We begin here.

PARKLAND INCOME FUND
ANNUAL REPORT 2005

Friendly
Hard-working
Dedicated
Committed
Resourceful
Rooted
Solid

We begin here.

At Parkland we try to "live" our values in everything we do, from the way we operate our businesses to the people we hire from the service we offer customers to the returns we provide our investors. Parkland is deeply rooted in Western Canada and we are proud of our strong heritage. As we look to the future, our company will grow and change as we continue to make acquisitions, upgrade sites, add complementary business lines and further integrate our operations. However, through this evolution we will remain committed to our values and our core strategy of serving our loyal customer base in non-urban markets across Canada.

Forward-looking Information Disclaimer

Certain information regarding Parkland Income Fund including management's assessment of future plans and operations, constitutes forward-looking information or statements under applicable securities laws and necessarily involve assumptions regarding factors and risks that could cause actual results to vary materially, including, without limitation, assumptions and risks associated with retail pricing and margins, availability and pricing of petroleum product supply, volatility of crude oil prices, marketing competition, environmental damage, credit granting, interest rate fluctuation and availability of capital and operating funds. The reader is cautioned that these factors and risks are difficult to predict and that the assumptions used in the preparation of such information, although considered reasonably accurate by Parkland at the time of preparation, may prove to be incorrect. Accordingly, readers are cautioned that the actual results achieved will vary from the information provided herein and the variations may be material. Readers are also cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect Parkland's operations or financial results are included in Parkland's reports on file with Canadian securities regulatory authorities. In particular see Parkland's MD&A and the Risk Factors and Industry Conditions section of Parkland's Annual Information Form. Parkland's reports may be accessed through the SEDAR website (www.sedar.com) or Parkland's website (www.parkland.ca). Consequently, there is no representation by Parkland that actual results achieved will be the same in whole or in part as those set out in the forward-looking information. Furthermore, the forward-looking statements contained in this document are made as of the date of issue. Parkland does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained herein are expressly qualified by this cautionary statement.


FASGAS

Hard-working

Parkland Income Fund is one of Canada's largest independent marketers of transportation fuel, operating retail outlets under Fas Gas Plus, Fas Gas and Race Trac brands. With our Short Stop Food Stores and Short Stop Express, we are one of the fastest growing convenience store chains in non-urban areas. Parkland is working hard to deliver quality service to customers, development and career opportunities to employees, and strong overall performance to unitholders.

To Our Unitholders

As your new CEO, I am pleased to report that we closed out 2005 in style with record third and fourth quarters and record annual performance in sales, margins, earnings and distributions.

Despite a year of transition in which there was a management reorganization followed by a change in CEO, Parkland stayed focused on its key strategies with excellent growth in its business base, increased earnings and distributions, and progress on all of its major initiatives.

Our strong performance this past year leaves us well positioned to continue to build results and enhance our capabilities in 2006 and beyond.

Business and Financial Performance

The records we set in 2005 spanned all of our key measures – fuel volumes, merchandise sales, gross margin, EBITDA and unitholder distributions.

Fuel volumes experienced a 6.9 percent growth, in large part due to our successful Fas Gas Plus upgrade program, that contributed to a 4.7 percent increase in same-store volumes, as well as the initial volume contribution from our new Imperial Oil ("Esso") Retail Branded Distributorship Agreement. Merchandise sales at our company-operated Short Stop Food Stores maintained double digit growth at 18.1 percent.

Performance Measures

	2003	2004	**2005**	2004/05 Change
Fuel Volume (millions of litres)	1,039	1,101	**1,177**	+ 6.9 %
Merchandise Sales ($ million)	31.3	38.1	**45.0**	+ 18.1%
Gross Margin ($ million)	77.4	82.9	**91.9**	+ 10.9%
EBITDA ($ million)	29.0	30.5	**36.7**	+ 20.3%
Total Distributions ($ million)	20.4	21.1	**23.9**	+ 13.3%

THE RECORDS WE SET IN 2005 SPANNED ALL OF OUR KEY MEASURES – FUEL VOLUME, MERCHANDISE SALES, GROSS MARGIN, EBITDA AND UNITHOLDER DISTRIBUTIONS.

In total, Gross Margins increased by $9 million or 10.9 percent driven by increased sales volumes and higher per unit margins for both fuel and merchandise.

Marketing, General and Administrative expenses remained well contained, with increases primarily related to increased variable costs on retail fuel volumes and merchandise sales.

Overall, EBITDA increased by 20.3 percent over 2004. This increase, as well as our prospects for sustainable performance going forward, led our Board to increase monthly distributions from $0.15 to $0.17 per unit in November, and add a year-end special distribution of $0.10 per unit.

Key Initiatives

Our marketing strategy took a leap forward in 2005 as we reorganized the business units to provide a highly integrated approach to retail and wholesale activities. The new organization has a common approach to investment with higher return expectations. There is no slowing in site investment and upgrades. We continued our network upgrade in 2005 adding new and upgraded sites and shedding low performance locations. The operating environment features ongoing industry reductions in station count, increased per-store throughput and continued focus of the market leaders on

2005 Key Initiatives

- Marketing ▲
- Supply ▲
- Business Development ▲
- Organizational Capability ▲
- Corporate Governance ▲

high volume urban sites. This opens growth opportunities for Parkland with our non-urban focus and low overhead structure.

Our strong business development efforts resulted in the signing of the Esso Agreement in the third quarter. This agreement is expected to add about 25 percent to our volumes and about $3 million per year to EBITDA at maturity. We also made progress on developing options for the Bowden refinery; however, this will need continued focus in 2006 to bring negotiations to fruition.

Long-term petroleum product supply, one of the pillars of our business, was enhanced as we added a third major supply source to our portfolio. The signing of the Esso Agreement for Alberta and Saskatchewan gives Parkland a stronger supply base and more supply options.

We continue to make strides on another key initiative – organizational capability. We have focused on building skills in our marketing, supply and business development areas, with new employees in new roles. We continue to enhance our training and development programs across the organization as well as our internal business systems, and we introduced new pay systems to attract, motivate and retain talented employees.

Lastly, on the matter of Corporate Governance, Parkland saw the smooth implementation of its new Board and Trustee structure. We

Key Strategies Going Forward

Grow Volume / Cash Flow

- existing site upgrades
- new sites / dealers
- Bowden options
- accretive acquisitions

Increase Competitiveness

- marketing excellence
- non-fuel revenue growth
- net unit operating cost reduction

Actively Manage Risk

- active supply management
- conservative financial structure
- enhanced H S & E program

Drive Organizational Change

- adoption of proven technology
- continued organization streamlining and integration

OUR FOUR KEY STRATEGIC AREAS REMAIN UNCHANGED AS WE BUILD THE BUSINESS TO DELIVER CONSISTENT AND GROWING UNITHOLDER DISTRIBUTIONS.

continue to work with our Board, Committees and auditors to ensure compliance with new governance regulatory changes.

Going Forward

Our four key strategic areas remain unchanged as we build the business to deliver consistent and growing unitholder distributions.

Our focus will remain on our core business of petroleum products distribution and convenience stores. We will continue to pursue organic growth with our non-urban network expansion and upgrades. Beyond organic growth, we will look for step changes through our investment and acquisition efforts and pursue opportunities related to our Bowden refinery site.

We launched into 2006 with the prospects of higher volumes, both from our Fas Gas Plus and Race Trac sites and from full implementation of the Esso Agreement. At the same time, we know that we have to be prepared to operate in an environment of margin compression and that our focus continues to be on net unit operating cost reduction. We expect to generate sufficient cash flow from operations to sustain our $0.17 per unit monthly distributions, without relying on additional acquisitions.

As an organization we will continue to improve our processes and make further progress on streamlining and integrating our marketing functions. We want to ensure that we have the management and the analytic capabilities of the market leaders while maintaining the speed and entrepreneurship of an independent operator.

In summary, I am very proud of what has been accomplished for our unitholders. I believe Parkland is well positioned to continue its solid growth record in 2006 and beyond. I would like to give special thanks to our customers, suppliers, retailers, employees and our Board, whose efforts and support have been critical to this performance. Together we can look forward to continued success.

Michael W. Chorlton
President and CEO

March 1, 2006


Fast...
Old Dutch
Popcorn
Twists

Resourceful

Parkland has developed a strong market niche through its focus on non-urban markets, where there is loyalty to its brands, lower real estate and overhead costs and more stable margins. With major competitors focusing on urban centres, Parkland's market presence has positioned us well for industry consolidation.

Management Round Table

Parkland Income Fund has become the fastest growing independent marketer of transportation fuel in Western Canada. With over 600 employees, Parkland has positioned itself as a significant player in non-urban markets, providing breadth and presence through its network of 536 service stations. In late January 2006, four key members of the Parkland management team – Michael Chorlton, President and CEO, John Schroeder, Vice President and CFO, Stewart MacPhail, Vice President, Retail Markets and Bradley Williams, Vice President, Supply, Wholesale and Distribution – sat down to discuss the Fund's marketing strategy, its successes and challenges, and opportunities for the future. Here is a summary of their conversation.

On reorganizing the business units

Our reorganization of the company this past year was a strategically driven change intended to align our activities within a comprehensive marketing strategy that would effectively position Parkland. Previously, each of our three divisions had its own marketing strategy that was effective for that division but not necessarily aligned to position Parkland as a company. The organization is now in a better position to deliver the objectives we set out in our strategy: to build upon our current strengths within non-urban markets; to develop a clear brand position within those markets; to consolidate our position; to diversify away from reliance on fuel margins as we build a more significant convenience store business; and to deliver new sources of non-fuel margin, all the while keeping our cost structure low. By moving away from a divisional structure, we are able to create a sharper focus, to be more consistent and to reduce duplication of activities across various functions.

On the growth strategy

The long-term growth strategy remains unchanged. We will continue to focus on independent fuel marketing and convenience store operations in non-urban markets in Western Canada. We believe there is significant potential in this business, partly due to the opportunities in the market and also because of our understanding of how to operate in a very cost-effective way to take advantage of these opportunities. Half our stations are in Alberta which is experiencing rapid growth. We have a refinery asset that should offer some real opportunities for us. We also have a well-integrated distribution system.

Over the past 10 years we have had about 200 percent volume growth. In 2005 we signed an agreement with Imperial Oil to market the Esso brand to independent dealers in Alberta and Saskatchewan, excluding Calgary and Edmonton. In 2006 we expect a 25 percent volume growth from that agreement alone. There is no reason to believe that we won't continue the upward trend.

As an independent marketer, we are well positioned versus our competitors for growth in this sector. We have three brand types aimed at three different customer segments: Fas Gas Plus, Race Trac and Esso. At the same time however, we are not going to grow for the sake of growth; we are going to grow for the sake of unitholder value.

On pursuing similar deals to the Imperial Oil Agreement

We will pursue more arrangements like the Imperial Oil agreement if they present the right opportunities. That kind of deal fits very nicely into a trust structure. A core piece of our growth strategy is to continue building relationships with other complementary branded businesses at our sites. There are a number of kinds of alliances that make sense, such as co-developing gas bars and fast-food outlets. In Manitoba for instance, we are constructing a combination gas bar, convenience store and McDonald's restaurant.

On the future of the refinery

Operations were suspended at the Bowden refinery in central Alberta in September 2001. We are looking at alternative opportunities to generate cash flow from the facility. The refinery is in an excellent location, it's very central, close to the highway, rail and pipelines, and has some very good processing equipment. We are hopeful we will have a solution soon.

On distributions

Our level of distributions is guided by continuous review of the financial performance of the business rather than a target pay-out ratio. We carefully consider our estimate of sustainable cash flow and tax position going forward. We increased distributions twice in the past two years when we saw that distributable cash was growing and judged to be sustainable.

On risk management

Fuel margins, our biggest risk factor, are very hard to gauge over any given 12-month period. That is one reason we remain conservative with our distributions. Our risk management program is very much focused on controlling our costs. We work hard at reducing costs on a per unit basis and to date we have been successful. We also focus on fuel volume growth, which acts as a buffer during periods when fuel margins are thin.

Our marketing mix also helps us in managing some of the inherent risk in the business. We are not one brand or one go-to-market strategy. The mix of retail, independent dealer business and our arrangements such as the Esso deal each provide a different risk-reward profile. Geographic diversification also offsets any spikes or dips in margins at individual locations.

One significant market challenge in our sector is competition from food store chains, which are expanding their business into non-urban markets and cross merchandising their in-store and fuel products. Their entry into the market is having an impact on gross margins. To date we have been successful at keeping operating costs down at competitive levels. See Management's Discussion and Analysis for a more extensive discussion of risks.

On the Fas Gas Plus upgrade program

During 2005 we upgraded 17 sites under our Fas Gas Plus program bringing the total to 95. We have approximately 25 to 30 upgrades at controlled sites remaining, so by the end of 2007 we will have completed our plan for the network. The program has exceeded our expectations, both in terms of the fuel volume increases we have experienced as well as the non-fuel margins we have been able to achieve at our convenience store operations. The enhancements have attracted a broader range of customers and our locations are also reporting a markedly improved level of customer satisfaction.

In 2005 we re-branded our first two Race Trac locations as Fas Gas Plus because they met the more stringent criteria. We plan to re-brand 25 of our independent dealer sites Fas Gas Plus by the end of 2006 and another eight to ten stations in 2007.

On human resource shortages

Probably the single largest human resource issue we are facing, which is typical across the country, is a shortage of truck drivers for our fleet of Petrohaul trucks. We have been diligent in our efforts to ensure we are providing the best training and recruitment opportunities for new employees as well as competitive wages and a better working environment. To that end, in 2005 we moved our Edmonton operations to upgraded facilities. We also provide our drivers with modern equipment to drive, and additional incentives such as a unit purchase plan with a dollar matching program. We feel our efforts have positioned us well in the industry.

Attracting and retaining quality convenience store personnel is also a challenge, particularly in attempting to meet our objective of full 24-hour service. We are addressing this issue through wages and benefits as well as by creating a superior working environment.

In order to attract and retain management and administrative staff, we have revamped our pay system and we have implemented better systems to ensure our compensation is competitive and that we are consistent and fair in our treatment of employees.

On governance changes

Parkland Industries Ltd. was structured with a Board of Directors. When we converted to a trust we added independent trustees. However, as an increasing number of companies converted to trusts, they began using professional corporate trustees as this proved to be a more efficient process. During 2005 we reorganized to include the corporate trustee model. The change does not impact the operations of the Board or its decision-making process.


SKIPPER
TEA

Rooted

Parkland is strongly rooted in Western Canada. Parkland's strategy is to increase volumes, enhance the brand and deliver new sources of non-fuel margin, all the while maintaining a low cost structure. Parkland will continue to upgrade sites, debrand under-performing sites, increase customer satisfaction through new customer oriented programs, add new convenience store products and provide beneficial programs to the dealer network.

Review of Operations

In 2005 Parkland upgraded 17 sites, and added two new service stations and 18 independent dealers to its network. It also entered into a long-term Retail Branded Distributorship agreement with Imperial Oil which will add approximately 150 new sites.

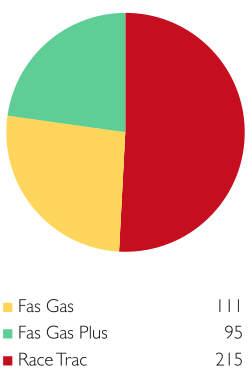
Fas Gas Plus

In 2005 Parkland continued its Fas Gas Plus program, upgrading 15 of its Fas Gas retail and two of its wholesale service stations in order to improve the customer experience, as well as broadening the in-store product offering. To date 95 stations have been rebranded to Fas Gas Plus. In total, Fas Gas has 206 service stations across Western Canada, 63 of which include a Short Stop or Short Stop Express convenience store.

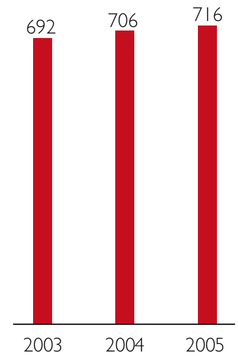
Fas Gas retail service stations are operated as corporate stores, commissioned operations or as independent dealerships. Corporate stores are wholly owned and operated sites. Parkland manages the fuel and adjacent Short Stop convenience store operations and employs the staff. The convenience store is normally a larger format. Since 1999 the Fund has constructed 34 large format convenience stores of approximately 2,100 square feet. Commission stores are controlled sites either through ownership or a long-term lease, where Parkland contracts with a commission operator to manage the site and store staff. The operator is compensated through a commission on fuel sales volumes and in many cases pays a variable rent based on merchandise sales. With independent dealers, who own or lease their own sites, Parkland enters into an agreement to supply fuel to the site. Commission and independent dealer operated retail sites that have not been upgraded to the Fas Gas Plus standard are operated under the Fas Gas brand.

In 2005, total Fas Gas Plus and Fas Gas retail volumes increased 11.6 million litres over 2004 as a result of the Fas Gas Plus upgrade program, improved marketing programs and the introduction of a new Fleet Plus charge card program. At the same time, the number of actual sites decreased to 206 from 211 sites in 2004 with the closing of non-performing sites. In 2006, volume increases are expected to continue with additional upgrades, new sites and new marketing programs.

Parkland Retail Outlets
(as at December 31, 2005)



Parkland Branded Volumes
(millions of litres)



Short Stop Food Stores

Parkland's convenience store business, launched in 1999, has become one of the fastest-growing convenience store chains in non-urban Western Canada. There are now 63 outlets under the Short Stop Food Stores and Short Stop Express brands. The addition of these stores has had an impact on both transportation fuel volumes and overall non-fuel revenue growth. Parkland's Short Stop Food Stores offer a broad selection of food, beverage, snack and convenience products together with services such as lottery terminals, phone cards and automated teller machines. Our 29 Short Stop Express locations offer a more limited selection best suited to their needs.

Parkland has assembled an experienced team of merchandise and convenience store professionals to evaluate and select sites that would make profitable store locations, develop marketing programs, manage relationships with merchandise suppliers and oversee daily operations at these sites.

In 2005, merchandise sales grew $6.9 million or 18.1 percent over 2004 as a result of stronger promotional programs and improved product management.

Ongoing growth in sales and the increased focus on convenience offerings at all our retail sites continues to improve Parkland's relationship with merchandise vendors. This results in more competitive product costs, timely access to new products, broader product selection and increased overall promotional support.

Race Trac

Race Trac sells and delivers fuel to 215 independent branded retail dealers who operate their own sites throughout Western Canada. Parkland is focused on upgrading its Race Trac locations to better attract high volume retailers. As part of its incentive to attract those retailers, Parkland offers promotional programs, a proprietary fleet card offering and a Gold Points loyalty program. In 2005 Parkland added 18 new independent dealers to its growing network. Parkland also debranded two sites which did not meet Parkland's criteria. In 2006 Parkland plans to improve its loyalty program and continue to attract higher quality independent dealers.

Esso Branded Dealer Sites

In 2005, Parkland entered a Retail Branded Distributorship agreement with Imperial Oil. The agreement makes Parkland responsible for managing most of the Esso independent dealer network in Alberta and Saskatchewan, excluding Edmonton and Calgary. It also gives Parkland the ability to provide the Esso brand to its own dealers where it makes economic sense to do so. Fuel supply for the Esso dealers is purchased exclusively from Imperial. Margins available to Parkland in this arrangement are limited but additional benefit is gained from the value of the Esso brand generated by its national marketing.

As of December 31, 2005, Parkland had added 115 Esso branded sites and expects to bring on about 35 additional sites in 2006. The benefit of this business was nominal in 2005 as sites were not added until the fourth quarter and only 28 million litres of fuel products had been marketed. Volumes in 2006 are expected to be around 250 million litres and represent a significant growth area for Parkland.

Great Northern Oil

Parkland owns and operates a bulk facility in Whitehorse, Yukon, that provides home heating fuels to its marketing area under the brand name Great Northern Oil and also supports 22 Fas Gas and Race Trac stations in Northern B.C., the Yukon and the Northwest Territories.

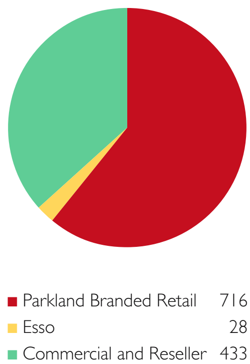
Supply and Distribution

A key success factor for Parkland is its ability to have secure sources of fuel supply at competitive prices. Parkland has long-term contracts with three major refiners. Each contract has a different cost structure and different volume commitments. Parkland ensures it meets its obligations under these contracts and balances its supply to obtain the most beneficial overall product cost. Parkland is a large customer of each of these refiners and has established a history of meeting volume and payment commitments. This history makes it a desired customer and helps ensure competitive pricing is received.

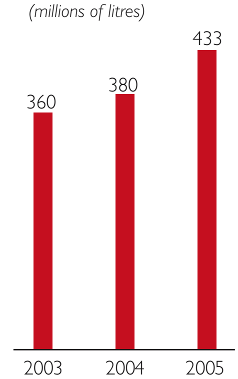
Commercial and Reseller

Parkland sells directly to resellers and commercial customers, either through its 12 cardlock facilities or by direct delivery. Parkland plans to continue to add cardlock facilities on an annual basis. Sales

Fuel Volumes
by Type
(year ended December 31, 2005)
(millions of litres)



Commercial and
Reseller Volumes
(millions of litres)



to reseller and commercial customers are a key component of Parkland's supply chain as it allows Parkland to increase the size of its supply contracts and balance supply commitments.

Petrohaul

One of Parkland's key business strengths is its distribution capabilities through its fleet of 37 Petrohaul trucks and related fuel tankers. Internal control of trucking operations allows better quality assurance and customer service levels. Volume growth, primarily related to the Imperial Oil agreement, has led to increased use of third party carriers. In 2005 Petrohaul handled approximately 85 percent of Parkland's fuel hauling needs. In 2006 it is expected this will decline to below 70 percent unless the truck fleet is expanded. A key challenge in recent years for Petrohaul, similar to most trucking companies, is attracting and retaining skilled drivers. Parkland continues to monitor industry changes and continues to upgrade personnel policies to ensure it is able to compete for the drivers it needs.

In 2005, Petrohaul moved its Edmonton base of operations from a temporary facility to a new upgraded office building and yard close to its supply terminals. Parkland also leased a significant number of new trucks, replacing 25 percent of its fleet.

Bowden Refinery

Parkland owns the Bowden refinery located just south of Red Deer, Alberta. Operations at the refinery were suspended in September 2001. A Letter of Intent to sell the refinery to the Blood Tribe of Standoff, Alberta has expired but would be expected to be renewed if conditions to the sale were met. One of the key conditions to this sale proceeding is the tribe receiving confirmation of its exemption from Federal Excise Tax on fuel produced at the site. The tribe is currently pursuing court action to confirm this exemption but the timing and ultimate success of this action is uncertain.

A number of alternatives are currently being pursued to generate cash flow from this site, including one process that is scheduled to be tested in the spring of 2006. During 2005 Parkland incurred additional maintenance expenses at the refinery site in preparation for this test and for other planned alternative activities.

Culture & Community

Health, Safety and Environment

Parkland is committed to responsible environmental controls and to protecting the health and safety of its employees, customers and suppliers.

On the environmental front, Parkland has numerous detailed procedures in place, including: testing soil, tanks and lines on new sites; installing cathodic protection systems on steel tanks in the network; performing regular audits of peizometer wells on its sites; and following strict procedures for detecting inventory losses at its locations. The Fund has a program that provides for scheduled replacement of older tanks with fibreglass or above ground tanks.

The Fund has a Health, Safety and Environment Committee which represents all areas of the business. This Committee's mandate is to ensure consistent health and safety processes and documentation throughout the organization and to provide recommendations to management and employees for addressing occupational health, safety and training.

In 2005, Parkland successfully completed a Partnership Audit of its programs and facilities.

Code of Conduct

The Fund has established a Code of Conduct and Conflict of Interest Guidelines (the "Code"). The Code is provided to all employees and, specifically Directors, Officers and Senior Management must acknowledge understanding and compliance. It is available on Parkland's website at www.parkland.ca.

In cases where employees feel they have serious or sensitive issues, including possible breaches in the Code, the Fund has a Whistle Blower Policy that provides a means for the employee to report issues confidentially and, if desired, anonymously. This Policy also outlines what actions will be taken and the feedback that will be provided to the employee to ensure that the issue has been addressed.

Community Involvement

Parkland strives to make a difference in the communities it serves.

Parkland Income Fund supports the communities it does business in by making generous financial contributions and by supporting its employees in their community involvement. Each year Parkland provides financial support to projects that focus on health, education and youth.

Parkland has made major contributions in recent years to the Alberta Heart & Stroke Foundation, the Canadian Cancer Society, the David Thompson Health Region, Juvenile Diabetes, Search and Rescue, STARS Air Ambulance, United Way, the Red Deer Hospice Society, the Red Deer Regional Hospital Foundation and its Capital Campaign as well as a number of regional food banks.

Parkland also sponsors "subject" awards at high schools and offers scholarships for employees' children who wish to further their education. Support is also given in a number of other areas including School Business Partners, Safety City, Tools for Schools, the Red Deer College Capital Campaign and established Lifelong Learning Awards at Red Deer College.

In collaboration with local dealers, Parkland sponsors youth sports teams in a number of marketing areas, usually on a sharing basis with the local dealers.

Parkland's associates make a difference at a personal level through organizations such as service clubs, the Make a Wish Foundation, the Terry Fox Run, volunteer fire departments, the Self Esteem Society, theatre groups, the Girl Guides, the Boy Scouts, The Women's Shelter, MADD, Safe Communities Coalition and Foster Parents Plan of Canada as well as coaching many sports teams and organizing community events.

Privacy Statement

Parkland has in place generally accepted standards of technological security for the purpose of protecting all information provided by customers, suppliers and employees from misuse, loss or corruption. Only authorized personnel have access to personally identifiable information submitted to Parkland. Such employees are required to maintain the confidentiality of this sensitive data. The policy also applies to any and all agents, affiliates and related entities of Parkland that may receive such information from Parkland.

Total
Litres
PREMIUM
91
7

Dedicated

Parkland believes that strong corporate governance is key to building trust and confidence in its business. Parkland is committed to meeting the highest standards of accurate, transparent and timely communication. Parkland prides itself on being open, approachable and responsive to its customers, its officers, its employees and its investors.

Corporate Governance

The Fund delegates the management and administration of its business to Parkland Industries Ltd., a subsidiary of the Fund, and its Board of Directors.

The fundamental responsibility of Parkland's Board is to oversee the management of the business, with a view to delivering consistent and growing unitholder returns and ensuring the Fund conducts its business in an ethical and legal manner through an appropriate system of corporate governance.

Chairman of the Board

The Chairman of the Board is James Pantelidis. He has served on the Board since 1999 and brings extensive management experience in the retail and wholesale fuels markets. His primary responsibilities are to:

- **Provide leadership to the Board of Directors;**
- **Oversee the Board's effectiveness and assure it meets its obligations and responsibilities;**
- **Monitor and co-ordinate the functions of the Board with management to effectively maintain the separation of roles and responsibilities; and**
- **Provide advice and counsel to the President and Chief Executive Officer (CEO) respecting matters within the purview of the Board.**

Board Independence

The Board of Directors is made up of seven members of whom six are independent. The non-independent director is Andrew B. Wiswell, who served as President and CEO of Parkland Income Fund until May 13, 2005. The Board met seven times in 2005 and had a 92 percent attendance rate.

Board Structure

Parkland has two committees, made up entirely of independent Directors. These committees are: the Audit Committee and the Human Resources and Corporate Governance Committee.

Audit Committee

The members of the Audit Committee are Kris Matthews (Chair); James Pantelidis and Jim Dinning. All members are independent Directors. The Chair is appointed by the Board of Directors. The Committee met five times in 2005 and had a 93 percent attendance rate.

Financial Literacy

All audit committee members are financially literate. Kris Matthews is a Certified Management Accountant with extensive experience providing financial consulting services to businesses and also is the audit committee chair of another income fund. James Pantelidis and Jim Dinning both have significant experience as senior executives and board members of public companies. Mr.

Pantelidis is a graduate of McGill University where he received a B.Sc. degree and an M.B.A. He also serves on several other audit committees. Mr. Dinning received a B.Comm. degree from Queens University. He also serves on several other audit committees.

Audit Committee Mandate

The Audit Committee is appointed by the Board of Directors of Parkland Industries Ltd. (the "Corporation") to assist the Board in discharging its oversight responsibilities. The Audit Committee will oversee the financial reporting process with a goal of ensuring the balance, transparency and integrity of published financial information of the Corporation and of Parkland Income Fund (the "Fund"). The Audit Committee will also review: the effectiveness of the Corporation's and the Fund's internal financial control and risk management system; the effectiveness of the internal audit function; the independent audit process, including recommending the appointment and assessing the performance of the external auditor of the Corporation and the Fund; the Corporation and the Fund's process for monitoring compliance with laws and regulations affecting financial reporting.

The Corporation and the Fund will comply with the policies and procedures overseen or reviewed by the Audit Committee and use their best efforts to ensure that these policies and procedures are implemented.

In performing its duties, the Audit Committee will maintain effective working relationships with the Board of Directors, management and the external auditors. To perform his or her role effectively, each Audit Committee member will need to develop and maintain his or her skills and knowledge, including an understanding of the Audit Committee's responsibilities and of the company's business operations and risks.

The members of the Audit Committee will be financially literate and independent as defined by Multilateral Instrument 52-110.

Although the Audit Committee has the powers and responsibilities set forth in this Mandate, the role of the Audit Committee is oversight. The members of the Audit Committee are not full-time employees of the Corporation and may or may not be accountants or auditors by profession or experts in the fields of accounting or auditing and, in any event, do not serve in such capacity nor are they experts in performing other tasks they are called on to perform by this Mandate. Consequently, it is not the duty of the Audit Committee to conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles ("GAAP") and applicable rules and regulations. These are the responsibilities of management and the external auditor.

Authority

The Board authorizes the Audit Committee, within the scope of its responsibilities, to:

- **Perform activities within the scope of this Mandate;**
- **Engage independent counsel and other advisors as it deems necessary to carry out its duties;**
- **Ensure the attendance of Corporate Officers at meetings, as appropriate;**
- **Request and gain access to members of management, employees and relevant information to perform this Mandate;**
- **Establish procedures for dealing with concerns of employees regarding accounting, internal control or auditing matters;**
- **Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls or auditing matters;**
- **Approve the appointment, compensation, retention and annual scope of work of the external auditor; and**
- **Approve all engagement fees and terms as well as reviewing policies for the provision of audit and non-audit services by the external auditors and the pre-approval of such non-audit work as required by Multilateral Instrument 52-110.**

The complete Audit Committee Mandate is available on Parkland's website, www.parkland.ca, and in its 2005 Management Information Circular.

Human Resources and Corporate Governance Committee

The members of the Human Resources and Corporate Governance Committee are: Alain Ferland (Chair), Robert Brawn and David Spencer. All members are independent Directors. The Chair is appointed by the Board of Directors. The Committee met five times in 2005 and had an 80 percent attendance rate.

Human Resources and Corporate Governance Committee Mandate

The Human Resources and Corporate Governance Committee is appointed by the Board of Directors to assist the Board in carrying out its responsibility for the stewardship of the Corporation as well as in meeting its disclosure and continued listing requirements. In terms of Human Resources, the Committee will examine the nomination of Directors and appointment of senior managers of the Corporation as well as their overall compensation and make appropriate recommendations to the Board; it will also lead in the development and review of a succession plan. With regards to Corporate Governance, the Committee has the general responsibility for developing the Corporation's approach to governance issues and recommending an effective corporate governance process to the Board consistent with the TSX guidelines.

In performing its duties, the Committee will maintain effective working relationships with the Board of Directors, management, and other Committees of the Board. To perform his or her role effectively, each Committee member will need to develop and maintain his or her skills and knowledge, including an understanding of the Committee's responsibilities and the Corporation's business operations and risks.

Authority
The Board authorizes the Human Resources and Corporate Governance Committee, within the scope of its responsibilities, to:

- **Perform activities within the scope of its Mandate;**
- **Ensure the attendance of Company officers at meetings, as appropriate;**
- **Request and gain access to members of management, employees and relevant information;**
- **Select, retain and terminate a compensation consultant to assist in the evaluation of the CEO or members of senior management compensation and approve any compensation payable by the Corporation to such consultant, including fees, terms and other conditions for the performance of such services;**
- **Obtain such advice and assistance from outside accounting, legal or other advisors as the Committee determines to be necessary or advisable in connection with the discharge of its duties and responsibilities hereunder;**
- **Pay any compensation consultant or outside accounting, legal or other advisor retained by the Committee pursuant to the preceding paragraph such compensation, including, without limitation, usual and customary expenses and charges, as shall be determined by the Committee;**
- **Establish procedures for dealing with the various aspects of their mandate.**

The complete Human Resources and Corporate Governance Committee Mandate is available on Parkland's website, www.parkland.ca and in its 2005 Management Information Circular.


Robert G. Brawn


Jim Dinning


Alain Ferland


Kris Matthews

Parkland Board of Directors

Robert G. Brawn

Mr. Brawn brings significant experience to Parkland's Board of Directors, having held various management roles with companies operating in the oil and gas industry. Mr. Brawn holds several directorships that span a variety of industries, including banking, energy, construction and retail. He is currently Chairman Emeritus of Canetic Resources Trust, and a Director of ATB Financial, Zapata Energy Corporation, Calgary Airport Authority and several private companies. He is Chairman of Grande Cache Coal Corporation and the Van Horne Institute (Transportation Studies Policy Group). Mr. Brawn has served on the Board since November 13, 1996.

Jim Dinning

Mr. Dinning is the non-executive Chair of Western Financial Group Inc., an Alberta-based western Canadian financial services company. Prior to 2005, Mr. Dinning served as Executive Vice President of TransAlta Corporation. Before joining TransAlta, he held several key positions during his 11 years as a member of the legislative assembly of Alberta, including Provincial Treasurer (1992 to 1997). He is also a Director of Western Financial Group Inc., Finning International Inc., JED Oil Inc., Oncolytics Biotech Inc., Russell Metals Inc., Shaw Communications Inc. and Liquor Stores Income Fund. Mr. Dinning was appointed as a Trustee on August 19, 2004 and was elected a director of Parkland Industries Ltd. on May 5, 2005 when Parkland reorganized to a corporate trustee model.

Alain Ferland

Mr. Ferland is the President of EFFA Management Inc. and has served on the Board since June 22, 1999. He is Chairman of the Human Resources and Corporate Governance Committee. He also serves on the Board of TORR Canada Inc. Mr. Ferland has been President of Aéroports de Montréal, IPL Inc., Geneka Biotechnologies and prior to that was President of Ultramar Ltd. and Vice President of Ultramar Diamond Shamrock.

Kris Matthews

Ms. Matthews has more than 20 years of experience providing accounting, financial and management consulting services to entrepreneurial enterprises. She is currently Principal of The Matthews Group. In 2002, she was awarded a Fellowship (FCMA) in

James Pantelidis

David A. Spencer

Andrew Wiswell

recognition of her contributions to the community and the CMA profession. Ms. Matthews is Trustee and Chair of the Audit Committee for Prime Restaurants Royalty Income Fund and Director and President of PRC Trademarks Inc. Ms. Matthews is also actively involved in the CMA profession and is currently the Past-Chair of the CMA Alberta Board, and Chair of the CMA Alberta Governance Committee. She is also a Director and Chair of the Audit Committee for BlueGrouse Seismic Solutions Inc. Ms. Matthews has served on the Board since May 8, 2003. She is Chair of the Audit Committee.

James Pantelidis

Mr. Pantelidis is currently Chairman and CEO of FisherCast Global Corporation. Prior to this, Mr. Pantelidis was President and CEO of the Bata International Organization. He also spent over 30 years in the petroleum industry, and was at one time President of both the Upstream and Downstream divisions of Petro-Canada. Mr. Pantelidis also serves as the Chairman of The Consumers Waterheater Income Fund, and is on the Board of Industrial Alliance Insurance and Financial Services Inc. and RONA Inc. Mr. Pantelidis has served on the Board since September 7, 1999. He is Chairman of the Board.

David A. Spencer

Mr. Spencer is a Partner with Bennett Jones LLP in Calgary, where he is co-leader of the firm's public markets practice group. He specializes in corporate finance, mergers and acquisitions and corporate governance. Mr. Spencer was appointed as a Trustee as part of the June 2002 re-organization into a Trust, and was elected as a director of Parkland Industries Ltd. in 2005 when Parkland reorganized to a corporate trustee model.

Andrew B. Wiswell

Mr. Wiswell earned his law degree and practiced corporate and commercial law before pursuing his MBA at the University of Western Ontario. He joined Gulf Canada and spent 16 years in management roles including Vice President, Marketing, Senior Vice President Finance and Chief Financial Officer. He also served as the first CFO of Athabasca Oil Sands Trust, now Canadian Oil Sands and later became President of ICG Propane. Mr. Wiswell served Parkland as President and Chief Executive Officer from 2001 to 2005. In 2005, he joined NAL Resources Management as President and CEO. Mr. Wiswell is a Director of Total Energy Services Trust and NAL Oil and Gas Trust. Mr. Wiswell has served on the Board since December 1, 2001.


THIS SALE
LITRES
REGULAR
THIS SALE
LITRES
REGULAR
87
3
4
FAS GAS
FULL SERVE
PLUS

Solid

Parkland has become one of Canada's largest independent marketers of transportation fuel through a thoughtful, strategic and measured business approach. Parkland's assets, balance sheet and performance are solid and the company is strategically positioned in Western Canada to take advantage of new business opportunities.

Management's Discussion & Analysis

Year Ended December 31, 2005

The following discussion and analysis of the results of operations and financial condition of Parkland Income Fund should be read in conjunction with the audited Financial Statements for the year ended December 31, 2005. The date of this discussion and analysis is March 1, 2006. Further information on Parkland Income Fund, including its Annual Information Form, is available from SEDAR at www.sedar.com.

Parkland Income Fund (the "Fund" or "Parkland") is an unincorporated, open-ended limited purpose mutual fund trust established under the laws of the Province of Alberta on April 30, 2002. The Fund was created to acquire the fuel marketing, convenience stores and related ancillary businesses formerly owned by Parkland Industries Ltd. This acquisition was completed on June 28, 2002 through a Plan of Arrangement that resulted in the previous Parkland Industries Ltd. shareholders indirectly exchanging their shares for Units in the Fund or Class B Limited Partnership Units in Parkland Holdings Limited Partnership ("LP Units"), a limited partnership controlled by the Fund.

Review of Operations

Parkland's Business

As one of Western Canada's largest independent fuel marketers, Parkland operated or supplied a total of 536 service stations at December 31, 2005 as compared with 433 at December 31, 2004. The December 2005 total consists of 206 (2004 – 211) retail stations operated under the Fas Gas, Fas Gas Plus and Short Stop brands, 215 (2004 – 222) independently owned wholesale supply accounts operated under the Race Trac brand and 115 (2004 – nil) independently owned wholesale supply accounts operated under the Esso brand. Products sold through the network of service stations include gasoline and diesel fuel as well as propane at selected sites. It is Parkland's strategy to increase overall sales volumes and average volumes per site within its current marketing area. The actual number of stations may increase, remain stable or drop as new sites are added and sites which are not generating adequate returns are closed or sold. The number of Fas Gas and Race Trac stations declined in 2005 as the Fund continued its program to dispose underperforming sites and to debrand sites that did not meet certain criteria. In some cases, Parkland still supplies these sites on an unbranded wholesale basis.

Short Stop Food Stores and Short Stop Express, Parkland's branded convenience store chain being developed across Western Canada, currently operates at 63 redeveloped locations.

Competition and Market Positioning

The wholesale and retail gasoline business is highly competitive, with margins ultimately dependent on the spread between crude oil, wholesale fuel costs and retail gasoline prices. Due to its focus on smaller markets, Parkland has limited exposure (11 percent of its retail sites) to the more competitive larger urban markets where the retail gasoline sales are dominated by major oil companies and by more recent entrants such as grocery chains and large retailers. This non-urban focus means the Fund operates in markets where average sales volumes are lower but earnings are enhanced by more stable pricing and margins, lower overhead costs and less expensive real estate.

In recent years, the Fund has strategically focused on reducing its reliance on fuel margins by increasing other sources of revenue from its sites. The primary actions taken have been the Short Stop convenience store program and the Fas Gas Plus station upgrade program. By making investments in the sites, Parkland has realized the full benefit of the merchandise margins, net of operating costs, at the corporately operated convenience store sites and has been able to realize additional rents based primarily on percentages of merchandise sales at the commission operated sites. It is the Fund's intention to continue this strategy for the foreseeable future.

In the independent dealer business, the Fund has focused on increasing its brand value to the operators. At the Race Trac sites, this has been accomplished through the Gold Points loyalty program, scratch and win promotions, closing or debranding sites that did not meet certain criteria and pursuing larger volume and higher visibility sites. The Retail Branded Distributorship agreement with Esso also provides a major brand that Parkland can offer to independent operators in Alberta and Saskatchewan.

In relation to the above strategy, the Fund's goals are to provide stable and modestly increasing cash flows for its unitholders. Significant acquisitions in strategic areas will also be considered but are not necessary to meet the distribution goals.

Financial Performance

Summary of Operating and Financial Information

Years ended December 31, ($000's except volume and per unit amounts)	**2005**	2004	2003
Total assets	**$ 133,019**	$ 117,417	$ 128,602
Total long-term liabilities	**$ 13,907**	$ 17,612	$ 18,170
Sales volume (millions of litres)	**1,177**	1,101	1,039
Net sales and operating revenues	**$ 875,539**	$ 686,658	$ 567,226
Cost of sales and operating expenses	**783,615**	603,766	489,804
Gross margin	**91,924**	82,892	77,422
Expenses			
Marketing, general and administrative	**55,223**	52,363	48,374
Amortization of capital assets	**8,804**	9,242	7,577
Loss on writedown of refinery	**–**	25,310	–
Interest on long-term debt	**873**	738	897
	64,900	87,653	56,848
Earnings (Loss) before income taxes	**$ 27,024**	$ (4,761)	$ 20,574
Income tax (expense) recovery	**(2,055)**	8,721	(283)
Net earnings	**$ 24,969**	$ 3,960	$ 20,291
Per unit – basic	**$ 2.03**	$ 0.33	$ 1.67
– diluted	**$ 2.02**	$ 0.32	$ 1.66
EBITDA	**$ 36,701**	$ 30,529	$ 29,048

Non-GAAP Financial Measures

In this document there are references to non-GAAP financial measures such as EBITDA and Cash Available for Distribution. EBITDA refers to Earnings Before Interest Expense, Income Taxes, Depreciation and Amortization as well as the loss on the writedown of the refinery and can be calculated from the GAAP amounts included in the Fund's financial statements. Management believes that EBITDA is a relevant measure to users of its financial information as it provides an indication of pre-tax earnings available to distribute to debt and equity holders in the Fund. The Fund's definition of EBITDA may not be consistent with other providers of financial information and therefore may not be comparable.

Cash Available for Distribution is defined in the Fund's Deed of Trust and related documents and generally represents the cash available to be distributed to the Fund's Unitholders. Cash Available for Distribution is calculated as EBITDA less interest expense, current income taxes, if any, and maintenance capital expenditures. EBITDA is as defined above, while interest expense and current income taxes are GAAP measures. Maintenance capital represents capital expenditures made by the Fund to maintain its current business operations. This differs from growth capital, which represents capital used to expand the Fund's business operations.

Net Earnings

Higher fuel volumes, consistent average fuel margins and increased convenience store sales and margins all contributed to higher gross margins in 2005. These increased margins were offset by a $2.9 million increase in marketing, general and administrative expenses over 2004. EBITDA in 2005 increased by $6.2 million over 2004, consistent with increases in margins. Net earnings before income taxes for the year of $27.0 million were significantly higher than the $4.8 million loss reported in 2004 and income of $20.6 million reported in 2003. The primary reason for the increase over 2004 was the $25.3 million loss recorded on the writedown of the refinery assets in that year. Excluding this item, net income before tax was $20.5 million in 2004.

Volumes

Gasoline and diesel volumes increased by 76 million litres in 2005 to 1.2 billion litres. The Fund's station upgrade program was successful in driving increased retail volumes from existing sites while the addition of the Esso sites led to increased volumes through the wholesale station network. Reseller volumes also increased to match product purchase commitments. Retail volumes are driven by the number of stations in operation, general business and economic conditions, weather and competitive conditions in various markets. Reseller volumes are more dependent on general industry supply and demand conditions. Parkland plans to continue to generate modest volume increases through general market growth, improved performance at existing sites and the addition of a limited number of new sites as opportunities arise. Additionally, volume increases of approximately 220 million litres are expected in 2006 as a result of having the Esso sites for a complete year.

Sales Revenue

Sales for the year ended December 31, 2005 were $875.5 million, an increase of 28 percent over the prior year. Fuel sales revenue varies with fuel volumes, overall average crude prices and retail and wholesale margins. In 2005 fuel sales revenue increased to $830.6 million from $648.6 million, largely as a result of volume increases and higher average crude prices. Convenience store merchandise sales also increased with sales of $45.0 million in 2005 as compared to $38.1 million in 2004. Convenience store merchandise sales were up as a result of all stores being open for the entire year, higher average sales per store and increased retail margins.

Cost of Sales and Gross Margins

Fuel cost of sales increased to $750.5 million in 2005 as compared to $575.6 million in 2004. Similar to sales revenue, cost of sales increased as a result of higher volumes and higher average per litre costs of fuel products. Fuel costs are generally driven by changes in the underlying cost of crude oil, which was on average 30 percent higher in 2005 than in the prior year. Convenience store merchandise cost of sales increased to $33.1 million in 2005 from $28.2 million in 2004, consistent with the increase in merchandise sales.

These factors led to gross margins of $91.9 million in 2005, which was $9.0 million higher than the $82.9 million achieved in 2004. This increase was primarily driven by a $2.0 million increase in convenience store margins and higher fuel volumes. Overall fuel margins on a per litre basis were also up three percent over the prior year.

A key driver in margins is the Fund's ability to competitively purchase both fuel and convenience store merchandise. As one of the largest independent fuel retailers in Western Canada, the Fund has established positive relationships with the key fuel suppliers in its market area and has long-term contracts with its three principal fuel suppliers. These contracts provide the Fund with a consistent source of supply at competitive prices. Additionally, the growth in the convenience store network and the implementation of the Short Stop Express marketing program has improved the Fund's relationships with wholesalers and merchandise suppliers, providing better pricing, increased incentives and additional promotional support.

Expenses

Marketing, general and administrative expenses were $55.2 million for the year ended December 31, 2005, an increase of 5.5 percent over 2004 expenses of $52.4 million. The drivers of these increased costs included variable fuel marketing costs that rose on a per litre basis and in conjunction with higher fuel volumes and higher convenience store operating costs as a result of all stores being open for the entire year.

The Fund incurred $1.5 million in maintenance expenses in 2005 related to the Fas Gas Plus upgrade program, as compared to $2.0 million in 2004. Although portions of the Fas Gas Plus program are recorded as maintenance capital, there are significant components which represent maintenance expenses. To a large extent these expenses are discretionary and are generating improved results at the upgraded sites. It is expected that expenditures in 2006 will be comparable as the Fund moves the upgrade program to the independent dealer network.

Also included in marketing, general and administrative expenses for the 2005 calendar year are $0.8 million for environmental remediation costs as compared to $0.6 million in 2004. Generally, remediation costs for which the Fund is legally obligated are recorded as an Asset Retirement Obligation and expensed as accretion over the estimated life of the asset. Amounts included in remediation costs generally relate to costs at sites where the Fund decided to replace underground storage tanks even though it was not legally obligated to do so. It is the Fund's policy to upgrade tanks when a major site upgrade takes place, such as a conversion to a Short Stop convenience store. The Fund has a long-term tank replacement program and plans to continue incurring expenses annually to modernize its underground tank network and reduce its exposure to future environmental liabilities.

Refinery Assets

In December 2004, the Fund reduced the carrying value of its Bowden refinery by $25.3 million to a net liability of $3.4 million on uncertainty around creating an alternative to the refinery being dismantled, remediated and sold for salvage values. A corresponding future tax recovery of $8.6 million was also recorded.

Operations at the refinery have been suspended since September, 2001 pending the completion of a sale to the Blood Tribe/Kainaiwa Specific Claim Trust No. 1 of Standoff, Alberta. The sale terms are as per a non-binding Letter of Intent agreed to in October 2003, which has since expired. The Tribe is currently working on one of the key remaining conditions to the transaction which is to obtain confirmation of its exemption from excise tax obligations and has issued Statements of Claim against the Government of Canada related to this taxation issue. Should the remaining conditions to the sale be satisfied, the Fund anticipates that negotiations with the Tribe would resume.

The Fund is also pursuing alternative uses for the refinery site and equipment and is in discussion with interested parties. However, to date there have been no specific projects completed. The timing and cash flows related to possible alternative uses is uncertain.

Annual costs of approximately $400,000 will continue to be incurred to protect the value of the refinery assets until the sale is completed or an alternate use is in place. These costs primarily relate to security, maintenance, insurance and property taxes and will continue to be expensed as incurred. This level of costs has been considered when determining current distribution levels. Additionally, in 2005, approximately $1.5 million in maintenance expenses were expended to prepare the refinery assets for alternative opportunities that are anticipated in 2006 and beyond.

Capital Assets and Amortization

Amortization expense decreased to $8.8 million in 2005 from $9.2 million in 2004. Increased amortization costs were recorded in 2004 as the Fund revised the estimated useful lives of some asset classes.

During 2005, the Fund expended $8.6 million in net capital investments, of which $4.5 million was classified as maintenance capital and $4.1 million was classified as growth capital. The classification of capital as growth or maintenance is subject to judgment as many of the Fund's capital projects have components of both. It is the Fund's policy to treat all capital related to service station upgrades (i.e. Fas Gas Plus) as maintenance capital even though it includes the expectation of a financial return, while the construction of a new building on an existing site is considered growth capital.

The primary components of maintenance capital in 2005 were $1.6 million for Fas Gas Plus upgrades, $0.7 million for tank replacements and $0.6 million for technology initiatives.

The 2005 growth capital related primarily to major upgrades at existing retail sites and the addition of two new service station sites.

Parkland owns 110 of the sites in the Fas Gas and Short Stop retail chains, an industrial property in Red Deer which is used as a maintenance facility, a fuel terminal facility in Whitehorse and the refinery property. The Fund also has lease-to-purchase arrangements on four of the Fas Gas properties and long-term lease arrangements on an additional 38 sites.

Parkland operates its own fleet of trucks to meet its fuel hauling needs. Generally, the fleet of 70 trailer units is owned by the Fund, either directly or through capital leases. The Fund's capital plans call for power units to be replaced every three years and trailers every ten years but the expenditure level can be accelerated or slowed depending on specific needs and financial performance. The Fund also has the option of entering into operating leases as an alternative to purchasing these units if it is financially beneficial. There were 11 new power units added to the fleet in 2005 which were through operating lease arrangements.

Interest

For the year ended December 31, 2005 interest on long-term debt was $0.9 million which was $135,000 higher than the prior year. Debt levels have decreased slightly while interest rates have increased, resulting in the modest increase in overall interest costs. Approximately 76 percent of the Fund's long-term debt bears interest at variable rates linked to prime.

Income taxes

In 2005 the Fund retained taxable income within corporate subsidiaries, resulting in a tax provision of $2.1 million as compared to an income tax recovery of $8.7 million for the year ended December 31, 2004. Virtually all of the 2004 recovery relates to the writedown of the refinery assets which is not currently deductible for tax purposes. Parkland's income taxes payable are typically nominal as it is a trust and taxes are paid on distributions directly by the unitholders in the Fund or the LP. The 2005 provision results from capital taxes and from retaining funds as a cash reserve to mitigate potential normal seasonal weaknesses in earnings which may occur in 2006.

The allocation of taxes to the unitholders for 2005 is based on the calculated taxable income of the Fund as follows:

($000's)	
Net income before tax	$ 27,024
Permanent differences	(222)
Timing differences	274
Taxable income	$ 27,076
Income retained in taxable entities in the Fund	(3,204)
Taxable income to allocate to unitholders	23,872
Distributions	23,872
Taxable portion of distributions	100%

Quarterly Financial Information

Three months ended ($000's except per unit amounts)			March 31	June 30	September 30	December 31
2005	Net sales and operating revenues		**$ 177,081**	**$ 208,177**	**$ 258,901**	**$ 231,380**
	Net earnings		**$ 824**	**$ 6,948**	**$ 9,634**	**$ 7,563**
	Earnings per unit	– basic	**$ 0.07**	**$ 0.56**	**$ 0.78**	**$ 0.62**
		– diluted	**$ 0.07**	**$ 0.56**	**$ 0.78**	**$ 0.61**
	EBITDA		**$ 3,243**	**$ 9,424**	**$ 12,546**	**$ 11,488**
2004	Net sales and operating revenues		$ 141,262	$ 179,274	$ 197,193	$ 168,929
	Net earnings (loss)		$ 824	$ 12,502	$ 5,769	$ (15,135)
	Earnings (loss) per unit	– basic	$ 0.07	$ 1.03	$ 0.47	$ (1.24)
		– diluted	$ 0.07	$ 1.02	$ 0.47	$ (1.24)
	EBITDA		$ 3,066	$ 14,991	$ 8,148	$ 4,324

The Fund's business is typically seasonal but can be significantly affected by events occurring throughout the year. In the first quarter fuel demand is relatively weak which causes excess supply and depressed market conditions. The second and third quarters significantly improve with spring and summer driving seasons and increased industrial and farm activity creating higher demand, while the fourth quarter sees a return to more average market conditions. In 2004 the Fund realized higher than expected results in the second quarter as a result of fuel margins which were higher than typically experienced during that season. In the fourth quarter of 2004, the recognition of the loss on the writedown of the refinery assets eroded results. In 2005, the third and fouth quarter margins were above expectations as a result of weather related supply issues which increased margins achieved. Management anticipates that quarterly earnings in 2006 will follow normal seasonal trends but may be affected by unforeseen market events.

Fourth Quarter Results

Excluding the $25.3 million loss on the writedown of the refinery assets recorded in the fourth quarter of 2004, the 2005 results showed improvement as net earnings before tax increased to $8.8 million from $1.6 million in 2004 and EBITDA increased to $11.5 million from $4.3 million. Increases in fuel volumes and unseasonably high margins early in the quarter were the key contributors to the positive results. Merchandise sales and margins increased over 2004 as a result of higher same-store sales. Marketing, general and administrative expenses were consistent with the prior year.

Liquidity and Capital Resources

Working Capital

Parkland's working capital remained stable at $2.1 million at December 31, 2005 as compared to $1.9 million at December 31, 2004. It is typical for the Fund to have minimal or negative working capital as a significant portion of its sales are on a cash basis, inventory turns quickly and average payable terms with vendors exceed average receivable terms with customers who have credit privileges. The cash balance at December 31, 2005 of $8.3 million increased from the December 31, 2004 balance of $5.3 million and the Fund also has available a $28 million line of credit to finance letters of credit and short-term cash flow needs. Assuming normal seasonal trends, it is expected the Fund will need to use current cash balances to finance distributions in the first quarter of 2006.

Financing Activities

During the year ended December 31, 2005 Parkland decreased its long-term debt by $1.0 million as a result of normal repayment of existing term debt offset by new debt and capital leases. At December 31, 2005, Parkland had $9.7 million in long-term debt (excluding current portions) which is 0.27 times EBITDA. Management believes that cash flow from operations will be adequate to fund maintenance capital, interest and targeted distributions. Growth capital expenditures in 2005 have been funded by existing cash balances, cash flow from operations and approximately $3.5 million in additional debt. It is management's intent on an ongoing basis to finance growth capital through debt or the issue of additional units. Any additional debt would be serviced by anticipated increases in cash flow and it is expected that current debt to EBITDA ratios would be maintained.

Distributions

Commencing in July 2002 the Fund established a monthly distribution policy whereby holders of record on the last day of a month would receive a distribution on the fifteenth of the following month. The monthly distribution amount remained consistent at $0.14 per unit from August 15, 2002 through August 15, 2004 at which time the monthly payment per unit was increased to $0.15. It remained at this level until December 15, 2005 when it was further increased to $0.17. An additional special distribution of $0.10 per unit was also declared for holders of record at December 30, 2005. Total distributions in 2005 were $23.9 million and estimated distributions in 2006, assuming continued monthly payments of $0.17 would be $25.3 million.

Cash Available for Distribution

	For the three month period ended				For the year ended
($000's)	March 31, 2005	June 30, 2005	September 30, 2005	December 31, 2005	December 31, 2005
EBITDA	**$ 3,243**	**$ 9,424**	**$ 12,546**	**$ 11,488**	**$ 36,701**
Maintenance capital expended	**(633)**	**(1,195)**	**(1,546)**	**(1,151)**	**(4,525)**
Taxes and interest	**(198)**	**(445)**	**(719)**	**(1,237)**	**(2,599)**
Cash available for distribution	**$ 2,412**	**$ 7,784**	**$ 10,281**	**$ 9,100**	**$ 29,577**
Cash distributed	**$ 5,515**	**$ 5,530**	**$ 5,548**	**$ 7,279**	**$ 23,872**

Although it is typical for the Fund's cash flow to have seasonal fluctuations, it is management's current intention to pay consistent distributions throughout the year based on estimated annual cash flows. The Directors review distributions quarterly giving consideration to current performance, historical and future trends in the business and the expected sustainability of those trends, as well as maintenance capital requirements to sustain performance.

During 2005, distributions represented a payout ratio of 65 percent of EBITDA or 81 percent of Cash Available for Distribution. Payout ratios are expected to increase modestly in 2006 as a result of the distribution increase implemented in late 2005.

Contractual Obligations

The Fund has contracted obligations under various debt agreements as well as under operating and capital leases for land, building and equipment. Minimum lease and principal payments under the existing terms are as follows:

Year ending December 31 ($000's)	Mortgages, bank loans and notes payable	Operating leases	Capital leases
2006	$ 2,644	$ 1,641	$ 4,218
2007	2,165	1,309	955
2008	3,069	909	300
2009	1,366	448	206
2010	666	194	137
Thereafter	–	558	885

The Fund also has purchase commitments under its fuel supply contracts that require it to purchase approximately 1.4 billion litres of product over the next year.

Critical Accounting Estimate

As detailed elsewhere in this document, Parkland has recorded the refinery assets at the net estimated liability that would be realized if the refinery assets were remediated, dismantled and sold for salvage values. Estimated remediation costs are supported by a third party report, while other costs and salvage values are based on management estimates.

Actual costs and salvage values could differ significantly from these estimates when, and if, the refinery is remediated, dismantled and sold. Alternatively, if the Blood Tribe sale is completed or the refinery is re-opened in its current or an alternative state, there is the potential for positive cash flow from the assets.

Non-Capital Resources

Employees

Parkland's ability to deliver on its strategy is contingent on retaining and acquiring employees with the proper skill sets to drive the key initiatives forward. As such, there is a focus on recruiting and retaining key employees. To date, the Fund has been successful at filling key positions as needed. Compensation plans for senior management have significant incentive arrangements, with overall compensation dependent on Parkland's performance, divisional operating performance and results on individually identified key initiatives.

Parkland has an active Human Resources department, with compensation plans and benefits reviewed on an ongoing basis to best meet the needs of Parkland and the various employee groups it includes. In lieu of a pension plan, Parkland provides a unit purchase plan with matching employer contributions. A profit sharing plan is also available to most employees with greater than two years service. Initiatives like these are intended to bring a sense of ownership to the employee groups as increases in profits and unit prices are beneficial to all.

Safety

In addition to other risks, the Fund's primary business involves the transportation and sale of fuel products, which have an inherently high degree of risk. The Fund provides training to all staff as required to mitigate these risks and has operations and response manuals to cover common situations. Safety bonuses are also provided to employees in higher risk roles as a means of motivating safe performance of duties.

Parkland has a Health, Safety & Environment ("HSE") Committee. The HSE Committee represents all areas of the Fund's business and ensures all identified risks are properly mitigated and that procedures and documentation are consistent across the entire organization. In 2005, Parkland satisfactorily completed an external audit of its safety program and facilities.

Technology

Parkland utilizes technology to assist with the administration and control of its operations. Technology initiatives are primarily implemented in-house with outside consultants used only to assist in specific areas. Parkland's technology initiatives include upgrading Point of Sale systems at convenience store and service station sites upgrading cardlock hardware and software; and continued maintenance and security related to overall network administration and Emergency Response Plan processes. Based on the current long-range technology plans, there are no significant issues anticipated that will cause undue risk to Parkland's business related to required or planned technology changes.

Internal Controls

Parkland's Board and management are aware of regulations related to internal controls certification. As such, there is currently an initiative to review and enhance existing systems documentation, analyze risks and identify and test key controls. The Fund believes that it will be able to continue to comply with regulations as required.

Business Risks

Risks Related to the Business and the Industry

Retail Pricing and Margin Erosion

Retail pricing for motor fuels is very competitive, with major oil companies and new entrants such as grocery chains and large retailers active in the marketplace. From time to time, factors such as competitive pricing, seasonal over-supply and lack of responsiveness of retail pricing to changes in crude oil costs can lead to lower margins in the Fund's business. This is normally limited to seasonal time frames or limited market areas but could occur more extensively. Furthermore, difficult fuel market conditions may also adversely affect the Fund's major customers and create increased credit risk. These risks are partially mitigated by the Fund's other sources of revenue, conservative credit policies, geographic diversification and by the wholesale business, which typically would only share in a portion of any market erosion.

Competition

We compete with major integrated oil companies, convenience store chains, independent convenience stores, gas station operators, large and small food retailers, discount stores, club stores and mass merchants, many of which are well-established companies. In recent years, several non-traditional retail segments have entered the motor fuel retail business, including supermarkets, club stores and mass merchants, and this additional competition has had a negative impact on motor fuel profit margins. These non-traditional motor fuel retailers have obtained a significant share of the motor fuel market and their market share is expected to grow. In some of our markets, our competitors have been in existence longer and have greater financial, marketing and other resources than we do. We may not be able to compete successfully against current and future competitors, and competitive pressures faced by us could materially and adversely affect our business, results of operations and financial condition.

Volatility in Crude Oil Prices and in Wholesale Petroleum Pricing and Supply

Our motor fuel revenues are a significant component of total revenues. Crude oil and domestic wholesale petroleum markets display significant volatility. We are susceptible to interruptions in the supply of motor fuel at our facilities. General political conditions and instability in oil producing regions, particularly in the Middle East and South America, could significantly and adversely affect crude oil supplies and wholesale production costs. Local supply interruptions may also occur. Volatility in wholesale petroleum supply and costs could result in significant changes in the retail price of petroleum products and in lower fuel gross margin per litre. In addition, changes in the retail price of petroleum products could dampen consumer demand for motor fuel. These factors could materially influence our motor fuel volume, motor fuel gross profit and overall customer traffic, which, in turn could have a material adverse effect on our operating results and financial condition.

Credit

The Fund grants credit to customers ranging from small independent service station operators to larger reseller accounts. These accounts may default on their obligations. The Fund manages this exposure through rigorous credit granting procedures, typically short payment terms and security interests where applicable. We attempt to closely monitor financial conditions of our customers.

Environmental

The operation of service stations, refinery facilities and petroleum transport trucks carry an element of environmental risk. To prevent environmental incidents from occurring, the Fund has extensive environmental procedures and monitoring programs at all of its facilities. To mitigate the impact of a major accident, Parkland has emergency response programs in place and provides its employees with extensive training in operational responsibilities in the event of an environmental incident.

Dependence on Key Suppliers

The Fund's business depends to a large extent on a small number of fuel suppliers, all of which are parties to long-term supply agreements. An interruption or reduction in the supply of products and services by such suppliers could adversely affect the Fund's revenue and distributions in the future. Further, if any of the long-term supply agreements are terminated or end in accordance with their terms, the Fund may experience disruptions in its ability to supply customers with product until a new source of supply can be secured, if at all. Such a disruption may have a material negative impact on the Fund's revenues, distributions and its reputation. Additionally, the Fund cannot ensure that it will be able to renegotiate such agreements or negotiate new agreements on terms favourable to the Fund.

The Fund is attempting to mitigate this risk by diversifying its supply portfolio to include substantial volumes from each of its major suppliers and growing to a level of annual sales volumes that will offer potential suppliers a compelling share of the fuel supply business in our regional market.

Economic Conditions

Demand for transportation fuels fluctuates to a certain extent with economic conditions. In a general economic slowdown there is less recreational and industrial travel and consequently less demand for fuel products, which may adversely affect the Fund's revenue, profitability and ability to pay distributions.

Dependence on Key Personnel

The Fund's success will be substantially dependent on the continued services of senior management. The loss of the services of one or more members of senior management could adversely affect the Fund's operating results. In addition, the Fund's continued growth depends on the ability of the Fund and its subsidiaries to attract and retain skilled operating managers and employees and the ability of its key personnel to manage the Fund's growth and consolidate and integrate its operations. There can be no assurance that the Fund will be successful in attracting and retaining such managers, employees and personnel.

Alternate Fuels

Industry continues to develop alternatives to fossil fuels for motive transport and continues to improve the efficiency of internal combustion engines. To date, no economically viable alternative to the transportation fuels the Fund markets is widely available. Should such an alternative become widely available, it may negatively affect the demand for the Fund's products. As well, certain provinces are developing legislation requiring the inclusion of ethanol in gasoline which may negatively affect the overall demand for fossil fuel products.

Technology

At the operational level, the Fund relies on electronic systems for recording of sales and accumulation of financial data. A major breakdown of computer systems would disrupt the flow of information and could cause a loss of records. This is mitigated by redundancies, emergency response plans and backup procedures.

Insurance

Although we have a comprehensive insurance program in effect, there can be no assurance that potential liabilities, including those arising from environmental harm, will not exceed the applicable coverage limits under our insurance policies. Not all risk factors are covered by insurance and no assurance can be given that insurance will be consistently available or will be consistently available on an economically feasible basis.

Management and Operation of Industries LP

The Board of Directors of Parkland Industries Ltd. oversees the management and operation of the Fund's operating entities. As a result, holders of Units will have limited say in matters affecting the operation of the business and, if such holders are in disagreement with the decisions of the Board of Directors, they will have limited recourse. The control exercised by the Board of Directors may make it more difficult for others to attempt to gain control or influence the activities of the operating entities.

Interest Rates

Parkland will have certain floating rate loans and may be negatively impacted by increases in interest rates, the effect of which increases would be to reduce the amount of cash available for distributions. In addition, the market price of the Units at any given time may be affected by the level of interest rates prevailing at such time.

Government Legislation

Transportation fuel sales are taxed by the federal (GST and excise tax), provincial and, in some cases, municipal governments. Increases in taxes are possible and could negatively affect demand for, or margin of, the Fund's products.

Refinery Sale

Parkland has previously announced its intention to sell the refinery to the Blood Tribe. The Letter of Intent related to the sale has expired. The tribe has commenced legal action against the Government of Canada seeking to confirm its tax status and other matters. Such action may take an extended period of time and its outcome is uncertain. Should the tribe be successful in its legal action the transaction could be considered. There is a risk that the sale of the refinery will not occur or that operation of the refinery may not be recommenced. If the refinery is not sold and it is determined that operation of the refinery will not recommence, Parkland may incur significant remediation costs. The current operating permit expires in 2007 and a new permit would be required to allow alternative uses of the facility.

Regional Economic Conditions

Our revenues may be negatively influenced by changes in regional or local economic variables and consumer confidence. External factors that affect economic variables and consumer confidence and over which we exercise no influence include unemployment rates, levels of personal disposable income and regional or economic conditions. Changes in economic conditions could adversely affect consumer spending patterns, travel and tourism in certain of our market areas. Some of our sites are located in markets which are more severely affected by weak economic conditions.

Risks Related to the Structure of the Fund

The following items refer to the structure of the Fund and the legal entities that are contained within this structure. The structure is described in greater detail in the Annual Information Form and the 2005 Information Circular. Parkland Income Fund (the "Fund") owns Parkland Income Trust (the "Trust") which in turn owns a portion of Parkland Holdings Limited Partnership ("Holdings LP"). The remainder of Holdings LP is held by investors through the Class B Limited Partnership Units referenced in note 6 of the financial statements. Holdings LP owns Parkland Industries Limited Partnership ("Industries LP") which conducts most of the business of the Fund. Holdings LP also owns Parkland Industries Ltd. (the "Administrator") which is the general partner of Industries LP and also owns Parkland Refining Ltd. which in turn holds the Bowden refinery assets.

Cash Distributions are Not Guaranteed and will Fluctuate with Performance of the Business

Although the Fund intends to distribute the interest and distributions income earned by the Fund, less expenses and amounts, if any, paid by the Fund in connection with the redemption of Units, there can be no assurance regarding the amounts of income to be generated by the Business and transferred indirectly to the Fund.

The actual amount distributed in respect of the Units will depend upon numerous factors, including profitability, fluctuations in working capital, the sustainability of margins, capital expenditures and the actual cash amounts distributed to the Fund, directly and indirectly, by the Trust, Holdings LP and Industries LP.

Capital Investment

The timing and amount of capital expenditures will directly affect the amount of cash available for distribution to Unitholders. Distributions may be substantially reduced at times when significant capital or other expenditures are made.

Nature of Units

Securities like the Units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The Units do not represent a direct investment in the Trust, Holdings LP, Industries LP or the Administrator and should not be viewed by investors as Trust Units, Trust Notes, Holdings LP Units, Industries Participating LP Units or Parkland Shares. As holders of Units, Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The Units represent a fractional interest in the Fund. The Fund's primary assets will be Trust Notes and Trust Units. The price per Unit is a function of anticipated Distributable Cash and other market factors.

The Units are not "deposits" within the meaning of the Canada Deposit Insurance Corporation Act (Canada) and are not insured under the provisions of that Act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Unitholder Limited Liability

The Fund Declaration of Trust provides that no Unitholder will be subject to any liability in connection with the Fund or its obligations and affairs or for any act or omission of the Trustee and, in the event that a court determines Unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of, each Unitholder's share of the Fund Assets as represented by the Unit certificates. The Fund Declaration of Trust further provides that all written instruments signed by or on behalf of the Fund shall contain a provision or be subject to an acknowledgment to the effect that such obligation will not be binding upon Unitholders personally and that such provision or acknowledgment shall be held in trust and enforced by the Trustee for the benefit of the Unitholders.

However, in conducting its affairs, the Fund will assume certain contractual obligations and may have to assume further obligations in the future. Although the Trustees will use reasonable efforts to have any contractual obligations modified so as not to have such obligations binding upon any of the Unitholders personally, they may not obtain such a modification in all cases. To the extent that any claims under such contracts are not satisfied by the Fund, there is a risk that a Unitholder will be held personally liable for obligations of the Fund where the liability is not disavowed as described above.

Notwithstanding the terms of the Fund Declaration of Trust, Unitholders may not be protected from liabilities of the Fund to the same extent as a shareholder is protected from the liabilities of a corporation. Personal liability may also arise in respect of claims against the Fund (to the extent that claims are not satisfied by the Fund Assets) that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. The business of the Fund, the Trust, Holdings LP and Industries LP, will be conducted, upon the advice of counsel, in such a way and in such jurisdictions so as to avoid, as far as possible, any material risk of liability to the Unitholders for claims against the Fund including obtaining appropriate insurance, where available, for the operations of the Fund and Industries LP and their subsidiaries and ensuring that all written agreements signed by or on behalf of the Fund include a provision that such obligations are not binding upon Unitholders personally. However, there can be no assurance that a Unitholder will not be subject to liability in the future.

Distribution of Securities on Redemption or Termination of the Fund

Upon a redemption of Units or termination of the Fund, the Trustee may distribute the Fund Notes, Trust Notes, Trust Units or Holdings LP Units directly to the Unitholders, subject to obtaining any required regulatory approvals. Fund Notes, Trust Notes, Trust Units or Holdings LP Units so distributed may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans and other registered plans, depending upon the circumstances at the time.

The Fund May Issue Additional Units Diluting Existing Unitholders' Interests

The Fund Declaration of Trust authorizes the Fund to issue an unlimited number of Units for the consideration and on those terms and conditions as are established by the Directors without the approval of any Unitholders. Additional Units will be issued by the Fund on the exchange of Rollover LP Units.

Restrictions on Potential Growth

The payout by Industries LP of substantially all of its operating cash flow will make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of those funds could limit the future growth of Industries LP and its cash flow.

Investment Eligibility and Foreign Property

There can be no assurance that the Units will continue to be qualified investments for registered retirement savings plans, deferred profit sharing plans, registered retirement income trusts, registered education savings plans or other registered plans or that the Units will not be foreign property under the Tax Act. The Tax Act imposes penalties for the acquisition or holding of non-qualified or ineligible investments and on excess holdings of foreign property.

Income Tax Matters

There has been considerable debate and consultation in Canada concerning the continued use and expansion of income trusts and other flow-through entities both publicly and from the Department of Finance (Canada). Prior to announcing the recent Federal election, the Minister of Finance announced that the Department of Finance had concluded its consultation process and that no changes to the law governing income trusts and other flow-through entities would be forthcoming. It is possible the deliberations concerning income trusts and other flow-through entities could resume.

There can be no assurance that the applicable tax rules would not be changed in the future in a way that could adversely impact the Fund and/or Unitholders.

There can be no assurance that the Fund will continue to qualify as a mutual fund trust within the meaning of the Tax Act. The consequences of not being a mutual fund trust include the following:

- the Units would cease to be qualified investments under the aforementioned plans which can have negative tax consequences to such plans and their annuitants and beneficiaries;
- the Fund would be required to pay a tax under Part XII.2 of the Tax Act. The payment of Part XII.2 tax by the Fund may have adverse income tax consequences for certain Unitholders, including non-resident persons and residents of Canada who are exempt from Part I tax;
- the Units would be foreign property for certain Unitholders and other persons subject to tax under Part XI of the Tax Act. The February 23, 2005 Canadian Federal Budget (the "2005 Budget") proposed to eliminate the limit in respect of foreign property that may be held in the above noted plans for months which end in 2004 and for subsequent years. However, no assurance can be provided that the Tax Act will be amended in accordance with the 2005 Budget or at all; and
- the Units would constitute taxable Canadian property for the purposes of the Tax Act, potentially subjecting non-residents of Canada to tax pursuant to the Tax Act on the disposition (or deemed disposition) of such Units.

Effect of Canadian Federal Government Budget Proposals

The March 23, 2004 Canadian Federal Budget (the “2004 Budget”) proposed to introduce changes to pensions and their investment in trust entities. The proposed changes, if enacted, would restrict pension funds in their ownership of “business income trusts” such as the Fund after 2004 to one percent of the book value of the pension fund’s assets and to no more than five percent of the units of any business income trust. On May 18, 2004, the Minister of Finance (Canada) announced that the proposals announced in the 2004 Budget would be suspended to allow consultation with representatives of the pension fund industry, the investment industry, provincial governments and other interested parties. Following such consultations, the Minister of Finance (Canada) has indicated the Government will issue legislation and explanatory notes for the proposed changes introduced in the 2004 Budget. Such proposals did not contain any proposed legislation on an investment by a pension fund in “business income trusts” described above. If enacted, these changes may limit demand for our Units and adversely affect the liquidity and market value of our Units.

The 2004 Budget introduced a new 15 percent Canadian non-resident withholding tax on the non-taxable portion of the Fund’s distributions, which, under the current provisions of the Tax Act are not subject to any Canadian withholding tax. The new 15 percent Canadian withholding tax would potentially be applicable to distributions made by the Fund after 2004. The new 15 percent Canadian withholding tax will only apply if, at the time of the distribution, the Units are listed on a prescribed stock exchange (which includes the Toronto Stock Exchange) and more than 50 percent of the fair market value of the Units is attributable to real property situated in Canada, Canadian resource property, timber resource property, or any combination thereof. If a subsequent disposition of a Unit results in a capital loss to a non-resident, a refund of the new 15 percent Canadian withholding tax is available in limited circumstances, subject to the filing of a special Canadian tax return. The proposed withholding tax rules may reduce the amount of after-tax distributions available for non-residents.

The 2004 Budget also introduced a 25 percent withholding tax on distributions made to non-residents of Canada which are attributable to capital gains realized by the Fund after March 22, 2004 on the disposition of taxable Canadian property where the Fund has made certain designations on such capital gains with respect to its Unitholders. The 25 percent rate of Canadian withholding tax may be reduced pursuant to the terms of an applicable income tax treaty between Canada and the non-resident's jurisdiction of residence. The proposed withholding tax rules may reduce the amount of after-tax distributions available for non-residents.

Controls Environment

Management is responsible for the preparation and fair presentation of the consolidated financial statements. We have established disclosure controls and procedures, internal controls over financial reporting, and corporate wide policies to provide that Parkland's consolidated financial position, results of operations and cash flows are presented fairly. Our disclosure controls and procedures are designed to ensure timely disclosure and communication of all material information required by regulators.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, these systems provide reasonable, but not absolute assurance, that financial information is accurate and complete.

The Fund, under the supervision and participation of management, including the Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures pursuant to Multinational Instrument 52-109 "Certificate of Disclosure in Issuers' Annual and Interim Filings" as of the end of the period covered by this report. Based on the evaluations, it was concluded that our disclosure controls and procedures were effective as of December 31, 2005 to provide reasonable assurance that information required is recorded, processed, summarized and reported within the time periods specified by the applicable Canadian securities regulators. Furthermore, our disclosure controls and procedures include controls and procedures designed to provide reasonable assurances that information required to be disclosed in reports filed or submitted under applicable Canadian securities regulations is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Responsibility for Financial Statements

The accompanying financial statements of Parkland Income Fund have been prepared by management in accordance with generally accepted accounting principles. Parkland's accounting procedures and related systems of internal control are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable. In recognizing that the Fund is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been prepared accordingly and within reasonable limits of materiality. Further, management is satisfied that the financial information throughout the balance of this annual report is consistent with the information presented in the financial statements.

PricewaterhouseCoopers LLP have been appointed by the Unitholders of Parkland to serve as the Fund's external auditors. They have examined the financial statements of the Fund for the years ended December 31, 2005 and 2004.

The Audit Committee has reviewed these statements with management and the auditors, and has reported to the Board of Directors. The Board has approved the information contained in the financial statements of Parkland which are contained in this annual report.

Michael W. Chorlton
President and CEO
Red Deer, Alberta

March 1, 2006

John G. Schroeder
Vice President and CFO
Red Deer, Alberta

March 1, 2006

Auditors' Report

To the Unitholders of Parkland Income Fund

We have audited the consolidated Balance Sheet of Parkland Income Fund as at December 31, 2005 and 2004 and the consolidated Statements of Earnings and Retained Earnings and Cash Flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2005 and 2004 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

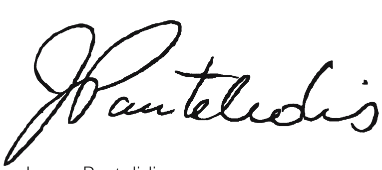
PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta

February 3, 2006

Consolidated Balance Sheet

($000's)	**December 31, 2005**	December 31, 2004
Assets		
Current Assets		
Cash and cash equivalents	**$ 8,290**	$ 5,286
Accounts receivable	**34,253**	21,923
Inventories	**18,962**	17,973
Prepaid expenses	**1,570**	1,522
	63,075	46,704
Other	**1,859**	2,101
Capital assets (Note 2)	**66,454**	66,652
Future income taxes (Note 7)	**1,631**	1,960
	$133,019	$ 117,417
Liabilities		
Current Liabilities		
Accounts payable	**$ 53,011**	$ 40,315
Income tax payable	**1,138**	–
Long-term debt – current portion (Note 5)	**6,862**	4,466
	61,011	44,781
Long-term debt (Note 5)	**9,749**	13,169
Refinery closure accrual (Note 3)	**3,038**	3,400
Asset retirement obligations (Note 4)	**1,120**	1,043
	74,918	62,393
Unitholders' Capital		
Class B Limited Partners' Capital (Note 6)	**13,055**	18,833
Unitholders' Capital (Note 6)	**45,046**	36,191
	58,101	55,024
	$133,019	$ 117,417



James Pantelidis
Chairman of the Board

Michael W. Chorlton
President and CEO

Consolidated Statement of Earnings and Retained Earnings

For the years ended ($000's except per unit amounts)	**December 31, 2005**	December 31, 2004
Net sales and operating revenue	**$875,539**	$ 686,658
Cost of sales and operating expenses	**783,615**	603,766
Gross margin	**91,924**	82,892
Expenses		
Marketing, general and administrative	**55,223**	52,363
Amortization	**8,804**	9,242
Loss on writedown of refinery assets	**–**	25,310
Interest on long-term debt	**873**	738
	64,900	87,653
Earnings (loss) before income taxes	**27,024**	(4,761)
Income tax expense (recovery) (Note 7)		
Current	**1,726**	(103)
Future	**329**	(8,618)
	2,055	(8,721)
Net earnings	**$ 24,969**	$ 3,960
Retained earnings, beginning of year	**–**	–
Allocation to Class B Limited Partners (Note 6)	**(6,859)**	(2,187)
Allocation to Unitholders (Note 6)	**(18,110)**	(1,773)
Retained earnings, end of year	**$ –**	$ –
Net earnings per unit – basic	**$ 2.03**	$ 0.33
Net earnings per unit – diluted	**$ 2.02**	$ 0.32
Units outstanding	**12,338**	12,221

Consolidated Statement of Cash Flows

For the years ended ($000's)	**December 31, 2005**	December 31, 2004
Cash Provided By Operations		
Net earnings	**$ 24,969**	$ 3,960
Add (deduct) non-cash items		
Amortization	**8,804**	9,242
Unit option compensation	**181**	97
Accretion expense (Note 4)	**60**	57
Loss on writedown of refinery assets	**–**	25,310
Future taxes	**329**	(8,618)
Cash flow from operations	**34,343**	30,048
Net changes in non-cash working capital (Note 10)	**467**	526
Cash from operating activities	**34,810**	30,574
Financing Activities		
Proceeds from long-term debt	**3,458**	5,485
Long-term debt repayments	**(4,483)**	(4,556)
Fund units issued	**1,799**	1,305
Distributions to Class B Limited Partners	**(6,761)**	(8,534)
Distributions to Unitholders	**(17,111)**	(12,541)
Cash (used for) financing activities	**(23,098)**	(18,841)
Investing Activities		
Change in other assets	**242**	974
Refinery closure expenditures	**(362)**	–
Purchase of capital assets	**(8,812)**	(12,265)
Proceeds on sale of capital assets	**224**	2,127
Cash (used for) investing activities	**(8,708)**	(9,164)
Increase in cash	**3,004**	2,569
Cash and Cash equivalents, beginning of period	**5,286**	2,717
Cash and Cash equivalents, end of period	**$ 8,290**	$ 5,286

Notes to Consolidated Financial Statements

December 31, 2005

Dollar and unit amounts presented in tables are in thousands, except per unit information.

Significant Accounting Policies

Basis of Presentation

Parkland Income Fund (the “Fund” or “Parkland”) is an unincorporated, open-ended limited purpose mutual fund trust established under the laws of the Province of Alberta on April 30, 2002. The Fund was created to acquire the fuel marketing, convenience store and related ancillary businesses formerly owned by Parkland Industries Ltd. This acquisition was completed on June 28, 2002 through a Plan of Arrangement that resulted in the previous Parkland Industries Ltd. shareholders indirectly exchanging their shares for Units in the Fund or Class B Limited Partnership Units in Parkland Holdings Limited Partnership (“LP Units”), a limited partnership controlled by the Fund.

Principles of Consolidation

The consolidated financial statements include the accounts of all wholly owned subsidiaries, partnerships and trusts. All significant accounts and transactions between consolidated entities are eliminated.

The LP Units are, to the greatest extent possible, the economic equivalent to a Unit in the Fund. They are exchangeable by the holder on a one-for-one basis into Units in the Fund until June 30, 2008. In certain circumstances, and at any time after June 30, 2008, the Fund may compel the exchange of the LP Units. As such, the LP Units are treated as being equivalent to Fund Units.

Use of Estimates

The preparation of the financial statements necessarily involves the use of estimates and approximations. Should the underlying assumptions change, the actual amounts could differ from those estimated.

Estimates are used when accounting for items such as allowance for doubtful accounts, asset retirement obligations, the refinery closure accrual and amortization.

Inventories

The Fund values its inventories at the lower of cost and market value. The Fund uses the last-in, first-out (LIFO) method of determining the cost of product inventory.

Amortization

Amortization is provided for on a straight line basis over the estimated useful lives of assets at the following annual rates:

Land improvements	4 percent
Buildings	5 percent
Equipment	10-20 percent
Assets under capital lease	10-20 percent

Income Taxes

Income earned directly by the Limited Partnership is not subject to income taxes as its income is taxed directly to the Limited Partnership unitholders. Income earned in the Fund and distributed to the Fund unitholders is taxed directly to the Fund unitholders. Income taxes incurred by taxable entities controlled by the Fund are accounted for using the future method. Under this method, the Fund recognizes a future tax liability whenever recovery or settlement of the carrying amount of an asset or liability would result in future income tax outflow. Similarly, the Fund recognizes a future income tax asset whenever recovery or settlement of the carrying amount of an asset or liability would generate future income tax reductions.

Long-term future tax assets relate primarily to the difference in the carrying value of the refinery assets to the tax basis.

Asset Retirement Obligations

The estimated future costs to remove underground fuel storage tanks at locations where the Fund has a legal obligation to remove these tanks is recorded as an Asset Retirement Obligation at the time the tanks are installed. A corresponding increase to the carrying value of the fuel storage tanks is also recorded at installation. The Fund recognizes accretion expense in connection with the discounted retirement obligation and amortization in connection with the increase in carrying value over the estimated remaining life of the respective underground fuel storage tanks.

Long-Term Debt

Capital lease obligations, which relate to transactions which are similar in nature to a purchase, are capitalized and included in long-term debt.

Earnings Per Unit

Basic earnings per unit are calculated on the weighted average number of units outstanding for the period. Diluted earnings per unit are calculated by application of the Treasury Stock Method. Under this method, the units are calculated based upon the weighted average number of units outstanding for the period plus the dilutive effect of the exercise of those employee stock options which were “in-the-money” during the period.

Revenue

Net sales and operating revenue are recorded net of provincial fuel taxes. The Fund recognizes revenue on its sale of goods when title passes to the purchaser.

Grants of Options

The Fund accounts for its grants of options in accordance with the fair value based method of accounting for stock-based compensation.

Cash and Cash Equivalents

Cash and cash equivalents include short-term investments, such as money market deposits or similar type instruments, with a maturity of three months or less when purchased.

1. Earnings Analysis and Earnings per Unit

For the years ended December 31	**2005**	2004
Earnings (loss) before tax	**$ 27,024**	$ (4,761)
Income tax expense (recovery)		
Current	**1,726**	(103)
Future	**329**	(8,618)
Total income tax expense (recovery)	**$ 2,055**	$ (8,721)
Net earnings	**$ 24,969**	$ 3,960
Earnings per unit – basic	**$ 2.03**	$ 0.33
– diluted	**$ 2.02**	$ 0.32

For the years ended December 31	**2005**	2004
Equivalent units outstanding, beginning of year	**12,221**	12,132
Weighted average of equivalent units issued pursuant to distribution reinvestment plan	**18**	10
Weighted average of equivalent units issued pursuant to exercise of employee unit options	**61**	40
Denominator utilized in basic earnings per unit	**12,300**	12,182
Incremental equivalent units outstanding that were "in-the-money"	**67**	106
Denominator utilized in diluted earnings per unit	**12,367**	12,288

2. Capital Assets

December 31, 2005	**Cost**	**Accumulated Amortization**	**Net Book Value**
Land	**$ 14,891**	**$ –**	**$ 14,891**
Land improvements	**6,490**	**2,025**	**4,465**
Buildings	**23,371**	**9,576**	**13,795**
Assets under capital lease	**14,691**	**6,730**	**7,961**
Equipment	**58,696**	**33,354**	**25,342**
	$118,139	**$ 51,685**	**$ 66,454**

December 31, 2004	Cost	Accumulated Amortization	Net Book Value
Land	$ 14,508	$ –	$ 14,508
Land improvements	6,238	1,862	4,376
Buildings	20,455	8,035	12,420
Assets under capital lease	13,168	5,304	7,864
Equipment	58,137	30,653	27,484
	$ 112,506	$ 45,854	$ 66,652

3. Refinery Closure Accrual

In December, 2004 the Fund reduced the carrying value of its Bowden refinery by $25.3 million to a net liability of $3.4 million based on the uncertainty of creating an alternative to the refinery being dismantled, remediated and sold for salvage values. A corresponding tax recovery of $8.6 million was also recorded related to the writedown.

Annual costs of approximately $400,000 will continue to be incurred to protect the value of the refinery assets. These costs primarily relate to security, maintenance, insurance and property taxes and will continue to be expensed as incurred. In 2005 the Fund incurred $362,000 of closure costs related to the buyout of a supply contract.

The Fund is currently pursuing alternative uses for the refinery site.

4. Asset Retirement Obligations

A reconciliation of the Fund's liability for the removal of its underground fuel storage tanks is as follows:

For the years ended December 31	**2005**	2004
Asset retirement obligations, beginning of year	**$ 1,043**	$ 930
Additions during the year	**17**	56
Accretion expense	**60**	57
Asset retirement obligations, end of year	**$ 1,120**	$ 1,043

On an undiscounted basis, the estimated liability is $1.5 million, with costs expected to be incurred between 2006 and 2019. The discount rate used to calculate the liability is 6.9 percent.

5. Long-Term Debt

	December 31, 2005	December 31, 2004
Bank loans secured by an assignment of accounts receivable, inventories and demand debentures creating a first fixed charge over specific fixed assets and floating charge upon all other assets. The loans are repayable in monthly installments of $141,368 including interest at prime plus 0.35 percent. The effective interest rate at year end was 5.35 percent (2004 – 4.60 percent). The loans mature at various dates from November 30, 2006 to December 31, 2010.	**$ 5,448**	$ 3,286
Mortgages payable in monthly installments totaling $135,169 including interest. Interest rates vary from 5.15 percent to 8.50 percent and prime plus 0.70 percent to prime plus 0.80 percent per annum. The effective rates of interest at year end for the prime based loans were 5.70 percent to 5.80 percent (2004 – 4.95 percent to 5.05 percent). The mortgages are secured by real properties with a net book value of $8,907,000 and mature at various dates ending May 7, 2009.	**4,462**	5,359
Capital leases payable in monthly installments totaling $207,338 including interest varying from 4.54 percent to 16.34 percent and prime plus 0.35 percent per annum. The effective rate of interest at year end for the prime based lease was 5.35 percent (2004 – 4.60 percent). The leases are for land, buildings and equipment with a net book value of $7,961,000 and mature at various dates ending July, 2022.	**6,701**	8,928
Unsecured notes	**–**	62
	16,611	17,635
Less current portion	**6,862**	4,466
	$ 9,749	$ 13,169

Estimated principal repayments for the next 5 years are:

2006	$ 6,862
2007	3,120
2008	3,369
2009	1,572
2010	803
Thereafter	885
	$ 16,611

For the years ended December 31, 2005 and 2004 the Fund did not incur net interest expense on working capital borrowings as average monthly cash balances exceeded average borrowings.

The Fund has outstanding letters of credit totaling $25,685,000 (December 31, 2004 – $18,605,000) which mature at various dates to October 21, 2006.

For 2005 the Fund has available lines of credit of $28,000,000, subject to margin calculations. The outstanding letters of credit are considered a part of this facility.

6. Unitholders' Capital

An unlimited number of Fund Units and LP Units may be created and issued, pursuant to the Fund Declaration of Trust and the Amended and Restated Limited Partnership Agreement, respectively, as outlined in the Plan of Arrangement.

Fund Units represent an undivided interest in the Fund. LP Units represent a partnership interest in Parkland Holdings Limited Partnership and are exchangeable on a one-for-one basis into Fund Units. Both Fund Unitholders and LP Unitholders are entitled to vote at meetings of the Fund and are entitled to distributions from time to time as determined by the Board of Directors.

	December 31, 2005		December 31, 2004	
	Units	**Dollars**	Units	Dollars
Class B Limited Partnership Units				
Balance, beginning of year	**4,307**	**$ 18,833**	5,411	$ 31,487
Allocation of retained earnings	**–**	**6,859**	–	2,187
Distribution to partners	**–**	**(6,761)**	–	(8,534)
Exchanged for Fund Units	**(1,399)**	**(5,876)**	(1,104)	(6,307)
Balance, end of year	**2,908**	**13,055**	4,307	18,833
Unitholders' Capital				
Balance, beginning of year	**7,914**	**36,191**	6,721	39,250
Allocation of retained earnings	**–**	**18,110**	–	1,773
Unit option compensation	**–**	**181**	–	97
Issued under distribution reinvestment plan	**32**	**661**	22	441
Issued under unit option plan	**85**	**1,138**	67	864
Distribution to unitholders	**–**	**(17,111)**	–	(12,541)
Exchange of Limited Partnership Units	**1,399**	**5,876**	1,104	6,307
Balance, end of year	**9,430**	**45,046**	7,914	36,191
	12,338	**$ 58,101**	12,221	$ 55,024

The Fund has an Incentive Option Plan under which the Fund may grant up to 1,200,000 Incentive Options to directors, officers, employees and consultants. The incentive options have a 10 year term and, with limited exceptions, vest proportionately over the first three anniversary dates following the grant.

The table below represents the status of the Fund's Incentive Option Plan as at December 31, 2005 and 2004 and the changes therein for the periods then ended:

	2005		2004	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	**438**	**$ 15.26**	361	$ 13.04
Granted	**280**	**$ 21.38**	170	$ 19.03
Options exercised	**(85)**	**$ 13.45**	(67)	$ 12.87
Cancelled	**(83)**	**$ 19.02**	(26)	$ 15.22
Balance, end of year	**550**	**$ 18.09**	438	$ 15.26
Exercisable options, end of year	**129**	**$ 15.28**	55	$ 13.23

Exercise prices for outstanding options at December 31, 2005 have the following ranges: 162,309 from $12.45 – $15.71; 143,668 from $17.62 – $18.97 and 244,000 from $21.05 – $21.80, which represent market value at the date of issue.

The corresponding remaining contractual life for these options ranges from 7 to 10 years.

The Fund accounts for its grants of options in accordance with the fair value based method of accounting for stock-based compensation. The total cost to be reported is $577,910. The compensation cost that has been charged against income for the year ended December 31, 2005 is $181,000 (December 31, 2004 – $97,000).

The fair value of the options granted is estimated using the Black-Scholes options pricing model on the basis of the following assumptions:

Expected average annual distribution	$1.80
Expected average volatility	20 percent
Weighted average risk-free interest rate	3.25 percent
Expected life	3 years

The weighted average fair value of options granted during the year is $1.25.

7. Income Taxes

Income tax expense varies from the amounts that would be computed by applying the Canadian Federal and Provincial income tax rates to earnings before provision for income taxes as shown in the following table:

	December 31, 2005		December 31, 2004	
For the years ended	**Amount of**	**%**	Amount of	%
Provision for income taxes at statutory rates	**$ 9,085**	**33.62**	$ (1,612)	33.87
Add (deduct) the tax effect of:				
Income earned in limited partnership	**(7,697)**	**(28.48)**	(6,796)	142.74
Large Corporation/Capital Taxes	**623**	**2.30**	(103)	2.16
Change in tax rates	**–**	**–**	(158)	3.32
Other	**44**	**0.16**	(52)	1.08
	$ 2,055	**7.60**	$ (8,721)	183.17

Capital assets and inventory held directly by the Limited Partnership, having carrying values of $51,630,510 (December 31, 2004 – $51,739,494) and $5,856,757 (December 31, 2004 – $5,077,934), have a tax basis of $46,736,174 (December 31, 2004 – $47,750,014) and $8,319,802 (December 31, 2004 – $6,331,134), respectively.

Future income tax assets amounting to $1,631,000 (2004 – $1,960,000) relate to the difference in carrying value of the refinery assets to the tax basis. The refinery assets are held by Parkland Refining Ltd., a wholly owned subsidiary of the Fund.

8. Commitments

The Fund has contracted obligations under various debt agreements as well as under operating and capital leases for land, building and equipment. Minimum operating lease payments under the existing terms for each of the five succeeding years are as follows:

2006	$ 1,641
2007	$ 1,309
2008	$ 909
2009	$ 448
2010	$ 194

The Fund also has purchase commitments under its fuel supply contracts that require the purchase of approximately 1.4 billion litres of product over the next year.

9. Financial Instruments

The fair value of cash, accounts receivable and accounts payable are equal to their carrying values due to their short term maturities. The fair value of long-term bank loans equal their carrying values as their interest rates fluctuate with the prime lending rate. The carrying values and fair values of mortgages payable, capital lease obligations, unsecured notes payable and other assets, which consist primarily of mortgages and loans receivable, are as follows:

	December 31, 2005		December 31, 2004	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Mortgages payable	**$ 4,462**	**$ 4,465**	$ 5,359	$ 5,359
Capital lease obligations	**6,701**	**6,735**	8,928	8,991
Notes payable	**–**	**–**	62	62
Mortgages and loans receivable	**1,930**	**1,822**	2,438	2,347

Fair value of mortgages and loans receivable and long-term debt are estimated using discounted cash flow analysis based upon incremental borrowing rates for similar borrowing arrangements.

The Fund does not have a significant credit exposure to any individual customer. The Fund reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. Mortgages and loans receivable are receivable in monthly instalments of $31,368, bear interest at rates ranging between 0 and 13 percent and are secured by specific assets of the mortgage.

10. Net Changes in Non-Cash Working Capital

	December 31, 2005	December 31, 2004
Accounts receivable	**$ (12,330)**	$ (6,263)
Inventories	**(989)**	1,499
Prepaid expenses	**(48)**	115
Accounts payable	**12,696**	5,175
Income taxes payable	**1,138**	–
	$ 467	$ 526
Other cash flow information		
Cash taxes paid (received)	**$ 588**	$ (103)
Cash interest paid	**$ 873**	$ 738

11. Segmented Information

The Fund's operations are predominantly in fuel marketing in Western Canada. Commercial and retail sales are considered to be a single reportable segment as margins in both are predominantly dependent on the difference between fuel costs and retail prices for transportation fuels.

The Fund operates convenience stores that are integrated into fuel marketing properties already controlled by the Fund, and all continue to market transportation fuels. Due to the amount of common operating and property costs it is not practical to report these segments below gross margin.

Similarly, it is not practical to segregate total assets, capital expenditures or cash flows from these segments.

	Fuel Marketing	Merchandise	Total
Year ended December 31, 2005			
Net sales and operating revenue	**$ 830,569**	**$ 44,970**	**$ 875,539**
Cost of sales	**750,501**	**33,114**	**783,615**
Gross margin	**$ 80,068**	**$ 11,856**	**$ 91,924**
Year ended December 31, 2004			
Net sales and operating revenue	$ 648,607	$ 38,051	$ 686,658
Cost of sales	575,603	28,163	603,766
Gross margin	$ 73,004	$ 9,888	$ 82,982

Corporate Information

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Annual General Meeting

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Trade and Convention Centre
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Red Deer, Alberta

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Kris Matthews
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Officers

Michael W. Chorlton
President and CEO

John G. Schroeder
Vice President and CFO
Corporate Secretary
Chief Privacy Officer

Kelly G. Collier
Controller, Retail

Wholly Owned Subsidiaries

986408 Alberta Ltd.
986413 Alberta Ltd.
Parkland Holdings Limited Partnership
Parkland Industries Limited Partnership
Parkland Industries Ltd.
Parkland Investment Trust
Parkland Refining Ltd.

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