SIR Royalty Limited Partnership

Financial Statements
(Unaudited)
For the three and nine-month periods ended September 30, 2009 and 2008

This document is being filed with the Canadian securities regulatory authorities via www.sedar.com by and/or on behalf of, and with the approval of, SIR Corp. While it is located under the SIR Royalty Income Fund's issuer profile on www.sedar.com as a matter of convenience to investors in the SIR Royalty Income Fund, it is not being filed by or on behalf of, or with the approval, authorization, acquiescence or permission of, (a) the SIR Royalty Income Fund or any of its trustees or officers, and (b) the SIR Holdings Trust or any of its trustees or officers. None of them have approved, authorized, permitted or acquiesced with respect to the filing or contents hereof.

SIR Royalty Limited Partnership

Balance Sheets
(Unaudited)

	September 30, 2009 $	December 31, 2008 $
Assets		
Current assets		
Cash and cash equivalents	1,070,722	1,216,054
Prepaid expenses and other assets	-	34,223
Amounts due from related parties (note 6)	221,352	67,555
	1,292,074	1,317,832
Intangible assets (note 4)	68,608,860	62,636,383
	69,900,934	63,954,215
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	88,694	76,982
Amounts due to related parties (note 6)	1,203,370	1,240,840
	1,292,064	1,317,822
Partners' Interest (note 5)	68,608,870	62,636,393
	69,900,934	63,954,215

The accompanying notes are an integral part of these financial statements.

SIR Royalty Limited Partnership

Statements of Earnings and Comprehensive Income
(Unaudited)

	Three-month period ended September 30, 2009 $	Three-month period ended September 30, 2008 $	Nine-month period ended September 30, 2009 $	Nine-month period ended September 30, 2008 $
Revenues				
Royalty income (notes 1 and 7)	2,912,339	2,620,780	8,619,462	7,867,675
Administration fee (note 6)	6,000	6,000	18,000	18,000
Other income	-	8,653	3,265	28,596
	2,918,339	2,635,433	8,640,727	7,914,271
Expenses				
General and administrative	30,649	20,102	104,035	87,575
Net earnings and comprehensive income for the period	2,887,690	2,615,331	8,536,692	7,826,696

The accompanying notes are an integral part of these financial statements.

SIR Royalty Limited Partnership

Statements of Partners' Interest
(Unaudited)

Nine-month period ended September 30, 2009

	Number of units (note 5)	**Balance January 1, 2009 $**	**Issued during the period** (note 5)	**Net earnings for the period $**	**Distributions $**	**Balance September 30, 2009 $**
Ordinary LP units	1,116,666	7,633,570	-	3,524,945	(3,524,945)	7,633,570
Ordinary GP units	100	11	-	45	(45)	11
Class A GP units	2,725,415	15,002,811	5,972,477	2,761,693	(2,761,693)	20,975,288
Class B GP units	97,869,770	1	-	9	(9)	1
Class C GP units	4,000,000	40,000,000	-	2,250,000	(2,250,000)	40,000,000
		62,636,393	5,972,477	8,536,692	(8,536,692)	68,608,870

Nine-month period ended September 30, 2008

	Number of units (note 5)	**Balance January 1, 2008 $**	**Issued during the period** (note 5)	**Net earnings for the period $**	**Distributions $**	**Balance September 30, 2008 $**
Ordinary LP units	1,116,666	7,633,570	-	3,818,996	(3,818,996)	7,633,570
Ordinary GP units	100	11	-	45	(45)	11
Class A GP units	1,648,544	13,547,234	1,455,577	1,757,646	(1,757,646)	15,002,811
Class B GP units	98,946,641	1	-	9	(9)	1
Class C GP units	4,000,000	40,000,000	-	2,250,000	(2,250,000)	40,000,000
		61,180,816	1,455,577	7,826,696	(7,826,696)	62,636,393

Three-month period ended September 30, 2009

	Number of units (note 5)	**Balance July 1, 2009 $**	**Net earnings for the period $**	**Distributions $**	**Balance September 30, 2009 $**
Ordinary LP units	1,116,666	7,633,570	1,205,477	(1,205,477)	7,633,570
Ordinary GP units	100	11	15	(15)	11
Class A GP units	2,725,415	20,975,288	932,195	(932,195)	20,975,288
Class B GP units	97,869,770	1	3	(3)	1
Class C GP units	4,000,000	40,000,000	750,000	(750,000)	40,000,000
		68,608,870	2,887,690	(2,887,690)	68,608,870

Three-month period ended September 30, 2008

	Number of units (note 5)	**Balance July 1, 2008 $**	**Net earnings for the period $**	**Distributions $**	**Balance September 30, 2008 $**
Ordinary LP units	1,166,666	7,633,570	1,275,614	(1,275,614)	7,633,570
Ordinary GP units	100	11	15	(15)	11
Class A GP units	1,648,544	15,002,811	589,699	(589,699)	15,002,811
Class B GP units	98,946,641	1	3	(3)	1
Class C GP units	4,000,000	40,000,000	750,000	(750,000)	40,000,000
		62,636,393	2,615,331	(2,615,331)	62,636,393

The accompanying notes are an integral part of these financial statements.

SIR Royalty Limited Partnership
Statements of Cash Flows
(Unaudited)

	Three-month period ended September 30, 2009 $	Three-month period ended September 30, 2008 $	Nine-month period ended September 30, 2009 $	Nine-month period ended September 30, 2008 $
Cash provided by (used in)				
Operating activities				
Net earnings for the period	2,887,690	2,615,331	8,536,692	7,826,696
Net change in non-cash working capital items (note 8)	(436,303)	31,921	(73,429)	116,812
	2,451,387	2,647,252	8,463,263	7,943,508
Financing activities				
Distributions paid	(2,788,321)	(2,416,801)	(8,608,595)	(7,228,279)
Change in cash and cash equivalents	(336,934)	230,451	(145,332)	715,229
Cash and cash equivalents - Beginning of period	1,407,656	1,291,718	1,216,054	806,940
Cash and cash equivalents - End of period	1,070,722	1,522,169	1,070,722	1,522,169

The accompanying notes are an integral part of these financial statements.

1 Nature of operations, basis of presentation and seasonality

Nature of operations

SIR Royalty Limited Partnership (the Partnership) is a limited partnership formed under the laws of the Province of Ontario.

On October 1, 2004, SIR Royalty Income Fund (the Fund) filed a final prospectus for a public offering of units of the Fund. The net proceeds of the offering to the Fund of $51,166,670 were used by the Fund to acquire, directly, certain bank debt of SIR Corp. (the SIR loan) and, indirectly, through SIR Holdings Trust (the Trust), all of the Ordinary LP units of the Partnership. The Partnership owns the Canadian trademarks (the SIR Rights) formerly owned or licensed by SIR Corp. (SIR) or its subsidiaries and used in connection with the operation of the majority of SIR's restaurants in Canada (the SIR restaurants). The Partnership has granted SIR a 99-year licence to use the SIR Rights in most of Canada in consideration for a Royalty, payable by SIR to the Partnership, equal to 6% of the revenues of the restaurants included in the Royalty Pooled Restaurants (the Licence and Royalty Agreement).

Basis of presentation

The disclosures contained in these unaudited interim financial statements do not include all requirements of generally accepted accounting principles for annual financial statements and should be read in conjunction with the 2008 audited annual financial statements and notes thereto. The financial performance of the Partnership for the interim periods is not necessarily indicative of the results that may be expected for the full year due to the seasonality of the Partnership's business.

Seasonality

The full-service restaurant sector of the Canadian food-service industry, in which SIR operates, experiences seasonal fluctuations in revenues. Favourable summer weather generally results in increased revenues during SIR's fourth quarter (ending the last Sunday in August) when patios can be open. Additionally, certain holidays and observances also affect dining patterns, both favourably and unfavourably. Accordingly, royalty income recognized by the Partnership will vary in conjunction with the seasonality in revenues experienced by SIR.

2 Summary of significant accounting policies and changes in accounting policies

The Partnership prepares its financial statements in accordance with Canadian generally accepting accounting principles. The accounting policies as disclosed in these unaudited interim financial statements are consistent with those followed in the 2008 audited financial statements, except as noted below.

Effective January 1, 2009, the Partnership adopted The Canadian Institute of Chartered Accountants (CICA) Handbook Section 3064, Goodwill and Intangible Assets. Handbook Section 3064 replaces Handbook Section 3062, Goodwill and Intangible Assets, and Handbook Section 3450, Research and Development Costs, and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets.

The provisions relating to the definition and initial recognition of intangible assets, including internally generated intangible assets, are equivalent to the corresponding provisions of International Financial Reporting Standards IAS 38, Intangible Assets. This standard is effective for the Partnership for interim and annual financial statements beginning on January 1, 2009. Management has determined that the adoption of this standard had no impact on the disclosures in its financial statements.

3 Recently issued accounting pronouncements

International Financial Reporting Standards (IFRS)

The CICA plans to converge Canadian generally accepted accounting principles with IFRS over a transition period expected to end in 2011. Management is reviewing whether or not the Partnership is required to adopt IFRS.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

Handbook Section 1582, Business Combinations, Handbook Section 1601, Consolidated Financial Statements, and Handbook Section 1602, Non-Controlling Interests, replace the former Handbook Section 1581, Business Combinations, and Handbook Section 1600, Consolidated Financial Statements, and establish a new section for accounting for a non-controlling interest in a subsidiary. These sections provide the Canadian equivalent to IFRS 3, Business Combinations, and IAS 27, Consolidated and Separate Financial Statements. Handbook Section 1582 is effective for the Partnership for business combinations for which the acquisition date is on or after the reporting period beginning on or after January 1, 2011. Handbook Section 1601 and Handbook Section 1602 are effective for the Partnership for interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. Management has not yet determined the impact of the adoption of these changes on its financial statements.

4 Intangible assets

	Nine-month period ended September 30, 2009 $	Year ended December 31, 2008 $
SIR Rights - Beginning of period	62,636,383	61,180,806
Adjustment to Royalty Pooled Restaurants	5,972,477	1,455,577
SIR Rights - End of period	68,608,860	62,636,383

On January 1, 2009, six (2008 - three) new SIR Restaurants were added to and nil (2008 - two) closed SIR Restaurants were removed from the Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of the six (2008 - three) new restaurants on January 1, 2009, as well as the second incremental adjustment for the three (2008 - three) new

SIR restaurants added to the Royalty Pooled Restaurants on January 1, 2008 and the removal of nil (2008 - two) SIR Restaurants, SIR converted 1,076,871 (2008 - 193,535) Class B GP units into 1,076,871 (2008 - 193,535) Class A GP units based on the formula defined in the Partnership Agreement. The 1,076,871 (2008 - 193,535) Class A GP units have been recorded at their estimated fair value of $5,972,477 (2008 - $1,455,577) (note 5).

5 Partners' interest

The authorized and issued capital of the Partnership consists of the following:

		September 30, 2009		December 31, 2008	
Class of unit	Authorized	Issued	Amount $	Issued	Amount $
Class A LP units	Unlimited	-	-	-	-
Class C LP units	Unlimited	-	-	-	-
Ordinary LP units	Unlimited	1,116,666	7,633,570	1,116,666	7,633,570
Ordinary GP units	Unlimited	100	11	100	11
Class A GP units (note 4)	Unlimited	2,725,415	20,975,288	1,648,544	15,002,811
Class B GP units	Unlimited	97,869,770	1	98,946,641	1
Class C GP units	Unlimited	4,000,000	40,000,000	4,000,000	40,000,000
			68,608,870		62,636,393

Generally, the Partnership units have no voting rights, except in certain specified conditions.

Ordinary LP units and Ordinary GP units

The holders of the Ordinary LP units are entitled to receive a pro rata share of all residual distributions of the Partnership. The holders of the Ordinary LP units have the right to receive distributions in priority to the Class A GP units described below.

The Ordinary GP units have the right to receive distributions of $5 per month in aggregate.

SIR GP Inc., a direct subsidiary of the Fund, holds 99 Ordinary GP units of the Partnership and is Managing General Partner of the Partnership. SIR holds the remaining Ordinary GP units and is the General Partner of the Partnership. The Fund and SIR have an 80% and 20% interest in the common shares of SIR GP Inc., respectively.

SIR Holdings Trust, a direct subsidiary of the Fund, holds all of the issued Ordinary LP units of the Partnership.

Class A and Class B GP units

The holders of the Class A GP units are entitled to receive a pro rata share of all residual distributions of the Partnership and, subject to the subordination provisions, the Class A GP units are exchangeable into units of the Fund.

Class B GP units are convertible into Class A GP units based on a conversion formula defined in the Licence and Royalty Agreement for each new restaurant opened in the previous fiscal year. On dissolution of the Partnership, the Class B GP units are entitled to receive $10 in aggregate.

On January 1 of each year, Class B GP units are converted into Class A GP units for new SIR Restaurants added to the Royalty Pooled Restaurants based on 80% of the initial estimated revenues and the formula defined in the Partnership Agreement. Additional Class B GP units may be converted into Class A GP units in respect of these new SIR Restaurants if actual revenues of the new SIR Restaurants exceeded 80% of the initial estimated revenues and the formula defined in the Partnership Agreement. Conversely, converted Class A GP units may be returned by SIR if the actual revenues of the new SIR Restaurants are less than 80% of the initial estimated revenues. In December of each year, an Additional Distribution will be payable to the Class B GP unitholders provided that actual revenues of the new SIR Restaurants exceed 80% of the initial estimated revenues or there will be a reduction in the distributions to the Class A GP unitholders if revenues are less than 80% of the initial estimated revenues. In December 2008, an Additional Distribution of $177,888 (2007 - $76,935) was declared and paid in cash in January 2009. Currently, management is not able to determine if the revenues of the six new SIR Restaurants added to the Royalty Pooled Restaurants on January 1, 2009 will be greater or less than 80% of the initial estimated revenues.

On January 1, 2009, six (2008 - three) new SIR Restaurants were added to and nil (2008 - two) closed SIR Restaurants were removed from the Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of six (2008 - three) new restaurants on January 1, 2009, as well as the second incremental adjustment for the three (2007 - three) new SIR Restaurants added to the Royalty Pooled Restaurants on January 1, 2008, SIR converted its Class B GP units into Class A GP units based on the formula defined in the Partnership Agreement. The number of Class B GP units that SIR converted into Class A GP units was reduced by an adjustment for the closure of nil (2008 - two) SIR Restaurants during the prior year. The net effect of these adjustments to the Royalty Pooled Restaurants was that SIR converted 1,076,871 (2008 - 193,535) Class B GP units of the Partnership into 1,076,871 (2008 - 193,535) Class A GP units of the Partnership on January 1, 2009 at an estimated fair value of $5,972,477 (2008 - $1,455,577).

Class A GP units and Class B GP units are held by SIR.

Class C GP units

The holders of Class C GP units are entitled to receive a cumulative preferential monthly cash distribution equal to $0.063 per Class C GP unit held, payable on the dates that distributions are paid on the units of the Fund.

SIR has the right to require the Fund to indirectly purchase the Class C GP units and assume a portion of the loan between SIR and the Fund (the SIR loan) as consideration for the acquisition of the Class C GP units.

Class A and Class C LP units

The Class A and Class C LP units have similar attributes to the Class A and Class C GP units, except that the Class A LP units are not subordinated to the distributions by the Partnership on the Ordinary LP units.

6 Related party balances and transactions

	September 30, 2009 $	December 31, 2008 $
SIR Corp.		
Royalties receivable	955,383	1,125,500
Advances receivable	39,862	18,691
Distributions payable	(773,893)	(1,076,636)
Receivable from SIR Corp. - net	221,352	67,555
SIR Royalty Income Fund and its subsidiaries		
Advances receivable	1,459,054	1,190,744
Distributions payable	(2,662,424)	(2,431,584)
Payable to SIR Royalty Income Fund and its subsidiaries - net	(1,203,370)	(1,240,840)
Amounts due to related parties - net	(982,018)	(1,173,285)

Advances receivable from (payable to) related parties are non-interest bearing and due on demand. All advances were conducted as part of the normal course of business operations.

During the three-month and nine-month periods ended September 30, 2009, the Partnership earned Royalty income of $2,912,339 and $8,619,462, respectively, from SIR (three-month period ended September 30, 2008 - $2,620,780; and nine-month period ended September 30, 2008 - $7,867,675). The Royalty income is determined based on 6% of the revenues from certain SIR restaurants subject to the Licence and Royalty Agreement between the Partnership and SIR. SIR makes 13 Royalty payments based on SIR’s 13 four- or five-week period fiscal year and, as such, timing of these Royalty payments can fluctuate depending on how the four- or five-week periods coincide with the Partnership’s calendar fiscal year. Under the terms of the Licence and Royalty Agreement, SIR may be required to pay a Make-Whole Payment in respect of the reduction in revenues for restaurants closed during a reporting period. SIR is not required to pay any Make-Whole Payment in respect of a closed restaurant following the date on which the number of restaurants in the Royalty Pooled Restaurants is equal to or greater than 68 or following October 12, 2019, whichever occurs first. On January 1 of each year (the Adjustment Date), the restaurants subject to the Partnership Agreement are adjusted for new restaurants opened in the previous fiscal year. At each Adjustment Date, SIR will be entitled to convert its

Class B GP units of the Partnership into Class A GP units of the Partnership based on the conversion formula defined in the Licence and Royalty Agreement (note 5).

The Partnership has entered into an arrangement with the Fund and the Trust whereby the Partnership will provide or arrange for the provision of services required in the administration of the Fund and the Trust. The Partnership has arranged for these services to be provided by SIR GP Inc. in its capacity as the Managing General Partner, or SIR as the General Partner of the Partnership. SIR, on behalf of SIR GP Inc., also provides services to the Partnership for its administration. For the nine-month periods ended September 30, 2009 and 2008, the Partnership provided these services to the Fund and the Trust for consideration of $18,000 (three-month periods ended September 30, 2009 and 2008 - $6,000), which was the amount of consideration agreed to by the related parties.

7 Economic dependence

The Partnership earns substantially all of its revenues from SIR and therefore is economically dependent upon SIR.

During 2007, SIR entered into a credit agreement for a maximum principal amount of $16,000,000. The facility was used primarily to facilitate construction of new restaurants by SIR. The loan is collateralized by substantially all of the assets of SIR and most of its subsidiaries, which are also guarantors. The Partnership and the Fund have not guaranteed the Credit Facility.

The bank debt is “permitted indebtedness” within the meaning of the agreements between the Fund, the Partnership and SIR and, as a result, the Fund and the Partnership have, as contemplated in the existing agreements, subordinated and postponed their claims against SIR to the claims of the bank. This subordination, which includes a subordination of the Partnership’s rights under the Licence and Royalty Agreement between the Partnership and SIR whereby the Partnership licenses to SIR the right to use the trademarks and related intellectual property in return for royalty payments based on revenues, has been effected pursuant to the terms of an Interlender Agreement.

Under the Interlender Agreement, absent a default or event of default under the Credit Agreement, ordinary payments to the Partnership and the Fund can continue and the Partnership can exercise any and all of its rights to preserve the trademarks and related intellectual property governed by the Licence and Royalty Agreement. However, if a default or an event of default were to occur, then payments to the Fund and the Partnership could cease and the related rights of the Fund and the Partnership could be subject to a “standstill” obligation for a period of up to 120 days (which may be extended if the bank is pursuing remedies). The Interlender Agreement also contains various other typical covenants of the Fund and the Partnership.

8 Net change in non-cash working capital items

Net change in non-cash working capital items comprises:

	Three-month period ended September 30, 2009 $	**Three-month period ended September 30, 2008 $**	**Nine-month period ended September 30, 2009 $**	**Nine-month period ended September 30, 2008 $**
Prepaid expenses and other assets	11,533	11,144	34,223	33,192
Amounts due from related parties	(185,505)	394,966	148,946	394,966
Accounts payable and accrued liabilities	(9,595)	30,757	11,712	(2,335)
Amounts due to related parties	(252,736)	(404,946)	(268,310)	(309,011)
	(436,303)	31,921	(73,429)	116,812