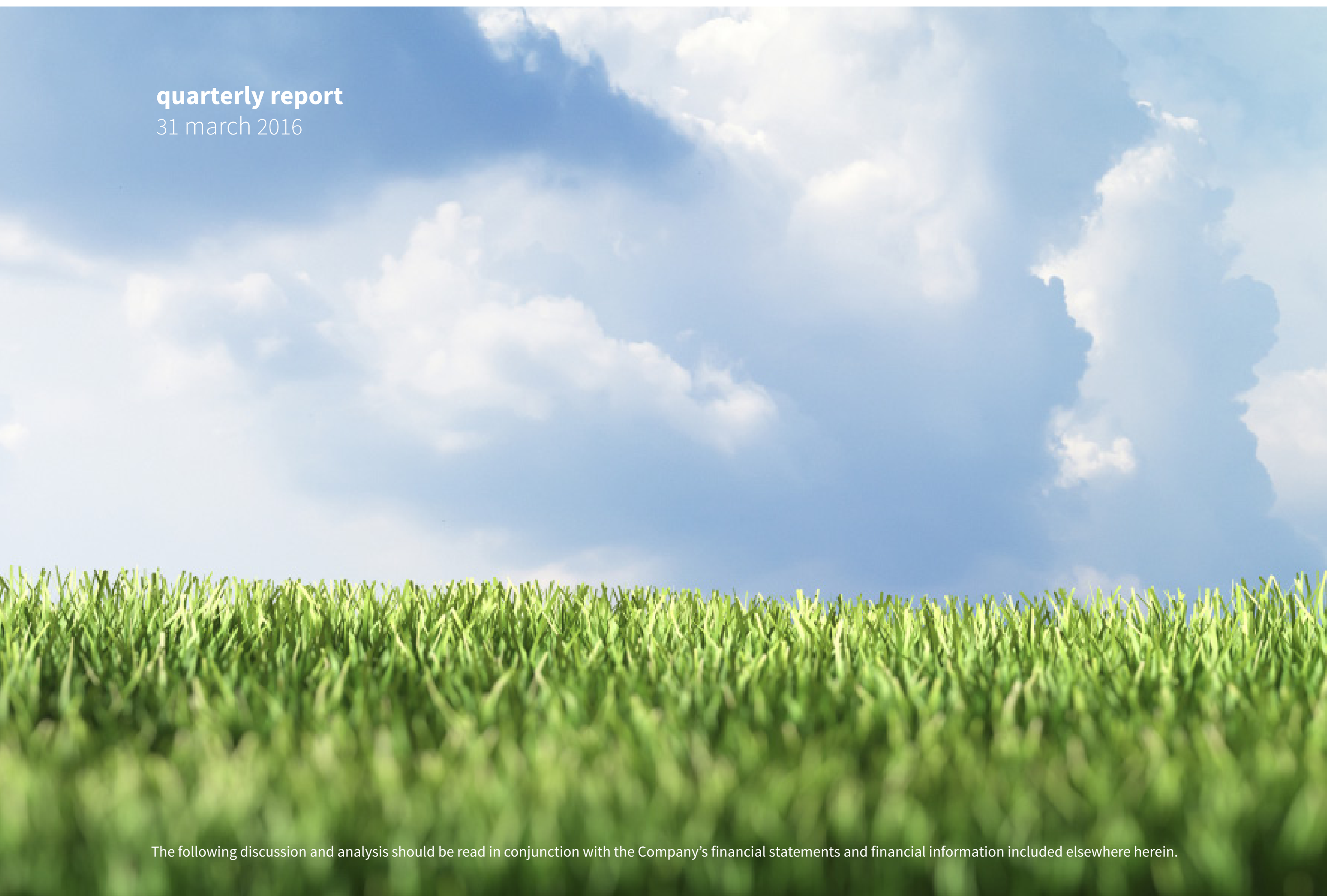
protect the freshness™



quarterly report
31 march 2016

The following discussion and analysis should be read in conjunction with the Company’s financial statements and financial information included elsewhere herein.

contents

management’s discussion and analysis

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, was patented in 2002. 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 the entire dispensing cycle (days, weeks, or months, depending on the product) without recourse to refrigeration or preservatives. In recent years, the Company has broadened its scope over the supply chain and expanded its intellectual property in an effort to offer a complete packaging solution to customers. 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 chairman

“Our team continues to make headway as we drive to close deals on numerous fronts. With any aseptic-packaging innovation the sales cycle is slow—extensive testing and due diligence by potential buyers are commonplace and understandable. The good news is that a number of global customers have now invested considerable time and cost exploring The Answer®’s value proposition and are at advanced stages of driving toward deployment. With the ‘lean and mean’ way we are structured, just one additional customer is likely to make IDC cash flow positive. As soon as that happens, look for IDC to double its manufacturing capacity. Of great significance, we have overcome a major infrastructure hurdle by obtaining the services of a reputable German dairy to provide bag-in-box dairy samples with The Answer® for customers all over the world. This is the last piece of the puzzle in our pursuit of the all-important dairy segment.”

-Greg Abbott
IDC founder & chairman

IDC is dedicated to developing eco-friendly dispensing solutions with a strong commitment to sustainability.

the global opportunity

vision

To develop and commercialize the world's preeminent aseptic tap for large-format food & beverage packaging and become "the Tetra Pak of Foodservice."

execution & historical company timeline

With aseptic packaging projected to be a $62 billion industry by 2020 (Infiniti Research), and with more people consuming food and beverages away from home, a large-format aseptic package for foodservice represents a significant global opportunity, but one that comes with an exceedingly high technical bar. Some major companies tried to design an aseptic tap, only to fail. Several industry experts with PhD's told us that creating a true aseptic tap defied the laws of physics and was "impossible". Against this backdrop of inertia, and with most packaging companies cutting or eliminating R&D, IDC enlisted some very talented freelance engineers to create a workable design. Ever since, IDC has been committed to perfecting its IP, protecting its trade secrets, and setting the highest possible standards – erecting formidable barriers to entry. Obtaining a U.S. patent in 2002 was just the beginning.

Each of the tap's five parts underwent several refinements and costly tooling modifications before becoming "The Answer®" – which we believe is the only aseptic tap in the world today. The actuator started as a spring and evolved into a snap-action "inverted umbrella" robust enough to withstand the high doses of radiation required in aseptic dairy packaging. The body underwent numerous adjustments to enhance flow and function. The silicone seal, the "brains" of the tap, went through three design and tooling iterations in the U.S. before Austrian-based Starlim-Sterner, the world's preeminent manufacturer of silicone medical parts, improved the strength and suppleness of the seal to robust new levels with a proprietary design and high-cavity tooling.

Design alone does not give you an aseptic tap. The manufacturing process must incorporate sophisticated quality control checks to detect microscopic flaws – the aseptic industry will accept nothing less. In 2005, IDC convinced Hoffer Plastics, an injection molding and assembly company supplying several Fortune 500 companies, to be its manufacturer. IDC collaborated with Hoffer to design a state-of-the-art, fully automated assembly machine specifically for The Answer®, which resulted in cutting units costs in half and obtaining in-plant regulatory approvals from NSF and FDA.

Hoffer

starlim sterner
silicone at its best

In 2006, IDC commissioned the Institute of Environmental Health (IEH), a leading FDA processing authority, to conduct rigorous sterility protocols. Inoculating spouts with abnormally high concentrations of harmful bacteria, creating a condition that can only exist with sabotage, IEH dispensed volatile growth-promoting liquids to determine if any of the bacteria would migrate into the bags. The process was repeated for 35 days. Just one breach of the several hundred bags tests would doom the entire test to failure. Not only did The Answer® pass this stringent protocol, but the IEH test findings were published in the peer-reviewed Journal of Food Protection (2008).

Although it was premature, IDC worked in a parallel path on market development. While aseptic was widely accepted and the predominant form of processing overseas, North America remained its smallest market due to an established cold chain; there was no urgency for companies to adopt and plenty of skepticism. Even though The Answer® was ahead of its time and still in the process of being proven, IDC managed to garner strong interest from Hershey's, Coffeecol, and Steuben Foods – all of whom issued press releases, which bolstered IDC's industry exposure. Hershey's used The Answer® to dispense flavored milk at its Chocolate World theme park and at major trade shows; Coffeecol dispensed its dairy-based Juan Valdez coffee beverages from Coca-Cola trade show booths; Steuben Foods featured its own dairy-based coffee beverages at industry events. Lack of suitable manufacturing infrastructure ultimately killed these projects. Bag-in-box (BIB) filling speeds were dramatically slower than other packaging formats. No BIB filler in the U.S. could run The Answer® as a single fitment, and a double fitment bag was cost prohibitive. It was difficult even for Hershey's to get manufacturers to invest time and money in something unproven. Costco agreed to carry orange juice with The Answer® packed by Country Pure Foods, but when Hurricane Katrina wiped out the orange juice crop the project was cancelled. Despite these false starts, clear interest had been demonstrated. Cold Star became a customer in 2009 and has remained one ever since.

Meanwhile, awareness continued to build: In 2007, Jane Goodall endorsed The Answer® for its ability to deliver nutrition in bulk to every needy corner of the world without requiring refrigeration; in 2008, Allied Development released its independent Life Cycle Analysis scientifically proving that a BIB package with The Answer® consumed dramatically less energy, green-house gases, and landfill than other mainstream packaging formats, including aseptic cartons.

In 2009, PepsiCo launched a BIB package in the U.S. using its own tap and experienced widespread sterility breaches; every package had to be recalled. The debacle prompted PepsiCo to conduct a formal global search for an aseptic tap, which found that The Answer® was the world's only bona fide solution. PepsiCo sent several delegations to Hoffer; PepsiCo China ran successful sterility and market tests in numerous foodservice venues and with IDC's guidance procured a filling machine; and in 2012 PepsiCo International signed a global supply agreement with IDC. A mere two weeks later, PepsiCo China announced a sweeping joint venture with Taiwan-based Tingyi, who became its bottler, causing all new projects to be put on hold while the two companies underwent a government approval process followed by a long and complex integration. Despite doing no business, PepsiCo renewed its contract with IDC in early 2015, and in February 2016 PepsiCo began to resurrect the project (see sales & marketing).

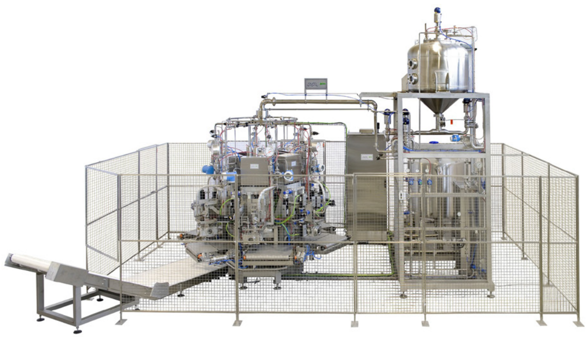
Concurrently, IDC was busy addressing infrastructure issues and the handicap stemming from offering a component part rather than a total packaging system. In 2010, IDC partnered with Sealed Air and Alfa-Laval to co-develop the world's fastest BIB billing machine for high volume users. Recently, the Company worked out an arrangement with Elpo, a leading Italian equipment manufacturer, to offer more affordable fillers for business development, and signed bag supply agreements with Sealed Air and Goglio. These and other on-going initiatives have enabled IDC to leverage the sales forces of other companies and negotiate new revenue streams on the package and manufacturing components; but even more significantly, these alliances have bolstered IDC's go-to-market strategy. In a broader sense, IDC's relentless marketing efforts have transformed its industry. Virtually every BIB filling machine made today is faster and capable of running The Answer® as a single fitment, and for older machines conversion kits to run The Answer® have been developed.

With the hiring of Tom Shaver (formerly SIG Combibloc) and Bo Thörn (formerly Tetra Pak) IDC has attracted first-rate management experienced in aseptic "systems selling" and rich in customer contacts around the world. Any manufacturer who runs Tetra Pak or SIG Combibloc aseptic cartons is a potential candidate for IDC, and IDC is now in a position to offer them a turnkey solution: bag, filler, and of course The Answer®, which is what makes the large-format aseptic packaging possible.

With the forming of its Industry Advisory Board in 2013 (and influenced by its exposure to China via PepsiCo), IDC made the decision to pivot its sales focus largely toward the developing world, which besides having far less refrigeration and rapid growth is accustomed to aseptic products and is more open to adapt new technologies with greater speed to market. To increase its reach, IDC hired Li Xin, former President of Sealed Air China, for his contacts and experience in China.

The Company has also begun to leverage industry contacts in the Middle East, Europe, and Mexico, enlisting the help of accomplished industry people who see the opportunity to carve out a role for themselves and have agreed to be compensated strictly upon success. IDC has also established an informal alliance with the Obeikan Industrial Group, an aseptic packaging company with sales spanning the Middle East and Africa, to co-market the solution in those regions.

To reflect its evolution, IDC redesigned its corporate logo, website, and sales materials in 2013.



The Company is establishing an entirely new packaging format with leading global beverage brands.

sales & marketing

Döhler's launch in China has caused industry players to take notice. Thanks to the Döhler partnership, IDC is now presenting real BIB juice samples to the marketplace, which is considerably more impactful than presenting a component part and discussing a concept.

Just recently, the German dairy Naarmann has agreed to provide BIB dairy samples. Naarmann is in the process of tooling up for its first sample run, so that by June 2016 IDC anticipates getting real BIB dairy samples in the hands of leading customers from Mexico to Mongolia. Procuring a dairy to do small sample runs with our unique tap constitutes a major accomplishment and a significant leap forward.

With IDC's go-to-market strategy now encompassing a "systems sell", customer discussions are focused more on implementation. Any aseptic producer who runs Tetra Pak or SIG Combibloc aseptic cartons is a potential candidate for aseptic BIB with The Answer®, and the "entry fee" is very low by comparison: i.e. the cost of an aseptic BIB filler is approximately one-tenth that of a Tetra Pak or SIG Combibloc filling machine. Below is a region-by-region list of the most immediate opportunities in the Company's sights:

china

Döhler continues to sell its BIB product line with The Answer® to foodservice accounts and to sign up distributors. More significantly, two of the largest juice companies in China are in the process of commencing trials with Döhler as their co-packer. National adoption by either of these companies is likely to result in several millions of units sold.

PepsiCo China has resumed working with IDC, targeting a popular beverage geared for the Chinese consumer. Several meetings have taken place between IDC and PepsiCo China and initial product samples are being produced for evaluation.

mexico & latin america

In May 2016, FEMSA, Coca Cola's largest global bottler (based in Mexico City), visited Hoffer Plastics as well as some Cold Star installations. Conversion equipment to run The Answer® has been installed and the first industrial trial is scheduled for mid-May, followed by a visit to Döhler China. Multiple products in multiple countries are being contemplated. It is too early to predict outcomes, timing, and volumes, but interest and sense of urgency are apparent.

The following Mexican companies are in the process of considering IDC systems proposals: Grupo LaLa (Mexico's largest dairy), Leche Pradel (dairy), Cremeria Aguascalientes (dairy), Jumex (juice), and Pascual (water).

The Company continues to follow up with the AJE Group (Lima, Peru), the world's tenth largest soft drink company with a presence in 23 countries in Latin America, Africa, and Asia. AJE is taking delivery of an aseptic BIB filler and has asked IDC for technical and pricing information. IDC is also following up with Laive, Peru's leading aseptic dairy, which has requested and received go-to-market proposals.

IDC has been asked to quote a finished juice package for a large retail project in Central America. Because the customer has stipulated that the juice be made in the U.S., IDC is working with U.S. co-packers to arrive at the most competitive pricing.

pakistan

Engro Foods, Pakistan's leading packager of aseptic dairy products, has been working with IDC on a plan to penetrate the loose milk segment. Although Engro Foods commands 53% of Pakistan's packaged milk market and is Tetra Pak's fifth largest customer worldwide, 82% of the milk consumed in Pakistan (and India) falls into the loose milk category. The Answer® is uniquely and ideally suited to upgrade the quality and sanitation of this segment. IDC has been informed that providing Engro Foods with dairy BIB samples constitutes the final step; to that end, the Company is gearing up for the first sample run in late May.

africa

The Company has had several productive discussions with top management at Chi Ltd., Africa's largest aseptic beverage producer (and a division of the Dutch-owned TGI conglomerate). Recently, the Coca-Cola Company bought a 40% stake in Chi. Chi, which owns a large aseptic production facility in Nigeria, has expressed strong interest in running various products with The Answer® for foodservice, and also possibly expanding its reach into Southeast Asia. Like Engro Foods, Chi is awaiting dairy BIB samples.

The Company has been working with a multinational corporation that, along with its subsidiaries, employs approximately 60,000 people across 76 countries. Working in conjunction with several West African governments and some private entities, this multinational is endeavoring to launch the most ambitious food program ever attempted in human history. A BIB package with The Answer® has been designated as the beverage component of the program, but IDC has been in a holding pattern while the multinational endeavors to shore up supply for its unique low-cost food packages. IDC remains in regular contact with the corporation.

india

Jain, the world's largest grower of mangoes and primary supplier to Coca Cola India, recently ran samples for shelf-life testing. Jain has indicated that the project is on the front burner and that the potential numbers are massive.

middle east

Al Rabie, the largest juice brand in the Middle East, is in the process of showing samples to various foodservice clients. They reported that the concept has been well received. However, due to the fact that Al Rabie's plant for the project is very near the Yemen border, where considerable fighting and destruction has occurred, its overall business has suffered significant disruption, necessitating that the IDC project be delayed. While Al Rabie expressed optimism about the viability of the opportunity, IDC is in the process of targeting other important juice and dairy brands in the region that don't have the same geographic challenges.

asia pacific

Two major aseptic players in Malaysia, MDI (Malaysia Dairy Industries) and Yeo Hiap Seng, continue to give serious consideration to the foodservice opportunity presented by The Answer® tap. IDC has responded to their requests for samples, dispensing units, filler proposals, and pricing models. Both companies are active in Southeast Asia and South China with juice, dairy, soy, and tea products. IDC plans to visit them in Q2 with the expectation of garnering commitments. IDC also plans to reach out to leading aseptic companies in Indonesia and Vietnam.

usa

IDC has received high levels of interest from three large U.S. co-packers: Döhler Americas, Whitlock, and Gregory Packaging. All three indicated a willingness to invest in filling equipment, and each has articulated its own distinctive vision as to how it can deploy IDC's technology. Both juice and dairy are under consideration.

> *"Thanks to the Döhler partnership, IDC is now, for the first time, presenting real samples to the marketplace, which is considerably more impactful than talking about a concept. Samples have been sent to prospective customers all over the world."*

Management believes that these basic expenses will increase only marginally even as the Company's growth significantly ramps up and reaches its global promise.

overhead & personnel

Without sacrificing any operational effectiveness, IDC recently took measures to reduce overhead and thus lower even further the threshold for profitability. With its increased operational leverage, the Company believes that the addition of just

one new customer will result in IDC becoming cash flow positive. One success is likely to trigger many more successes; the interest generated from the Döhler launch is already evidence of this, and is likely to intensify as more customers deploy The Answer®. IDC believes that its fixed expenses will increase only marginally even as the Company's growth significantly ramps up and reaches its global promise.

With a team of four highly experienced individuals, plus its Industry Advisory Board, IDC has cast a wide net of opportunity over the global food & beverage industry. Everyone is a stakeholder, which enhances not only motivation, but also the degree of teamwork within IDC.

The recent addition of Bo Thörn has had a powerful impact. With over 20 years of experience in the aseptic packaging industry, including 15 years in senior executive positions at Tetra Pak, Mr. Thörn was largely responsible for building Tetra Pak's China business into its world's largest market.

Tom Shaver, formerly seven years at SIG Combibloc, is a results-oriented, collaborative leader with proven capabilities in strategic planning, business development, brand management, key accounts, and negotiations. Since joining IDC in 2012, Mr. Shaver helped chart the Company's marketing shift toward the developing world, oversaw the development of IDC's new website and marketing materials, and has had a transformative impact on IDC's business and organization.

Prior to joining IDC, Li Xin managed the Cryovac food packaging business units for the Asia region and built a large green-field investment in Shanghai before ascending to the Presidency of Sealed Air China. A Chinese national experienced in market entry, strategy, sales and profit growth, food safety, and sustainability, Mr. Xin is responsible for securing the Döhler relationship, managing PepsiCo China, and developing other accounts within China.

Greg Abbott, IDC's founder and chairman, continues to dedicate his full time to IDC without salary.

IDC's Industry Advisory Board continues to be very active and helpful. Recently, Bill Hickey (former CEO of Sealed Air and current IDC Advisor) visited China and joined Li Xin for several successful meetings on IDC's behalf.

the answer & industry trends

Food safety, food waste, contamination outbreaks, nutrition, the adverse health effects of preservatives, and sustainability are all recurring issues that The Answer® squarely addresses. In its independent and comprehensive Life Cycle Analysis (2008), Allied Development concluded that the IDC solution expended "significantly less energy and greenhouse gases" and dramatically less landfill than other mainstream packaging formats. Based on these findings, IDC has reason to believe that its packaging solution may be, arguably, the most sustainable package in the marketplace.

> *"Based on these findings, IDC has reason to believe that its packaging solution may be, arguably, the most sustainable package in the marketplace."*

intellectual property

The Answer® received initial U.S. patent protection in 2002, and additional U.S. patent protection in 2004. Currently, The Answer® has patent protection in Australia, Brazil, Canada, China, Eurasia (consisting of nine countries including Russia), Europe (UK, France, Italy, Germany, Spain, and The Netherlands), Hong Kong, Mexico, New Zealand, South Africa, and Japan. A patent application is currently pending in India.

Strong as these global patents are, IDC believes that its trade secrets constitute at least as much IP protection. Years of refining its various components and the assembly process, and the stringent sterility tests its successfully conducted, have set an extremely very 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 a separate part, and 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. PepsiCo sent three delegations to Hoffer Plastics with the idea of manufacturing in China, only to abandon the notion when they saw the intricacies of IDC's assembly process. IDC went through 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 and trade secrets, the barriers to entry are considerable. The technical standards IDC has set are high enough, and the process expensive enough, to discourage anyone from competing.

public relations

In August 2013, IDC launched a new updated website: www.idcinnovation.com.

Designed primarily for business-to-business, it is easy to navigate and very scalable.

results of operations

Three Months Ended March 31, 2016 compared to Three Months Ended March 31, 2015

Revenue: For the three months ended March 31, 2016, the Company had net revenues from The Answer® of $102,168 compared to the $125,685 of net revenues generated for the three months ended March 31, 2015, a decrease of $23,517 or 18.7%. This decrease in net revenues is due to the timing of shipments to customers.

Gross Profit/(Loss): For the three months ended March 31, 2016, the Company had a gross profit of $16,107 compared to a gross profit of $17,327 for the three months ended March 31, 2015, a decrease of $1,220 or 7.0%. Decreased unit shipments is the driver of the decreased gross profit.

Operating Expenses: For the three months ended March 31, 2016, the Company had total operating expenses of $359,107 representing an increase of $41,041 or 12.9%, compared to the Company's total operating expenses of $318,066 for the three months ended March 31, 2015. Increases in professional services/consulting fees were the primary driver of the increase in operating expenses for the three months ended March 31, 2016.

Loss from Operations: For the three months ended March 31, 2016, the Company had a loss from operations of ($343,000) representing an increase in loss from operations of $42,261 or 14.1% compared to the ($300,739) operating loss for the three months ended March 31, 2015. This increase in loss from operations was primarily driven by increased operating expenses as noted above.

Interest Expense: Interest expense for the three months ended March 31, 2016 was $25,166 compared to $60,921 for the three months ended March 31, 2015. The decrease in interest expense for 2016 is due primarily to the accounting for warrants issued in conjunction with loans obtained by the Company during 2014.

Other Expense: Other expense for the three months ended March 31, 2016 was $111,339 compared to $0 for the three months ended March 31, 2015. The increase in other income/expense is due to a loss in the change in fair value of the warrant liability.

Net Loss: For the three months ended March 31, 2016, the Company had a net loss of ($479,505) as compared to a net loss of ($361,660) for the three months ended March 31, 2015, representing an increase in net loss of $117,845 or 32.6%. The increase in net loss is driven by an increase in operating and other expenses as discussed above.

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 March 31, 2016. 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 this regard.

During the first half of 2013 the Board of Directors approved the terms of Gregory Abbott's cumulative $400,000 investments during 2012 as loans. Additionally, Mr. Abbott loaned the Company $300,000 during 2013. Promissory notes were issued for these loans at an interest rate of 6%. A portion of these loans was repaid in 2014 resulting in a principle balance of $563,269.

During the second quarter of 2014 affiliates of Mr. Abbott 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 and are due on demand.

During the third quarter of 2014 a shareholder extended a loan to the Company in the amount of $200,000. A promissory note was issued for this loan at a rate of 6%. A principal payment of $100,000 was paid in September 2015 resulting in a principal balance as of March 31, 2016 of $100,000. The balance of this loan is due on demand.

During the fourth quarter of 2014 several individuals extended loans to the Company totaling $140,000. Promissory notes were issued for these loans at a rate of 6% with a maturity date on or before May 31, 2015. These loans were converted to stock by the Company in the fourth quarter of 2015. A total of 488,037 shares of common stock were issued to cover the principal and partial interest payments due on those loans. Interest payments were also made in cash to the loan holders.

During the third quarter of 2015 one individual purchased $1,500,000 of a new series of the Company's preferred stock. This is further discussed in Note 4 to the financial statements.

During the third quarter of 2015 the Company entered into agreements for bank lines of credit totaling $600,000. A line of credit in the amount of $350,000 is due on demand with an interest rate of prime plus 1%. The remaining $250,000 line of credit was issued at an interest rate of prime plus .75% with a term of 36 – 84 months. The lines of credit balance as of March 31, 2016, is $324,672.

During the fourth quarter of 2015 several individuals purchased a total of 733,332 shares of the Company's stock for an aggregate purchase price of $220,000 ($0.30 per share). As mentioned above, some loans extended to the company in Q4 2014 were converted to stock during this period.

During the first quarter of 2016 one individual investor purchased a total of 714,286 shares of the Company's common stock for a purchase price of $300,000 ($0.42 per share).

The Company believes that it has sufficient capital and access to funding to continue operations through March 31, 2017. However, there is no assurance that the Company will raise sufficient capital or otherwise generate sufficient cash flows to enable the Company to continue as a going concern beyond such time. 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 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.

International Dispensing Corporation

Balance Sheets
March 31, 2016 (unaudited) and December 31, 2015

ASSETS

		March 31 2016 (unaudited)		December 31 2015
CURRENT ASSETS:				
Cash	$	780,283	$	1,085,432
Accounts Receivable trade		77,758		102,345
Prepaid expenses		38,289		53,162
Total current assets		896,330		1,240,938
PROPERTY AND EQUIPMENT:				
Office equipment		95,351		95,351
Production equipment		3,336,268		3,336,268
		3,431,619		3,431,619
Less accumulated depreciation		(3,141,191)		(3,110,441)
Total property and equipment		290,428		321,178
TOTAL ASSETS	$	*1,186,758*	$	*1,562,116*

LIABILITIES & STOCKHOLDERS' DEFICIT

		2015		2014
CURRENT LIABILITIES:				
Accounts Payable	$	88,778	$	127,695
Accrued expenses		121,204		170,633
Note payable to stockholders		963,269		963,269
Line of credit		324,672		587,721
Total current liabilities		1,497,923		1,849,318
Long term liability - warrant liability		1,152,649		1,040,982
Total liabilities		2,650,572		2,890,300
Convertible, redeemable preferred stock, $.001 par value; 1,700,000 shares authorized; 1,500,000 shares issued and outstanding as of March 31, 2016 and December 31, 2015		1,016,684		654,198
STOCKHOLDERS' DEFICIT:				
Common stock, $.001 par value; 125,000,000 shares authorized; 83,045,330 and 82,001,793 shares issued and outstanding as of March 31, 2016, and December 31, 2015, respectively		83,045		82,001
Additional paid-in capital		38,391,237		38,033,406
Accumulated deficit		(40,954,780)		(40,097,789)
Total stockholders' deficit		(2,480,498)		(1,982,382)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$	1,186,758	$	1,562,116

see accompanying notes.

International Dispensing Corporation

Statements of Operations (unaudited)

For the three months ended March 31, 2016 and 2015

	2016 (unaudited)	2015
REVENUES:	$ 102,168	$ 125,685
COST OF GOODS SOLD:	86,061	108,358
GROSS PROFIT:	16,107	(17,327)
OPERATING EXPENSES:		
Engineering expenses	28,309	24,795
General & administrative expenses	9,632	5,251
Operational expenses	239,761	202,460
Selling expenses	50,656	50,627
Depreciation	30,749	34,933
Total operating expenses	359,107	318,066
LOSS FROM OPERATIONS:	(343,000)	(300,739)
INTEREST EXPENSE:	(25,166)	(60,921)
OTHER EXPENSE:	(111,339)	-
NET LOSS:	(479,505)	(361,660)
Preferred stock dividends and discount accretion:	(377,486)	-
Net loss available to common stockholders:	$ (856,991)	$ (361,660)
NET LOSS PER COMMON SHARE (basic & diluted)	$ (0.01)	$ (0.01)
BASIC & DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	82,833,736	80,813,758

see accompanying notes.

International Dispensing Corporation

Statements of Cash Flows (unaudited)

For three months ended March 31, 2016 and 2015

	2016 (unaudited)	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (479,505)	$ (361,660)
Non-cash items:		
Depreciation	30,750	34,933
Stock-based compensation	48,875	76,012
Warrant valuation	-	39,432
Change in fair value of warrant liability	111,667	-
Net changes in:		
Accounts receivable	24,587	(7,196)
Prepaid expenses	14,873	4,551
Accounts payable	(38,917)	195,098
Accrued expenses	(64,430)	26,414
Net cash used in operating activities	(52,100)	7,583
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	-	(12,500)
Net cash used in investing activities	-	(12,500)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of bank term loan	-	(27,778)
Proceeds of notes from stockholders, net	-	20,000
Repayment from bank line of credit, net	(263,049)	-
Proceeds from issuance of common stock	310,000	-
Net cash provided by/(used in) financing activities	46,951	(7,778)
NET DECREASE IN CASH	(305,149)	(12,695)
CASH AT BEGINNING OF PERIOD	1,085,432	15,434
CASH AT END OF PERIOD	$ 780,283	$ 2,740
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 7,524	$ 2,739

see accompanying notes.

International Dispensing Corporation

Statements of Changes in Stockholders' Deficit
For the three months ended March 31, 2016 (unaudited)
and the year ended December 31, 2015

	Common Shares	*Common Stock Amount*	*Additional Paid-In Capital*	*Accumulated Deficit*	*Total Stockholders' Deficit*
BALANCE AT JANUARY 1, 2015	80,813,758	$ 80,813	$ 36,570,266	$ (37,643,115)	$ (992,036)
Additional shares issued	1,188,035	1,188	355,225	-	356,413
Stock-based compensation expense	-	-	324,743	-	324,743
Preferred stock BCF	-	-	724,973		724,973
Discount accretion on warrants	-	-	-	(604, 144)	(604, 144)
Valuation of notes payable common stock warrants	-	-	58,199	-	58, 199
Preferred stock dividend				(25,192)	(25,192)
Net loss	-	-	-	(1,825,338)	(1,825,338)
BALANCE AT DECEMBER 31, 2015	82,001,793	$ 82,001	$ 38,033,406	$ (40,097,789)	$ (1,982,382)
Additional shares issued	1, 043,537	1,044	308,956	-	310,000
Stock-based compensation expense	-	-	48,875	-	48,875
Discount accretion on warrants	-	-	-	(362,486)	(362,486)
Preferred stock dividend				(15,000)	(15,000)
Net loss	-	-	-	(479,505)	(479,505)
BALANCE AT MARCH 31, 2016 (unaudited)	83,045,330	$ 83,045	$ 38,391,237	$ (40,954,780)	$ (2,480,498)

see accompanying notes.

International Dispensing Corporation

Notes to the Financial Statements (unaudited)
For the three months ended March 31, 2016 and 2015

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 delivers 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 continued to be subject to a number of on-going risks through March 31, 2016, which risks 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 interim financial statements for the three months ended March 31, 2016 and 2015 are unaudited, but include all adjustments, consisting only of normal recurring adjustments, which we consider necessary for a fair presentation of financial position and results of operations for those periods. The results of operations for the three months ended March 31, 2016 are not necessarily indicative of the results that will be achieved for the entire year or any future interim period.

2. going concern

The Company's financial statements have been presented on the basis that it will continue as a going concern. The Company's activities have resulted in an accumulated deficit from inception to March 31, 2016, of over $40 million. Losses are continuing as efforts to market the Company's products continue to develop. The Company's primary source of funds since inception has been from the sales of its common and preferred stock and to a lesser extent from the issuance of debt. As discussed under Financial Condition and Liquidity, several loans are now past due and are being renegotiated by the Company.

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.

As of March 31, 2016, the Company had a negative net working capital of $601,593. 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.

3. significant accounting policies

<u>Cash</u>

Cash consists of cash in banks.

<u>Accounts Receivable</u>

The Company's accounts receivable consist of amounts due from customers operating in the food and beverage industry throughout the United States. 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.

<u>Property and Equipment</u>

Office equipment and productive equipment are recorded at cost and are depreciated on a straight-line basis over their estimated useful lives, generally five years. Depreciation expense for the three months ended March 31, 2016 and 2015 was $30,749 and $34,933, respectively.

<u>Impairment of Long-Lived Assets</u>

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.

Patents

Costs to develop patents are expensed when incurred.

Revenue Recognition

Revenue is recognized upon shipping of the product to the customer. Terms are FOB the Company's loading dock.

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 Loss per Share

Basic net loss per share is computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the period. Diluted 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. Such incremental shares were antidilutive for the periods presented.

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.

Reclassifications

Certain reclassifications to 2015 financial presentation have been made to conform to the 2016 presentation. These reclassifications did not affect previous reported net loss or total stockholders' deficit.

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, bank term loan, and notes payable to stockholders. In management's opinion, the carrying amounts of these financial instruments approximated their fair value at March 31, 2016 and 2015.

Business Segments

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

Advertising

The Company expenses advertising costs as incurred. Advertising expenses totaled $0 for the three months ended March 31, 2016 and 2015.

4. private placements of stock

During the third quarter of 2015 one individual purchased 1,500,000 shares of the Company's Series E Preferred Stock for a total purchase price of $1,500,000 ($1.00 per share). These shares are redeemable after one year and can be converted to 5,000,000 shares of the Company's Common Stock after one year. The purchase agreement allows for a 4% dividend payable either in cash or in additional shares of Series E Preferred Stock. This agreement also allows for redemption of 5,000,000 warrants after a one-year time period. The warrant redemption period expires after five years.

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 will be amortized as a deemed dividend over one year, the redeemable period and is 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 will be measured at fair value at each reporting period (see Note 10). 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 will be amortized as a deemed dividend over one year, the redeemable period and is netted against the convertible, redeemable preferred stock in the balance sheet. The warrants will be measured at fair value at each reporting period with changes in fair value recorded in the income statement. Through March 31, 2016, a loss in the change in fair value of the warrants liability of $(111,339) was recorded as miscellaneous expense.

During the fourth quarter of 2015 several individuals purchased a total of 733,332 shares of the Company's stock for an aggregate purchase price of $220,000 ($0.30 per share). Additionally, 454,703 shares were issued to convert loans valued at $136,411 ($0.30 per share) to common stock.

During the first quarter of 2016 one individual investor purchased a total of 714,286 shares of the Company's common stock for a purchase price of $300,000 ($0.42 per share).

5. related party transactions

During the first half of 2013 the Board of Directors approved the terms of Mr. Abbott's cumulative $400,000 investments during 2012 as loans. Additionally, Mr. Abbott loaned the Company $300,000 during 2013. Promissory notes were issued for these loans at an interest rate of 6%.

A partial loan repayment was made to Mr. Abbott in 2013, bringing the aggregate principal balance of such loans down to $563,269. These loans are all due on demand. Mr. Abbott was paid $70,000 towards the interest due on these loans during the fourth quarter of 2015.

During the second quarter of 2014, affiliates of Mr. Abbott 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. These loans are due on demand

During the third quarter of 2014, a shareholder extended a loan to the Company in the amount of $200,000. A promissory note was issued for this loan at a rate of 6% with a payback date no later than January 1, 2015. A principal payment of $100,000 was made in September 2015 resulting in a principal balance as of March 31, 2016 of $100,000. The balance of this loan is due on demand.

Included in the accounts payable balance as of March 31, 2016 are payables owed to Mr. Abbott totaling $9,228.

6. income taxes

The Company's federal statutory income tax rate is approximately 34%. The Company is also subject to applicable state income taxes. As a result of operating losses at March 31, 2016 and losses incurred since inception, and due to uncertainties surrounding the ability of the Company to realize the tax benefits associated with these losses, there is no provision or benefit for income taxes in the accompanying financial statements. As of March 31, 2016, the Company had a net operating loss carryforward of approximately $26.4 million, which expire in 2018 through 2034. The Company has established a full valuation allowance against its net deferred tax assets (which consists primarily of net operating losses carryforward) as the Company's ability, to realize such assets, is predicated upon the Company achieving profitability. In addition, the use of net operating loss carry forwards may be limited as a result of ownership changes resulting from stock issuances.

7. stock-based compensation

Stock-Based Compensation Expense

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.

Total compensation cost charged related to stock based compensation amounted to $48,875 and $76,012 for the three months ended March 31, 2016 and 2015, respectively. No compensation cost related to share-based payment arrangements was capitalized as part of the cost of any asset at March 31, 2016 and December 31, 2015.

No options were granted for the three months ended March 31, 2016 and 2015. The weighted average inception to date exercise price of all options granted was $0.34 for the period ended March 31, 2016.

Stock Options Granted to Non-Employees

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 fair value of the award is estimated on the date of grant and the measurement date and is recognized as an expense in the accompanying statements of operations over the vesting period.

Stock Options

The Company has two 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 the Plans 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 Plans provide for the granting of both options that will qualify as "incentive stock options" and options that are non-qualified stock options. The objectives 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.

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 increase in the Plan. Options expire on such date as the Board of Directors or the Committee may determine. The term of director stock options issued after January 1, 1998 and scheduled to expire before December 31, 2015 have been extended to expire on June 30, 2018.

In addition, 200,000 options scheduled to expire on June 30, 2009 have been extended to expire on June 30, 2018; 80,000 options scheduled to expire in 2012 and 100,000 options scheduled to expire in 2014 have been extended to expire on September 30, 2016. Director stock options granted to Gregory Abbott, George Kriste and William Hudson with an original expiration date prior to December 31, 2015 have been extended to June 30, 2018. Also, 50,000 options granted on August 12, 2014 have been extended to January 6, 2017 and a total of 281,250 warrants have been extended to May 20, 2017. These expiration dates extensions are reflected in the calculations below.

The following table summarizes stock option activity for the Company for the three months ended March 31, 2016 and the year ended December 31, 2015:

	Number Of Shares	Weighted Average Exercise Price	Intrinsic Value
OUTSTANDING AT JANUARY 1, 2015:	7,669,501	$ 0.334	
Granted	140,000	0.344	
Exercised	-	0.000	
Cancelled	(19,999)	0.347	
OUTSTANDING AT DECEMBER 31, 2015:	7,789,502	0.334	$ 802,470
Granted	-	0.000	
Exercised	(500,000)	0.592	
Cancelled	(20,000)	2.100	
OUTSTANDING AT MARCH 31, 2016:	7,269,502	$ 0.338	$ 844,520

The following table summarizes information about stock options outstanding at March 31, 2016:

	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*
$0.20 - 0.30	4,236,667	4.53	$0.2261	4,170,000	4.55	$0.2265
$0.312 - 0.58	2,581,168	2.33	0.4168	2,434,504	2.06	0.4208
$0.60 - 1.00	231,667	2.85	0.7727	231,667	2.85	0.7727
$1.01 - 1.19	220,000	1.18	1.1227	220,000	1.18	1.1227
	7,769,502	3.59	$0.3383	7,056,171	3.53	$0.3394

As of March 31, 2016, warrants to purchase 4,916,962 shares of the Company's stock were outstanding at prices ranging from $0.20 to $0.80 per share. The weighted average warrant price as of March 31, 2016 was $0.38.

As of March 31, 2016, there was unrecognized compensation expense of $295,205 remaining to be amortized through 2020 relating to all unvested stock awards.

8. 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 balances of $77,758 and $102,345 as of March 31, 2016 and December 31, 2015, respectively.

Sales for the three months ended March 31, 2016 and the year ended December 31, 2015 includes sales to one major customer, which accounts for most of the total sales of the Company for each of the respective periods.

9. notes payable

Notes payable at March 31, 2016 consist of the following:

Gregory Abbott, Chairman, has continued to invest in the Company. During the first half of 2013 the Board of Directors approved the terms of Mr. Abbott's cumulative $400,000 investments during 2012 as loans. Additionally, Mr. Abbott loaned the Company $300,000 during 2013. Promissory notes were issued for these loans at an interest rate of 6%. Partial payment of Mr. Abbott's 2012 and 2013 loans was made, bringing the aggregate principal balance of such loans down to $563,269. These loans are all due on demand.

During the second quarter of 2014, affiliates of Mr. Abbott 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. These loans are due on demand.

During the third quarter of 2014, a shareholder extended a loan to the Company in the amount of $200,000. A promissory note was issued for this loan at a rate of 6% with a payback date no later than January 1, 2015. A principal payment of $100,000 was paid in September 2015 resulting in a principal balance as of March 31, 2016 of $100,000. The balance of this loan is due on demand.

During the third quarter of 2015 the Company entered into agreements for bank lines of credit totaling $600,000. A line of credit in the amount of $350,000 is due on demand with an interest rate of prime plus 1%. The remaining $250,000 line of credit was issued at an interest rate of prime plus .75% with a term of 36 – 84 months. Subject to the lines of credit, the Company has pledged certain cash amounts as collateral with balances totaling $600,000 as of March 31, 2016. The balance of the lines of credit accounts is $324,672 as of March 31, 2016 and $587,721 as of December 31, 2015.

Interest expense on the above notes payable and all other obligations of the Company was $25,166 and $60,921 for the three months ended March 31, 2016 and 2015, respectively.

10. 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, the Company issued warrants to purchase an additional 5,000,000 shares 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 of $111,339 for the period ended March 31, 2016, is reflected as miscellaneous expense in the accompanying statements of operations.

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

11. commitments & contingencies

From time to time, the Company is involved in legal proceedings arising in the ordinary course of business. We believe there is no litigation pending against the Company that could have a material adverse effect on the Company's financial position, results of operations or cash flows.

12. subsequent events

The Company has evaluated subsequent events for potential recognition and/or disclosure through May 26, 2016, the date the financial statements were available to be issued.

idc

protect the freshness™

international dispensing corporation
1020 fifth avenue
new york, ny 10028

www.idcinnovation.com