SIR Royalty Limited Partnership

Financial Statements
(Unaudited)
For the three-month periods ended March 31, 2012 and 2011

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)

	March 31, 2012 $	December 31, 2011 $
Assets		
Current assets		
Cash and cash equivalents	1,083,029	230,347
Prepaid expenses and other assets	12,144	17,249
Amounts due from related parties (note 5)	91,863	874,862
	1,187,036	1,122,458
Intangible assets (note 3)	73,171,784	71,265,393
	74,358,820	72,387,851
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	325,571	190,569
Amounts due to related parties (note 5)	861,455	931,879
	1,187,026	1,122,448
Partners' Interest (note 4)	73,171,794	71,265,403
	74,358,820	72,387,851

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 March 31, 2012 $	Three-month period ended March 31, 2011 $
Revenues		
Royalty income (notes 1 and 5)	3,186,852	2,885,639
Administration fee (note 5)	6,000	6,000
Other income	4,494	2,489
	3,197,346	2,894,128
Expenses		
General and administrative	11,682	23,727
Net earnings and comprehensive income for the period	3,185,664	2,870,401

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

SIR Royalty Limited Partnership

Statements of Partners' Interest
(Unaudited)

						Three-month period ended March 31, 2012
	Number of units (note 4)	**Balance January 1, 2012 $**	**Issued during the period** (notes 3 and 4) **$**	**Net earnings for the period $**	**Distributions $**	**Balance March 31, 2012 $**
Ordinary LP units	1,116,666	7,633,570	-	1,251,551	(1,251,551)	7,633,570
Ordinary GP units	100	11	-	15	(15)	11
Class A GP units	3,310,392	23,631,821	1,906,391	1,184,095	(1,184,095)	25,538,212
Class B GP units	97,284,793	1	-	3	(3)	1
Class C GP units	4,000,000	40,000,000	-	750,000	(750,000)	40,000,000
		71,265,403	1,906,391	3,185,664	(3,185,664)	73,171,794

						Three-month period ended March 31, 2011
	Number of units (note 4)	**Balance January 1, 2011 $**	**Issued during the period** (notes 3 and 4) **$**	**Net earnings for the period $**	**Distributions $**	**Balance March 31, 2011 $**
Ordinary LP units	1,116,666	7,633,570	-	1,103,033	(1,103,033)	7,633,570
Ordinary GP units	100	11	-	15	(15)	11
Class A GP units	3,106,514	22,211,909	1,419,912	1,017,350	(1,017,350)	23,631,821
Class B GP units	97,488,671	1	-	3	(3)	1
Class C GP units	4,000,000	40,000,000	-	750,000	(750,000)	40,000,000
		69,845,491	1,419,912	2,870,401	(2,870,401)	71,265,403

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

SIR Royalty Limited Partnership

Statements of Cash Flows
(Unaudited)

	Three-month period ended March 31, 2012 $	Three-month period ended March 31, 2011 $
Cash provided by (used in)		
Operating activities		
Net earnings for the period	3,185,664	2,870,401
Net change in non-cash working capital items (note 7)	667,379	(266,132)
	3,853,043	2,604,269
Financing activities		
Distributions paid	(3,000,361)	(2,904,024)
Change in cash and cash equivalents	852,682	(299,755)
Cash and cash equivalents - Beginning of period	230,347	418,286
Cash and cash equivalents - End of period	1,083,029	118,531

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

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 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).

The address of the Partnership's registered office is 5360 South Service Road, Suite 200, Burlington, Ontario. The financial statements were approved by the Board of Trustees on May 8, 2012.

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 Basis of presentation and summary of significant accounting policies

The Partnership prepares its interim financial statements in accordance with International Financial Reporting Standards (IFRS) applicable to interim financial statements, including IAS 34. The disclosures contained in these unaudited interim financial statements do not include all requirements of IFRS for annual financial statements and should be read in conjunction with the 2011 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.

The Partnership prepares its financial statements in accordance with IFRS for interim financial statements. The accounting policies applied in these unaudited interim financial statements are consistent with those followed in the 2011 audited annual financial statements except for the adoption of the following new pronouncement.

IFRS 7, Financial Instruments - Disclosures, has been amended to include additional disclosure requirements in the reporting of transfer transactions and risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. The adoption of this pronouncement did not have a material effect on the financial statements of the Partnership.

IFRS issued but not yet effective

IFRS 9 Financial instruments - classification and measurement

IFRS 9, Financial Instruments, is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured using amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest; otherwise, it is at fair value through profit or loss. IFRS 9 is effective for years beginning on or after January 1, 2015. Management is evaluating the standard and has not yet determined the impact on its financial statements.

In May 2011, the International Accounting Standards Board issued the following standards, which have not yet been adopted by the Partnership: IFRS 10, Consolidated Financial Statements; IFRS 11, Joint Arrangements; IFRS 12, Disclosure of Interests in Other Entities; IAS 27, Separate Financial Statements; IFRS 13, Fair Value Measurement; and amended IAS 28, Investments in Associates and Joint Ventures. Each of the new standards is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. Management has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early-adopt any of the new requirements.

The following is a brief summary of the new standards:

IFRS 10, Consolidated Financial Statements

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces Standing Interpretations Committee (SIC) 12, Consolidation - Special Purpose Entities, and parts of IAS 27.

IFRS 11, Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity-account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC 13, Jointly Controlled Entities - Non-monetary Contributions by Venturers.

IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off-balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13, Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and, in many cases, does not reflect a clear measurement basis or consistent disclosures.

Amendments to other standards

In addition, there have been amendments to existing standards, including IAS 27 and IAS 28. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 through 13.

IAS 1, Presentation of Financial Statements, has been amended to require entities to separate items presented in other comprehensive income into two groups, based on whether or not items may be recycled in the future. Entities that choose to present other comprehensive income items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012, with earlier application permitted.

3 Intangible assets

	Three-month period ended March 31, 2012 $	Year ended December 31, 2011 $
SIR Rights - Beginning of period	71,265,393	69,845,481
Adjustment to Royalty Pooled Restaurants	1,906,391	1,419,912
SIR Rights - End of period	73,171,784	71,265,393

On January 1, 2012, one (2011 - one) new SIR Restaurant was added to, and nil (2011 - nil) 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 one (2011 - one) new restaurant on January 1, 2012, as well as the second incremental adjustment for the one (2010 - nil) new SIR Restaurant added to the Royalty Pooled Restaurants on January 1, 2011, SIR converted certain of 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 permanent closure of nil (2011 - nil) SIR Restaurants during the prior year. The net effect of these adjustments to the Royalty Pooled Restaurants was that SIR converted 203,878 (2011 - 137,190) Class B GP units into 203,878 (2011 - 137,190) Class A GP units on January 1, 2012 at an estimated fair value of $1,906,391 (2011 - $1,419,912) (note 4).

4 Partners' interest

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

		March 31, 2012		December 31, 2011	
Class	**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 3)	Unlimited	3,310,392	25,538,212	3,106,514	23,631,821
Class B GP units	Unlimited	97,284,793	1	97,488,671	1
Class C GP units	Unlimited	4,000,000	40,000,000	4,000,000	40,000,000
			73,171,794		71,265,403

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. 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 and is the Managing General Partner. SIR holds the remaining Ordinary GP units and is the General Partner. 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.

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 and 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 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 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 would 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.

On January 1, 2012, one (2011 - one) new SIR Restaurant was added to and nil (2011 - nil) 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 one (2011 - one) new restaurant on January 1, 2012, as well as the second incremental adjustment for the one (2010 - nil) new SIR Restaurant added to the Royalty Pooled Restaurants on January 1, 2011, SIR converted certain of 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 permanent closure of nil (2011 - nil) SIR Restaurants during the prior year. The net effect of these adjustments to the Royalty Pooled Restaurants was that SIR converted 203,878 (2011 - 137,190) Class B GP units into 203,878 (2011 - 137,190) Class A GP units on January 1, 2012 at an estimated fair value of $1,906,391 (2011 - $1,419,912).

In December 2011, an additional distribution of $33,667 (December 2010 - $nil) was declared and paid in cash in January 2012 (January 2011).

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 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.

5 Related party balances and transactions

	March 31, 2012 $	December 31, 2011 $
SIR Corp.		
Royalties receivable	773,623	1,536,869
Advances receivable	278,363	266,329
Distributions payable	(960,123)	(928,336)
Amounts due from SIR Corp.	91,863	874,862
SIR Royalty Income Fund and its subsidiaries		
Advances receivable	2,173,784	1,949,844
Distributions payable	(3,035,239)	(2,881,723)
Amounts payable to SIR Royalty Income Fund and its subsidiaries - net	(861,455)	(931,879)
Amounts due to related parties - net	(769,592)	(57,017)

Advances receivable from 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 period ended March 31, 2012, the Partnership earned Royalty income of $3,186,852 from SIR (three-month period ended March 31, 2011 - $2,885,639). The Partnership's 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 permanently closed during a reporting period. SIR is not required to pay any Make-Whole Payment in respect of a permanently 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 Licence and Royalty Agreement are adjusted for new restaurants opened for at least 60 days preceding such Adjustment Date in the previous fiscal year. At each Adjustment Date, SIR will be entitled to convert its Class B GP units into Class A GP units 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 the General Partner. SIR, on behalf of SIR GP Inc., also provides services to the Partnership for its administration. For the three-month period ended March 31, 2012, the Partnership provided these services to the Fund and the Trust for consideration of $6,000 (three-month period ended March 31, 2011 - $6,000), which was the amount of consideration agreed to by the related parties.

6 Economic dependence

The Partnership earns substantially all of its revenues from SIR; accordingly, the Partnership is economically dependent on SIR.

SIR has a $26,000,000 term loan and a $12,000,000 development loan (the Amended Credit Agreement) that are due on November 14, 2016. These loans qualify as “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 subordinated and postponed their claims against SIR to the claims of the lender.

The Partnership and the Fund did not guarantee the Amended Credit Agreement.

7 Net change in non-cash working capital items

Net change in non-cash working capital items comprises:

	Three-month period ended March 31, 2012 $	Three-month period ended March 31, 2011 $
Prepaid expenses and other assets	5,105	5,072
Amounts due from related parties	751,212	(159,044)
Accounts payable and accrued liabilities	135,002	23,750
Amounts due to related parties	(223,940)	(135,910)
	667,379	(266,132)