Condensed Consolidated Interim Financial Statements of

DIVERSIFIED ROYALTY CORP.

Three months ended March 31, 2015 and 2014

(Unaudited)

DIVERSIFIED ROYALTY CORP.

Condensed Consolidated Interim Statements of Financial Position
(Unaudited)
(Expressed in Canadian dollars)

	March 31, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 33,088,612	$ 34,510,514
Royalty receivable from Franworks (note 4)	1,059,469	1,062,224
Amounts receivable (note 5)	475,064	434,564
Prepaid expenses and other	107,874	125,975
	34,731,019	36,133,277
Deferred income tax asset (note 6)	9,906,646	10,328,049
Intangible assets, Franworks Rights (note 7)	108,755,000	108,755,000
	$ 153,392,665	$ 155,216,326
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 474,286	$ 615,626
Provisions (note 8)	1,788,112	1,499,040
Restricted share unit obligations	115,130	60,847
Current portion of long-term liability (note 9)	79,000	79,000
	2,456,528	2,254,513
Long-term liability (note 9)	515,155	519,986
Long-term bank loan, net of deferred financing charges (note 10)	14,821,514	14,804,733
Shareholders' equity:		
Share capital (note 11)	115,013,462	115,013,462
Contributed surplus	8,209,663	8,209,663
Retained earnings	12,376,343	14,413,969
	135,599,468	137,637,094
	$ 153,392,665	$ 155,216,326

Nature of operations (note 1)
Contingencies (note 8)
Subsequent event (note 17)

See accompanying notes to condensed consolidated interim financial statements.

DIVERSIFIED ROYALTY CORP.

Condensed Consolidated Interim Statements of Operations and Comprehensive Income (Loss)
(Unaudited)
(Expressed in Canadian dollars)
For the three months ended March 31

	2015	2014
Royalty income	$ 2,915,772	$ -
Expenses:		
Salaries and benefits	177,991	248,258
Share-based compensation	54,283	90,666
General and administration (note 14)	139,305	207,924
Professional fees (note 15)	85,124	33,555
Litigation (note 8)	694,232	44,559
	1,150,935	624,962
Income (loss) from operations	1,764,837	(624,962)
Finance income (note 16)	112,668	243,821
Finance costs (note 16)	(265,957)	(7,848)
Income (loss) before income taxes	1,611,548	(388,989)
Income tax expense (note 6)	(421,403)	-
Net income (loss) and comprehensive income (loss) for the year	$ 1,190,145	$ (388,989)
Basic income (loss) per share (note 13)	$ 0.02	$ (0.01)
Diluted income (loss) per share (note 13)	0.02	(0.01)

See accompanying notes to condensed consolidated interim financial statements.

DIVERSIFIED ROYALTY CORP.

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited)
(Expressed in Canadian dollars)

For the three months ended March 31, 2015

2015	Share capital	Contributed surplus	Retained earnings	Total equity
Balance, January 1, 2015	$ 115,013,462	$ 8,209,663	$ 14,413,969	$ 137,637,094
Comprehensive income for the period	-	-	1,190,145	1,190,145
Dividends paid for the period	-	-	(3,227,771)	(3,227,771)
Balance, March 31, 2015	$115,013,462	$ 8,209,663	$ 12,376,343	$ 135,599,468

2014	Share capital	Contributed surplus	Retained earnings (accumulated deficit)	Total equity
Balance, January 1, 2014	$ 97,155,660	$ 8,664,249	$ (38,011,244)	$ 67,808,665
Comprehensive (loss) income for the period	-	-	(388,989)	(388,989)
Share-based compensation (note 12)	-	90,666	-	90,666
Balance, March 31, 2014	$ 97,155,660	$ 8,754,915	$ (38,400,233)	$ 67,510,342

See accompanying notes to condensed consolidated interim financial statements.

DIVERSIFIED ROYALTY CORP.

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)
(Expressed in Canadian dollars)

For the three months ended March 31

	2015	2014
Cash flows provided by (used in):		
Cash flows from (used in) operating activities:		
Net income (loss) for the period	$ 1,190,145	$ (388,989)
Adjustments for:		
Deferred taxes	421,403	-
Unwinding of discount on provision	14,919	3,076
Amortization of deferred financing charges	16,781	-
Share-based compensation	54,283	90,666
Changes in non-cash operating items:		
Royalty receivable	2,755	-
Amounts receivable	(40,500)	263,730
Prepaid expenses and other	18,101	74,650
Accounts payable and accrued liabilities	(141,340)	(178,549)
Provisions	289,072	(7,929)
Current tax liabilities	-	(81)
Repayment of long-term liability	(19,750)	(19,750)
Net cash provided by (used in) operating activities	1,805,869	(163,176)
Cash flows used in financing activities:		
Payment of dividends	(3,227,771)	-
Net cash used in financing activities	(3,227,771)	-
Net decrease in cash and cash equivalents	(1,421,902)	(163,174)
Cash and cash equivalents, beginning of period	34,510,514	68,999,809
Cash and cash equivalents, end of period	$ 33,088,612	$ 68,836,635

See accompanying notes to condensed consolidated interim financial statements.

Diversified Royalty Corp., ("DIV"), formerly BENEV Capital Inc. and prior to that Bennett Environmental Inc., is a company domiciled in Canada and was incorporated on July 29, 1992 under the Canada Business Corporation Act. The consolidated financial statements of DIV as at and for the three months ended March 31, 2015 are composed of DIV and its subsidiaries (together referred to as the "Company").

1. Nature of operations:

The current business of the Company is to acquire top-line royalties from well-managed multi-location businesses and franchisors in North America.

On September 26, 2014, the Company completed the acquisition (the "Franworks Acquisition") of all of the Canadian and U.S. trademarks and other intellectual property rights related to the Original Joe's, Elephant & Castle and State & Main restaurant businesses (the "FW Rights") from a wholly owned subsidiary of Franworks Franchise Corp ("Franworks"). The FW Rights include all registered and unregistered trademarks (including service marks, logos, brand names, trade dress and pending applications for registration) used in connection with such businesses (including trade secrets, patented technology, proprietary databases, domain names, know-how and show-how, recipes and uniform standards, methods, procedures and specifications regarding the establishment and operation of the restaurants operated under the aforementioned brands). As part of the Franworks Acquisition and pursuant to the License and Royalty agreement dated September 26, 2014, DIV licensed the FW Rights to Franworks' wholly-owned subsidiary for a payment of a royalty equal to 6% of the gross sales of the restaurants included in the royalty pool (the "Royalty Pool").

Currently, substantially all of the Company's operating revenues are earned from the receipt of royalties from Franworks and, accordingly, the revenues of the Company and its ability to pay dividends to shareholders are dependent on the ongoing ability of Franworks to generate and pay royalties to the Company.

From June 1, 2013 until acquisition of the Franworks Acquisition on September 26, 2014, the Company was actively pursuing new business opportunities. Prior to June 1, 2013, the Company operated a waste treatment facility.

2. Basis of preparation:

(a) Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IAS 34, Interim Financial Reporting. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. These condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2014.

(b) Basis of measurement:

These financial statements have been prepared on the historical cost basis except for restricted stock unit awards and tenure liability, which are measured at fair value.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. In preparing these condensed consolidated interim financial statements, the significant areas requiring management estimates are the same as described in the Company's annual financial statements for the year ended December 31, 2014.

(c) Functional and presentation currency:

These condensed consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

3. Significant accounting policies:

These condensed consolidated interim financial statements have been prepared using the same accounting principles and policies as the annual financial statements for the year ended December 31, 2014.

These condensed consolidated interim financial statements were authorized by the Company's Board of Directors on May 11, 2015.

(a) Financial instruments:

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realized the asset and settle the liability simultaneously.

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purposes for which the instruments were acquired:

- Loans and receivables: Loans and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Cash and cash equivalents, royalties receivable and amounts receivable, are included in this category.

  Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value.

  Subsequently, loans and receivables are measured at amortized cost using the effective interest method.

- Financial liabilities at amortized cost: Financial liabilities at amortized cost include accounts payable and accrued liabilities, and the amount drawn on the Company's bank loan. These items are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value or transaction costs incurred. Subsequently, these items are measured at amortized cost using the effective interest rate method.

  Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

The Company must classify fair value measurements according to a hierarchy that reflects the significance of the inputs used in performing such measurements. The Company's fair value hierarchy comprises the following levels:

- Level 1 – quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – pricing inputs are other than quoted in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date.
- Level 3 – valuations in this level are those with inputs for the asset or liability that are not based on observable data.

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

The following table presents the carrying amounts of each category of financial assets and liabilities:

(in thousands)	March 31, 2015	December 31, 2014
Assets carried at amortized cost:		
Cash and cash equivalents	$ 33,088,612	$ 34,510,514
Royalty and amounts receivable	1,534,533	1,496,788
	$ 34,623,145	$ 36,007,302
Liabilities carried at amortized cost:		
Long-term bank loan	$ 14,821,514	$ 14,804,733
Liabilities carried at fair value:		
Tenure benefits	$ 594,155	$ 598,986

(b) Comparative figures:

Comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

4. Royalty pool:

Annually on April 1, the Royalty Pool is adjusted to include gross sales from new Franworks restaurants that have been open for at least 365 consecutive days prior to April 1, less gross sales from any Franworks restaurants that have permanently closed during the preceding calendar year. In return for adding these net sales to the Royalty Pool, Franworks receives the right to indirectly acquire common shares of the Company through the issuance of Class B LP Units (the “Additional Entitlement”). The Additional Entitlement is determined based on 92.5% of the estimated net tax-adjusted royalty revenue added to the Royalty Pool, divided by the yield of the Company’s shares, divided by the weighted average share price of the Company’s shares. Franworks receives 80% of the estimated Additional Entitlement initially, with the balance received on April 1 of the subsequent year when the actual full year performance of the new restaurants is known with certainty. The Additional Entitlement is automatically exchanged by Franworks into common shares of DIV pursuant to the Exchange Agreement.

The first contribution of new restaurants to the Royalty Pool occurred on April 1, 2015.

(Expressed in Canadian dollars)

4. Royalty pool (continued):

The royalty payment from Franworks to the FW LP is 6% of system sales for such period reported by Franworks in the Royalty Pool plus a make-whole payment, if required by a restaurant closure, based on 6% of lost system sales. System sales for any period and for any Franworks restaurant located in Canada and the United States, as defined in the License and Royalty Agreement, means the gross sales by such Franworks restaurants for such period.

There were four make-whole payments during the current period totaling $100,339 (on lost system sales of $1,672,308) related to the closure of the Chicago Huron Elephant and Castle restaurant (December 20, 2014) and renovations which were underway at the following locations: Calgary 4th Street Original Joe's, Seattle Elephant and Castle, and Vancouver Rosie's on Robson Elephant and Castle.

Royalty income for the three months ended March 31, 2015 and 2014 was calculated as follows:

	2015	2014
Restaurants in the Royalty Pool	78	-
Royalty Pool system sales	$ 48,596,209	$ -
Royalty income at 6% of system sales reported above	2,915,772	-

The Franworks Acquisition occurred on September 26, 2014; therefore, there were no system sales for the three months ended March 31, 2014.

5. Amounts receivable:

	March 31, 2015	December 31, 2014
Insurance proceeds (note 8(b))	$ 474,737	$ 434,236
Payroll source deductions recoverable and other	327	328
	$ 475,064	$ 434,564

6. Deferred income taxes:

The Company's net deferred tax asset of $9,906,646 is comprised of a gross deferred tax asset of $10,648,420 less a deferred tax liability of $741,774. This deferred tax asset primarily relates to the Company's non-capital losses of approximately $35 million. Given the anticipated monthly royalty income to be received from Franworks, the Company expects to be able to utilize these non-capital losses during the carry forward period, and as such, recognized this asset on the balance sheet during 2014.

(Expressed in Canadian dollars)

7. Intangible assets:

On September 26, 2014, the Company acquired the FW Rights from a wholly owned subsidiary of Franworks for $108,755,000 of which $88,072,970 was paid in cash and $20,682,030 was paid by the issuance of 8,992,187 common shares of the Company. The Company, through its wholly-owned subsidiary, the FW LP, issued 100,000,000 million of each Class B, Class C, and Class D LP Units. These units will become exchangeable into common shares of the Company through the Exchange Agreement upon satisfaction of certain criteria. The Class B LP Units become exchangeable on the contribution of additional Franworks' restaurants into the Royalty Pool as defined in the License and Royalty Agreement. The Class C LP Units and Class D LP Units become exchangeable on the increase in royalty rate from 6% to 7% and from 7% to 8%, respectively, as defined in the License and Royalty Agreement. Concurrent with the acquisition of the FW Rights, the Company granted Franworks' wholly owned subsidiary a license to use the FW Rights for a period of 99 years. As consideration, Franworks pays the Company a royalty of 6% of system sales reported by Franworks restaurants included in the Royalty Pool (note 4).

8. Provisions and contingencies:

	John Bennett indemnity claim	Liability to insurance underwriter	Other	Total
	(a)	(b)		
Balance, January 1, 2014	$ 134,770	$ 380,342	$ 100,000	$ 615,112
Provisions made during the period	538,307	330,629	-	868,936
Provisions used during the period	(25,370)	-	-	(25,370)
Change in foreign exchange rate	5,855	34,507	-	40,362
Balance, December 31, 2014	653,562	745,478	100,000	1,499,040
Provisions made during the period	451,284	-	-	451,284
Provisions used during the period	(238,700)	-	-	(238,700)
Change in foreign exchange rate	45,651	30,837	-	76,488
Balance, March 31, 2015	$ 911,797	$ 776,315	$ 100,000	$ 1,788,112

The liability to the insurance underwriter shown above is partially offset by $474,737 of insurance proceeds receivable (Note 5).

(a) John Bennett indemnity claim:

John Bennett ("Bennett"), founder and CEO of the Company until early 2004, is charged with conspiracy to defraud and major fraud against the United States between 2001 and mid-2004. The Company and two former vice presidents (both of whom left the Company in 2004) have pleaded guilty to this same conspiracy against the United States.

Bennett was extradited to the United States in November 2014 and is expected to be tried in November 2015. The Company has been ordered by the courts to reimburse Bennett for the reasonable legal costs he has incurred and will incur in connection with his criminal defense.

8. Provisions and contingencies (continued):

(a) John Bennett indemnity claim (continued):

The Company has accrued for Bennett's legal costs incurred and reimbursable to him as at March 31, 2015. The cost to the Company in respect of his future legal expenses will be recorded when these expenses are known and the amounts reimbursable to him can be reasonably estimated.

If Bennett is acquitted, the Company's insurer is responsible for Bennett's legal costs. If Bennett is found guilty, the Company will be required to reimburse its insurance underwriter for all amounts advanced to Bennett and the Company will be entitled to reimbursement from Bennett. The Company's ability to obtain reimbursement will depend on its ability to identify and obtain recourse against Bennett's assets, including, without limitation, the balance of any payments still due to Bennett under the Reward for Tenure Agreement referred to in note 9.

(b) Liability to insurance underwriter:

The Company expects to receive reimbursement from its insurance underwriter for Bennett's legal expenses incurred in connection with his criminal defense through 2014 and year-to-date through 2015, as described in section (a) of this note. The amount outstanding as of March 31, 2015 related to this reimbursement was $474,737 (December 31, 2014 - $434,236). This expected reimbursement has been recorded as amounts receivable as described in note 5. Under its funding agreement with the underwriter, as noted above in note 8(a), the Company expects to be required to repay all legal costs it recovers from the underwriter in the event that Bennett is found guilty. The Company has cash resources available to settle the estimated liability that may result from this requirement.

(c) Additional claims involving Mr. Bennett:

Bennett has also served a claim against Second City Capital Partners I, Limited Partnership ("Second City"), Samuel Belzberg ("Belzberg") and the Company in 2011. The claim alleges that in September 2009, the Company was in possession of material undisclosed information and that, while in possession of such information, the Company and Belzberg directed Second City to purchase the Company's common shares from Bennett. Management believes there is no basis for making this allegation against the Company. Accordingly the Company has made no provision in respect of this matter.

(d) Claim by U.S. contractor:

During 2008, a prime contractor on a U.S. Federal Government project ("Project") filed a complaint against the Company and many other persons in a U.S. court. Initially, the complaint also named a director and officer, an officer and a senior manager, all of whom are no longer with the Company and some of whom were involved in, and pleaded guilty to, the conspiracy to defraud the United States as describe in note 8(a).

During the first quarter of 2009, the Court stayed all proceedings in this matter pending the conclusion of the Antitrust Division of the United States Department of Justice investigation into the same matter. On November 18, 2014, the stay was lifted.

(Expressed in Canadian dollars)

8. Provisions and contingencies (continued):

(d) Claim by U.S. contractor: (continued):

On February 11, 2015, the U.S. contractor filed its third amended complaint against the Company. The complaint alleges that employees of the Company conspired with an employee of the prime contractor relating to, among other things, the awarding of contracts during the years 2002 through 2004. Of the 22 counts in the complaint, only 6 name the Company as a defendant. The complaint seeks not less than approximately $1.1 million U.S. plus the value of additional gratuities from the Company.

Counsel for the Company have brought a motion to dismiss the third amended complaint for failure to plead enough facts to state a claim for relief that is plausible on its face. Success of this motion is not determinable at this time. If successful, the complaint will be dismissed as against the Company. If the Company is not successful on the motion, management intends to defend against this claim vigorously. Management considers that it is not probable that a liability will result and no amount has been recorded in the Company's financial statements in respect of the complaint.

9. Long-term liability:

The long-term liability consists of a tenure agreement between the Company and Mr. Bennett.

Balance, January 1, 2014	$	653,057
Paid during 2014		(79,000)
Adjustment to and unwinding of discount		24,929
		598,986
Less current portion		(79,000)
Balance, December 31, 2014	$	519,986

Balance January 1, 2015	$	598,986
Paid during first 3 months of 2015		(19,750)
Adjustment to and unwinding of discount		14,919
		594,155
Less current portion		(79,000)
Balance March 31, 2015	$	515,155

The tenure payments are made on a monthly basis in the amount of $6,583 ($79,000 annually). The tenure agreement expires on December 31, 2022. The carrying value of the liability is the present value of the future payments discounted by an assumed rate of 0.77% based upon the current long-term Canadian bond rate which is reviewed and updated regularly as required.

(Expressed in Canadian dollars)

10. Borrowings:

(a) Term bank loan:

On September 26, 2014, concurrent with the Franworks Acquisition, the FW LP borrowed $15,000,000 from a banking syndicate. The facility bears interest at published three-month Canadian dollar Banker's Acceptance Rate (the "BA Rate") plus 4.15% per annum, requires monthly interest only payments and is secured by a general security agreement over the assets of the FW LP, an assignment of the royalty earned under the License and Royalty Agreement and a guarantee from the Company. The maturity date of the facility is September 26, 2017. The facility is subject to certain financial covenants, including a covenant to maintain a funded debt to normalized EBITDA ratio of not more than 1.6:1.0. As at March 31, 2015, the Company and the FW LP are in compliance with all financial covenants associated with this facility.

The term loan is presented net of $178,486 in deferred financing charges at March 31, 2015.

(b) Operating line of credit:

On September 26, 2014, concurrent with the Franworks Acquisition, the FW LP obtained a $2,000,000 demand operating facility from a banking syndicate. This facility bears interest at BA Rate plus 4.50% and is secured by a general security agreement over the assets of the FW LP, an assignment of the royalty earned under the License and Royalty Agreement and a guarantee from the Company. As at March 31, 2015, the entire $2,000,000 remains available for use.

11. Share capital:

At March 31, 2015 the authorized share capital of the Company consists of an unlimited number of common shares.

The issued share capital of the Company is as follows:

	Common shares	Amount
Balance December 31, 2014 and March 31, 2015	68,530,173	$ 115,013,462

12. Share-based payment:

During the year ended December 31, 2014, the Company introduced a restricted share unit ("RSU") plan available to both employees and non-employees as part of the Company's long-term incentive plan (the "Plan") where the maximum number of common shares issued under the Plan will be 10% of the issued and outstanding common shares of the Company at the time of grant. The Company issued 250,000 restricted share units to the President and CEO during the year ended December 31, 2014 (year ended December 31, 2013 - nil) at a grant date fair value of $2.35 totaling $587,000. No RSUs were granted for the three months ended March 31, 2015 (three months ended March 31, 2014 – nil). The RSUs vest in their entirety on the third anniversary of the grant date.

(Expressed in Canadian dollars)

12. Share-based payment (continued):

Prior to the acquisition of the FW Rights, the Company had a share option plan where the maximum number of common shares issued under the Plan was 10% of the issued and outstanding common shares of the Company at the time of grant. The Plan provided for the granting of options for the purchase of common shares of the Company at the fair market value of the Company's stock at the grant date. Stock options were granted to both employees and non-employees. The Company's Board of Directors had discretion as to the number of stock options granted, as well as in determining the vesting period and expiry dates. During the three months ended March 31, 2015, the Company issued nil stock options (three months ended March 31, 2014 - nil). During the year ended December 31, 2014 the share option plan was replaced by the Plan described above. Options issued under the share option plan prior to the introduction of the Plan remain outstanding.

The following table summarizes information relating to outstanding and exercisable options at March 31, 2015:

		Options outstanding		Options exercisable	
Exercise prices	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price per share	Number exercisable	Weighted average exercise price per share
$ 1.50	154,500	3.25	$ 1.50	154,500	$ 1.50
$ 1.79	129,900	3.38	1.79	129,900	1.79
$ 2.12	421,100	1.36	2.12	421,100	2.12
	705,500		$ 1.92	705,500	$ 1.92

The options outstanding at March 31, 2015 have an exercise price in the range of $1.50 to $2.12 (2014 - $1.50 to $2.12) and a weighted contractual life of 2.19 years (2014 – 3.50 years).

13. Income (loss) per share:

The reconciliation of the earnings (loss) for the period and weighted average number of common shares used to calculate basic and diluted earnings per share is as follows:

	2015	2014
Income (loss) for the period	$ 1,190,145	$ (388,989)
Net (loss) income per common share:		
Basic	0.02	(0.01)
Diluted	0.02	(0.01)
Weighted average number of shares:		
Basic	68,530,173	38,778,897
Diluted	68,727,432	38,778,897

(Expressed in Canadian dollars)

14. General and administrative expenses:

	2015	2014
Rent, supplies and administrative services	$ 28,875	$ 117,045
Insurance	62,988	62,890
Exchange and filing fees	32,236	8,247
Other	15,206	19,742
	$ 139,305	$ 207,924

Rent, supplies and administrative services for the three months ended March 31, 2015 entirely related to a services agreement with Maxam (three months ended March 31, 2014 – $87,500). This agreement became effective January 1, 2014 whereby Maxam provided accounting, tax and public company compliance services, head office and infrastructure services and transaction support services to the Corporation for approximately $29,000 per month. The agreement was amended on October 1, 2014 and now only includes rent and administrative services for approximately $9,000 per month.

15. Professional fees:

	2015	2014
Legal	$ 58,564	$ 350
Audit and tax	26,560	33,205
	$ 85,124	$ 33,555

16. Finance income and finance costs:

	2015	2014
Interest income on cash and cash equivalents	$ 112,668	$ 243,821
Finance income	$ 112,668	$ 243,821
Interest expense on financial liabilities, net of amortization of deferred financing fees	(214,818)	(2,511)
Adjustment to and unwinding of discount on financial liabilities	(14,918)	(3,076)
Net foreign exchange loss	(36,221)	(2,261)
Finance costs	$ (265,957)	$ (7,848)

17. Subsequent Event:

The Company and Franworks announced that effective April 1, 2015, the Franworks royalty pool (the “Royalty Pool”) had been adjusted to include the royalties from five new restaurants opened across Canada and to remove one restaurant in the US that had been permanently closed. With the adjustment for these five openings and one closure, the Royalty Pool now includes 82 restaurants.

The estimated gross sales for the 2015 calendar year for the five new restaurants being added to the Royalty Pool is $13.5 million and the gross sales for the permanently closed restaurant was $3.5 million. Consequently, the estimated annual gross sales for the net new restaurants added to the Royalty Pool is $10.0 million for the 2015 calendar year. Based on the 6% royalty payable by Franworks restaurants on gross sales, it is estimated that the net new restaurants will generate additional royalty revenue for the Company of $0.6 million per annum.

The initial consideration for the estimated net additional royalty revenue is $4,938,000, representing 80% of the total estimated consideration of $6,173,000 payable to Franworks for such additional royalty revenue. The adjustment for net additional royalty revenue added to the Royalty Pool is designed to be accretive to DIV shareholders, as the consideration paid to Franworks is calculated using a 7.5% discount of the estimated net royalty revenue added to the Royalty Pool. The consideration is paid in the form of DIV shares on the basis of the 20-day volume weighted average closing price of DIV’s shares for the period ending March 25, 2015. Based on a weighted average closing price of $2.69 per share, the initial consideration payable for the net additional royalty revenue was paid to Franworks in the form of 1,835,728 DIV shares.

The remaining consideration payable for net additional royalty revenue will be paid to Franworks on April 1, 2016, the next Adjustment Date, and will be adjusted to reflect the actual gross sales of the five new restaurants for the year ended December 31, 2015, as determined through an audit.

As a result of the adjustment to the Royalty Pool, Franworks owned 10,827,915 DIV shares, representing 15.4%, of DIV’s issued and outstanding common shares, on a non-diluted basis as of April 1, 2015, the date this adjustment was completed.