PARKLAND INCOME FUND

STRATEGIC FOCUS FOCUSED PEOPLE

2008 ANNUAL REPORT

The market leader in customer loyalty, employee engagement and investor confidence.

CORPORATE PROFILE

2008 was a challenging year with unprecedented oil price volatility combined with stress in the capital and debt markets. Despite these headwinds, Parkland delivered strong financial performance and operating results, while maintaining our monthly distributions and pursuing our growth strategy with two acquisitions. We have also stayed true to our conservative financial management and core values-based leadership approach. Today, Parkland provides customers with products ranging from wholesale and retail gasoline and diesel plus a full suite of convenience store items to propane lubricants, oilfield fluids and farm chemicals. We continue our position as one of Canada's largest independent marketers of transportation and related fuels. Parkland units trade on the Toronto Stock Exchange under the symbol PKI.UN.

FORWARD-LOOKING INFORMATION DISCLAIMER Certain information contained herein regarding Parkland Income Fund ("Parkland") including statements that contain words such as "could", "should", "can", "anticipate", "estimate", "propose", "plan", "expect", "believe", "will", "may" and similar expressions and statements that are not related to historical facts constitute forward-looking information or statements under applicable securities laws. In particular, this Annual Report contains forward looking information pertaining to: an increase to the credit facility; information provided under the heading "Going Forward"; and management's assessment of future plans and operations.

The forward-looking information and statements contained in this Annual Report are based upon certain assumptions and factors such as historical trends, current conditions and expected future developments, which Parkland believes are reasonably accurate at the time of preparing this Annual Report. However, the forward-looking information and statements contained herein involve known and unknown factors and risks that could cause actual results to vary materially from those anticipated, including, without limitation, factors 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. Readers are cautioned that the foregoing list of factors is not exhaustive and that 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, all of the forward-looking information and statements in this Annual Report are expressly qualified by this cautionary statement. There is no representation by Parkland and there can be no assurance that actual results achieved will be the same in whole or in part as those set out in the forward-looking information and statements. Readers are therefore cautioned not to place undue reliance on such forward-looking information and statements. 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.

STRONG

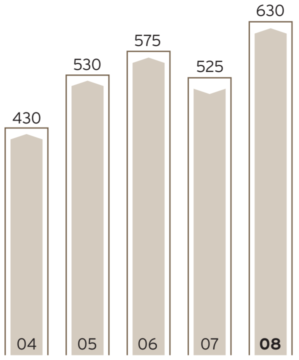
Parkland Income Fund has captured a unique market niche as the leading independent fuel marketer in western Canada. Parkland's unique strengths include our diversified business portfolio, conservative financial management, experienced leadership team and excellent reputation in the marketplace.

STRATEGIC

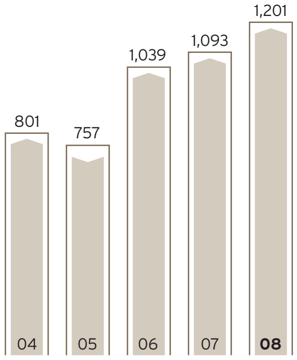
Parkland's track record demonstrates our ability to execute successful acquisitions. We focus on our base of non-urban independent fuel and related products marketing with four key strategic pillars in mind: [1] continue growth through expansion and acquisition; [2] manage risk through diversification and prudent fiscal management; [3] increase our competitiveness through service station upgrades; and [4] reduce operating costs and improve organizational effectiveness and training programs.

SUCCESSFUL

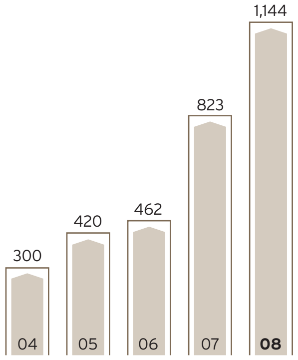
2008 was a challenging year with a slowing economy and volatile oil prices. Despite these challenges, Parkland delivered strong financial performance and operating results, while maintaining monthly distributions and pursuing our growth strategy with two acquisitions.



Total Number of Parkland Sites
As at December 31, 2008



Retail Volumes
As at December 31, 2008
(millions of litres)



Commercial and Reseller Volumes
As at December 31, 2008
(millions of litres)

PRESIDENT'S MESSAGE

To our Unitholders. The year 2008 was one with many challenges. Parkland was faced with declining fuel margins in an environment of rapid fuel price escalation for over half the year. This was followed by the collapse of energy prices and the crisis in credit and equity markets in the second half. Despite these headwinds, we exceeded analyst expectations for earnings, increased our borrowing capacity and continued to grow the business. While our unit price declined, we maintained our monthly distributions to unitholders without interruption or by means of a return of capital and re-purchased units under a normal course issuer bid.

Parkland Income Fund is one of Canada's leading independent retail and wholesale marketers of fuel and related products and services, with an expanding chain of non-urban store and branch locations in western and central Canada. We operate Retail, Commercial and Supply and Distribution business units.

Our retail service station and convenience store business positions Parkland as the largest independent retail marketer of transportation fuels and related products and services in the non-urban areas of western Canada. We have over 630 locations through company-owned sites and independent dealers using a variety of recognized brand names. With the acquisition of Noco Energy Canada in May 2008, we expanded our market niche with a growing presence in Ontario.

Our commercial business provides bulk fuel and propane as well as complementary products such as lubricants, oilfield fluids and agricultural inputs. The company operates 20 distribution centres for these products in northern Alberta, B.C. and the Yukon and supplies fuel to commercial customers through a chain of over 35 cardlock sites.

In 2008, we added additional long-haul capacity to our distribution business with the acquisition of Wiebe Transport Inc. This business unit supplies and delivers fuel, propane and agricultural inputs to our customers, service stations and distribution centres through our growing truck fleet complemented by commercial carriers.

We are a strong and growing player with a proven ability to capture value through strategic acquisitions. Last year proved that our approach to planned, calculated growth is sound. We achieved solid business results despite volatile petroleum prices and margins combined with a weakening economy.

Michael W. Chorlton

The words Strong, Strategic and Successful were introduced in last year's report and I believe this continues to best describe our position.

Strong player. Parkland has captured a unique market niche as the leading independent fuel marketer in western Canada. The company began in 1977 with the purchase of one retail gas station in Red Deer, Alberta. Since then, we've used our in-depth knowledge of the market to steadily and deliberately grow through a well executed strategy of acquisition and organic growth.

The diversity in Parkland's business portfolio is unique in our industry segment and a key source of our strength. This diversity comes in many forms. We are geographically diverse across western and central Canada. Through our retail and commercial divisions, we have a broad foundation of revenue with our product offerings and customer base. Our commercial and retail businesses have complementary seasonality – keeping us busy year round and smoothing earnings.

Conservative financial management remains a key part of our success. For example, our long-term debt at year end was only 0.9 times to 2008 EBITDA. We successfully increased our credit facility by $31 million in 2008 and expect to have a further increase in place in early 2009 to continue pursuing excellent growth opportunities.

Our reputation in the marketplace has earned us a preferred status among our suppliers and customers, giving us greater control over our future. For example, one of our key success factors is a secure source of fuel supply at industry leading prices. To this end, we have long-term supply contracts in place and strong relationships with three major refiners in western Canada and four in central Canada.

(Left to Right)
Bradley Willams
Vice President, Commercial Business Group

Stu MacPhail
Vice President, Corporate Development

Alan Crossley
Vice President, Supply and Distribution

Mike Chorlton
President and CEO

Abe Neufeld
Vice President, Commercial Business Development

John Schroeder
Vice President and CFO

Bob Espey
Vice President, Retail

Dean Mackey
Vice President, Human Resources

Our strength rests on the shoulders of our experienced leadership team and we recently made some significant additions. In November 2008, Bob Espey joined us as Vice President, Retail and Stu MacPhail began a new role as Vice President, Corporate Development. In January 2009, Dean Mackey joined us as Vice President, Human Resources. Our leadership approach is based on our core values: integrity, people, teamwork and success. We believe in doing the right thing, respecting the needs of customers, employees and stakeholders, while achieving greater results by working together as a team.

Strategic growth. Parkland's track record demonstrates our ability to execute successful acquisitions. We have successfully integrated assets within our organization, while gaining valuable talent and leadership. In 2008, we continued this strategic growth. In February, we acquired Wiebe Transport Inc., which expands our fuel delivery capacity and provides key infrastructure for future development. In May, we acquired Noco Energy Canada Inc., expanding our retail and wholesale fuel marketing business into Ontario. This acquisition included 56 independently owned and operated locations focused in non-urban markets under the brands Esso and Sunoco. Later in the year, we also entered into agreements to further expand our Esso retail branded business, adding 40 large dealers in Ontario and Alberta.

We are also working hard to create a solid, unified base for future growth. Throughout 2008, we underwent extensive business process re-engineering and are currently rebuilding our Enterprise Resource Planning (ERP) software. We are merging our systems, processes, controls and operations, while utilizing best business practices, consistency and uniformity to these core business activities. This will improve our overall operational efficiency, capitalize on synergies and set the stage for future acquisitions.

Key Strategies Going Forward

Growth. [1] Retail growth through acquisition and expanded distributorship [2] Increased geographic diversity [3] One acquisition in distribution division [4] Added capacity, versatility and flexibility

Increase competitiveness. [1] Integration of acquired assets and people [2] Counter cyclical business [3] Fuel volume growth increases buying power

Risk. [1] Conservative financial management [2] Environmental Health & Safety programs [3] Increased business diversity

Organizational effectiveness. [1] Key additions to leadership team [2] Value based leadership [3] Process re-engineering and software consolidation

Successful results. 2008 was a challenging year with a slowing economy and volatile oil prices. Despite these challenges, Parkland experienced continued growth through acquisitions, while also focusing on consolidation and operational efficiency. In 2008, we took action to protect our distributable cash, and although our unit value has declined along with others in the equity markets, we have been able to maintain our normal monthly distributions without disruption. We also increased our bank financing capacity to fund continued growth in our business.

Controllable operating earnings increased in 2008. However, our total EBITDA declined compared to 2007, primarily due to losses in FIFO inventory value from declining petroleum product prices and lower refiners' margins pushing our supply centre earnings lower.

Going forward. Parkland is well positioned to take on the current economic challenges, stay on point with our strategy and achieve solid results in 2009. In the first two months of 2009, our fuel sales volumes held up well despite the current economic weakness. Furthermore, retail and refiners' margins were strong compared to historic values for this season.

The foundations of our company will remain the same. We will be fiscally conservative, with a strong balance sheet and solid long-term supply contracts, maximizing our financial flexibility. We will continue to increase operational efficiency and consistency to create a strong base for future growth while pursuing our strategy of accretive acquisitions complimenting organic growth.

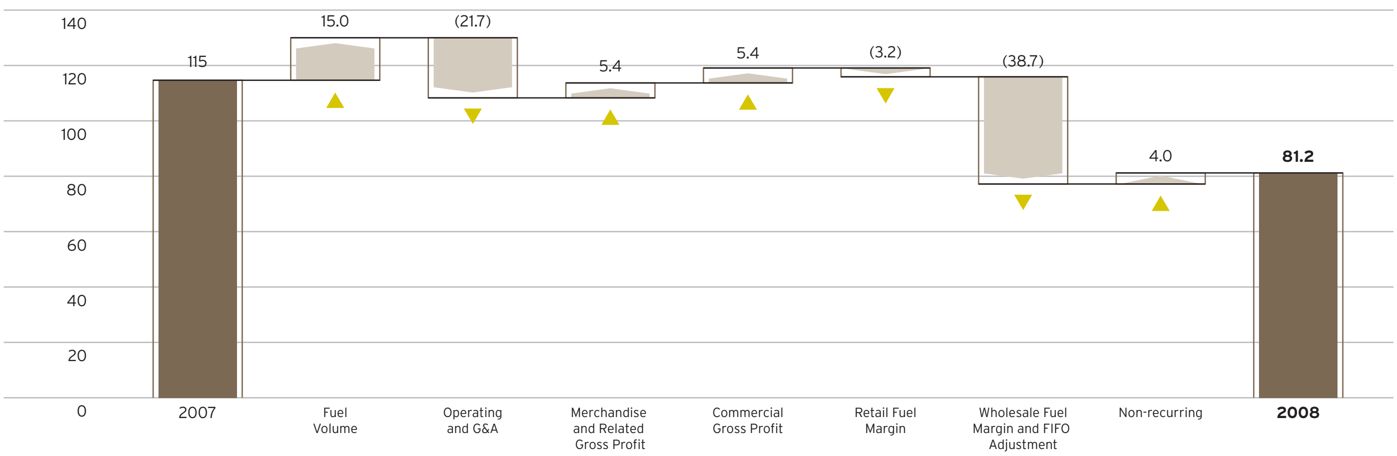
We plan to keep our trust status through 2010, barring a major development or compelling opportunity. Our growth rate has actually accelerated since the Federal Government's announcement of changes to trust taxation in 2006. We were a strong company prior to becoming a trust in 2002 and that underlying business remains robust, independent of our status as an income trust.

Most importantly, we will keep our focus on our values, our people and relationships that are built on hard work, quality service and mutual trust. These principles are embedded in our corporate culture.

Michael W. Chorlton
President and CEO
February 27, 2009

Year Over Year Changes in EBITDA

($ millions)



CHAIRMAN'S MESSAGE

Your Board of Directors faced a challenging year as we were confronted by the economic crisis and still managed to keep the balance of meeting the economic challenges while maintaining focus on vision, values, good governance and strategic development.

On the strategic front we have cautiously continued our growth strategy and progressed the development of long-term fuel supplies. This is seen in our acquisitions of Wiebe Transport and Noco Energy and our quick decision to terminate the Beaver Hills fuel production project and move on to our next set of supply alternatives.

The responsibility of the Board and management is to look beyond current issues and establish the building blocks for future success. We are committed to the principles of good governance and are highly focused on staying ahead of new standards as they emerge. For example:

- Our compensation disclosure last year was improved substantially with the new rules in mind.
- We have successfully completed the work needed to comply with new standards in business control testing.

Our focus on health, safety and the environment affects every aspect of our business. We are continually improving our policies, practices and training in this area. In our 2008 employee opinion survey, our focus on health and safety received the most positive response – a tribute to the intense effort in this area.

Last year, we greatly increased the scope of our human resources team, with a view toward utilizing the total capability of each individual. We believe excellence in this area provides people with a foundation they need to achieve their goals. While we continually develop our current employees, we also have the added opportunity to recruit top talent into our organization as our company continues to grow in difficult economic times.

We have maintained this focus at a time when the economic environment has been extremely challenging at best. Despite these challenges, we have been successful in maintaining unitholders' monthly distribution, achieving a 91% payout ratio and improving our borrowing capacity.

Jim Pantelidis

Most of all, today's marketplace needs businesses that inspire confidence. Customers want to be confident their expectations will be met, employees want to have confidence in a stable and fulfilling future and investors want to have confidence in their returns. Our vision at Parkland is to be the market leader in customer loyalty, employee engagement and investor confidence. We achieve this by meeting and exceeding customer expectations, giving our employees the environment and opportunities to succeed, and keeping on track with our strategy for growth combined with conservative financial management.

On behalf of the board of directors, I'd like to thank those we are privileged to serve for their continued confidence and support. I am proud of what we've achieved so far and look forward to a bright future.

Jim Pantelidis
Chairman, Board of Directors

2008 Performance Measures

	2008	2007	2006	2007/2008 % Change
Fuel Volume (millions of litres)	2,353	1,963	1,501	20
Merchandise Sales ($ million)	61.8	64.5	59.6	(4)
Gross Margin ($ million)	221.4	232.5	138.0	(5)
EBITDA ($ million)	81.2	115.0	70.7	(29)
Total Distributions ($ million)	63.4	90.5	56.2	(30)

FIVE YEAR SUMMARY

Years ended December 31, *($000's except volume and per Unit amounts)*	**2008**	2007	2006*	2005*	2004
Total assets	**405,488**	379,806	181,423	140,998	120,873
Total long-term liabilities	**88,558**	31,709	5,829	13,907	17,612
Sales volume *(millions of litres)*	**2,353**	1,963	1,501	1,177	1,101
Net sales and operating revenue	**2,348,126**	1,697,663	1,199,866	875,539	686,658
Cost of sales and operating expenses	**2,126,745**	1,465,155	1,061,824	779,092	600,310
Gross profit	**221,381**	232,508	138,042	96,447	86,348
Direct and operating	**91,960**	77,668	47,342	40,338	37,227
Marketing, general and administrative	**48,212**	39,785	20,044	14,885	15,136
EBITDA	**81,209**	115,055	70,656	41,224	33,985
Amortization	**30,359**	21,627	8,453	8,077	7,828
Interest on long-term debt	**4,831**	1,676	1,044	873	738
Loss on disposal of capital assets	**344**	275	608	727	1,414
Refinery remediation	**394**	2,677	—	—	—
Accretion	**113**	61	—	—	—
Loss on writedown of refinery	**—**	—	—	—	25,310
Earnings (loss) before income taxes	**45,168**	88,739	60,551	31,547	(1,305)
Income tax expense (recovery)	**827**	8,002	975	2,055	(8,721)
Net earnings	**44,341**	80,737	59,576	29,492	7,416
Per Unit					
– basic	**$ 0.88**	$ 1.66	$ 1.50	$ 0.75	$ 0.19
– diluted	**$ 0.88**	$ 1.64	$ 1.48	$ 0.75	$ 0.19
Merchandise sales	**61,780**	64,538	59,624	44,970	38,051
Total distributions	**63,416**	90,518	56,171	23,872	21,075
Funds flow from operations	**79,081**	114,013	69,191	41,960	30,048
Capital expenditures, net of disposals	**31,132**	29,475	11,148	8,588	10,138
Maintenance capital, net of disposals	**9,211**	13,465	6,296	4,525	4,352
Growth capital	**21,921**	16,010	4,852	4,063	5,786

* Restatement related to early adoption of IFRS mandated FIFO inventory accounting.

REVIEW OF OPERATIONS

Our Retail Business

Parkland's fuel marketing strategy is built upon four principles.

1. Non-urban market focus – invest in those markets where we are best suited to compete and grow market share;

2. Multi-branded networks – offer a branded value proposition tailored to the needs of different customers and geographic markets across Canada. Our in-house brands include: Fas Gas, Fas Gas Plus, Short Stop, Race Trac. We operate retail branded distributorships under the Esso and Sunoco brands.

3. Non-fuel revenue streams – lessen our reliance on fuel margins through a continued expansion of our Short Stop and Short Stop Express convenience stores with an added focus on the development of car washes and food service relationships; and

4. Organizational capability – focus on training and technology to deploy our values based leadership across the company, while maintaining a low cost operating model. We are totally revamping our point of sale processing capability to provide better data and compatibility with our new Enterprise Resources Planning system.

FAS GAS PLUS

The Fas Gas Plus brand has grown to be the largest segment of our retail offering. Over the past eight years, these sites have been built or upgraded to provide consistent in-store merchandise offering either with a 2,000 to 2,500 square foot Short Stop convenience store or a smaller footprint Short Stop Express store. The larger sites are generally company-operated with salaried managers and staff so that Parkland enjoys the full retail fuel and the merchandise profit. The smaller sites are generally operated by a contracted operator who supplies all on-site labour in exchange for a commission based on fuel sales volume. Parkland consigns fuel to these smaller sites and enjoys the full retail fuel profit as well as a monthly rent calculated as a percentage of merchandise sales. In 2008, we implemented a new and upgraded in-store design at seven sites with good success. The design has now been further refined and is set for wider deployment in the years ahead.

Fas Gas was Parkland's original brand used on all retail gasoline operations. As sites were upgraded, the brand was changed to Fas Gas Plus. There are 53 sites remaining in our network where upgrading is still to come or where property lease terms make upgrading unfeasible or market potential does not warrant further investment.

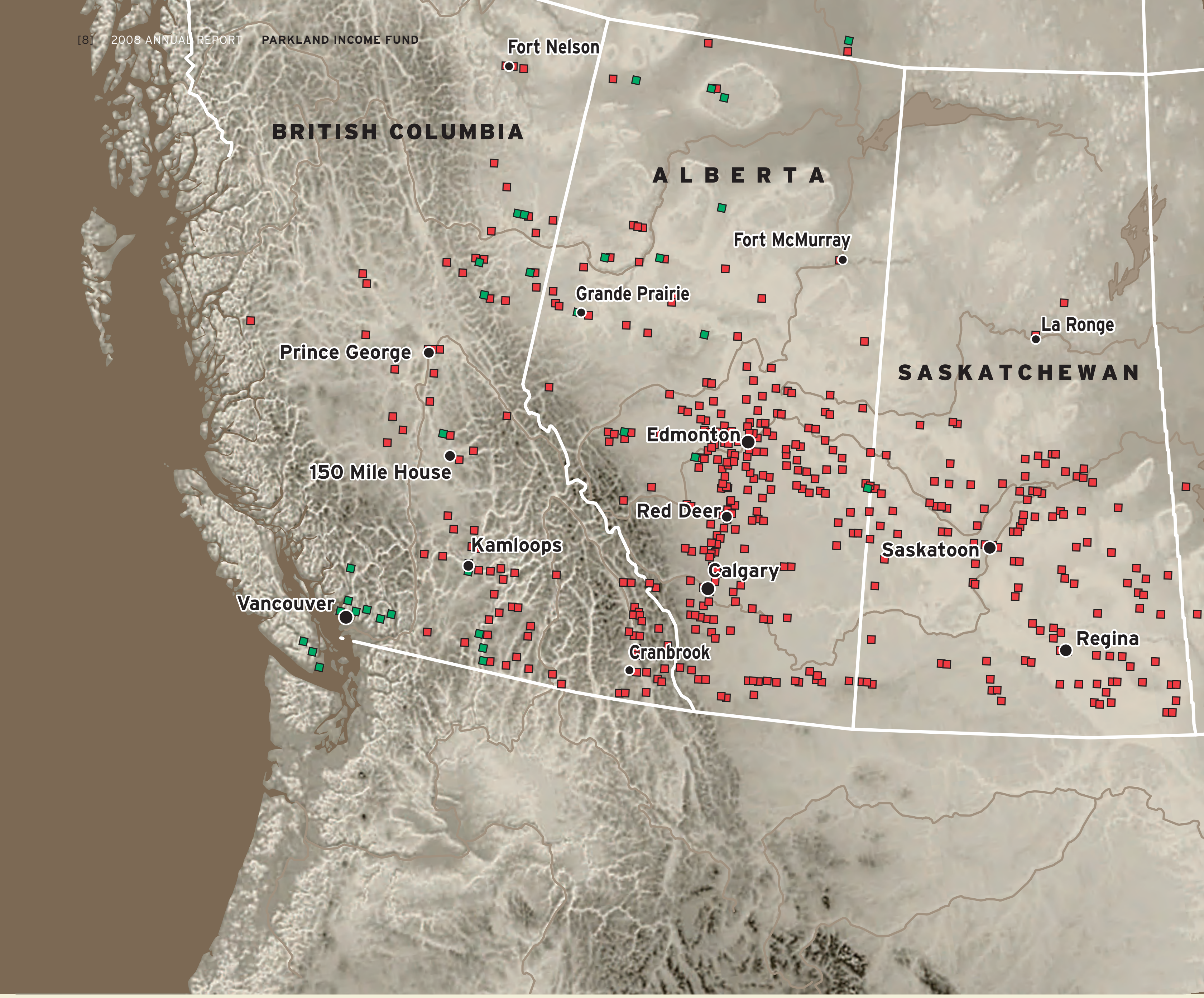
RACE TRAC

The Race Trac brand is used for sites that are owned by independent retailers who enter into long-term (typically five-year) fuel supply agreements with Parkland. We provide brand signage, a proprietary fleetcard offering and a loyalty program to the retailers. Our profit from these sites consists of a wholesale fuel margin. The merchandise program, which we developed for Fas Gas Plus sites, has been rolled out to some of the high-quality independent sites.

ESSO

In 2005, Parkland entered into a Retail Branded Distributorship Agreement with Imperial Oil, under which we have the non-exclusive right to supply branded fuel to independent Esso dealers. Since that original agreement was signed, we have steadily increased our distributorship area.

With the acquisition of Noco Energy Canada Inc. in May, 2008, we added 35 independently owned and operated Esso branded locations in Ontario. These locations increased our overall geographic diversity to include both western and central Canada.



RETAIL LOCATIONS

FAS GAS PLUS
Parkland has conducted an extensive program with a focus on Fas Gas Plus service stations, which provide improved services and a broader offering. We expect to continue the program over the succeeding years.

FAS GAS
As Parkland's traditional brand, Fas Gas has developed a strong and unique position in non-urban markets in western Canada.

RACE TRAC
Race Trac sites are generally dealer owned and operated local businesses in small markets across Parkland's marketing area.

ESSO
Parkland's Retail Branded Distributorship agreement with Imperial Oil provides for food supply to the Esso independent dealer network in Alberta and Saskatchewan, plus parts of B.C. and Ontario. In 2007 Parkland further expanded this agreement into B.C.

SHORT STOP AND SHORT STOP EXPRESS
CONVENIENCE FOOD STORES
Parkland's convenience store business compliments Fas Gas Plus sites with a strong offering of convenience products.

COMMERCIAL LOCATIONS

NEUFELD PETROLEUM AND PROPANE
Based in Grande Prairie, Alberta, Neufeld operates 14 locations in northern Alberta, northeastern B.C. and the Northwest Territories. Neufeld distributes fuel, propane and agricultural inputs such as fertilizers and farm chemicals, along with lubricants, oilfield industrial chemicals and frac oils.

In 2007 Parkland acquired Joy Propane, a significant propane supply business operating in northern B.C. and northern Alberta which has been merged into Neufeld Petroleum and Propane.

GREAT NORTHERN OIL
Parkland owns and operates a bulk facility in Whitehorse, Yukon that provides home heating fuels under the brand name Great Northern Oil.

UNITED PETROLEUM PRODUCTS
UPPI was acquired by Parkland in 2007 and markets fuel and lubricants to a network of commercial accounts and independent service station operators throughout B.C.

PARKLAND REFINING LTD.
Parkland owns a refinery at Bowden, Alberta. A number of alternatives are currently being pursued, including storage to generate cash flow from this site.

PETROHAUL AND WIEBE TRANSPORT
One of Parkland's key competitive strengths is its fleet of trucks. Our acquisitions in 2007 and 2008 introduced additional long haul trucking operations and we have consolidated the fleets to improve service and efficiency.

In the fourth quarter of 2008, Parkland added 40 dealers in Ontario and Alberta with an anticipated annual volume of 200 million litres of gasoline and diesel.

We currently serve 253 dealers in western and central Canada and earn a wholesaler's profit margin on the fuel volume sold. We are positioned to build this segment of retail by organic growth and potentially further acquisitions.

SUNOCO

The acquisition of Noco Energy also added the Sunoco retail brand to our lineup. We added 17 independently owned and operated Sunoco branded locations in Ontario and have the opportunity to recruit further dealers under this popular brand.

Our Commercial Business

The commercial business started with sales of bulk fuels procured under our long-term supply contracts to resellers and commercial customers. This served to optimize the value of our supply agreements. This was complementary to our Yukon heating oil supply business, Great Northern Oil.

In 2007, Parkland decided to significantly grow in the commercial area with the acquisition of five complementary businesses serving commercial and industrial customers in northern Alberta and British Columbia.

The catalyst was the $124 million acquisition of Neufeld Petroleum and Propane of Grande Prairie, Alberta in January, 2007. This acquisition included marketing branded (Petro-Canada) and unbranded bulk fuel and propane, along with complementary products such as lubricants, agricultural inputs and oilfield fluids. All these products also carried substantial service components with significant profit potential. The Neufeld acquisition was followed by three tuck in acquisitions for this business – Joy Propane (Dawson Creek, British Columbia), Olivers Propane (High Prairie, Alberta) and Roblyn Bulk Sales (Edson, Alberta).

In May, 2007, Parkland also acquired the bulk fuel and lubricants business of United Petroleum Products Inc. (UPPI) of Burnaby, British Columbia. This business supplies bulk fuel and lubricants into areas of British Columbia not accessible to the Neufeld branches.

In 2008, we continued to build and consolidate the commercial businesses acquired in 2007 to gain synergies, extend product lines and expand our footprint. For example, we lowered our fuel acquisition costs, extended the UPPI lubricant sales lines through Neufeld sites and added branches to serve heavy oil producers. We also increased our sales and marketing efforts in northern Alberta and British Columbia to better serve our commercial customer base. Finally, we acquired the bulk fuel and lubricants business of Neufeld Petroleum and Propane (High Level) which extended our High Level, Alberta branch's product line.

As of December 31, 2008, Parkland operated 20 distribution centers across northern Alberta and northeastern British Columbia. The customer base for these products is varied with the largest group being conventional oil production followed by agricultural, oil and gas exploration, residential, forestry and heavy oil production.

PARKLAND'S VALUES IN ACTION

I am responsible for the payables at Neufeld and strive to develop a rapport, not only with our vendors, but also with our various locations. This means doing what I say I am going to do and following up as well. Since I'm a representative of Parkland, how I conduct my business reflects on the company I work for. Our vendors see that their concerns are handled expeditiously, building credibility and goodwill. When things are not running as smoothly (as sometimes happens), they know from past experience that we will handle their questions with integrity and work as a team to resolve their concerns. Bottom line – success for all.

Charlotte Nunes-Neufeld
Accounts Payable

Bowden Refinery Site Tankage

Parkland supplies commercial customers through a chain of 35 cardlocks. Parkland also sells to independent resellers who in turn supply retail operators and commercial customers. These arrangements allow us to fully utilize our supply capacity.

Our commercial business division provides important diversity in our product lines and customer base, while decreasing the seasonality of Parkland's cash flow. The commercial operations are seasonally strong during the fall and winter months, while the fuel business is strong during the spring and summer driving season.

Our Supply and Distribution Business

A key success factor for Parkland is our ability to have secure sources of fuel supply at competitive prices. Parkland continues to enjoy strong relationships with three major refiners in western Canada and four refiners in central Canada. We maintain lifting rights at most western Canadian refineries and primary terminals, which provide maximum flexibility to best serve our customers.

We have long-term supply contracts in place that provide favorable product cost. Fuel is delivered to our service stations by a combination of our own fleet of tractor / trailers and third party commercial carriers. Maintaining our own fleet provides improved control of quality, flexibility and timeliness of service. The acquisition of Wiebe Transport Inc. in 2008 provided additional long-haul trucking capacity to our fleet and extended our capability beyond bulk fuel, propane and fertilizer to include bulk dry products as well. The counter-seasonal demands of the fuel propane, fertilizer and bulk dry products businesses allow us to improve our overall fleet efficiency. Also, the Wiebe acquisition delivered valuable infrastructure such as maintenance shops and terminals to reduce our overall distribution cost.

With the acquisition of Noco Energy in Ontario, we acquired a profitable wholesale fuels distribution business that extends our refinery supply agreements to ensure lowest product cost.

During 2007 and 2008, Parkland was part of a consortium that investigated the development of a condensate-based chemical plant to produce motor fuels and chemicals in the Edmonton, Alberta area. This project was cancelled in the fourth quarter of 2008 due to high capital costs.

Parkland Refining Ltd.

From late 2006 through 2008, the Bowden site was used as a contract petrochemical processing site. The site is now used as a fuel terminal, while we investigate other opportunities for its development.

Retail site at
Swift Current, Saskatchewan

Health, Safety and Environment

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

Handling transportation fuels, propane and other products involves environmental risk and Parkland has developed comprehensive risk mitigation programs as well as emergency response procedures. Employees involved in dangerous goods transportation receive extensive training.

Prior to acquisition, new facilities are evaluated by an independent environmental consultant, which typically involves soil testing and testing of any underground tanks and piping. Parkland has a program to replace underground steel tanks with double-walled fiberglass tanks or aboveground tanks. All remaining steel tanks in our network are cathodically protected. Each operating site has daily inventory balancing procedures and regular audit of test wells to detect underground leaks.

Parkland has a Health, Safety and Environment (HSE) department and HSE committees, which represent all areas of the business. The Committees' mandates are to ensure consistent health and safety processes and documentation throughout the organization and to make recommendations regarding procedures and training. An internal Health, Safety and Environment audit was successfully completed on our businesses in 2008 as part of a program to audit these businesses every year.

Code of Conduct

Parkland has established a Code of Conduct and Conflict of Interest Guidelines. Every Parkland employee, including Directors, Officers and Senior Management must acknowledge understanding and compliance of the code. A copy of the code is available on our website at www.parkland.ca and the SEDAR website at www.sedar.com.

In cases where employees feel they have serious or sensitive issues, including possible breaches in the code, Parkland has a Whistle Blower Policy that provides a means for employees 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 the issue has been addressed.

Community Involvement

Parkland strives to make a difference in the communities we serve.

At the corporate level, we provide financial support to projects that focus on health, education and youth. We are strong supporters of the United Way and began a major five year commitment to Red Deer College in 2007. We also support communities we do business with through financial contributions and through encouraging employees to actively participate in their communities.

PARKLAND'S VALUES IN ACTION

I'm a new hire and straight out of university. When I first started, I knew nothing about the company or how to do my job – I was worried about getting through one day working here! But everyone I worked with – in Treasury, Credit, Accounts Payable and Human Resources – was so helpful and patient with me. People led me in the right direction or sat down and helped me themselves. My position requires me to communicate with other departments, so teamwork is key. Before I even knew about the company values, people were making an effort to make me feel part of the team.

Robyn Davis
Accounting Clerk

At a grassroots level, our Fas Gas Plus Community Care Sponsorship Program is dedicated to improving the quality of life in the communities we serve by supporting organizations that assist families and individuals in need. In 2008, our generous customers and employees donated over $20,000 and thousands of donation items through coin boxes and collection bins at our Fas Gas Plus retail stores.

In addition to the collection program, Fas Gas Plus stores are actively involved in community sponsorship through funding, providing facilities and assistance for fundraising and encouraging our staff to volunteer in local projects. We have provided support for food banks, homeless shelters, women's shelters, youth development, family support and programs for those with special needs.

In 2008, Fas Gas Plus became a registered Alberta's Promise Partner. This new relationship assists us in enhancing our existing programs and connects us with non-profit organizations in need of assistance. For more information on the program, go to www.albertaspromise.org.

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.

BOARD OF DIRECTORS

John F. Bechtold Mr. Bechtold has over 35 years of experience in the North American Petroleum Industry including management roles at Gulf Oil Corporation, Gulf Canada and Petro-Canada. During his career he held senior leadership positions in the upstream, mid-stream and downstream segments of the business including 15 years in crude oil and refined product supply and four years in the propane business as President of ICG. From 2003 through 2007, Mr. Bechtold served as a member of the Board of the British Columbia Oil and Gas Commission. He is a director of Petro Andina Resources Inc. (member of Governance and Human Resources and Operations and Reserves Committees). Past board positions include being a member of Canada's Energy Supplies Allocation Board, the Industry Advisory Board to the IEA, the Canadian Energy Research Institute Board and the Canadian Propane Gas Association Board. He holds BSC (Honours) Chemical Engineering and MSC Petroleum Reservoir Engineering degrees and completed the Senior Executive Management Program at Stanford University. Mr. Bechtold has served on Parkland's Board since August 10, 2006 and is a member of the Compensation and Corporate Governance Committee and also served as a member of the terminated Aromatics Project Committee.

Robert G. Brawn Mr. Brawn brings over 50 years of business 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 a director of Penn West Energy Trust; Grande Cache Coal Corporation (Chairman and member of the Compensation Committee) and Black Diamond Income Fund (member of the Compensation Committee). Mr. Brawn also serves on the following non-public companies: director of ATB Financial (Chairman of the Investment Committee); President, Chairman and sole shareholder of 738831 Alberta Ltd. and President and Chairman of 620306 Alberta Ltd. He is Chairman of the Van Horne Institute, a transportation studies policy group. Effective January 1, 2009, he was appointed Chairman of the Alberta Economic Development Authority by the Premier of Alberta. Mr. Brawn is a Professional Engineer. Mr. Brawn has served on Parkland's Board since November 13, 1996 and is a member of the Compensation and Corporate Governance Committee.

Michael W. Chorlton Mr. Chorlton's career progressed from a major petroleum company through agribusiness and high technology. Over a 16 year career at Imperial Oil and Exxon Chemical, he occupied leadership positions related to marketing, logistics, customer service, planning, finance, business development and plant operations. In 1992, Mr. Chorlton became President and CEO of Saskferco Products Inc. of Regina, Saskatchewan where he took the company from its $440 million green-field investment in an ammonia/urea complex to high levels of reliability and profitability. Prior to joining Parkland, Mr. Chorlton served for six years as a senior Vice President of Renessen LLC, a biotechnology joint venture in the Chicago area. He has a Bachelor of Mechanical Engineering degree from McGill University and a Master of Business Administration degree from the University of British Columbia. Mr. Chorlton became President and CEO of Parkland on September 6, 2005 and has served on the Board of Directors since May 5, 2006.

Jim Dinning Mr. Dinning is 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 Chairman of the boards of Western Financial Group Inc. (ex-officio member of all committees) and Bronco Energy and Export Development Canada. He serves as a director for Oncolytics Biotech Inc. (member of Audit Committee); Russel Metals Inc. (member of Audit, Governance and Environmental/Safety Committees) and Liquor Stores Income Fund (member of Audit, Governance and Compensation Committees). He is a director of the following private companies: Elluminate Inc. and the Armstrong Group. He is also a director of the following not for profit organizations: Atlantic Institute for Market Studies; Canada West Foundation and Public Policy Forum. Mr. Dinning has a Bachelor of Commerce degree and a Masters degree in Public Administration, both from Queen's University. He also graduated from the Institute of Corporate Directors Education Program. 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. Mr. Dinning serves on Parkland's Audit Committee.

Alain Ferland Mr. Ferland has over 30 years of experience in the petroleum industry and has acted as a member of the senior management team in oil, oil services, plastic, airport and biotechnology companies. Mr. Ferland has extensive experience in strategic planning, operations, logistics, sales, marketing, project management and mergers. During his career, Mr. Ferland served on more than ten boards in various capacities. He is also President of EFFA Management Inc. Mr. Ferland has been President of TORR Canada Inc., Aéroports de Montréal, IPL Inc., Geneka Biotechnologies and prior to that was President of Ultramar Ltd. and Vice President of Ultramar Diamond Shamrock. He is a Professional Engineer. Mr. Ferland has served on Parkland's Board since June 22, 1999 and is Chair of Parkland's Compensation and Corporate Governance Committee. He also served as a member of the terminated Aromatics Project Committee.

Kris Matthews Ms. Matthews is Managing Partner of Matthews Group LLP, a public accounting firm providing consulting and accounting services to entrepreneurial companies. She has over 20 years of experience in public practice issuing financial statements.

(Left to Right)
Ron Rogers
David Spencer
Michael Chorlton
John Bechtold
Alain Ferland
Robert Brawn
Kris Matthews
Jim Pantelidis
Jim Dinning

Ms. Matthews is a trustee and director for Prime Restaurants Royalty Income Fund (Chair of Audit Committee), which is perhaps best known for its Eastside Mario's restaurants. In 2006, she received her designation of ICD.D from the Institute of Corporate Directors. Ms. Matthews was awarded her Fellowship (FCMA) for service to her profession and the community in 2002. She is a Past-Chair of CMA Alberta and the CMA Alberta Governance Committee, and represented CMA Alberta as a national board member. Ms. Matthews joined Parkland's Board on May 8, 2003 and is a member of the Audit Committee.

Jim Pantelidis Mr. Pantelidis is currently Chairman of the Board of Parkland and has served as a director of Parkland since 1999. Mr. Pantelidis is Chairman and Director of The Consumers Waterheater Income Fund since 2002 (member of the Audit, Compensation and Investment Committees). He also serves on the Board of RONA Inc. (member of Investment and Human Resources and Compensation Committees); Industrial Alliance Insurance and Financial Services Inc. (Chairman of Investment Committee and member of Governance and Compensation Committee) and Equinox Minerals Limited (member of Audit and Human Resources and Compensation Committees). From 2002 to 2006, Mr. Pantelidis was on the board of FisherCast Global Corporation and served as Chairman and Chief Executive Officer from 2004 to 2006. Prior to this, Mr. Pantelidis served as Chairman and Chief Executive Officer for the Bata International Organization. He also spent 30 years in the petroleum industry and was at one time, President of both the upstream and downstream divisions of Petro-Canada. Mr. Pantelidis has a Bachelor of Science degree and a Master of Business Administration degree, both from McGill University. Mr. Pantelidis is Chairman of Parkland's Board and a member of the Audit Committee. He also served as Chair of the Aromatics Project Committee which terminated prior to December 31, 2008.

Ron Rogers Mr. Rogers has over 35 years of experience in various financial positions with Ernst & Young, Warrington Inc., the Crown Management Board of Saskatchewan, Moore Corporation and Shaw Communications Inc. On retirement in 2004, he was Senior Vice President and Chief Financial Officer of Shaw Communications. He received his Bachelor of Commerce Degree from St. Mary's University with concentrations on philosophy, economics and accounting and subsequently earned his Chartered Accountancy with Ernst & Young. Mr. Rogers is currently a member of the board of Corus Entertainment (Chair of Audit Committee and member of Executive Committee); Transforce Income Fund (Chair of Audit Committee) and The Brick Furniture Company (member of Audit Committee and Chair of Distribution Committee). His community involvement has included such organizations as the Mississauga General Hospital Board; the Calgary Division of the United Way Executive Board; the Festival of Trees Executive Committee for the Children's Hospital; the Juvenile Diabetes Research Foundation and the Calgary Stampede Compensation and Pension Committee. Mr. Rogers has served on Parkland's Board since September 15, 2006 and is Chairman of the Audit Committee.

David A. Spencer Mr. Spencer is a Partner with Bennett Jones LLP in Calgary. 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. He received a law degree from the University of Western Ontario. Mr. Spencer is a member of Parkland's Compensation and Corporate Governance Committee.

CORPORATE INFORMATION

Head Office
Suite 236, Riverside Office Plaza
4919 - 59th Street
Red Deer, Alberta T4N 6C9
Tel: (403) 357-6400
Fax: (403) 352-0042
Email: corpinfo@parkland.ca
Website: www.parkland.ca

Annual General Meeting
Tuesday, April 28, 2009
2:00 p.m. at the Red Deer Lodge
Hotel & Convention Centre
4311 - 49th Avenue
Red Deer, Alberta

Banker
HSBC Bank Canada
108, 4909 - 49th Street
Red Deer, Alberta T4N 1V1

Auditors
PricewaterhouseCoopers LLP
3100, 111 - 5th Avenue SW
Calgary, Alberta T2P 5L3

Legal Counsel
Bennett Jones LLP
4500, Bankers Hall East
855 - 2nd Avenue SW
Calgary, Alberta T2P 4K7

Stock Exchange Listing
Toronto Stock Exchange
Trading Symbol: PKI.UN

Registrar and Transfer Agent
Valiant Trust Company
310, 606 - 4th Street SW
Calgary, Alberta T2P 1T1

Directors
John F. Bechtold
Robert G. Brawn
Michael W. Chorlton
Jim Dinning
Alain Ferland
Kris Matthews
Jim Pantelidis
Ron Rogers
David A. Spencer

Officers
Michael W. Chorlton
President and CEO

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

Chris R. Podolsky
Corporate Controller

Shaun M. Peesker
Treasurer

Wholly Owned Subsidiaries
986408 Alberta Ltd.
986413 Alberta Ltd.
Neufeld Petroleum and Propane Ltd.
Parkland Holdings Limited Partnership
Parkland Industries Limited Partnership
Parkland Industries Ltd.
Parkland Investment Trust
Parkland Refining Ltd.

PARKLAND INCOME FUND
Suite 236, Riverside Office Plaza
4919 - 59th Street
Red Deer, Alberta T4N 6C9

www.parkland.ca

PARKLAND INCOME FUND

STRATEGIC FOCUS FOCUSED PEOPLE

2008 SUMMARY REPORT

The market leader in customer loyalty, employee engagement and investor confidence.

CORPORATE PROFILE

2008 was a challenging year with unprecedented oil price volatility combined with stress in the capital and debt markets. Despite these headwinds, Parkland delivered strong financial performance and operating results, while maintaining our monthly distributions and pursuing our growth strategy with two acquisitions. We have also stayed true to our conservative financial management and core values-based leadership approach. Today, Parkland provides customers with products ranging from wholesale and retail gasoline and diesel plus a full suite of convenience store items to propane lubricants, oilfield fluids and farm chemicals. We continue our position as one of Canada's largest independent marketers of transportation and related fuels. Parkland units trade on the Toronto Stock Exchange under the symbol PKI.UN.

FORWARD-LOOKING INFORMATION DISCLAIMER Certain information contained herein regarding Parkland Income Fund ("Parkland") including statements that contain words such as "could", "should", "can", "anticipate", "estimate", "propose", "plan", "expect", "believe", "will", "may" and similar expressions and statements that are not related to historical facts constitute forward-looking information or statements under applicable securities laws. In particular, this Annual Report contains forward looking information pertaining to: an increase to the credit facility; information provided under the heading "Going Forward"; and management's assessment of future plans and operations.

The forward-looking information and statements contained in this Annual Report are based upon certain assumptions and factors such as historical trends, current conditions and expected future developments, which Parkland believes are reasonably accurate at the time of preparing this Annual Report. However, the forward-looking information and statements contained herein involve known and unknown factors and risks that could cause actual results to vary materially from those anticipated, including, without limitation, factors 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. Readers are cautioned that the foregoing list of factors is not exhaustive and that 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, all of the forward-looking information and statements in this Annual Report are expressly qualified by this cautionary statement. There is no representation by Parkland and there can be no assurance that actual results achieved will be the same in whole or in part as those set out in the forward-looking information and statements. Readers are therefore cautioned not to place undue reliance on such forward-looking information and statements. 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.

FIVE YEAR SUMMARY

Years ended December 31, *($000's except volume and per Unit amounts)*	**2008**	2007	2006	2005	2004
Total assets	**405,488**	379,806	181,423	140,998	120,873
Total long-term liabilities	**88,558**	31,709	5,829	13,907	17,612
Sales volume *(millions of litres)*	**2,353**	1,963	1,501	1,177	1,101
Net sales and operating revenue	**2,348,126**	1,697,663	1,199,866	875,539	686,658
Cost of sales and operating expenses	**2,126,745**	1,465,155	1,061,824	779,092	600,310
Gross profit	**221,381**	232,508	138,042	96,447	86,348
Direct and operating	**91,960**	77,668	47,342	40,338	37,227
Marketing, general and administrative	**48,212**	39,785	20,044	14,885	15,136
EBITDA	**81,209**	115,055	70,656	41,224	33,985
Amortization	**30,359**	21,627	8,453	8,077	7,828
Interest on long-term debt	**4,831**	1,676	1,044	873	738
Loss on disposal of property, plant and equipment	**344**	275	608	727	1,414
Refinery remediation	**394**	2,677	—	—	—
Accretion	**113**	61	—	—	—
Loss on writedown of refinery	**—**	—	—	—	25,310
Earnings (loss) before income taxes	**45,168**	88,739	60,551	31,547	(1,305)
Income tax expense (recovery)	**827**	8,002	975	2,055	(8,721)
Net earnings	**44,341**	80,737	59,576	29,492	7,416
Per Unit					
— basic	**$ 0.88**	$ 1.66	$ 1.50	$ 0.75	$ 0.19
— diluted	**$ 0.88**	$ 1.64	$ 1.48	$ 0.75	$ 0.19
Merchandise sales	**61,780**	64,538	59,624	44,970	38,051
Total distributions	**63,416**	90,518	56,171	23,872	21,075
Funds flow from operations	**79,081**	114,013	69,191	41,960	30,048
Capital expenditures	**31,132**	29,475	11,148	8,588	10,138
Maintenance capital	**9,211**	13,465	6,296	4,525	4,352
Growth capital	**21,921**	16,010	4,852	4,063	5,786

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three- and twelve-months ended December 31, 2008
The information in this document is current as of February 27, 2009

INTRODUCTION

This MD&A provides a comparison of Parkland Income Fund's performance for its three- and twelve- month periods ended December 31, 2008 with the three- and twelve-month periods ended December 31, 2007 and it reviews Parkland's financial position as at December 31, 2008. It also includes discussion of Parkland's affairs up to February 27, 2009. This discussion should be read in conjunction with the audited consolidated financial statements and accompanying notes. All amounts disclosed are in Canadian dollars.

Prospective data, comments and analysis are also provided wherever appropriate to assist existing and new investors to see the business from a corporate management point of view. Such disclosure is subject to reasonable constraints of maintaining the confidentiality of certain information that, if published, would potentially have an adverse impact on the competitive position of Parkland.

Additional information relating to Parkland can be found on its website at www.parkland.ca. The Fund's continuous disclosure materials, including its annual and quarterly MD&A, annual and quarterly financial statements, its 2008 Annual Report, Annual Information Form, Management Proxy Circular, Material Change Reports and the various press releases issued by the Fund are also available on its website or directly through the SEDAR system at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain information included herein is forward-looking. Forward-looking statements include, without limitation, statements regarding the future financial position, business strategy, budgets, projected costs, capital expenditures, financial results, taxes and plans and objectives of or involving Parkland. Many of these statements can be identified by looking for words such as "believe", "expects", "expected", "will", "intends", "projects", "projected", "anticipates", "estimates", "continues", or similar words and include but are not limited to, statements regarding the accretive effects of acquisitions and the anticipated benefits of acquisitions. Parkland believes the expectations reflected in such forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. Forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties some of which are described in Parkland's annual report, annual information form and other continuous disclosure documents. Such forward-looking statements necessarily involve known and unknown risks and uncertainties and other factors, which may cause Parkland's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Such factors include, but are not limited to: general economic, market and business conditions; industry capacity; competitive action by other companies; refining and marketing margins; the ability of suppliers to meet commitments; actions by governmental authorities including increases in taxes; changes in environmental and other regulations; and other factors, many of which are beyond the control of Parkland. Any forward-looking statements are made as of the date hereof and Parkland does not undertake any obligation, except as required under applicable law, to publicly update or revise such statements to reflect new information, subsequent or otherwise.

Parkland wishes to caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made. Readers should also refer to the section Risks and Uncertainties at the end of this MD&A for additional information on risk factors and other events that are not within Parkland's control. Parkland's future financial and operating results may fluctuate as a result of these and other risk factors.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OUR BUSINESS

Our Vision

Parkland's vision is to be the market leader in customer loyalty, employee engagement and investor confidence.

Our Mission

Parkland's mission is to be the most trusted source of convenience for fuel and related products focused on non-urban markets.

Our Values

Integrity: We will always do the right thing

People: Respect the needs of customers, employees and others

Teamwork: Achieve greater results by working together

Success: Set and achieve challenging goals

Parkland is a Red Deer, Alberta-based marketer of transportation and commercial fuels and related products and services, and an operator of convenience stores primarily in western Canada. It transports fuel to its service station and commercial network through its own distribution division and it owns an industrial site in Bowden, Alberta, where it formerly operated a refinery.

Parkland's value propositions target four main groups: Customers, Investors, Employees and Business Partners.

Customers

Parkland strives to offer consistent, reliable, friendly service to its customers at competitive prices.

Investors

Parkland offers investors reliable and sustainable distributions and a superior return on capital. It will achieve this by continuing to develop its core competencies of operational excellence and efficient, streamlined supply chain management.

Employees

Parkland is a values-based culture that is employee friendly. It is investing significantly in recruitment of top talent and professional development and its growth strategy creates opportunity and challenge. Employees are unitholders and share in the financial success of the business.

Business Partners

Parkland strives to be a company that is easy to do business with. It is values driven and is financially sound and growing.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RETAIL

Parkland operates service stations under three primary business models and various brands which focus on differing customer segments in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, the Northwest Territories and the Yukon. The sites are a mix of company owned and operated, commission operated and dealer sites. Our portfolio of brands, Fas Gas and Race Trac, allow us to target different customer segments generally in non-urban areas. Parkland has had great success across the west. It is a Retail Branded Distributor for Imperial Oil Limited with locations in Saskatchewan, Alberta, British Columbia and Ontario operating under the Esso brand, and is also a Retail Branded Distributor for the Sunoco brand in Ontario.

The Retail Business Unit serves the motoring public through 630 retail stations in its marketing network, with 14 in the Yukon Territory, 3 in the Northwest Territories, 92 in British Columbia, 286 in Alberta, 131 in Saskatchewan, 22 in Manitoba and 82 in Ontario. The total number of stations in the network has grown substantially during 2008 primarily as a result of the acquisition of the Noco Energy fuel marketing business in Ontario and the acquisition of additional Esso retail branded distributorship sites.

This business is performing well in a volatile market environment which featured high and rising fuel prices in the first half of 2008 and then a rapid decline in prices after July. Retail margins have remained strong as compared to recent history and our margins on sales to dealers, which are less volatile than retail margins, remain healthy.

The three primary business models under which stations are run include: Parkland operated or corporate stations, which are managed and staffed by Parkland; commission operated stations, which are managed by an independent operator who provides staff in exchange for a commission on fuel volumes sold, is primarily responsible for any ancillary businesses at the site and pays a rent to Parkland based on a percentage of other sales revenue generated; and independent dealer sites, which are site owned or controlled by a third party who contracts with Parkland for fuel supply for the site.

The following table sets out the number of service stations by brand in the Parkland network as of December 31, 2008.

	Fas Gas Plus	Fas Gas	Race Trac	Esso	Sunoco	Total
Parkland operated and commission operated locations	95	28	3	12	—	138
Independent dealer operated	31	32	159	253	17	492
Total	**126**	**60**	**162**	**265**	**17**	**630**

Fuel products sold through the network of service stations include gasoline and diesel fuel as well as propane at selected sites. Parkland's strategy is to increase overall sales volumes and average volumes per site within its current marketing area. The actual number of stations may increase or decrease as new sites are added and under performing sites are closed or sold.

The retail fuel business is highly competitive, with margins ultimately dependent on the spread between crude oil, wholesale fuel costs and retail fuel prices. Due to its focus on non-urban markets, Parkland has limited exposure to the more competitive, larger urban markets where the retail fuel sales are dominated by major oil companies and by more

MANAGEMENT'S DISCUSSION AND ANALYSIS

recent entrants such as grocery chains and large retailers. This non-urban focus means Parkland operates in markets where average sales volumes are lower but earnings are enhanced by typically more stable pricing and margins, lower overhead costs and less expensive real estate. Parkland will continue to target growth by leveraging its unique brands within its existing network and through the acquisition of new sites.

Fas Gas Plus

In 2008, Parkland's strategy has been to continue to maximize penetration of its Fas Gas Plus brand throughout its traditional non-urban markets by investing in the Fas Gas Plus station upgrade and conversion program. During 2008, Parkland expanded its new store design, introduced in Lethbridge, Alberta in 2007, to another nine locations and has plans to continue to retrofit existing locations as part of its growth capital plan and to incorporate into all new locations. The Fas Gas Plus brand brings consumers an urban offering to non-urban markets through continuing to invest and upgrade its locations.

Short Stop

Parkland operates its convenience store business under the brand Short Stop Food Stores. As at December 31, 2008, there were 42 Short Stop and 29 Short Stop Express convenience stores at sites that have Fas Gas Plus fuel stations with an additional 23 convenience stores under the brand Fas Gas Plus. These convenience stores offer a variety of food, beverage, snack and convenience products as well as lottery terminals and automated teller machines. Many of the stores are open 24 hours per day and, in many of these locations, offer customers the only 24-hour service in the area. Store layouts meet urban standards for quality product offering, lighting, cleanliness, a proprietary coffee program and modern facilities.

Esso

The Retail Branded Distributorship agreement provides Parkland with the opportunity to offer the Esso brand to independent operators or within its company operated network in Alberta, Saskatchewan, British Columbia and the Northwest Territories.

During the fourth quarter of 2008 the Fund entered into agreements to increase the number of accounts in its Esso retail branded distributorship business. Parkland added 40 dealers in Ontario and Alberta with an anticipated annual volume of 200 million litres of gasoline and diesel. These sites are now online and contributing for Parkland.

Race Trac

In the independent dealer business, Parkland has focused on increasing its brand value to the operators. The Race Trac brand is positioned for locations where the Fas Gas Plus or Esso brands are not suited and is an important part of Parkland's brand portfolio.

Sunoco

In 2008, Parkland became the Retail Branded Distributor for the Sunoco brand in Ontario as part of its acquisition of NOCO Canada Energy assets and has plans to continue to expand the Sunoco brand to independent dealers throughout Ontario.

MANAGEMENT'S DISCUSSION AND ANALYSIS

COMMERCIAL

Parkland took a significant step forward to improve diversification and reduce seasonality by completing five commercial acquisitions in 2007. These acquisitions allow Parkland to offer branded and unbranded bulk fuel, propane, agricultural inputs, lubricants and related products and services to commercial and industrial customers in Alberta and British Columbia. The commercial customer base is varied and diverse with the fall and winter months generally providing stronger sales and margins. Emphasis in this market is on strong customer service and reliability of distribution. The acquired companies are well established in the markets in which they serve and Parkland is focused on the integration of these businesses to provide its customers with a more comprehensive service and product offering. Parkland has 22 commercial branch locations situated in Alberta and British Columbia. The newest branches, Whitecourt and Conklin, Alberta, were opened in 2008.

Parkland has a diverse commercial customer base operating across a broad cross-section of industries with no single client accounting for more than 5% of consolidated revenue. Because of its customer diversity, as well as the wide geographic scope of Parkland's service offering and the range of segments in which it operates, a downturn in the activities of individual customers or customers in a particular industry is not expected to have a material adverse impact on the operations of Parkland. The oilfield exploration outlook is uncertain as drilling programs will get cut back with declining energy prices and capital market constraints. Operational oilfield production remains more stable.

Parkland is a supplier to a number of service providers to the forestry industry. These customers operate across northern Alberta and British Columbia. The forestry industry is a relatively small portion of the overall portfolio of the Commercial segment.

Parkland also supplies fuels and lubricants to a select group of mines in northern Alberta and British Columbia. Parkland has participated in this market segment for a number of years and regularly monitors and reviews the financial stability of its customers.

Fuel and Propane Marketing

Parkland markets propane and wholesale and commercial fuels and lubricants to residential, commercial and industrial customers in northern Alberta, British Columbia and the Northwest Territories.

Fertilizer and Other Agricultural Inputs

Parkland sells fertilizer and other agricultural inputs in northern Alberta.

Cardlock

Parkland markets fuel through 27 cardlock facilities. These cardlock facilities are operated under various brands, including United Petroleum, Husky, Race Trac, Petro-Canada and Neufeld.

Great Northern Oil

Parkland markets home heating fuel under the brand name Great Northern Oil from a bulk facility in Whitehorse, Yukon. This facility also supports Fas Gas and Race Trac service stations located in northern British Columbia, the Yukon and the Northwest Territories.

MANAGEMENT'S DISCUSSION AND ANALYSIS

HUMAN RESOURCES

Parkland has approximately 1,200 employees, including 400 retail convenience store personnel throughout western Canada and 200 employees in its Red Deer, Alberta head office.

Parkland's employees are also owners of the Fund, investing in Parkland regularly through its unit purchase plan. A profit sharing plan further contributes to the entrepreneurial spirit of Parkland's employees, fostering a sense of ownership and pride throughout the Company. Parkland commenced an aggressive recruitment and professional development program in 2008 to attract and retain top talent in order to carry out its strategic objective of continued growth by acquisition. Key positions have been filled despite the competitive labor market in western Canada and Parkland will continue to focus on talent development and performance management in 2009.

ACCRETIVE ACQUISITIONS

Corporate acquisitions are an effective means of consolidating assets, improving efficiencies in existing core areas or adding new core areas. Parkland intends to continue to be proactive, focused and disciplined in its approach to such acquisitions.

Generally, Parkland seeks to make acquisitions that:

- are accretive to cash from operating activities;
- increase fuel sales volumes to increase market presence;
- build non-fuel profits to enhance the long-term stability of the enterprise;
- optimize supply contracts; and
- diversify the customer base.

NON-GAAP MEASURES

Parkland's financial results are prepared under Canadian Generally Accepted Accounting Principles (GAAP). However, in this document there are references to non-GAAP measures such as EBITDA and Distributable Cash Flow.

EBITDA refers to Earnings Before Interest on Long-Term Debt, Income Tax Expense, Amortization of Capital Assets, Refinery Remediation Accrual, Accretion Expense and Loss on Disposal of Capital Assets. It can be calculated from the GAAP amounts included in Parkland's financial statements. Parkland 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. Parkland's definition of EBITDA may not be consistent with other providers of financial information and therefore may not be comparable.

Standardized distributable cash flow is a measure defined by the CICA. Parkland's adjusted standardized distributable cash flow is referred to as distributable cash flow and contains certain adjustments to standardized distributable cash flow required to better reflect the cash flow available to Unitholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS

RECONCILIATION OF DISTRIBUTABLE CASH FLOW

(in thousands of Canadian dollars except per Unit amounts)	Three months ended **December 31, 2008**	Three months ended December 31, 2007
Cash flows from operating activities	**38,180**	801
Less: Total capital expenditures	**14,615**	16,371
Standardized distributable cash flow *(1)*	**23,565**	(15,570)
Add back (deduct):		
Growth capital expenditures	**11,131**	11,844
Proceeds on disposal of capital items	**78**	125
Change in non-cash working capital	**(17,128)**	19,837
Distributable cash flow	**17,646**	16,236
Distributions - regular	**15,882**	14,489
Distributions - year-end special	**Nil**	37,508
Distribution payout ratio - regular	**90%**	89%
Distribution payout ratio - regular plus year-end special	**90%**	320%

	Year ended **December 31, 2008**	Year ended December 31, 2007
Cash flows from operating activities	**71,617**	82,836
Less: Total capital expenditures	**31,935**	30,558
Standardized distributable cash flow *(1)*	**39,682**	52,278
Add back (deduct):		
Growth capital expenditures	**21,921**	16,010
Proceeds on disposal of capital items	**803**	1,083
Change in non-cash working capital	**7,464**	31,177
Distributable cash flow	**69,870**	100,548
Distributions	**63,416**	90,518
Distribution payout ratio *(2)*	**91%**	90%

(1) Standardized distributable cash flow is a measure defined by the Canadian Institute of Chartered Accountants (CICA). See discussion below.

(2) 2007 payout ratio includes year-end special distribution of $37.5 million of which $20.5 million was distributed to Unitholders by way of Trust units.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Parkland's distribution policy is based on distributable cash flow on an annualized basis, accordingly, the seasonality of Parkland's individual quarterly results must be assessed in the context of annualized distributable cash flow. Adjustments recorded by Parkland as part of its calculation of distributable cash flow include, but are not limited to, the impact of the seasonality of Parkland's businesses by adjusting for non-cash working capital items thereby eliminating the impact of the timing between the recognition and collection/payment of Parkland's revenues and expenses, which can from quarter to quarter differ significantly. Parkland's calculation also distinguishes between capital expenditures that are maintenance related and those that are growth related, in addition to allowing for the proceeds received on the sale of capital items.

Productive capacity maintenance is the amount of capital funds required in a period for an enterprise to maintain its future cash flow from operating activities at a constant level. Parkland defines its productive capacity as volume of fuel and propane sold, volume of convenience store sales and volume of lubricants sales, agricultural inputs and delivery capacity. The adjustment for productive capacity maintenance in the calculation of standardized distributable cash is capital expenditures during the period excluding the cost of any asset acquisitions or proceeds of any asset dispositions. Parkland believes that the current capital programs, based on the current view of its assets and opportunities and the outlook for fuel supply and demand and industry conditions, should be sufficient to maintain productive capacity in the medium term. Due to the risks inherent in the industry, particularly the reliance on external parties for supply of fuel and propane and general economic conditions and weather that affects customer demand, there can be no assurance that capital programs, whether limited to the excess of cash flow over distributions or not, will be sufficient to maintain or increase production levels or cash flow from operating activities. As Parkland strives to maintain sufficient credit facilities and appropriate levels of debt, the seasonality of the business is not currently expected to influence distribution policies.

Parkland's calculation of standardized distributable cash has no adjustment for long-term unfunded contractual obligations. Parkland believes the only significant long-term unfunded contractual obligation at this time is for asset retirement obligations and refinery remediation, both of which are expected to be deferred for an extended but undefinable period of time.

Although it is typical for Parkland's cash flow to have seasonal fluctuations, it is management's current intention to pay consistent regular monthly 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 capital betterment requirements to sustain performance.

Distributable cash exceeded cash distributions in the fourth quarter and for the year ended December 31, 2008. The distribution payout ratio for 2008 was 91 percent compared to 90 percent in 2007. Accordingly, Parkland has maintained the monthly distribution rate of $0.105 per unit. Parkland believes the current level of distributions is sustainable and there are no plans under current conditions to reduce or eliminate monthly distributions.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CASH FLOWS, NET EARNINGS AND EBITDA COMPARED TO DISTRIBUTIONS

(in thousands of Canadian dollars except per Unit amounts)	Three months ended **December 31, 2008**	Three months ended December 31, 2007
Cash flows from operating activities	**38,180**	801
Net earnings	**10,053**	10,222
EBITDA *(1)*	**25,072**	17,877
Distributions *(2)*	**15,882**	51,997
Excess (shortage) of cash flows from operating activities relative to distributions	**22,298**	(51,196)
Excess (shortage) of cash flows from net earnings relative to distributions	**(5,829)**	(41,775)
Excess (shortage) of cash flows from EBITDA relative to distributions	**9,190**	(34,120)

	Year ended **December 31, 2008**	Year ended December 31, 2007
Cash flows from operating activities	**71,617**	82,836
Net earnings	**44,341**	80,737
EBITDA *(1)*	**81,209**	115,055
Distributions *(2)*	**63,416**	90,518
Excess (shortage) of cash flows from operating activities relative to distributions	**8,201**	(7,682)
Excess (shortage) of cash flows from net earnings relative to distributions	**(19,075)**	(9,781)
Excess (shortage) of cash flows from EBITDA relative to distributions	**17,793**	24,537

(1) Please refer to the Non-GAAP Measures section for a definition of EBITDA

(2) 2007 payout ratio includes year-end special distribution of $37.5 million of which $20.5 million was distributed to Unitholders by way of Trust units.

Net earnings includes significant non-cash charges including amortization and accretion expense. These non-cash charges do not impact Parkland's ability to meet its cash distribution payments. Both cash flows from operating activities and EBITDA are adequate to fund cash distributions on an annual basis.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CONSOLIDATED HIGHLIGHTS

(in millions of Canadian dollars except volume and per Unit amounts)	Three months ended **December 31, 2008**	Three months ended December 31, 2007	% Change
Fuel volume (millions of litres)	**664**	516	29
Net sales and operating revenues	**524.5**	456.1	15
Gross profit	**65.4**	61.8	6
Gross margin	**12.5%**	13.6%	
Operating and direct costs	**26.9**	32.5	(17)
Marketing, general and administrative	**13.4**	11.5	17
Income before income taxes	**13.8**	11.5	21
Income tax (recovery) expense	**3.7**	1.3	
Net earnings	**10.1**	10.2	(2)
EBITDA *(1)*	**25.1**	17.9	40
Earnings per Unit - basic	**$ 0.20**	$ 0.24	
Earnings per Unit - diluted	**$ 0.20**	$ 0.23	
Distributable cash flow *(2)*	**17.7**	16.2	9
Distributions *(3)*	**15.9**	52.0	(70)
Distribution payout ratio – regular	**90%**	89%	
Distribution payout ratio – including year-end special		320%	

	Year ended **December 31, 2008**	Year ended December 31, 2007	% Change
Fuel volume (millions of litres)	**2,353**	1,963	20
Net sales and operating revenues	**2,348.1**	1,697.7	38
Gross profit	**221.4**	232.5	(5)
Gross margin	**9.4%**	13.7%	
Operating and direct costs	**92.0**	77.7	18
Marketing, general and administrative	**48.2**	39.8	21
Income before income taxes	**45.2**	88.7	(49)
Income tax (recovery) expense	**0.8**	8.0	
Net earnings	**44.4**	80.7	(45)
EBITDA *(1)*	**81.2**	115.1	(29)
Earnings per Unit - basic	**$ 0.88**	$ 1.66	
Earnings per Unit - diluted	**$ 0.88**	$ 1.64	
Distributable cash flow *(2)*	**69.9**	100.6	(31)
Distributions *(3)*	**63.4**	90.5	(30)
Distribution payout ratio	**91%**	90%	

(1) Please refer to the EBITDA section for a definition of this non-GAAP measure

(2) Please see Distributable Cash Flow reconciliation table

(3) 2007 includes year-end special distribution of $37.5 million

MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE MONTHS ENDED DECEMBER 31, 2008

The financial highlights for the fourth quarter of 2008 are as follows:

- Record Q4 2008 fuel sales volume of 664 million litres, up 29% from 516 million litres the prior year.
- Record Q4 2008 sales of $525 million, up 15% from $456 million the prior year.
- Q4 EBITDA of $25.1 million, up 40% from $17.9 million in 2007 ($19.1 million in 2006) and a record for any Q4.
- Q4 2008 net earnings of $10.1 million, down 2% from $10.2 million in 2007
- Distribution payout ratio 90% for the quarter and 91% year to date.
- Q4 2008 EBITDA includes $5.0 million non-recurring contract cancellation fee.
- Strong contribution from retail fuel sales.

Parkland entered into agreements in the fourth quarter to increase the number of accounts in its Esso retail branded distributorship business. Parkland added 40 dealers in Ontario and Alberta with an anticipated annual volume of 200 million litres of gasoline and diesel.

During the fourth quarter Parkland received a one-time payment of $5.0 million as a fee to cancel the chemical processing arrangement which utilized part of the Bowden refinery. This is a non-recurring item. Parkland continues to use the Bowden site as a fuel terminal for internal and third party use and further development is under study.

Parkland participated in a feasibility study in 2008 to assess the viability of building a condensate-based refinery in Edmonton. In the fourth quarter a decision was reached by the partners in the study to terminate the project. In the fourth quarter Parkland wrote off $1.0 million which was advanced in 2007 for its share of the study.

Fuel Volumes

Gasoline, diesel and propane volumes were strong with total sales of 664 million litres in the quarter ended December 31, 2008, an increase of 29 percent from 516 million litres for the same period in 2007. The increase resulted from the acquisitions completed over the past year. At the retail level, same-store fuel sales volumes increased approximately three percent over the prior year in our company operated and controlled sites but decreased approximately three percent in the independent dealer network. Retail fuel volumes overall for the quarter were 339 million litres, up 24 percent or 65 million litres from the same quarter in 2007. Most of this quarterly volume increase year over year is attributable to the expansion of the dealer program from the Noco acquisition and IOL retail branded distributorship.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sales, Cost of Sales and Gross Profit

The following table details net sales, cost of sales and gross profit for Parkland's three business segments:

(in millions of Canadian dollars)	Three months ended **December 31, 2008**	Three months ended December 31, 2007	% Change
Fuel Marketing Segment			
Net sales	**486.1**	414.1	17
Cost of sales	**432.9**	364.5	19
Gross profit *(1)*	**53.2**	49.6	7
Gross margin	**10.9%**	12.0%	
Convenience Store Merchandise Segment			
Net sales	**15.0**	15.6	(4)
Cost of sales	**11.2**	11.8	(5)
Gross profit	**3.8**	3.8	0
Gross margin	**25.3%**	24.3%	
Commercial Segment			
Net sales	**23.5**	26.4	(11)
Cost of sales	**15.1**	18.0	(16)
Gross profit	**8.4**	8.4	0
Gross margin	**35.8%**	31.9%	
Gross Profit Sources			
Total gross profit	**65.4**	61.8	
Less:			
Convenience store gross profit	**3.8**	3.8	
Gross profit on commercial sales	**8.4**	8.4	
Other revenue included in gross profit *(2)*	**11.3**	2.3	
Fuel gross profit	**41.9**	47.3	
Cents per litre	**0.063**	0.092	

(1) The Fuel Marketing segment includes a $5 million contract cancellation fee related to the Bowden refinery.

(2) Other revenue includes third party hauling generated from the Wiebe acquisition, which is included in the Fuel Marketing segment.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Diesel demand remained very strong and refinery production problems causing shortages of supply continued as we entered the fourth quarter resulting in much higher margins in the fourth quarter than previous years. Refiners' margins for gasoline have declined from September levels but remain stronger than any mid-winter period in the last 10 years.

Net sales and operating revenue for the three month period ended December 31, 2008 was $524.5 million, up 15 percent from $456.1 million during the same period last year. Fuel marketing revenue increased 17 percent and commercial sales decreased 11 percent compared to the same three month period in 2007. The increase in fuel marketing revenues is due to a 31 percent increase in fuel volumes sold offset by a six cent per litre average decrease in selling prices compared to the fourth quarter of 2007. The cost of fuel increased 19 percent during the quarter compared to the same quarter in 2007, contributing to the 11 percent decrease in fuel gross profit.

In addition to the retail margins for gasoline and diesel, Parkland participates in the refiners' margins for a significant portion of its supply volumes. In the fourth quarter this participation yielded earnings approximately $3 million higher than the comparative period in 2007. The contribution from this margin category has been highly variable over the past two years as it produced record results in 2007, then declined to minimal amounts in the first half of 2008 and recovered substantially in the past two quarters.

Convenience store merchandise sales decreased four percent during the three month period compared to 2007. The decrease can be attributed to the conversion of corporate operated sites to commission or dealer operated sites. In the case of a conversion to a commission operated site, this has the impact of decreasing sales in the Convenience Store Merchandise segment but increasing variable rents which are included in the Fuel Marketing segment.

Total cost of sales for the quarter ended December 31, 2008 was $459.2 million, up 17 percent from $394.3 million a year earlier. The Commercial segment experienced a 16 percent decrease in the cost of sales compared to the same period in 2007 resulting in gross margin increasing to 35.8 percent from 31.9 percent in the prior year. For the Convenience Store segment, the decrease in cost of sales was slightly greater than the decrease in sales, resulting in a gross margin of 25.3 percent in 2008 compared to 24.3 percent in 2007.

In previous quarters Parkland has made reference to FIFO inventory adjustment gains and losses. The FIFO inventory adjustment can be better described as the impact of price risk on a fixed quantity of gasoline that was purchased in the late 1990's as security towards a major fuel supply contract. Parkland acquired 30 million litres of gasoline that is held by a major supplier in storage in Edmonton. Under the LIFO inventory valuation method this fuel inventory was previously recorded by Parkland at acquisition cost. With the early adoption of the CICA Handbook Section 3031, Inventories, at December 31, 2007, the 30 million litres of gasoline inventory is revalued quarterly at current fuel costs under the FIFO basis. With the significant decrease of crude oil costs in the fourth quarter and the corresponding decrease in gasoline costs during the same period the revaluation of this inventory in the fourth quarter of 2008 resulted in a reduction in fuel margins of $14.9 million, offsetting gains in the first two quarters of 2008. For the year ended December 31, 2008 Parkland recorded a cumulative loss of $12.1 million (gain of $4.2 million in 2007).

Operating Expenses

Operating and direct costs were $26.9 million in the fourth quarter compared to $32.4 million for the same period in 2007. Some of this decrease is driven by a decrease in sales volume in the Commercial segment during the fourth quarter compared to 2007. In the fourth quarter of 2007 Parkland reclassified as operating and direct costs approximately $7 million of local truck delivery expenses which had been recorded as cost of sales in the first three quarters. This affects the quarter over quarter comparison between the periods. Operating and direct costs in 2008 includes a $1.7 million bad debt allowance.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Marketing, general and administrative expenses were $13.4 million in the fourth quarter compared to $11.5 million for the same period in 2007. Included in this expense category is $0.2 million of operating costs related to the ERP implementation and a $1.0 million write-off of the Beaver Hills feasibility study.

Interest in Long-term Debt

Interest on long-term debt was $1.4 million in the fourth quarter compared to $0.5 million for the same period in 2007. The increase is due to the increase in bank indebtedness and long-term debt throughout the year.

Income Tax Expense

Income tax expense was $3.8 million in the fourth quarter compared to $1.3 million for the same period in 2007. In the fourth quarter of 2008 Parkland reversed a $3.0 million income tax recovery and recorded a net income tax expense for the year of $0.8 million.

Earnings

Earnings before income taxes in the fourth quarter of 2008 were $13.8 million, up 21 percent from $11.5 million a year earlier.

EBITDA for the fourth quarter of 2008 was $25.1 million, up 40 percent from $17.9 million in 2007. The increase in EBITDA from 2007 is explained by the $3.5 million increase in gross profit combined with a reduction of $3.6 million of cash expenses.

EBITDA for the quarter, after adjusting for the $15 million loss on FIFO inventory adjustment and removing the $5 million non-recurring contract cancellation fee, would have been $35.1 million.

Capital Assets and Amortization

Amortization expense in the fourth quarter of 2008 was $9.1 million, up from $2.8 million a year earlier. During the fourth quarter of 2008, the Fund expended $14.6 million (2007 - $16.4 million) in net capital investments, of which $3.5 million (2007 - $4.6 million) was classified as maintenance capital and $11.1 million (2007 - $11.8 million) was classified as growth capital.

For accounting purposes, amounts expended on both maintenance and growth capital are treated as purchases of capital assets. 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 classify all capital assets related to service station upgrades or the replacement and betterment of its trucking fleet as maintenance capital. The construction of a new building on an existing site or the additions of new trucks and trailers to increase the size of the fleet is considered growth capital.

Long-term Debt and Cash Balances

For the three month period ended December 31, 2008 interest on long-term debt was $1.4 million, up from $0.5 million in the same quarter in 2007. Most of the Fund's long-term debt bears interest at variable rates linked to prime.

During the fourth quarter, operating activities generated $38.2 million of cash of which $15.9 million was used to fund unitholder distributions, $4.5 million was used to repurchase Fund units and $14.6 million was used for net growth and maintenance capital purchases during the quarter. Additional net borrowings against the Fund's operating facility provided cash of $8.1 million. Parkland's cash position at December 31, 2008 increased by $10.9 million during the quarter compared to a decrease of $5.1 million in the same quarter of 2007.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2008

Fuel Volumes

Fuel volumes for the year increased 20 percent with total fuel volume of 2,353 million litres in 2008 compared to 1,963 million litres in 2007. Wholesale fuel volumes increased 39 percent with 1,144 million litres compared to 823 million litres last year. Retail fuel volumes for the year increased 10 percent or 108 million litres with most of the net increase in retail fuel volumes being attributed to the IOL retail branded distributorship business. Propane volumes increased 29 percent or 33 million litres compared to 2007, mostly due to the full impact of the acquisitions of Neufeld, Joy and United Petroleum being reflected in the current year results.

Sales, Cost of Sales and Gross Profit

The following table details net sales, cost of sales and gross profit for Parkland's three business segments:

(in millions of Canadian dollars)	Year ended **December 31, 2008**	Year ended December 31, 2007	% Change
Fuel Marketing Segment			
Net sales	**2,194.0**	1,558.2	41
Cost of sales	**2,022.4**	1,370.3	48
Gross profit *(1)*	**171.6**	187.9	(9)
Gross margin	**7.8%**	12.1%	
Convenience Store Merchandise Segment			
Net sales	**61.8**	64.5	(4)
Cost of sales	**45.6**	48.2	(5)
Gross profit	**16.2**	16.4	(1)
Gross margin	**26.3%**	25.4%	
Commercial Segment			
Net sales	**92.4**	74.9	23
Cost of sales	**58.8**	46.7	26
Gross profit	**33.6**	28.2	19
Gross margin	**36.4%**	37.6%	
Gross Profit Sources			
Total gross profit	**221.4**	232.5	
Less:			
Convenience store gross profit	**16.2**	16.4	
Gross profit on commercial sales	**33.6**	28.2	
Other revenue included in gross profit *(2)*	**20.0**	9.4	
Fuel gross profit	**151.6**	178.5	
Cents per litre	**0.064**	0.091	

(1) The Fuel Marketing segment includes a $5.0 million contract cancellation fee related to the Bowden refinery.

(2) Other revenue includes third party hauling generated from the Wiebe acquisition, which is included in the Fuel Marketing segment.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net sales and operating revenue for the year ended December 31, 2008 was $2,348 million, up 38 percent from $1,697.7 million during the same period last year. The primary reason was a 41 percent increase in fuel marketing revenue and a 23 percent increase in revenue from commercial sales. Fuel volumes sold for the twelve month period increased 20 percent compared to 2007. The average cent per litre selling price for fuel volumes sold in 2008 has also increased about 45 percent over the same period in 2007, further contributing to the increase in fuel marketing revenues.

Total cost of sales for the year ended December 31, 2008 was $2,127 million, up 45 percent from $1,465 million a year earlier. For the convenience store segment the slight decrease in cost of sales was roughly in line with the decrease in sales. For fuel marketing, the largest segment, sales increased by 41 percent while the cost of sales increased by 48 percent, mainly because our cost of gasoline rose more than our selling price for gasoline.

Total gross profit for the year was $221.4 million, down 5 percent from $232.5 million a year earlier.

Operating Expenses

Operating and direct costs incurred during 2008 were $92.0 million, up 18 percent from $77.7 million a year earlier. Marketing, general and administrative expenses were $48 million in 2008, up 21 percent from $39.8 million a year earlier. Contributing to the increase in expenses were the acquisitions of Noco and Wiebe during 2008 and the increased volume of business during 2008 compared to the prior year. Included in this expense category is $1.6 million of operating costs related to the ERP implementation and a $1.0 million write-off of the Beaver Hills feasibility study.

Interest in Long-term Debt

Interest on long-term debt was $4.8 million in 2008 compared to $1.7 million in 2007. The increase is due to the increase in bank indebtedness and long-term debt throughout the year.

Income Tax Expense

Income tax expense was $0.8 million in 2008 compared to $8.0 million in 2007. The 2007 income tax expense included a future tax provision of $7.7 million as a result of the taxation of Trusts in 2011.

Earnings

Earnings before income taxes for the year were $45.2 million, down 49 percent from $88.7 million a year earlier. The decrease in twelve month earnings is due to the decrease in refiners' margins experienced during the first six months of 2008 compared to the prior year, combined with an increase in cash expenses of $22.7 million.

EBITDA for 2008 was $81.2 million, down $33.9 million or 29 percent from $115.1 million in 2007. The decrease in EBITDA from 2007 can be summarized as an $11.1 million decrease in gross profit combined with an increase in cash expenses of $22.8 million.

EBITDA for the year, after adjusting for the $12.1 million loss on FIFO inventory adjustment and removing the $6.3 million non-recurring contract cancellation fee, would have been $87.0 million.

Capital Assets and Amortization

Amortization expense was $30.4 million, up 40 percent from $21.6 million a year earlier. A full year of amortization for capital assets and intangible assets acquired in 2007 plus amortization of capital assets acquired in 2008 accounted for the increase.

The Fund expended $31.9 million in net capital investments, of which $10 million was classified as maintenance capital and $21.9 million was classified as growth capital.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SUMMARY OF THE EIGHT MOST RECENTLY COMPLETED CONSOLIDATED QUARTERLY RESULTS

(millions of Canadian dollars, except volume and per *Unit* amounts)

For the three months ended	**2008 Dec 31**	Sep 30	Jun 30	Mar 31	2007 Dec 31	Sep 30	Jun 30	Mar 31
Fuel volume (millions of litres)	**664**	608	525	556	516	549	471	440
Net sales and operating revenue	**524.5**	734.1	606.6	482.9	456.1	482.9	424.6	334.0
Net earnings	**10.1**	13.1	11.0	10.2	10.2	31.4	22.0	17.1
EBITDA	**25.1**	19.9	19.0	17.2	17.9	25.8	48.2	23.1
Net earnings per Unit								
— Basic	**0.20**	0.26	0.22	0.20	0.24	0.63	0.42	0.37
— Diluted	**0.20**	0.26	0.22	0.20	0.23	0.62	0.42	0.37

Parkland continues to generate increased fuel volume each quarter compared to the corresponding quarters in the prior year. The addition of the Commercial segment has reduced the volatility of quarterly earnings. In 2008 we did not benefit from the seasonal increase in refiners' margins as compared to 2007.

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY

Parkland has available an Extendible Facility, including bank indebtedness and letters of credit, up to a maximum amount of $169 million and bears interest, payable monthly, at the bank's prime lending rate plus 0.4 to 0.9 percent per annum. The Extendible Facility is subject to renewal on August 1, 2009 at which time it can be extended at Parkland or lender's option for 364 days. If the Extendible Facility is not extended, all amounts outstanding are repayable in twelve consecutive quarterly instalments, commencing on the last day of the third month following the then maturity date, with the first eleven of such instalments being one-twenty fifth of the outstanding balance and remainder at the end of the period. Security for the Extendible Facility is assignment of insurance and an unlimited guarantee from the secured entities.

At December 31, 2008 Parkland had $70.2 million in long-term debt (excluding $3.2 million of the current portion). At December 31, 2008, $40.0 million of the revolving operating facility was utilized.

Parkland believes that cash flow from operations will be adequate to fund maintenance capital, interest and targeted distributions. Growth capital expenditures in 2009 will be funded by the revolving extendible credit facility. Additional debt incurred will be serviced by anticipated increases in cash flow and it is expected that Net Debt to EBITDA ratios of less than 2.0 times will be maintained.

Parkland manages its capital structure and makes adjustments according to market conditions to maintain flexibility while achieving objectives stated above. To manage the capital structure, Parkland may adjust capital spending, adjust distributions paid to Unitholders, issue new Units, issue new debt or repay existing debt. Parkland takes into account the maximum equity growth limits when managing and monitoring its capital structure. Parkland's allowed growth capital at December 31, 2008 was approximately $272 million (December 31, 2007 - $204 million). If the maximum equity growth allowed is exceeded, the Fund may be subject to trust taxation prior to 2011.

MANAGEMENT'S DISCUSSION AND ANALYSIS

At December 31, 2008, Parkland was in compliance with all of the financial covenants under its syndicated credit facility. The ratios are tested on a trailing rolling four quarter basis. The financial covenants under the syndicated credit facility are as follows:

1. Ratio of current assets to current liabilities shall not be less than 1.10 to 1.00 on a consolidated basis;
2. Ratio of funded debt to EBITDA shall not exceed 2.00 to 1.00;
3. Ratio of EBITDA less maintenance capital expenditures and taxes to sum of interest, principal and distributions shall not be less than 1.00 to 1.00 for the four quarters ended December 31, 2008 and 1.05 to 1.00 thereafter.

Liquidity risk is the risk Parkland will encounter difficulties in meeting its financial liability obligations. Parkland manages its liquidity risk through cash and debt management. In managing liquidity risk, Parkland has access to various credit products at competitive rates. Parkland believes it has sufficient funding through the use of these facilities to meet foreseeable borrowing requirements.

DISTRIBUTIONS

The following table sets forth the record date, date of payment, per Trust Unit amount of distributions paid and total cash distributed for 2008:

Record Date	Payment Date	Per Trust Unit	Total Cash Distributed (thousands)
January 31, 2008	February 15, 2008	0.1050	5,261
February 28, 2008	March 14, 2008	0.1050	5,281
March 30, 2008	April 15, 2008	0.1050	5,282
April 30, 2008	May 15, 2008	0.1050	5,283
May 31, 2008	June 13, 2008	0.1050	5,284
June 29, 2008	July 15, 2008	0.1050	5,285
July 31, 2008	August 15, 2008	0.1050	5,286
August 31, 2008	September 15, 2008	0.1050	5,287
September 28, 2008	October 15, 2008	0.1050	5,288
October 31, 2008	November 14, 2008	0.1050	5,291
November 30, 2008	December 15, 2008	0.1050	5,292
December 31, 2008	January 15, 2009	0.1050	5,296
Total distributions declared to Unitholders		**1.2600**	**63,416**

Total distributions declared to Unitholders in 2008	**63,416**
Total distributions declared to Unitholders in 2007	90,518
Total distributions declared to Unitholders in 2006	56,171
Total distributions declared to Unitholders in 2005	23,872
Total distributions declared to Unitholders in 2004	21,075
Total distributions declared to Unitholders in 2003	20,376
Total distributions declared to Unitholders in 2002	13,208

MANAGEMENT'S DISCUSSION AND ANALYSIS

CRITICAL ACCOUNTING ESTIMATES

Estimates are used when accounting for items such as allowance for doubtful accounts, asset retirement obligations, the refinery remediation accrual, amortization and income taxes. These estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material.

At December 31, 2004, Parkland recorded the net estimated liability that would be realized if the refinery assets were remediated, dismantled and sold for salvage values. Estimated remediation costs were supported by a third party report, while other costs were based on management estimates.

During 2007 Parkland activated a portion of the refinery to toll produce fluids used in the oilfield and utilized tankage for fuel storage. Parkland is continuing to pursue other economically viable uses for the remaining processing units at the refinery and therefore any decision to dismantle, remediate and sell the refinery site has been deferred indefinitely. Parkland renewed its refinery operating license in 2007 and fully intends to maximize the revenue generating potential of this facility. The obligations relating to future environmental remediation, however, continue to exist.

Assuming Parkland continues operations at the refinery, remediation for any potential environmental liabilities associated with a complete dismantling of the site would be delayed indefinitely. Parkland has estimated the cost of remediation on the basis that any future remediation would be part of a multi-year management plan. Remediation costs have been estimated from independent engineering studies conducted in January 2008 resulting in an additional $3.0 million accrual as at December 31, 2007. The studies recognize increases in remediation costs as well as increases in remediation standards since the original study conducted in 1999. The expected cost, to be incurred over an extended period after operations cease, are approximately $6.1 million net of salvage value of equipment.

Actual costs and salvage values could differ significantly from these estimates when, and if, the refinery is remediated, dismantled and sold.

Parkland has conducted its regular review of the book values of its property, plant and equipment, goodwill and intangible assets and tested for impairment of value. Parkland determined that there was no impairment to be recognized.

FINANCIAL INSTRUMENTS

Credit and Market Risk

A substantial portion of Parkland's accounts receivable balance is with customers in the oil and gas and forestry industries and is subject to normal industry credit risks. In light of the current market conditions, Parkland's credit department has been expanded and policies strengthened to control the credit granting process. Parkland performs ongoing credit evaluations of its customers and outstanding debts are regularly monitored.

Parkland is exposed to market risk from changes in the Canadian prime interest rate which can impact its borrowing costs. Parkland purchases certain products in US dollars and sells such products to its customers typically in Canadian dollars. As a result, fluctuations in the value of the Canadian dollar relative to the US dollar can result in foreign exchange gains and losses.

Risk Management

Parkland manages its exposure to credit risk through rigorous credit granting procedures, typically short payment terms and security interests where applicable. Parkland attempts to closely monitor financial conditions of its customers and the industries in which they operate.

During the fourth quarter of 2008, Parkland was able to significantly reduce its accounts receivable balance from $154 million at September 30, 2008 to $113 million at December 31, 2008 as a result of these enhanced credit and collection efforts.

At December 31, 2008, the provision for impairment of credit losses was $3.5 million.

OFF BALANCE SHEET ARRANGEMENTS

The Fund has not engaged in any off balance sheet arrangements.

OUTLOOK

Two months into the first quarter of 2009, retail fuel sales volumes remain similar to the prior year and retail margins remain strong in spite of the cold weather season when demand for gasoline is typically weaker. Commercial fuel sales volumes have been softer in northern Alberta as upstream oil and gas customers have curtailed drilling programs.

Diesel supply has increased from shortages experienced in 2008 causing margins to trend downward although they remain strong by historic standards.

Refiners' margins for gasoline have increased to the degree that they are stronger than any mid-winter period in the past 10 years. As of the current date they have declined somewhat from their peak in mid-February.

The fall fertilization season did not generate the volume of activity that was expected as a result of drought and high fertilizer prices but Parkland is optimistic that it can make much of that volume up in the second quarter of 2009 as farmers will need fertilizer to plant crops, assuming normal weather conditions.

Subsequent to the end of the fourth quarter, 40 dealers in Ontario and Alberta came on-line as a result of agreements Parkland entered into that increased the number of accounts in its Esso retail branded distributorship business. These dealers, with an anticipated annual volume of 200 million litres of gasoline and diesel are expected to contribute to Parkland's growth in 2009.

While early profitability for 2009 is positive Parkland recognizes that it operates in uncertain economic times. Demand for Parkland's products fluctuates to a certain extent with economic conditions and may deteriorate over time. Profit margins also vary from time to time in response to changes in demand and economic conditions in general. These factors represent a risk for Parkland's profitability going forward.

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, Parkland 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, business unit 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 one year 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Safety

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

Parkland has a Director of Health, Safety & Environment ("HSE"), two HSE managers and HSE Committees. The HSE Committees represent all areas of Parkland's business and ensures all identified risks are properly mitigated and that procedures and documentation are consistent across the entire organization. In 2007 and 2008, Parkland satisfactorily completed external and internal audits 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 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; expanding the use of its handheld inventory billing devices for bulk fuel sales and continued maintenance and security related to overall network administration and Emergency Response Plan processes.

Parkland is currently undergoing extensive business process re-engineering and an upgrade of its enterprise resource planning ("ERP") software. Parkland has engaged external consultants who have experience in the fuel marketing industry and with our ERP software to assist management with this project. Extensive testing in a controlled environment will be conducted before implementing any changes to Parkland's accounting and reporting systems.

Based on the current long-range technology plans, Parkland plans to implement technology changes using qualified and experienced external consultants within a test environment to minimize any undue risk to Parkland's business related to required or planned technology changes.

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 Parkland'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 Parkland's major customers and create increased credit risk. These risks are partially mitigated by Parkland'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, other commercial fuel and propane marketers, convenience store chains, independent convenience stores, gas station operators, large and small food retailers, discount 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. These non-traditional motor fuel retailers have obtained a significant share of the motor fuel market and this could grow. The emergence of large scale highway truck stops throughout western Canada has reduced our share of this market and customer demographic.

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 and propane 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, Africa 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. The development of the oilsands in northern Alberta, together with upgraders producing a distillate stream has the potential to add significant supply volumes in the diesel market over time. Production at these facilities is subject to production interruptions which can periodically disrupt the availability of refined product in the region.

Some of our supply costs allow us to participate in refiners margins. These margins are volatile and not assured.

Credit

Parkland grants credit to customers ranging from small independent service station operators to larger reseller and commercial/industrial accounts. These accounts may default on their obligations. Parkland 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.

Safety and Environmental

The operation of service stations, refinery facilities and petroleum, propane and anhydrous ammonia transport trucks and commercial facilities carry an element of safety and environmental risk. To prevent environmental incidents from occurring, Parkland has extensive safety and 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

Parkland's business depends to a large extent on a small number of fuel suppliers, a number of which are parties to long-term supply agreements with the Fund. An interruption or reduction in the supply of products and services by such suppliers could adversely affect Parkland'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, Parkland 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 Parkland's revenues, distributions and its reputation. Additionally, Parkland cannot ensure that it will be able to renegotiate such agreements or negotiate new agreements on terms favorable to Parkland.

Parkland attempts to mitigate this risk by maintaining a diverse 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. A majority of Parkland's fuel supply, measured by volume, is not subject to termination for at least four years.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 Parkland's revenue, profitability and ability to pay distributions.

Parkland serves the farm trade. This sector is subject to weather variation and commodity price fluctuation.

The oil and gas exploration sector is subject to changes in commodity prices and access to capital which impacts the drilling budgets of Parkland's customers. This largely affects oilfield fluids, propane and bulk fuel sales directly as well as impacts communities in primary exploration regions in Alberta and northern British Columbia.

The oil production sector is more stable but will ultimately decline with reduced exploration activity. Parkland provides propane and related product sales to this sector.

Forestry has seen reduced activity over the past year and continues to be weak.

Mining is susceptible to variations in commodity prices. Parkland fuel customers include several mines producing different metals and their demand for fuel may decline.

Part of Parkland's profitability is derived from its share of refiners' margins under a long-term supply contract. Refiners' margins may deteriorate in the face of declining demand for petroleum products.

Dependence on Key Personnel

Parkland'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 Parkland's operating results. In addition, Parkland's continued growth depends on the ability of Parkland and its subsidiaries to attract and retain skilled operating managers and employees and the ability of its key personnel to manage Parkland's growth and consolidate and integrate its operations. There can be no assurance that Parkland will be successful in attracting and retaining such managers, employees and other 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 Parkland markets is widely available. Should such an alternative become widely available, it may negatively affect the demand for Parkland's products. As well, the federal government and certain provinces have developed or are developing legislation requiring the inclusion of ethanol in gasoline and use of biodiesel which may negatively affect the overall demand for fossil fuel products.

Climate Change

Parkland does not operate any industrial sites and is not a major emitter of greenhouse gases. The federal and provincial governments in Canada are formulating laws and regulations designed to limit greenhouse gas emissions which would be expected to result in a decline of consumption of petroleum products over time.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Technology

At the operational level, Parkland 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 back up procedures. The conversion and upgrade of electronic systems could result in lost or corrupt data which could impact the accuracy of financial reporting and management information.

Insurance

Although we have a comprehensive insurance program in effect, there can be no assurance that potential liabilities will not exceed the applicable coverage limits under our insurance policies. Consistent with industry practice, 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. We do not maintain insurance coverage for environmental damage.

Management Operations of Industries LP

The Board of Directors of Parkland Industries Ltd. oversees the management and operation of Parkland's operating entities. As a result, holders of Units of Parkland 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

Most of Parkland's loans have floating rates 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 or changes in tax legislation are possible and could negatively affect demand, profitability or the attractiveness of the Fund structure as an investment.

Refinery Operating Permit

The refinery has operated as a toll-based petrochemical processing site and fuel storage site. Parkland obtained a new permit in 2007 to allow for continued use or for alternative uses of the facility. The new permit expires in 2017.

If operations at the refinery are not continued Parkland may incur significant remediation costs.

Regional Economic Conditions

Parkland's 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 Parkland exercises 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 Parkland's market areas. Some of our sites are located in markets which are more severely affected by weak economic conditions.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 2007 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 and Class C Limited Partnership Units referred to in note 8 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, Parkland Refining Ltd. which holds the Bowden refinery assets, Joy Propane Ltd, United Petroleum Products Inc and Neufeld Petroleum and Propane Ltd.

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 of Parkland 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 Trusts, 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 of Parkland, 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 the 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.

Distribution of Securities on Redemption or Termination of the Fund

Upon 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

Enactment of the Tax on Income Trusts

On June 12, 2007, the legislation ("Bill C-52") implementing the new tax on publicly traded income trusts and limited partnerships (the "SIFT tax"), referred to as "Specified investment flow-through" ("SIFT") entities received third reading in the House of Commons and on June 22, 2007, the Bill received Royal Assent. For SIFTs in existence on October 31, 2006 including Parkland, the SIFT tax will be effective in 2011 or earlier if certain rules related to "undue expansion" are not adhered to.

Under the SIFT tax, distributions from certain types of income will not be deductible for income tax purposes by SIFTs in 2011 and thereafter and any resultant trust level taxable income will be taxed at an approximate of the corporate income tax rate. The SIFT rate was initially 31.5 percent however on October 30, 2007, the Government of Canada, in its Mini-Budget, proposed changing the rate to match corporate rates. Distributions from income subject to the SIFT tax will be considered taxable dividends to unitholders, generally eligible for the dividend tax credit. As a result, the SIFT tax will not adversely affect Canadian investors who hold Parkland units in a non-tax deferred account. Distributions representing a return of capital for income tax purposes will continue to be an adjustment to a unitholder's adjusted cost base of trust units.

Parkland's Board of Directors and Management are continuously monitoring the impact of this tax on its business strategies. Parkland expects future technical interpretations and details will further clarify the legislation. At the present time, Parkland believes some or all of the following actions will or could result in the future due to the SIFT tax:

- If structural or other similar changes are not made, the after-tax distribution yield in 2011 to taxable Canadian investors will remain approximately the same, however, the distribution yield in 2011 to tax deferred Canadian investors (RRSP's, RRIF's, pension plans, etc.) and foreign investors would fall by an estimated 31.5 percent and 26.5 percent, respectively;
- A portion of Parkland's cash flow could, as a result, be required for the payment of the SIFT tax, or other forms of tax, and would not be available for distribution or reinvestment;
- Parkland could convert to a corporate structure with yield in the form of dividends to facilitate investing a higher proportion or all of its cash flow in projects. Such a conversion could result in the reduction, or the elimination, of the current distribution program in favor of higher capital investment and/or a dividend payment program;
- Parkland might determine that it is more economic to remain in the trust structure, at least for a period of time, and shelter its taxable income using tax pools and pay all or a portion of its distributions on a return of capital basis, likely at a lower payout ratio. Further, as the SIFT tax rate exceeds the corporate income tax rate that would be applicable to Parkland, the tax strategy might involve paying some corporate tax resulting in all or a portion of those distributions being paid on a return of capital basis at a lower payout ratio.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Parkland continues to review all organizational structures and alternatives to minimize the impact of the SIFT tax on its unitholders. While there can be no assurance that the negative effect of the tax can be minimized or eliminated, Parkland and its advisors will continue to work diligently on these issues.

Additional detailed risk factors of Parkland Income Fund are described in Parkland's Annual Information Form for 2008 dated March 17, 2009 which is available on the Fund's profile at www.sedar.com

SUPPLEMENTARY INFORMATION

Parkland seeks to provide relevant information to allow investors to evaluate its operations. The nature of this information is limited by competitive sensitivities, confidentiality terms in written agreements and Parkland's policy not to provide guidance regarding future earnings. We have developed a template of supplementary information that is published with each quarterly financial report. For persons seeking information regarding fuel margins we refer to outside sources: websites of western Canadian refiners, Bloomberg's Oil Buyers Guide, Nymex contracts for gasoline and crude oil as well as Government of Canada, Natural Resources Canada reports. Data from these sources will not be sufficient to calculate Parkland's fuel margin given that it does not correlate directly with our market region and supply contracts, but should indicate margin trends.

DISTRIBUTION REINVESTMENT PLAN

Parkland has a Distribution Reinvestment Plan administered by Valiant Trust Parkland. Details are available from the Fund or from Valiant Trust Parkland.

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.

Parkland, 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 and internal control over financial reporting 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 and internal control over financial reporting were effective as of December 31, 2008 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 and internal control over financial reporting 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.

During 2008, Parkland conducted a review of the accounting system and internal controls environment at the acquired companies and concluded that there were no material weaknesses in the disclosure controls and procedures as at December 31, 2008. Parkland has determined that weaknesses exist relating to the lack of integration of the financial reporting systems and requirement for extensive manual interventions during the financial reporting process. The weaknesses identified are mitigated through other compensating controls.

Parkland is currently undergoing extensive business process re-engineering and an upgrade of its enterprise resource planning ("ERP") software. The objectives of the project include the following:

- Introduce best business practices, consistency and uniformity to its core business operations, controls and accounting processes;
- Integrate all systems and processes of the business, including that of the acquired companies, into its ERP software; and
- Complete the integration of the acquired companies by merging systems, processes, controls and operations.

The initiatives outlined above are now expected to be substantially completed during 2009.

Parkland has a Disclosure Committee, consisting of three senior management members, that approves all items for public disclosure and also considers whether all items required to be disclosed are disclosed.

NEW ACCOUNTING STANDARDS ADOPTED

On January 1, 2008, the Fund adopted the Canadian Institute of Chartered Accountants (CICA) handbook sections 1535 "Capital Disclosures", section 3862 "Financial Instruments - Disclosures" and section 3863 "Financial Instruments - Presentation".

Section 1535 establishes disclosure requirements about an entity's capital and how it is managed. The purpose will be to enable users of the financial statements to evaluate objectives, policies and processes for managing capital. Sections 3862 and 3863 will replace section 3861 "Financial Instruments – Disclosure and Presentation", revising and enhancing disclosure requirements while carrying forward its presentation requirements.

These new sections place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

RECENT ACCOUNTING STANDARDS

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board ("AcSB") has adopted a strategy to apply IFRS to publicly accountable enterprises in the future. In May 2007, the AcSB published an updated version of its "Implementation Plan for Incorporating International Financial Reporting Standards into Canadian GAAP". This plan includes an outline of the key decisions that the AcSB will need to make as it implements the Strategic Plan for publicly accountable enterprises. One step in the implementation plan is for the AcSB to conduct a Progress Review to determine if the changeover date to IFRS for fiscal years beginning on or after January 1, 2011 continues to be appropriate. The AcSB has commenced these activities and published its initial plan "Progress Review - Steps to IFRS Incorporation into Canadian GAAP" in July 2007.

On February 13, 2008, the AcSB confirmed the transition date of January 1, 2011. The transition date of January 1, 2011, will require Parkland to restate for comparative purposes amounts reported for the year ended December 31, 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS

A diagnostic analysis on Parkland's 2007 Financial Statements was performed near the end of 2008. The diagnostic identified the key accounting changes that Parkland would expect as a result of IFRS transition. Parkland will be reviewing the implementation plan for Phase 2 of the IFRS Conversion over the coming weeks, following which it will commit resources, approve budget and ensure the participation of both operational and financial representatives on IFRS project teams.

Goodwill and Intangible Assets

Section 3064, Goodwill and Intangibles Assets, is effective for periods beginning on or after October 1, 2008 and the Fund will implement it as of January 1, 2009. This section, which replaces Section 3062, Goodwill and Other Intangibles Assets, and Section 3450, Research and Development Costs establishes standards for the recognition, measurement and disclosure of goodwill and intangibles assets. Parkland has assessed that the impact of the adoption of this standard will not be significant.

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 ($000's) under the existing terms are as follows:

Year ending, December 31	Mortgages, bank indebtedness, bank loans and notes payable	Operating leases	Capital leases
2009	42,929	2,584	295
2010	11,601	1,867	204
2011	11,584	1,531	38
2012	11,535	701	146
2013	11,533	537	57
Thereafter	23,066	2,008	642
	112,248	9,228	1,382

The Fund also has purchase commitments under its fuel supply contracts that require the purchase of approximately 1.0 billion litres of product over the next year.

UNITS OUTSTANDING

As at December 31, 2008, Parkland had 49.7 million units outstanding and 0.7 million unit options outstanding. All of the options outstanding are currently exercisable into units.

MANAGEMENTS 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 Parkland 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, 2008 and 2007.

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 report.

Michael W. Chorlton
President and CEO

Red Deer, Alberta
February 27, 2009

John G. Schroeder
Vice President and CFO

Red Deer, Alberta
February 27, 2009

AUDITORS' REPORT

TO THE UNITHOLDERS OF PARKLAND INCOME FUND

We have audited the consolidated balance sheets of Parkland Income Fund (the Fund") as at December 31, 2008 and 2007 and the consolidated statements of earnings and other comprehensive income, accumulated other comprehensive income and retained earnings and cash flows for each of the years in the two year period ended December 31, 2008. These consolidated 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, 2008 and 2007 and the results of its operations and its cash flows for each of the years in the two year period ended December 31, 2008 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Calgary, Alberta
February 26, 2009

CONSOLIDATED BALANCE SHEET

($000's)	December 31 2008	December 31 2007
ASSETS		
Current Assets		
Cash and cash equivalents	**19,529**	6,296
Accounts receivable	**112,927**	102,360
Income tax recoverable	**313**	—
Inventories *(Note 4)*	**34,666**	48,476
Prepaid expenses and other	**6,796**	10,401
	174,231	167,533
Property, plant and equipment *(Note 5)*	**195,917**	179,952
Intangible assets *(Note 6)*	**17,619**	15,120
Goodwill	**13,500**	11,594
Other long-term assets	**2,699**	1,374
Future income taxes *(Note 19)*	**1,522**	4,233
	405,488	379,806
LIABILITIES		
Current Liabilities		
Bank indebtedness *(Note 7)*	**40,000**	22,250
Accounts payable and accrued liabilities	**73,505**	85,311
Distributions declared and payable	**5,385**	22,175
Income tax payable	**—**	1,716
Deferred revenue	**3,260**	3,839
Long-term debt - current portion *(Note 8)*	**3,224**	4,101
	125,374	139,392
Long-term debt *(Note 8)*	**70,151**	14,252
Refinery remediation accrual *(Note 9)*	**6,107**	5,713
Asset retirement obligations *(Note 10)*	**3,094**	2,227
Future income taxes *(Note 19)*	**9,206**	9,517
	213,932	171,101
UNITHOLDERS' CAPITAL *(Note 11)*		
Class B Limited Partners' Capital	**3,153**	12,606
Class C Limited Partners' Capital	**53,461**	54,121
Unitholders' Capital	**134,942**	141,978
	191,556	208,705
	405,488	379,806

See accompanying notes to the consolidated financial statements.

James Pantelidis
Chairman of the Board

Michael W. Chorlton
President and CEO

CONSOLIDATED STATEMENTS OF EARNINGS AND OTHER COMPREHENSIVE INCOME, ACCUMULATED OTHER COMPREHENSIVE INCOME AND RETAINED EARNINGS

For the years ended *($000's except Unit and per Unit amounts)*		*December 31* **2008**		*December 31* 2007
Net sales and operating revenue		**2,348,126**		1,697,663
Cost of sales		**2,126,745**		1,465,155
Gross profit		**221,381**		232,508
Expenses				
Operating and direct costs		**91,960**		77,668
Marketing, general and administrative		**48,212**		39,785
Amortization		**30,359**		21,627
Refinery remediation		**394**		2,677
Accretion expense		**113**		61
Interest on long-term debt		**4,831**		1,676
Loss on disposal of property, plant and equipment		**344**		275
		176,213		143,769
Earnings before income taxes		**45,168**		88,739
Income tax expense (recovery) *(Note 19)*				
Current		**(313)**		1,280
Future		**1,140**		6,722
		827		8,002
Net earnings		**44,341**		80,737
Other comprehensive income		**—**		—
Comprehensive income		**44,341**		80,737
Accumulated other comprehensive income, beginning of year		**—**		—
Other comprehensive income		**—**		—
Accumulated other comprehensive income, end of year		**—**		—
Retained earnings, beginning of year		**—**		—
Allocation to Class B Limited Partners *(Note 11)*		**(6,298)**		(14,339)
Allocation to Class C Limited Partners *(Note 11)*		**(4,634)**		(8,624)
Allocation to Unitholders *(Note 11)*		**(33,409)**		(57,774)
Retained earnings, end of year		**—**		—
Net earnings per Unit				
— basic	**$**	**0.88**	$	1.66
— diluted	**$**	**0.88**	$	1.64
Units outstanding *(Note 11)*		**49,665**		49,986

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended *($000's)*	*December 31* **2008**	*December 31* 2007
Cash Provided By Operations		
Net earnings	**44,341**	80,737
Add (deduct) non-cash items		
Amortization	**30,359**	21,627
Loss on disposal of property, plant and equipment	**344**	275
Unit incentive compensation *(Note 11)*	**2,390**	1,916
Refinery remediation accrual *(Note 9)*	**394**	2,677
Accretion expense *(Note 10)*	**113**	61
Refinery remediation expenditures	**—**	(2)
Future taxes	**1,140**	6,722
Funds flow from operations	**79,081**	114,013
Net changes in non-cash working capital *(Note 22)*	**(7,464)**	(31,177)
Cash from operating activities	**71,617**	82,836
Financing Activities		
Long-term debt repayments	**(5,827)**	(52,959)
Distributions to Class B Limited Partners *(Note 11)*	**(8,860)**	(15,998)
Distributions to Class C Limited Partners *(Note 11)*	**(6,627)**	(9,618)
Distributions to Unitholders *(Note 11)*	**(47,929)**	(44,443)
Fund Units issued *(Note 11)*	**1,736**	50,133
Repurchase of Fund Units	**(4,520)**	—
Proceeds from long-term debt	**60,847**	29,554
Net changes in non-cash working capital *(Note 22)*	**960**	28,583
Cash used for financing activities	**(10,220)**	(14,748)
Investing Activities		
Acquisition of Wiebe Transport *(Note 17)*	**(6,899)**	—
Acquisition of NOCO Energy Canada Inc. *(Note 18)*	**(8,808)**	—
Change in other assets	**(1,325)**	(15)
Purchase of property, plant and equipment	**(31,935)**	(28,924)
Proceeds on sale of property, plant and equipment	**803**	1,083
Acquisition of Neufeld Petroleum *(Note 13)*	**—**	(47,610)
Acquisition of Joy Propane Ltd. *(Note 14)*	**—**	(9,872)
Acquisition of United Petroleum Products Inc. *(Note 15)*	**—**	(10,425)
Acquisition of Roblyn Bulk Sales Ltd. *(Note 16)*	**—**	(2,491)
Cash used for investing activities	**(48,164)**	(98,254)
Increase (decrease) in cash	**13,233**	(30,166)
Cash and cash equivalents, beginning of year	**6,296**	36,462
Cash and cash equivalents, end of year	**19,529**	6,296

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008
All amounts presented in tables are in thousands of Canadian dollars, except Unit, per Unit and text information.

1. ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Basis of Presentation

Parkland Income Fund 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 Parkland Income Fund and its subsidiaries, partnerships and trusts (collectively the “Fund”). 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. The Class B LP units had a call feature which would have resulted in their conversion to trust units in June 2008 resulting in an income tax obligation to the holders. At a meeting of Class B LP unitholders on June 22, 2007 this call feature was deferred to June 30, 2011. In certain circumstances the Fund may compel the exchange of the LP Units. As such, the LP units, including both Class B and Class C units, are treated as being equivalent to Fund Units.

Use of Estimates

The preparation of the Consolidated 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 remediation accrual, amortization and income taxes. These estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material.

Financial Instruments

A financial asset is cash or a contractual right to receive cash or another financial asset, including equity, from another party. A financial liability is the contractual obligation to deliver cash or another financial asset to another party.

A derivative is a financial instrument whose value changes in response to a specified variable, requires little or no net investment and is settled at a future date. An embedded derivative is a derivative that is a part of a non-derivative contract and not directly related to that contract. Under this standard, embedded derivatives must be accounted for as a separate financial instrument. A non-financial derivative is a contract that can be settled net in cash or another financial instrument.

All financial instruments are initially recorded at fair value and are subsequently accounted for based on one of four classifications: held for trading, held-to-maturity, loans and receivables and other financial liabilities or available-for-sale. The classification of a financial instrument depends on its characteristics and the purpose for which it was acquired. Fair values are based upon quoted market prices available from active markets or are otherwise determined using a variety of valuation techniques and models.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

i) Held for trading
Held for trading financial instruments are financial assets or financial liabilities that are purchased with the intention of selling or repurchasing in the near term. Any financial instrument can be designated as held for trading as long as its fair value can be reliably measured. A derivative is classified as held for trading, unless designated as and considered an effective hedge. Held for trading instruments are recorded at fair value with any subsequent gains or losses from changes in the fair value recorded directly into earnings.

All of the Fund's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and distributions declared and payable are designated as held for trading and are recorded at fair value.

ii) Held-to-maturity
Held-to-maturity investments are financial assets with fixed or determinable payments and a fixed maturity that the Fund has the intent and ability to hold to maturity. These financial assets are measured at amortized cost using the effective interest method. Any gains or losses arising from the sale of a held-to-maturity investment are recorded directly into earnings.

The Fund has not designated any financial instruments as held-to-maturity.

iii) Loans and receivables and other financial liabilities
Loans and receivables and other financial liabilities are accounted for at amortized cost using the effective interest method of amortization.

iv) Available-for-sale
Available-for-sale assets are those assets that are not classified as held for trading, held-to-maturity or loans and receivables. Available-for-sale instruments are recorded at fair value. Any gains or losses arising from the change in fair value is recorded in OCI and upon the sale of the instrument or other-than-temporary impairment, the cumulative gain or loss is transferred into earnings.

The Fund has not designated any financial instruments as available-for-sale.

The methods used by the Fund in determining the fair value of financial instruments are unchanged as a result of implementing the new standard.

Under this standard, all guarantees upon inception are required to be recognized on the balance sheet at their fair value. No subsequent re-measurement is required to fair value each guarantee at each subsequent balance sheet date unless the guarantee is considered a derivative.

Inventories

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

Goodwill

The Fund must record goodwill relating to corporate acquisitions when the total purchase price exceeds the fair value for accounting purposes of the net identifiable assets and liabilities of the acquired company. The goodwill balance is assessed for impairment annually at year-end or as events occur that could result in an impairment. Impairment is recognized based on the fair value of the reporting entity compared to the book value of the reporting entity. If the fair value of the reporting entity is less than the book value, impairment is measured by allocating the fair value of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

the reporting entity to the identifiable assets and liabilities as if the reporting entity has been acquired in a business combination for a purchase price equal to its fair value. Any excess of the book value of goodwill over the implied value of goodwill is the impairment amount. Impairment is charged to earnings and is not tax affected, in the year in which it occurs. Goodwill is stated at cost less impairment and is not amortized.

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%
Buildings	5%
Equipment	10 — 20%
Assets under capital lease	10 — 20%

Intangible Assets

Customer relationships and tradenames acquired during acquisitions are recorded at estimated fair value and will be amortized using the straight-line method over their estimated useful lives of five years. The value of non-compete agreements acquired was recorded at estimated fair value and will be amortized using the straight-line method over the term of the agreement. Intangible assets are tested for impairment when conditions exist which may indicate that the estimated future net cash flows from the asset will be insufficient to cover its carrying value.

Deferred Revenue

Deferred revenue consists of deposits and prepayments by customers for the purchase of product not yet delivered and not recorded as revenue by the Fund.

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.

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 are recorded as Asset Retirement Obligations 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 obligations and amortization in connection with the increase in carrying value over the estimated remaining life of the respective underground fuel storage tanks.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 diluted number of 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 options which were "in-the-money" during the period. Special distributions to unitholders in the form of additional units are recorded at the declaration date. The computation of earnings per unit for prior years are retroactively restated to reflect the change in units as a result of special distributions in the form of new units issued.

Revenue

The Fund recognizes revenue on its sale of goods when title passes to the purchaser or when services are rendered.

Grants of Options and Restricted Units

The Fund accounts for its grants of options and restricted units 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.

2. CHANGES IN ACCOUNTING POLICIES

Capital Disclosures — Presentation and Disclosure

The CICA issued Handbook section 1535 Capital Disclosures that requires both qualitative and quantitative disclosures to provide users of financial statements with information to evaluate the entity's objectives, policies and processes for managing capital. This new section is effective for the Fund beginning January 1, 2008. The provisions have been adopted and included in these financial statements in Note 12.

Financial Instruments — Presentation and Disclosure

The CICA issued Handbook sections 3862 Financial Instruments – Disclosures and 3863 Financial Instruments – Presentation, which are effective for the Fund beginning January 1, 2008. The provisions have been adopted and included in these financial statements in Note 21.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. EARNINGS ANALYSIS AND EARNINGS PER UNIT

	2008	2007
Net earnings	44,341	80,737
Earnings per unit		
— basic	$ 0.88	$ 1.66
— diluted	$ 0.88	$ 1.64
Equivalent units outstanding, beginning of year	49,986	39,858
Weighted average of Class C units issued	155	4,960
Weighted average of Fund units issued	—	3,801
Weighted average of Fund units repurchased	(65)	—
Weighted average of equivalent units issued pursuant to restricted unit plan	85	26
Weighted average of equivalent units issued pursuant to distribution reinvestment plan	53	27
Weighted average of equivalent units issued pursuant to exercise of unit options	52	163
Denominator utilized in basic earnings per unit	50,266	48,835
Incremental equivalent units outstanding that were dilutive	33	460
Denominator utilized in diluted earnings per unit	50,299	49,295

4. INVENTORIES

	2008	2007
Gas and diesel	19,177	33,241
Agricultural inputs	6,122	4,624
Convenience store merchandise	3,525	4,448
Lubricants	4,021	2,749
Propane	717	2,297
Other	1,104	1,117
	34,666	48,476

For the year ended December 31, 2008, the amount of inventory recognized as an expense amounted to $1.7 billion.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. PROPERTY, PLANT AND EQUIPMENT

December 31, 2008	Cost	Accumulated Amortization	Net Book Value
Land	29,455	—	29,455
Land improvements	10,720	3,141	7,579
Buildings	52,012	14,645	37,367
Assets under capital lease	12,675	9,551	3,124
Equipment	184,609	66,217	118,392
	289,471	93,554	195,917

December 31, 2007	Cost	Accumulated Amortization	Net Book Value
Land	26,035	—	26,035
Land improvements	9,572	2,666	6,906
Buildings	42,927	12,206	30,721
Assets under capital lease	15,554	9,547	6,007
Equipment	156,207	45,924	110,283
	250,295	70,343	179,952

6. INTANGIBLE ASSETS

December 31, 2008	Cost	Accumulated Amortization	Net Book Value
Customer relationships	17,649	4,760	12,889
Tradenames	4,966	1,835	3,131
Non-compete agreements	1,946	347	1,599
	24,561	6,942	17,619

December 31, 2007	Cost	Accumulated Amortization	Net Book Value
Customer relationships	11,649	1,724	9,925
Tradenames	4,966	836	4,130
Non-compete agreements	1,146	81	1,065
	17,761	2,641	15,120

The above assets were evaluated as at December 31, 2008 based on criteria in Note 1.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. BANK INDEBTEDNESS

On August 1, 2007, the Fund entered into a credit agreement with a syndicate of banks which included a revolving operating facility for working capital requirements to a maximum of $32 million and subject to margin calculations. On September 26, 2008 this agreement was amended to a maximum of $45 million. The operating facility bears interest at prime plus 0.4%. The effective rate of interest at December 31, 2008 was 3.90 percent (2007 - 6.0 percent). The bank indebtedness is secured in conjunction with the Extendible Facility and is secured by a mortgage over the Fund's real property, assignment of insurance and an unlimited guarantee from the entities providing security.

8. LONG-TERM DEBT

	2008	2007
Bank loans	**167**	310
Extendible facility	**71,825**	14,027
Mortgage payable	**—**	248
Capital lease obligations	**1,383**	3,768
	73,375	18,353
Less current portion	**3,224**	4,101
	70,151	14,252

Estimated repayments for the next five years are:

	Obligations under capital leases	Other Loans
2009	377	2,929
2010	266	11,601
2011	96	11,584
2012	198	11,536
2013	102	11,533
Thereafter	890	22,810
	1,929	71,992
Interest expense included in minimum lease payments	546	—
	1,383	71,992

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bank Loans

Bank loans are payable in monthly instalments of $8,349 (2007 - $13,189) plus interest ranging from nil to six percent (2007 - nil to 6 percent). The bank loans are secured by vehicles with a net book value of $160,339 (2007 - $346,233).

Extendible Facility

The Extendible Facility, including bank indebtedness and letters of credit, is a revolving extendible credit facility up to a maximum amount of $169 million and bears interest, payable monthly, at the bank's prime lending rate plus 0.4 to 0.9 percent per annum. The Extendible Facility is subject to renewal on August 1, 2009 at which time it can be extended at the Fund or lender's option for 364 days. If the Extendible Facility is not extended, all amounts outstanding are repayable in twelve consecutive quarterly instalments, commencing on the last day of the third month following the then maturity date, with the first eleven of such instalments being one-twenty fifth of the outstanding balance and remainder at the end of the period. Security for the Extendible Facility is assignment of insurance and an unlimited guarantee from the secured entities.

Capital Lease Obligations

Capital lease obligations are payable in monthly instalments totalling $24,283. A balloon payment of $85,000 for one of the leases is due at the end of 2009. The monthly instalments include interest varying from nil 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 3.85 percent (2007 - 6.35 percent). The capital lease obligations are for land, buildings, and equipment with a net book value of $3,424,272 and mature at various dates ending September 2022.

9. REFINERY REMEDIATION ACCRUAL

	2008	2007
Refinery remediation accrual, beginning of year	**5,713**	3,038
Additions during the year	**—**	2,585
Accretion expense	**394**	90
Refinery remediation accrual, end of year	**6,107**	5,713

In December 2004, the Fund eliminated the carrying value of its Bowden refinery and recorded a net liability of $3.4 million for future estimated costs of remediation of the site, net of salvage value, based on the uncertainty of creating an alternative to the refinery being dismantled, remediated and sold for salvage values. The Refinery Remediation Accrual represents the present value estimate of the Fund's cost to remediate the site.

During 2006, the Fund entered into a custom processing agreement to toll produce fluids used in the oilfields. The commercial agreement utilized a portion of the processing units at the refinery. The Fund is continuing to pursue other economically viable uses for the remaining processing units at the refinery and therefore any decision to dismantle, remediate and sell the refinery site has been deferred indefinitely. The Fund renewed its refinery operating license in 2007 and fully intends to maximize the revenue generating potential of this facility. The obligations relating to future environmental remediation, however, continue to exist.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Assuming the Fund continues operations at the refinery, remediation for any potential environmental liabilities associated with a complete dismantling of the site would be delayed indefinitely. The Fund has estimated the discounted cost of remediation on the basis that operations continue and that remediation would be part of a multi year management plan. Remediation costs have been estimated from independent engineering studies conducted in December 2007. The total undiscounted estimated future cash flows, to be incurred over an extended period after operations cease, are approximately $13.8 million net of salvage value of equipment and will be accreted. The costs are expected to be incurred between 2018 and 2027. The discount rate used to determine the present value of the future costs is 6.9 percent (2007 - 6.9 percent).

10. ASSET RETIREMENT OBLIGATIONS

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

	2008	2007
Asset retirement obligations, beginning of year	**2,227**	1,140
Additions (disposals) during the year	**(104)**	70
Change in estimates	**858**	956
Accretion expense	**113**	61
Asset retirement obligations, end of year	**3,094**	2,227

The Fund is liable for the environmental obligations related to the removal of its underground storage tanks at properties that it leases. The Asset Retirement Obligation represents the present value estimate of the Fund's cost to remove these tanks. The total undiscounted estimated future cash flows required to settle the Fund's obligation increased to $4.0 million (2007 - $3.2 million), which primarily reflects the Fund's estimate of increased costs and inflation. Discounting these incremental cash flows resulted in a $0.9 million increase in the asset retirement obligation at December 31, 2008. The costs are expected to be incurred between 2009 and 2019. The discount rate used to determine the present value of the future costs is 6.9 percent (2007 - 6.9 percent).

11. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2008		2007	
	Number of Units *(000's)*	Amount	Number of Units *(000's)*	Amount
Class B Limited Partnership Units				
Balance, beginning of year	8,534	12,606	8,566	14,331
Allocation of retained earnings	—	6,298	—	14,339
Distribution to partners	—	(8,860)	—	(15,998)
Exchanged for Fund Units	(5,649)	(6,891)	(32)	(66)
Balance, end of year	2,885	3,153	8,534	12,606
Class C Limited Partnership Units				
Balance, beginning of year	5,165	54,121	—	—
Issued on capital acquisition, net of issue costs	167	2,320	5,519	58,954
Allocation of retained earnings	—	4,634	—	8,624
Exchanged for Fund Units	(94)	(987)	(354)	(3,839)
Distribution to partners	—	(6,627)	—	(9,618)
Balance, end of year	5,238	53,461	5,165	54,121
Fund Units				
Balance, beginning of year	36,287	141,978	30,014	72,693
Allocation of retained earnings	—	33,409	—	57,774
Issued on vesting of restricted units	89	—	26	—
Unit incentive compensation	—	2,390	—	1,916
Issued for cash, net of issue costs	—	—	4,080	47,037
Issued under distribution reinvestment plan	107	1,089	44	636
Issued under unit option plan	81	647	462	2,460
To be issued to unitholders pursuant to special distribution	—	—	1,275	20,459
Distribution to unitholders	—	(47,929)	—	(64,902)
Exchange of Limited Partnership Units	5,743	7,878	386	3,905
Units repurchased	(765)	(4,520)	—	—
Balance, end of year	41,542	134,942	36,287	141,978
	49,665	191,556	49,986	208,705

Pursuant to a normal course issuer bid, the Fund repurchased 765,100 Fund Units for $4.5 million in 2008.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unit Option Plan

The Fund has a Unit Option Plan under which the Fund may grant up to 3,600,000 Unit options to directors, officers, employees and consultants. The maximum number of options is reduced by the number of Units allocated to the Restricted Unit Plan. The Unit options have a 10 year term and, with limited exceptions, vest proportionally over the first three anniversary dates following the grant.

The table below represents the status of the Fund's Unit Option Plan as at December 31, 2008 and 2007 and the changes therein for the years then ended:

	2008		2007	
	Number of Units *(000's)*	Weighted Average Exercise Price	Number of Units *(000's)*	Weighted Average Exercise Price
Option units, beginning of year	**779**	**$ 6.60**	1,228	$ 6.20
Cancelled	**—**	**—**	—	—
Exercised	**(97)**	**6.68**	(449)	5.50
Option units, end of year	**682**	**$ 6.58**	779	$ 6.60
Exercisable options, end of year	**682**	**$ 6.58**	589	$ 6.43

Exercise prices for outstanding options at December 31, 2008 have the following ranges: 87,375 from $4.15 - $5.87, 172,595 from $6.32 - $6.68 and 422,013 from $6.73 - $7.27. These issue prices represent the market value at the time of issue. The corresponding remaining contractual life for these options range from four to seven years.

The Fund accounts for its grants of options using the fair value based method of accounting for stock based compensation. The total cost to be reported is $0.4 million (2007 - $0.4 million). The compensation cost that has been included in marketing, general and administrative expenses is $0.2 million (2007 - $0.2 million).

Restricted Unit Plan

Effective January 1, 2006, the Fund adopted a Restricted Unit Plan to complement the Unit Option Plan. Under the Plan the Units granted in 2006 vest over a five year period and the Units issued in 2007 and 2008 vest over a three year period. The Units are subject to entity performance criteria.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The table below represents the status of the Fund's Restricted Unit Plan as at December 31, 2008 and the changes therein for the year then ended:

	2008		2007	
	Number of Units *(000's)*	Weighted Average Unit Price	Number of Units *(000's)*	Weighted Average Unit Price
Restricted Units, beginning of year	**294**	**$ 10.62**	131	$ 6.60
Granted	**152**	**15.89**	191	12.83
Issued	**(88)**	**10.97**	(26)	6.60
Cancelled	**(19)**	**13.93**	(2)	12.38
Restricted Units, end of year	**339**	**$ 12.70**	294	$ 10.62

The Fund accounts for its grants of restricted Units over the graded vesting schedule of each grant. Each grant of restricted Units is treated as if the grant were a series of awards rather than a single award. The fair value of the award is determined based on the different expected lives for the restricted Units that vest each year. The total cost to be reported for the restricted Units granted in 2008 is $2.4 million (2007 - $2.4 million). The compensation cost that has been included in marketing, general and administrative expenses for 2008 is $2.2 million (2007 - $1.8 million).

12. CAPITAL MANAGEMENT

The Fund's capital structure is comprised of Unitholder's capital plus long-term debt. The Fund's objectives when managing its capital structure are to:

1) maintain financial flexibility so as to preserve the Fund's access to capital markets and its ability to meet its financial obligations; and

2) finance internally generated growth as well as potential acquisitions.

The Fund monitors its capital structure and financing requirements using non-GAAP financial metrics consisting of Net Debt to Capitalization and Net Debt to Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"). The metrics are used to monitor and guide the Fund's overall debt position as a measure of the Fund's overall financial strength and flexibility of capital structure.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Fund targets a Net Debt to Capitalization ratio of below 50% and is calculated as follows:

	December 31 2008	December 31 2007
Bank indebtedness	**40,000**	22,250
Long-term debt, including current portion	**73,375**	18,353
Cash and cash equivalents	**(19,529)**	(6,296)
Net Debt	**93,846**	34,307
Unitholders' Capital	**191,556**	208,705
Capitalization	**285,402**	243,012
Net Debt to Capitalization	**33%**	14%

The Fund's Net Debt to Capitalization ratio increased to 33% from 14% at December 31, 2007 primarily due to funding of working capital, acquisitions and growth capital which has increased the Fund's long-term debt. This increase was part of the Fund's overall capital plan to continue to fund future growth.

The Fund targets a Net Debt to EBITDA of less than 2.0 times. At December 31, 2008, the Net Debt to EBITDA was 1.16 times (December 31, 2007 - 0.30 times) calculated on a trailing twelve-month basis as follows:

	December 31 2008	December 31 2007
Net Debt	**93,846**	34,307
Net earnings	**44,341**	80,737
Add		
Interest	**4,831**	1,676
Income tax (recovery) expense	**827**	8,002
Refinery accrual	**394**	2,677
Accretion	**113**	61
Loss on disposal of property, plant and equipment	**344**	275
Amortization	**30,359**	21,627
EBITDA	**81,209**	115,055
Net Debt to EBITDA	**1.16**	0.30

The Fund manages its capital structure and makes adjustments according to market conditions to maintain flexibility while achieving objectives stated above. To manage the capital structure, the Fund may adjust capital spending, adjust distributions paid to Unitholders, issue new Units, issue new debt or repay existing debt. The Fund takes into account the maximum equity growth limits as detailed below when managing and monitoring its capital structure.

The Fund's capital management objectives, evaluation measures, definitions and targets have remained unchanged over the period presented. The Fund is subject to certain financial covenants in its credit facility agreements and is in compliance with all financial covenants.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As a result of the Canadian trust legislation passed in June 2007 and effective January 1, 2011, the Fund is subject to certain capital growth restrictions referred to as "normal growth" equity rules. These rules limit the amount of Unitholders' capital that can be issued by the Fund in each of the next three years, based on the Fund's market capitalization on October 31, 2006, as follows:

	Annual	Cumulative
Normal growth capital allowed in:		
2009	68	272
2010	68	340

The Fund's allowed growth capital at December 31, 2008 was approximately $272 million (December 31, 2007 - $204 million). If the maximum equity growth allowed is exceeded, the Fund may be subject to trust taxation prior to 2011.

13. ACQUISITION OF NEUFELD PETROLEUM & PROPANE LTD. AND NEUFELD HOLDINGS LTD.

On January 24, 2007, the Fund acquired all of the outstanding shares of Neufeld Petroleum & Propane Ltd. and Neufeld Holdings Ltd. ("Neufeld Petroleum"). The transaction was accounted for using the purchase method with the allocation of the purchase price as follows:

	(000's)
Estimated fair value of net assets acquired:	
Capital assets	87,905
Working capital, net (excluding bank indebtedness)	24,750
Intangible asset — customer relationships	6,264
Intangible asset — tradenames	4,581
Intangible asset — non compete agreement	561
	124,061
Consideration:	
Cash paid to vendor	23,468
Class C Limited Partnership Units	47,620
Acquisition costs	1,982
Bank indebtedness assumed	2,138
Shareholder loans paid out	17,828
Management bonus paid out	4,331
Long-term debt assumed	26,694
	124,061

The effective date of the transaction was November 1, 2006. The interim period net earnings after tax to January 24, 2007 of $3 million have been credited to the purchase price.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. ACQUISITION OF JOY PROPANE LTD.

On April 24, 2007, the Fund acquired all of the outstanding shares of Joy Propane Ltd. The transaction was accounted for using the purchase method with the allocation of the purchase price as follows:

	(000's)
Estimated fair value of net assets acquired:	
Capital assets	9,717
Working capital, other	1,056
Cash	1,414
Goodwill	4,489
	16,676
Consideration:	
Cash paid to vendor	11,202
Acquisition costs	84
Class C Limited Partnership Units	5,390
	16,676

The effective date of the transaction was February 28, 2007. The interim period net earnings after tax to April 24, 2007 of $168,500 have been credited to the purchase price. There is no tax basis on the goodwill. Goodwill relates to the Fuel Marketing segment.

15. ACQUISITION OF UNITED PETROLEUM PRODUCTS INC.

On May 28, 2007, the Fund acquired all of the outstanding shares of United Petroleum Products Inc. The transaction was accounted for using the purchase method with the allocation of the purchase price as follows:

	(000's)
Estimated fair value of net assets acquired:	
Capital assets	2,538
Working capital, net	2,241
Intangible asset — customer relationships	5,000
Intangible asset — non compete agreement	200
Goodwill	7,105
	17,084
Consideration:	
Cash paid to vendor	10,383
Acquisition costs	41
Class C Limited Partnership Units	5,945
Bank debt assumed	715
	17,084

The effective date of the transaction was May 1, 2007. The interim period net earnings after tax to May 28, 2007 of $247,000 have been credited to the purchase price. There is no tax basis on the goodwill. Goodwill relates to the Fuel Marketing segment.

16. ACQUISITION OF ROBLYN BULK SALES LTD.

On December 3, 2007, the Fund acquired all of the outstanding shares of Roblyn Bulk Sales Ltd., a distributor of bulk fuels located in Edson, Alberta. The transaction was accounted for using the purchase method with the allocation of the purchase price as follows:

	(000's)
Estimated fair value of net assets acquired:	
Capital assets	1,645
Working capital	246
Intangible asset — customer relationships	385
Intangible asset — tradenames	385
Intangible asset — non compete agreement	385
	3,046
Consideration:	
Cash paid to vendor	2,491
Long term debt assumed	555
	3,046

17. ACQUISITION OF WIEBE TRANSPORT

On February 28, 2008, the Fund acquired all of the outstanding shares of 1374582 Alberta Ltd. ("Wiebe Transport"). The transaction was accounted for using the purchase method with the allocation of the purchase price as follows:

	(000's)
Estimated fair value of net assets acquired:	
Capital assets	10,480
Future income taxes	(1,261)
	9,219
Consideration:	
Cash paid to vendor	6,750
Class C Limited Partnership Units	2,320
Acquisition costs	149
	9,219

The effective date of the transaction was February 28, 2008.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. ACQUISITION OF NOCO ENERGY FUEL MARKETING BUSINESS

On May 29, 2008 the Fund acquired the fuel supply and marketing business of NOCO Energy Canada Inc. The transaction was accounted for using the purchase method with the allocation of the purchase price as follows:

	(000's)
Estimated fair value of net assets acquired:	
Intangible assets	6,800
Goodwill	1,906
Working capital	102
	8,808
Consideration:	
Cash paid to vendor	8,500
Acquisition costs	308
	8,808

The effective date of the transaction was May 29, 2008. Goodwill relates to the Fuel Marketing segment. The tax basis is equal to the accounting basis.

19. 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:

		2008		2007
		%		%
Provision for income taxes at statutory rates	**13,663**	**30.25**	28,876	32.54
Add (deduct) the tax effect of :				
Income earned in limited partnership	**(15,600)**	**(34.54)**	(29,228)	(32.94)
Effect of taxation of Trusts in 2011	**356**	**0.79**	7,717	8.69
Rate differential and other items	**2,408**	**5.33**	637	0.66
	827	**1.83**	8,002	8.95

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The future income tax assets and liabilities are comprised of:

	2008	2007
Future income tax assets		
Effect of LIFO to FIFO inventory adjustment	(337)	—
Capital assets tax values in excess of carrying values	332	2,805
Refinery remediation	1,527	1,428
	1,522	4,233
Future income tax liabilities		
Capital assets carrying value in excess of tax values	1,598	248
Effect of taxation of Trusts in 2011	7,608	7,252
Effect of LIFO to FIFO inventory adjustment	—	2,017
	9,206	9,517

20. 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

2009	2,584
2010	1,867
2011	1,531
2012	701
2013	537
Thereafter	2,008

The Fund has outstanding letters of credit totalling $31.6 million (2007 - $25.1 million) which mature at various dates to October 29, 2009. The Fund's credit facility provides for letters of credit to a maximum of $45.0 million.

The Fund also has purchase commitments under its fuel supply contracts that require the purchase of approximately 1.0 billion litres of fuel products at variable costs over the next year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Values

The fair value of cash and cash equivalents, accounts receivable, tax payable, distributions payable, bank indebtedness, deferred revenue and accounts payable and accrued liabilities are equal to their carrying values due to their short term maturities. The fair value of the extendible facility and operating line of credit equal their carrying values as their interest rates fluctuate with the prime lending rate. The carrying values and fair values of mortgages payable, bank loans, capital lease obligations and mortgages and loans receivable are as follows:

	2008		2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Mortgages payable	–	–	248	250
Bank loans	**167**	**169**	310	307
Capital lease obligations	**1,383**	**1,827**	3,768	4,197
Mortgages and loans receivable	**2,699**	**2,571**	1,119	1,170

Fair value of mortgages payable, bank loans, mortgages and loans receivable and capital lease obligations 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 $75,334 (2007 - $38,310), bear interest at rates ranging between nil and 10.75 percent (2007 - nil and 11 percent) and are secured by specific assets of the mortgage.

Credit and Market Risk

A substantial portion of the Fund's accounts receivable balance is with customers in the oil and gas and forestry industries and is subject to normal industry credit risks. In light of the current market conditions, the Fund's credit department has been expanded and policies strengthened to control the credit granting process. The Fund performs ongoing credit evaluations of its customers and outstanding debts are regularly monitored. At December 31, 2008, the provision for impairment of credit losses was $3.5 million.

The Fund is exposed to market risk from changes in the Canadian prime interest rate which can impact its borrowing costs. The Fund purchases certain products in US dollars and sells such products to its customers typically in Canadian dollars. As a result, fluctuations in the value of the Canadian dollar relative to the US dollar can result in foreign exchange gains and losses.

A 1.0 percent change to interest rates would have caused an increase or decrease to earnings by $0.7 million as at December 31, 2008.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Risk Management

The Fund manages its exposure to credit risk through rigorous credit granting procedures, typically short payment terms and security interests where applicable. The Fund attempts to closely monitor financial conditions of its customers and the industries in which they operate.

Liquidity Risk

Liquidity risk is the risk the Fund will encounter difficulties in meeting its financial liability obligations. The Fund manages its liquidity risk through cash and debt management. In managing liquidity risk, the Fund has access to various credit products at competitive rates. As at December 31, 2008, the Fund had available unused credit facilities in the amount of $12 million. The Fund believes it has sufficient funding through the use of these facilities to meet foreseeable borrowing requirements.

22. NET CHANGES IN NON-CASH WORKING CAPITAL

	2008	2007
Accounts receivable	(10,567)	(18,646)
Inventories	13,912	(7,926)
Prepaid expenses and other	3,605	(6,376)
Accounts payable	(11,806)	(55)
Income taxes payable	(2,029)	(1,871)
Deferred revenue	(579)	3,697
Total for operating activities	(7,464)	(31,177)
Operating line of credit	17,750	22,250
Distributions declared and payable	(16,790)	6,333
Total for financing activities	960	28,583
Other cash flow information		
Cash taxes paid	715	2,802
Cash interest paid	4,831	1,676

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

23. SEGMENTED INFORMATION

The Fund's operations have been predominantly in fuel marketing and convenience store sales in western Canada. With the acquisitions in 2007 and 2008, the Fund now sells propane, fertilizer, lubes, other agricultural inputs and industrial products and services. The Fund's operating segments have been adjusted to reflect these changes.

Fuel Marketing includes sales of gasoline, diesel, heating oil, propane fuel and variable rents derived from service station sites. Convenience Store Merchandise continues to include the operations of the Fund owned and operated convenience stores that are integrated into fuel marketing sites and bear common operating costs. Commercial includes sales of fertilizer, lubes, other agricultural inputs and industrial products and services.

Due to the amount of common operating and property costs it is not practical to report these segments below their respective gross profits. The segregation of capital expenditures and total assets is not practical as the reportable segments represent product sales that are generated from common locations.

	Fuel Marketing	Convenience Store Merchandise	Commercial	Total
Year ended December 31, 2008				
Net sales and operating revenue	**2,193,984**	**61,780**	**92,362**	**2,348,126**
Cost of sales	**2,022,406**	**45,556**	**58,783**	**2,126,745**
Gross profit	**171,578**	**16,224**	**33,579**	**221,381**
Year ended December 31, 2007				
Net sales and operating revenue	1,558,220	64,538	74,905	1,697,663
Cost of sales	1,370,257	48,154	46,744	1,465,155
Gross profit	187,963	16,384	28,161	232,508

24. RELATED PARTY TRANSACTIONS

The Fund receives legal services from Bennett Jones LLP where a director of the Fund is a partner. The fees paid during 2008 amounted to $0.5 million (2007 - $0.7 million).

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The exchange amounts represent normal commercial terms.

25. RECENT ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board ("AcSB") has adopted a strategy to apply IFRS to publicly accountable enterprises in the future. In May 2007, the AcSB published an updated version of its "Implementation Plan for Incorporating International Financial Reporting Standards into Canadian GAAP". This plan includes an outline of the key decisions that the AcSB will need to make as it implements the Strategic Plan for publicly accountable enterprises. One step in the implementation plan is for the AcSB to conduct a Progress Review to determine if the changeover date to IFRS for fiscal years beginning on or after January 1, 2011 continues to be appropriate. The AcSB has commenced these activities and published its initial plan "Progress Review - Steps to IFRS Incorporation into Canadian GAAP" in July 2007.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On February 13, 2008, the AcSB confirmed the transition date of January 1, 2011. The transition date of January 1, 2011, will require the Fund to restate for comparative purposes amounts reported for the year ended December 31, 2010. The Fund is still investigating the impact of the adoption of IFRS on its financial statements.

Goodwill and Intangible Asses

The CICA has issued the following new Handbook section which has not yet been implemented by the Fund:

Section 3064, *Goodwill and Intangible Assets*, is effective for periods beginning on or after October 1, 2008 and the Fund will implement it as of January 1, 2009. This section, which replaces Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs* establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The Fund has assessed that the impact of the adoption of this standard will not be significant.

26. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to comply with the presentation adopted in the current period.

SUPPLEMENTARY INFORMATION

Unaudited

	Three months ended December 31		Year ended December 31	
	2008	2007	**2008**	2007
Volume *(millions of litres)*				
Retail gas and diesel				
IOL retail branded distributorship	**136**	92	**449**	366
Company operated	**115**	108	**426**	418
Dealer operated buy/sell	**61**	47	**219**	196
Dealer operated commission	**27**	27	**107**	113
	339	274	**1,201**	1,093
Wholesale gas and diesel	**316**	223	**1,144**	823
Propane	**45**	44	**147**	114
Intersegment sales	**(36)**	(25)	**(139)**	(67)
Total fuel volume	**664**	516	**2,353**	1,963
Net sales and operating revenue *(thousands of Canadian dollars)*				
Retail gas and diesel				
IOL retail branded distributorship	**96,481**	74,306	**420,525**	295,669
Company operated	**94,711**	90,795	**421,994**	353,172
Dealer operated buy/sell	**44,626**	37,779	**206,344**	156,993
Dealer operated commission	**23,119**	22,906	**107,566**	95,702
	258,937	225,786	**1,156,429**	901,536
Wholesale gas and diesel	**243,167**	182,133	**1,095,387**	647,287
Propane	**20,878**	28,397	**79,730**	62,973
Fuel sales	**522,982**	436,315	**2,331,546**	1,611,795
Convenience store merchandise sales	**14,959**	15,617	**61,780**	64,538
Commercial sales	**23,486**	26,349	**92,362**	74,905
Total gross sales and operating revenue	**561,427**	478,281	**2,485,688**	1,751,238
Intersegment sales	**(36,896)**	(22,147)	**(137,562)**	(53,575)
Total net sales and operating revenue	**524,531**	456,134	**2,348,126**	1,697,663
Gross profit *(2007 restated - see Note 1 of Consolidated Financial Statements)*	**65,368**	61,841	**221,381**	232,508
Less:				
Convenience store merchandise gross profit	**3,793**	3,802	**16,224**	16,384
Gross profit on commercial sales	**8,401**	8,398	**33,579**	28,161
Other revenue included in gross profit	**11,280**	2,297	**19,975**	9,429
Fuel gross profit	**41,894**	47,344	**151,603**	178,534
Cents per litre	**0.0631**	0.0918	**0.0644**	0.0909

SUPPLEMENTARY INFORMATION

	Three months ended December 31		*Year ended December 31*	
	2008	2007	**2008**	2007
Fuel gross profit				
Retail gas and diesel				
IOL retail branded distributorship	**4,593**	5,140	**16,566**	14,099
Company operated	**17,460**	11,049	**50,202**	42,017
Dealer operated buy/sell	**2,956**	2,965	**9,336**	8,483
Dealer operated commission	**3,926**	2,568	**11,395**	11,099
	28,935	21,722	**87,499**	75,698
Commercial fuel *(Note 1)*	**12,959**	25,622	**64,104**	102,836
Total fuel gross profit	**41,894**	47,344	**151,603**	178,534
Station counts				
Parkland operated and commission operated locations				
Fas Gas Plus			**95**	92
Fas Gas			**28**	36
Esso			**12**	11
Race Trac			**3**	2
			138	141
Independent dealer operated				
Esso			**253**	179
Race Trac Fuels			**159**	153
Fas Gas Plus			**31**	26
Fas Gas			**32**	32
Sunoco			**17**	—
			492	390
Total stations			**630**	531

(Note 1) Commercial fuel gross profit includes the gross profit from sales to commercial customers, Parkland's share of refiners' margins and any FIFO inventory valuation adjustment.

CORPORATE INFORMATION

HEAD OFFICE

Suite 236, Riverside Office Plaza
4919 - 59th Street
Red Deer, Alberta
T4N 6C9
Tel: (403) 357-6400
Fax: (403) 352-0042
Email: corpinfo@parkland.ca
Website: www.parkland.ca

ANNUAL GENERAL MEETING

Tuesday, April 28, 2009
2:00 p.m. at the Red Deer Lodge
Hotel & Convention Centre
4311 - 49th Avenue
Red Deer, Alberta

BANKER

HSBC Bank Canada
108, 4909 - 49th Street
Red Deer, Alberta
T4N 1V1

AUDITORS

PricewaterhouseCoopers LLP
3100, 111 - 5th Avenue SW
Calgary, Alberta
T2P 5L3

LEGAL COUNSEL

Bennett Jones LLP
4500, Bankers Hall East
855 - 2nd Avenue SW
Calgary, Alberta
T2P 4K7

STOCK EXCHANGE LISTING

Toronto Stock Exchange
Trading Symbol: PKI.UN

REGISTRAR AND TRANSFER AGENT

Valiant Trust Company
310, 606 - 4th Street SW
Calgary, Alberta
T2P 1T1

DIRECTORS

John F. Bechtold
Robert G. Brawn
Michael W. Chorlton
Jim Dinning
Alain Ferland
Kris Matthews
Jim Pantelidis
Ron Rogers
David A. Spencer

OFFICERS

Michael W. Chorlton
President and CEO

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

Chris R. Podolsky
Corporate Controller

Shaun M. Peesker
Treasurer

WHOLLY OWNED SUBSIDIARIES

986408 Alberta Ltd.
986413 Alberta Ltd.
Neufeld Petroleum and Propane Ltd.
Parkland Holdings Limited Partnership
Parkland Industries Limited Partnership
Parkland Industries Ltd.
Parkland Investment Trust
Parkland Refining Ltd.

Designed and produced by Hill & Knowlton Result. Printed in Canada.

PARKLAND INCOME FUND
Suite 236, Riverside Office Plaza
4919 - 59th Street
Red Deer, Alberta T4N 6C9

www.parkland.ca