

**ANNUAL REPORT FOR THE YEAR ENDED
DECEMBER 31, 2014
FOR
SUSPECT DETECTION SYSTEMS INC.**

Part A General Company Information

Item I. The exact name of the issuer and its predecessor (if any).

The name of the company is Suspect Detection Systems Inc. (the "Company" or "SDS"). The Company was incorporated under the laws of the State of Delaware on October 5, 2006 under the name "PCMT Corp." on January 23, 2009.

Item II. The address of the issuer's principal executive offices.

150 West 56 Street, Suite 4005
New York, NY 10019
(212) 977-4126

Item III. The jurisdiction(s) and date of the issuer's incorporation or organization.

The Company was incorporated in Delaware on October 5, 2006.

Part B Share Structure

Item IV. The exact title and class of securities outstanding

The Corporation's authorized shares of common stock is 250,000,000 shares, par value \$0.0001. The Company has the following shares issued and outstanding:

Common stock, par value \$0.0001: 98,460,551 shares of common stock are issued and outstanding as of December 31, 2014.

Cusip number: 869096107

The Company's trading symbol is SDSS.PK and is subject to quotation on the OTC Pinksheets.

Item V. Par or stated value and description of the security: Par value \$0.0001

Shareholders of the Company's common stock have full voting rights on all matters submitted to the shareholders for a vote. There are no cumulative voting or preemptive rights. Shareholders will have the right to participate pro rata on any dividend declared by the Company in the future.

Item VI. The number of shares and total amount of the securities outstanding for each class of securities authorized.

Current shares issued and outstanding 98,460,551

(i) Period and end date: 12/31/2014

(ii) Number of shares of common stock authorized: 250,000,000 of which 98,460,551 are outstanding

(iii) Number of shares of preferred stock authorized: none

(iv) Freely tradable shares (public float): 57,965,644

(v) Total number of beneficial shareholders; unknown, and

(vi) Total number of shareholders of record: 204

(vii) Period and end date: 12/31/2013

(viii) Number of shares authorized: 250,000,000

(ix) Number of shares outstanding: 98,460,551

(x) Freely tradable shares (public float): 51,578,978

(xi) Total number of beneficial shareholders: unknown, and

(xii) Total number of shareholders of record: 204

Part C Business Information

Item VII. The name and address of the transfer agent.

Island Stock Transfer
15500 Roosevelt Boulevard, Suite 301
Clearwater, FL, 33760
Phone: (727) 289-0010

Island Stock Transfer is registered under the Exchange Act.

Item VIII and Item IX. The nature of the issuer's business and the nature of products or services offered.

Corporate Background

This document contains forward-looking statements. Any statements contained in this document that are not statements of historical fact may be deemed to be forward-looking statements. You can identify forward-looking statements as those that are not historical in nature, particularly those that use terminology such as “may”, “will”, “should”, “expects”, “anticipates”, “contemplates”, “estimates”, “believes”, “plans”, “projects”, “predicts”, “potential” or “continue” or the negative of these similar terms. In evaluating these forward-looking statements, you should consider various factors, including the following: (a) those risks and uncertainties related to general economic conditions, (b) whether we are able to manage our planned growth efficiently and operate profitably, (c) whether we are able to generate sufficient revenues or obtain financing to sustain and grow our operations, (d) whether we are able to successfully fulfill our primary requirements for cash. The Company's actual results may differ significantly from the results projected in the forward-looking statements. The Company assumes no obligation to update forward-looking statements, except as otherwise required under the applicable federal securities laws.

Suspect Detection Systems Inc. (“Inc.” or the “Company”) is a Delaware corporation that conducts its operations through its 68.6 percent owned subsidiary, Suspect Detection Systems Ltd., an Israeli corporation (“SDS Ltd.”). The Company was incorporated under the laws of the State of Delaware on October 5, 2006, under the name PCMT Corporation. On January 23, 2009, the Company filed a Certificate of Amendment to change its name from PCMT Corporation to Suspect Detection Systems Inc.

On January 20, 2009, the Company completed a business combination for the purchase of fifty-one (51%) percent of the issued and outstanding shares of SDS – Israel for consideration of \$1,100,000. The Company incurred \$35,000 in additional acquisition costs related to legal and accounting fees. The business combination was accounted for by the purchase method and accordingly, the purchase price has been allocated to the estimated fair values of the respective assets acquired and liabilities assumed of SDS – Israel, with the remaining representing goodwill in the amount of \$1,333,214. The results of operations of SDS – Israel have been included in the consolidated financial statements of the Company commencing January 20, 2009.

In July 9, 2009, the Company entered into an Exchange Agreement (the “Exchange Agreement”) with the Northern Group LP (“NG”), pursuant to which NG exchanged 170,295 ordinary shares of SDS- Israel for 3,199,891 of common stock of the Company. The shares increased the Company's ownership interest in SDS Ltd. to 58%. The acquisition of the additional equity interest was accounted for by the equity method. On June 16, 2011, the Company entered into a share purchase agreement with Isahyau Horowitz pursuant to which the Company purchased from Mr. Horowitz 250,000 ordinary shares of SDS Ltd., which represented 10.6% of the outstanding shares of common stock of SDS Ltd. in consideration of \$75,000. On December 3, 2009, the Company filed a Certificate of Amendment with the State of Delaware for the purpose of increasing its authorized capital stock from 100,000,000 to 250,000,000 shares.

On June 27, 2011, the Company entered into a Share Purchase Agreement with Shabtai Shoval (“Shoval”), a shareholder of SDS Ltd. and its chief executive officer. Pursuant to the Agreement, Shoval agreed to sell and transfer, under certain conditions as described hereinbelow, to the Company all shares of SDS Ltd. held by him on the date of the Agreement, namely, NIS 0.01 par value 750,000 ordinary shares, which constitute 31.4% of the SDS Ltd. outstanding ordinary shares as of the date of the Agreement. In consideration for the sale of the 750,000 ordinary shares, the Company agreed to pay

Shoval \$1,174,500 (“Purchase Price”) which shall be paid in 35 installments of approximately \$33,560. The Company made only 3 installments totaling in \$97,875 and then the parties terminated this Agreement in July 2012.

The Company has no current, past, pending or anticipated stock split, stock dividend, recapitalization or reorganization. The Company has no past or present merger, acquisitions or spin-offs other than the acquisition of SDS Ltd. described above.

On March 30, 2012, the Company filed a Form 15 pursuant to Rule 12g-4(a)(1) to have its securities deregistered with the SEC which resulted in the Company's shares of common stock being no longer eligible for quotation the OTC Bulletin Board.

Business of Issuer.

The Company, through its 68.6% subsidiary SDS Ltd., incorporated under the Companies Law, 5759-1999, of the State of Israel in 2004. SDS Ltd. - Israel specializes in the development and application of proprietary technologies for law enforcement and border control, including counter terrorism efforts, immigration control and drug enforcement, as well as human resource management, asset management and the transportation sector. SDS Ltd. completed the development of its “Cogito” line of products in 2007, which are based on proprietary software and use commercially available hardware to identify individuals that pose security threats, whether or not they are carrying a weapon on their person or in their belongings. Cogito systems are comprised of a front-end test station and a back office, where multiple-station and multiple-site data is stored, managed and distributed. The front-end test station serves as the point of contact with the individual being examined. The back-office is designed to manage and control the test stations at a given site and it stores all test histories and traveler profiles and interfaces with external systems and databases. A provisional patent application has been issued for the Cogito line of products in the United States. SDS Ltd. is also engaged in the development of behavior based screening technologies for the checkpoint screening market.

SDS Ltd. in order to finance its research and development activities, SDS Ltd. sought public funding and in 2005, the Transportation Security Administration of the US Department of Homeland Security (the “TSA”) awarded a grant to SDS Ltd. to support the development of behavior pattern recognition technology. Additional funding was obtained from the Israeli government and US and Israeli governmental security authorities performed evaluations and testing of SDS Ltd.’s products in 2005. In 2006, SDS Ltd. obtained private financing, issuing shares of preferred stock and warrants to the NG – The Northern Group LP. Additional US government funding was obtained in 2006 from the TSA.

The nature of products or services offered.

SDS Ltd. markets its products to local and national law enforcement and homeland security authorities in Israel, the US, Mexico, Europe and Asia, as well as operators of critical infrastructure in the private sector such as oil and gas companies, the diamond industry and financial enterprises. SDS Ltd. has executed agreements with several companies and individuals all in the framework of its ordinary course of business, providing for assistance in the marketing of its products and endorsements.

Competition

SDS Ltd. has identified a number of potential competitors, including developers of voice stress analysis equipment designed to remotely detect a person trying to lie during an interview, and developers of equipment designed to generate stimuli from a remotely location that will generate enough data about an individual to enable detection of hostile intent. WeCU Technologies and Nemesysco are just two of our competitors.

Dependence on major customers

A significant portion of SDS Ltd.’s revenue in 2014 and 2013 were derived from sales of the system and services provided to four customers.. Since the bulk of the Company’s revenues are generated by initial sales of its systems, as opposed ongoing support services, the loss of any major customer may be expected to have a material adverse impact on the business of SDS Ltd. and the Company.

Intellectual Property

The United States Transportation Security Administration of the US Department of Homeland Security has certain rights in the technology developed by SDS Ltd., pursuant to a Cooperative Agreement between SDS Ltd. and the TSA dated June 22, 2005. The Cooperative Agreement relates to a \$200,000 grant provided to SDS Ltd., by the TSA in 2005 for the development and adaptation for use in the US of a prototype application designed to detect suspicious behavior. Pursuant to the agreement, SDS Ltd., granted an irrevocable, non-exclusive, paid-up license for US Government use of the technology development using the grant funds. The license requires prior approval from SDS Ltd., for any commercial use of the technology, with the exception of use by US Government contractors under procurement contracts, grants, cooperative agreements and other transactions awarded or entered into for US government purposes.

The Science and Technology Directorate of the US Department of Homeland Security has certain rights in the technology developed by SDS Ltd., pursuant to a Cooperative Agreement between SDS Ltd., and the STD dated September 29, 2006. The Cooperative Agreement relates to a \$260,000 grant provided to SDS Ltd., by the STD on June 7, 2005 pursuant to a proposal entitled Automated Internal Threat Detection. In the agreement, SDS Ltd.?? granted (i) a royalty free, nonexclusive, irrevocable license to the US Government to use and authorize other to use scientific, technical or other works based on or containing data first produced under the grant, and (ii) an irrevocable, non-exclusive, paid-up license to the US government to use registered patents development with grant funds for or on behalf of the US government.

Legal Proceedings

There are no pending legal proceedings to which the Company is a party or in which any director, officer or affiliate of the Company, any owner of record or beneficially of more than 5% of any class of voting securities of the Company, or security holder is a party adverse to the Company or has a material interest adverse to the Company. The Company's property is not the subject of any pending legal proceedings.

Employees

We currently have no full time employees and rely on temporary work to meet project goals. We do not foresee any significant changes in the number of employees or consultants we will have over the next twelve months.

Recent Developments

Item X. The nature and extent of the issuer's facilities.

Our Principal executive office is located at 150 West 56 Street, Suite 4005 New York, NY 10019 (212) 977-4126

We believe that this space is adequate for our current and immediately foreseeable operating needs.

Part D Management Structure and Financial Information

Item XI. The name of the chief executive officer, members of the board of directors, as well as control persons.

Our directors serves for a term of one year or until their successors are elected at our annual shareholders' meeting and are qualified, subject to removal by our shareholders. Each officer serves at the pleasure of our board of directors until their successors are appointed at a meeting of the board of directors.

Set forth below is the name, age and present principal occupation or employment, and material occupations, positions, offices or employments for the past five years of our current directors and executive officers.

Name	Age	Position and Officer Held
Omer Segal	42	Chairman, Chief Executive Officer and Director

Set forth below is a summary description of the principal occupation and business experience, during the past five years, of our directors.

During the past five years none of our officers and Directors has been involved in any legal proceedings that are material to an evaluation of their ability or integrity as director or an executive officer of the Company, and none of them have been affiliated with any company that been involved in bankruptcy proceedings.

On October 20, 2014 Mr. Omer Segal, was appointed Chairman of the Board and CEO. During the past five years, Mr. Segal held various positions in the Asian education and tourism industry.

Certain Relationships and Related Transactions

Other than the transactions discussed below, during the past two fiscal years we have not entered into any transaction nor are there any proposed transactions in which our Director, executive officer, stockholders or any member of the immediate family of the foregoing had or is to have a direct or indirect material interest.

On June 29, 2011 SDS Inc. approved an Amended Consulting Agreement with Mr. Yoav Krill, the Company's Chairman of the Board. In consideration of the services to be performed under the Amended Consulting Agreement, Mr. Krill shall receive an annual director's fee of \$25,000 for the first twelve-month period. Thereafter, the parties shall agree in writing prior to November 30th of each calendar year as to the amount to be paid as director's fees, which amount shall not be less than \$25,000 and shall be increased, proportionately, with any increase in the Company's paid-in capital, sales revenues or net profits. In addition, under the Amended Consulting Agreement, Mr. Krill was granted 2,400,000 shares of common stock of the Company valued at \$240,000 and 10,500,000 stock options valued at \$978,936. The Options vests as follows: 4,666,660 shares were vested upon execution of the Amended Agreement and the balance of 5,833,340 shares shall vest in equal monthly amounts of 291,667 shares during each and every calendar month during the twenty month period commencing on July 1, 2011. The price of the Company's share at date of grant of shares and options was \$0.1, the exercise price of the options \$0.1 and the its expiration date 10 years from grant.

On June 29, 2011 SDS Inc. approved an Amended Employment Agreement with Mr. Gil Boosidan will serve as the Company's Chief Executive Officer. In consideration of the services to be performed under the Amended Employment Agreement, Mr. Boosidan shall receive (i) an aggregate of \$30,000 in cash in four equal quarterly installments commencing September 30, 2011, and (ii) 1,200,000 shares of common stock of the Company valued at \$120,000 and 6,000,000 stock options valued at \$559,392. The Options vests as follows: 2,666,680 shares vested upon the execution of his Amended Employment Agreement and the balance of 3,333,320 shares shall vest in equal monthly amounts of 166,667 shares during each and every calendar month during the twenty month period commencing on July 1, 2011. The price of the Company's share at date of grant of shares and options was \$0.1, the exercise price of the options \$0.1 and the its expiration date 10 years from grant.

On June 1, 2011 SDS Inc. signed a consulting agreement with Mr. Daniel Krill, the son of Mr. Yoav Krill, chairman of the board of directors. In consideration for services, Mr. Daniel Krill was granted 400,000 shares valued at \$32,000 and 200,000 stock options exercisable for a period of 10 years at an exercise price of \$0.01. The options were valued at \$15,032. The options vest at the rate of 5,555 options each calendar month commencing on June 1, 2011, the date of the consulting

agreement, at which date the price of the Company's common stock was \$0.08. On June 27, 2011 the Company entered into a Share Purchase Agreement ("SPA") with Shabtai Shoval ("Shoval"), a shareholder of SDS Ltd.. and its then chief executive officer. Pursuant to the SPA, Shoval agreed to sell and transfer, subject to certain conditions,, to the Company all shares of SDS Ltd. held by him on the date of the Agreement, evidenced by 750,000 ordinary shares, par value NIS 0.01, which constitute 31.4% of SDS Ltd. outstanding ordinary shares as of the date of the SPA.

On November 28, 2012, the Company issued 5,229,659 shares to Biomedix Incubator, Ltd. In connection with such issuance Biomedix became a 5% shareholder and therefore a related party.

Part D Financial Information

Item XII. Financial information for the issuer's most recent fiscal period.

SUSPECT DETECTION SYSTEMS, INC.

INDEX TO FINANCIAL STATEMENTS DECEMBER 31, 2013

Financial Statements-

Balance Sheets as of December 31, 2014 and December 31, 2013

Statements of Operations for the Years Ended December 31, 2014 and 2013

Statements of Cash Flows for the Years Ended December 31, 2014 and 2013

Notes to Financial Statements

SUSPECT DETECTION SYSTEMS INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

<u>ASSETS</u>	December 31, 2014 <u>Unaudited</u>	December 31, 2013 <u>Unaudited</u>
Current Assets:		
Cash and cash equivalents	\$ 151,885	\$ 202,984
Inventory	46,331	52,161
Prepaid expenses and other receivables	21,682	34,926
Total current assets	<u>219,898</u>	<u>290,071</u>
Property and Equipment:		
Computer and other equipment	81,839	79,691
Less - Accumulated depreciation	<u>(67,421)</u>	<u>(62,318)</u>
Property and equipment, net	<u>14,418</u>	<u>17,373</u>
Other Assets:		
Severance pay fund	-	35,495
Total other assets	<u>-</u>	<u>35,495</u>
Total Assets	<u><u>\$ 234,316</u></u>	<u><u>\$ 342,938</u></u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current Liabilities:		
Accounts payable - Trade	\$ 1,300	\$ -
Accrued liabilities	20,535	4,317
Advances from customers	-	106,200
Deferred revenues	-	12,975
Due to related parties	2,023,182	1,754,102
Total current liabilities	<u>2,045,017</u>	<u>1,877,593</u>
Long-term Debt:		
Convertible note	619,145	566,575
Accrued severance pay	-	35,495
Total current liabilities	<u>619,145</u>	<u>602,069</u>
Total liabilities	<u>2,664,162</u>	<u>2,479,663</u>
Stockholders' Equity:		
Common stock, par value \$0.0001 per share, 250,000,000 shares authorized; 98,460,551 and 98,460,551 shares issued and outstanding in 2014 and 2013, respectively	9,846	9,846
Additional paid-in capital	6,243,856	6,243,856
Common stock subscribed	-	-
Accumulated (deficit)	<u>(8,658,911)</u>	<u>(8,309,220)</u>
Total stockholders' equity	<u>(2,405,210)</u>	<u>(2,055,519)</u>
Less - Noncontrolling interest	<u>(24,634)</u>	<u>(81,206)</u>
Total stockholders' equity, Net	<u>(2,429,844)</u>	<u>(2,136,725)</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 234,316</u></u>	<u><u>\$ 342,938</u></u>

The accompanying notes are an integral part of these financial statements

SUSPECT DETECTION SYSTEMS INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31 2014 AND 2013

	For the year ended December 31,	
	2014	2013
Revenues, net	\$ 390,327	\$ 268,345
Cost of Goods Sold	<u>42,765</u>	<u>56,493</u>
Gross Profit	<u>347,562</u>	<u>211,852</u>
Expenses:		
Research and development	180,611	199,963
Selling, general and administrative	<u>535,801</u>	<u>642,409</u>
Total operating expenses	<u>716,412</u>	<u>842,372</u>
(Loss) from Operations	<u>(368,850)</u>	<u>(630,520)</u>
Other Income (Expense):		
Interest income (expense)	(82,179)	(81,426)
Other finance (expense)	<u>101,095</u>	<u>(177,004)</u>
Total other income (expense)	<u>18,916</u>	<u>(258,430)</u>
Provision for Income Taxes	<u>-</u>	<u>-</u>
Net (loss)	(349,934)	(888,950)
Net (loss) Attributable to Noncontrolling Interest	<u>(57,915)</u>	<u>(161,262)</u>
Net (loss) attributable to Suspect Detection Systems Inc.	<u>\$ (292,019)</u>	<u>\$ (727,688)</u>
(Loss) Per Common Share:		
(Loss) per common share - Basic and Diluted	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>
Weighted Average Number of Common Shares Outstanding - Basic and Diluted	<u>98,460,551</u>	<u>98,460,551</u>

The accompanying notes are an integral part of these financial statements

SUSPECT DETECTION SYSTEMS INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (NOTES 2 AND 3)
FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013

	Year ended December 31,	
	2014	2013
Operating Activities:		
Net (loss)	\$ (349,934)	\$ (888,950)
Adjustments to reconcile net (loss) to net cash (used in) operating activities:		
Common stock issued for officers' compensation	-	35,942
Stock options issued to directors	-	15,814
Unrealized loss on trading securities	-	160,608
Warrants issued to a consultant	-	-
Loss on trading securities	-	-
Impairment of Goodwill	-	-
Common stock issued for consulting services	-	-
Interest due to the issuance of convertible note	52,570	52,309
Depreciation	2,954	12,642
Changes in Assets and Liabilities-		
Inventory	5,830	(945)
Prepaid expenses and other receivables	13,245	(15,434)
Investments in trading securities	-	-
Severance pay fund	-	-
Accounts payable - Trade	1,300	(29,380)
Accrued liabilities	16,460	3,768
Advances from customers, net	(106,200)	101,601
Deferred revenues	(12,975)	(3,034)
Due to related parties	325,651	571,041
Accrued severance pay	-	-
Net Cash (Used in) Operating Activities	(51,099)	15,982
Investing Activities:		
Purchases of Property and Equipment	-	(8,336)
Net Cash Provided by (Used in) Investing Activities	-	(8,336)
Financing Activities:		
Issuance of convertible note	-	-
Net Cash Provided by Financing Activities	-	-
Net Increase (Decrease) in Cash	(51,099)	7,646
Cash and Cash Equivalents - Beginning of Period	202,984	195,338
Cash and Cash Equivalents - End of Period	\$ 151,885	\$ 202,984
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

The accompanying notes are an integral part of these financial statements

(1) Basis of Presentation and Organization

Suspect Detection Systems Inc. ("SDS Inc." or the "Company") is a Delaware corporation that conducts its operations through its 68.6 percent owned subsidiary, Suspect Detection Systems Ltd., an Israeli Corporation ("SDS Ltd."). The Company was incorporated under the laws of the State of Delaware on October 5, 2006, as PCMT Corporation. On December 24, 2008, the Company's stockholders resolved to change its name from PCMT Corporation to Suspect Detection Systems Inc. On January 23, 2009, the Company filed an amendment to its Certificate of Incorporation with the Secretary of State of Delaware to reflect this change. The Company was in the development stage during the year ended December 31, 2008. The revised business plan of the Company is the application of proprietary technologies for law enforcement and border control, including counter terrorism efforts, immigration control and drug enforcement, as well as human resource management, asset management and the transportation sector. The accompanying consolidated financial statements were prepared from the accounts of the Company and its subsidiary under the accrual basis of accounting.

The Company's Israeli subsidiary, Suspect Detection Systems Ltd, ("SDS – Israel"), was incorporated under the Companies Law, 5759-1999, of the State of Israel in 2004. SDSI – Israel specializes in the development and application of proprietary technologies for law enforcement and border control, including counter terrorism efforts, immigration control and drug enforcement, as well as human resource management, asset management and the transportation sector. SDS – Israel completed the development of its "Cognito" line of products in 2007, which are based on proprietary software and use commercially available hardware to identify individuals that pose security threats, whether or not they are carrying a weapon on their person or in their belongings. Cognito systems are comprised of a front-end test station and a back office, where multiple-station and multiple-site data is stored, managed, and distributed. The front-end test station serves as the point of contact with the individual being examined. The back-office is designed to manage and control the test stations at a given site and it stores all test histories and traveler profiles and interfaces with external systems and databases. A provisional patent application has been issued for the Cognito line of products in the United States. SDS – Israel is also engaged in the development of behavior based screening technologies for the checkpoint screening market.

On January 20, 2009, the Company completed a business combination for the purchase of 51 percent of the issued and outstanding shares of SDS Ltd. – Israel for consideration of \$1,100,000. The Company incurred an additional \$35,000 in acquisition costs related to legal and accounting fees. The business combination was accounted for by the purchase method and accordingly, the purchase price has been allocated to the estimated fair values of the respective assets acquired and liabilities assumed of SDS– Israel, with the remaining representing goodwill in the amount of \$1,333,214. The results of operations of SDS – Israel have been included in the consolidated financial statements of the Company commencing January 20, 2009.

In July 9, 2009, the Company entered into an Exchange Agreement (the "Exchange Agreement") with the Northern Group LP ("NG"), pursuant to which NG exchanged 170,295 ordinary shares of SDS Ltd. – Israel for 3,199,891 of the Company's common stock. The 170,295 ordinary shares of SDS Ltd.- Israel represented 7 percent of the outstanding shares of SDS -Israel and increased the Company's ownership interest in SDS Ltd.- Israel to 58 percent. The acquisition of the additional equity interest was accounted for by the equity method. The increased percentage of ownership of SDS– Israel, amounting to 58 percent, has been applied to the operations of this subsidiary from July 9, 2009.

On June 16, 2011, the Company entered into a share purchase agreement with Isahyau (Sigi) Horowitz (the "Seller"), pursuant to which the Company agreed to purchase from the Seller 250,000 ordinary shares of SDS -Israel (which represents 10.6% of the outstanding ordinary shares of common stock of SDS Ltd.) in consideration of \$75,000.

On June 27, 2011 the Company entered into a Share Purchase Agreement with Shabtai Shoval ("Shoval"), a shareholder of SDS Ltd. and its chief then executive officer. Pursuant to the Agreement, Shoval agreed to sell and transfer, under certain conditions, to the Company all shares of SDS Ltd. held by him on the date of the Agreement, evidenced by 750,000 ordinary shares, NIS 0.01 par value, which constitutes 31.4% of SDS Ltd. outstanding ordinary shares as of the date of the agreement. In consideration for the acquisition of the ordinary shares, the Company agreed to pay Shoval \$1,174,500 ("Purchase Price") payable in 35 installments of approximately \$33,560. The Agreement provided that Shoval's ordinary shares shall only be transferred to the Company upon: (i) the payment of fifty percent (50%) of the Purchase Price plus any and all accrued and outstanding interest as of the date of payment; and/or (ii) the passing of five (5) years from the date of closing provided that prior to such time, payment of not less than \$225,000 on the account of the Purchase Price shall have been made to Shoval, plus any and all accrued and outstanding interest. The Company may defer the payment of all or a portion of any of the installments (except for the first installment, which was payable on the day of the closing) if and to the extent: (i) prior to the payment of \$225,000 on the account of the aggregate purchase price to Shoval (the "Initial Threshold Amount") the obtainable cash (cash or cash equivalents less any amounts of signed checks or any other instruments that were issued or wire transfer instructions which were executed as of the payment date of the relevant Installment) is less than the Initial Threshold Amount; or (ii) following payment of the Initial Threshold Amount, if the obtainable cash as of the

payment date of the relevant Installment is less than \$500,000 as of the relevant payment date. The Company records payments as a Minority Interest balance sheet item until such payments reach the Initial Threshold Amount, at which time the Company will have title of the percentage of shares that would have been paid for. This agreement was terminated on July 4, 2012 by both parties.

On July 4, 2012 The Company signed a Settlement for past debts, owed to Eran Drukman, mainly due to sales bonus and new future bonus arrangement.

(2) Summary of Significant Accounting Policies

Principles of Consolidation:

The consolidated financial statements include the accounts of the Company and its 68.6 percent owned Israeli subsidiary, SDS Ltd.. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents:

For purposes of reporting within the consolidated statements of cash flows, the Company considers all cash on hand, cash accounts not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents.

Restricted cash:

Restricted Cash is defined as Cash and cash equivalents, which are restricted as to withdrawal or usage. Restricted cash includes legally restricted deposits held as compensating balances against a rent agreement and identification agreement with the CEO of SDS Ltd. to assure future credit availability (please refer to footnote number 9).

Revenue Recognition, Deferred Revenues and advances from customers:

The Company recognizes revenues in accordance with ASC 605-10-S99, "Revenue Recognition" when the significant risks and rewards of ownership have been transferred to the customer pursuant to applicable laws and regulations, including factors such as when there has been evidence of a sales arrangement, the performance has occurred, or service have been rendered, the price to the buyer is fixed or determinable, and collectability is reasonably assured. The Company's revenue arrangements included multiple deliverables, software or technology license, non-recurring engineering services and post-contract customer support.

For these arrangements, we considered the revenue recognition - multiple-element arrangements accounting guidance. Accordingly, we evaluated each deliverable in the arrangement to determine whether it represented a separate unit of accounting. Services sold separately are generally billed on a time basis at agreed-upon billing rates, and revenue is recognized as the services are performed. If an arrangement included specified upgrade rights, revenue is deferred until the specified upgrade was delivered. The timing and amount of revenue recognition depended upon a variety of factors, including the specific terms of each arrangement and the nature of our deliverables and obligations. Determinations of the appropriate amount of revenue recognized involved judgments and estimates that our management believed were reasonable.

Accounts receivable:

Accounts receivable are recorded at net realizable value consisting of the carrying amount less the allowance for uncollectible accounts. As of December 31, 2014 and 2013, the Company has not accrued an allowance for uncollectible accounts.

Property and equipment:

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are as follows:

	%
Office furniture and equipment	7
Computers and electronic equipment	33

Depreciation expenses for the years ended December 31, 2014 and 2013 were \$6,617 and \$12,089, respectively.

The Company reviews the carrying value of its long-lived assets, including intangible assets subject to amortization, for impairment whenever events and circumstances indicate that the carrying value of the assets may not be recoverable. Recoverability of these assets is measured by comparing the carrying value of the assets to the undiscounted cash flows estimated to be generated by those assets over their remaining economic life. If the undiscounted cash flows are not sufficient to recover the carrying value of the assets, the assets are considered impaired. The impairment loss is measured by comparing the fair value of the assets to their carrying value. Fair value is determined by either a quoted market price or a value determined by a discounted cash flow technique, whichever is more appropriate under the circumstances involved. No impairments were recognized for the years ended December 31, 2014 and 2013.

Research and development costs and participations:

Research and development (or “R&D”) costs are expensed as they are incurred and consist of salaries, benefits and other personnel related costs, fees paid to consultants and related manufacturing costs, facilities and overhead costs.

Royalty-bearing grants:

Royalty-bearing grants from the Government of Israel for funding approved research and development projects are recognized at the time the Company is entitled to such grants, on the basis of the costs incurred and included as a deduction of research and development costs. Research and development grants received by the Company from April 19, 2004 (inception date) through December 31, 2013 amounted to \$176,943.

Loss per Common Share:

Basic loss per share is computed by dividing the net loss attributable to the common stockholders by the weighted average number of shares of common stock outstanding during the periods. Diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Restricted shares, outstanding share options and warrants have been excluded from the calculation of the diluted loss per share because all such securities are antidilutive.

Income Taxes

The Company accounts for income taxes pursuant to FASB ASC 740, “Accounting for Income Taxes” Under FASB ASC 740-10-25, deferred tax assets and liabilities are determined based on temporary differences between the bases of certain assets and liabilities for income tax and financial reporting purposes. The deferred tax assets and liabilities are classified according to the financial statement classification of the assets and liabilities generating the differences.

The Company maintains a valuation allowance with respect to deferred tax assets. SDS Inc. establishes a valuation allowance based upon the potential likelihood of realizing the deferred tax asset and taking into consideration SDS Inc.’s financial position and results of operations for the current period. Future realization of the deferred tax benefit depends on the existence of sufficient taxable income within the carryforward period under the Federal tax laws.

Changes in circumstances, such as the Company generating taxable income, could cause a change in judgment about the realizability of the related deferred tax asset. Any change in the valuation allowance will be included in income in the year of the change in estimate.

Concentration of Risk

The Company's has a reliance on its major customers. When revenues from transactions with a single external customer amount to 10 percent or more of an enterprise's revenues, the enterprise must disclose that fact, and the total amount of revenues from each such customer, see major customers' disclosure in note 10.

As of December 31, 2014, and 2013 the Company maintained its cash account at two commercial banks. The balances in the accounts are subject to FDIC coverage of up to \$250,000 per institution. Cash and cash equivalents invested in a major bank in Israel are not insured, Management believes that the financial institutions that hold the Company's investments are financially sound and, accordingly, minimal credit risk exists with respect to these investments. The Company has no off-balance-sheet concentration of credit risk such as foreign exchange contracts or other foreign hedging arrangements.

Common Stock Registration Expenses

The Company considers incremental costs and expenses related to the registration of equity securities with the SEC, whether by contractual arrangement as of a certain date or by demand, to be unrelated to original issuance transactions. As such, subsequent registration costs and expenses are reflected in the accompanying financial statements as general and administrative expenses, and are expensed as incurred.

Accounting for stock-based compensation

The Company's stock-based compensation are recorded according to ASC 718-10, “Compensation - Stock Compensation”, which requires the measurement and recognition of compensation expense for all stock-based payment awards made to directors, including employee stock options under the Company's stock plans, based on estimated fair values. ASC 718-10 requires companies to estimate the fair value of equity-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Company's consolidated statement of operations. The Company estimates the fair value of stock options granted using the Black-Scholes-Merton option-pricing model.

Lease Obligations

All noncancellable leases with an initial term greater than one year are categorized as either capital or operating leases. Assets recorded under capital leases are amortized according to the methods employed for property and equipment or over the term of the related lease, if shorter.

Goodwill

The Company accounts for Goodwill in accordance with the FASB ASC Topic 350, "Intangible-Goodwill and Other." The Company evaluates Goodwill, at a minimum, on an annual basis and whenever events and changes in circumstances suggest that the carrying amount may not be recoverable. Impairment of Goodwill is tested at the reporting unit level by comparing the reporting unit's carrying amount, including Goodwill, to the fair value of the reporting unit. The fair values of the reporting units are estimated using discounted projected cash flows. If the carrying amount of the reporting unit exceeds its fair value, Goodwill is considered impaired, and a second step is performed to measure the amount of impairment loss, if any. The Company conducts its annual impairment test as of December 31 of each year, and determines if there is any impairment. During the first quarter of 2012, the board of the company recognize complete impairment of the Goodwill.

Use of Estimate

The accompanying consolidated financial statements are prepared on the basis of accounting principles generally accepted in the United States of America. The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of consolidated assets and liabilities as of December 31, 2014, and 2013, and consolidated revenues and expenses for the years ended December 31, 2014, and 2013. Actual results could differ from those estimates made by management.

Subsequent events

The Company has evaluated subsequent events for potential recognition and/or disclosure through, the date these consolidated financial statements were issued.

On February 26 2015 The Company sold all right, title and interest in and to an aggregate of 1,638,357 Ordinary Shares of Suspect Detection Systems Ltd. to two purchasers, thereby disposing of all of its holdings in Suspect Detection Systems Ltd.

Financial statements in U.S. dollars

The functional currency of the Company is the U.S dollar, as the U.S. dollar is the primary currency of the economic environment in which the Company has operated and expects to continue to operate in the foreseeable future. The majority of SDS Israel's revenues and expenses are currently determined and paid in U.S. dollars. Financing and investing activities including loans and equity transactions are made in U.S. dollars. Accordingly, the functional and reporting currency of the Company is the dollar. Monetary accounts maintained in currencies other than the dollar are remeasured into U.S. dollars. All transaction gains and losses from the remeasurement of monetary balance sheet items are reflected in the statements of operations as financial income or expenses, as appropriate.

Comprehensive Income (Loss)

Accounting guidance requires financial statements to include the reporting of comprehensive income (loss), which includes net income (loss) and certain transactions that have generally been reported in the statement of stockholders' equity. The Company's comprehensive income (loss) consists of net income (loss).

Segment Reporting

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. Management believes that the Company meets the criteria for aggregating its operating segments into a single reporting segment.

(3) Going Concern

The Company's current activities include sales of its products, marketing, capital formation, research and development, and building infrastructure. The Company incurred a loss of \$292,019 for the year ended December 31, 2014 (2013 - 727,688) and, as of December 31, 2013, the Company had an accumulated deficit of \$8,568,911 (2013-\$8,309,220). The Company's ability to continue as a going concern is uncertain. The revised business plan of the Company is the application of proprietary technologies for law enforcement and border control, including counter terrorism efforts, immigration control and drug enforcement, as well as human resource management, asset management and the transportation sector.

While management of the Company believes that the Company will be successful in its current and planned operating activities, there can be no assurance that the Company will be successful in the achievement of sales of its products that will generate sufficient

revenues to earn a profit and sustain the operations of the Company. The Company also intends to conduct additional capital formation activities through the issuance of its common stock and loans from related parties.

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The Company has not established sufficient sources of revenues to cover its operating costs and expenses. As such, it has incurred an operating loss since inception. Further, as of December 31, 2013, the cash resources of the Company were insufficient to meet its planned business objectives. These and other factors raise substantial doubt about the Company's ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the possible inability of the Company to continue as a going concern.

(4) Appointment of Directors and Officers

On January 13, 2010, the board of directors of the Company, appointed Mr. Yoav Krill as Chairman of the Board, to serve until the next annual meeting of the Company and until his successor is duly appointed and qualified. In connection with Mr. Krill's appointment, the Company entered into an Agreement (the "Consulting Agreement") to perform such duties as will be required of him as the Chairman of the Board. In consideration of the services to be performed under the Consulting Agreement, Mr. Krill shall receive an annual director's fee of \$25,000 per annum for the first twelve (12) month period. Mr. Krill was also granted 1,500,000 options of common stock of the Company, exercisable at \$0.15 per share, from the Global Incentive Stock Option Plan adopted by the Company at December 30, 2009. The agreement calls for 250,000 options vested simultaneously with the execution and delivery of the agreement, and the balance shall vest at the rate of 104,166 options each calendar quarter for the next three years, commencing on March 31, 2010. The options shall terminate forty-eight (48) months from the date of vesting. The terms of the Consulting Agreement continue until either party provides the other with no less than 90 days prior written notice. The failure of the Company to maintain directors' and officers' liability insurance covering Mr. Krill shall be deemed a material breach of the agreement and shall automatically terminate the Agreement.

On June 29, 2011 SDS Inc. approved an Amended Consulting Agreement with Mr. Yoav Krill, the Company's Chairman of the Board. In consideration of the services to be performed under the Amended Consulting Agreement, Mr. Krill shall receive an annual director's fee of \$25,000 for the first twelve-month period. Thereafter, the parties shall agree in writing prior to November 30th of each calendar year as to the amount to be paid as director's fees, which amount shall not be less than \$25,000 and shall be increased, proportionately, with any increase in the Company's paid-in capital, sales revenues or net profits. In addition, under the Amended Consulting Agreement, Mr. Krill was granted 2,400,000 shares of common stock of the Company valued at \$240,000 and 10,500,000 stock options valued at \$978,936.

The Options vests as follows: 4,666,660 shares were vested upon execution of the Amended Agreement and the balance of 5,833,340 shares shall vest in equal monthly amounts of 291,667 shares during each and every calendar month during the twenty month period commencing on July 1, 2011. The price of the Company's share at date of grant of shares and options was \$0.10, the exercise price of the options \$0.10 and the expiration date 10 years from grant.

On January 13, 2010, the board of directors of the Company appointed Mr. Gil Boosidan as Chief Executive Officer of the Company and executed an employment agreement with Mr. Boosidan as of January 14, 2010 (the "Employment Agreement"). In consideration of the services to be performed under the Employment Agreement, Mr. Boosidan shall receive an aggregate of \$30,000; \$20,000 in cash over four equal quarterly installments commencing March 31, 2010, and \$10,000 in shares of commons stock of the Company, whereas the number of the shares will be determined by the market value of the shares of the date of issuance. The Company has the right to terminate such agreement for cause in the event of a material breach by Mr. Boosidan which is not cured after notice of such breach.

On January 13, 2010, the board of directors of the Company appointed Dr. Kevin Schatzle to the Board of Advisors. The advisory agreement calls for 500,000 options of common stock of the Company, exercisable at \$0.15 per share, from the Global Incentive Stock Option Plan adopted by the Company at December 30, 2009. The agreement calls for 250,000 options vested simultaneously with the execution and delivery of the agreement, and the balance shall vest at the rate of 20,833 options each calendar quarter for the next three years, commencing on March 31, 2010. The options shall terminate forty-eight (48) months from the date of vesting.

On June 29, 2011 SDSInc. approved an Amended Employment Agreement with Mr. Gil Boosidan will serve as the Company's Chief Executive Officer. In consideration of the services to be performed under the Amended Employment Agreement, Mr. Boosidan shall receive (i) an aggregate of \$30,000 in cash in four equal quarterly installments commencing September 30, 2011, and (ii) 1,200,000 shares of common stock of the Company valued at \$120,000 and 6,000,000 stock options valued at \$559,392.

The Options vests as follows: 2,666,680 shares vested upon the execution of his Amended Employment Agreement and the balance of 3,333,320 shares shall vest in equal monthly amounts of 166,667 shares during each and every calendar month during the twenty

month period commencing on July 1, 2011. The price of the Company's share at date of grant of shares and options was \$0.10, the exercise price of the options \$0.10 and the expiration date 10 years from grant.

On June 1, 2011 SDS Ltd. Inc signed a consulting agreement with Mr. Daniel Krill, the son of Mr. Yoav Krill, chairman of the board of director. In consideration for services Mr. Daniel Krill was granted 400,000 shares valued at \$32,000 and 200,000 stock options valued at \$15,032. 5,555 options shall vest each calendar month commencing the date of the execution of the consulting Agreement. The price of the Company's share at date of grant of shares and options was \$0.08, the exercise price of the options \$0.10 and the expiration date 10 years from grant.

On October 20, 2014 Mr. Omer Segal, was appointed Chairman of the Board and CEO. During the past five years, Mr. Segal held various positions in the Asian education and tourism industry.

(5) Convertible Note

On March 21, 2011, the Company issued a convertible note (the "Note") to Investor (the "Lender") whereby the Lender made a loan to the Company in an amount equal to \$300,000 and accruing interest at a rate of 10% per annum. Similar notes were issued on May 12, 2011 and August 3, 2011 for an amount equal to \$100,000 and \$35,000, respectively, (together the loans are referred to as the "loan"). The Loan and the accrued interest will be repayable in one installment on the date that is eighteen months after the date the Loan is made; provided that such date may be extended at the Company's request by another six months. The Lender shall have the right, at any time, to convert the principal and interest outstanding under the Note into common share issued by the Company at a conversion rate of \$0.07 per a common share. In addition, the Lender is entitled to (i) 500 Class C warrants to purchase an additional 500 Common Shares for each 1000 Common Shares converted at exercise price of \$0.12 per Common Share and (ii) 500 Class D warrants to purchase an additional 500 Common Shares for each 1000 Common Shares converted at exercise price of \$0.21 per Common Share. The Class C Warrants shall be exercisable at any time from the conversion date to and excluding the first anniversary thereof and the Class D Warrants shall be exercisable at any time from the conversion date to and excluding the third anniversary thereof. There will be no restrictions on shares being registered upon exercise of the loan and the warrants will be registered under the Securities Act, or any state securities laws, and may be offered or sold in the United States upon registration or an applicable exemption from the registration requirements of the Securities Act.

FSP APB 14-1 requires issuers of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) to initially record the liability and equity components of the convertible debt separately. The liability component is computed based on the fair value of a similar liability that does not include the conversion option. The equity component is computed based on the total debt proceeds less the fair value of the liability component. The equity component (debt discount) and debt issuance costs are amortized as interest expense over the expected term of the debt facility. The liability component of our convertible notes is classified as long-term debt and presented as a long-term debt and the equity component of our convertible debt will be considered a redeemable security and presented as redeemable equity on our consolidated balance sheet if our stock price is above the conversion prices of \$0.07 at the grant date. We concluded there the liability value is equal to similar liability that does not include a conversion option and therefore the equity component is zero.

We did not calculate a beneficial conversion feature, in determining whether an instrument contains a beneficial conversion option, intrinsic value should be calculated using the effective conversion price, which is based on the proceeds received for the convertible instrument. The Company's shares market price at grant date of the notes was below the conversion price, therefore there was no beneficial conversion feature on the loans.

(6) Common Stock

On January 6, 2010, the Company issued 152,600 shares of common stock to a none-related party for services rendered valued at \$22,890.

On January 6, 2010, the Company issued 660,000 shares of common stock to none related parties and shareholders for services valued at \$99,000. Not related party

On April 10, 2010, the Company issued 500,000 shares of common stock to a consultant for services provided. These services were valued at \$50,000.

On April 23, 2010, the Company issued 120,000 shares of common stock at par \$0.0001, valued at \$18,000, to an officer and Director for the services provided.

In November 2010, the Company issued 2,500,000 shares of common stock, 833,333 Class A Warrant with the exercise price at \$0.08 per share, which expired one year from the date of subscription, and Class B Warrants with the exercise price at \$0.15 per share, which will be expired two years from the date of subscription for a cash payment of \$100,000.

In June, 2011, the Company issued 3,025,399 shares of common stock to consultants for services provided. These services were valued at \$607,000.

In June 2011, the Company issued 2,400,000 restricted shares valued at \$240,000 to Yoav Krill, the Company's Chairman, pursuant to his consulting agreement.

In June 2011, the Company issued 400,000 restricted shares valued at \$32,000 to Daniel Krill a son of the Company's Chairman, pursuant to his consulting agreement.

During 2012, the Company issued 14,379,659 restricted shares to various investors for proceeds of \$273,015.

During 2012, the Company issued 4,900,000 restricted shares of common stock to consultants for services provided. These services were valued at \$15,600.

(7) Commitments

On March 15, 2008, SDS Inc. entered into a written commitment with a third-party consultant to provide marketing and promotional assistance for up to 50 hours per month, beginning April 2008. In return for these services, the consultant will receive a monthly service fee of \$7,000, a stock option for purchasing 100,000 shares of common stock at \$0.15 per share, and an annual performance-based bonus at the discretion of SDS Inc. In May 2008, this agreement was placed on hold. As of December 31, 2010, the options were not issued and may not be issued in the future depending on the resolution of the agreement.

On April 1, 2009, the Company entered into a Consulting Agreement with L.A. Investments Ltd. (the "Consultant"). The Consultant agreed to render assistance and advice to the Company relating to capitalization and financing of the Company. The Consulting Agreement is for a term of three years, commencing on April 1, 2009. In consideration for such services, the Company agreed to compensate the Consultant in the amount of \$6,500 quarterly, commencing on April 1, 2009. In addition, the Company agreed to issue to the Consultant warrants to purchase an aggregate of 1,800,000 shares of the Company's common stock. On each of April 1, 2009, September 1, 2009, March 1, 2010, and September 1, 2010, provided that the Consulting Agreement is still in force, the Company shall issue a warrant to purchase 450,000 shares of the Company's common stock. Each common stock purchase warrant entitles the Consultant to purchase one share of the Company's common stock at an exercise price of \$0.15 per share and is exercisable for a period of two years. As of April 1st, 2010 the Company and the consultant mutually agreed not to continue the consultants' engagement. Therefore the consultant was not entitled to compensation in the amount of \$6,500 quarterly and 450,000 warrants which were conditionally granted to him under the consulting agreement.

SDS -Israel is committed to pay royalties to the Government of Israel with respect to the proceeds from sales of products which were developed in the framework of projects in which the Israeli Government participated in its expense. Under the terms of the funding SDS Ltd. received from the Chief Scientist, royalty payments are computed on the sales proceeds from such products at the rate of 3% in the first three years and 3.5% from the fourth year and forth. The contingent liability to the Chief Scientists is limited to the amount of the grants received. Some grants bear interest at the rate of LIBOR. SDS Ltd. is committed to the Chief Scientist to keep the know-how and production rights under the Company's possession.

During 2010, SDS Ltd. executed Identification and Exemption Agreement with Mr. Shabtai Shoval, the CEO of SDS Ltd. Ltd. The agreement calls for the indemnification of Mr. Shoval and advance of expenses for any personal liability that may be imposed on Mr. Shoval in his capacity as an officer of SDS Ltd. Ltd. Per the agreement, the maximum amount payable by SDS Ltd. to Mr. Shoval shall be the higher of \$1,000,000 or 80% of SDS Ltd.'s cash reserves, measured promptly after receipt by SDS Ltd. of notice from Mr. Shoval of the commencement of any action, suit or proceeding regarding which Mr. Shoval may seek indemnification thereafter. SDS Ltd. Ltd. agreed to reserve \$100,000 from its cash and cash equivalents in order to assure the fulfillment the Company's identification obligation under the agreement until such time as determined by the Board of Directors of SDS Ltd. Ltd. SDS Ltd. rents its offices under non-cancelable lease operating agreement.

(8) Major Customers

The Company's revenues from 2 customers accounted for \$324,152 or 83% of total revenues in the year ended December 31, 2014 and 4 customers accounted for \$247,221 or 92% of total revenues in the year ended December 31, 2013.

	Revenues in \$	Revenues in % of total revenues
Customer A	\$204,152	52
Customer B	\$120,000	31
Other customers	\$66,175	17
Total Revenues	\$390,327	100%

Year ended December 31, 2013		
	Revenues in \$	Revenues in % of total revenues
Customer A	\$86,114	32
Customer B	\$84,600	32
Customer C	\$72,004	26
Customer D	\$4,503	2
Other customers	\$21,120	8
Total Revenues	\$268,341	100%

(9) Recent Accounting Pronouncements

In October 2012, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2012-04, “Technical Corrections and Improvements” in Accounting Standards Update No. 2012-04. The amendments in this update cover a wide range of Topics in the Accounting Standards Codification. These amendments include technical corrections and improvements to the Accounting Standards Codification and conforming amendments related to fair value measurements. The amendments in this update will be effective for fiscal periods beginning after December 15, 2012. The adoption of ASU 2012-04 is not expected to have a material impact on our financial position or results of operations.

In August 2012, the FASB issued ASU 2012-03, “Technical Amendments and Corrections to SEC Sections: Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin (SAB) No. 114, Technical Amendments Pursuant to SEC Release No. 33-9250, and Corrections Related to FASB Accounting Standards Update 2010-22 (SEC Update)” in Accounting Standards Update No. 2012-03. This update amends various SEC paragraphs pursuant to the issuance of SAB No. 114. The adoption of ASU 2012-03 is not expected to have a material impact on our financial position or results of operations.

In July 2012, the FASB issued ASU 2012-02, “Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment” in Accounting Standards Update No. 2012-02. This update amends ASU 2011-08, Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment and permits an entity first to assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test in accordance with Subtopic 350-30, Intangibles - Goodwill and Other - General Intangibles Other than Goodwill. The amendments are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted, including for annual and interim impairment tests performed as of a date before July 27, 2012, if a public entity’s financial statements for the most recent annual or interim period have not yet been issued or, for nonpublic entities, have not yet been made available for issuance. The adoption of ASU 2012-02 is not expected to have a material impact on our financial position or results of operations.

In December 2011, the FASB issued ASU 2011-12, “Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items out of Accumulated Other Comprehensive Income” in Accounting Standards Update No. 2011-05. This update defers the requirement to present items that are reclassified from accumulated other comprehensive income to net income in both the statement of income where net income is presented and the statement where other comprehensive income is presented. The adoption of ASU 2011-12 is not expected to have a material impact on our financial position or results of operations.

In December 2011, the FASB issued ASU No. 2011-11 “Balance Sheet: Disclosures about Offsetting Assets and Liabilities” (“ASU 2011-11”). This Update requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The objective of this disclosure is to facilitate comparison between those entities that prepare their financial statements on the basis of U.S. GAAP and those entities that prepare their financial statements on the basis of IFRS. The amended guidance is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The Company is currently evaluating the impact, if any, that the adoption of this pronouncement may have on its results of operations or financial position.

Item XIII. Similar financial information for such part of the two preceding fiscal years as the issuer or its predecessor has been in existence.

N/A.

Item XIV. Beneficial Owners.

The following table lists, as of March 28, 2015, the number of shares of common stock beneficially owned by (i) each person or entity known to our Company to be the beneficial owner of more than 5% of the outstanding common stock; (ii) each officer and director of our Company; and (iii) all officers and directors as a group. Except as noted below, each person has sole voting and investment power.

Officers, Directors and 5% Stockholders	No. of Shares	Percentage Ownership(1)
Biomedix Incubator, Ltd., Shareholder Jabotinsky 7, Moshe Aviv Tower Ramat Gan, Israel	5,229,659	5.31%

(1) Applicable percentage ownership is based on 98,460,551 shares of common stock outstanding as of March 28, 2014.

Item XV. The name, address, telephone number, and email address of each of the following outside providers that advise the issuer on matters relating to the operations, business development and disclosure:

1. Investment Banker: None
2. Promoters: None.
3. Counsel: Thomas J. Craft, Jr., Esq., 5420 North Ocean Drive, Singer Island, FL, 33404
4. Accountant: Oded Gilboa, CPA, 10 Hayetsira St, Raanana, Israel
5. Public relations Consultant(s): None.
6. Investor Relations Consultant: None.
7. Any other advisor(s) that assisted, advised, prepared or provided information with respect to this disclosure documentation – the information shall include the telephone number and email address of each advisor. None.

Item XVI. Management's Discussion and Analysis and Results of Operation.

Forward-Looking Statements

The following discussion should be read in conjunction with our financial statements, which are included elsewhere in this Report. This Report contains forward-looking statements which relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties, and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Results of Operations

Results of Operations For the Year Ended December 31, 2014 compared to the Year Ended December 31, 2013

Revenues

The Company generated \$390,327 and \$268,345 in revenues for the years ended December 31, 2014 and 2013, respectively the reason for the increase is gaining additional customers.

Cost of Revenue

The cost of revenue were \$42,765 and \$56,493 for the years ended December 31, 2014 and 2013, respectively and primarily consisted of purchases and royalties to the Chief Science Office in Israel due to grants that were received in the past. .

Research and Development

The Company incurred research and development expenses of \$180,611 and \$199,963 during the years ended December 31, 2014 and 2013.

Selling, General and Administrative

Selling, general and administrative expenses consist primarily of personnel costs and related expenses, professional fees, sales and marketing expenses, including travel, sales commissions, communication expenses, other administrative expenses and amortization of other acquired intangible assets. Selling, general and administrative expenses were \$535,801 and \$642,409 during the years ended December 31, 2014 and 2013, respectively, the decrease is primarily attributable to a decrease in Officers comp.

Net Loss

The Company had a net loss of \$292,019 and \$888,950 during the years ended December 31, 2014 and 2013, respectively, the decrease is mainly due to decreased compensation expense other finance income.

Liquidity and Capital Resources

The Company had cash in the amount of \$151,885 as of December 31, 2014. The Company had total current assets as of December 31, 2013 of \$219,898 consisting of \$151,885 in cash, inventory valued at \$46,331 and prepaid expenses and other receivables of \$21,682.

The Company's current liabilities totaled \$2,045,017 consisting of accounts payable of \$1,300, accrued liabilities of \$20,535, and amounts due to related parties totaling \$2,023,182.

Going Concern Consideration

The Company's current activities include sales of its products, marketing, capital formation, research and development, and building infrastructure. The Company's ability to continue as a going concern is uncertain. The revised business plan of the Company is the application of proprietary technologies for law enforcement and border control, including counter terrorism efforts, immigration control and drug enforcement, as well as human resource management, asset management and the transportation sector.

While management of the Company believes that the Company will be successful in its current and planned operating activities, there can be no assurance that the Company will be successful in the achievement of sales of its products that will generate sufficient revenues to earn a profit and sustain the operations of the Company. The Company also intends to conduct additional capital formation activities through the issuance of its common stock and loans from related parties.

The Company has not established sufficient sources of revenues to cover its operating costs and expenses. As such, it has incurred significant operating losses since inception. Further, as of December 31, 2013, the cash resources of the Company were insufficient to meet its planned business objectives. These and other factors raise substantial doubt about the Company's ability to continue as a going concern.

Off-Balance Sheet Arrangements.

As of December 31, 2013, the Company had no off balance sheet arrangements.

Part E Issuance History

Item XVII. List of securities offerings and shares issued for services in the past two years.

Date	Shares Issued	Persons	Consideration
01/06/2011	425,799	Ran Daniel	For services provided valued at \$34,064
01/06/2011	959,800	Levi Krasney	For services provided valued at \$76,784
01/06/2011	959,800	Amir Uziel	For services provided valued at \$76,784
01/06/2011	30,000	Alex Traiman	For services provided valued at \$2,400
06/21/2011	2,400,000	Yoav Krill, chairman	For services provided valued at \$240,000
06/02/2011	400,000	Daniel Krill	For services provided valued at \$32,000
06/27/2011	250,000	Stephen Guttman	For services provided valued at \$25,000
03/01/2012	100,000	Alex Traiman	For services provided valued at \$3,000
06/02/2012	250,000	Amos Avivi	For services provided valued at \$9,450
06/12/2012	50,000	Yoel Yogev	For services provided valued at \$1,495
06/12/2012	800,000	Tan Yan Hong	For services provided valued at \$7,500
07/17/2012	450,000	Park Avenue Group	For services provided valued at \$14,850
08/13/2012	2,000,000	Direct Global Media	For services provided valued at \$36,000
11/05/2012	250,000	Tan Yan Hong	For services provided valued at \$8,500
11/05/2012	250,000	Stephen Guttman	For services provided valued at \$8,500
11/28/2012	500,000	Ten-West	For services provided valued at \$17,450

The Company believes that the issuances and sale of the restricted shares were exempt from registration pursuant to Section 4(2) of the Act as privately negotiated, isolated, non-recurring transactions not involving any public solicitation. Appropriate restrictive legends are affixed to the stock certificates issued in such transactions. All recipients of restricted shares either received adequate information about the Company or had access, through employment, relation and/or business relationships with the Company to such information.

Part F Exhibits

Item XVIII. Material Contracts.

No.	Description
1	Letter Agreement, dated October 18, 2007, between PCMT Corporation and Suspect Detection Systems Ltd. (annexed to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 29, 2007).
2	Stock Purchase Agreement, dated April 30, 2008, among the PCMT Corporation, Suspect Detection Systems Ltd., Shabtai Shoval and the shareholders of Suspect Detection Systems Ltd. listed therein Warrant (annexed to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 6, 2008).
3	Investment Agreement, dated as of December 18, 2008, between PCMT Corporation and Suspect Detection Systems, Ltd. (annexed to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 22, 2008).
4	Termination Agreement, dated as of December 18, 2008, between PCMT Corporation, Suspect Detection Systems, Ltd. and the shareholders of Suspect Detection Systems, Ltd. (annexed to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 22, 2008).
5	Consultant Agreement, dated January 13, 2010, between Suspect Detection Systems Inc. and Yoav Krill (annexed to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
6	Employment Agreement, dated January 14, 2010, between Suspect Detection Systems Inc. and Gil Boosidan (annexed to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2010).
7	Global Stock Incentive Compensation Plan dated December 30, 2009 (annexed to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 22, 2011).
8	Officer and indemnity Exemption agreement between Shabtai Shoval and Suspect Detection Systems, Ltd dated January 2010 (annexed to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 22, 2011).
9	Form of Regulation S Subscription Agreement, including Form of Class A Warrant and Form of Class B Warrant (annexed to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 22, 2011).
10	Code of business and Ethics (annexed to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 22, 2011).
11	Subsidiaries of the Registrant. (annexed to the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 22, 2011).

Item XIX. Articles of Incorporation and Bylaws.

- (a) Certificate of Incorporation of Company (annexed to the Company's Registration Statement on Form SB-2 filed with the Securities and Exchange Commission on March 12, 2007).
- (b) Certificate of Amendment to the Certificate of Incorporation of Suspect Detection Systems, Inc. (filed as Exhibit 3.3 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 7, 2009)
- (c) Bylaws of the Company (annexed to the Company's Registration Statement on Form SB-2 filed with the Securities and Exchange Commission on March 12, 2007).

Item XX. Purchases of Equity Securities by the Issuer and Affiliated Purchases

On March 21, 2011, the Company issued a convertible note (the "Note") to Tamar Shefet (the "Lender") whereby the Lender made a loan (the "Loan") to the Company in an amount equal to \$300,000 and accruing interest at a rate of 10% per annum.

On May 12, 2011, the Company issued a convertible note for an amount equal to \$100,000 (referred to as the "Loan"). The Loan and the accrued interest will be repayable in one installment on the date that is eighteen months after the date the Loan is made; provided that such date may be extended at the Company's request by another six months. The Lender shall have the right, at any time, to convert the principal and interest outstanding under the Note into common share issued by the Company at a conversion rate of \$0.07 per a common share.

On August 3, 2011, the Company issued a convertible note for an amount equal to \$35,000 (referred to as the "loan"). The Loan and the accrued interest will be repayable in one installment on the date that is eighteen months after the date the Loan is made; provided that such date may be extended at the Company's request by another six months. The Lender shall have the right, at any time, to convert the principal and interest outstanding under the Note into common share issued by the Company at a conversion rate of \$0.07 per a common share.

All the certificates evidencing the shares issued above contained a legend stating that the shares have not been registered under the Securities Act and setting forth or referring to the restrictions on transferability and sale of the shares under the Securities Act.

During the year ended December 31, 2014, neither the Company nor any affiliated party has purchased any equity securities.

XXI Issuer's Certifications.

Certification of Chief Executive Officer and Principal Financial Officer

I, Omer Segal, certify that:

1. I have reviewed this initial disclosure statement of Suspect Detection Systems Inc. for the years ended December 31, 2014 and December 31, 2013.
2. Based on my knowledge, this disclosure statement 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 disclosure; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respect the financial conditions, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: March 29, 2015

/s/ Omer Segal, Chairman, Chief Executive Officer and Principal Financial Officer
Suspect Detection Systems Inc.