SIR ROYALTY INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

THIRD QUARTER

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

(For the 3-month and 9-month periods ended September 30, 2011)

Executive Summary

Highlights for the 3-month period ended September 30, 2011 ("Q3") and the 9-month period ended September 30, 2011 ("YTD") for SIR Royalty Income Fund (the "Fund") include:

- Net earnings of the Fund were $1.4 million and $4.0 million for Q3 and YTD, respectively, as compared to net income under IFRS of $0.01 million and a net loss of $9.1 million for Q3 and YTD 2010, respectively. Under IFRS, the Fund Units are treated as a financial liability until December 20, 2010 requiring adjustment through the consolidated statement of earnings. This loss does not represent a cash loss to the Fund and has no impact on distributable cash(1). Net earnings per Fund Unit were $0.26 and $0.75 for Q3 and YTD 2011, respectively.
- Distributable cash(1) per Fund Unit, both on a basic and diluted basis was $0.26 for Q3 2011 as compared to $0.35 for Q3 2010. Distributable cash(1) per Fund Unit, both on a basic and diluted basis was $0.76 for YTD 2011 as compared to $1.03 for YTD 2010. Effective January 1, 2011, the Fund became taxable and therefore the cash available for distribution to Unitholders is reduced by the obligation to pay income taxes. Please refer to the Distributions section on page 4.
- The payout ratio(1) decreased from 99.5% in Q3 2010 to 96.1% in Q3 2011 and increased from 100.7% in YTD 2010 to 102.8% in YTD 2011. The payout ratio for the 9-month period ended September 30, 2011 was affected by the December 2010 distribution that was declared and paid in January 2011 at a rate of $0.115 per unit. The payout ratio since the Fund's inception, up to and including Q3 2011, is 99.1%.
- Pooled Revenue increased by 5.4% in Q3 2011 to $52.6 million, from $50.0 million in Q3 2010.
- SIR Corp. ("SIR") has reported to the Fund same store sales growth(2) ("SSSG") for the Royalty Pooled Restaurants of 3.2% and 2.0% for Q3 and YTD 2011, respectively.
- Jack Astor's®, which accounts for approximately 73% of Pooled Revenue in Q3 2011, experienced SSSG(2) of 5.4% and 2.8% in Q3 and YTD 2011, respectively. Canyon Creek® had a decline in SSS(2) of 3.5% but an overall SSSG(2) of 0.8% in Q3 and YTD 2011, respectively. Alice Fazooli's® had declines in SSS(2) of 3.1% and 5.7% in Q3 and YTD 2011, respectively. Signature Restaurants had SSSG(2) of 1.7% and 6.7% for Q3 and YTD 2011, respectively.
- During Q4 2010, SIR opened a new Jack Astor's restaurant in Boisbriand, Quebec, on October 25, 2010. On January 1, 2011, this restaurant was added to Royalty Pooled Restaurants. SIR converted 137,190 Class B GP Units into 137,190 Class A GP Units.
- During Q2 2011, on May 2, 2011, SIR opened a new Jack Astor's restaurant in London, Ontario. This restaurant will be added to Royalty Pooled Restaurants on January 1, 2012.
- SIR has secured four additional sites for five new restaurants with expected openings for one restaurant in November 2011, two restaurants in 2012 and the other two restaurants in 2013.
- On August 26, 2011, SIR entered into an Amended and Restated Loan Agreement that added a $12.0 million Development Loan to its existing $26.0 million Term Loan. The Development Loan will be used in the next six to nine months to finance the building of new restaurants and to renovate existing restaurants to increase SSS(2) and strengthen SIR's portfolio of restaurants.

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(1) Distributable cash and payout ratio are not IFRS financial measures and do not have standardized meanings prescribed by IFRS. However, the Fund believes that distributable cash and the payout ratio are useful measures as they provide investors with an indication of cash available for distribution. The Fund's method of calculating distributable cash and the payout ratio may differ from that of other issuers and, accordingly, distributable cash and the payout ratio may not be comparable to measures used by other issuers. Investors are cautioned that distributable cash and the payout ratio should not be construed as an alternative to the statement of cash flows as a measure of liquidity and cash flows of the Fund. The payout ratio is calculated as cash distributed for the period as a percentage of the distributable cash for the period. Distributable cash represents the amount of money which the Fund expects to have available for distribution to Unitholders of the Fund, and is calculated as cash provided by operating activities of the Fund, adjusted for the net change in non-cash working capital items including a reserve for income taxes payable and the net change in the distribution receivable from the SIR Royalty Limited Partnership.

(2) Same store sales ("SSS") and same store sales growth ("SSSG") are not IFRS or Canadian GAAP financial measures and do not have standardized meanings prescribed by IFRS or Canadian GAAP. However, the Fund believes that SSS and SSSG are useful measures and provide investors with an indication of the change in year-over-year sales. The Fund's method of calculating SSS and SSSG may differ from those of other issuers and, accordingly, SSS and SSSG may not be comparable to measures used by other issuers. SSS includes revenue from all SIR Restaurants included in Pooled Revenue. The US restaurant is not part of SSS.

- Certain legislative changes to the tax treatment of income trusts, effective January 1, 2011 are applicable to the taxable income of the Fund in 2011. The tax applies to the Fund at the estimated prevailing corporate tax rate of approximately 28.25% for 2011 and as a result, cash available for the Fund to distribute to Unitholders is effectively reduced by that amount. Consequently, the Fund has reduced its distributions from its previous level of $0.115 per Unit per month to $0.083 per Unit per month commencing with its January 2011 distribution that was declared in February 2011.
- Effective January 1, 2011, the Fund adopted International Financial Reporting Standards ("IFRS"). The Fund has consistently applied the same accounting policies in its opening IFRS consolidated balance sheet at January 1, 2010.
- While SIR is not owned by the Fund, the Fund is economically dependent upon SIR. SIR files its unaudited interim and audited annual consolidated financial statements and Management's Discussion and Analysis ("MD&A") on SEDAR under the Fund's listing named "Other". SIR's Q3 unaudited consolidated financial statements and MD&A are listed having a filing date of June 16, 2011.

Same Store Sales(2) ("SSS")

(unaudited)

SIR reported to the Fund that there was SSSG(2) of 3.2% and 2.0% for Q3 and YTD 2011, respectively (please see the table below). The Canadian Restaurant and Foodservices Association ("CRFA"), in its 2011 – 2015 Long Term Foodservice Forecast is forecasting that sales in 2011, in the full service restaurant industry, will have a modest increase. However, SIR remains cautious and continues to monitor the economy and consumer confidence as its sales have not yet achieved its pre-recession levels.

SSS(2) by operating segment are summarized in the following table.

SSSG(2) for the Royalty Pooled Restaurants	**3-month period ended September 30, 2011**	**3-month period ended September 30, 2010**	**9-month period ended September 30, 2011**	**9-month period ended September 30, 2010**
Jack Astor's	5.4%	2.2%	2.8%	3.7%
Canyon Creek	(3.5%)	1.8%	0.8%	0.4%
Alice Fazooli's	(3.1%)	1.2%	(5.7%)	3.3%
Signature Restaurants	1.7%	16.9%	6.7%	6.8%
Overall SSS(2)	**3.2%**	**2.9%**	**2.0%**	**3.4%**

SSS(2) in Q1 of the current year has been affected by the more severe weather in southern Ontario as compared to the prior year. In the prior year, Jack Astor's in particular, experienced an increase of 3.7% SSS(2) in YTD 2010, which was aided by more favourable weather as well as increased guest traffic during the Winter Olympics. There was a decline in SSS(2) in Canyon Creek in Q3 2011 of 3.5%. This decline is due in part to higher sales in the prior year as a result of a summer promotion that was heavily supported by in-restaurant promotion as well as on-line advertising. During 2011, Canyon Creek's promotions consisted of time limited offerings and were only supported by social media advertising. Alice Fazooli's also had a strong comparative SSSG(2) in YTD 2010. Alice Fazooli's sales in the prior year were supported by aggressive discounting. The strategy in 2011 has been to reduce Alice Fazooli's discounting in favour of attracting guests through improved menu and feature beverage offerings. Management believes this is an appropriate long-term strategy for Alice Fazooli's, but in the short term, it is resulting in lower top-line revenues. In addition, Alice Fazooli's has two locations that have been renovated (one in October 2008 located near the Square One shopping mall in Mississauga, Ontario and the other in October 2010 located in Richmond Hill, Ontario). These two renovated locations are growing SSS(2) in both, Q3 2011 and YTD 2011, which are being offset by net declines in SSS(2) in the other three Alice Fazooli's locations. SIR continues to focus on sustaining and growing restaurant sales and profits while managing costs in light of the economic conditions in Canada.

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(1) See footnote (1) on page 2

(2) See footnote (2) on page 2

Restaurant Renovations

During Q2 2011, the Jack Astor's restaurant located in Calgary, Alberta was closed for nine days for a renovation and the Jack Astor's located in Vaughan, Ontario was also closed for six days for a renovation. During Q3 2011, the Jack Astor's restaurant located near the Sherway Gardens shopping mall in Etobicoke, Ontario was closed for four days for a renovation and subsequent to Q3 2011, the Jack Astor's restaurants located on Front Street in Toronto, Ontario and in Barrie, Ontario were also renovated. During Q2 2010, SIR completed a renovation at its Jack Astor's restaurant in Brampton, Ontario and in Q3 2010 at the Wellington Road South location in London, Ontario. In Q4 2010, the Alice Fazooli's location in Richmond Hill, Ontario was closed for 11 days for a renovation. SIR's Management is committed to maximizing the performance of all of its restaurants.

New Restaurants

During Q4 2010, SIR opened a Jack Astor's in Boisbriand, Quebec on October 25, 2010. This restaurant was added to Royalty Pooled Restaurants on January 1, 2011 as a New Additional Restaurant.

During Q2 2011, SIR opened a Jack Astor's in London, Ontario on May 2, 2011. This restaurant will be added to Royalty Pooled Restaurants on January 1, 2012 as a New Additional Restaurant.

SIR has secured sites for five new restaurants. It is expected that there will be a new Jack Astor's restaurant opening on Argentia Road in Mississauga, Ontario in November 2011. In addition, a new Jack Astor's restaurant will be opening in Pickering, Ontario and on Front Street near the St. Lawrence Market in Toronto, Ontario both, during fiscal 2012. Two new restaurants will be opening at the corner of Yonge and Gerrard Streets in Toronto, Ontario in fiscal 2013.

SIR Management continues to monitor economic conditions and consumer confidence. Based on its assessment of these conditions, the timing of restaurant construction and opening schedules will be reviewed regularly by SIR Management and adjusted as necessary.

Distributions

Distributions to Unitholders are intended to be made monthly in arrears based on distributable cash(1) and cash redemptions of Fund Units and subject to the Fund retaining such reasonable working capital and other reserves as may be considered appropriate by the Trustees of the Fund. It is the Fund's intention to pay even distributions, and if possible, allow the Fund to maintain consistent monthly distributions to Unitholders.

The Fund intends to make monthly distributions of its available distributable cash(1) to the extent possible. During the quarter, monthly distributions of $0.4 million or $0.083 per Unit were declared and paid in the months of July, August and September 2011. Subsequent to September 30, 2011, distributions of $0.083 per Unit were declared and paid in the month of October and declared in November 2011. Starting on January 1, 2011, the Fund is taxed at the estimated prevailing corporate tax rate of approximately 28.25% for 2011 and as a result, the Fund reduced its distributions from its previous level of $0.115 per Unit per month by approximately 28.25% commencing with its January distribution. The estimated annualized distribution for calendar year 2011 is $1.028. This is calculated as the distribution paid in January 2011 of $0.115 and the distributions of $0.083 (assuming that there is no change to the monthly distribution amount) for the remaining 11 months of February to December. Please refer to the chart on page 11 for a summary of monthly distributions since inception.

The payout ratio(1) of cash distributed to distributable cash(1) is intended to average 100% per annum over the longer term. Since the Fund pays even monthly distributions when its underlying cash flow from the Partnership is subject to seasonal fluctuations (as experienced by SIR), there are times during the year when the payout ratio(1) may exceed or could be lower than 100%. The payout ratio(1) for Q3 and YTD 2011 was 96.1% and 102.8%, respectively compared to 99.5% and 100.7% in Q3 and YTD 2010, respectively. The payout ratio for the 9-month period ended September 30, 2011 was impacted by the effect of seasonality in SIR's business as well as the cash distributed for the period being affected by the December 2010 distribution that was declared and paid in January 2011 at a rate of $0.115 per unit, when the distributable cash was decreased by the obligation to pay income taxes. The payout ratio since the Fund's inception up to and including Q3 2011 is 99.1%.

(1) See footnote (1) on page 2

Overview and Business of the Fund

On October 1, 2004, the Fund filed a final prospectus for a public offering of Units of the Fund. The net proceeds of the Offering of $51.2 million were used by the Fund to acquire, directly, certain bank debt of SIR and indirectly, through SIR Holdings Trust (the "Trust"), all of the Ordinary LP Units of the Partnership. The Partnership owns the Canadian trade-marks (the "SIR Rights") formerly owned or licensed by SIR or its subsidiaries and used in connection with the operation of the majority of SIR's restaurants in Canada. 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 Royalty Pooled Restaurants (the "License and Royalty Agreement"). The Partnership also issued its own securities to SIR in return for the SIR Rights acquired. The Fund indirectly participates in the revenue generated under the License and Royalty Agreement through its investment in the Partnership. The Partnership's financial statements are provided separately at www.sedar.com under the SIR Royalty Income Fund profile "Other" category and on SIR's website at www.sircorp.com.

The Units of the Fund are publicly traded on the Toronto Stock Exchange under the symbol SRV.UN.

Overview and Business of SIR and the Partnership

SIR is a private company amalgamated under the Business Corporations Act of Ontario. As at September 30, 2011, SIR operated 47 Concept Restaurants and Signature Restaurants in Canada (in Ontario, Quebec, Alberta and Nova Scotia). During Q2, 2011, on May 2, 2011, SIR opened a new Jack Astor's restaurant in London, Ontario. The Concept Restaurants are Jack Astor's Bar and Grill®, Canyon Creek Chop House® and Alice Fazooli's. The Signature Restaurants located in downtown Toronto are *reds*®, Far Niente®/Petit Four™ and FOUR®, and the Loose Moose Tap & Grill®. As at September 30, 2011, 46 SIR Restaurants were included in Royalty Pooled Restaurants. The new restaurant that opened on May 2, 2011 will be added to Royalty Pooled Restaurants on January 1, 2012. SIR owns 100% of its Canadian restaurants.

Formerly, SIR also owned one Jack Astor's restaurant in the U.S., which was not included in Royalty Pooled Restaurants. This restaurant was closed during Q3 2011 and its assets were sold. This transaction has not had an effect on the Partnership or the Fund.

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 6.0% of the revenue of the Royalty Pooled Restaurants. The Partnership also issued its own securities to SIR in return for the SIR Rights acquired.

On January 1 of each year (the "Adjustment Date"), the restaurants subject to the Partnership Agreement are adjusted for new restaurants that have been open for at least 60 days prior to the Adjustment Date and which were not previously included in Royalty Pooled Restaurants. Under the formula as defined in the Partnership Agreement, the number of Class A GP Units issued to SIR on the Initial Adjustment date is equal to 80% of the estimated value of the additional Royalty revenue. Additional Class B GP Units may be converted to Class A GP Units in respect of these new SIR Restaurants if the actual revenues of the new SIR Restaurants exceed 80% of the January 1 Initial Adjustment's estimated revenue applied to the formula defined in the Partnership Agreement. Conversely, Class A GP Units would be converted to Class B GP Units by SIR if the actual revenues of the new SIR Restaurants are less than 80% of the January 1 Initial Adjustment's estimated revenue. In December of each year, an additional distribution will be payable to the Class B GP Unitholders based on actual revenues of the new SIR Restaurants exceeding 80% of the initial adjustment's estimated revenue or there will be a reduction in the cash distributions to the Class A GP Unitholders if revenues are less than 80% of the initial adjustment's estimated revenue. The additional distribution results in an adjustment to SIR's share of the Partnership income to reflect the actual contribution of the revenues of the new SIR Restaurants for the fiscal year. As this amount is not declared until December 31st, when the actual revenues for the New Additional Restaurants are known, the effect of this adjustment is not included in the results of quarters one through three.

On January 1, 2011, one (January 1, 2010 - nil) new SIR Restaurant was added to Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of one (January 1, 2010 – nil) new restaurant on January 1, 2011, as well as the Second Incremental Adjustment for the nil (January 1, 2009 – six) new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2010, SIR converted a portion 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 to Class A GP Units was reduced by an adjustment for the permanent closure of nil (January 1, 2010 – nil) SIR Restaurants during the prior year. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR converted 137,190 (January 1, 2010 – 243,909) Class B GP Units into 137,190 (January 1, 2010 – 243,909) Class A GP Units on January 1, 2011 at an estimated fair value of $1.4 million (January 1, 2010 - $1.2 million).

As a result of not adding any new SIR Restaurants to Royalty Pooled Restaurants on January 1, 2010, no additional distribution was declared in December 2010 nor was there a Second Incremental Adjustment on January 1, 2011.

As at January 1, 2011, SIR retained a 36.7% (January 1, 2010 – 35.7%) interest in the Partnership as the holder of the 3,106,514 (January 1, 2010 – 2,969,324) Class A GP Units. The Class A GP Units are entitled to receive a pro rata share of all residual distributions of the Partnership and are exchangeable into Units of the Fund on a one for one basis. SIR is obligated to pay the Partnership a "Make-Whole Payment", subject to certain terms, initially equal to the amount of the Royalty that otherwise would have been paid to the Partnership in the event of a permanent closure of a Royalty Pooled Restaurant. SIR is not required to pay a "Make-Whole Payment" in respect of a permanently closed Royalty Pooled Restaurant following the date on which the number of restaurants in Royalty Pooled Restaurants is equal to or greater than 68, or following October 12, 2019, whichever occurs first. However, other adjustments or payments may still be required in respect of permanently closed restaurants after such date by SIR, depending upon the circumstances.

SIR's fiscal year is comprised of 13 periods of four weeks each, ending on the last Sunday in August. To preserve this year-end, an additional week must be added approximately every five years. Fiscal quarters of SIR consist of accounting periods of 12, 12, 12 and 16 (or 17) weeks. SIR's fiscal 2011 and 2010 years each consist of 52 weeks.

Consolidated financial statements of SIR can be found at www.sedar.com under the SIR Royalty Income Fund profile, "Other" category and on SIR's website at www.sircorp.com.

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 revenues during SIR's fourth quarter (ending the last Sunday in August) when patios have been open for an extended period. Additionally, certain holidays and observances also affect guest dining patterns both favourably and unfavourably. Accordingly, distribution income recognized by the Fund will vary in conjunction with the seasonality in revenue experienced by SIR. The Fund's intention is to pay even distributions in order to reduce the effect of seasonality, and if possible, allow the Fund to maintain consistent monthly distributions to Unitholders.

Selected Consolidated Financial Information

The unaudited interim consolidated financial statements of the Fund are presented in Canadian dollars, and effective January 1, 2011 are prepared in accordance with International Financial Reporting Standards ("IFRS"). Previously, the Fund prepared its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). The consolidated opening balance sheet as at January 1, 2010 as well as the four quarters in fiscal 2010 has been restated in accordance with IFRS. The quarter ended December 31, 2009 has not been restated in accordance with IFRS. The consolidated financial statements include the accounts of the Fund and its subsidiaries, namely the Trust and SIR GP Inc. The information in this Management's Discussion and Analysis should be read in conjunction with the annual audited consolidated financial statements of the Fund, including the notes thereto. The Fund has been in existence since August 23, 2004, and began operating on October 12, 2004 upon closing of the Offering.

The following table sets out selected financial information of the Fund and the Partnership:

Financial Highlights

(in thousands of dollars except restaurants and per Unit amounts) (unaudited)	**3-month period ended September 30, 2011**	**3-month period ended September 30, 2010**	**9-month period ended September 30, 2011**	**9-month period ended September 30, 2010**
Royalty Pooled Restaurants	46	45	46	45
Pooled Revenue generated by SIR	52,647	49,970	154,520	148,574
6% of Pooled Revenue	3,159	2,998	9,271	8,915
Partnership other income	8	7	25	19
Partnership expenses	(22)	(32)	(66)	(83)
Partnership earnings	3,145	2,973	9,230	8,851
SIR's interest (Class A, B and C GP Units)	(1,871)	(1,780)	(5,527)	(5,301)
Partnership income allocated to Fund(3)	1,274	1,193	3,703	3,550
Interest income(4)	750	750	2,250	2,250
Total income of the Fund	2,024	1,943	5,953	5,800
General & administrative expenses	(91)	(85)	(303)	(296)
Operating income	1,933	1,858	5,650	5,504
Change in amortized cost on Fund Units	-	(1,848)	-	(14,651)
Net earnings (loss) before income taxes of the Fund	1,933	10	5,650	(9,147)
Income tax recovery (expense)	(556)	-	(1,627)	-
Net earnings (loss) for the period	1,377	10	4,023	(9,147)
Basic earnings per Fund Unit (2011 – 5,356,667 Units)	$0.26	n/a(6)	$0.75	n/a(6)
Diluted earnings per Fund Unit (2011 – 8,463,181 Units)(5)	$0.26	n/a(6)	$0.75	n/a(6)

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(3) *On October 12, 2004, the Fund, indirectly through the Trust, acquired all of the Ordinary LP Units of the Partnership. The holders of the Ordinary LP Units and Class A GP Units are entitled to receive a pro rata share of all residual distributions of the Partnership.*

(4) *Interest income is the interest earned during the periods from the $40.0 million SIR Loan, which bears interest at 7.5% per annum.*

(5) *Diluted earnings per Fund Unit for 2011 is calculated as follows: Net earnings for the period plus the distributions related to the Class A GP Units plus (less) deferred income tax recovery (expense), which together totaled $2.2 million and $6.4 million for the 3-month and 9-month periods ended September 30, 2011 divided by the weighted average number of Fund Units outstanding of 8,463,181 Units. The weighted average number of Fund Units outstanding represents Fund Units outstanding of 5,356,667 plus the convertible Class A GP Units of 3,106,514.*

(6) *Under IFRS, the Fund Units have been classified as a liability with changes in the carrying value in the Fund Units recorded in the consolidated statement of earnings (loss). The Fund's Declaration of Trust was amended on December 20, 2010 at which time the Fund Units met the definition of a puttable instrument under IFRS and were then reclassified to equity. As a result, earning per share has not been calculated for fiscal 2010.*

Summary of Quarterly Financial Information

(in thousands of dollars except restaurants and per Unit amounts) (unaudited)	3-month period ended September 30, 2011 *IFRS*	June 30, 2011 *IFRS*	March 31, 2011 *IFRS*	December 31, 2010 *IFRS*	September 30, 2010 *IFRS*	June 30, 2010 *IFRS*	March 31, 2010 *IFRS*	December 31, 2009 *Canadian GAAP*
Royalty Pooled Restaurants	46	46	46	45	45	45	45	45
Pooled Revenue generated by SIR	52,647	53,779	48,094	51,073	49,970	51,064	47,540	50,485
6% of Pooled Revenue	3,159	3,227	2,886	3,065	2,998	3,064	2,852	3,030
Partnership other income	8	8	8	9	7	6	6	6
Partnership expenses	(22)	(20)	(24)	(35)	(32)	(19)	(30)	(12)
Partnership earnings	3,145	3,215	2,870	3,039	2,973	3,051	2,828	3,024
SIR's interest (Class A, B and C GP Units)	(1,871)	(1,889)	(1,767)	(1,790)	(1,780)	(1,791)	(1,731)	(1,955)
Partnership income allocated to Fund[3]	1,274	1,326	1,103	1,249	1,193	1,260	1,097	1,069
Interest income[4]	750	750	750	750	750	750	750	750
Total income of the Fund	2,024	2,076	1,853	1,999	1,943	2,010	1,847	1,819
General & administrative expenses	(91)	(113)	(99)	(120)	(85)	(133)	(78)	(111)
Operating income	1,933	1,963	1,754	1,879	1,858	1,877	1,769	1,708
Change in amortized cost on Fund Units	-	-	-	(7,767)	(1,848)	(402)	(12,401)	-
Net earnings (loss) before income taxes of the Fund	1,933	1,963	1,754	(5,888)	10	1,475	(10,632)	1,708
Income tax recovery (expense)	(556)	(568)	(503)	-	-	-	-	121
Net earnings (loss) for the period	1,377	1,395	1,251	(5,888)	10	1,475	(10,632)	1,829
Basic earnings per Fund Unit (5,356,667 Units)	$0.26	$0.26	$0.23	n/a[6]	n/a[6]	n/a[6]	n/a[6]	$0.34
Diluted earnings per Fund Unit (2011 – 8,463,181 Units; 2009 – 8,082,082 Units)[7]	$0.26	$0.26	$0.23	n/a[6]	n/a[6]	n/a[6]	n/a[6]	$0.34

For the 9-month period from January 1, 2011 to September 30, 2011, the Fund declared and paid distributions of $0.779 per Unit. The Fund declared and paid a distribution of $0.115 per Unit in January 2011 and a distribution of $0.083 per Unit in each of the months of February to September 2011 inclusive. Subsequent to Q3 2011, the Fund also declared a distribution of $0.083 per Unit in each of October and November 2011.

(3) *See footnote (3) on page 7*
(4) *See footnote (4) on page 7*
(6) *See footnote (6) on page 7*
(7) *Diluted earnings per Fund Unit for 2011 is calculated as follows: Net earnings for the period plus the distributions related to the Class A GP Units plus (less) deferred income tax recovery (expense), which together total $2.2 million, $2.2 million and $2.0 million for the 3-month periods ended September 30, 2011, June 30, 2011 and March 31, 2011, respectively, divided by the weighted average number of Fund Units outstanding of 8,463,181 Units. The weighted average number of Fund Units outstanding represents Fund Units outstanding of 5,356,667 plus the convertible Class A GP Units of 3,106,514. Diluted earnings per Fund Unit for 2009 is calculated as follows: Net earnings for the period plus the distributions related to the Class A GP Units plus (less) deferred income tax recovery (expense), which together totaled $2.7 million for the 3-month period ended December 31, 2009 divided by the weighted average number of Fund Units outstanding of 8,082,082 Units. The weighted average number of Fund Units outstanding represents Fund Units of 5,356,667 plus the convertible Class A GP Units of 2,725,415.*

Distributions to Unitholders are intended to be made monthly in arrears based on distributable cash[1] and cash redemptions of Fund Units and subject to the Fund retaining such reasonable working capital and other reserves as may be considered appropriate by the Trustees of the Fund. The Fund's intention is to pay even distributions, and if possible, allow the Fund to maintain consistent monthly distributions to Unitholders. The Fund intends to make monthly distributions of its available distributable cash[1] to the extent possible.

Distributable Cash[1]

(in thousands of dollars except per Unit amounts and payout ratio[1]*)* *(unaudited)*	**3-month period ended September 30, 2011**	**3-month period ended September 30, 2010**	**9-month period ended September 30, 2011**	**9-month period ended September 30, 2010**
Cash provided by operating activities	1,759	1,848	5,456	5,544
Add/(deduct): Net change in non-cash working capital items[8]	(547)	(85)	(1,807)	(296)
Net change in distribution receivable from the Partnership[8]	176	95	409	256
Distributable cash[1]	**1,388**	**1,858**	**4,058**	**5,504**
Cash distributed for the period	**1,334**	**1,848**	**4,173**	**5,544**
Surplus/ (shortfall) of distributable cash[1]	**54**	**10**	**(115)**	**(40)**
Payout ratio[1][9]	96.1%	99.5%	102.8%	100.7%
Distributable cash[1] per Fund Unit basic (5,356,667 Units)	\$0.26	\$0.35	\$0.76	\$1.03
Distributable cash[1] per Fund Unit diluted (2011 – 8,463,181 Units; 2010 – 8,325,991 Units)[10]	\$0.26	\$0.35	\$0.76	\$1.03

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(1) *See footnote (1) on page 2*

(8) *Distributable cash is adjusted to exclude changes in non-cash working capital items and the change in the distribution receivable from the Partnership as the Fund's working capital requirements are not permanent and are primarily due to the timing of payments between related parties.*

(9) *It is the Fund's intention to pay even distributions to reduce the effect of seasonality. Higher payout ratios during the colder months of the year are expected with the pattern of seasonality in the business, and it is anticipated that the payout ratio will decrease on average during the warm weather months.*

(10) *Diluted distributable cash per Fund Unit is calculated as follows: Distributable cash per Fund Unit for 2011 is as follows: Distributable cash for the period plus the distributions related to the Class A GP Units, which together total \$2.2 million and \$4.2 million for the 3-month and 9-month periods ended September 30, 2011, respectively divided by the weighted average number of Fund Units outstanding of 8,463,181. The weighted average number of Fund Units outstanding represents Fund Units of 5,356,667 plus the convertible Class A GP Units of 3,106,514. Distributable cash per Fund Unit for 2010 is as follows: Distributable cash for the period plus the distributions related to the Class A GP Units, which together total \$2.9 million and \$5.7 million for the 3-month and 9-month periods ended September 30, 2010, respectively, divided by the weighted average number of Fund Units outstanding of 8,325,991 Units. The weighted average number of Fund Units outstanding represents Fund Units of 5,356,667 plus the convertible Class A GP Units of 2,969,324.*

Distributable Cash[1]

(in thousands of dollars except per Unit amounts and payout ratio[1]*)* *(unaudited)*	**3-month periods ended**							
	September 30, 2011 *IFRS*	**June 30, 2011** *IFRS*	**March 31, 2011** *IFRS*	**December 31, 2010** *IFRS*	**September 30, 2010** *IFRS*	**June 30, 2010** *IFRS*	**March 31, 2010** *IFRS*	**December 31, 2009** *Canadian GAAP*
Cash provided by operating activities	1,759	1,849	1,848	1,848	1,848	1,848	1,848	1,848
Add/(deduct): Net change in non-cash working capital items[8]	(547)	(670)	(590)	180	(85)	(133)	(78)	(141)
Net change in distribution receivable from the Partnership[8]	176	228	5	(149)	95	162	(1)	-
Distributable cash[1]	**1,388**	**1,407**	**1,263**	**1,879**	**1,858**	**1,877**	**1,769**	**1,707**
Cash distributed for the period	**1,334**	**1,334**	**1,505**	**1,848**	**1,848**	**1,848**	**1,848**	**1,848**
Surplus/(shortfall) of distributable cash[1]	**54**	**73**	**(242)**	**31**	**10**	**29**	**(79)**	**(141)**
Payout ratio[1][9]	96.1%	94.8%	119.2%[12]	98.4%	99.5%	98.4%	104.5%	108.3%[11]
Distributable cash[1] per Fund Unit basic (5,356,667 Units)	$0.26	$0.26	$0.24	$0.35	$0.35	$0.35	$0.33	$0.32
Distributable cash[1] per Fund Unit diluted (2011 – 8,463,181 Units; 2010 – 8,325,991 Units; 2009 – 8,082,082 Units)[13]	$0.26	$0.26	$0.24	$0.35	$0.35	$0.35	$0.33	$0.32

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(1) *See footnote (1) on page 2*

(8) *See footnote (8) on page 9*

(9) *See footnote (9) on page 9*

(11) *The payout ratio for the fourth quarter of 2009 was affected by the $0.3 million Priority Special Conversion Distribution paid by the Partnership. This distribution was paid on the Class B GP Units that were converted to Class A GP Units, effective January 1, 2009 related to the Second Incremental Adjustment for the restaurants added to Royalty Pooled Restaurants effective January 1, 2009. There was no Priority Special Conversion Distribution paid by the Partnership in the fourth quarter of 2010 as no new SIR Restaurants were added to Royalty Pooled Restaurants on January 1, 2010.*

(12) *The payout ratio for the 3-month period ended March 31, 2011 was impacted by the effect of seasonality in SIR's business as well as the cash distributed for the period being affected by the December 2010 distribution that was declared and paid in January 2011 at a rate of $0.115 per unit, when the distributable cash was decreased by the obligation to pay income taxes.*

(13) *Diluted distributable cash per Fund Unit is calculated as follows: Distributable cash per Fund Unit for 2011 is as follows: Distributable cash for the period plus the distributions related to the Class A GP Units, which together total $2.2 million, $2.2 million and $2.0 million for the 3-month periods ended September 30, 2011, June 30, 2011 and March 31, 2011, respectively divided by the weighted average number of Fund Units outstanding of 8,463,181. The weighted average number of Fund Units outstanding represents Fund Units of 5,356,667 plus the convertible Class A GP Units of 3,106,514. Distributable cash per Fund Unit for 2010 is as follows: Distributable cash for the period plus the distributions related to the Class A GP Units, which together total $2.9 million, $2.9 million, $2.9 million and $2.7 million for the 3-month periods ended December 31, 2010, September 30, 2010, June 30, 2010 and March 31, 2010, respectively, divided by the weighted average number of Fund Units outstanding of 8,325,991 Units. The weighted average number of Fund Units outstanding represents Fund Units of 5,356,667 plus the convertible Class A GP Units of 2,969,324. Distributable cash per Fund Unit for 2009 is as follows: Distributable cash for the period plus the distributions related to the Class A GP Units, which together total $2.6 million for the 3-month period ended December 31, 2009, divided by the weighted average number of Fund Units outstanding of 8,082,082 Units. The weighted average number of Fund Units outstanding represents Fund Units of 5,356,667 plus the convertible Class A GP Units of 2,725,415.*

A history of monthly distributions is as follows:

Months Paid	Monthly Distribution per Unit
Inception to May, 2006	\$0.100
June, 2006 to May, 2007	\$0.105
June, 2007 to May, 2008	\$0.110
June, 2008 to January 2011	\$0.115
February 2011 to date	\$0.083

The distributions, starting with the January 2011 distribution (declared and paid in February 2011), were reduced for the impact of income taxes, which took effect for the fund, starting January 1, 2011. The current distribution is \$0.083 per Unit per month with the estimated annualized distribution being \$0.996 per Unit.

The payout ratio[(1)] of cash distributed to distributable cash[(1)] is intended to average 100% per annum. Since the Fund pays even monthly distributions when it's underlying cash flow from the Partnership is subject to seasonal fluctuations (as experienced by SIR), there are times during the year when the payout ratio may exceed or be lower than 100%. For the 3-month and 9-month periods ended September 30, 2011, the payout[(1)] ratio was 96.1% and 102.8%, respectively. For the 3-month and 9-month periods ended September 30, 2010, the payout[(1)] ratio was 99.5% and 100.7%, respectively. Since the payout ratio calculates the cash distributed as a percentage of the distributable cash, the payout ratio for the 9-month period ended September 30, 2011 was affected by the December 2010 distribution that was declared and paid in January 2011 at a rate of \$0.115 per unit, when the distributable cash was decreased by the obligation to pay income taxes. The payout ratio since the Fund's inception up to and including Q3 2011 is 99.1%. The Trustees continue to review the appropriateness of distributions on an on-going basis.

The following table provides disclosure regarding the relationship between cash flows from operating activities and net income, and historical distributed cash amounts:

(in thousands of dollars) *(unaudited)*	**3-month period ended September 30, 2011**	**3-month period ended September 30, 2010**	**9-month period ended September 30, 2011**	**9-month period ended September 30, 2010**
Cash provided by operating activities	1,759	1,848	5,456	5,544
Net earnings (loss) for the period	1,377	10	4,023	(9,147)
Cash distributed for the period	1,334	1,848	4,173	5,544
Excess (shortfall) of cash provided by operating activities over cash distributed for the period[(14)]	**425**	**-**	**1,283**	**-**
Excess (shortfall) of net earnings for the period over cash distributions paid[(15)]	**43**	**(1,838)**	**(150)**	**(14,691)**

Balance Sheet

The following table shows total assets and Unitholders' equity of the Fund:

(in thousands of dollars) *(unaudited)*	**September 30, 2011** *IFRS*	**June 30, 2011** *IFRS*	**March 31, 2011** *IFRS*	**December 31, 2010** *IFRS*	**September 30, 2010** *IFRS*	**June 30, 2010** *IFRS*	**March 31, 2010** *IFRS*	**December 31, 2009** *Canadian GAAP*
Total assets	53,815	53,195	52,646	52,429	52,308	52,280	52,254	52,383
Unitholders' equity	50,852	50,809	50,748	51,002	1,154	1,144	(331)	51,590

(1) *See footnote (1) on page 2*

(14) *Excess (shortfall) of cash provided by operating activities over cash distributed for the period is calculated by subtracting the cash distributed for the period from cash provided by operating activities.*

(15) *Excess (shortfall) of net earnings for the period over cash distributions paid is calculated by subtracting cash distributed for the period from net earnings for the period. The shortfall for the 3-month and 9-month periods ended September 30, 2010 is due to the change in amortized cost on Fund Units of \$1.8 million and \$14.7 million respectively recorded upon adopting IFRS.*

Results of Operations - Fund

The Fund's revenue of $2.0 million for the 3-month period ended September 30, 2011 ($1.9 million for the 3-month period ended September 30, 2010) is comprised of equity income from the Partnership of $1.3 million ($1.2 million for the 3-month period ended September 30, 2010) and interest income of $0.8 million ($0.8 million for the 3-month period ended September 30, 2010). Revenue of $6.0 million for the 9-month period ended September 30, 2011 ($5.8 million for the 9-month period ended September 30, 2010) is comprised of equity income from the Partnership of $3.7 million ($3.6 million for the 9-month period ended September 30, 2010) and interest income of $2.3 million ($2.3 million for the 9-month period ended September 30, 2010). Equity income from the Partnership is the pro rata share of the residual distributions of the Partnership for the 3-month and 9-month periods ended September 30, 2011 and September 30, 2010. Interest income is interest earned for the 3-month and 9-month periods ended September 30, 2011 and September 30, 2010 from the $40.0 million SIR Loan which bears interest at 7.5% per annum.

The Fund's operating expenses are limited to general and administration expenses and total $0.1 million and $0.3 million for the 3-month and 9-month periods ended September 30, 2011, respectively ($0.1 million and $0.3 million for the 3-month and 9-month periods ended September 30, 2010). These expenses include professional fees, directors' and officers' liability insurance premiums, Trustees' fees, certain public company costs and other administrative fees.

Beginning on January 1, 2011, the Fund became subject to income taxes at the prevailing corporate income tax rates. As a result, the Fund recorded an income tax expense of $0.6 million and $1.6 million for the 3-month and 9-month periods ended September 30, 2011, respectively.

Net earnings were $1.4 million and $4.0 million for the 3-month and 9-month periods ended September 30, 2011, respectively. Earnings per Fund Unit on both a basic and diluted basis were $0.26 and $0.75 for the 3-month and 9-month periods ended September 30, 2011, respectively.

Net earnings for Q3 and YTD 2010 have been presented under IFRS. Net earnings (loss) were affected by the reclassification of the Fund Units to a liability, which required that changes in the carrying value of the Fund Units flowed through the consolidated statement of earnings (loss). The carrying value of the Fund Units was determined using the Fund's market price as at September 30, 2010. As a result an expense of $1.8 million and $14.7 million was recorded in the consolidated statement of earnings (loss) resulting in net income of $0.01 million and net loss of $9.1 million under IFRS for the 3-month and 9-month periods ended September 30, 2010, respectively.

Pooled Revenue

The Fund is indirectly dependent on the amount of the Royalty paid by SIR to the Partnership. The amount of this Royalty is dependent on Pooled Revenue. Pooled Revenue is the revenue of the SIR Restaurants included in Royalty Pooled Restaurants. As at September 30, 2011, there were 46 restaurants included in Pooled Revenue. Increases or decreases in Pooled Revenue are derived from SSS[(2)] growth or decline, and new or permanently closed SIR Restaurants subject to the SIR Rights. Pooled Revenue is affected by the risks associated with the operations and financial condition of SIR, the commercial foodservice industry generally and the casual and fine dining segment of the commercial foodservice industry in particular. The following table sets out Pooled Revenue for the 3-month and 9-month periods ended September 30, 2011 and September 30, 2010:

Summary of Pooled Revenue

(in thousands of dollars except number of restaurants included in Pooled Revenue) (unaudited)	3-month period ended September 30, 2011		3-month period ended September 30, 2010		9-month period ended September 30, 2011		9-month period ended September 30, 2010	
	Pooled Revenue	Restaurants included in Pooled Revenue	Pooled Revenue	Restaurants included in Pooled Revenue	Pooled Revenue	Restaurants included in Pooled Revenue	Pooled Revenue	Restaurants included in Pooled Revenue
Jack Astor's	38,617	30	35,629	29	109,479	30	103,605	29
Canyon Creek	6,178	8	6,404	8	20,032	8	19,874	8
Alice Fazooli's	4,457	5	4,600	5	13,427	5	14,242	5
Signature	3,395	3	3,337	3	11,582	3	10,853	3
Total included in Pooled Revenue	52,647	46	49,970	45	154,520	46	148,574	45

(2) *See footnote (2) on page 2*

Liquidity and Capital Resources

The Fund has no third party debt. SIR currently has the $40.0 million SIR Loan owed to the Fund (which SIR can surrender its Class C GP Units as consideration for principal payments under the loan) and a Credit Agreement with a Commercial Financing Company, a copy of which has been filed on SEDAR. The Credit Agreement 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 Commercial Financing Company. 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 trade-marks and related intellectual property in return for royalty payments based on revenues, has been effected pursuant to the terms of the First Amendment of the Subordination and Postponement Agreement, a copy of which has also been filed on SEDAR.

On August 26, 2011, SIR entered into an Amended and Restated Loan Agreement (Credit Agreement) with its senior lender to add a $12.0 million Development Loan to its existing $26.0 million Term Loan that was negotiated on November 13, 2009. The Development Loan will be used in the next six to nine months to finance the building of new restaurants and renovate existing restaurants to increase SSS(2) and strengthen SIR's portfolio of restaurants.

Subject to the terms and conditions of the Credit Agreement, the lender agrees to make the Development Loan available to SIR by way of multiple Advances, disbursed on or prior to May 18, 2012 in accordance with the terms of the Credit Agreement. The Development Loan is a non-revolving credit facility and any repayments in whole or in part of the Development Loan may not be re-borrowed or utilized again hereunder and shall not entitle SIR to obtain further Advances in respect of such amounts repaid. The aggregate outstanding principal amount of all Advances under the Development Loan shall not exceed $12.0 million at any time. The lender will make available the Development Loan to the Borrower only for the purpose of financing: (a) costs incurred in connection with the acquisition of furniture, fixtures, equipment and leasehold improvements relating to new Locations; and (b) renovations and capital expenditure costs relating to existing Locations. The terms of the Credit Agreement remain substantially consistent with the November 13, 2009 credit agreement. The Development Loan has a five-year term and a seven-year amortization. The Development Loan has a variable interest rate that is lower than the variable rate on the existing Term Loan. SIR can also elect to fix the interest rate. The original November 13, 2009 credit agreement bears interest at the greater of 7.80% per annum and the three-month Canadian dollar BA Rate plus 7.55% per annum, which on May 8, 2011 totaled 8.78%.

The Partnership and the Fund did not guarantee the Credit Agreement. The Credit Agreement qualifies 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 agreed to subordinate and postpone their claims against SIR to the claims of the lender. Accordingly, the Subordination and Postponement Agreement was amended on August 26, 2011.

The Amended Credit Agreement allows for an extension of the maturity date for the $26.0 million Term Loan. While there can be no certainty that the lender will grant the extension, SIR has advised the Fund that it has requested this extension.

Under the First Amendment to the Subordination and Postponement Agreement, absent a default or event of default under the Credit Agreement, ordinary payments to the Partnership and the Fund are permitted. However, if a default or an event of default were to occur, then payments to the Fund and the Partnership are likely to 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 lender is pursuing remedies). The First Amendment to the Subordination and Postponement Agreement also contains various other typical covenants of the Fund and the Partnership. On August 26, 2011, SIR entered into an agreement with the Fund and the Partnership to restrict the amount of additional debt that SIR can incur without the consent of the Fund and the Partnership (which consent shall not be unreasonably withheld).

SIR believes and has advised the Fund that it expects to be able to comply with the covenants under the Credit Agreement and service the debt, as well as meet its other obligations. However, there can of course be no assurance of this. If SIR were to be unable to do so, this could have material adverse consequences on SIR and the Fund. SIR has reported to the Fund that it is in compliance with these covenants as at May 8, 2011.

(2) *See footnote (2) on page 2*

The Fund does not have bank lines of credit. The Fund therefore relies on the payments of the distributions from the Partnership and interest income from SIR to meet its obligations to pay the distributions. The Fund believes that the distributions from the Partnership and interest payments will be sufficient to meet its current distribution intentions, subject to seasonal fluctuations. However, the actual amounts distributed will depend upon numerous factors, including the payment of the distributions from the Partnership and interest by SIR, and could fluctuate based on performance. The Fund intends to maintain even distributions in order to reduce the effect of fluctuations in revenue and, if possible, allow the Fund to maintain consistent monthly distributions to Unitholders. Under the terms of the License and Royalty Agreement, SIR is required to pay the 6.0% Royalty to the Partnership 21 days after the end of the four-week period for which the Royalty is determined.

During the 3-month and 9-month periods ended September 30, 2011, the Fund distributed $1.3 million and $4.2 million, respectively to Unitholders. Subsequent to September 30, 2011, a distribution of $0.4 million ($0.083 per Unit) was declared and paid in the month of October 2011 and a distribution of $0.4 million ($0.083 per Unit) was declared in the month of November 2011.

The Fund did not have any capital expenditures in YTD Q3 2011 and by its nature is not expected to have significant capital expenditures in the future. Capital expenditures related to Royalty Pooled Restaurants are borne at the operating company (SIR) level. The Fund's operating and administrative expenses are expected to be fairly stable and predictable and are considered to be in the ordinary course of business.

Management currently believes that there are sufficient cash resources retained in the Partnership in order to meet its obligations and pay distributions to its Unitholders. The Fund intends to continue to pay monthly distributions consistent with the most recent distributions paid in October 2011 for the near future. However, should the distributions from the Partnership decline, or the expenses of the Fund increase, the Fund may have to reduce distributions.

While SIR is not owned by the Fund, the Fund's income is derived from interest income on the SIR Loan and distributions from the Partnership and accordingly, the Fund is economically dependent upon SIR. Credit risk arises from the potential default of SIR on the SIR Loan. Management monitors the SIR Loan for credit risk and to date a provision for uncollectible amounts has not been necessary. Information regarding SIR and its liquidity can be found in SIR's interim unaudited and annual audited consolidated financial statements and MD&A, which can be found on SEDAR under the Fund's listing named "Other". The most recent unaudited consolidated financial statements and MD&A for SIR's third quarter are listed having a filing date of June 16, 2011. The following table is an excerpt of the previous eight quarters of SIR's consolidated statement of cash flows information:

Selected Unaudited Consolidated Statement of Cash Flows Information(15) *(in thousands of dollars)* *(unaudited)*	3rd Quarter Ended May 8, 2011 (12 weeks)	2nd Quarter Ended February 13, 2011 (12 weeks)	1st Quarter Ended November 21, 2010 (12 weeks)	4th Quarter Ended August 29, 2010 (16 weeks)	3rd Quarter Ended May 9, 2010 (12 weeks)	2nd Quarter Ended February 14, 2010 (12 weeks)	1st Quarter Ended November 22, 2009 (12 weeks)	4th Quarter Ended August 30, 2009 (16 weeks)
Net cash provided by (used in) continuing operations	2,074	808	(1,765)	4,755	1,641	751	2,879	3,875
Net cash used in continuing investing activities	(915)	(1,366)	(1,685)	(1,279)	(287)	(205)	(395)	(324)
Net cash used in continuing financing activities	(532)	(435)	(438)	(678)	(502)	(792)	(4,203)	(203)
Increase (decrease) in cash and cash equivalents during the period	552	(1,050)	(4,086)	2,746	786	(314)	(1,763)	3,308
Cash and cash equivalents – Beginning of period	4,450	5,500	9,586	6,840	6,054	6,368	8,131	4,823
Cash and cash equivalents – End of period	5,002	4,450	5,500	9,586	6,840	6,054	6,368	8,131

(15) *Information presented is in accordance with Canadian GAAP and is derived solely from documents filed with the Canadian securities regulatory authorities by SIR in its interim Q3 MD&A filed on June 16, 2011 and has not been approved by the Fund or its trustees, officers, SIR GP Inc., or SIR Holdings Trust, or their respective trustees, managing general partners, directors, or officers.*

Controls and Procedures

As at December 31, 2010, an evaluation was carried out under the supervision of and with the participation of the SIR GP Inc. management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the Fund's disclosure controls and procedures. Based on that evaluation, the CEO and the CFO concluded that, to their knowledge, the design and operation of these disclosure controls and procedures were effective as at December 31, 2010 to provide reasonable assurance that material information relating to the Fund and its consolidated subsidiaries would be made known to them by others within those entities.

An evaluation was carried out under the supervision of and with management, including the CEO and CFO, of internal controls over financial reporting as at December 31, 2010. Based on this evaluation, the CEO and the CFO have concluded that, internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with GAAP.

There have not been any material changes to disclosure controls or internal controls over financial reporting during the 3-month and 9-month periods ended September 30, 2011.

The Fund does not own, control or consolidate SIR and therefore, the Fund's disclosure controls and procedures and the internal controls over financial reporting do not encompass SIR or SIR's disclosure controls and procedures or SIR's internal controls over financial reporting.

Off-Balance Sheet Arrangements

The Fund does not have any off-balance sheet arrangements.

Transactions with Related Parties

During the 3-month and 9-month periods ended September 30, 2011, the Fund earned equity income of $1.3 million and $3.7 million, respectively from the Partnership (for the 3-month and 6-month periods ended June 30, 2010 – $1.2 million and $3.6 million, respectively). The Fund, indirectly through the Trust, is entitled to receive a pro rata share of all residual distributions. The Fund's equity income is dependent upon the revenue generated by the SIR Restaurants subject to the License and Royalty Agreement.

During the 3-month and 9-month periods ended September 30, 2011, the Fund earned interest income of $0.8 million and $2.3 million, respectively from the SIR Loan (for the 3-month and 9-month periods ended September 30, 2010 – $0.8 million and $2.3 million respectively). A description of the terms of the SIR Loan is included in the notes to the unaudited consolidated financial statements of the Fund for the 3-month and 9-month periods ended September 30, 2011 and September 30, 2010.

As at September 30, 2011, the Fund had amounts receivable from SIR of $0.3 million (December 31, 2010 - $0.2 million) and amounts receivable from the Partnership of $1.1 million (December 31, 2010 - $1.1 million). The amounts receivable from SIR consist mainly of interest owing to the Fund on the SIR Loan for the month of September. The amounts due from the Partnership represent distributions receivable of $3.1 million (December 31, 2010 - $2.7 million) partially offset by advances payable of $2.0 million (December 31, 2010 - $1.7 million). All advances were conducted as part of the normal course of business operations.

Critical Accounting Estimates

Management believes that there have been no substantial changes in the nature of the critical accounting estimates as described in the annual MD&A for the year ended December 31, 2010 with the exception of the following:

Income taxes

The Fund is a Unit Trust for income tax purposes. As such, the Fund was previously only taxable on income not distributed to Unitholders. As substantially all taxable income is intended to be allocated to Unitholders, no provision for current income taxes has been previously made for earnings of the Fund. Beginning on January 1, 2011, the Fund is required to pay income taxes on its taxable income at the prevailing corporate income tax rates. Current income tax expense has been calculated using the Fund's best estimate of the weighted average annual income tax rate expected for the full financial year of 28.25%.

The Fund recognizes deferred income taxes in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the interim unaudited consolidated financial statements. Deferred income taxes are determined on a non-discounted basis using tax rates and laws that have been enacted, or substantively enacted, at the interim unaudited consolidated balance sheet date and are expected to apply when the deferred income tax asset or liability is settled. Deferred income taxes have been calculated using the effective income tax rate for undistributed profits of 46.41%. Deferred income tax assets are recognized to the extent it is probable that the assets can be recovered.

The determination of income taxes requires the Fund to make estimates and to use judgment. If tax rates change or the Fund's estimates or judgments are materially different from those actually used to calculate income taxes, the Fund's consolidated balance sheet and consolidated statement of earnings (loss) could be materially affected.

Changes in Accounting Policies, Including Initial Adoption

The Fund prepares its interim consolidated financial statements in accordance with Canadian generally accepted accounting principles, as set out in the Handbook of The Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS") and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Fund's unaudited interim consolidated financial statements for the 3-month and 9-month periods ended September 30, 2011 is reported on this basis.

The unaudited interim consolidated financial statements were prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting, and IFRS 1, First-time Adoption of International Financial Reporting Standards. The Fund has consistently applied the same accounting policies in its opening IFRS consolidated balance sheet at January 1, 2010 and throughout all 2010 quarters, as if these policies had always been in effect.

The area that had the most significant difference between Canadian GAAP and IFRS, and also the most significant impact on the Fund's financial reporting upon converting to IFRS was the classification of the Fund Units.

Under Canadian GAAP, the Fund Units were classified as equity and the monthly distributions on these Units flowed through Unitholders' Equity. IFRS describes a financial liability as a contractual obligation to deliver cash or another financial asset. The Fund determined that under IFRS, its Units would be classified as a financial liability as the Fund's Declaration of Trust contained a clause creating a contractual obligation to deliver cash or another financial asset under certain circumstances. The Fund Units, recorded at their amortized cost would then have any changes in their carrying value recorded in the consolidated statement of earnings (loss) as a change in amortized cost on Fund Units.

The Fund's Trustees believe that the original intention and substance of the Fund Units is that of an equity instrument. The Fund's Trustees also believe that treatment of the Fund Units as equity better reflects the risk of the Fund Unitholders. Therefore, the Fund held a special meeting of the Unitholders on December 20, 2010 to approve the necessary amendments to its Declaration of Trust to enable the Fund Units to meet the definition of a puttable instrument under IFRS and therefore be classified as equity in the consolidated financial statements.

Therefore, from December 20, 2010 (the date of the amendment to the Declaration of Trust) forward, the Fund Units are classified as equity and the monthly distributions flow through Unitholders' Equity. The Fund Units are only treated as a financial liability for the 2010 comparative period up to and including December 19, 2010.

The impact of this change to the opening January 1, 2010 consolidated balance sheet was that the Fund Units were recorded as a financial liability at amortized cost of $40.7 million (calculated as the number of Fund Units multiplied by the market price per unit at December 31, 2010) with the change being recorded to opening retained earnings. The change to the unaudited consolidated statement of earnings (loss) for the 3-month and 9-month periods ended September 30, 2010 was a change in amortized cost on Fund Units of $1.8 million and $14.7 million, respectively. This net expense resulted in the restated net earnings of $0.01 million and a restated net loss of $9.1 million for the 3-month and 9-month periods ended September 30, 2010, respectively.

In addition to the differences between Canadian GAAP and IFRS related to the classification of Fund Units, a difference arose in the area of deferred income taxes. In accordance with IFRS, the deferred income tax liability is determined using the effective income tax rate for undistributed profits of 46.41%. Under Canadian GAAP, a rate of 25% was used to estimate the deferred income tax liability. As a result of this difference, an adjustment of $0.6 million was recorded to increase the deferred income tax liability and decrease retained earnings as at January 1, 2010 and December 31, 2010.

Recently Issued IFRS not yet effective

IFRS 9, Financial Instruments – Classification and Measurement: IFRS 9 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, 2013. Management is evaluating the standard and has not yet determined the impact on its consolidated financial statements.

In May 2011, the International Accounting Standards Board (IASB) issued the following standards, which have not yet been adopted by the Fund: 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 is evaluating standards and has not yet determined the impact on its consolidated 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: IAS 1 is amended to change the disclosure of items presented in other comprehensive income (OCI), including a requirement to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future. The standard is effective for years beginning on or after July 1, 2012. Management is evaluating the standard and has not yet determined the impact on its consolidated financial statements.

Financial Instruments

There have been no changes in the Fund's financial instruments for the 3-month and 9-month periods ended September 30, 2011 as described in the Fund's MD&A for the year ended December 31, 2010, except as follows.

Upon adopting IFRS, the Fund classified the Fund Units as a financial liability at amortized cost. Changes in the carrying value of the Fund Units were recorded as a change in amortized cost on Fund Units in the consolidated statement of earnings until December 20, 2010. On December 20, 2010, the Declaration of Trust was amended to remove the requirement to pay distributions in certain circumstances and provide the Trustees with discretion to pay distributions. Accordingly, on December 20, 2010, the Fund Units were reclassified from a financial liability at amortized cost to an equity instrument. For the period in which the Fund Units were classified as a financial liability, the fair value of the Fund Units approximated its carrying value.

Disclosure of Outstanding Unit Data

The following summarizes the ownership structure of the Fund as at November 7, 2011 and September 30, 2011:

	Number of Fund Units	
	November 7, 2011	**September 30, 2011**
Units issued	5,356,667	5,356,667

Risks and Uncertainties

The performance of the Fund is directly dependent upon the interest payments the Fund receives from SIR under the SIR Loan and upon the Royalty received by the Partnership from SIR. The amount of the Royalty is dependent upon Pooled Revenue, which is subject to a number of factors that affect the restaurant industry generally and the casual and/or fine dining sectors of this industry in particular. The restaurant industry generally and, in particular, the casual and fine dining segment of the industry, is intensely competitive with respect to price, service, location, food quality and qualified staff. There are many well-established competitors with greater financial and other resources than SIR. Competitors include national and regional chains, as well as individually owned restaurants. Recently, competition has increased in the mid-price, full service, casual and fine dining sectors in which many of the SIR Restaurants operate. Some of SIR's competitors have been in existence for a substantially longer period than SIR and may be better established in the markets where SIR Restaurants are or may be located. Effective August 2, 2011, the Government of Ontario has passed amendments to Regulation 719 under the Liquor Licence Act. The amendments, among other things, remove the requirement for a licensed establishment to have the service and sale of food and liquor as their primary use. This may impact the competitive environment for the SIR Restaurants in Ontario. If SIR is unable to successfully compete in the casual and fine dining sectors of the restaurant industry, Pooled Revenue may be adversely affected, the amount of the Royalty reduced and the ability of SIR to pay the Royalty or interest on the SIR Loan may be impaired. Please refer to the March 31, 2011 Annual Information Form for further discussion on risks and uncertainties related to the Fund and SIR.

As a result of certain legislative changes to the tax treatment of income trusts, commonly referred to as Specified Investment Flow Through ("SIFT") entities, effective January 1, 2011, corporate income taxes are applicable to the taxable income of the Fund beginning in 2011. This SIFT tax applies to the Fund at the estimated prevailing corporate tax rate of approximately 28.25% for 2011 and, as a result, cash available for the Fund to distribute to Unitholders is effectively reduced by that amount. Therefore, the Trustees of the Fund reduced the monthly distribution to \$0.083 per Unit per month (approximately \$0.996 per Unit per year if annualized), beginning with the distribution relating to the distributable cash for the period January 1 to January 31, 2011, that was paid in February, 2011, to reflect the expected obligation of the Fund to make SIFT tax payments. The Fund's distributions are subject to change based on a number of factors, including the cash reserves of the Fund, the Trust and the Partnership. The Trustees will continue their practice of regularly reviewing the Fund's distribution levels.

Beginning with the Fund's distribution relating to the distributable cash from January 1 to January 31, 2011, paid in February, 2011), cash distributions to Unitholders are expected to be classified for tax purposes as eligible dividends. Unitholders who are Canadian residents and hold their Units in a non-tax deferred account may claim the dividend tax credit for eligible dividends, which would if applicable reduce the after tax impact of the SIFT tax. Unitholders of the Fund have been advised to consult their own tax advisors to determine the impact of this change in tax laws on the distributions from their investment in the Fund.

These new rules may adversely affect the value and marketability of the Fund's Units, the ability to undertake financings, and the distributable cash of the Fund may be materially reduced. The rules may, as a result, adversely affect the Fund and its Unitholders as well as SIR, as the holder of Partnership interests and the Fund intends to continue to assess and plan for their expected impact. Changes may prove necessary to seek to adapt to any new tax laws with a view to attempting, where practicable, to minimize their overall adverse effects.

Outlook

During 2011, the CRFA is forecasting a modest increase in sales, for the full service restaurant industry. SIR remains cautious and continues to monitor the economy and consumer confidence as its sales have not yet achieved its pre-recession levels.

Effective January 1, 2011, the Fund adopted IFRS. Upon adopting IFRS, the Fund Units were classified as a liability. However, the Declaration of Trust was amended on December 20, 2010 and from this date forward, the Fund Units meet the definition of a puttable instrument and are classified as equity in the consolidated financial statements.

Beginning on January 1, 2011, the Fund became subject to income taxes at the prevailing corporate income tax rates. As a result of this new SIFT tax, the Fund reduced its distributions from their then current levels by approximately 28.25% commencing with the January 2011 distribution paid in February 2011. The monthly distributions declared and paid in each of February through to October 2011 were $0.083 per Unit.

As at September 30, 2011, SIR currently had 47 restaurants open in Canada and since October 2004, the Fund's Initial Public Offering, SIR has opened sixteen new restaurants (twelve new Jack Astor's and four new Canyon Creek restaurants).

On August 26, 2011, SIR entered into an Amended and Restated Loan Agreement that added a $12.0 million Development Loan to its existing $26.0 million Term Loan. The Development Loan will be used in the next six to nine months to finance the building of new restaurants and to renovate existing restaurants to increase SSS[(2)] and strengthen SIR's portfolio of restaurants. See Liquidity and Capital Resources

The new Jack Astor's restaurant in Boisbriand, Quebec that opened during Q4 2010, on October 25, 2010 was added to the Royalty Pooled Restaurants on January 1, 2011 as a New Additional Restaurant. During Q2 2011, SIR opened a Jack Astor's restaurant in London, Ontario on May 2, 2011. This restaurant will be added to Royalty Pooled Restaurants on January 1, 2012 as a new Additional Restaurant.

SIR has advised the Fund that it has also secured four new sites for five new restaurants. SIR expects to open a new Jack Astor's restaurant on Argentia Road in Mississauga, Ontario in November this fiscal year. A new Jack Astor's restaurant will be located in Pickering, Ontario and on Front Street near the St. Lawrence Market in Toronto, Ontario. Both of these new restaurants are expected to open in 2012. The other two restaurants will be located at the corner of Yonge and Gerrard Streets, in Toronto, Ontario and are estimated to open in 2013. SIR continues to carefully monitor the current economic environment and has advised the Fund that it is considering new store growth subject to raising acceptable long-term financing. Additional sites will be considered when appropriate.

During Q2 2011, the Jack Astor's restaurant located in Calgary, Alberta was closed for nine days for a renovation and the Jack Astor's located in Vaughan, Ontario was also closed for six days for a renovation. During Q3 2011, the Jack Astor's restaurant located near the Sherway Gardens shopping mall in Etobicoke, Ontario was closed for four days for a renovation and subsequent to Q3 2011, the Jack Astor's restaurants located on Front Street in Toronto, Ontario and in Barrie, Ontario were also renovated. During Q2 2010, SIR completed a renovation at its Jack Astor's restaurant in Brampton, Ontario and in Q3 2010 on Wellington Road South in London, Ontario and during Q4 2010; a renovation was also completed at the Alice Fazooli's location in Richmond Hill, Ontario. SIR's Management is committed to maximizing the performance of all of its restaurants.

On January 1, 2011, one (January 1, 2010 - nil) new SIR Restaurant was added to Royalty Pooled Restaurants in accordance with the Partnership Agreement. As consideration for the additional Royalty associated with the addition of one (January 1, 2010 – nil) new restaurant on January 1, 2011, as well as the Second Incremental Adjustment for the nil (January 1, 2009 – six) new SIR Restaurants added to Royalty Pooled Restaurants on January 1, 2010, 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 to Class A GP Units was reduced by an adjustment for the permanent closure of nil (January 1, 2010 – nil) SIR Restaurants during the prior year. The net effect of these adjustments to Royalty Pooled Restaurants was that SIR converted 137,190 (January 1, 2010 – 243,909) Class B GP Units into 137,190 (January 1, 2010 – 243,909) Class A GP Units on January 1, 2011 at an estimated fair value of $1.4 million (January 1, 2010 - $1.2 million).

In December of each year, an additional distribution will be payable to the Class B GP Unitholders based on actual revenues of the new SIR Restaurants exceeding 80% of the initial adjustment's estimated revenue at the time that the restaurants are added to SIR's Royalty Pooled Restaurants or there will be a reduction in the cash distributions to the Class A GP Unitholders if revenues are less than 80% of the initial adjustment's estimated revenue. If the revenue of the new restaurant added to SIR's Royalty Pooled Restaurants on January 1, 2011 exceeds 80% of the initial adjustment's estimated revenue, there will be an additional distribution declared in December 2011 and a second incremental adjustment on January 1, 2012. As a result of not adding any new SIR Restaurants to Royalty Pooled Restaurants on January 1, 2010, there was not an additional distribution declared in December 2010 or a second incremental adjustment on January 1, 2011.

Forward Looking Information

Statements in this report, including the information set forth as to the future financial or operating performance of the Fund or SIR, that are not current or historical factual statements may constitute "forward-looking" information within the meaning of securities laws. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Fund, the Trust, the Partnership, SIR, the SIR Restaurants, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this document, such statements may include, among other language, such words as "may", "will", "expect", "believe", "plan", "anticipate", "intend", "estimate" and other similar terminology. These statements reflect Management's current expectations, estimates and projections regarding future events and operating performance and speak only as of the date of this document. Readers should not place undue importance on forward-looking statements and should not rely upon this information as of any other date. These forward-looking statements involve a number of risks and uncertainties. The following are some of the factors that could cause actual results to differ materially from those expressed in or underlying such forward-looking statements: competition; changes in demographic trends; changing consumer preferences and discretionary spending patterns; changes in consumer confidence; changes in national and local business and economic conditions; changes in availability of credit; legal proceedings and challenges to intellectual property rights; dependence of the Fund on the financial condition of SIR; legislation and governmental regulation; accounting policies and practices, specifically as they relate to the changes under IFRS; and the results of operations and financial condition of SIR. The foregoing list of factors is not exhaustive. Many of these issues can affect the Fund's or SIR's actual results and could cause their actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Fund or SIR. Readers are cautioned that forward-looking statements are not guarantees of future performance, and should not place undue reliance on them. The Fund and SIR expressly disclaim any obligation or undertaking to publicly release any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations, estimates and projections with regard thereto or any changes in events, conditions or circumstances on which any statement is based, except as expressly required by law. This Management's Discussion and Analysis is provided as of November 7, 2011.

In formulating the forward-looking statements contained herein, Management has assumed that business and economic conditions affecting SIR's restaurants and the Fund will continue substantially in the ordinary course, including without limitation with respect to general industry conditions, general levels of economic activity (including in downtown Toronto), regulations (including those regarding employees, food safety, tobacco and alcohol), weather, taxes, foreign exchange rates and interest rates, that there will be no pandemics or other material outbreaks of disease or safety issues affecting humans or animals or food products, and that there will be no unplanned material changes in its facilities, equipment, customer and employee relations, or credit arrangements. These assumptions, although considered reasonable by Management at the time of preparation, may prove to be incorrect. In particular, Management has assumed the tax effects on distributions will remain consistent with current pronouncements, and also in estimating the revenue for the new Jack Astor's restaurant, Management has assumed that it will operate consistent with other Jack Astor's restaurants. For more information concerning the Fund's risks and uncertainties, please refer to the October 2004 final prospectus, and/or its March 31, 2011 Annual Information Form, all of which are available under the Fund's profile at www.sedar.com.

Additional information related to the Fund, the Partnership and SIR can be found at www.sedar.com under SIR Royalty Income Fund and on SIR's website at www.sircorp.com