

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-QSB

(Mark One)

Quarterly report pursuant to Sections 13 or 15(d) of the Securities
Exchange Act of 1934

For the quarterly period ended March 31, 2006

Transition report pursuant to Sections 13 or 15(d) of the Securities
Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number: 0-24431

InkSure Technologies Inc.
(Exact Name of Small Business Issuer as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

84-1417774
(I.R.S. Employer
Identification No.)

1770 N.W. 64th Street Fort Lauderdale, FL 33309
(Address of Principal Executive Offices, Including Zip Code)

(954) 772-8507
(Issuer's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year,
if Changed Since Last Report)

Check whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 ninety days. Yes No

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes
No

The number of shares outstanding of our Common Stock, \$0.01 par value per share, as of May 11, 2006, was 15,252,051 shares.

Transitional Small Business Disclosure Format. Yes No

InkSure Technologies Inc.
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**INKSURE
TECHNOLOGIES INC.
AND ITS SUBSIDIARIES**

Part I. Financial Information

CONSOLIDATED BALANCE SHEET

U.S. dollars in thousands

	<u>March 31, 2006</u> <u>Unaudited</u>
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 416
Short-term deposit	3,905
Trade receivables	420
Other accounts receivable and prepaid expenses	182
Inventories	<u>665</u>
<u>Total current assets</u>	5,588
PROPERTY AND EQUIPMENT, NET	363
DEFERRED CHARGES	636
GOODWILL	<u>271</u>
<u>Total assets</u>	<u>\$ 6,858</u>

The accompanying notes are an integral part of the consolidated financial statements.

**INKSURE
TECHNOLOGIES INC.
AND ITS SUBSIDIARIES**

CONSOLIDATED BALANCE SHEET

U.S. dollars in thousands (except share data)

	<u>March 31, 2006</u> <u>Unaudited</u>
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Trade payables	\$ 395
Employees and payroll accruals	115
Deferred income	206
Accrued expenses and other payables	<u>191</u>
<u>Total</u> current liabilities	907
ACCRUED SEVERANCE PAY	18
Convertible notes, net	5,291
Warrants to purchase Convertible notes	<u>484</u>
Total amount related to Convertible notes	5,775
STOCKHOLDERS' EQUITY:	
Stock capital :	
Preferred stock of \$ 0.01 par value – Authorized: 10,000,000 shares; Issued and outstanding: 0 shares as of 03/31/2006	
Common stock of \$ 0.01 par value - Authorized: 35,000,000; Issued and outstanding: 15,234,854 as of 03/31/2006	152
Additional paid-in capital	12,480
Accumulated other comprehensive income	118
Accumulated deficit	<u>(12,592)</u>
<u>Total</u> stockholders' equity	<u>158</u>
<u>Total</u> liabilities and stockholders' equity	<u>\$ 6,858</u>

The accompanying notes are an integral part of the consolidated financial statements.

**INKSURE
TECHNOLOGIES INC.
AND ITS SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF OPERATIONS

U.S. dollars in thousands (except share and per share data)

	Three months ended	
	March 31,	
	2006	2005
	Unaudited	
Revenues	\$ 538	\$ 494
Cost of revenues	197	302
Gross profit	341	192
Operating expenses:		
Research and development	231	182
Selling and marketing	516	350
General and administrative	371	125
<u>Total operating expenses</u>	<u>1,118</u>	<u>657</u>
Operating loss	(777)	(465)
Financial income	6	11
Non cash financial income related to convertible notes, net	166	-
Financial income (expenses), net	172	11
Net loss	<u>\$ (605)</u>	<u>\$ (454)</u>
Basic and diluted net loss per share	<u>\$ (0.04)</u>	<u>\$ (0.03)</u>
Weighted average number of Common Stock used in computing basic and diluted net loss per share	<u>15,071,152</u>	<u>15,011,579</u>

The accompanying notes are an integral part of the consolidated financial statements.

**INKSURE TECHNOLOGIES INC.
AND ITS SUBSIDIARIES**

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

U.S. dollars in thousands

	<u>Share capital</u>	<u>Additional paid-in capital</u>	<u>Deferred Stock-based compensation</u>	<u>Accumulated other comprehensive income</u>	<u>Accumulated deficit</u>	<u>Total stockholders' equity</u>
Balance as of January 1, 2004	\$ 119	\$ 9,683	-	\$ 118	\$ (7,713)	\$ 2,207
Issuance of Common stock and warrants, net	31	2,348	-	-	-	2,379
Net loss	-	-	-	-	(2,061)	(2,061)
Balance as of December 31, 2004	150	12,031	-	118	(9,774)	2,525
Grant of warrant		58	(58)			-
Amortization of deferred stock-based compensation			46			46
Conversion of 368,429 warrants into 223,278 ordinary shares	2	71		-	-	73
Net loss	-	-	-	-	(2,213)	(2,213)
Balance as of December 31, 2005	152	12,160	(12)	118	(11,987)	431
Stock based compensation	-	320	-	-	-	320
Amortization of deferred stock-based compensation	-	-	12	-	-	12
Net loss	-	-	-	-	(605)	(605)
Balance as of March 31, 2006	<u>\$ 152</u>	<u>\$ 12,480</u>	<u>-</u>	<u>\$ 118</u>	<u>\$ (12,592)</u>	<u>\$ 158</u>

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Three months ended	
	March 31,	
	2006	2005
	Unaudited	
<u>Cash flows from operating activities:</u>		
Net loss	\$ (605)	\$ (454)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	354	25
Accrued severance pay, net	1	-
Decrease (increase) in trade receivables	(60)	45
Non cash financial expenses related to convertible notes, net	202	-
Increase in other accounts receivable and prepaid expenses	(27)	(49)
Decrease (increase) in inventories	(70)	84
Increase (decrease) in trade payables	(99)	23
Increase (decrease) in employees and payroll accruals	10	(1)
Increase (decrease) in other payables	(22)	24
	<u>(316)</u>	<u>(303)</u>
Net cash used in operating activities		
<u>Cash flows from investing activities:</u>		
Purchase of property and equipment	(48)	(4)
Proceeds from short-term bank deposits	452	-
	<u>404</u>	<u>(4)</u>
Net cash provided by (used in) investing activities		
<u>Cash flows from financing activities:</u>		
Receipts on account of stock	-	-
	<u>-</u>	<u>-</u>
Net cash provided by (used in) financing activities		
Decrease in cash and cash equivalents	(316)	(307)
Cash and cash equivalents at the beginning of the period	732	1,648
	<u>732</u>	<u>1,648</u>
Cash and cash equivalents at the end of the period	<u>\$ 416</u>	<u>\$ 1,341</u>

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1:- BASIS OF PRESENTATION

The accompanying condensed unaudited interim consolidated financial statements have been prepared by INKSURE TECHNOLOGIES INC. (the "Company") in accordance with accounting principles generally accepted in the United States of America for interim financial information and the instructions to Form 10-QSB and Article 10 of Regulation S-X. These financial statements reflect all adjustments, consisting of normal recurring adjustments and accruals, which are, in the opinion of management, necessary for a fair presentation of the financial position of the Company as of March 31, 2006 and the results of operations and cash flows for the interim periods indicated in conformity with generally accepted accounting principles applicable to interim periods. Accordingly, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These financial statements should be read in conjunction with the audited financial statements and notes thereto of the Company for the year ended December 31, 2005 that are included in the Company's Form 10-KSB filed with the Securities and Exchange Commission on March 30, 2006 (the "2005 10-KSB"). The results of operations presented are not necessarily indicative of the results to be expected for future quarters or for the year ending December 31, 2006.

NOTE 2:- STOCK-BASED COMPENSATION

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment." SFAS No. 123(R) which requires the Company to measure all employee stock-based compensation awards using a fair value method and record such expense in its consolidated financial statements. In March 2005, the SEC issued Staff Accounting Bulletin (SAB) 107, which provides the Staff's views regarding interactions between SFAS No. 123(R) and certain SEC rules and regulations and provides interpretations of the valuation of share-based payments for public companies. The adoption of SFAS No. 123(R) requires additional accounting related to the income tax effects and additional disclosure regarding the cash flow effects resulting from share-based payment arrangements. The adoption of SFAS No. 123(R) in the fiscal quarter ended March 31, 2006, had a material impact on the Company's consolidated results of operations, financial position and statement of cash flows.

Inksure adopted the provisions of SFAS No. 123(R), "Share-Based Payment". SFAS No. 123(R) establishes accounting for stock-based awards exchanged for employee services. Accordingly, stock-based compensation cost is measured at grant date, based on the fair value of the award, and is recognized as expense over the employee requisite service period. The Company previously applied Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations and provided the required pro forma disclosures of SFAS No. 123, "Accounting for Stock-Based Compensation".

Prior to the adoption of SFAS No. 123(R)

Prior to the adoption of SFAS No. 123(R), the Company provided the disclosures required under SFAS No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosures."

The pro-forma information for the three months ended March 31, 2005 was as follows:

**INKSURE
TECHNOLOGIES INC.
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	Three months ended March 31, 2005
	Unaudited
Net loss, as reported	\$ (454)
Deduct: Total stock-based compensation expense determined under fair value method for all awards	(76)
Pro forma net loss	\$ (530)
Basic and diluted net loss per share, as reported	\$(0.03)
Basic and diluted net loss per share, pro forma	\$ (0.04)

Item 2. Management's Discussion and Analysis or Plan of Operation

In this section, "Management's Discussion and Analysis or Plan of Operation," references to "we," "us," "our," and "ours" refer to InkSure Technologies, Inc. and its consolidated subsidiaries.

This Quarterly Report on Form 10-QSB contains statements that may constitute "forward-looking statements" within the meaning, and made pursuant to the Safe Harbor provisions, of the Private Securities Litigation Reform Act of 1995. Such statements are based on management's current expectations and are subject to a number of risks and uncertainties, including, but not limited to, the difficulty inherent in operating an early-stage company in a new and rapidly evolving market, market and economic conditions, the impact of competitive products, product demand and market acceptance risks, changes in product mix, costs and availability of raw materials, fluctuations in operating results, delays in development of highly complex products, risk of customer contract or sales order cancellations and other risks detailed from time to time in our filings with the Securities and Exchange Commission. These risks and uncertainties could cause our actual results to differ materially from those described in the forward-looking statements. Any forward-looking statement represents our expectations or forecasts only as of the date it was made and should not be relied upon as representing its expectations or forecasts as of any subsequent date. Except as required by law, we undertake no obligation to correct or update any forward-looking statement, whether as a result of new information, future events or otherwise, even if our expectations or forecasts change.

The following discussion and analysis should be read in conjunction with the financial statements, related notes and other information included in this Quarterly Report on Form 10-QSB.

Overview

We specialize in comprehensive security solutions, designed to protect branded products and documents of value from counterfeiting, fraud, and diversion. By creating "Smart Protection" systems from proprietary machine-readable authentication technologies, we help companies and organizations worldwide regain control over their most valuable assets, their products, their reputation and their revenues. We employ a team of experts in the fields of material science, electro-optics and software. We utilize cross-disciplinary technological innovations to implement customized and cost efficient security systems for data and asset integrity within the customer' existing infrastructure and environment.

Our SmartInk™ solutions enable authentication and tracking of documents and products by adding special chemical markers to standard inks and coatings. The combination of markers, inks and materials produce electro-optic "signatures", unique codes that are seamlessly incorporated into the printed media used by the customer. Proprietary computerized readers, available in hand-held, stationary and modular kit configurations, quickly verify these codes by manual or automatic operation. By focusing on customer driven solutions, we are able to offer added value through enhanced reader functionality, including high-speed automatic sorting, one-to-many code matching, first and second level track and trace, code activation at the point of distribution and detrimental authentication for debit applications. The inherent flexibility of our technology also enables overlaying the machine-readable codes onto holograms and other overt features, resulting in multi-layered security that is both effective and economical.

Factors Affecting Future Results

Industry and Economic Factors: Our operations and earnings are affected by local, regional and global events or conditions that affect supply and demand for products and services. These events or conditions are generally not predictable and include, among other things, general economic growth rates

and the occurrence of economic recessions; the development of new supply sources; supply disruptions; technological advances, including advances in security technology and advances in technology relating to security usage; changes in demographics, including population growth rates and consumer preferences; and the competitiveness of alternative security sources or product substitutes. Currently, the economy in general is suffering. As a result, raising capital has become extremely difficult, and there is pressure on the pricing of our products and services.

Competitive Factors: The brand and document protection industry is competitive. There is competition with the traditional document protection suppliers (mainly protection for bank notes) and also with other emergent "next generation" technology providers. We compete with other firms in the sale and purchase of various products and services in many national and international markets and employ all methods of competition, which are lawful and appropriate for such purposes. We believe that a key component of our competitive position is our technology.

Political Factors: Our operations and earnings have been, and may in the future be, affected from time to time in varying degree by political instability and by other political developments and laws and regulations, such as forced divestiture of assets; restrictions on production; imports and exports; war or other international conflicts; civil unrest and local security concerns that threaten the safe operation of our facilities, particularly those that are located in Israel; price controls; expropriation of property; and the cancellation of contract rights. Both the likelihood of such occurrences and their overall effect upon us vary greatly from country to country and are not predictable.

Project Factors: In addition to the factors cited above, the advancement, cost and results of particular projects depend on the outcome of negotiations with potential partners, governments, suppliers, customers or other third parties; changes in operating conditions or costs; and the occurrence of unforeseen technical difficulties.

Revenues

We are currently concentrating on entering and implementing large-scale projects. These potential contracts are subject to a long sales cycle and the timetable is lengthy for entering and implementing such projects. These projects involve high volume sales through multiple-year sales contracts. We have completed several successful field trials during the last year related to these projects. Our revenues in the first quarter of 2006 consisted of revenues from (i) our sales agreements for brand protection with two North American customers; and (ii) ink and readers sales related to projects in Turkey (iii) initial sales to new customers.. In the first quarter of 2006 approximately 86% of our revenues were earned from customers located in the United States

Costs and Operating Expenses

Costs and operating expenses consist of cost of revenues, research and development expenses, selling and marketing expenses, general and administrative expense and depreciation.

Our cost of revenues consists primarily of materials including taggants and electronic and optical parts, payments to sub-contractors and compensation costs for our operations staff.

Our research and development expenses consist primarily of costs associated with development of new generic products. These expenses may fluctuate as a percentage of revenue depending on the projects undertaken during the reporting period. Since our inception, we have expensed all research and development costs in each of the periods in which they were incurred.

Our selling and marketing expenses consist primarily of costs associated with our direct sales force that have been incurred to attract potential business customers, professional advisors and commissions. We anticipate that as we add new customers we will be able to spread these costs over a larger revenue base and accordingly improve our operating margins.

Our general and administrative expenses consist primarily of costs related to compensation and employees benefits of our management (including the costs of directors' and officers' insurance), legal and accounting fees, as well as the expenses associated with being a publicly traded company.

We have not recorded any income tax benefit for net losses and credits incurred for any period from inception to March 31, 2006. The utilization of these losses and credits depends on our ability to generate taxable income in the future. Because of the uncertainty of our generating taxable income, we have recorded a full valuation allowance with respect to these deferred assets.

Critical Accounting Policies

Our financial statements are prepared in accordance with US GAAP. The significant accounting policies followed in the preparation of the financial statements, applied on a consistent basis and which have been prepared in accordance with the historical cost convention, are set forth in Note 2 to the Consolidated Financial Statements as of December 31, 2005.

Of these significant accounting policies, certain policies may be considered critical because they are most important to the portrayal of our financial condition and results, and they require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue recognition. Revenues from product sales are recognized in accordance with Staff Accounting Bulletin No. 104, "Revenue Recognition in Financial Statements", or SAB No. 104, when delivery has occurred, persuasive evidence of an agreement exists, the vendor's fee is fixed or determinable, no further obligation exists and collectability is probable. Delivery is considered to have occurred upon shipment of products. When a right of return exists, we defer revenues until the right of return expires. We do not grant a right of return to our customers.

Revenues from certain arrangements may include multiple elements within a single contract. Our accounting policy complies with the provisions of Emerging Issues Task Force Issue 00-21, "Revenue Arrangements with Multiple Deliverables" ("EITF 00-21"), relating to the separation of multiple deliverables into individual accounting units with determinable fair value.

In cases where we have partial delivery at the cut off dates and no fair value exist for the undelivered elements revenues are being deferred and recognized only at the point where the entire arrangement has been delivered.

Inventories. Inventories are stated at the lower of cost or net realizable value. Cost is determined by calculating raw materials using the "first in, first out" method, work in process and finished products on the basis of direct manufacturing costs with the addition of allocable indirect manufacturing costs.

Other accrued expenses. We also maintain other accrued expenses. These accruals are based on a variety of factors including past experience and various actuarial assumptions and, in many cases, require estimates of events not yet reported to us. If future experience differs from these estimates, operating results in future periods would be impacted.

Three Months Ended March 31, 2006 Compared with Three Months Ended March 31, 2005

Revenues. Revenues consist of gross sales of our products. We are currently concentrating on entering and implementing large-scale projects. These potential contracts are subject to a long sales cycle and fluctuated timetable for entering and implementing such projects. In the three months ended March 31, 2006, we had revenue of \$538,000, compared to \$494,000 in the three months ended March 31, 2005, primarily due to the increase of demand from our customers located in the United States. Revenues increased by \$44,000, or 8.9%, in the three months ended March 31, 2006 compared to the three months ended March 31, 2005.

Cost of Revenue. Our cost of revenue consists of materials, sub-contractors and compensation costs. Cost of revenues decreased by \$105,000, or 34.8%, to \$197,000 in the three months ended March 31, 2006 from \$302,000 in the three months ended March 31, 2005. The decrease in cost of revenues is mainly due to the decrease of cost as a percentage of revenues. Cost of revenues as a percentage of sales was 36.6% in the three months ended March 31, 2006, compared with 61% in the three months ended March 31, 2005. This decrease is due to the fact that we sold more ink and less readers during the last quarter, and such ink have a lower cost of sales compared to the cost of sales of our readers.

Cost of revenue included a non cash expenses of \$1,000 related to the implementation of SFAS No. 123(R).

Research and Development Expenses. Research and development expenses consist primarily of compensation costs attributable to employees engaged in ongoing research and development activities, development-related raw materials and sub-contractors, and other related costs. Research and development expenses increased by \$49,000, or 26.9%, to \$231,000 in the three months ended March 31, 2006 from \$182,000 in the three months ended March 31, 2005. This increase in research and development expenses is primarily related to a non cash expenses of \$33,000 as a result of the implementation of SFAS No. 123(R) and higher research and development expenses related to our RFID project.

Selling and Marketing Expenses. Selling and marketing expenses consist primarily of costs relating to compensation attributable to employees engaged in sales and marketing activities, promotion, advertising, trade shows and exhibitions, sales support, travel, commissions and related expenses. Selling and marketing expenses increased by \$166,000, or 47.4%, to \$516,000 in the three months ended March 31, 2006 from \$350,000 in the three months ended March 31, 2005. This increase in selling and marketing expenses was primarily due to a non cash expenses of \$79,000 as a result of the implementation of SFAS No. 123(R) and higher sales and marketing expenses related to the expansion of our marketing team in the US.

General and Administrative Expenses. General and administrative expenses consist primarily of compensation costs for administration, finance and general management personnel, insurance, legal, accounting and administrative costs. General and administrative expenses increased by \$246,000, or 196.8% to \$371,000 in the three months ended March 31, 2006 from \$125,000 in the three months ended March 31, 2005. The increase was primarily related to a non cash expenses of \$207,000 as a result of the implementation of SFAS No.123(R) and higher legal expenses.

Financial Income, Net. Financial income, net increased by \$161,000, or 1463.6% to \$172,000 in the three months ended March 31, 2006 from \$11,000 in the three months ended March 31, 2005. This increase is mainly due to non cash financial income related to the convertible note of \$166,000 and to changes in the exchange rate between the United States Dollar and the Israeli New Shekel.

Net loss. We had a net loss of \$605,000 in the three months ended March 31, 2006, compared with a net loss of \$454,000 in the three months ended March 31, 2005. The increase in net loss in the three months ended March 31, 2006 in comparison with the three months ended March 31, 2005 is attributable mainly to the a non cash expenses of \$320,000 as a result of the implementation of SFAS No. 123(R). Without it, our net loss would have been decreased by \$169,000 mainly because of higher financial income.

Liquidity And Capital Resources

We have incurred substantial losses since our inception in May 2000. We had an accumulated deficit of approximately \$12,592,000 at March 31, 2006, and had a working capital (current assets less current liabilities) of approximately \$4,681,000 at March 31, 2006.

Capital expenditures were approximately \$48,000 in the three months ended March 31, 2006 and \$4,000 in the three months ended March 31, 2005. We do not have any material commitments for capital expenditures for the year ending December 31, 2006.

At March 31, 2006, we had cash, cash equivalents and short-term deposits of approximately \$4,321,000, compared to \$1,341,000 in March 2005. The difference from March 31, 2006 to March 31, 2005 is due to the issuance of convertible note with net proceeds of \$5,304,000 as such amount is offset by our continuing investments in research and development and selling and marketing expenses

We generated negative cash flow from operating activities of approximately \$316,000 in the three months ended March 31, 2006 compared to \$303,000 in the three months ended March 31, 2005. This increase is attributable mainly to the increase in operating expenses described above.

We believe that cash generated from operations and cash from the 2005 private placement will provide sufficient cash resources to finance our operations and the projected expansion of our marketing and research and development activities for the next twenty-four months. However, if our operations do not generate cash to the extent currently anticipated, or we grow more rapidly than currently anticipated, it is possible that we would require more funds than presently anticipated.

Research And Development, Patents And Licenses

We believe that our future success will depend upon our ability to enhance our existing products and systems and introduce new commercially viable products and systems addressing the demands of the evolving markets for brand and document protection. As part of the product development process, we work closely with current and potential customers, distribution channels and leaders in certain industry segments to identify market needs and define appropriate product specifications. Our employees also participate in industry forums in order to stay informed about the latest industry developments.

Our research and development expenses were approximately \$231,000 in the three months ended March 31, 2006, compared to \$182,000 in the three months ended March 31, 2005. To date, all research and development expenses have been charged to operating expense as incurred.

We currently hold one pending patent in the United States and we have been issued two patents in Israel relating to our technology of marking documents for the purpose of authentication.

With respect to the RFID technology being developed by us, we have applied for four patents: we have been issued patents for our first application in each of the United States, France, Germany, Switzerland and the United Kingdom; we have been issued a patent in the United States for our second application and hold one pending patent before the European Patent Office; we have been issued a patent

in the United States for our third application and we hold one pending patent before the European Patent Office; and we have only recently made an application before the United States Patent and Trademark Office with respect to our fourth patent application.

Contractual Obligations And Commitments

Our contractual obligations and commitments at March 31, 2006 principally include obligations associated with our future-operating lease obligations and the lease of several automobiles. Our total future obligation is approximately \$140,000 until 2007. We expect to finance these contractual commitments from cash on hand and cash generated from operations.

Item 3. Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures.* Our principal executive officer and principal financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Quarterly Report on Form 10-QSB, have concluded that, based on such evaluation, our disclosure controls and procedures were adequate and effective to ensure that material information relating to us, including our consolidated subsidiaries, was made known to them by others within those entities, particularly during the period in which this Quarterly Report on Form 10-QSB was being prepared.

(b) *Changes in Internal Controls.* There were no changes in our internal control over financial reporting, identified in connection with the evaluation of such internal control that occurred during our last fiscal quarter, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

We are not currently subject to any material legal proceedings. However, we may from time to time become a party to legal proceedings arising in the ordinary course of our business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

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

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

(a) Exhibits.

The following exhibits are being filed with this Report:

<u>Exhibit Number</u>	<u>Description</u>
31.1*	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.
31.2*	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.
32.1*	Certification of Principal Executive and Financial Officers Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.

* Filed herewith

(b) Reports on Form 8-K.

During the three months ended March 31, 2006, we filed no current reports on Form 8-K.

SIGNATURES

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

InkSure Technologies Inc.

Dated: As of May 11, 2006

By: /s/ Elie Housman
Elie Housman
Chief Executive Officer
(Principal Executive Officer)

Dated: As of May 11, 2006

By: /s/ Eyal Bigon
Eyal Bigon
Chief Financial Officer,
Secretary, and Treasurer
(Principal Financial and Accounting Officer)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Elie Housman, certify that:

1. I have reviewed this quarterly report of InkSure Technologies, 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-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 is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
 - (c) Evaluated the effectiveness of the registrant's 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;
5. The registrant's other certifying officer(s) 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 the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control 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.

/s/ Elie Housman
Elie Housman
Chief Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Eyal Bigon, certify that:

1. I have reviewed this quarterly report of InkSure Technologies, 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-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 is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
 - (c) Evaluated the effectiveness of the registrant's 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;
5. The registrant's other certifying officer(s) 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 the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control 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.

Date: May 11, 2006

/s/ Eyal Bigon

Eyal Bigon

Chief Financial Officer, Secretary and Treasurer

CERTIFICATION
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(SUBSECTIONS (A) AND (B) OF SECTION 1350, CHAPTER 63 OF
TITLE 18, UNITED STATES CODE)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of InkSure Technologies Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Form 10-QSB for the quarter ended March 31, 2006 (the "Form 10-QSB") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-QSB fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 11, 2006

/s/ Elie Housman
Eli Housman, Chief Executive Officer

Dated: May 11, 2006

/s/ Eyal Bigon
Eyal Bigon, Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.