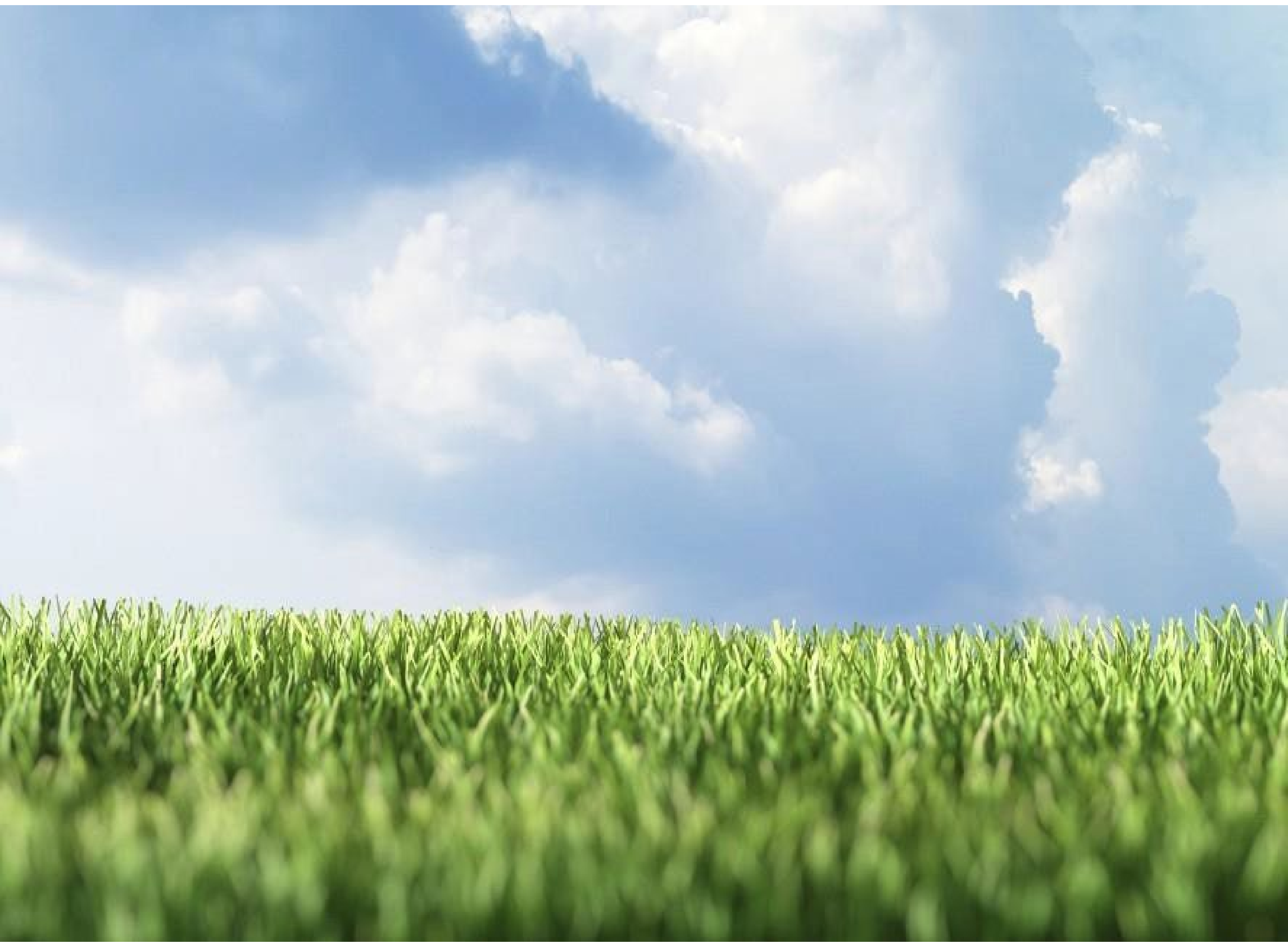
protect the freshness™

Annual Report
December 31, 2021



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CEO's comments

The Company and its Mission

International Dispensing Corporation ("IDC" or the "Company") is incorporated in the state of Delaware and its core product, The Answer® tap, has been continuously improved over the past 19 years. IDC is strengthening its position in flexible packaging and has identified key opportunities for diversifying its product offering, including complete fit-for-purpose Tap-Bag solutions for Bag-in-Box (BiB) and Bag-in-Dispenser (BiD) to our customers at a very competitive cost and improved margins to IDC. New products, aseptic and non-aseptic, have been developed and they will be commercially available from 2022.

A flexible packaging R&D company targeting the food and beverage industry, the Company continues to pursue the original vision on which it was founded: to create and market a cost-effective dispensing system that can keep aseptic liquid contents fresh and uncontaminated (shelf-stable) through their entire dispensing cycle (days, weeks, or months, depending on the product) without recourse to refrigeration or preservatives. With robust flexible packaging industry knowledge, the Company continues leveraging The Answer® tap's existing platform for aseptic applications, and exploiting The Edge® tap for non-aseptic applications as part of its product portfolio expansion. The Company has identified niche value-add opportunities and is focusing on the development of complete Tap-Bag solutions for Bag-in-Box (BiB), Bag-in-Dispenser (BiD) and other flexible packaging areas.

The Company continues to broaden its scope over supply chain, innovation, and intellectual property aspects in an effort to offer a complete packaging solution to customers at a very competitive cost. Its official mission statement reads: "To supply our customers innovative, cost effective, environmentally responsible dispensing solutions while delivering value to our shareholders."

Message from the CEO

The Company defined its path forward in 2018 with three key business imperatives:

- Aggressive Sales Growth
- Seamless Supply at an Optimal Cost
- Being a leader in Innovation through robust Intellectual Property

2021 was a continuum of the execution against these three key business imperatives. Like many businesses around the world, we faced the challenges presented by very tight global supply chains and logistics for goods and services; and by a tight labor market in the US.

During the second half of 2021 we deepened our relationship with ALPLA: we completed the activation of a competitive supply source through ALPLA Mexico, made progress on our joint commercial efforts in key strategic commercial and supply chain initiatives in the Americas, Asia and Europe, and progressed our joint cooperation on product diversification. In the areas of research and innovation, the work with ALPLA on the development of a joint innovation framework was operational in the fourth quarter and has allowed us to identify and rapidly act on very promising opportunities that will enable the supply of complete solutions to our customers at a very competitive cost and improved margins to IDC.

The work done in 2021 and our laser focus on the key priorities of high value potential for each of our three key business imperatives, served to address the challenges presented by the constrained supply chains around the world. The challenges faced in 2021 have given IDC, our customers, ALPLA and our Alliance for Aseptic Foodservice™ (AAF™) partners, a great opportunity to collaborate and jointly work on the supply of fit-for-purpose integrated packaging solutions for both aseptic and non-aseptic applications. This means supply availability at a competitive cost and sales growth with enhanced margins for IDC and its partners.

The fit-for-purpose integrated packaging solutions will be deployed first with existing customers and markets, then replicated with customers in key geographies, leveraging ALPLA's presence in 45 countries and our AAF™ partners.

COVID-19, its subsequent variants, and war in Ukraine are creating further complexity for supply chains. Lead times for products remain long, raw material shortages are resulting in huge cost increases and suppliers are rationalizing their product portfolios to optimize their operations, leading to a limited supply

of legacy products. This situation forced the foodservice industry to reprioritize its product portfolios and rethink existing business models. There was no exception for IDC. In 2021 we experienced significantly lower sales as a result of the restricted supply of packaging material (BiB bags), resulting in major constraints on our ability to provide The Answer® tap to our customers.
Consequently, this situation has given IDC the opportunity to re-invent its business. Together with the Alliance for Aseptic Food Service™ (AAF™), and supported by ALPLA, the Company took the initiative to identify alternative supply solutions for our customers. This resulting in our ability to offer them supply assurance and a competitively-priced product solution which we believe will lead to significant sales growth for IDC and its partners.

The actions taken in 2021 have positioned IDC to become a provider of fit-for-purpose solutions for Bag-in-Box, Bag-in-Dispenser and other flexible packaging solutions. This new approach is revitalizing our existing relationships with customers and partners and is opening new business opportunities, driving expanded end-to-end collaboration among customers, ALPLA, AAF™ partners and IDC. This should ultimately support the expansion of IDC's legacy business and the development of significant new business.

The activation of our strategic alliance with ALPLA has supported a smooth transition of IDC's production equipment to ALPLA's plant in Mexico. In addition to production of The Answer® tap, which has been ready since Q3 2021, we are leveraging ALPLA Mexico's ability to support the manufacturing and assembly of full Tap-Bag fit-for-purpose solutions for availability from 2022 on. ALPLA's manufacturing scale and expertise will continue providing IDC with considerable opportunities for portfolio expansion and price-elasticity to support growth well into the future.

ALPLA's presence in 45 countries and our strategic relationship with a major global provider of technology-driven natural ingredients with filling capability in multiple geographies, is also enabling the possibility for IDC to activate collaborative marketing efforts in key countries, synergizing IDC's innovation and foodservice knowledge with ALPLA's global sales force and relationships.

IDC and ALPLA continue working on research and innovation with the objective to support IDC's expanded product offering in both aseptic and non-aseptic applications, including a robust intellectual property position for existing and new products. New aseptic and non-aseptic fit-for-purpose solutions are targeted to be ready for commercialization from 2022.

IDC's business-enabling initiatives with members of The Alliance for Aseptic Foodservice™ (AAF™) continue progressing and are key for the development of the fit-for-purpose solutions we are undertaking. Efforts include aseptic filling capability and aseptic bag development in Pakistan, affordable and strategic supply of aseptic and non-aseptic bags in several key geographies, and optimization of the second-generation prototype of the Boxxle® dispenser unit at targeted foodservice markets.
AAF™ partners will continue to play a key role in the execution of IDC's strategic plan while benefiting from the growth in aseptic and non-aseptic foodservice enabled by IDC's The Answer® tap and new aseptic and non-aseptic products planned for commercialization from 2022.

The key for IDC's success into the future is the aggressive acceleration of sales growth at existing and new customers. In 2021 IDC developed and activated an aggressive Sales Growth Plan focusing its efforts on four key initiatives of high potential, including their ability to be easily replicated at other customers and/or geographies:

1. Regain market share in North America, including access to organic growth at our key customers.
2. Replication of the North America model in Pakistan.
3. New business development for fit-for-purpose solutions for existing non-aseptic and single-opening aseptic Bag-in-Box market.
4. Exploit more profitable systems-based sales of multi-opening aseptic Bag-in-Dispenser, leveraging The Answer® tap and IDC's partnership with Boxxle®.

The IDC Board of Directors' decision of emphasizing performance-based equity compensation for its employees and consultants has been extended into the future. This action has allowed the Company to endure a very challenging 2021 and will support Company's efforts in 2022. No impact to IDC's human capital resulted from this action in 2021, reaffirming the commitment and belief of IDC associates in the Company and its potential.

IDC rigorously executes disciplined processes and the enforcement of Company's policies, terms of trade and relationships with its customers, vendors, employees, debt holders and shareholders. This approach continues providing greater transparency, efficiency, and credibility, which ultimately supports confidence of shareholders and future investment from existing and new investors.

In summary, in 2021 we experienced the most challenging year for IDC ever, but we are emerging stronger! The vision, focus, agility and commitment of the IDC Team, the support of our partners and the solid long-standing relationship with our customers, and potential customers established over the years are allowing the Company to rapidly reposition and evolve into a more profitable business model, built on top of our solid foundation and supported by robust execution on all three key business imperatives, The Company will deliver significant value to IDC's shareholders, customers, and associates in 2022 and beyond.

Pepe Martinez
IDC Chief Executive's Office

The global opportunity

Vision

To develop and commercialize the world's pre-eminent aseptic and non-aseptic taps and Tap-Bag fit-for-purpose solutions for large-format food & beverage packaging.

Execution

The challenges of 2021 revealed the true resilience of IDC. The business transformation initiated by the Company in 2020, including the activation of our strategic alliance with ALPLA, enabled IDC to navigate the events of 2021 where the competence and agility of IDC's Team allowed the Company to effectively redefine its business model, evolving a Tap-Bag solution driven approach, offering competitive alternatives to our customers, and partners while developing a more sustainable business model for IDC.

In February 2021 the Board was expanded to six directors. Joining the existing Board of Bo Thörn, a senior ex-Tetra Pak executive, Marcelino Martinez, a senior ex Coca-Cola executive, and Pepe Martinez, a senior ex-Coca-Cola executive, were three new directors: Leon Gianneschi, former CEO and President of Scholle IPN, Michael Azeez, a venture capital and real estate investor, and Douglas Blagdon, an investment banker. In December 2021 Douglas Blagdon resigned from the Board to pursue other interests and a replacement will be announced in due course. The versatile and complementary sets of skills and the diverse backgrounds of the expanded Board is supporting IDC's vision to becoming a premier supplier of competitive aseptic and non-aseptic bag-in-dispenser and bag-in-box solutions for the foodservice industry.

In addition to the Board, the IDC team is supported by Pär Söderlund, senior ex-Tetra Pak executive, based in Dubai, UAE, leading business development in the Middle East and Africa. Christopher Westwood, CFO, and Jay Weil, Legal Counsel, both based in the United States, supporting global business activity with their respective areas of expertise.

The lean, experienced, and strategically located IDC team has high-level entree to the leading aseptic companies in North America, Latin America, the Middle East, Southwest Asia, Africa, and China. As part of the strategic alliance with ALPLA, the IDC team is expanding its coverage and effectiveness by synergizing with ALPLA's commercial teams in key geographies, with IDC bringing robust knowledge of flexible packaging and foodservice, and ALPLA complementing IDC's effort with highly qualified professionals currently selling their rigid packaging products to major food and beverage companies in 45 countries.

Sales & Marketing

While 45% (and growing) of the world's food & beverage spending is for consumption away from home, foodservice comprises approximately 3% of aseptic packaging, due to package size limitations. Therein lies IDC's advantage: to offer the world's only bona fide aseptic foodservice package, enabled by The Answer®, and a broader portfolio offering of other aseptic and non-aseptic products, currently under development. The transformation experienced in 2020 and the redefinition of its business model in 2021, is allowing the Company to be uniquely positioned to support the whole spectrum of aseptic and non-aseptic applications in foodservice and at-home consumption at a very competitive cost, supported by an efficient supply chain and robust innovation.

In 2021, the AAF™ concept was taken to the next level, with IDC driving specific customer initiatives with AAF™ members, offering a complete aseptic and non-aseptic packaging and dispensing solution at a competitive cost.

A major test has subsequently confronted the AAF™ throughout 2021 and the first quarter of 2022: unprecedented global supply-chain constraints, very high costs driven by massive raw material price increases, and limited availability of finished product to our customers resulting from rationalization by the packaging industry majors. Since 2021, the AAF™ approach has demonstrated its value and commitment to customers, offering alternative solutions to IDC customers which will support business continuity and growth potential in key foodservice applications. Going forward from 2022, a combined Tap-Bag fit-for-purpose approach will be commercially available, offering a viable supply alternative to customers.

Our customers are very appreciative of the support provided by IDC and AAF™ partners, which is strengthening our relationships with existing and new customers, and offering business growth to AAF™ members.

Collaborative work between IDC and Boxxle® has continued, and further improvements to the second-generation Boxxle® unit for 5, 10 and 20 liters have been accomplished, including cooling and heating capability for beverage within the same dispensing unit. IDC and Boxxle® have introduced the improved second-generation Boxxle® unit at a few potential customers and will expand its introduction to other customers throughout 2022. IDC has global rights to be Boxxle®'s exclusive supplier of taps for all UHT (aseptic) applications.

Key Initiatives to aggressively accelerate sales growth

In 2021 IDC developed and activated an aggressive Sales Growth Plan focusing its efforts on four key initiatives of very high potential, including their ability to be easily replicated at other customers and/or geographies. These four initiatives can be summarized as follows:

Regain market share in North America, including access to organic growth at our key customers.

Through the deployment of a very competitive fit-for-purpose solution, offering an alternative supply chain option to customers who are experiencing a constrained supply situation globally, we are repositioning sales at our largest customer, including the possibility to expand sales beyond current business, and tapping into incrementally available UHT filling capacity in North America.

This solution will also offer the opportunity to expand business at new customers.

Replication of the North America model in Pakistan.

Pakistan represents a unique opportunity for the provision of safe, unadulterated aseptic dairy package – a closed system that cannot be tampered with that offers a farm-fresh aseptic product. Pakistan (pop. 200 million people) is the world's fourth-largest dairy consuming country but only 10% of its dairy products are packaged. Virtually all the rest is in the form of "loose milk" sold in shops around the country. Raw, unprocessed milk in open, exposed tubs and potentially loaded with bacteria is ladled into plastic bags. The contents need to be boiled before consumption. The Answer® is uniquely suited to transform "loose milk" into a safe, trusted, low maintenance product for millions of people.

All the lessons learned from the activation of the IDC fit-for-purpose solution in North America are planned to be transferred to Pakistan.

The initiative in Pakistan requires the development and activation of local aseptic filling capacity, as well as access to competitive aseptic bags supply. IDC is actively working on enabling both aseptic filling capability and adequate capacity of competitive aseptic bags supply in the country.
All the learnings from Pakistan, can be replicated within other similar developing markets.

New business development for fit-for-purpose solutions for existing non-aseptic and single-opening aseptic Bag-in-Box market.

We are working on aggressively penetrating the existing non-aseptic and single-opening aseptic Bag-in-Box market at brand owners and retailers, offering very competitive fit-for-purpose solutions.
In conjunction with ALPLA and our strategic partner in the areas of natural ingredients and aseptic and non-aseptic filling, we are working on understanding and providing solutions for the existing needs at key global brand owners and retailers.
The knowledge and insights resulted from this initiative will be replicated across the globe, leveraging ALPLA's presence in multiple geographies.

Exploit more profitable systems-based sales of multi-opening aseptic Bag-in-Dispenser, leveraging The Answer® tap and IDC's partnership with Boxxle®.

The Answer® tap enables the beverage industry to offer preservative free and not-from-concentrate aseptic products. This can be enhanced through the Boxxle® dispenser, which has the ability to dispense chilled or hot aseptically filled products from the same unit at a very competitive system cost.
Efforts on this initiative have global reach and the potential of this initiative represents an Industry game changer for Bag-in-Dispenser.

Intellectual Property & Trade Secrets

To reinforce the competitive advantage of The Answer® and our new aseptic and non-aseptic products pipeline, with the objective to better support the specific needs of our customers, we continue building on our research and innovation initiative, driving fit-for-purpose improvements and significantly optimized cost that supports the rapid adoption of The Answer® and all the products being considered for our product diversification.

The new IDC-ALPLA relationship is significantly strengthening IDC's position on research and innovation of products that will offer unique features for aseptic and non-aseptic applications at very competitive cost to our customers. A robust and disciplined intellectual property process is being activated for any innovation of existing or new products and will incorporate insights from customers and prospects to ensure fit-for-purpose design.

We believe our trade secrets constitute excellent intellectual property protection. Years of refining the various components of our product, its assembly process, and the stringent sterility tests we have successfully conducted together with some of our key customers, have set an extremely high technical bar that any other competitor must attain in order to lay claim to having an "aseptic tap". There is absolutely no guarantee - in fact, it is highly unlikely - that even a direct 'knock-off' of The Answer® will produce the consistency demanded by the aseptic industry. Any 'knock-off' will be regarded as a newly developed component requiring re-testing. No reputable food & beverage company will risk product recalls on a tap that hasn't been as thoroughly vetted as The Answer®. There are no short-cuts around the years of tooling, re-tooling, inoculated testing, regulatory approvals and validation that are now in IDC's rear-view mirror. For example, IDC worked with three U.S. silicone manufacturers before Austrian-based Starlim-Sterner designed the definitive seal, one that is proprietary to IDC.

The Company believes that between its patents, trade secrets and its improved cost position the barriers to entry for potential competitors to The Answer® are considerable. The technical standards IDC has set are high enough and the process expensive enough, to discourage competition. All the learnings from The Answer®, including the connection with customers to support fit-for-purpose, are being incorporated into our joint research and innovation pipeline with ALPLA, and should support a strong IDC position into the future.

Overhead & Personnel

With a lean team of 7 executives, IDC has slightly reduced its headcount, while maintaining a greater sales reach into the global aseptic supply chain and significantly improved its technological and intellectual property know-how.

Effective 2021, the IDC-ALPLA relationship started to offer synergy and joint business development to both organizations, leveraging our individual industry knowledge and complementing our resources to effectively expand business coverage and presence with key customers and in new areas, while managing headcount.

The addition of Leon Gianneschi to the Board and his direct collaboration with the IDC team is providing significant knowledge and insights to IDC-ALPLA, as well as AAF™ partners for specific strategic initiatives considered for 2021 onwards.

Management believes the Company's fixed costs may need to increase only marginally to support growing sales and the addition of just one new significant customer could result in IDC becoming cash flow positive.

The IDC team is comprised of senior executives with vast experience in their different fields:

Pepe Martinez (Houston, USA) - President and CEO

A well-known and highly respected global supply chain executive with a strong track record in end-to-end business solutions for the food and beverage and packaging industries, Mr. Martinez spent 17 years with The Coca-Cola Company. His most recent role as Managing Director of Aseptic Carton Packaging and Production Equipment, along with his in-depth knowledge of Coca-Cola's global system, makes him uniquely qualified to make significant contributions to the company's growth, exposure, and success.

Bo Thörn (East Coast, USA) - Board Director and Chief Commercial Officer

A 27-year industry veteran, with 15 of those years spent in senior positions at Tetra Pak, has had a powerful impact on the Company's business development, management, and organization. As Managing Director for Tetra Pak Malaysia & Singapore, Commercial Director for Tetra Pak China, and CEO Nordics for Smurfit Kappa, Mr. Thörn was largely responsible for a large business expansion in those markets. He works closely with Mr. Martinez to oversee IDC's business globally.

Marcelino Martinez (Mexico City, Mexico) - Board Director and Chief Technology Officer

An experienced Industry leader with a successful 32-year career at The Coca-Cola Company. His vast areas of expertise include End-to-End Productivity Solutions, Innovation, M&A, and Sustainability Practices. During his career at Coca-Cola, he represents the Company's interests on several Boards of Directors. He participated in over 25 acquisitions with a total value of over $1.5 billion, and in the multiple roles in his career delivered extensive productivity gains and increased bottom line results.

Leon Gianneschi (West Coast, USA) - Board Director and Global Strategy Development

Over 31 years of leadership, strategy development, commercial and operating experience related to specialty businesses. He has extensive expertise in the barrier/dispense flexible packaging and specialty chemical sectors. Mr. Gianneschi held various executive positions over a more than 20-year period with affiliates of Scholle Corporation, including being CEO and President of Scholle IPN, the premier provider of global bag-in-box solutions.

Christopher Westwood (New York, USA) - CFO

31 years of experience in finance and investment banking at UBS, Lehman Brothers, and HSBC.

Pär Söderlund (Dubai, UAE) - Business Development - Middle East, South West Asia and Africa

Ex-Tetra Pak senior executive with more than 33 years of deep experience and understanding of the Middle East and Europe dairy and packaging industries. He has end to end professional experience on dairy, ranging from cow feed, milk/meat, milk processing/packaging and dairy distribution.

Jay Weil (New York, USA)

More than 42 years of experience in corporate law and legal compliance.

Public Relations

IDC will continue to be laser focused on the execution of its three key business imperatives: Aggressive Sales Growth, Seamless Supply at an Optimal Cost, and Being a leader in Innovation through robust Intellectual Property.

Key business relationship initiatives introduced since 2019 and our subsequent bold actions continue allowing the Company to be viable in 2022 and beyond, despite the global COVID-19 pandemic which drastically impacted the globe, particularly foodservice. The execution of our plans will put the Company in a position to deliver positive results, provided sales efforts for the different initiatives materialize post COVID-19.

Marketing & Innovation

In May 2019, The Answer® received the WorldStar President's Award Gold Medal as the world's most significant packaging innovation, cutting across all packaging categories. The Answer® bested over 2000 original entries from over 60 countries, many from the world's leading multinational companies.

The Company had identified the opportunity to improve our external communication and the marketing of our products through the development and activation of a robust and disciplined Customer Relationship Management (CRM) process and a formal Social Media platform. Due to COVID-19 the deployment of these two initiatives has been postponed.

During the first half of 2021 we launched a new approach to the sales and marketing of our products, complementing our legacy sales efforts. This new success-based approach is leveraging the expertise and business connections of a handful of industry experts in key markets, and combining it with IDC's flexible packaging and foodservice industry knowledge and the global commercial reach of ALPLA.

Financial Condition & Liquidity

As reflected in the Company's financial statements, the Company has experienced continuing net losses and negative cash flows from operations through December 31, 2021. The Company's continuing existence is dependent upon its ability to obtain additional financing, to generate sufficient cash flows to meet its obligations on a timely basis and to achieve and maintain profitable operations. The Company is attempting to obtain additional contracts to bolster sales of The Answer®. The Company is also seeking equity and/or debt financing. However, there can be no assurance that the Company will be successful in these matters.

The Company's financial statements have been presented on the basis that it will continue as a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company faces certain risks and uncertainties that are present in many emerging growth companies regarding product development and commercialization: limited working capital, recurring losses and negative cash flow from operations, future profitability, ability to obtain future capital, protection of patents, dependence on third party manufacturing organizations, and low levels of recurring sales. These risks and other factors raise substantial doubt about our ability to continue as a going concern.

The Company's primary source of funds since inception has been from the sales of its common stock ($44.4 million) and preferred stock ($1.5 million) and from the occasional issuance of debt.

Revenues have been consistently at a low level and stem from individual purchase orders rather than long-term contracts. To date, revenues have been insufficient to cover operating costs and losses are continuing as efforts to market the Company's products progress.

During the year ended December 31, 2021, two individuals purchased a total of 400,361 shares of the Company's common stock for an average purchase price of $0.14 per share.

For the year ended December 31, 2021, the Company incurred a loss from operations of approximately $0.899 million it used approximately $0.29 million in net cash from operating activities with a negative net working capital of $2.79 million. The Company had total cash and cash equivalents of $26,525 at December 31, 2021. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Results of Operations

Year Ended December 31, 2021
compared to
Year Ended December 31, 2020

Revenue: For the year ended December 31, 2021, the Company had net revenues from The Answer® of $42,336 compared to the $74,727 of net revenues generated in the year ended December 31, 2020, a decrease of $32,391 or 43%. This decrease in net revenues is due to labor shortages in the supply chains of the Company's customers for bags and cartons due to the COVID-19 pandemic.

Gross Loss: For the year ended December 31, 2021, the Company had a gross loss of $12,984 compared to a gross loss of $5,076 for the twelve months ended December 31, 2020, a decrease of $7,908, or 156%. The increase in losses is due to higher warehousing costs in the year ended December 31, 2021 compared to the year ended December 31, 2020.

Operating Expenses: For the year ended December 31, 2021, the Company had total operating expenses of $886,576 representing a decrease of $66,916 or 7%, compared to the Company's total operating expenses of $953,492 for the year ended December 31, 2020. Operating expenses were flat year over year with higher auditing fees offset by lower engineering fees, selling expenses, and depreciation expenses.

Loss from Operations: For the year ended December 31, 2021, the Company had a loss from operations of $899,560 representing a decrease in loss from operations of $59,008, or 6%, compared to the $958,568 of operating loss for the year ended December 31, 2020. The flat loss from operations year over year is due to the flat operating expenses and flat gross loss previously noted.

Net Interest Expense: Net interest expense for the year ended December 31, 2021 was $47,888 compared to $48,785 for the year ended December 31, 2020, representing a decrease of $897 or 2%. Net interest expense for the year ended December 31, 2021 was flat compared to the year ended December 31, 2020 because no new debt was incurred and interest rates on outstanding debt remained the same.

Change of Fair Value of Warrant Liability: Change of Fair Value of Warrant Liability for the year ended December 31, 2021 was an expense of $192,658 compared to an expense of $634,302 for the year ended December 31, 2020, representing a decrease of $441,644, or 70%. The decrease in fair value of the warrant liability is due to changes in the Company's stock prices, related volatility analyses and fluctuating interest rates used to calculate warrant values.

Net Loss Available to Common Stockholders: For the year ended December 31, 2021, the Company incurred a net loss available to common stockholders of $1,184,825 compared to a net loss available to common stockholders of $1,701,655 for the year ended December 31, 2020, representing a decrease of $516,830, or 30%. The change in loss available to common stockholders is primarily due to the change in fair value of the warrant liability and the flat Operating Expenses previously mentioned.

Financial Statements for

Twelve months ended December 31, 2021

INTERNATIONAL DISPENSING CORPORATION

BALANCE SHEETS
DECEMBER 31, 2021 AND DECEMBER 31, 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	$ 26,525	$ 260,404
Accounts Receivable Trade	42,339	28,785
Prepaid expenses	67,483	56,120
Inventory	91,172	141,778
Total current assets	227,519	487,087
PROPERTY & EQUIPMENT		
Office equipment	98,535	98,535
Production equipment	2,957,436	2,957,436
	3,055,971	3,055,971
Less accumulated depreciation	(3,035,383)	(3,016,839)
Total property and equipment	20,588	39,132
TOTAL ASSETS	$ 248,107	$ 526,219
LIABILITIES & STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts Payable	$ 481,215	$ 439,170
Accrued expenses	343,592	289,078
Note payable to Stockholders	600,000	600,000
Other liabilities warrants, at fair value	1,593,379	1,400,721
Total current liabilities	3,018,186	2,728,969
Convertible, redeemable preferred stock, $0.001 par value; 2,000,000 shares authorized; 1,500,000 issued and outstanding as of December 31, 2021 and 2020 respectively	1,500,000	1,500,000
STOCKHOLDERS' DEFICIT		
Common stock, $0.001 par value; 150,000,000 shares authorized; 94,726,606 and 94,326,245 shares issued and outstanding as of December 31, 2021 and December 31, 2020 respectively	94,726	94,326
Additional paid-in capital	44,438,868	43,821,772
Accumulated deficit	(48,803,673)	(47,618,848)
Total stockholders' deficit	(4,270,079)	(3,702,750)
TOTAL LIABILITIES & STOCKHOLDERS' DEFICIT	$ 248,107	$ 526,219

The information in the notes are an integral part of these financial statements

INTERNATIONAL DISPENSING CORPORATION

STATEMENTS OF OPERATIONS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
REVENUES	$ 42,336	$ 74,727
COST OF GOODS SOLD	55,320	79,803
GROSS LOSS	(12,984)	(5,076)
OPERATING EXPENSES		
Engineering expenses	12,201	36,049
General & administrative expenses	11,038	10,062
Operating expenses	813,289	846,812
Selling expenses	31,504	38,949
Depreciation	18,544	21,620
Total operating expenses	886,576	953,492
LOSS FROM OPERATIONS	(899,560)	(958,568)
OTHER INCOME	15,281	-
NET INTEREST EXPENSE	(47,888)	(48,785)
CHANGE IN VALUE OF WARRANT LIABILITY	(192,658)	(634,302)
NET LOSS	(1,124,825)	(1,641,655)
Preferred stock dividends	(60,000)	(60,000)
Net loss available to common stockholders	$ (1,184,825)	$ (1,701,655)
NET LOSS PER COMMON SHARE (basic & diluted)	$ (0.01)	$ (0.02)
BASIC & DILUTED WEIGHTED SHARES OUTSTANDING	94,633,186	91,689,725

The information in the notes are an integral part of these financial statements

INTERNATIONAL DISPENSING CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021

	Common shares outstanding	Common stock	Additional paid-in capital	Retained earnings	Total stockholders' (deficit)/equity
Balance December 31, 2019	89,783,977	89,785	42,290,192	(45,917,193)	(3,537,216)
Additional shares issued for cash	4,449,999	4,448	618,552		623,000
Stock issued to vendors in lieu of cash	92,269	93	38,660		38,753
Stock based compensation			682,503		682,503
Liabilities settled by issuance of stock options			191,865		191,865
Dividends payable				(60,000)	(60,000)
Net loss				(1,641,655)	(1,641,655)
Balance December 31, 2020	94,326,245	$ 94,326	$ 43,821,772	$ (47,618,848)	$ (3,702,750)
Additional shares issued for cash	400,361	400	55,600		56,000
Stock based compensation			561,496		561,496
Dividends payable				(60,000)	(60,000)
Net profit				(1,124,825)	(1,124,825)
Balance December 31, 2021	94,726,606	$ 94,726	$ 44,438,868	$ (48,803,673)	$ (4,270,079)

The Information in the notes is an integral part of these financial statements

INTERNATIONAL DISPENSING CORPORATION

STATEMENTS OF CASHFLOWS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (1,124,825)	$ (1,641,655)
Depreciation	18,544	21,620
Stock-based compensation	561,496	682,502
Stock issued in lieu of fees and expenses		38,754
Change in fair value of warrant liability	192,658	634,302
Gain on disposal of property plant and equipment		2,033
Net changes in		
Accounts receivable	(13,554)	107,730
Prepaid expenses	(11,363)	(22,251)
Inventory	50,606	(131,745)
Accounts payable	(17,955)	(188,181)
Accrued expenses	54,514	54,778
Net cash used in operating activities	(289,879)	(442,113)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock	56,000	623,000
Net cash provided by financing activities	56,000	623,000
NET INCREASE (DECREASE) IN CASH	(233,879)	180,887
CASH AT BEGINNING OF PERIOD	260,404	79,517
CASH AT END OF PERIOD	$ 26,525	$ 260,404
Supplemental disclosure of cash flow information		
Liabilities settled by issuance of stock options		$ 191,865
Preferred dividends accrued and included in accounts payable	$ 60,000	$ 60,000

The information in the notes are an integral part of these financial statements

Notes to the Financial Statements

1. The Company & Organization

International Dispensing Corporation ("IDC" or the "Company") was incorporated in the State of Delaware in October 1995. The Company designs and manufactures proprietary packaging and dispensing solutions for the flowable food, beverage, medical, pharmaceutical and chemical industries. IDC's business model offers companies proven market solutions that offer higher levels of product safety and product performance.

IDC's single focus is on the development of market solutions whose value may be optimized through a joint venture alliance, license agreement or sale of the technology. IDC's business plan is organized on five platforms:

I. Identify emerging packaging and dispensing market trends in the flowable foods, beverages, medical, pharmaceutical and chemical industries.

II. Design and incubate new packaging and dispensing technologies that deliver measurable improvements in product safety and product performance.

III. Demonstrate that the new technology can be mass marketed and mass produced.

IV. Deliver each new technology with the necessary patent and regulatory certifications completed.

V. Partner with leading flexible packaging companies in joint venture alliances, license agreements or sale of the technology to maximize shareholder value.

The Company has been subject to a number of on-going risks through December 31, 2021, which are continuing. For example, the Company is subject to risks related to the availability of sufficient financing to meet its future cash requirements and the uncertainty of future product development, regulatory approval, and market acceptance of existing and proposed products.

Additionally, other significant risk factors such as loss of key personnel, lack of manufacturing capabilities, difficulty in establishing new intellectual property rights and preserving and enforcing existing intellectual property rights, as well as product obsolescence due to the development of competing technologies could impact the future results of the Company.

The results of operations for the year ended December 31, 2021 are not necessarily indicative of the results that will be achieved for any future period.

2. Going Concern

The Company's financial statements have been presented on the basis that it will continue as a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company faces certain risks and uncertainties that are present in many emerging growth companies regarding product development and commercialization: limited working capital, recurring losses and negative cash flow from operations, future profitability, ability to obtain future capital, protection of patents, dependence on third party manufacturing organizations, and low levels of recurring sales. These risks and other factors raise substantial doubt about our ability to continue as a going concern.

The Company's primary source of funds since inception has been from the sales of its common stock ($44.4 million) and preferred stock ($1.5 million) and to a lesser extent from the occasional issuance of debt. Revenues have been consistently at a low level, but they stem from individual purchase orders and not long-term contracts. To date, revenues have been insufficient to cover operating costs and losses are continuing as efforts to market the Company's products progress.

For the year ended December 31, 2021, the Company incurred a loss from continuing operations of $899,560 and used $289,879 in net cash from operating activities. As of December 31, 2021, the Company had a negative net working capital of $2,790,667 and total cash and cash equivalents of $26,525. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company's ability to continue as a going concern is dependent on its ability to obtain additional financing, to generate sufficient cash flows to meet its obligations on a timely basis, and ultimately to attain profitability. No assurance can be given that the Company will be successful in raising the adequate funds needed. If the Company is unable to raise additional capital when required or on acceptable terms, it may have to significantly delay, scale back or discontinue the development or commercialization of one or more of its product candidates, restrict its operations or obtain funds by entering into agreements on unattractive terms, which would likely have a material adverse effect on its business, stock price and its relationships with third parties with whom it has business relationships, at least until additional funding is obtained.

3. The COVID-19 Pandemic

IDC's deliveries declined by 43% in the year ended December 31, 2021 compared to the same period in 2020 due to labor shortages in the supply chains of the Company's customers. As has been reported in the press, frictions in the labor market appear to be due to employees across many industries taking the opportunity of the pandemic to earn new qualifications and to change careers. Employment levels in plastic and paper packaging materials manufacturing are still lower than prior years despite the impressive rebound in consumer demand beginning in Q1 2021 (source: Bureau of Economic Statistics). Although IDC is no longer directly exposed to frictions in the US employment market after the relocation of its third party manufacturing operations to Toluca, Mexico, the Company still has indirect exposure through the Company's packaging partners and customers.

In light of these challenges, IDC's management continues to focus on the variables it can control: consultants are receiving stock options in lieu of cash and the variable cost position is improved. These initiatives have positioned the Company much more aggressively for when supply-chain issues are resolved, and pent-up demand picks up. However, in the meantime, the Company continues to spend more cash than it generates and will need additional funding for future operations.

Management continues to watch for new threats to its progress stemming from the COVID-19 pandemic.

4. Significant Accounting Policies

Cash

Cash consists of cash in banks.

Accounts Receivable

The Company's accounts receivable consist of amounts due from customers operating in the food and beverage industry throughout the United States, Asia, and Europe. Collateral is generally not required. The Company does not have a history of significant uncollectible accounts. For the periods reported, the Company has performed a detailed review of the current status of the existing receivables and determined that an allowance for doubtful accounts is not necessary.

Inventory

Inventories consist primarily of finished goods. Inventories are stated at the lower of cost or net realizable value, utilizing the first-in, first-out method. Costs of finished goods inventories include all costs incurred to bring inventory to its current condition, including freight and other costs. On an annual basis the Company reviews inventories for obsolete inventories.

Property and Equipment

Office equipment and production equipment are recorded at cost and are depreciated on a straight-line basis over their estimated useful lives, generally five years.

Impairment of Long-Lived Assets

The Company reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An asset is considered impaired if its carrying amount exceeds the future net undiscounted cash flows that the asset is expected to generate. If such asset is considered to be impaired, the impairment to be recognized is the amount by which the carrying amount of the asset, if any, exceeds its fair value determined using a discounted cash flow model.

Revenue Recognition

Revenue is recognized upon shipment of the product to the customer.

Income Taxes

The Company uses the liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Management considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential changes that management believes are more likely than not to occur upon examination by tax authorities. Management has not identified any uncertain tax positions in filed income tax returns that require recognition or disclosure in the accompanying financial statements. Any interest and penalties related to income tax matters is recognized as a component of operating expense. The Company's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

Net Income (Loss) per Share

Basic net income (loss) per share is computed by dividing the net income (loss) available to common shareholders by the weighted-average number of shares of common stock outstanding during the period. Diluted income (loss) per share is determined using the weighted-average number of shares of common stock outstanding during the period adjusted for the dilutive effect of common stock equivalents related to preferred stock, outstanding stock options and deferred contingent common stock awards. In periods of net loss, the dilutive effects of common stock equivalents are not included because their effect would be anti-dilutive.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from such estimates.

Stock-Based Compensation

Compensation cost for all stock-based awards is measured at fair value on date of grant and recognized over the service period for awards expected to vest. Such value is recognized as expense over the service period, net of estimated forfeitures. The estimation of stock awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from our current estimates, such amounts will be recorded as a cumulative adjustment in the period estimates are revised. Management considers many factors when estimating expected forfeitures, including types of awards, employee class, and historical experience.

Fair Value of Financial Instruments

The Company's financial instruments consist primarily of accounts receivable, accounts payable and accrued expenses, and notes payable to stockholders. In management's opinion, the carrying amounts of these financial instruments approximated their fair value on December 31, 2021 and December 31, 2020.

Business Segments

The Company has determined that its current business and operations consist of one reporting segment.

5. Private Placements of Stock

During the third quarter of 2015 one individual purchased 1,500,000 shares of the Company's Series E Convertible, Redeemable Preferred Stock for a total purchase price of $1,500,000 ($1.00 per share). These shares are redeemable and can be converted to 5,000,000 shares of the Company's Common Stock. The purchase agreement allows for a 4% dividend payable either in cash or in additional shares of Series E Preferred Stock. These dividends are being accrued on the balance sheet in accounts payable and at December 31, 2021 and December 31, 2020 accrued preferred stock dividends amounted to $385,192 and $325,192 respectively. Under the purchase agreement the investor was granted warrants to purchase 5,000,000 shares of common stock at an exercise price of at $0.30 per share, which became exercisable one year after the date of grant and remain exercisable until December 31, 2022.

As the preferred stock contains a redeemable provision at the shareholder's option, the item is not included with permanent equity, but a component of mezzanine equity and included in the balance sheet as a single line item between liabilities and stockholders' deficit.

In addition, the convertible provision was evaluated to determine if it was subject to a beneficial conversion feature ("BCF"). A BCF was concluded since the effective conversion price was below the per share fair value of the underlying stock into which it is convertible at the issue date. As a result, the Company recognized an asset discount from the BCF and a related credit to additional paid-in capital in the amount of $724,973, which was amortized as a deemed dividend over one year, the redeemable period and was netted against the convertible, redeemable preferred stock in the balance sheet.

In connection with the preferred stock issuance, the Company also issued warrants to purchase an additional 5,000,000 shares of common stock. The warrants are deemed a derivative liability and are measured at fair value at each reporting period. As a result, the Company recognized an asset discount for the warrants and a related credit to warrant liability in the original amount of $724,973. The discount was amortized as a deemed dividend over one year, the redeemable period, and was netted against the convertible, redeemable preferred stock in the balance sheet. The warrants are measured at fair value at each reporting period with changes in fair value recorded in the statements of operations. On March 25, 2020 the Board of Directors modified the maturity of these 5,000,000 warrants with a near-term expiration date to December 31, 2022 which has the effect of increasing their fair value.

During the year ended December 31, 2021, two individuals purchased a total of 400,361 shares of common stock at an average price of $0.14 per share.

During the year ended December 31, 2020 several individuals purchased 4,449,999 shares of common stock at an average price of $0.14 per share.

6. Income Taxes

The Company is subject to applicable federal and state income taxes, but due to losses, no taxes were payable. As a result of operating losses for the year ended December 31, 2021, losses incurred since inception, and due to uncertainties surrounding the ability of the Company to realize the tax benefits, as discussed below, associated with its deferred tax assets, there is no provision or benefit for income taxes in the accompanying financial statements. As of December 31, 2021, the Company had a net operating loss carryforward of approximately $29.5 million. The Company has established a full valuation allowance against its net deferred tax assets (which consist primarily of net operating loss carry-forwards) as the Company's ability to realize such assets is predicated upon the Company achieving profitability. In addition, the use of net operating loss carryforwards may be limited upon profitability as defined by IRC§382 as a result of ownership changes resulting from stock issuances.

7. Stock-based Compensation

The fair values of stock options granted were estimated at the date of grant using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model was originally developed for use in estimating the fair value of traded options, which have different characteristics from the Company's employee stock options. The model is also sensitive to changes in assumptions, which can materially affect the fair value estimate.

In 2020, the Company introduced a new stock option plan, the "2019 – 2022 Equity Incentive Plan", to compensate management and consultants with stock options including amounts accrued on the balance sheet in 2019 in Accounts Payable. The plan also applies to 2020 and to 2021 when management and consultants were again compensated with Company stock options in lieu of cash compensation and may be extended beyond 2021 at the Company's discretion. There are 30,000,000 options subject to the plan of which 20,703,965 have been awarded, including options issued to settle recorded liabilities, to vest immediately with exercise prices ranging from $0.056 to $0.1347 per share and with the longest maturity being December 31, 2031, leaving 9,296,035 remaining for future awards. None of the options have been exercised thus far. The Plan Administrator has the authority to set the award date, the vesting period, and the term of each award provided that the term shall be within ten years of the award date.

On March 25, 2020, the Board of Directors modified the maturity of 765,000 options and warrants with near term expiration dates to December 2022. The modification resulted in an additional stock-based compensation expense of $2,159.

On December 2, 2021 the Board of Directors modified the maturity of 2,730,000 options and warrants to a standard ten year maturity. These options and warrants will expire from 2022 to 2031. The modification to expire in ten years from the original date of issue. The modification resulted in an additional stock based compensation expense of $181,909.

On December 31, 2021 the management of the Company were awarded 8,888,580 in stock options with ten year maturities with an exercise price of $0.056 in lieu of cash compensation. Total compensation cost charged related to stock-based compensation for the years ended December 31, 2021 and 2020 amounted to $561,496 and $682,503 respectively.

On April 1, 2021 one member of the Board of Directors was awarded 25,000 options with an exercise price of $0.42 per share with immediate vesting and a maturity of 8 years.

On January 1 and February 1, 2021 the Board of Directors were awarded 150,000 options with exercise prices of $0.10 and $0.12 and 10 year maturities, as compensation for board duties and responsibilities.

No compensation cost related to share-based payment arrangements was capitalized as part of the cost of any asset during the year ended December 31, 2021 and the year ended December 31, 2020.

The Company accounts for its stock-based awards issued to non-employees in return for services using the fair value method. The fair value of the award is measured using the Black-Scholes option valuation model on the date that the services have been completed or on the performance commitment date, whichever is earlier (the “measurement date”).

The Company has three other stock option plans (the “Plans”). The 1998 Stock Option Plan (the “Participant Plan”) provides for the granting of stock options to key employees, consultants or other persons (“Participants”). The objective of this Plan includes attracting and retaining the best personnel, providing for additional performance incentives and promoting the success of the Company by providing Participants the opportunity to acquire common stock. The objective of the second plan, the Director Option Plan (“the Director Plan”), is to attract and retain the best available personnel for service as outside directors of the Company, as well as to provide additional incentive to the outside directors of the Company to serve as directors and to encourage their continued service on the Board.

In July 2017 a new plan, the 2017 Stock Incentive Plan, with 6,000,000 shares, was approved by the Board to provide for Options, Stock Appreciation Rights, Restricted Stock, Performance Shares, and Cash Bonus Awards to be granted at the discretion of the Stock Options Committee as performance incentives for targets agreed by the Stock Options Committee.

The Plans provide for the granting of options, stock appreciation rights, restricted stock, performance shares, and cash bonus awards, that will qualify as “incentive stock options” for employees and non-qualified stock options for consultants and external directors.

On June 18, 1999, the Board of Directors approved an increase in shares reserved for grant under the Participant Plan and Director Plan up to 850,000 and 450,000 shares, respectively. On September 11, 2000, the Board of Directors approved an increase in the number of shares reserved for grant under the Participant Plan to 2,500,000 and on December 5, 2001 the Board of Directors approved an increase in the number of shares reserved for grant under the Participant Plan to 5,000,000. The stockholders at the June 7, 2002 stockholders' meeting approved the increases in shares reserved for grant for both Plans. In December 2016 the Board of Directors approved an increase in the number of shares reserved for grant under the Participant Plan to 11,000,000, which was approved by board consent.

On January 1, 2020 25,000 options were granted under the Participant Plan. The options have an exercise price of $0.42, vest immediately, and expire on January 1, 2025.

On January 1, 2021 75,000 options were granted under the Equity Incentive Plan. The options have an exercise price of $0.11, vest in one year, and expire on January 1, 2031

On February 1, 2021 75,000 options were granted under the Equity Incentive Plan. The options have an exercise price of $0.12, vest in one year, and expire on February 1, 2031.

On April 1, 2021 25,000 options were granted under the Equity Incentive Plan. The options have an exercise price of $0.42, vest immediately, and expire on July 18, 2029.

On December 31, 2021 7,892,036 options were granted under the Equity Incentive Plan. The options have an exercise price of $0.056, vest immediately, and expire on December 31, 2031.

As of December 31, 2021, unallocated options of: 5,569,999, 450,000, 4,575,000, and 9,296,035 remain for the 1998 Participant Plan, the Director Plan, the 2017 Stock Incentive Plan, and the 2019 – 2022 Equity Incentive Plan, respectively.

Options expire on such date as the Board of Directors or the Committee may determine at the date of issuance.

The following table summarizes stock option activity for the Company for year ended December 31, 2021:

	Number of Shares		Weighted Average Exercise Price		Intrinsic Value
Outstanding at December 31, 2020	19,321,553	$	0.208	$	31,441
Granted	10,463,580		0.09		
Cancelled	(3,226,167)		0.46		
Outstanding at December 31, 2021	26,558,966	$	0.132	$	-

The following table summarizes information about stock options outstanding as of December 31, 2021:

	Options Outstanding				**Options Exercisable**			
Exercise Price Range	Number Outstanding	Weighted-Average Remaining Life (Years)		Weighted-Average Exercise Price	Number Outstanding	Weighted-Average Remaining Life (Years)		Weighted-Average Exercise Price
.03 -.07	8,888,580	10.01	$	0.0560	8,888,580	10.01	$	0.0560
.08 - .19	11,790,385	8.41		0.1202	11,790,385	8.41		0.1202
.20 - .30	4,706,667	2.32		0.2363	4,706,667	2.32		0.2363
.31 - .58	1,153,334	4.21		0.4062	1,153,334	4.21		0.4062
.60 - 1.00	20,000	1.00		0.6500	20,000	1.00		0.6500
	26,558,966	7.68	$	0.1321	26,558,966	7.68	$	0.1321

During the year ended December 31, 2021 the Company did not issue any warrants to purchase shares of common stock.

As of December 31, 2021, in addition to the warrants described in Notes 5 and 10, warrants to purchase 625,000 shares of the Company’s common stock were outstanding at prices ranging from $0.45 to $0.64 per share. The weighted average warrant price was $0.297 as of December 31, 2021.

As of December 31, 2021 there was no unrecognized compensation expense remaining to be amortized to all stock options described above.

8. Compensation

During 2020 the Company introduced a stock option plan to compensate management and consultants in lieu of cash. The plan was used to pay amounts that were accrued in 2019, for the twelve months of 2020 and 2021. The plan will be extended at the Company's discretion (see "7. Stock-based Compensation").

9. Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and trade receivables. The deposits at a financial institution are guaranteed by the Federal Deposit Insurance Company (FDIC) up to $250,000. At various times during the year, the Company had deposits in excess of the FDIC limit. The Company had accounts receivable balance of $42,339 as of December 31, 2021 the majority of which is from a single customer. Sales for the year ended December 31, 2021 includes sales to one major customer, who accounts for 100% of the total sales of the Company.

10. Notes Payable

Beginning in 2012 the then CEO made several personal loans to the Company. In 2016 the Company began repaying the principal on these loans with a final installment made in 2017 bringing the principal balance to $0. These loans were all due on demand. The Company accrued the interest associated with these loans as a liability on the balance sheet and after several repayments in 2017 the balance of interest owed to the then CEO on these loans is $30,330 and is included in accrued expenses on the accompanying balance sheet.

Notes payable as of December 31, 2021 and December 31, 2020 consist of the following:

During the second quarter of 2014, affiliates of the then CEO extended an aggregate of $300,000 in loans to the Company. Promissory notes were issued for these loans at an interest rate of 10% per annum. The balance of interest on these loans owed to the affiliates of the then CEO is $230,795 at December 31, 2021 and $200,795 at December 31, 2020 and is included in accrued expenses on the accompanying balance sheets. These loans are outstanding at December 31, 2021 and are due on demand.

In connection with obtaining this debt financing, the Company issued warrants to purchase 1,071,427 shares of common stock. Some of these warrants were subsequently modified to extend the expiration dates. The warrants were deemed a derivative liability and recognized as a warrant liability in the amount of $250,296.

The warrants are measured at fair value each reporting period with changes in fair value recorded in the statement of operations.

During the third quarter of 2018 the then CEO extended a 60-day bridge loan of $300,000 at 4% annual interest to the Company. After 115 days the bridge loan remained unpaid and the annual rate of interest increased to 6% as required in the terms of the loan agreement. The loan is now due on demand and the accumulated interest on this bridge loan is $54,362 at December 31, 2021 and $36,412 at December 31, 2020 and is included in accrued expenses on the accompanying balance sheet.

Net interest expense on the above notes payable and all other obligations of the Company was $47,888 and $48,785 for the years ended December 31, 2021 and 2020 respectively.

Unpaid interest on all notes payable amounts to $315,487 and $267,537 at December 31, 2021 and December 31, 2020 respectively, and is accrued as a liability on the balance sheet under Accrued Expenses.

11. Fair Value Measurements

Accounting Standards Codification ("ASC") Topic 820, Fair Value Measurements and Disclosures, defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability assuming an orderly transaction in the most advantageous market at the measurement date. In addition, ASC Topic 820 establishes a hierarchical disclosure framework which prioritizes and ranks the level of observability of inputs used in measuring fair value. These tiers include:

- Level 1—Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2—Observable market-based inputs other than quoted prices in active markets for identical assets or liabilities.
- Level 3—Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In connection with the issuance of convertible, redeemable preferred stock during the third quarter of 2015 and obtaining debt financing in prior years, the Company issued warrants to purchase an additional 5,000,000 and 1,371,427 shares, respectively, of common stock. In accordance with ASC Topic 815, Derivatives and Hedging, the warrants are deemed a derivative liability and are measured at fair value on a recurring basis using the Black Scholes option pricing model, which is considered a Level 2 fair value measurement. This consideration is determined given that inputs used in the calculation, including common stock market value, exercise price, risk free interest rate and volatility are considered observable inputs. The change in the fair value of the warrants described in Notes 5 and 10 is $(192,658) and $(634,302) for the years ended December 31, 2021 and 2020 respectively, and is reflected as Change of Fair Value of Warrant Liability in the accompanying statements of operations.

The Company has no other financial assets and liabilities measured at fair value on a recurring basis.

12. Commitments & Contingencies

From time to time, the Company is involved in legal proceedings arising in the ordinary course of business. On or about April 6, 2021 IDC was made aware that ColdStar filed a legal complaint seeking compensation and damages from TRU Aseptics, an aseptic beverage processor, for supplying spoiled product. Both ColdStar and TRU Aseptics use The Answer® for their products and IDC, along with other third parties, was identified as a third-party defendant. The case was settled and IDC and The Answer® were found not to be at fault.

13. Subsequent Events

In April 2022, The Company issued $175,000 debt through a one year Term Loan facility at 10% interest plus 5% in warrants to two lenders.

The Company has evaluated subsequent events for potential recognition and/or disclosure through May 12, 2021, the date the financial statements were available to be issued and no further disclosures were noted.

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