

U.S. 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 June 30, 2003

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.)

32 Broadway, Suite 1314, New York, NY 10004
(Address of Principal Executive Offices, Including Zip Code)

(212) 269-0370
(Issuer's Telephone Number, Including Area Code)

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

The number of shares outstanding of our Common Stock, \$0.01 par value per share, as of August 14, 2003, was 11,982,166 shares.

Transitional Small Business Disclosure Format (check one):

Yes No

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CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Six months ended		Three months ended	
	June 30,		June 30,	
	2003	2002	2003	2002
	(unaudited)		(unaudited)	
<u>Cash flows from operating activities:</u>				
Net income (loss)	\$ (1,708)	\$ 258	\$ (889)	\$ 38
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
Depreciation and amortization	77	70	38	36
Accrued severance pay, net	7	(8)	2	(4)
Decrease (in crease) in trade receivables	730	(120)	-	(248)
Increase in other accounts receivable and prepaid expenses	(143)	(44)	(60)	(43)
Decrease (in crease) in inventories	(20)	152	(20)	17
Increase (decrease) in trade payables	(132)	(119)	139	(2)
Increase (decrease) in employees and payroll accruals	85	(46)	60	27
Increase (decrease) in accrued expenses and other liabilities	(141)	(241)	(14)	12
Accumulated interest on short-term deposits	(40)	-	(20)	-
Net cash used in operating activities	<u>(1,285)</u>	<u>(98)</u>	<u>(764)</u>	<u>(167)</u>
<u>Cash flows from investing activities:</u>				
Purchase of property and equipment	(30)	(7)	(15)	(5)
Proceeds from short-term deposits	1,119	-	310	-
Net cash provided by (used in) investing activities	<u>1,089</u>	<u>(7)</u>	<u>295</u>	<u>(5)</u>
<u>Cash flows from financing activities:</u>				
Short-term bank credit, net	-	(20)	-	164
Proceeds from issuance of Common stock and warrants, net	-	81	-	-
Principal payment of long-term loans	-	(50)	-	-
Proceeds from issuance of Redeemable Preferred A shares	-	150	-	-
Net cash provided by financing activities	<u>-</u>	<u>161</u>	<u>-</u>	<u>164</u>
Increase (decrease) in cash and cash equivalents	(196)	56	(469)	(8)
Cash and cash equivalents at the beginning of the period	213	2	486	66
Cash and cash equivalents at the end of the period	<u>\$ 17</u>	<u>\$ 58</u>	<u>\$ 17</u>	<u>\$ 58</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

	Six months ended		Three months ended	
	June 30,		June 30,	
	2003	2002	2003	2002
	<u>(unaudited)</u>		<u>(unaudited)</u>	
<u>Non-cash transactions:</u>				
In respect of transaction between the Company and Supercom Ltd.	\$ -	\$ 1,480	\$ -	\$ -
Conversion of Common stock into Redeemable Preferred A shares	\$ -	\$ 1,000	\$ -	\$ -
<u>Supplemental disclosure of cash flows information:</u>				
Cash paid during the period for:				
Interest	\$ -	\$ 21	\$ -	\$ 13

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

NOTE 1:- GENERAL

Ink Sure Technologies Inc. and its subsidiaries (formerly: Lil Marc. Inc.) ("the Company") was incorporated under the laws of the state of Nevada on April 22, 1997. Subsequent to the balance sheet date, Ink Sure Technologies Inc. effected a reincorporation from Nevada to Delaware through a merger with its wholly owned subsidiary, Ink Sure Technologies (Delaware) Inc., which was incorporated as of June 30, 2003. The surviving corporation in the merger was Ink Sure Technologies (Delaware) Inc., which thereafter renamed itself Ink Sure Technologies Inc. The Company specializes in comprehensive security solutions, designed to protect branded products and documents of value from counterfeiting, fraud and diversion.

The Company conducts its operations and business with and through its direct and indirect subsidiaries, Ink Sure Inc., a Delaware corporation incorporated in March 2000; IST Operating Inc., a Delaware corporation, incorporated in May 2000 (formerly: Ink Sure Technologies Inc.); Ink Sure Ltd., which was incorporated in December 1995 under the laws of Israel and Ink Sure RF Inc. a Delaware corporation incorporated in March 2000 (as of June 30, 2003 Ink Sure RF Inc. is inactive).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the annual financial statements of the Company as of December 31, 2002, are applied consistently in these financial statements. In addition, the following accounting policy is applied:

Accounting for stock-based compensation:

The Company has elected to follow Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" ("APB No. 25") and FASB Interpretation No. 44 "Accounting for Certain Transactions Involving Stock Compensation" ("FIN No. 44") in accounting for its employee stock option plans. Under APB No. 25, when the exercise price of the Company's stock options is less than the market price of the underlying shares on the date of grant, compensation expense is recognized.

Under Statement of Financial Accounting Standard No. 123, "Accounting for Stock Based Compensation" ("SFAS No. 123"), pro forma information regarding net loss and loss per share is required, and has been determined as if the Company had accounted for its employee stock options under the fair value method of that statement. The fair value for these options was estimated at the date of grant using a Black-Scholes Option Valuation model with the following weighted-average assumptions for three months ended June 30, 2003 and 2002: risk-free interest rate of 2% for each period, with dividend yields of 0% for each period, volatility factors of the expected market price of the Company's Common stock of 0.995 and 0.5, and a weighted-average expected life of the options of 3 and 5 years. Stock compensation, for pro forma purposes, is amortized over the vesting period.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The following table illustrates the effect on net income (loss) and earnings (loss) per share as if the fair value method had been applied to all outstanding and unvested awards in each period:

	Six months ended		Three months ended	
	June 30,		June 30,	
	2003	2002	2003	2002
	(unaudited)		(unaudited)	
Net income (loss), as reported	\$ (1,708)	\$ 58	\$ (889)	\$ 38
Deduct: Total stock-based compensation expense determined under fair value method for all awards	<u>(80)</u>	<u>(241)</u>	<u>(25)</u>	<u>(60)</u>
Pro forma net loss	<u><u>\$ (1,788)</u></u>	<u><u>\$ (183)</u></u>	<u><u>\$ (914)</u></u>	<u><u>\$ (22)</u></u>
Basic and diluted net earnings (loss) per share, as reported	<u><u>\$ (0.14)</u></u>	<u><u>\$ 0.01</u></u>	<u><u>\$ (0.07)</u></u>	<u><u>\$ 0.01</u></u>
Basic and diluted net loss per share, pro forma	<u><u>\$ (0.15)</u></u>	<u><u>\$ (0.04)</u></u>	<u><u>\$ (0.08)</u></u>	<u><u>\$ (0.04)</u></u>

NOTE 3:- UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States for interim financial information. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six-month period ended June 30, 2003 are not necessarily indicative of the results that may be expected for the year ended December 31, 2003.

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

On October 28, 2002, a wholly owned subsidiary of Lil Marc, Inc. merged with and into InkSure Technologies, Inc., a Delaware corporation ("InkSure Delaware") and InkSure Delaware became a wholly-owned subsidiary of Lil Marc in a transaction accounted for as a reverse acquisition of Lil Marc by InkSure Delaware. Prior to the reverse merger, Lil Marc was a non-operating public shell corporation with nominal assets. Following the reverse merger, the management of InkSure Delaware controlled the merged company and the principal stockholders of InkSure Delaware became principal stockholders of the merged company. Following the closing of the reverse merger, Lil Marc changed its name to InkSure Technologies Inc. As a result of the reverse merger transaction, InkSure Delaware changed its name to IST Operating Inc. and continued as an operating entity and as our wholly owned subsidiary, and the historical financial statements of InkSure Delaware replaced those of Lil Marc.

On July 8, 2003, we reincorporated as a Delaware corporation by merging with and into a newly formed wholly owned subsidiary.

A. RESULT OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and the related notes. The financial statements have been prepared in accordance with US Generally Accepted Accounting Principles, or GAAP.

This discussion contains forward-looking statements that involve risks and uncertainties.

Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors.

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.

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. We derive revenues from the selling of security inks and readers by utilizing a combination of our own sales personnel, strategic alliances and licenses with intermediaries. Revenues from product sales are recognized in accordance with Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements", ("SAB No. 101"), 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. 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 we receive from licenses to market and utilize our technologies are recognized over the term of the license agreement.

Inventories. Inventories are stated at the lower of cost or net realizable value. Cost is determined by calculating raw materials, work in process and finished products using the "first in, first out" method.

Three Months Ended June 30, 2003 Compared with Three Months Ended June 30, 2002

Revenue. Revenue consists of gross sales of products less discounts and costs associated with technology transfer. 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. This affected our results for the three months ended June 30, 2003, where we had no revenue, compared to \$825,000 in the three months ended June 30, 2002. Revenue in the three months ended June 30, 2002 consisted primarily of the ink shipments to the transportation project in Turkey. Revenues from this agreement were \$703,000 for the three months ended June 30, 2002.

Revenue from the agreement with Westvaco Brand Security was \$64,000 for the three months ended June 30, 2002. The agreement expired on December 31, 2002.

Cost of Revenue. Our cost of revenue consists of materials, sub-contractors and compensation costs. We had no cost of revenue in the three months ended June 30, 2003, compared to \$85,000 in the three months ended June 30, 2002. Cost of revenue in the three months ended June 30, 2002 was in connection with our transportation project in Turkey.

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 \$112,000, or 54%, to \$318,000 in the three months ended June 30, 2003 from \$206,000 in the three months ended June 30, 2002. This increase in research and development expenses is primarily related to increased payments to sub-contractors in connection with the development of several new products and new generations of our existing products.

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 decreased by \$43,000, or 10%, to \$375,000 in the three months ended June 30, 2003 from \$418,000 in the three months ended June 30, 2002. This decrease in selling and marketing expenses was primarily due to higher marketing expenses in 2002 related to the transportation project in Turkey. We believe that the significant investment in pre-sales and marketing activities will contribute to our short-term and long-term sales levels.

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 \$144,000, or 215%, to \$211,000 in the three months ended June 30, 2003 from \$67,000 in the three months ended June 30, 2002. This increase was primarily a result of the merger and the higher insurance, legal and accounting costs related to our being a public company.

Financial Income, Net. Financial income, net increased by \$26,000, to \$15,000 in the three months ended June 30, 2003 from \$(11,000) in the three months ended June 30, 2002. This increase was due to the interest earned on our short-term deposits.

Net loss from Continued Operations. We had a net loss of \$889,000 in the three months ended June 30, 2003, compared with a net income of \$38,000 in the three months ended June 30, 2002. The increase in net loss in the three months ended June 30, 2003 in comparison with the three months ended June 30, 2002 is attributable to the various influences described above, which resulted in us having no revenue in the three months ended June 30, 2003.

Six Months Ended June 30, 2003 Compared with Six Months Ended June 30, 2002

Revenue. Revenue consists of gross sales of products less discounts and costs associated with technology transfer. 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. This affected our results for the six months ended June 30, 2003, where we had no revenue, compared to \$1,884,000 in the six months ended June 30, 2002. Revenue in the six months ended June 30, 2002 consisted primarily of the first shipments and implementation of the transportation project in Turkey. Revenues from this agreement were \$1,272,000 for the six months ended June 30, 2002.

Revenue from the agreement with Westvaco Brand Security was \$446,000 for the three months ended June 30, 2002. The agreement expired on December 31, 2002.

Cost of Revenue. Our cost of revenue consists of materials, sub-contractors and compensation costs. We had no cost of revenue in the six months ended June 30, 2003, compared to \$271,000 in the six months ended June 30, 2002. Cost of revenue in the six months ended June 30, 2002 was in connection with our transportation project in Turkey.

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 \$242,000, or 66%, to \$608,000 in the six months ended June 30, 2003 from \$366,000 in the six months ended June 30, 2002. This increase in research and development expenses is primarily related to increased payments to sub-contractors in connection with the development of several new products and new generations of our existing products.

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 decreased by \$35,000, or 4%, to \$753,000 in the six months ended June 30, 2003 from \$788,000 in the six months ended June 30, 2002. This decrease in selling and marketing expenses was primarily due to higher marketing expenses in 2002 related to the transportation project in Turkey. We believe that the significant investment in pre-sales and marketing activities will contribute to our short-term and long-term sales levels.

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 \$195,000, or 103%, to \$384,000 in the six months ended June 30, 2003 from \$189,000 in the six months ended June 30, 2002. This increase was primarily a result of the merger and the higher insurance, legal and accounting costs related to our being a public company.

Financial Income, Net. Financial income, net increased by \$49,000, to \$37,000 in the six months ended June 30, 2003 from \$(12,000) in the six months ended June 30, 2002. This increase was due to the interest earned on our short-term deposits.

Net loss from Continued Operations. We had a net loss of \$1,708,000 in the six months ended June 30, 2003, compared with a net income of \$58,000 in the six months ended June 30, 2002. The increase in net loss in the six months ended June 30, 2003 in comparison with the six months ended June 30, 2002 is attributable to the various influences described above, which resulted in us having no revenue in the six months ended June 30, 2003.

B. LIQUIDITY AND CAPITAL RESOURCES

We have incurred substantial losses since our inception in May 2000. We had an accumulated deficit of approximately \$6,456,000 at June 30, 2003, and had a working capital (current assets less current liabilities) of approximately \$2,806,000 at June 30, 2003.

Capital expenditures were approximately \$15,000 in the three months ended June 30, 2003 and \$5,000 in the three months ended June 30, 2002. Capital expenditures were approximately \$30,000 in the six months ended June 30, 2003 and \$7,000 in the six months ended June 30, 2002. We do not have any material commitments for capital expenditures for the year ending December 31, 2003.

At June 30, 2003, we had cash, cash equivalents and short-term deposits of approximately \$3,001,000 (\$58,000 in June 2002); \$0 short-term bank credit (\$390,000 in June 2002) and a \$0 in principal and interest outstanding under a long-term loan from a former related party (\$200,000 in June 2002). The differences from June 30, 2003 to June 30, 2002 are due to amounts raised in the Ink Sure Delaware offering, the paying off of all short-term bank credit following the Ink Sure Delaware offering and the related party's cancellation of the loan following our payment of \$200,000 to such related party, respectively.

We generated negative cash flow from operating activities of approximately \$764,000 in the three months ended June 30, 2003 and \$1,285,000 in the six months ended June 30, 2003 compared to \$167,000 in the three months ended June 30, 2002 and \$98,000 in the six months ended June 30, 2002.

C. 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 \$318,000 in the three months ended June 30, 2003 and \$608,000 in the six months ended June 30, 2003, compared to \$206,000 in the three months ended June 30, 2002 and \$366,000 in the six months ended June 30, 2002. To date, all research and development expenses have been charged to operating expense as incurred.

We currently hold six pending patents on our technologies.

D. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Our contractual obligations and commitments at June 30, 2003 principally include obligations associated with our future-operating lease obligations. Our total future obligation is approximately \$254,000 until 2008. 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-Q, 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-Q 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 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The following exhibits are being filed with this Report:

<u>Exhibit Number</u>	<u>Description</u>
2.1	Agreement and Plan of Merger, dated July 5, 2002, among the Company, LILM Acquisition and InkSure Delaware. (Incorporated by reference to the Company's Information Statement on Schedule 14C, filed with the Commission on October 8, 2002.)
2.2	Agreement and Plan of Merger, dated July 3, 2003 among the Company and Ink Sure Technologies (Delaware) Inc. (Incorporated by reference to the Company's report filed on Form 8-K, filed with the Commission on July 22, 2003.)
3.1	Certificate of Incorporation of the Company. (Incorporated by reference to the Company's report filed on Form 8-K, filed with the Commission on July 22, 2003.)
3.2	By-Laws of the Company. (Incorporated by reference to the Company's report filed on Form 8-K, filed with the Commission on July 22, 2003.)
10.1	2002 Employee, Director and Consultant Stock Option Plan. (Incorporated by reference to the Company's Quarterly Report on Form 10-QSB, filed with the Commission on November 14, 2002.)
10.2	Employment Agreement, dated as of February 6, 2002, by and between the Company and Elie Housman. (Incorporated by reference to the Company's Quarterly Report on Form 10-QSB, filed with the Commission on November 14, 2002.)
10.3	Exclusive Distribution Agreement by and between InkSure Inc. and ISBAK A.S. (Istanbul Belediyeler Bakim Ulasi m San Vetic A.S.) (Incorporated by reference to the Amendment No. 1 to the Registration Statement on Form SB-2, filed with the Commission on June 26, 2003.)
31.1*	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.
31.2*	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.
32.1*	Certification of Principal Executive Officer and Principal Financial Officer 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 June 30, 2003, we filed no 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 August 14, 2003

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

Dated: As of August 14, 2003

By: _____
Yaron Meerfeld
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

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) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the 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; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(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: August 14, 2003

Eyal Bigon
Chief Financial Officer, Secretary and Treasurer

Exhibit 31.2

CERTIFICATION

I, Yaron Meerfeld, 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) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the 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; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(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: August 14, 2003

Yaron Meerfeld
Chief Executive Officer

Exhibit 32.1

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 June 30, 2003 (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: August 14, 2003

Yaron Meerfeld, Chief Executive Officer

Dated: August 14, 2003

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.