long-term investment in TruePosition by $1,754,000. The investment in TruePosition is included in the telecom hardware/software segment.

During the quarter ended December 31, 2002, the Company ceased the development efforts of its Neumobility division and committed to a plan to wind down the operations of Isis. General and administrative costs have been allocated 100% to the Telecom hardware/software segment in 2003.

Year ended December 31, 2003 (In 000's)	Segments		Consolidated
	Telecom HW/SW	Phonecards	Totals
Revenue from external customers	--	$231	$ 231
Depreciation and amortization expense	$ 129	--	129

Pretax segment loss	(1,023)	56	(967)
Income tax expense	1	--	1
Expenditures for segment assets	--	--	--
Segment assets	2,680	1	2,681

Year ended December 31, 2002 (In 000's)	Telecom HW/SW	Phonecards	Consolidated Totals
Revenue from external customers	--	$11,771	$11,771
Depreciation and amortization expense	$ 211	26	237
Pretax segment loss	(4,390)	(992)	(5,382)
Income tax expense (benefit)	(9)	3	(6)
Expenditures for segment assets	11	--	11
Segment assets	3,380	764	4,144

Year ended December 31, 2001 (In 000's)	Telecom HW/SW	Phonecards	Consolidated Totals
Revenue from external customers	$ 5,268	$15,148	$20,416
Depreciation and amortization expense	519	55	574
Pretax segment profit (loss)	1,966	(1,366)	600
Income tax expense (benefit)	(11)	--	(11)
Expenditures for segment assets	48	24	72
Segment assets	8,432	1,558	9,990

NOTE N - TERMINATION OF NEUMOBILITY DEVELOPMENT AND WIND-DOWN OF OPERATIONS OF ISIS

During the fourth quarter of 2002 the Company made the decision to cease development efforts of the Neumobility platform and applications division. This was due to the uncertainty in both timing and magnitude of future revenue streams combined with the large continuing investment required to sustain, market and support the products. As a result of this decision, in the fourth quarter of 2002 the Company recorded an impairment loss on property and equipment of Neumobility of approximately $76,000, wrote off prepaid software maintenance contracts of approximately $26,000 and terminated all employees of Neumobility. Termination benefits were approximately $80,000 and were all paid before December 31, 2002. Neumobility was a part of the Company's telecom hardware/software segment. No revenues were ever reported from the Neumobility platform. Net earnings (losses) before tax of the telecom hardware and software segment, including the operations of Neumobility in the years ended December 31, 2002 and 2001, were losses of $1.0 million and $4.4 million in 2003 and 2002, respectively, and earnings of $2.0 million in 2001.

The Company does not intend to produce or sell prepaid phone cards in the future. As a result of this decision, in December 2002 the Company recorded an impairment loss on property and equipment of Isis of approximately $21,000 and terminated the remaining employees of Isis. Termination benefits were insignificant and were all paid before December 31, 2002. Revenues of Isis were approximately $0.2 million, $11.8 million and $15.1 million in 2003, 2002 and 2001, respectively. Net earnings (losses) before tax of Isis were approximately $0.1 million, ($0.9) million and ($1.4) million in 2003, 2002 and 2001, respectively. Revenues of Isis were approximately $231,000 for the year ended December 31, 2003 and were primarily composed of inventory liquidation transactions.

On December 11, 2002, the Company and GTS Prepaid, Inc. ("GTS"), a non-affiliated company, entered into an agreement whereby the Company agreed to (i) transfer to GTS on a consignment basis a portion of its inventory

of pre-paid phone cards and (ii) authorize GTS to act as its agent to collect certain accounts receivable. The transaction closed on January 7, 2003. GTS and the Company agreed that GTS would pay to the Company an agreed upon sales price for each of the prepaid phone cards it sold and all accounts receivable collected in installments. On April 8, 2003 GTS and the Company entered into an agreement, in accordance with which GTS would make weekly payments to the Company of $7,745, including interest at 15% per annum, until the amount owed by GTS is repaid in full, approximately in March 2004. The obligation was secured by a second lien on GTS' assets. At December 31, 2003 the note had been paid in full to CTS and the balance owed by GTS to the Company was zero. At December 31, 2003 GTS did not hold any inventory owned by the Company on a consignment basis as all inventories previously held by GTS were sold, fully collected and proceeds were remitted to the Company.

NOTE O - QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table sets forth the Company's unaudited quarterly financial information for the years ended December 31, 2003 and 2002 (in thousands, except per share date):

2003	March 31	June 30	September 30	December 31
Net sales	$ 158	$ 13	$ 25	$ 35
Gross profit	(45)	(1)	25	70
Net income (loss)	(375)	(305)	(226)	(61)
Earnings (loss) per share:				
Basic	$(0.16)	$(0.13)	$(0.10)	$(0.03)
Diluted	$(0.16)	$(0.13)	$(0.10)	$(0.03)

2002	March 31	June 30	September 30	December 31
Net sales	$2,358	$3,331	$3,728	$ 2,354
Gross profit (loss)	87	(15)	83	65
(Loss) before the effect of a change in accounting principle	(883)	(998)	(783)	(2,712)
Net (loss)	(983)	(998)	(783)	(2,712)
Net (loss) per share:				
Basic	$(0.43)	$(0.44)	$(0.34)	$ (1.18)
Diluted	$(0.43)	$(0.44)	$(0.34)	$ (1.18)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange

Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Cellular Technical Services Company, Inc.

By: /s/ Stephen Katz

Stephen Katz, Chairman of the Board of Directors and Chief Executive Officer
March 29, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Stephen Katz

Stephen Katz, Chairman of the Board of Directors and Chief Executive Officer
(Principal Executive Officer)
March 29, 2004

/s/ Barry Beil

Barry Beil, Director
March 29, 2004

/s/ Bruce R. York

Bruce R. York
Vice President, Chief Financial Officer and Secretary
(Principal Financial and Accounting Officer)
March 29, 2004

/s/ Joshua J. Angel

Joshua J. Angel, Director
March 29, 2004

/s/ Lawrence Schoenberg

Lawrence Schoenberg, Director
March 29, 2004

CELLULAR TECHNICAL SERVICES COMPANY, INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(In 000's)

	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period
INVENTORY RESERVES				
Year ended December 31, 2001	$ 27	$387	$367	$ 47
Year ended December 31, 2002	$ 47	$203	$181	$ 69
Year ended December 31, 2003	$ 69	$ 22	$ 91	$ --
SALES AND RECEIVABLE ALLOWANCES				
Year ended December 31, 2001	$418	$173	$332	$259
Year ended December 31, 2002	$259	$ 95	$121	$233

Year ended December 31, 2003	$233	$ --	$233	$ --
	====	====	====	====

STATEMENT OF DIFFERENCES

The trademark symbol shall be expressed as............................... 'TM'
The registered trademark symbol shall be expressed as.................... 'r'

Exhibit 14. Code of Ethics Pursuant to Section 406 of the Sarbanes-Oxley Act of 2002

The Company has adopted the following Code of Ethics applying to the Company's Principal Executive Officer, Principal Financial and Accounting Officer and Controller.

Cellular Technical Services Company, Inc. ("CTS")

Code of Ethics

- CTS expects its Principal Executive Officer, Principal Financial and Accounting Officer and Controller (collectively, "employees") to act with honesty and integrity, avoiding actual or apparent conflicts of interest in personal and professional relationships.

- CTS employees will provide full, fair accurate, timely and understandable disclosure in reports and documents to all constituents, including those filed with the SEC.

- CTS employees will comply with applicable governmental laws, rules and regulations.

- CTS employees will act in good faith, responsibly, with due care, competence and diligence, without misrepresenting material facts or allowing one's independent judgment to be subordinated.

- CTS employees will respect the confidentiality of information acquired in the course of their work except when authorized or otherwise legally obligated to disclose. Confidential information acquired in the course of one's work will not be used for personal advantage.

- CTS employees will achieve responsible use and control over all assets and resources employed or entrusted to them in the course of their work.

- CTS employees will comply with other Company policies and practices including insider trading rules, safety rules, environmental practices, hiring and termination policies, employee discrimination and harassment policies and other policies and practices promulgated from time to time.

- CTS employees who become aware of a violation of this Code will promptly report such violation to the Chairman of the Audit Committee of the Board of Directors.

- Violation of this Code may lead to penalties up to and including dismissal, irrespective of whether the violation had positive or detrimental consequences for CTS.

Exhibit 21.1 Subsidiaries of the Registrant

Name of Subsidiary	State of Incorporation	Name Under Which Subsidiary Is Doing Business
Isis Tele-Communications, Inc.	Delaware	Isis Tele-Communications, Inc.
Communications Information Services, Inc.	Florida	Communications Information Services, Inc

Exhibit 23.1 Consent of Stonefield Josephson, Inc., Independent Auditors

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-76128) pertaining to the 1991 Qualified Stock Option Plan and 1991 Nonqualified Stock Option Plan, in the Registration Statement (Form S-8 No. 33-82016) pertaining to the 1993 Non-Employee Director Stock Option Plan, in the Registration Statement (Form S-8 No. 333-08049) pertaining to the 1996 Stock Option Plan and in the Registration Statement (Form S-8 No. 333-44410) pertaining to the 1993 Non-Employee Director Stock Option Plan and 1996 Stock Option Plan, of our report dated January 15, 2004, with respect to the consolidated financial statements and related schedule of Cellular Technical Services Company, Inc. as of December 31, 2003 and for the year then ended included in the Annual Report (Form 10-K) for the year ended December 31, 2003.

/s/ Stonefield Josephson, Inc.

Santa Monica, California
March 29, 2004

Exhibit 23.2 Consent of Ernst & Young LLP, Independent Auditors

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-76128) pertaining to the 1991 Qualified Stock Option Plan and 1991 Nonqualified Stock Option Plan, in the Registration Statement (Form S-8 No. 33-82016) pertaining to the 1993 Non-Employee Director Stock Option Plan, in the Registration Statement (Form S-8 No. 333-08049) pertaining to the 1996 Stock Option Plan and in the Registration Statement (Form S-8 No. 333-44410) pertaining to the 1993 Non-Employee Director Stock Option Plan and 1996 Stock Option Plan, of our report dated February 14, 2003, with respect to the consolidated financial statements and related schedules of Cellular Technical Services Company, Inc. as of December 31, 2002 and for each of the two years in the period ended December 31, 2002 included in the Annual Report (Form 10-K) for the year ended December 31, 2003.

/s/ ERNST & YOUNG LLP

Seattle, Washington
March 23, 2004

Exhibit 31.1 Rule 13a-14(a)/15d-14(a) Certification

In connection with the filing of the Annual Report on Form 10-K for the Year Ended December 31, 2003 (the "Report") by Cellular Technical Services Company, Inc. ("registrant"), I , Bruce R. York, certify that:

1. I have reviewed this annual report on Form 10-K of Cellular Technical Services Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Evaluated the effectiveness of the disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors

   a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Bruce R. York

Bruce R. York
Vice President and Chief Financial Officer
March 29, 2004

Exhibit 31.2 Rule 13a-14(a)/15d-14(a) Certification

In connection with the filing of the Annual Report on Form 10-K for the Year Ended December 31, 2003 (the "Report") by Cellular Technical Services Company, Inc. ("registrant"), I , Stephen Katz, certify that:

1. I have reviewed this annual report on Form 10-K of Cellular Technical Services Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Evaluated the effectiveness of the disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors

    a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Stephen Katz

Stephen Katz
Chief Executive Officer
March 29, 2004

Exhibit 32.1 Section 1350 Certification

In connection with the filing of the Annual Report on Form 10-K for the Year Ended December 31, 2003 (the "Report") by Cellular Technical Services Company, Inc. ("Registrant"), each of the undersigned hereby certifies that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Registrant.

By: /s/ Stephen Katz

Stephen Katz
Chief Executive Officer
March 29, 2004

By: /s/ Bruce R. York

Bruce R. York
Vice President and Chief Financial Officer
March 29, 2004

A signed original of this written statement required by Section 906of the Sarbanes-Oxley Act of 2002 has been provided to Cellular Technical Services Company, Inc and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.