SIR Royalty Limited Partnership

Interim Financial Statements
(Unaudited)
For the three-month and nine-month periods ended September 30, 2007 and 2006

SIR Royalty Limited Partnership

Balance Sheets
(Unaudited)

	September 30, 2007 $	December 31, 2006 $
Assets		
Current assets		
Cash and cash equivalents	975,111	695,751
Prepaid expenses and other assets	-	37,735
Amounts due from related parties (note 5)	15,569	51,830
	990,680	785,316
Intangible assets (note 3)	61,180,806	57,648,895
	62,171,486	58,434,211
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	68,046	137,114
Amounts due to related parties (note 5)	922,624	648,192
	990,670	785,306
Partners' Interest (note 4)	61,180,816	57,648,905
	62,171,486	58,434,211

The accompanying notes are an integral part of these financial statements

SIR Royalty Limited Partnership

Statements of Earnings and Comprehensive Income

(Unaudited)

For the periods ended September 30, 2007 and September 30, 2006

	Three-month period ended September 30, 2007 $	Three-month period ended September 30, 2006 $	Nine-month period ended September 30, 2007 $	Nine-month period ended September 30, 2006 $
Revenue				
Royalty income (notes 1 and 5)	2,449,114	2,231,290	7,273,529	6,711,122
Administration fee (note 5)	6,000	6,000	18,000	18,000
Other income	8,577	7,186	24,181	16,337
	2,463,691	2,244,476	7,315,710	6,745,459
Expenses				
General and administrative	26,503	21,467	87,753	112,122
Net earnings and comprehensive income for the period	2,437,188	2,223,009	7,227,957	6,633,337

The accompanying notes are an integral part of these financial statements

SIR Royalty Limited Partnership

Statements of Partners' Interest

(Unaudited)

For the periods ended September 30, 2007 and September 30, 2006

	Number of units (note 4)	**Balance – January 1, 2007 $**	**Issued during the nine-month period ended September 30, 2007** (note 3)	**Net earnings for the period $**	**Distributions $**	**Balance – September 30, 2007 $**
Ordinary LP units	1,116,666	7,633,570	-	3,518,201	(3,518,201)	7,633,570
Ordinary GP units	100	11	-	45	(45)	11
Class A GP units	1,455,009	10,015,323	3,531,911	1,459,702	(1,459,702)	13,547,234
Class B GP units	99,140,176	1	-	9	(9)	1
Class C GP units	4,000,000	40,000,000	-	2,250,000	(2,250,000)	40,000,000
		57,648,905	3,531,911	7,227,957	(7,227,957)	61,180,816

	Number of units (note 4)	**Balance – January 1, 2006 $**	**Issued during the nine-month period ended September 30, 2006** (note 3)	**Net earnings for the period $**	**Distributions $**	**Balance – September 30, 2006 $**
Ordinary LP units	1,116,666	7,633,570	-	3,370,975	(3,370,975)	7,633,570
Ordinary GP units	100	11	-	45	(45)	11
Class A GP units	1,034,005	5,951,850	4,063,473	1,012,308	(1,012,308)	10,015,323
Class B GP units	99,561,180	1	-	9	(9)	1
Class C GP units	4,000,000	40,000,000	-	2,250,000	(2,250,000)	40,000,000
		53,585,432	4,063,473	6,633,337	(6,633,337)	57,648,905

	Number of units (note 4)	**Balance – July 1, 2007 $**	**Net earnings for the period $**	**Distributions $**	**Balance – September 30, 2007 $**
Ordinary LP units	1,116,666	7,633,570	1,184,808	(1,184,808)	7,633,570
Ordinary GP units	100	11	15	(15)	11
Class A GP units	1,455,009	13,547,234	502,362	(502,362)	13,547,234
Class B GP units	99,140,176	1	3	(3)	1
Class C GP units	4,000,000	40,000,000	750,000	(750,000)	40,000,000
		61,180,816	2,437,188	(2,437,188)	61,180,816

	Number of units (note 4)	**Balance – July 1, 2006 $**	**Net earnings for the period $**	**Distributions $**	**Balance – September 30, 2006 $**
Ordinary LP units	1,116,666	7,633,570	1,133,189	(1,133,189)	7,633,570
Ordinary GP units	100	11	15	(15)	11
Class A GP units	1,034,005	10,015,323	339,802	(339,802)	10,015,323
Class B GP units	99,561,180	1	3	(3)	1
Class C GP units	4,000,000	40,000,000	750,000	(750,000)	40,000,000
		57,648,905	2,223,009	(2,223,009)	57,648,905

The accompanying notes are an integral part of these financial statements

SIR Royalty Limited Partnership

Statements of Cash Flows

(Unaudited)

For the periods ended September 30, 2007 and September 30, 2006

	Three-month period ended September 30, 2007 $	Three-month period ended September 30, 2006 $	Nine-month period ended September 30, 2007 $	Nine-month period ended September 30, 2006 $
Cash provided by (used in)				
Operating activities				
Net earnings for the period	2,437,188	2,223,009	7,227,957	6,633,337
Net change in non-cash working capital items (note 7)	(285,799)	(325,407)	(245,608)	(274,684)
	2,151,389	1,897,602	6,982,349	6,358,653
Financing activities				
Distributions paid	(2,241,904)	(2,027,926)	(6,702,989)	(5,805,405)
Change in cash and cash equivalents	(90,515)	(130,324)	279,360	553,248
Cash and cash equivalents – Beginning of period	1,065,626	911,755	695,751	228,183
Cash and cash equivalents – End of period	975,111	781,431	975,111	781,431

The accompanying notes are an integral part of these financial statements

SIR Royalty Limited Partnership
Notes to Financial Statements
(Unaudited)
September 30, 2007

1 Nature of operations 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 license 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 revenue of the restaurants included in the Royalty pool (the “License and Royalty Agreement”).

Seasonality

The full service restaurant sector of the Canadian foodservice industry in which SIR operates experiences seasonal fluctuations in revenues. Favourable summer weather generally results in increased revenue 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 revenue experienced by SIR.

2 Summary of significant accounting policies

Use of estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect income and expenses during the reporting periods, in addition to the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ materially from those estimates in the near term.

Revenue recognition

Revenue comprises Royalty income equal to 6% of revenue of SIR’s restaurants in Canada that are subject to the License and Royalty Agreement and is recognized on an accrual basis.

Cash and cash equivalents

Cash is defined as cash and short-term investments with original maturities of three months or less.

Intangible assets

The SIR Rights are intangible assets with indefinite lives. In accordance with the requirements of The Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3062, Goodwill and Other Intangible Assets, the SIR Rights are not amortized. The Partnership reviews the SIR Rights at least annually or when events or circumstances indicate that the carrying amounts may not be recoverable. Impairment is recognized when the estimated fair value of the intangible assets is lower than the carrying value.

Income taxes

The Partnership is not required to pay tax on its earnings as its taxable income is allocated to the partners based on the provisions of the Partnership Agreement. The partners will be liable for income taxes, if any, and accordingly, no provision for income taxes has been recorded in these financial statements.

Financial Instruments – Recognition and Measurement, Handbook Section 3855

Section 3855 prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and at what amount – in certain instances using fair value and in others using cost-based measures. It also specifies how financial instrument gains and losses are to be presented.

The Partnership adopted Section 3855 effective January 1, 2007. The Partnership has classified its cash and cash equivalents as held for trading financial assets, amounts due from related parties as receivables and accounts payable and accrued liabilities and amounts due to related parties as other liabilities. Due to the short-term maturity of these financial instruments, the carrying value approximates their fair value. This standard did not have a material impact on the financial statements.

Recently issued Accounting Standards

Capital Disclosures, CICA Handbook Section 1535: Section 1535 requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. This standard is effective for the Partnership for interim and annual financial statements beginning on January 1, 2008. Management has not yet determined the impact of the adoption of this change on the disclosure in its financial statements.

Financial Instruments – Disclosures, CICA Handbook Section 3862: Section 3862 increases the disclosures currently required that will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about liquidity risk and market risk. The quantitative disclosures must also include a sensitivity analysis for each type of market risk to which an entity is exposed, showing how net income and other comprehensive income would have been affected by reasonably possible changes in the relevant risk variable. This standard is effective for the Partnership for interim and annual financial statements beginning on January 1, 2008. Management has not yet determined the impact of the adoption of this change on the disclosure in its financial statements.

Financial Instruments – Presentation, CICA Handbook Section 3863: Section 3863 replaces the existing requirements on presentation of financial instruments which have been carried forward unchanged to this new section. This standard is effective for the Partnership for interim and annual financial statements beginning on January 1, 2008. Management does not expect the adoption of this standard to have a material impact on presentation in its consolidated financial statements.

International Financial Reporting Standards: The CICA plans to converge Canadian GAAP with International Financial Reporting Standards (IFRS) over a transition period expected to end in 2011. Management is reviewing the transition to IFRS on the Partnership’s financial statements and has not yet determined the impact.

3 Intangible assets

	September 30, 2007 $	December 31, 2006 $
SIR Rights – beginning of period	57,648,895	53,585,422
Adjustment to Royalty pool	3,531,911	4,063,473
SIR Rights – end of period	61,180,806	57,648,895

On January 1, 2007, three (2006 – two) new SIR Restaurants were added and one (2006 – nil) closed SIR Restaurant was removed from the Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of the three (2006 – two) new restaurants as well as the Second Incremental Adjustment for the two new SIR restaurants added to the Royalty Pooled Restaurants on January 1, 2006, and the removal of one (2006 – nil) SIR Restaurant, SIR converted 421,004 (2006 – 438,820) Class B GP units into 421,004 (2006 – 438,820) Class A GP units based on the formula defined in the Partnership Agreement. The 421,004 (2006 – 438,820) Class A GP units have been recorded at their estimated fair value of $3,531,911 (2006 - $4,063,473).

4 Partners' interest

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

		September 30, 2007		December 31, 2006	
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
Class A GP units (note 3)	Unlimited	1,455,009	13,547,234	1,034,005	10,015,323
Class B GP units	Unlimited	99,140,176	1	99,561,180	1
Class C GP units	Unlimited	4,000,000	40,000,000	4,000,000	40,000,000
Ordinary GP units	Unlimited	100	11	100	11
			61,180,816		57,648,905

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 unit 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, the Class A GP units are exchangeable into units of the Fund. Distributions to SIR, as holder of the initial 595,185 Class A GP units of the Partnership, representing the initial retained interest in the Fund, through the exchange feature, as at the closing date of the offering, were subordinated to distributions by the Partnership to the Trust on the Ordinary LP units and the Class A LP units (if any). As of August 26, 2007, the conditions in respect of the subordination of distributions on the Class A GP units were met. Accordingly, the initial 595,185 Class A GP units are no longer subordinated.

Class B GP units are convertible into Class A GP units based on a conversion formula defined in the Partnership Agreement for each new restaurant opened in the previous fiscal year. On dissolution of the Partnership, the Class B units are entitled to receive $10.00 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 pool based on 80% of the initial estimated revenue and the formula defined in the Partnership Agreement. Additional Class B GP units may be converted to 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 revenue 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 revenue. 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 revenue 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 revenue. In December 2006, an additional distribution of $231,351 was declared and paid in cash in January 2007. Currently, management is not able to determine if the revenue of the three new restaurants added to the Royalty pool on January 1, 2007 will be greater or less than 80% of the initial estimated revenue.

On January 1, 2007, three (2006 – two) new SIR Restaurants were added to the Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of three (2006 – two) new restaurants on January 1, 2007, as well as the second incremental adjustment for the two new SIR restaurants added to the Royalty Pooled Restaurants on January 1, 2006, SIR is able to convert 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 is able to convert to Class A GP units was reduced by an adjustment for the closure of one (2006 – nil) SIR Restaurant during the prior year. The net effect of these adjustments to the Royalty Pooled Restaurants was that SIR converted 421,004 (2006 – 438,820) Class B GP units of the Partnership into 421,004 (2006 – 438,820) Class A GP units of the Partnership on January 1, 2007 at an estimated fair value of $3,531,911 (2006 - $4,063,473).

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.

5 Related party balances and transactions

	September 30, 2007 $	December 31, 2006 $
Royalties receivable	937,690	1,144,615
Advances payable	(36,281)	(132,850)
Distributions payable	(885,840)	(959,935)
Receivable from SIR Corp. – net	15,569	51,830
Advances receivable	1,063,300	738,669
Distributions payable	(1,985,924)	(1,386,861)
Payable to SIR Royalty Income Fund and its subsidiaries	(922,624)	(648,192)
Amounts due to related parties – net	(907,055)	(596,362)

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, 2007, the Partnership earned Royalty income of $2,449,114 and $7,273,529 respectively from SIR (three-month period ended September 30, 2006 - $2,231,290 and nine-month period ended September 30, 2006 - $6,711,122). The Royalty income is determined based on 6% of the revenues from certain SIR restaurants subject to the License and Royalty Agreement between the Partnership and SIR. Under the terms of the License and Royalty Agreement, SIR may be required to pay a Make-Whole Payment in respect of the reduction in revenue 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 pool is equal to or greater than 68 or following October 12, 2019, whichever occurs first. On January 1 of each year (the adjustment date) following December 31, 2005, the restaurants subject to the License and Royalty 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 to Class A GP units of the Partnership based on the conversion formula defined in the Partnership Agreement (note 4).

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 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, 2007 and 2006, the Partnership provided these services to the Fund and the Trust for consideration of $18,000 (three-month periods ended September 30, 2007 and 2006 - $6,000), which was the amount of consideration agreed to by the related parties.

6 Economic dependence

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

On August 9, 2007, SIR entered into a credit agreement for a maximum principal amount of $16 million. The facility will be 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 License 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 License 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.

7 Net change in non-cash working capital items

Net change in non-cash working capital items comprises:

	Three-month period ended		**Nine-month period ended**	
	September 30, 2007 $	**September 30, 2006 $**	**September 30, 2007 $**	**September 30, 2006 $**
Prepaid expenses and other assets	12,717	2,314	37,735	(6,882)
Amounts due from related parties	110,356	(709,571)	110,356	122,233
Accounts payable and accrued liabilities	(43,936)	(66,525)	(69,068)	(70,777)
Amounts due to related parties	(364,936)	448,375	(324,631)	(319,258)
	(285,799)	(325,407)	(245,608)	(274,684)