ONE VOICE TECHNOLOGIES INC
Form 10QSB
November 14, 2003

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON NOVEMBER 14, 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 SEPTEMBER 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 November 12, 2003, the registrant had 101,603,878 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 - SEPTEMBER 30, 2003

(UNAUDITED)

ASSETS

CURRENT ASSETS:		
Cash and cash equivalents	$	1
Account receivable, collected in November 2003		
Prepaid expenses		
Total current assets		
PROPERTY AND EQUIPMENT, net of accumulated depreciation and amortization		
OTHER ASSETS:		
Software licensing, net of accumulated amortization		
Software development costs, net of accumulated amortization		4
Deposits		
Trademarks, net of accumulated amortization		
Patents		
Total other assets		

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES - accounts payable and accrued expenses		
NON-CURRENT LIABILITIES:		
SECURITY DEPOSITS		
8% NOTE PAYABLE, due August 8, 2008, unsecured		
4% CONVERTIBLE NOTE PAYABLE, due August 20, 2005	$	
Less unamortized discount		(

6% CONVERTIBLE NOTE PAYABLE, due September 17, 2004	3
Less unamortized discount	(3
Total non-current liabilities	
STOCKHOLDERS' EQUITY:	
Preferred stock; $.001 par value, 10,000,000 shares authorized, no shares issued and outstanding	
Common stock; $.001 par value, 250,000,000 shares authorized, 94,832,168 shares issued and outstanding	
Additional paid-in capital	31,2
Deficit accumulated during development stage	(31,0
Total stockholders' equity	

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

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

STATEMENTS OF OPERATIONS

(UNAUDITED)

	NINE MONTHS ENDED		THREE MONTHS E	
	SEPTEMBER 30, 2003	SEPTEMBER 30, 2002	SEPTEMBER 30, 2003	SEP
REVENUE	$ 50,000	$ 314,931	$ 50,000	$
COST OF REVENUE	6,000	30,364	6,000	
GROSS PROFIT	44,000	284,567	44,000	
GENERAL AND ADMINISTRATIVE EXPENSES	4,600,565	5,550,482	1,699,466	
NET LOSS	$ (4,556,565)	$ (5,265,915)	$ (1,655,466)	$

NET LOSS PER SHARE, basic and diluted	$ (0.08)	$ (0.18)	$ (0.02)	$
WEIGHTED AVERAGE COMMON EQUIVALENT SHARES OUTSTANDING - BASIC AND DILUTED	53,974,000	29,922,324	80,350,000	

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

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

STATEMENT OF STOCKHOLDERS' EQUITY

	Common stock		Additional	Defi accumu dur devel st
	Shares	Amount	paid-in capital	
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)

	Common stock		Additional paid-in capital	Defi accumu dur devel st
	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)

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

STATEMENT OF STOCKHOLDERS' EQUITY (CONTINUED)

	Common stock		Additional paid-in capital	Defi accumu dur devel st
	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 (unaudited)	-	-	12,543	
Conversion of debt to equity - Alpha Capital (unaudited)	28,881,198	28,881	1,197,464	

(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)

	Common stock		Additional paid-in	Defi accumu dur devel
	Shares	Amount	capital	st
Conversion of debt to equity - Ellis Enterprise (unaudited)	10,109,546	10,110	429,789	
Conversion of debt to equity - Bristol Investments (unaudited)	11,121,847	11,122	512,218	
Conversion of debt to equity - Greenwich Growth (unaudited)	3,849,278	3,849	97,762	
Conversion of debt to equity - O1144 Limited (unaudited)	1,935,766	1,936	48,859	
Issuance of warrants in connection with debt financing (unaudited)	-	-	197,471	
Beneficial conversion feature embedded in debt securities (unaudited)	-	-	832,403	
Net loss for the nine months September 30, 2003 (unaudited)	-	-	-	(4
Balance at September 30, 2003 (unaudited)	94,832,168	$ 94,832	$ 31,229,519	$ (31

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)

	Nine months ended September 30, 2003	Nine months ended September 30, 2002	F Ja Se
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Net loss	$ (4,556,565)	$ (5,265,915)	
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Depreciation and amortization	511,071	637,600	
Loss on disposal of assets	--	114	
Amortization of discount on note payable	1,809,301	1,869,858	
Options issued in exchange for services	12,543	107,276	
Warrants issued in exchange for services	--	--	
CHANGES IN OPERATING ASSETS AND LIABILITIES:			
(INCREASE) DECREASE IN ASSETS:			
Accounts receivable, trade	(20,112)	--	
Licensing revenue receivable	--	219	
Advertising revenue receivable	--	--	
Inventory	--	30,067	
Prepaid mailing lists	--	--	
Prepaid expenses	13,479	(27,438)	
Deposits	9,975	(1,008)	
INCREASE (DECREASE) IN LIABILITIES:			
Accounts payable and accrued expenses	324,804	(90,363)	
Security deposits	12,522	--	
Deferred revenue	--		
Total adjustments	2,673,583	2,526,325	
Net cash used for operating activities	(1,882,982)	(2,739,590)	

(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)

	Nine months ended September 30, 2003	Nine months ende September 30, 200
CASH FLOWS USED FOR INVESTING ACTIVITIES:		
Purchase of property and equipment	(12,977)	847
Software licensing	--	(6,013)
Software development costs	(70,481)	(3,680)
Trademarks	(262)	(3,585)
Patents	(35,312)	(12,150)
Loan fees	--	--
Net cash used for investing activities	(119,032)	(24,581)
CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES:		
Proceeds from issuance of common stock, net	--	727,233
Retirement of common stock, net	--	--
Proceeds from loans payable, officer-stockholder	--	--
Proceeds from notes and loans payable	100,000	--
Proceeds from convertible note payable	1,312,750	1,903,000
Net cash provided by financing activities	1,412,750	2,630,233
NET INCREASE (DECREASE) IN CASH	(589,264)	(133,938)
CASH AND CASH EQUIVALENTS, beginning of period	745,155	735,489
CASH AND CASH EQUIVALENTS, end of period	$ 155,891	$ 601,551
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	$ 31,510	$
Income taxes paid	$ 800	$ 800
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:		
Options issued in exchange for services	$ 12,543	$ 107,276

Shares Issued for re-pricing of conversion rate	$ --	$ 175,000
Common shares and warrants issued for settlement	$ --	$ --
Warrants issued in connection with financing	$ 197,471	$ 451,716
Beneficial conversion feature of convertible debt	$ 832,403	$ 1,317,016
Common stock issued in exchange for debt	$ 2,341,990	$ 1,860,062

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 SEPTEMBER 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 $4,556,565 during the nine months ended September 30, 2003 and had an accumulated deficit of $31,083,601. The Company had a working capital deficit of $498,487 at September 30, 2003. Cash flows used for operations amounted to $1,882,982 for the nine months ended September 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 SEPTEMBER 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	2.7 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 pro forma information is as follows:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

THREE MONTHS ENDED SEPTEMBER 30, 2003

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

INCENTIVE AND STOCK NONQUALIFIED OPTION PLAN, CONTINUED:

	September 30, 2003	September 30, 2002
Net loss, as reported	$(4,556,565)	$(5,265,915)
Stock compensation calculated under SFAS 123	$ (360,000)	$ (408,000)
Pro forma net loss	$(4,916,565)	$(5,673,915)
Basic and diluted historical loss per share	$ (0.08)	$ (0.18)
Pro forma basic and diluted loss per share	$ (0.09)	$ (0.19)

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 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 adoption of this new pronouncement did not have a material impact to the financial statements of the Company.

(3) CONVERTIBLE NOTES PAYABLE:

Issuance of Debt

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.

(3) CONVERTIBLE NOTES PAYABLE, CONTINUED:

Issuance of Debt, continued

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 amounted to approximately $450,000, net of debt issue cash cost of $50,000. Pursuant to this offering, the Company received $300,000 in the second quarter and received the remaining $200,000 by August 20, 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 is being amortized over the life of the debt using the interest method.

On September 17, 2003, the Company entered into a securities purchase agreement with three accredited investors, Alpha Capital Aktiengesellschaft, Bristol Investment Fund Limited and Ellis Enterprises Ltd for the issuance of 6% convertible debentures in the aggregate amount of $750,000. The notes bear interest at 6% (effective interest rate of 80% on the aggregate amount), mature on September 17, 2004, and are convertible into the Company's common stock, at the holders' option, at the lower of (i) $0.0474 or (ii) 78% of the average of the three 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 September 17, 2004 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 9,493,672 warrants to the investors. The warrants are exercisable until September 17, 2010 at a purchase price of $.0474 per share. Net proceeds will amount to approximately $690,000, net of debt issue cash cost of $60,000. Pursuant to this offering, the Company has already received $335,000 and anticipates receiving the remaining $355,000 by November 18, 2003. The relative value (limited to the face amount of the debt) of all the warrants of $327,000 using Black Scholes option pricing model and the beneficial conversion feature of approximately $423,000 will be amortized over the life of the debt using the interest method. As of September 30, 2003, the Company has only recorded the relative value (limited to the face amount of the incurred debt) of the warrants of $164,000 using Black Scholes option pricing model and the beneficial conversion feature of $171,000. Upon conversion of the debt mentioned above, any unamortized debt issue costs will be charged to expense.

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

Alpha Capital Aktiengesellschaft converted approximately $609,000 of principal and accrued interest at an average conversion price of $0.031 into 19,764,319 common shares.

Bristol Investment Fund, Limited converted approximately $251,000 of principal and accrued interest at an average conversion price of $0.034 into 7,394,675 common shares.

Ellis Enterprise Limited converted approximately $228,000 of principal and accrued interest at an average conversion price of $0.032 into 7,054,254 common shares.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

THREE MONTHS ENDED SEPTEMBER 30, 2003

(3) CONVERTIBLE NOTES PAYABLE, CONTINUED:

Issuance of Debt, Continued

Greenwich Growth Fund Limited converted approximately $101,500 of principal and accrued interest at an average conversion price of $0.026 into 3,849,278 common shares.

O1144 Limited converted approximately $51,000 of principal and accrued interest at an average conversion price of $0.026 into 1,935,766 common shares.

A summary of convertible notes payable at stated interest rate of 4% and 6% are as follows:

	Due Date	Principal Amount	Unamorti Discou
Alpha Capital Aktiengesellschaft	August 20, 2005	$ 50,000	$ (11
Alpha Capital Aktiengesellschaft	September 17, 2004	150,000	(144
Ellis Enterprise Limited	September 17, 2004	50,000	(48
Bristol Investments Fund, Limited	September 17, 2004	150,000	(144
		$ 400,000	$ (348

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

THREE MONTHS ENDED SEPTEMBER 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 September 30, 2003:

Year ending December 31,	
2003	$ 76,153
2004	313,291
2005	266,053
	655,497
Less sublease income	70,000
	$ 585,497

Rent expense, net of sublease income of $63,900 amounted to $63,911 and $54,000 for the quarters ended September 30, 2003 and 2002, respectively.

Legal Matters

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:

During October and November 2003, Bristol Investments, Ellis Enterprise, and Alpha Capital Converted approximately $210,000 of principal and accrued interest at an average conversion price of $0.031 into approximately 6,787,000 common shares.

On October 10, 2003 at the annual meeting, the shareholders of the Company approved the increase in the total number of authorized shares from 100,000,000 common shares to 250,000,000 common shares.

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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 Warner Brothers and Disney 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 Interactive Multimedia 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 feel we are strongly positioned across these markets with our patented voice technology.

In the Telecom sector, as stated in the October 9, 2003 press release, we are moving forward with Nextel de Mexico on a subscriber launch. The launch date has not yet been determined and is conditioned on Nextel de Mexico's internal review. Nextel de Mexico is the regional operator of Nextel International, whose other regions include Argentina, Brazil, Chile and Peru. This agreement covers deployment only in Mexico and will be followed by a formal contract outlining complete service level commitments, support, infrastructure, costs, etc. We are currently negotiating an agreement with Radiomovil Dipsa, S.A. De C.V. ("Telcel"), the largest wireless carrier in Mexico, to perform a free three-month market trial of our MobileVoice solution. This free three-month market trial is scheduled to begin in Q1' 2004 after which time Telcel will have the option to purchase the MobileVoice solution. We are in discussions regarding our MobileVoice solution with two additional carriers in Mexico along with four carriers domestically but these discussions are in the preliminary stages and no commitments have been made. Regarding T-Mobile Austria, in August we upgraded their MobileVoice system from English to German. We are in discussions with T-Mobile Austria's product team regarding their decision on launching the service to their subscribers. There is no timeframe yet regarding when a decision will be made from T-Mobile Austria. We are in discussions with one other carrier in Austria regarding our MobileVoice solution and their interest in launching this service to their subscribers but these discussions are in the preliminary stages and no commitments have been made.

In the Enterprise sector, Procter & Gamble ("P&G"), the Fortune 50 Company that has been evaluating our MobileVoice system, has previously expressed interest in purchasing our MobileVoice system but this decision has been significantly delayed due to the fact that P&G has recently outsourced the majority of its IT infrastructure to Hewlett Packard ("HP"). This transition has caused major delays in approval of our MobileVoice solution, which it is our understanding requires approval now from both P&G and HP. We anticipate a decision in Q1' 2004.

In the PC sector we are actively working with four major PC manufacturers regarding our Windows XP Media Center Edition software. We have initial project approval from one of these four PC manufacturers but we have several more approval levels before they commit to bundling our software on their PC's. We anticipate this full approval process to be completed in Q1' 2004.

In October 2003, we announced that we had signed a deal with the Walt Disney Internet Group (http://www.dig.com) to provide speech recognition technology to be incorporated in one of their upcoming educational software titles.

In October 2003, we held our Annual Shareholders' Meeting. The meeting was well attended by shareholders, company officers and directors. Agenda items included a proxy report, a review of 2003 results, plans for 2004 and concluded with demonstrations of the MobileVoice system in English, Spanish and German along with a demonstration of the new One Voice Media Center Edition PC based software.

The shareholders ratified all matters presented in the proxy. This includes approval of the fourth amended and restated stock option plan, approval to amend the Company's Certificate of Incorporation to increase the authorized number of shares of common stock and approval of the Board of Directors for 2003. The independent auditors, Stonefield Josephson, Inc., were also ratified as the company's auditor for the fiscal year ending December 31, 2003.

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RESULTS OF OPERATIONS

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

SELECTED STATEMENT OF OPERATIONS INFORMATION

	Three Months Ended September 30, 2003	Three Months Ended September 30, 2002
Net Revenues	$ 50,000	$ 30,000
Operating expenses	$ 1,699,466	$ 1,521,718
Net loss	$ (1,655,466)	$(1,491,898)

DISCUSSION OF THE THREE MONTHS ENDED SEPTEMBER 30, 2003 COMPARED WITH THE THREE MONTHS ENDED SEPTEMBER 30, 2002.

Net revenue totaled $50,000 for the three months ended September 30, 2003. Net revenues of $30,000 were earned for the three months ended September 30, 2002. Revenue during the three months ended September 30, 2003 resulted from the sale of our product and work performed for a studio.

Operating expenses increased to $1,699,466 for the three months ended September 30, 2003 from $1,521,718 for the same period in 2002. The increase in operating expenses over the same quarter in 2002 was a direct result of a decrease of all major expense categories and an increase in interest expense for the period as compared to the year prior. Salary and wage expense was $268,225 for the three months ended September 30, 2003 as compared to $355,606 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 $52,579 for the three months ended September 30, 2003 from $60,208 for the same period in 2002. Depreciation and amortization expenses decreased to $159,983 for the three months ended September 30, 2003 from $213,082 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 increased to $874,394 in 2003, as compared to $478,335 in 2002.

We had a net loss of $1,655,466 or basic and diluted net loss per share of $0.02 for the three months ended September 30, 2003 compared to $1,491,898 or basic and diluted net loss per share of $0.05 for the same period in 2002.

SELECTED STATEMENT OF OPERATIONS INFORMATION

	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002
Net Revenue	$ 50,000	$ 314,931
Operating expenses	$ 4,600,565	$ 5,550,482
Net loss	$(4,556,565)	$(5,265,915)

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Net revenue totaled $50,000 for the nine months ended September 30, 2003. Net revenue of $314,931 was earned for the nine months ended September 30, 2002. The recognition of revenues in the first nine months of 2002 resulted primarily from product licensing and work performed for Warner Home Video.

Operating expenses decreased to $4,600,565 for the nine months ended September 30, 2003 from $5,550,482 for the same period in 2002. The net decrease in operating expenses over the same quarter in 2002 was a result in part due to concerted effor to reduce operating expenses, the decreased non-cash interest expense associated with debt financings and other expense categories, which decreased for the period as compared to the year prior. Non-cash interest expense decreased to $1,809,301 for the nine months ended September 30, 2003, as compared to $1,869,858 for the same period in 2002. Salary and wage expense decreased to $927,847 for the nine months ended September 30, 2003 as compared to $1,110,075 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 nine months ended September 30, 2003 as compared to $14,290 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 $198,217 for the nine months ended September 30, 2003 from $365,122 for the same period in 2002. Depreciation and amortization expenses decreased to $511,071 for the nine months ended September 30, 2003 from $637,600 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 and consultant fees.

We had a net loss of $4,556,565 or basic and diluted net loss per share of $0.08 for the nine months ended September 30, 2003 compared to $5,265,915 or basic and diluted net loss per share of $0.18 for the same period in 2002.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2003, we had negative working capital of $498,487 as compared with $179,255 at September 30, 2002.

Net cash used for operating activities was $554,721 for the quarter ended September 30, 2003 compared to $740,658 for the quarter ended September 30, 2002. During the nine months ended September 30, 2003, net cash used for operating activities was $1,882,982 compared to $2,739,590 for the nine months ended September 30, 2002. From inception on January 1, 1999 to September 30, 2003, net cash used for operating activities was $20,859,817.

Net cash used for investing activities was $18,426 for the quarter ended September 30, 2003 compared to $8,427 for the quarter ended September 30, 2002. During the nine months ended September 30, 2003, net cash used for investing activities was $119,032 compared to $24,581 for the nine months ended September

30, 2002. From inception on January 1, 1999 to September 30, 2003, net cash used for investing activities was $4,756,190.

Net cash provided by financing activities was $616,000 for the quarter ended September 30, 2003 compared to $580,400 for the quarter ended September 30, 2002. During the nine months ended September 30, 2003, net cash provided by financing activities was $1,412,750 compared to $2,630,233 for the nine months ended September 30, 2002. From inception on January 1, 1999 to September 30, 2003 net cash provided by financing activities was $25,771,898.

We incurred a net loss of $1,655,466 during the quarter ended September 30, 2003, and had an accumulated deficit of $31,083,601. Our losses through September 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 December 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 September 30, 2003 were due to minimal revenue and our operating expenses, with the majority of expenses in the areas of: salaries, legal fees, licensing fees, as well as amortization expense relating to software development and debt issue costs.

ITEM 3. CONTROLS AND PROCEDURES

As of September 30, 2003, 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 September 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 September 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 June 30, 2003 to November 12, 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 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 amounted to approximately $450,000, net of debt issue cash cost of $50,000. Pursuant to this offering, the Company received $300,000 in the second quarter and received the remaining $200,000 by August 20, 2003.

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On September 17, 2003, the Company entered into a securities purchase agreement with three accredited investors, Alpha Capital Aktiengesellschaft, Bristol Investment Fund Limited and Ellis Enterprises Ltd for the issuance of 6% convertible debentures in the aggregate amount of $750,000. The notes bear interest at 6% (effective interest rate of 80% on the aggregate amount), mature on September 17, 2004, and are convertible into the Company's common stock, at the holders' option, at the lower of (i) $0.0474 or (ii) 78% of the average of the three 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 September 17, 2004 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 9,493,672 warrants to the investors. The warrants are exercisable until September 17, 2010 at a purchase price of $.0474 per share. Net proceeds will amount to approximately $690,000, net of debt issue cash cost of $60,000. Pursuant to this offering, the Company has already received $335,000 and received the remaining $355,000 on November 12, 2003.

OPTION GRANTS

There was no option grants during the third quarter.

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 and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer and 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 September 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: NOVEMBER 14, 2003 BY: /S/ DEAN WEBER

DEAN WEBER, CHAIRMAN, CHIEF EXECUTIVE OFFICER
AND ACTING CHIEF FINANCIAL OFFICER