ONE VOICE TECHNOLOGIES INC
Form 10QSB
August 14, 2003

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON AUGUST 13, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB
QUARTERLY REPORT UNDER SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE PERIOD ENDED JUNE 30, 2003

COMMISSION FILE NO. 0-27589

ONE VOICE TECHNOLOGIES, INC.

(Name of Small Business Issuer in Its Charter)

NEVADA	95-4714338
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6333 GREENWICH DRIVE, STE. 240, SAN DIEGO, CA 92122
(Address of Principal Executive Offices)

(858) 552-4466
(Issuer's Telephone Number)

(858) 552-4474
(Issuer's Facsimile Number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes __X__ No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock at the latest practicable date.

As of July 22, 2003, the registrant had 55,184,128 shares of common stock, $.001 par value, issued and outstanding.

Transitional small business disclosure format (check one): Yes ____ No __X__

PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

ONE VOICE TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE ENTERPRISE)
BALANCE SHEET - JUNE 30, 2003

(UNAUDITED)

ASSETS

CURRENT ASSETS:		
Cash and cash equivalents	$ 113,038	
Prepaid expenses	79,620	
Total current assets		$ 192
PROPERTY AND EQUIPMENT, net of accumulated depreciation and amortization		261
OTHER ASSETS:		
Software licensing, net of accumulated amortization	3,967	
Software development costs, net of accumulated amortization	590,667	
Deposits	36,897	
Trademarks, net of accumulated amortization	77,182	
Patents	68,030	
Total other assets		776
		$ 1,231

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES - accounts payable and accrued expenses		$ 653
LONG TERM LIABILITIES - security deposits		12
4% CONVERTIBLE NOTE PAYABLE, due December 30, 2004	$ 150,000	
Less unamortized discount	(74,356)	

		75
4% CONVERTIBLE NOTE PAYABLE, due April, 10, 2005	600,000	
Less unamortized discount	(533,333)	
		66
4% CONVERTIBLE NOTE PAYABLE, due June 27, 2005	300,000	
Less unamortized discount	(167,534)	
		132
STOCKHOLDERS' EQUITY:		
Preferred stock; $.001 par value, 10,000,000 shares authorized, no shares issued and outstanding	-	
Common stock; $.001 par value, 50,000,000 shares authorized, 54,833,876 shares issued and outstanding	54,833	
Additional paid-in capital	29,663,583	
Deficit accumulated during development stage	(29,428,133)	
Total stockholders' equity		290
		$ 1,231

The accompanying notes form an integral part of these financial statements.

ONE VOICE TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENTS OF OPERATIONS

(UNAUDITED)

	SIX MONTHS ENDED		THREE MONTHS E	
	JUNE 30, 2003	JUNE 30, 2002	JUNE 30, 2003	
REVENUES	$ --	$ 284,931	$ --	$
COST OF REVENUES	--	30,185	--	
GROSS PROFIT	--	254,746	--	
GENERAL AND ADMINISTRATIVE EXPENSES	2,901,097	3,998,943	1,469,690	
NET LOSS	$ (2,901,097)	$ (3,744,197)	$ (1,469,690)	$

NET LOSS PER SHARE, basic and diluted	$ (0.06)	$ (0.13)	$ (0.03)	$
WEIGHTED AVERAGE COMMON EQUIVALENT SHARES OUTSTANDING - BASIC AND DILUTED	45,870,000	28,013,414	51,880,000	

The accompanying notes form an integral part of these financial statements.

F-4

ONE VOICE TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENT OF STOCKHOLDERS' EQUITY

(UNAUDITED)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	D Acc D Dev
Balance at January 1, 1999	12,720,000	$ 12,720	$ -	$
Net proceeds from issuance of common stock in connection with merger	7,000,000	7,000	106,236	
Net proceeds from issuance of common stock	1,500,000	1,500	2,544,422	
Net issuance of common stock in exchange for services	150,000	150	299,850	
Redemption of common stock	(10,000,000)	(10,000)		
Net loss for the year ended December 31, 1999	-	-	-	(1
Balance at December 31, 1999	11,370,000	11,370	2,950,508	(1
Net proceeds from issuance of common stock and warrants	312,500	313	1,779,523	
Net proceeds from issuance of common stock and warrants	988,560	988	12,145,193	
Issuance of warrants in exchange for services	-	-	55,000	
Issuance of options in exchange				

for services	-	-	199,311	
Issuance of warrants in connection with financing	-	-	1,576,309	
Net loss for the year ended December 31, 2000	-	-	-	(9
Balance at December 31, 2000	12,671,060	12,671	18,705,844	(11

(Continued)

The accompanying notes form an integral part of these financial statements.

ONE VOICE TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENT OF STOCKHOLDERS' EQUITY (CONTINUED)

(UNAUDITED)

	Common Stock		Additional Paid-in Capital	D Acc D Dev
	Shares	Amount		
Conversion of debt to equity, net of unamortized debt discount	3,220,765	3,220	571,867	
Issuance of options in exchange for services	-	-	58,864	
Issuance of stock and warrants in connection with settlement	110,000	110	247,940	
Proceeds from sale of common stock and warrants, net of offering costs	702,350	702	839,318	
Issuance of warrants in connection with debt financing	-	-	92,400	
Beneficial conversion feature embedded in debt securities	-	-	417,450	
Conversion of debt to equity - Laurus Master Fund	3,402,600	3,403	595,399	
Conversion of debt to equity - Stonestreet Capital	2,973,780	2,974	506,137	
Net loss for the year ended December 31, 2001	-	-	-	(8

Balance at December 31, 2001	23,080,555	23,080	22,035,219	(19
Conversion of debt to equity	2,624,447	2,624	309,714	
Issuance of warrants in connection with debt financing	-	-	577,879	
Beneficial conversion feature embedded in debt securities	-	-	1,948,765	
Issuance of options in exchange for services	-	-	107,276	

(Continued)

The accompanying notes form an integral part of these financial statements.

ONE VOICE TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENT OF STOCKHOLDERS' EQUITY (CONTINUED)

(UNAUDITED)

	Common Stock		Additional Paid-in Capital	D Acc D Dev
	Shares	Amount		
Issuance of common stock	2,666,667	2,667	721,166	
Cashless exercise of warrants	10,512	11	(11)	
Exercise of warrants for cash	20,000	20	3,380	
Re-pricing adjustment for warrants outstanding	-	-	9,000	
Shares issued in re-pricing- Stonestreet Capital	833,334	833	174,167	
Conversion of debt to equity - Laurus Master Fund	2,110,129	2,110	703,345	
Conversion of debt to equity - Stonestreet Capital	4,294,596	4,294	899,405	
Conversion of debt to equity - Alpha Capital	2,767,752	2,768	342,232	
Conversion of debt to equity - Ellis Enterprise	300,842	301	39,699	
Conversion of debt to equity - Bristol Investments	225,699	226	29,774	

Net loss for the year ended December 31, 2002	-	-	-	(6
Balance at December 31, 2002	38,934,533	38,934	27,901,010	(26
Issuance of options in exchange for services	-	-	11,271	
Conversion of debt to equity - Alpha Capital	9,116,879	9,117	608,533	

(Continued)

The accompanying notes form an integral part of these financial statements.

ONE VOICE TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENT OF STOCKHOLDERS' EQUITY (CONTINUED)

(UNAUDITED)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	D Acc D Dev
Conversion of debt to equity - Ellis Enterprise	3,055,292	3,055	209,022	
Conversion of debt to equity - Bristol Investments	3,727,172	3,727	268,761	
Issuance of warrants in connection with debt financing	-	-	33,777	
Beneficial conversion feature embedded in debt securities	-	-	631,209	
Net loss for the six months June 30, 2003	-	-	-	(2
Balance at June 30, 2003	54,833,876	$ 54,833	$ 29,663,583	$ (29

The accompanying notes form an integral part of these financial statements.

ONE VOICE TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENTS OF CASH FLOWS

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

(UNAUDITED)

	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002	From Inc January June 3
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Net loss	$ (2,901,097)	$ (3,744,197)	$(29,4
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Depreciation and amortization	356,896	424,517	3,5
Loss on disposal of assets	--	114	5
Amortization of discount on note payable	944,308	1,430,404	4,3
Options issued in exchange for services	11,271	38,000	4
Warrants issued in exchange for services	--	--	2
CHANGES IN OPERATING ASSETS AND LIABILITIES:			
(INCREASE) DECREASE IN ASSETS:			
Accounts receivable, trade	29,846	--	
Licensing revenue receivable	--	240	(2
Advertising revenue receivable	--	--	2
Inventory	--	30,066	
Prepaid mailing lists	--	--	(7
Prepaid expenses	(16,023)	(111,049)	(
Deposits	10,000	(3,766)	(
INCREASE (DECREASE) IN LIABILITIES:			
Accounts payable and accrued expenses	224,016	(63,261)	6
Security deposits	12,522	--	
Deferred revenue	--	250,000	
Total adjustments	1,572,836	1,745,265	9,1
Net cash used for operating activities	(1,328,261)	(1,998,932)	(20,3

(Continued)

The accompanying notes form an integral part of these financial statements.

ONE VOICE TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENTS OF CASH FLOWS (CONTINUED)

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

(UNAUDITED)

	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002	Fro Jan J
CASH FLOWS USED FOR INVESTING ACTIVITIES:			
Purchase of property and equipment	(18,784)	782	
Software licensing	--	(6,013)	
Software development costs	(67,094)	(980)	
Trademarks	(262)	(3,585)	
Patents	(14,466)	(6,358)	
Loan fees	--	--	
Net cash used for investing activities	(100,606)	(16,154)	
CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES:			
Proceeds from issuance of common stock, net	--	723,833	
Retirement of common stock, net	--	--	
Proceeds from loans payable, officer-stockholder	--	--	
Proceeds from loans payable	--	--	
Proceeds from convertible note payable	796,750	1,326,000	
Net cash provided by financing activities	796,750	2,049,833	
NET INCREASE (DECREASE) IN CASH	(632,117)	34,747	
CASH AND CASH EQUIVALENTS, beginning of period	745,155	735,489	
CASH AND CASH EQUIVALENTS, end of period	$ 113,038	$ 770,236	$
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Interest paid	$ --	$ --	$
Income taxes paid	$ 800	$ 800	$
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:			
Options issued in exchange for services	$ 11,271	$ 76,138	$
Shares Issued for re-pricing of conversion rate	$ --	$ --	$
Common shares and warrants issued for			

settlement	$ --	$ --	$
Warrants issued in connection with financing	$ 33,777	$ 1,326,000	$
Beneficial conversion feature of convertible debt	$ 631,209	$ --	$
Common stock issued in exchange for debt	$ 1,102,215	$ 1,604,138	$

The accompanying notes form an integral part of these financial statements.

ONE VOICE TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

NOTES TO FINANCIAL STATEMENTS

THREE MONTHS ENDED JUNE 30, 2003

(1) ORGANIZATION:

One Voice Technologies, Inc. (formerly Conversational Systems, Inc.) was incorporated under the laws of the State of California on April 8, 1991. The Company commenced operations in 1999.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

INTERIM FINANCIAL STATEMENTS:

The accompanying financial statements include all adjustments (consisting of only normal recurring accruals) which are, in the opinion of management, necessary for a fair presentation of the results of operations for the periods presented. Interim results are not necessarily indicative of the results to be expected for the full year ending December 31, 2003. The financial statements should be read in conjunction with the financial statements included in the annual report of One Voice Technologies, Inc. (the "Company") on Form 10-KSB for the year ended December 31, 2002.

GOING CONCERN:

The Company's financial statements have been presented on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company incurred a net loss of $2,901,097 during the six months ended June 30, 2003 and had an accumulated deficit of $29,428,133. The Company had a working capital deficit of $461,016 at June 30, 2003. Cash flows used for operations amounted to $1,328,261 for the six months ended June 30, 2003. These factors raise substantial doubt about the Company's ability to continue as a going concern unless the Company enters into a significant revenue-bearing contract. Management is currently seeking additional equity or debt financing. Additionally, management is currently pursuing revenue-bearing contracts utilizing various applications of its technology including wireless technology. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

BUSINESS ACTIVITY:

One Voice Technologies, Inc. is a developer of 4th Generation voice solutions for the Wireless, Telematics, TV/Internet appliance and Interactive Multimedia markets.

ONE VOICE TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

THREE MONTHS ENDED JUNE 30, 2003

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

REVENUE RECOGNITION:

The Company recognizes revenues when earned in the period in which the service is provided. The Company's revenue recognition policies are in compliance with all applicable accounting regulations, including American Institute of Certified Public Accountants ("AICPA") Statement of Position ("SOP") 97-2, Software Revenue Recognition, as amended by SOP 98-4 and SOP 98-9. Any revenues from software arrangements with multiple elements are allocated to each element of the arrangement based on the relative fair values using specific objective evidence as defined in the SOPs. If no such objective evidence exists, revenues from the arrangements are not recognized until the entire arrangement is completed and accepted by the customer. Once the amount of the revenue for each element is determined, the Company recognizes revenues as each element is completed and accepted by the customer. For arrangements that require significant production, modification or customization of software, the entire arrangement is accounted for by the percentage of completion method, in conformity with Accounting Research Bulletin ("ARB") No. 45 and SOP 81-1.

Service and license fees are deferred and recognized over the life of the agreement. Revenues from the sale of products are recognized upon shipment of the product.

INCENTIVE AND STOCK NONQUALIFIED OPTION PLAN:

Pro forma information regarding the effect on operations as required by SFAS 123 and SFAS 148, has been determined as if the Company had accounted for its employee stock options under the fair value method of that statement. Pro forma information, using the Black-Scholes method at the date of grant, is based on the following assumptions:

Expected life	3 Years
Risk-free interest rate	5.0%

Dividend yield	-
Volatility	100%

This option valuation model requires input of highly subjective assumptions. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing model does not necessarily provide a reliable single measure of fair value of its employee stock options.

For purposes of SFAS 123 pro forma disclosures, the estimated fair value of the options is amortized to expense over the option's vesting period. No expense was recognized under APB 25. The Company's proforma information is as follows:

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

INCENTIVE AND STOCK NONQUALIFIED OPTION PLAN, CONTINUED:

	JUNE 30, 2003	JUNE 30, 2002
Net loss, as reported	$(2,901,097)	$(3,744,197)
Stock compensation calculated under SFAS 123	$ (240,000)	$ (300,000)
Pro forma net loss	$(3,141,097)	$(4,044,197)
Basic and diluted historical loss per share	$ (0.06)	$ (0.13)
Pro forma basic and diluted loss per share	$ (0.07)	$ (0.14)

RECENT ACCOUNTING PRONOUNCEMENTS:

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, 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 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.

ONE VOICE TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

THREE MONTHS ENDED JUNE 30, 2003

(3) CONVERTIBLE NOTES PAYABLE:

ISSUANCE OF DEBT

On April 10, 2003, the Company entered into a securities purchase agreement with four accredited investors, Alpha Capital Aktiengesellschaft, Ellis Enterprises Ltd., Greenwich Growth Fund Limited, and 01144 Limited for the issuance of 4% convertible debentures in the aggregate amount of $600,000. The notes bear interest at 4% (effective interest rate of 60%), mature on April 10, 2005, and are convertible into the Company's common stock, at the holders' option, at the lower of (i) $0.1166 or (ii) 80% of the average of the five lowest closing bid prices for the common stock on a principal market for the 30 trading days before but not including the conversion date. The note may not be paid, in whole or in part, before April 10, 2005 without the consent of the holder. The full principal amount of the convertible notes is due upon default under the terms of convertible notes. In addition, the Company issued an aggregate of 350,004 warrants to the investors. The warrants are exercisable until April 10, 2008 at a p urchase price of $.1272 per share. Net proceeds amounted to approximately $540,000, net of debt issue cash cost of $60,000. The fair value of the warrants of $26,000 using Black Scholes option pricing model and the beneficial conversion feature of approximately $514,000 will be amortized over the life of the debt using the interest method. Upon conversion of the debt, any unamortized debt issue costs will be charged to expense.

On June 30, 2003, the Company entered into a securities purchase agreement with two accredited investors, Alpha Capital Aktiengesellschaft, and Bristol Investment Fund Limited for the issuance of 4% convertible debentures in the aggregate amount of $500,000. The notes bear interest at 4% (effective interest rate of 80% on the aggregate amount), mature on June 20, 2005, and are convertible into the Company's common stock, at the holders' option, at the lower of (i) $0.1023 or (ii) 80% of the average of the five lowest closing bid prices for the common stock on a principal market for the 30 trading days before but not including the conversion date. The note may not be paid, in whole or in part, before June 30, 2005 without the consent of the holder. The full principal amount of the convertible notes is due upon default under the terms of convertible notes. In addition, the Company issued an aggregate of 291,670 warrants to the investors. The warrants are exercisable until June 30, 2008 at a purchase price of $.1116 per share. Net proceeds will amount to approximately $450,000, net of debt issue cash cost of $50,000. Pursuant to this offering, the Company has already received $300,000 and anticipates the remaining $200,000 by August 18, 2003. The fair value of the warrants of $14,000 using Black Scholes option pricing model and the beneficial conversion feature of approximately $195,000 will be amortized over the life of the debt using the interest method. Upon conversion of the debt, any unamortized debt issue costs will be charged to expense.

ONE VOICE TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

THREE MONTHS ENDED JUNE 30, 2003

(3) CONVERTIBLE NOTES PAYABLE, CONTINUED:

During the three months ended June 30, 2003, the following note holders converted debt to equity as follows:

Alpha Capital Aktiengesellschaft converted approximately $424,000 of principal and accrued interest at an average conversion price of $0.061 into 6,716,000 common shares.

Bristol Investment Fund, Limited converted $106,000 of principal and accrued interest at an average conversion price of $0.054 into 1,994,000 common shares.

Ellis Enterprise Limited converted $77,000 of principal and accrued interest at an average conversion price of $0.057 into 1,419,000 common shares.

During the three months ended June 30, 2003, approximately $607,000 of principal and accrued interest was converted into approximately 10,130,000 shares of the Company's common stock at an average conversion price of $0.06 per share by Alpha Capital Aktiengesellschaft, Bristol Investments and Ellis Enterprises.

A summary of convertible notes payable at stated interest rate of 4% is as follows:

	Due Date	Principal Amount	Unamort Discou
Alpha Capital Aktiengesellschaft	December 30, 2004	$ 150,000	$ (74
Alpha Capital Aktiengesellschaft	April 10, 2005	250,000	(222
Alpha Capital Aktiengesellschaft	June 27, 2005	150,000	(83
Ellis Enterprise Limited	April 10, 2005	200,000	(177
Greenwich Growth Fund, Ltd.	April 10, 2005	100,000	(88
O1144 Limited	April 10, 2005	50,000	(44
Bristol Investments Fund, Limited	June 27, 2005	150,000	(83
		$ 1,050,000	$ (775

ONE VOICE TECHNOLOGIES, INC.
(A DEVELOPMENT STAGE ENTERPRISE)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

THREE MONTHS ENDED JUNE 30, 2003

(4) COMMITMENTS AND CONTINGENCIES:

The Company leases its facilities under leases that expire at various times through October 2005. The following is a schedule by years of future minimum rental payments required under operating leases that have noncancellable lease terms in excess of one year as of June 30, 2003:

Year ending December 31,	
2003	$ 152,307
2004	313,291
2005	266,053
	731,651
Less sublease income	140,000
	$ 591,651

Rent expense, net of sublease income of $41,500 amounted to $43,000 and $36,000 for the quarters ended June 30, 2003 and 2002, respectively.

LEGAL MATERS

During 2002, the Company was notified of potential claims aggregating $160,000. Management believes that it has adequate defense for such unsubstantiated claims and accordingly, since the amounts are estimable but highly improbable, these amounts have not been recorded in these financial statements.

(5) SUBSEQUENT EVENT:

In July 2003, Ellis Enterprise Limited converted approximately $25,000 of principal and accrued interest at an average conversion price of $0.057 into 368,000 common shares.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

WITH THE EXCEPTION OF HISTORICAL MATTERS, THE MATTERS DISCUSSED HEREIN ARE FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. FORWARD LOOKING STATEMENTS INCLUDE, BUT ARE NOT LIMITED TO STATEMENTS CONCERNING ANTICIPATED TRENDS IN REVENUES. OUR ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THE RESULTS DISCUSSED IN SUCH FORWARD LOOKING STATEMENTS. THERE IS ABSOLUTELY NO ASSURANCE THAT WE WILL ACHIEVE THE RESULTS EXPRESSED OR IMPLIED IN FORWARD LOOKING STATEMENTS.

OVERVIEW

One Voice Technologies, Inc. is a voice recognition technology company with over $26 million invested in Research and Development and deployment of more than 20 million products worldwide in seven languages. To date, our customers include T-Mobile and Warner Brothers with strong technology and business partnerships with Philips Electronics and IBM. Based on our patented technology, One Voice offers voice solutions for the Telecom, Enterprise, PC, and Motion Picture DVD Entertainment markets. Our solutions allow business and consumer phone users to Voice Dial, Group Conference Call, Read and Send E-Mail and Instant Messages all by voice. We offer these solutions through both domestic and international wireless and wireline carriers along with reseller channels for corporations with a mobile workforce. We offer PC manufacturers the ability to bundle a complete voice interactive computer assistant which allows PC users to talk to their computers to quickly launch applications, websites, read and send E-mails and dictate letters. We offer the motion picture industry's only voice interactive navigation feature for DVD movies included in over 20 million copies distributed worldwide in seven languages. We are strongly positioned across these markets with our patented voice technology.

In April 2003, we announced the launch of our MobileVoice(TM) website in Spanish for carrier operators in Latin America. To access the Spanish website, MobileVoice users should click on the Account Login button from the One Voice Technologies home page and select the Spanish option. To listen to a demonstration of MobileVoice in Spanish, click on Http://www.onevoicetech.com/mobilevoice/audio/mobilevoicees.mp3

In May 2003, we announced MobileVoice Network News(TM), a comprehensive mobile news service offering total coverage of breaking news and feature stories from around the world. With MobileVoice Network News, mobile subscribers can listen to up-to-the-minute news coverage, including: Top Headlines, Business and Markets, Sports, Weather, Politics, Technology, Entertainment and Health.

MobileVoice Network News is a powerful addition to the MobileVoice platform and will be offered in both English and Spanish covering news in North America, Latin America and around the world.

In May 2003, we announced that we had finalized the development of the MobileVoice(TM) platform in Austrian German and subsequent upgrade of MobileVoice at T-Mobile Austria. It is a tremendous next step for our company to have an Austrian version of MobileVoice at T-Mobile's Future House. We will continue to work closely with T-Mobile and our partners at Philips to offer the industry's first mobile Voice-to-Text SMS and E-mail messaging solution in multiple languages throughout the global marketplace.

RESULTS OF OPERATIONS

The following table sets forth selected information from the statements of operations for the three months ended June 30, 2003 and 2002.

SELECTED STATEMENT OF OPERATIONS INFORMATION

	Three Months Ended June 30, 2003	Three Months Ended June 30, 2002
Net Revenues	$ -	$ 306
Operating expenses	$ 1,469,690	$ 2,110,846
Net loss	$(1,469,690)	$(2,110,540)

Discussion of the three months ended June 30, 2003 compared with the three months ended June 30, 2002.

Net revenue totaled $0 for the three months ended June 30, 2003. Net revenue of $306 were earned for the three months ended June 30, 2002.

Operating expenses decreased to $1,469,690 for the three months ended June 30, 2003 from $2,110,846 for the same period in 2002. The decrease in operating expenses over the same quarter in 2002 was a direct result of a decrease of all major expense categories for the period as compared to the year prior. Salary and wage expense was $332,254 for the three months ended June 30, 2003 as compared to $367,437 for the same period in 2002. The decrease in 2003 as compared to 2002 arose primarily from the decreased labor force, which we have restructured to accommodate our new direction into the telecom, telematics and TV/Internet appliance initiatives. Legal and consulting expenses decreased to $84,873 for the three months ended June 30, 2003 from $136,186 for the same period in 2002. Depreciation and amortization expenses decreased to $173,658 for the three months ended June 30, 2003 from $213,216 for the same period in the prior year, primarily due to the full depreciation of some computer equipment in 2002 . Amortization and Depreciation expenses consisted of patent and trademarks, computer equipment, consultant fees, and tradeshow booth. Interest expense decreased to $500,726 in 2003, as compared to $820,807 in 2002.

We had a net loss of $1,469,690 or basic and diluted net loss per share of $0.03 for the three months ended June 30, 2003 compared to $2,110,540 or basic and diluted net loss per share of $0.07 for the same period in 2002.

SELECTED STATEMENT OF OPERATIONS INFORMATION

	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
Net Revenue	$ -	$ 284,931
Operating expenses	$ 2,901,097	$ 3,998,943
Net loss	$(2,901,097)	$(3,744,197)

Discussion of the six months ended June 30, 2003 compared with the six months ended June 30, 2002.

Net revenue totaled $0 for the six months ended June 30, 2003. Net revenue of $284,931 were earned for the six months ended June 30, 2002. The recognition of revenues in the first six months of 2002 resulted primarily from product licensing and work performed for Warner Home Video.

Operating expenses decreased to $2,901,097 for the six months ended June 30, 2003 from $3,998,943 for the same period in 2002. The net decrease in operating expenses over the same quarter in 2002 was a direct result of the decreased non-cash interest expense associated with debt financings being offset by all other expense categories, which decreased for the period as compared to the year prior. Non-cash interest expense decreased to $951,509 for the six months ended June 30, 2003, as compared to $1,430,404 for the same period in 2002. Salary and wage expense decreased to $659,622 for the six months ended June 30, 2003 as compared to $744,468 for the same period in 2002. The decrease in 2003 as compared to 2002 arose primarily from the decreased labor force, which we have restructured to accommodate our new direction into the telecom, telematics and TV/Internet appliance initiatives. Advertising and promotion expense totaled $0 for the six months ended June 30, 2003 as compared to $18,591 for the same period in 2002. Advertising and promotion expense reduction resulted from the company discontinuing all direct to consumer marketing campaigns and focusing on other distribution channels. Professional fees and consulting expenses decreased to $145,638 for the six months ended June 30, 2003 from $304,914 for the same period in 2002. Depreciation and amortization expenses decreased to $369,747 for the six months ended June 30, 2003 from $424,517 for the same period in the prior year, primarily due to the full amortization of some computer equipment. Amortization and Depreciation expenses consisted of patent and trademarks, computer equipment, consultant fees, and tradeshow booth.

We had a net loss of $2,901,097 or basic and diluted net loss per share of $0.06 for the six months ended June 30, 2003 compared to $3,744,197 or basic and diluted net loss per share of $0.13 for the same period in 2002.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2003, we had negative working capital of $461,016 as compared with $404,432 at June 30, 2002.

Net cash used for operating activities was $706,351 for the quarter ended June 30, 2003 compared to $754,176 for the quarter ended June 30, 2002. During the six months ended June 30, 2003, net cash used for operating activities was $1,328,261 compared to $1,998,932 for the six months ended June 30, 2002. From inception on January 1, 1999 to June 30, 2003, net cash used for operating activities was $20,305,096.

Net cash used for investing activities was $61,789 for the quarter ended June 30, 2003 compared to $8,978 for the quarter ended June 30, 2002. During the six months ended June 30, 2003, net cash used for investing activities was $100,606 compared to $16,154 for the six months ended June 30, 2002. From inception on January 1, 1999 to June 30, 2003, net cash used for investing activities was $4,737,764.

Net cash provided by financing activities was $796,750 for the quarter ended June 30, 2003 compared to $723,831 for the quarter ended June 30, 2002. During the six months ended June 30, 2003, net cash provided by financing activities was $796,750 compared to $2,049,833 for the six months ended June 30, 2002. From inception on January 1, 1999 to June 30, 2003 net cash provided by financing activities was $25,155,898.

We incurred a net loss of $1,469,690 during the quarter ended June 30, 2003, and had an accumulated deficit of $29,428,133. Our losses through June 2003 included interest expense, amortization of software licensing agreements and development costs and operational and promotional expenses. Sales of our debt securities with embedded equity features have allowed us to maintain a positive cash flow balance from financing activities.

We face considerable risk in completing each of our business plan steps, including, but not limited to: a lack of funding or available credit to continue development and undertake product rollout; potential cost overruns; a lack of interest in our solutions in the market on the part of wireless carriers or other customers; potential reduction in wireless carriers which could lead to

significant delays in consummating revenue bearing contracts; and/or a shortfall of funding due to an inability to raise capital in the securities market. Since further funding is required, and if none is received, we would be forced to rely on our existing cash in the bank or secure short-term loans. This may hinder our ability to complete our product development until such time as necessary funds could be raised. In such a restricted cash flow scenario, we would delay all cash intensive activities including certain product development and strategic initiatives described above.

We have secured financing that we believe will sustain operations up to September 2003 and we continue to work closely with our current investors to secure additional funding. We continue to rely heavily on our current funding sources, which have financed us since 2001, until we are operationally breakeven. The losses through the quarter ended June 30, 2003 were due to no revenue and our operating expenses, with the majority of expenses in the areas of: salaries, legal fees, consulting fees, as well as amortization expense relating to software development, debt issue costs and licensing costs.

ITEM 3. CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Accounting Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the Chief Executive Officer and the Chief Accounting Officer, concluded that the Company's disclosure controls and procedures were effective as of June 30, 2003. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls at June 30, 2003.

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

The securities described below represent our securities sold by us for the period starting from January 1, 2002 to June 30, 2003 that were not registered under the Securities Act of 1933, as amended, all of which were issued by us pursuant to exemptions under the Securities Act. Underwriters were involved in none of these transactions.

PRIVATE PLACEMENTS OF COMMON STOCK AND WARRANTS FOR CASH

None.

SALES OF DEBT AND WARRANTS FOR CASH

On April 10, 2003, we entered into a securities purchase agreement with four accredited investors, Alpha Capital Aktiengesellschaft, Ellis Enterprises Ltd., Greenwich Growth Fund Limited, and 01144 Limited for the issuance of 4% convertible debentures in the aggregate amount of $600,000. The notes bear interest at 4%, mature on April 10, 2005, and are convertible into our common stock, at the holders' option, at the lower of (i) $0.1166 or (ii) 80% of the average of the five lowest closing bid prices for the common stock on a principal market for the 30 trading days before but not including the conversion date. The note may not be paid, in whole or in part, before April 10, 2005 without the consent of the holder. The full principal amount of the convertible notes are due upon default under the terms of convertible notes. In addition, we issued an aggregate of 350,004 warrant to the investors. The warrants are exercisable until April 10, 2008 at a purchase price of $.1272 per share. The offering of convertible debentures was exempt from registration under Rule 506 of Regulation D and under Section 4(2) of the Securities Act. No advertising or general solicitation was employed in offering the securities. All persons were accredited investors, represented that they were capable of analyzing the merits and risks of their investment.

On June 30, 2003, the Company entered into a securities purchase agreement with two accredited investors, Alpha Capital Aktiengesellschaft, and Bristol Investment Fund Limited for the issuance of 4% convertible debentures in the aggregate amount of $500,000. The notes bear interest at 4% (effective interest rate of 80% on the aggregate amount), mature on June 20, 2005, and are

20

convertible into the Company's common stock, at the holders' option, at the lower of (i) $0.1023 or (ii) 80% of the average of the five lowest closing bid prices for the common stock on a principal market for the 30 trading days before but not including the conversion date. The note may not be paid, in whole or in part, before June 30, 2005 without the consent of the holder. The full principal amount of the convertible notes is due upon default under the terms of convertible notes. In addition, the Company issued an aggregate of 291,670 warrants to the investors. The warrants are exercisable until June 30, 2008 at a purchase price of $.1116 per share. Net proceeds will amount to approximately $450,000, net of debt issue cash cost of $50,000. Pursuant to this offering, the Company has already received $300,000 and anticipates the remaining $200,000 by August 18, 2003. The offering of convertible debentures was exempt from registration under Rule 506 of Regulation D and under Section 4(2) of the Securities Act. No advertising or general solicitation was employed in offering the securities. All persons were accredited investors, represented that they were capable of analyzing the merits and risks of their investment.

OPTION GRANTS

During the quarter ended June 30, 2003, we issued an aggregate total of 75,000 options to new employees.

ISSUANCES OF STOCK FOR SERVICES OR IN SATISFACTION OF OBLIGATIONS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not Applicable.

ITEM 5. OTHER INFORMATION

Not Applicable.

ITEM 6. EXHIBITS AND REPORTS ON 8-K:

(a) Exhibits.

Exhibit Number	Description
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) No reports on Form 8-K were filed during the fiscal quarter ended June 30, 2003.

SIGNATURES

In accordance with the requirements of the Exchange Act of 1933, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ONE VOICE TECHNOLOGIES, INC., A NEVADA CORPORATION

DATE: AUGUST 13, 2003	BY: /S/ DEAN WEBER
	DEAN WEBER, CHAIRMAN & CHIEF EXECUTIVE OFFICER
DATE: AUGUST 13, 2003	BY: /S/ RAHOUL SHARAN
	RAHOUL SHARAN, CHIEF FINANCIAL OFFICER